Press Release, 20 November 2014

Interim Report, January – September 2014

For further information, please contact:
Rein Piir, EVP Corporate Affairs & IR, +46 (0) 708 537292
Niklas Prager, President & CEO, +46 (0) 8 407 64 30

Conference call for investors, analysts and the media
The Interim Report for the third quarter of 2014 will be presented by Medivir's President & CEO, Niklas Prager, and members of the management group.
Time: Thursday, 20 November 2014 at 14.00 (CET).

Phone numbers for participants from:
Sweden +46 (0)8 519 990 30
Europe +44 (0)20 766 020 77
USA +1 877 788 9023

The conference call will also be streamed via a link on the website: www.medivir.com.

Financial calendar:
Extraordinary General Meeting: 20 November 2014.
The Financial Statement for January-December will be published on 27 February 2015.
The Annual General Meeting will be held on 5 May 2015.

Interim Report, January – September 2014

Financial summary for the third quarter*

July to September 2014 (2013)

- Net turnover totalled SEK 617.8 million (SEK 80.2 m), SEK 516.4 million (SEK 0 m) of which comprised royalties for simeprevir.
- Revenues from Medivir's own pharmaceutical sales totalled SEK 100.8 million (SEK 36.6 m), SEK 61.6 million (SEK 0 m) of which derived from sales of Olysio® and SEK 39.2 million (SEK 36.6 m) from sales of other pharmaceuticals.
- The profit/loss after tax was SEK 373.7 million (SEK -11.0 m).
- Basic earnings per share totalled SEK 11.95 (SEK -0.35).
- Diluted earnings per share totalled SEK 11.83 (SEK -0.35).
- The cash flow from operating activities amounted to SEK 473.0 million (SEK -5.2 m).

January to September 2014 (2013)

- Net turnover totalled SEK 1,390.0 million (SEK 299.0 m), SEK 1,178.7 million (SEK 0 m) of which comprised royalties for simeprevir.
- Revenues from Medivir's own pharmaceutical sales totalled SEK 210.2 million (SEK 128.5 m), SEK 83.3 million (SEK 0 m) of which derived from sales of Olysio® and SEK 126.9 million (SEK 128.5 m) from sales of other pharmaceuticals.
- The profit/loss after tax was SEK 985.4 million (SEK -40.5 m).
- Basic earnings per share totalled SEK 31.52 (SEK -1.30).
- Diluted earnings per share totalled SEK 31.21 (SEK -1.30).
- The cash flow from operating activities amounted to SEK 504.0 million (SEK -32.5 m).
- Liquid assets and short-term investments at the period end totalled SEK 896.4 million (SEK 337.7 m).

Significant operational events

During Q3 2014

- Continued strong market uptake and sales for Olysio®.
- The FDA granted a Priority Review of the supplemental New Drug Application (sNDA) for treatment with Olysio® in combination with sofosbuvir.
- Medivir in-licensed an RS virus drug programme from Boehringer Ingelheim.
- Niklas Prager was appointed President & CEO of Medivir, effective as of 1 September.

After the end of Q3

- Medivir organised a Capital Markets Meeting on 16 October 2014, to provide updates on the company's status and strategy, along with details of the upcoming voluntary share redemption programme for a total of ca. SEK 625 million.
- Medivir presented data from the cathepsin S inhibitor programme, including MIV-247, for the treatment of neuropathic pain at the 15th World Congress on Pain.
- The launch of the phase II study, IMPACT, for the evaluation of simeprevir in combination with sofosbuvir and daclatasvir was announced.
- Medivir entered into an agreement with Swedish county councils regarding risk sharing in connection with the treatment of hepatitis C using Olysio®. The agreement offers the county councils and Medivir an increased degree of predictability with regard to treatment costs and the use of Olysio®.
- The U.S. Food and Drug Administration (FDA) has approved Olysio® (simeprevir) in combination with sofosbuvir as an all-oral, interferon- and ribavirin-free treatment option after review of the supplemental New Drug Application (sNDA).
- Medivir convened an Extraordinary General Meeting for 20 November 2014 at 10.00 (CET) in Stockholm.
- Medivir's Nomination Committee for the 2015 Annual General Meeting has been appointed.

** All figures refer to the Group, unless otherwise stated. Comparisons in the Interim Report are, unless otherwise stated, with the corresponding period in 2013. Cross Pharma was divested from the Group on 30 June 2013.*

The CEO's statement

Positive quarter with the emphasis on building value across the company

I took over as President & CEO of Medivir on 1 September and it is very stimulating to take up this role in a company that is going through such an exciting developmental phase. The third quarter has seen us focusing strongly on the ongoing launch of our two new specialist pharmaceuticals, Olysio and Adasuve, in the Nordic market. Our research portfolio has also strengthened during the quarter with the in-licensing of an RSVdrug programme from Boehringer Ingelheim. This in-licensing further strengthens our position in the infectious disease area. We are also delighted by the growing revenue streams during the quarter being generated both by our own pharmaceutical sales and by the royalties we receive, even though Olysio can be expected to encounter increasingly tough competition in the international hepatitis C market.

The market launch of Olysio (simeprevir) has been a success and the positive responses to Olysio received are clear confirmation of Medivir's successful research and its innovative technology platform for the development of protease inhibitors. The successful launch is also proof of the extraordinary innovativeness within our organisation and of our ability to progress development in collaboration with our partners, all the way from preclinical research to a finished pharmaceutical product. The fact that we have successfully launched two new products in the Nordic market during the year - Olysio and Adasuve - shows that Medivir has a strong market organisation with the ability to launch innovative products in complex markets with varying regulatory requirements and differentiated health care systems.

In October, we presented an update on the company's strategy. Medivir will continue to be a Nordic, research-based company that exploits our market-leading expertise in the design of protease inhibitors and nucleotide/nucleoside research, with an emphasis on infectious diseases and oncology. We will also continue to build on our commercial operations through the in-licensing of specialist pharmaceuticals for the Nordic market.

We have decided together with the Board of Directors and in the wake of a review of the company's capital structure that the scope exists both for investments in the updated strategy and for a transfer of capital to our shareholders. The transfer will take place in two phases: the first is a voluntary share redemption programme for a total of SEK 625 million (SEK 20/share) after an Extraordinary General Meeting held on 20 November, while the second will be a request for a mandate to buy back shares that will be submitted at the Annual General Meeting in May 2015. The capital structure will be reviewed on a rolling basis.

The third quarter saw a number of positive and important events in the hepatitis C area. The U.S. Food and Drug Administration (FDA) granted a Priority Review of the supplemental New Drug Application (sNDA) that refers to combination treatment with simeprevir and sofosbuvir. In November, the FDA announced that they had approved this interferon- and ribavirin-free combination treatment. The FDA's Priority Review demonstrates the importance of interferon-free treatment alternatives for the large group of difficult-to-cure patients with hepatitis C. Our partner, Janssen, continues to demonstrate their intense commitment to continuing the development of new and improved treatment options for patients with hepatitis C, as was clearly demonstrated in the phase II IMPACT study announced in October. This is the first phase II study to investigate a combination of simeprevir, sofosbuvir and daclatasvir.

We have also taken a number of important developmental steps forward with regard to our cathepsin inhibitor projects. Preclinical data from the cathepsin S inhibitor project were recently presented at a major scientific conference. The data suggest that MIV-247, which is our chosen candidate drug for continued development for the treatment of neuropathic pain, has the potential for use both as a first line use drug in conjunction with monotherapy and as an add-on to current treatments. Preparations are underway, as part of our osteoarthritis project, for the launch of a clinical phase IIa proof of concept study with MIV-711. The launch of any such study requires an expanded preclinical safety programme, and one such has recently been initiated. If everything goes well with this programme, a phase IIa study can be started in late 2015.

We can now put an eventful and intensive quarter to rest and look to the future – a future which, in the short term, will entail a strong focus on implementing our strategy and continuing to build value across the company.

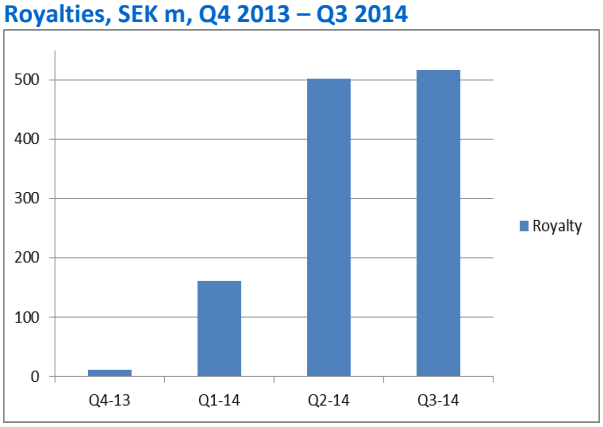
Niklas Prager
President & CEO

*Economic overview for the third quarter**

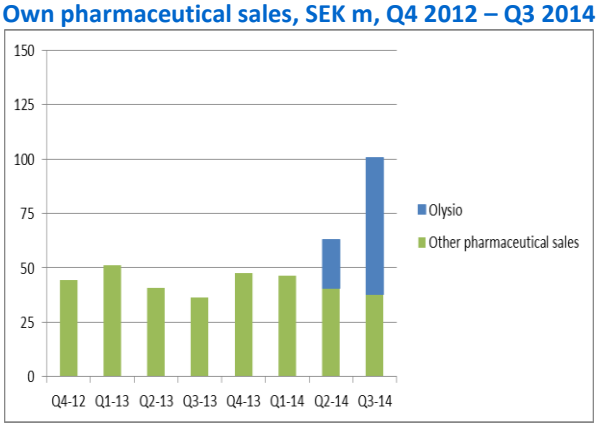
Net turnover

Net turnover for the third quarter totalled SEK 617.8 million (SEK 80.2 m), corresponding to an increase of SEK 537.6 million. Royalty income totalled SEK 517.0 million (SEK 0.0 m), with SEK 516.4 million derived from simeprevir and SEK 0.5 million from Xerclear. Janssen's global net sales of simeprevir amounted to USD 795 million, USD 671 million of which derived from sales in the USA. Revenues from Medivir's own pharmaceutical sales in the Nordic region totalled SEK 100.8 million, SEK 61.6 million of which derived from sales of Olysio and SEK 39.2 million from sales of other pharmaceuticals. Sales of other pharmaceuticals increased by SEK 2.6 million, primarily due to an increase in Mollipect unit sales as a result of the early onset of the common cold and influenza season.

Royalties, SEK m, Q4 2013 – Q3 2014



Own pharmaceutical sales, SEK m, Q4 2012 – Q3 2014



Operating profit/loss

The operating profit/loss for the third quarter totalled SEK 477.3 million (SEK -10.1 m), corresponding to an increase of SEK 487.4 million. Combined operating expenses totalled SEK -90.3 million (SEK -74.2 m), corresponding to an increase of SEK 16.1 million. Selling expenses increased by SEK 6.7 million due, primarily to the Nordic market launch of Olysio and Adasuve. Administrative expenses were on a par with those for the previous period. Research and development costs increased by SEK 6.6 million, primarily, as a result of the higher costs entailed by the internal HCV nucleotide project and higher non-recurrent staff overheads. Other operating income/expenses fell by SEK 3.3 million in response, primarily, to the operations' currency effects.

Cash flow and financial position

Cash flow from operating activities amounted to SEK 473.0 million (SEK -5.2 m), corresponding to an increase of SEK 478.2 million. The positive cash flow refers, primarily, to incoming royalties for the previous quarter. Liquid assets and short-term investments totalled SEK 896.4 million (SEK 337.7 m) at the end of the third quarter.

Summary of the Group's figures (SEK m)	Q3		Q1-Q3		Full year
	2014	2013	2014	2013	2013
Net turnover	617.8	80.2	1 390.0	299.0	446.1
Gross profit	567.6	64.1	1 268.5	247.9	374.3
Operating profit before depreciation and amortisation (EBITDA)	485.7	0.8	1 006.9	44.4	76.4
Operating profit (EBIT)	477.3	-10.1	982.2	4.6	25.2
Profit/loss before tax	479.6	-9.6	988.3	4.9	27.7
Profit/loss after tax	373.7	-10.7	985.4	-3.3	16.0
Operating margin, %	77.3	-12.5	70.7	1.5	5.6
Basic earnings per share, SEK	11.95	-0.34	31.52	-0.11	0.51
Diluted earnings per share, SEK	11.83	-0.34	31.21	-0.11	0.51
Net worth per share, SEK	58.8	26.7	58.8	26.70	27.3
Return on equity	29.0	-1.1	73.4	0.58	3.2
Cash flow from operating activities	473.0	-5.2	504.0	-32.5	43.0
Liquid assets and short-term investments at the period end	896.4	337.7	896.4	337.7	402.2

** All figures refer to the Group, unless otherwise stated. Comparisons in the Interim Report are, unless otherwise stated, with the corresponding period in 2013. Cross Pharma was divested from the Group on 30 June 2013.*

Operational overview

Medivir is a Nordic research-based pharmaceutical company that focuses on infectious diseases and oncology. Medivir build value through its operational base in Research & Development, Royalties and Milestones, and its Nordic pharmaceutical sales.

We have world-leading expertise in the design of protease inhibitors and nucleotide/nucleoside research and are dedicated to the development of innovative pharmaceuticals that meet substantial medical needs. Our commercial organisation supplies the Nordic market with a portfolio of specialist pharmaceuticals.

Research and Development (R&D)

Medivir's pharmaceutical product research and development portfolio is based on the company's expertise in the design of protease inhibitors and nucleotide and nucleoside research. The focus is now both on infectious diseases and oncology, and on the ongoing clinical projects in the areas of osteoarthritis and neuropathic pain.

Simeprevir (Olysio®)

Simeprevir is an NS3/4A protease inhibitor jointly developed by Janssen R&D Ireland and Medivir AB and indicated for the treatment of chronic hepatitis C infection as a component of a combination antiviral treatment regimen. Simeprevir efficacy has been established in HCV genotype 1 and HCV genotype 4 infected patients with compensated liver disease, including cirrhosis. Janssen is responsible for the global clinical development of simeprevir and has exclusive, worldwide marketing rights, except in the Nordic countries. Medivir AB retains marketing rights for simeprevir in these countries.

Status/significant events:

A broad clinical development programme is currently in progress, studying simeprevir in various interferon-free combinations with other DAAs (direct-acting antiviral agents) in order to evaluate which combination is most optimal in different patient populations.

The results of the phase II COSMOS study were published in The Lancet on World Hepatitis Day, 28 July. The results demonstrated that 92 per cent of genotype 1 chronic hepatitis C virus adult patients treated with simeprevir in combination with sofosbuvir achieved sustained virologic response 12 weeks after the end of treatment (SVR12). The study included patients with compensated cirrhosis and patients with prior null response to treatment with pegylated interferon and ribavirin. In the spring, on the basis of the findings of the COSMOS study, our partner, Janssen, submitted a supplemental New Drug Application (sNDA) to the U.S. Food and Drug Administration (FDA) with regard to this type of combination treatment. In July, the FDA granted a Priority Review of the application, and in November, the FDA announced that it has approved the combination treatment with simeprevir and sofosbuvir as an interferon- and ribavirin-free treatment.

In October, Janssen initiated a study designed to study the efficacy and safety of an interferon-free treatment evaluating simeprevir in combination with the nucleotide inhibitor, sofosbuvir, and the NS5A replication complex inhibitor, daclatasvir (Bristol-Myers Squibbs). The study will enrol patients with decompensated liver cirrhosis, i.e. with extremely advanced liver disease.

MIV-711

MIV-711 is a cathepsin K inhibitor in clinical development for the treatment of osteoarthritis. Cathepsin K is a protease involved in the body's normal bone turnover and can break down the collagen in bones and cartilage. A cathepsin K inhibitor is expected to reduce joint destruction in osteoarthritis and thus have the potential to arrest the progress of the disease and reduce pain. This hypothesis was supported in preclinical osteoarthritis models in which treatment with MIV-711 had a protective effect on the affected joint. The results of a clinical phase I programme in healthy volunteers demonstrated that MIV-711 was safe and well tolerated at exposures that effectively reduced the resorption of bone and degradation of cartilage in preclinical disease models. In a group with post-menopausal women MIV-711 also reduced the biomarkers for bone resorption and cartilage degradation by up to 98 per cent and 62 per cent, respectively, compared with placebo.

Status/significant events:

MIV-711 is currently undergoing an expanded preclinical safety programme in order to enable the launch of phase II studies of osteoarthritis patients with longer term treatment.

MIV-247

MIV-247 is a cathepsin S inhibitor that is currently in preclinical development for the oral treatment of neuropathic pain. Neuropathic pain can occur in conjunction with injuries to or diseases of parts of the nervous system in conjunction with conditions such as diabetes, herpes zoster, cancer and different types of chronic low back pain. Cathepsin S is up-regulated and released in conjunction with nerve damage, which leads to inflammatory reactions in the nervous system, resulting in pain. Inhibiting cathepsin S has resulted in a reduction in pain-related behaviour in preclinical models of neuropathic pain.

Status/significant events:

Preclinical safety studies are currently in progress in order to prepare for the first studies in humans. Preclinical data from Medivir's cathepsin S inhibitor programme were presented in October. The data support the development of a potential oral cathepsin S inhibitor, such as MIV-247, for the treatment of neuropathic pain with the potential for:

- Use as a first line use drug in conjunction with monotherapy – inhibition of cathepsin S yielded a rapid and long-lasting effect in models.
- Use as an add-on to current treatments – a significantly improved effect was apparent when a cathepsin S inhibitor was administered in combination with gabapentin, in comparison with that achieved when the substances were administered separately.
- A low risk of side effects. No CNS-related side effects were detectable in conjunction with administration of the maximum effective dose.

Nucleotide-based HCV NS5B polymerase inhibitor

The aim of the project is to develop an oral nucleotide-based inhibitor of the hepatitis C virus' NS5B polymerase. Hepatitis C treatment in the future is expected to comprise a combination of several pharmaceuticals with different mechanisms. Nucleotides are regarded as the most important component of any such combination, based on their potent and broad spectrum antiviral effect on all HCV genotypes and high barriers to resistance development.

Status/significant events:

Uridine-based nucleotides with a potent antiviral effect against all HCV genotypes and with promising pharmacokinetic properties have been identified by the Medivir project. Additional preclinical profiling of these substances is ongoing.

RSV fusion protein inhibitor

The aim of the project is to develop an oral inhibitor of the RSV fusion protein. Respiratory syncytial virus (RSV) can cause life-threatening pulmonary and respiratory tract infections, particularly in children, the elderly, and the

immunocompromised. The RSV fusion protein is a mediator of viral entry into host cells and an important target for new medicines. Medivir has concluded an in-licensing agreement for the RSV programme with Boehringer Ingelheim. The agreement offers exclusive, global rights to a drug programme for treatment and prevention of RSV infections.

Status/significant events:

The programme licensed from Boehringer Ingelheim included new potential pharmaceutical substances that inhibit the RSV fusion protein. These substances will now be further optimised in order to identify a substance with the optimum profile for further development.

Royalties and Milestones

Medivir receives milestone payments and royalty income for projects and products for which our research and development operations conclude partnership agreements. Today, we have developed two pharmaceutical products all the way down the long line from concept to the market launch of a finished pharmaceutical product, namely simeprevir (Olysio®) for the treatment of hepatitis C and Xerclear (Zoviduo) for the treatment of labial herpes. Janssen Pharmaceuticals is Medivir's global partner for the development and for the sale and marketing of simeprevir outside the Nordic region. GlaxoSmithKline (GSK) is our partner for the sale and marketing of Xerclear in Europe and the rest of the world, with the exception of the USA, South America, South Korea, Israel and China.

Status/significant events:

- Global net sales of simeprevir in the third quarter totalled USD 795 million, USD 671 million of which derived from sales in the USA.
- Medivir's royalties totalled SEK 516.5 million, based on Janssen's third quarter global sales of simeprevir (Olysio®).
- Medivir's royalties totalled SEK 0.5 million, based on GSK's third quarter global sales of Xerclear (Zoviduo).

Nordic pharmaceutical sales (Innovative Specialty Care and Nordic Brands)

Our Innovative Specialty Care pharmaceuticals portfolio comprises in-house developed pharmaceuticals for which we have retained the Nordic rights, and those that we have in-licensed and which we sell and market in the Nordic region. Innovative Specialty Care currently comprises two drugs, namely Olysio and Adasuve. Olysio is used in the treatment of chronic hepatitis C infection as part of an antiviral combination therapy. Adasuve is an inhalable treatment for agitation in patients with schizophrenia and bipolar disorder. Our ambition is to expand this portfolio through both our own research and development and through recurrent in-licensing of innovative specialist pharmaceuticals for the Nordic market.

Our Nordic Brands pharmaceuticals portfolio comprises 14 well-known pharmaceutical products with a long prescription tradition in the Nordic region. The pharmaceutical portfolio enjoys stable sales without active marketing activities and displays healthy profitability. The cough medicine, Mollipect, and the analgesic, Citodon, are amongst the strongest brands, but the portfolio also includes Digoxin BioPhausia, Egazil, Laxabon, Lithionit, Morfin Special, Nitroglycerin BioPhausia, Paraflex, Probecid, Solvezink, Suscard, Teovent and Theo-Dur.

Status/significant events:

- The market introduction of Olysio has continued to be successful and physicians in all of the Nordic countries have begun prescribing Olysio, primarily as an interferon- and ribavirin-free treatment in combination with sofosbuvir. This is now also supported by new national treatment guidelines in Norway, Sweden, Finland and Denmark.
- Revenues from our Nordic sales of Olysio in the third quarter totalled SEK 61.6 million.
- Olysio is now covered by the Swedish Schedule of Pharmaceutical Benefits.
- Medivir has entered into agreements with Swedish county councils regarding treatment with Olysio.
- Nordic Brands generated stable quarterly sales of SEK 39.1 million, corresponding to a year-on- year increase of SEK 2.5 million. The increase is primarily due to a rise in Mollipect unit sales as a result of the early onset of the influenza and common cold season.

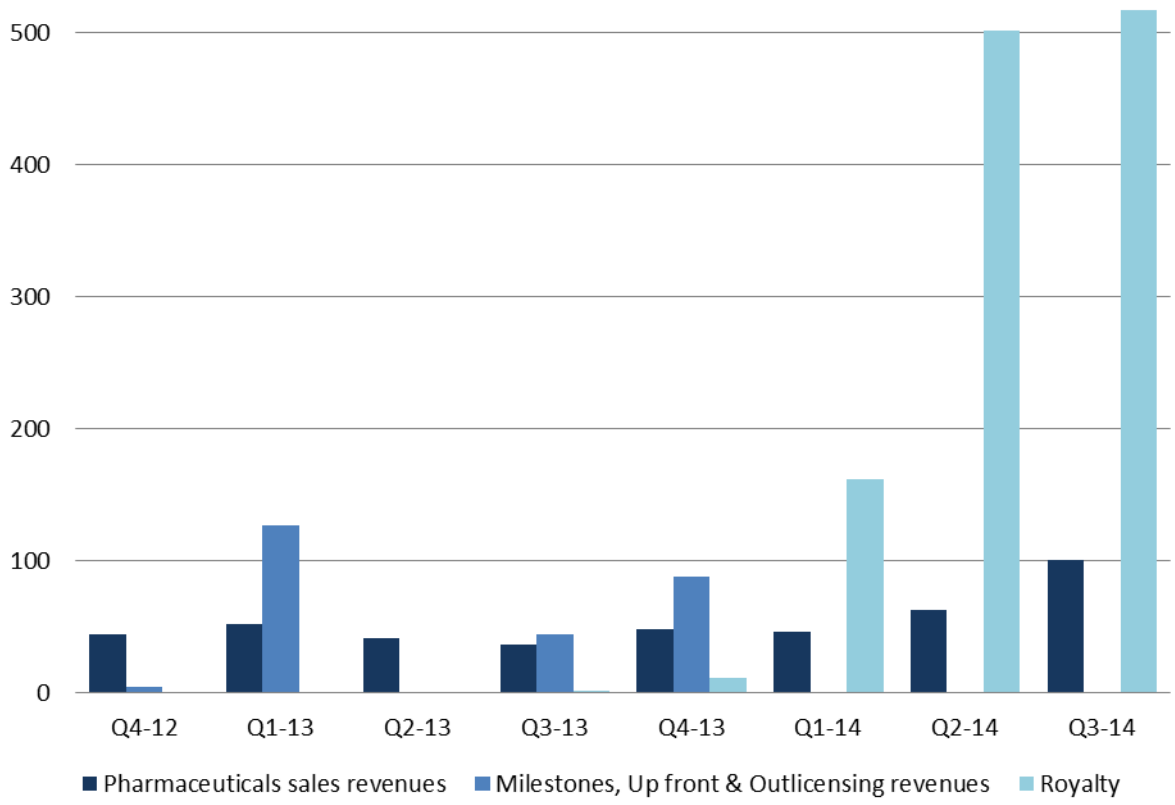
*Consolidated results and financial position**

Revenues and results, July – September 2014

Net turnover totalled SEK 617.8 million (SEK 80.2 m), corresponding to an increase of SEK 537.6 million. Royalty income totalled SEK 517.0 million (SEK 0.0 m), with royalties from Janssen's global sales of simeprevir amounting to SEK 516.5 million (SEK 0.0 m). Revenues from Medivir's own pharmaceutical sales in the Nordic region totalled SEK 100.8 million, SEK 61.6 million of which derived from sales of Olysio and SEK 39.2 million from sales of other pharmaceuticals. Sales of other pharmaceuticals increased by SEK 2.6 million due to an increase in Mollipect unit sales as a result of the early onset of the influenza and common cold season.

Breakdown of net turnover (SEK m)	Q3		Q1-Q3		Full year
	2014	2013	2014	2013	2013
Outlicensing and partnership agreements					
Non-recurrent payments	-	43.6	-	170.5	258.5
Pharmaceutical sales	100.8	36.6	210.2	128.5	176.1
Royalties	517.0	-	1 179.8	-	11.5
Total	**617.8**	**80.2**	**1 390.0**	**299.0**	**446.1**

Net turnover Q4, 2012 – Q3, 2014



The cost of goods sold was SEK -50.2 million (SEK -16.1 m), corresponding to an increase of SEK 34.1 million and due, primarily, to the period's royalty costs for simeprevir. The gross profit amounted to SEK 567.6 million (SEK 64.1 m), corresponding to an increase of SEK 503.5 million and equating to a gross margin of 92% (80%).

**All figures refer to the Group, unless otherwise stated. Comparisons in the Interim Report are, unless otherwise stated, with the corresponding period in 2013. Cross Pharma was divested from the Group on 30 June 2013 and is subsequently reported under divested operations.*

Selling expenses increased by SEK 6.7 million, primarily due to the Nordic market launch of Olysio and Adasuve. Administrative expenses decreased by SEK 0.6 million and were consequently on a par with those in the preceding period. Research and development costs increased by SEK 6.6 million, primarily as a result of higher costs for the internal HCV nucleotide project and higher non-recurrent staff overheads. Other operating income/expenses fell by SEK 3.3 million, largely as a result of the operations' exchange rate effects. Overall, operating expenses totalled SEK -90.3 million (SEK -74.2 million), corresponding to an increase of SEK 16.1 million.

The operating profit/loss totalled SEK 477.3 million (SEK -10.1 m), corresponding to an increase of SEK 487.4 million.

Net financial items totalled SEK 2.3 million (SEK 0.5 m), corresponding to an increase of SEK 1.8 million.

The estimated tax cost for the period amounted to SEK -105.9 million (SEK -1.1 m) and primarily comprised a reduction in the deferred tax receivable.

The net profit/loss for the period was SEK 373.7 million (SEK -10.7 m), corresponding to an increase of SEK 384.4 million.

Basic and diluted earnings per share amounted to SEK 11.95 (SEK 0.34) and SEK 11.83 (SEK -0.34), respectively.

Revenues and results, January – September 2014

Net turnover totalled SEK 1,390.0 million (SEK 299.0 m), corresponding to an increase of SEK 1,091.0 million. Royalty income totalled SEK 1,179.8 million (SEK 0.0 m), with royalties from Janssen's global sales of simeprevir amounting to SEK 1,178.7 million (SEK 0.0 m). Revenues from Medivir's own pharmaceutical sales in the Nordic region totalled SEK 210.2 million, SEK 83.3 million of which derived from sales of Olysio and SEK 126.9 million from sales of other pharmaceuticals. Sales of other pharmaceuticals fell by SEK 1.6 million, primarily due to a fall in Mollipect unit sales resulting from a weak influenza and common cold season at the beginning of the period.

Non-recurrent payments from out-licensing and partnership agreements totalled SEK 170.5 million during the corresponding period last year and referred to the registration application for simeprevir in Japan (EUR 10 million) and the USA (EUR 10 million).

The cost of goods sold was SEK -121.5 million (SEK -51.1 m), corresponding to an increase of SEK 70.4 million due, primarily, to the period's royalty costs for simeprevir. The gross profit amounted to SEK 1,268.5 million (SEK 247.9 m), corresponding to an increase of SEK 1,020.6 million and equating to a gross margin of 91% (83%).

Selling expenses increased by SEK 25.6 million, primarily due to the Nordic market launch of Olysio and Adasuve. Administrative expenses increased by SEK 4.6 million due, primarily, to higher non-recurrent staff overheads. Research and development costs increased by SEK 11.1 million, primarily as a result of higher costs for the internal HCV nucleotide project. Other operating income/expenses fell by SEK 1.7 million. Overall, operating expenses totalled SEK -286.3 million (SEK -243.3 m), corresponding to an increase of SEK 43.0 million.

The operating profit/loss totalled SEK 982.2 million (SEK 4.6 m), corresponding to an increase of SEK 977.6 million.

Net financial items totalled SEK 6.1 million (SEK 0.3 m), corresponding to an increase of SEK 5.8 million.

The estimated tax cost for the period totalled SEK -2.9 million (SEK -8.2 m). The estimated tax for the consolidated profit/loss through a reduction in the deferred tax receivable totalled SEK -216.1 million. A renewed assessment of the accumulated fiscal loss carry forward also entailed a reported tax income of SEK 213.2 million, corresponding to a capitalisation of the entire loss carry forward related to the company as of 31 December 2013.

The profit/loss for the period was SEK 985.4 million (SEK -3.3 m), corresponding to an increase of SEK 988.7 million. Basic and diluted earnings per share amounted to SEK 31.52 (SEK -0.11) and SEK 31.21 (SEK -0.11), respectively.

Discontinued operations, Parallel Imports segment

The Parallel Imports segment was divested on 30 June 2013 and the segment has consequently reported no net turnover or profit for the period. Organisationally, parallel imports had been a discrete segment prior to the sale. For details of the divestment, see the 2013 Annual Report.

Parallel Imports Segment	Q1		Q1-Q3		Full year
	2014	2013	2014	2013	2013
Net turnover	-	0.0	-	213.0	213.0
EBITDA	-	0.0	-	8.2	8.2
EBITDA %	-	0.0	-	3.8	3.8

Cash flow and financial position, January – September 2014

Liquid assets, including short-term investments with a maximum term of three months, amounted to SEK 402.2 million (SEK 296.7 m) at the beginning of 2014, and to SEK 896.4 million (SEK 337.7 m) at the end of the period, corresponding to a change of SEK 558.7 million (SEK 41 m). Pledged assets at the end of the period totalled SEK 54.3 million (SEK 54.3 m). Medivir's financial assets are, in accordance with its financial policy, invested in low-risk, interest-bearing securities.

Cash flow from operating activities totalled SEK 504.0 million (SEK -32.5 m), with changes in working capital accounting for SEK -18.4 million (SEK -75.8 m).

Cash flow from investing activities totalled SEK -9.9 million (SEK 114.3 m). Investments in research and office equipment and IT systems totalled SEK -14.9 million (SEK -0.6 m), and a tranche of the purchase price from the sale of Cross Pharma totalled SEK 5.0 million. The figure for the corresponding period last year primarily comprised the sale of Cross Pharma.

Cash flow from financing activities totalled SEK 0.0 million (SEK -40.8 m).

Investments, depreciation and amortisation, January – September 2014

Investments in tangible fixed assets during the period amounted to SEK 3.7 million (SEK 0.8 m) and comprised research and office equipment. Investments in intangible fixed assets during the period amounted to SEK 8.6 million (SEK 0.0 m), SEK 6.9 million of which comprised the in-licensing of the RSV research project and capitalised development expenses for IT systems. Depreciation of tangible fixed assets totalling SEK -7.5 million (SEK -7.8 m) were charged to the profit/loss for the period. Write-downs of intangible fixed assets of SEK -16.6 million (SEK -17.6 m) were charged to the profit/loss for the period.

Employees

Medivir had 137 (112) employees at the period end, 58% (58%) of whom were women. The increase is primarily due to the establishment of the Nordic marketing and sales operation.

Royalty undertakings

A significant percentage of Medivir's research and development project work has been carried out exclusively in-house and Medivir is consequently entitled to all revenues in respect of these inventions. Some of Medivir's research and development projects also originate from Swedish universities and Medivir is consequently entitled to the revenues generated by these projects but obliged to pay royalties on their commercialisation. Certain projects have been progressed with patented research tools which are in-licensed from other companies and for which royalties are payable. The combined royalty costs for the period were SEK 63.9 million (SEK 8.5 m).

The Parent Company in brief, January – September 2014

Medivir AB (publ), corporate ID no. 556238-4361, is the Parent Company of the Group. Its operations consist of research and development, marketing and sales, and administrative and company management functions.

The Parent Company's net turnover totalled SEK 1,287.8 million (SEK 176.4 m), corresponding to an increase of SEK 1,111.4 million. Royalty income from Janssen's global sales of simeprevir totalled SEK 1,178.7 million (SEK 0.0 m). Revenues from Medivir's own sales of pharmaceuticals in the Nordic region totalled SEK 83.5 million (SEK 0.0 m), SEK 83.3 million of which comprised sales of Olysio. Intra-Group sales amounted to SEK 24.4 million (SEK 27.4 m). Non-recurrent payments of SEK 170.5 million were included in the net turnover for the corresponding period last year.

The gross profit amounted to SEK 1,195.2 million (SEK 169.9 m), corresponding to an increase of SEK 1,025.3 million.

The combined operating expenses totalled SEK -244.3 million (SEK -205.2 m), corresponding to an increase of SEK 39.1 million. Selling expenses increased by SEK 28.7 million due, primarily, to the market launch of Olysio and Adasuve. Research and development costs increased by SEK 8.0 million, largely due to higher costs for the internal HCV nucleotide project. Administrative expenses decreased by SEK 11.2 million, while other operating income/expenses fell by SEK 13.6 million, primarily due to the inclusion during the corresponding period last year of onward invoiced costs and services to Group companies.

The operating profit/loss was SEK 950.9 million (SEK -35.3 m), corresponding to an increase of SEK 986.2 million. Net financial items totalled SEK 5.5 million (SEK 122.5 m), corresponding to a decrease of SEK 117 million. Dividends of SEK 120 million from subsidiaries were included in the net financial items during the corresponding period last year.

The tax for the period totalled SEK 2.9 million (SEK 0.0 m). A renewed assessment of the accumulated fiscal loss carry forward entailed a reported tax income of SEK 213.2 million, corresponding to a capitalisation of the entire loss carry forward related to the company as of 31 December 2013. The estimated tax for the period, including a reduction in the deferred tax receivable, totals SEK -210.4 million.

The profit/loss for the period was SEK 959.3 million (SEK 87.2 m), corresponding to an increase of SEK 872.1 million.

The cash flow from operating activities totalled SEK 473.7 million (SEK -72.9 m), with changes in working capital accounting for SEK -2.0 million (SEK -54.9 m).

The cash flow from investing activities totalled SEK 20.1 million (SEK 119.6 m). Investments in tangible and intangible fixed assets totalled SEK -14.9 million (SEK -0.4 m) and comprised investments in research and office equipment and in IT systems. Recovery of loans to subsidiaries totalled SEK 35.0 million during the period.

Liquid assets, including short-term investments with a maximum term of three months, amounted to SEK 874.2 million (SEK 319.1 m).

Please see the section entitled Consolidated results and financial position for further comments on the operations.

Outlook

Medivir is a Nordic research-based pharmaceutical company with a solid financial position. Medivir is working resolutely and strategically to generate the best possible prospects for developing the company quickly while balancing risks.

The market launch of Olysio (simeprevir) has been successful, both in the Nordic countries and in other markets where Medivir's partner, Janssen, owns the marketing rights. Olysio (simeprevir) can be expected to have an increasing competition in the hepatitis C market. A number of combination studies of simeprevir are also being conducted in parallel; under the aegis of Janssen with the aim of developing interferon-free treatment alternatives for different patient groups with hepatitis C. Medivir also has several attractive in-house projects in the development phase as well as a number of early discovery projects. Medivir will continue to focus on strong growth and sustainable profitability by exploiting our cutting edge expertise in the areas of protease inhibitor design and nucleotide/nucleoside research with a focus on infectious diseases and oncology. We will also continue with the commercialisation of our existing pharmaceuticals and on building growth through the in-licensing of new specialist pharmaceuticals for the Nordic market.

Share structure, earnings per share, and shareholders' equity

The total share capital at the period end was SEK 156.3 million (SEK 156.3 m) and the total shareholders' equity, SEK 1,839.3 million (SEK 833.7 m). There were a total of 31,260,027 (31,260,027) shares in Medivir AB at the period end, 660,000 (660,000) of which were class A shares and 30,600,027 (30,600,027) of which were class B shares with a nominal value of SEK 5. The average number of shares during the period was 31,260,027 (31,260,027).

Share structure, 30 September 2014

Share class	Number of shares	Number of votes	% of capital	% of votes	Shares after full exercise of options
A, 10 votes	660 000	6 600 000	2.10%	17.70%	660 000
B, 1 vote	30 600 027	30 600 027	97.90%	82.30%	30 915 355
Total	**31 260 027**	**37 200 027**	**100.00%**	**100.00%**	**31 575 355**

Basic and diluted earnings per share, based on a weighted average number of outstanding share warrants, amounted to SEK 31.52 (SEK -0.11) and SEK 31.21 (SEK -0.11), respectively. Shareholders' equity per share totalled SEK 58.8 (SEK 26.7). The equity/assets ratio was 91.5% (87.4%).

Shareholders

On 30 September 2014, Medivir AB had 11,871 shareholders. The table below shows Medivir's shareholders registered with Euroclear Sweden AB on that date.

Name	Class A shares	Class B shares	% of votes	% of capital
Bo Öberg	284 000	262 475	8.34%	1.75%
Nils Gunnar Johansson	284 000	66 575	7.81%	1.12%
Staffan Rasjö	0	1 719 485	4.62%	5.54%
Nordea Investment Funds	0	1 697 928	4.56%	5.43%
AFA Försäkring	0	1 636 729	4.40%	5.24%
UNIONEN	0	1 204 200	3.24%	3.85%
Catella Fondförvaltning	0	1 117 761	3.00%	3.58%
Avanza Pension	0	1 017 710	2.74%	3.26%
Christer Sahlberg	92 000	27 881	2.55%	0.38%
Danica Pension	0	669 415	1.80%	2.14%
AMF Försäkring och Fonder	0	665 325	1.79%	2.13%
Tredje AP-fonden	0	626 044	1.68%	2.01%
Gladiator	0	590 000	1.62%	1.92%
Skandia Fonder	0	587 319	1.58%	1.88%
JPM Chase NA	0	515 445	1.38%	1.65%
Total, 15 largest shareholders	660 000	12 404 292	51.11%	41.88%
Total, other shareholders		18 195 735	48.90%	58.10%
TOTAL	**660 000**	**30 600 027**	**100%**	**100%**

Consolidated Income Statement, summary (SEK m)

	Q3		Q1-Q3		Full year
	2014	2013	2014	2013	2013
Continuing operations					
Net turnover	617.8	80.2	1 390.0	299.0	446.1
Cost of goods sold	-50.2	-16.1	-121.5	-51.1	-71.8
Gross profit	**567.6**	**64.1**	**1 268.5**	**247.9**	**374.3**
Selling expenses	-24.4	-17.7	-73.9	-48.3	-70.4
Administrative expenses	-10.4	-11.0	-42.2	-37.6	-51.9
Research and development costs	-52.9	-46.3	-169.4	-158.3	-229.4
Other operating income/expenses	-2.5	0.8	-0.8	0.9	2.6
Operating profit/loss	**477.3**	**-10.1**	**982.2**	**4.6**	**25.2**
Net financial items	**2.3**	**0.5**	**6.1**	**0.3**	**2.6**
Profit/loss after financial items	**479.6**	**-9.6**	**988.3**	**4.9**	**27.7**
Tax	-105.9	-1.1	-2.9	-8.2	-11.7
Net profit/loss for the period from continuing operations	373.7	-10.7	985.4	-3.3	16.0
Net profit/loss for the period from discontinued operations	0.0	-0.3	0.0	-37.2	-37.3
Net profit/loss for the period	**373.7**	**-11.0**	**985.4**	**-40.5**	**-21.3**
Net profit/loss for the period attributable to:					
Parent Company shareholders	373.7	-11.0	985.4	-40.5	-21.3
Earnings per share, calculated from the net profit/loss attributable to Parent Company shareholders during the period					
Earnings per share (SEK per share)					
- Continuing operations, basic earnings	11.95	-0.34	31.52	-0.11	0.51
- Continuing operations, diluted earnings	11.83	-0.34	31.21	-0.11	0.51
- Discontinued operations, basic and diluted earnings	-	-0.01	0.00	-1.19	-1.19
- Total operations, basic earnings	11.95	-0.35	31.52	-1.30	-0.68
- Total operations, diluted earnings	11.83	-0.35	31.21	-1.30	-0.68
Average number of shares, '000	31 260	31 260	31 260	31 260	31 260
Number of shares at period end, '000	31 260	31 260	31 260	31 260	31 260

Consolidated Statement of Comprehensive Income (SEK m)

	Q3		Q1-Q3		Full year
	2014	2013	2014	2013	2013
Net profit/loss for the period	**373.7**	**-11.0**	**985.4**	**-40.5**	**-21.3**
Other comprehensive income					
Items that may be reclassified in the Income Statement					
Exchange rate differences	-0.1	0.3	-0.8	-1.4	-2.2
Total other comprehensive income for the period, net after tax	**-0.1**	**0.3**	**-0.8**	**-1.4**	**-2.2**
Total comprehensive income for the period	**373.6**	**-10.6**	**984.6**	**-41.9**	**-23.5**
Total comprehensive income attributable to:					
Continuing operations	373.6	-11.0	984.6	-4.3	14.9
Discontinued operations	0.0	0.4	0.0	-37.6	-38.4
Total net profit/loss	**373.6**	**-10.6**	**984.6**	**-41.9**	**-23.5**

Consolidated Balance Sheet, summary (SEK m)

	2014 30 Sept	2013 30 Sept	2013 31 Dec
Assets			
Intangible fixed assets	423.4	436.8	431.7
Tangible fixed assets	24.2	27.4	28.3
Financial fixed assets	7.5	10.0	10.0
Deferred tax receivable	38.5	46.9	43.2
Inventories	22.5	17.6	24.0
Current receivables	596.7	78.0	56.1
Short-term investments	852.4	295.9	370.6
Cash and bank balances	44.0	41.8	31.6
Total assets	**2 009.2**	**954.4**	995.5
Shareholders' equity and liabilities			
Shareholders' equity	1 839.3	833.7	852.6
Long-term liabilities	40.0	0.0	40.0
Current liabilities	129.9	120.7	102.9
Total shareholders' equity and liabilities	**2 009.2**	**954.4**	**995.5**

Consolidated Statement of Changes in Shareholders' Equity (SEK m)

	Share capital	Other paid-in capital	Exchange rate difference	Accumulated loss	Total shareholders' equity
Opening balance, 1 January 2013	**156.3**	**1 757.9**	**3.6**	**-1 042.9**	**874.9**
Total comprehensive income for the period	-	-	-2.2	-21.3	-23.5
Share incentive plan: value of employee service	-	1.2	-	-	1.2
Closing balance, 31 December 2013	**156.3**	**1 759.1**	**1.4**	**-1 064.2**	**852.6**
Opening balance, 1 January 2013	**156.3**	**1 757.9**	**3.6**	**-1 042.9**	**874.9**
Total comprehensive income for the period	-	-	-1.4	-40.5	-41.9
Share incentive plan: value of employee service	-	0.7	-	-	0.7
Closing balance, 30 September 2013	**156.3**	**1 758.6**	**2.2**	**-1 083.4**	**833.7**
Opening balance, 1 January 2014	**156.3**	**1 759.1**	**1.4**	**-1 064.2**	**852.6**
Total comprehensive income for the period	-	-	-0.8	985.4	984.6
Share incentive plan: value of employee service	-	2.1	0.0	0.0	2.1
Closing balance, 30 September 2014	**156.3**	**1 761.2**	**0.6**	**-78.8**	**1 839.3**

Consolidated Cash Flow Statement, summary (SEK m)

	Q3		Q1-Q3		Full Year
	2014	2013	2014	2013	2013
Cash flow from operating activities before changes in working capital	**472.7**	**46.3**	**522.4**	**43.3**	**67.2**
Changes in working capital	0.3	-51.5	-18.4	-75.8	-24.2
Cash flow from operating activities	**473.0**	**-5.2**	**504.0**	**-32.5**	**43.0**
Investing activities					
Acquisition/sale of fixed assets	-7.1	-0.6	-14.9	-0.6	-4.0
Sale of operations	0.0	70.7	5.0	114.9	115.0
Cash flow from investing activities	**-7.1**	**70.1**	**-9.9**	**114.3**	**111.0**
Financing activities					
Loans raised	-	-	-	-	40.0
Loans amortised	-	-7.2	-	-22.2	-70.0
Other changes in liabilities	-	0.0	-	-18.6	-18.6
Cash flow from financing activities	**-**	**-7.2**	**-**	**-40.8**	**-48.6**
Cash flow for the period	**465.9**	57.7	**494.1**	41.0	**105.4**
Liquid assets at beginning of period	430.4	279.9	402.2	296.7	296.7
Change in liquid assets	465.9	57.7	494.1	41.0	105.4
Exchange rate difference, liquid assets	0.1	0.1	0.1	0.0	0.1
Liquid assets at period end	**896.4**	**337.7**	**896.4**	**337.7**	**402.2**

PARENT COMPANY INCOME STATEMENT, SUMMARY (SEK m)

	Q3		Q1-Q3		Full Year
	2014	2013	2014	2013	2013
Net turnover	586.9	49.5	1 287.8	176.4	327.3
Cost of goods and services sold	-40.3	-5.7	-92.6	-6.4	-13.6
Gross profit	**546.6**	**43.8**	**1 195.2**	**169.9**	**313.7**
Selling expenses	-13.6	-5.1	-40.4	-11.7	-21.6
Administrative expenses	-8.4	-12.8	-36.6	-47.8	-61.3
Research and development costs	-51.0	-46.2	-166.2	-158.2	-228.9
Other operating income/expenses	-2.5	-0.5	-1.1	12.5	16.7
Operating profit/loss	**471.1**	**-20.8**	**950.9**	**-35.3**	**18.6**
Net financial items	2.2	1.8	5.5	122.5	80.2
Profit/loss after financial items	**473.3**	**-19.1**	**956.4**	**87.2**	**98.8**
Tax	-104.1	-	2.9	-	-
Net profit/loss for the period	**369.2**	**-19.1**	**959.3**	**87.2**	**98.8**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME (SEK m)

	Q3		Q1-Q3		Full year
	2014	2013	2014	2013	2013
Net profit/loss for the period	369.2	-19.1	959.3	87.2	98.8
Other comprehensive income for the period, net after tax	369.2	-19.1	959.3	87.2	98.8
Total comprehensive income for the period	**369.2**	**-19.1**	**959.3**	**87.2**	**98.8**

PARENT COMPANY BALANCE SHEET, SUMMARY (SEK m)

	2014	2013	2013
	30-sep	30-sep	31 Dec
Assets			
Intangible fixed assets	14.9	6.2	6.6
Tangible fixed assets	23.8	26.5	27.6
Financial fixed assets	604.2	604.3	604.2
Deferred tax receivable	2.9	-	-
Inventories	1.9	-	-
Current receivables	573.3	69.6	84.1
Short-term investments	852.4	295.9	370.6
Cash and bank balances	21.8	23.2	9.8
Total assets	**2 095.1**	**1 025.6**	**1 102.9**
Shareholders' equity and liabilities			
Shareholders' equity	1 944.7	971.3	983.4
Long-term liabilities	40.0	-	40.0
Current liabilities	110.4	54.3	79.5
Total shareholders' equity and liabilities	**2 095.1**	**1 025.6**	**1 102.9**

PARENT COMPANY CASH FLOW STATEMENT, SUMMARY (SEK m)

	Q3		Q1-Q3		Full year
	2014	2013	2014	2013	2013
Cash flow from operating activities before changes in working capital	**462.1**	**-14.7**	**475.7**	**-18.0**	**43.9**
Changes in working capital	-1.1	-52.7	-2.0	-54.9	-56.9
Cash flow from operating activities	**461.0**	**-67.4**	**473.7**	**-72.9**	**-13.0**
Investing activities					
Acquisition/sale of fixed assets	-7.1	0.1	-14.9	-0.4	-4.0
Loans to subsidiary companies	0.0	-	35.0	-	-35.0
Dividend received from subsidiary companies	0.0	120.0	0.0	120.0	120.0
Cash flow from investing activities	**-7.1**	**120.1**	**20.1**	**119.6**	**81.0**
Financing activities					
Loans raised	-	-	-	-	40.0
Cash flow from financing activities	**-**	**-**	**-**	**-**	**40.0**
Cash flow for the period	**453.9**	**52.7**	**493.8**	**46.7**	**108.0**
Liquid assets at beginning of period	420.3	266.4	380.4	272.4	272.4
Change in liquid assets	453.9	52.7	493.8	46.7	108.0
Liquid assets at end of period	**874.2**	**319.1**	**874.2**	**319.1**	**380.4**

Key ratios, share data, options

	2014 Q1-Q3	2013 Q1-Q3	2013 Full year
Return on:			
- shareholders' equity, %	73.4	0.6	3.2
-capital employed, %	71.5	0.8	3.7
-total capital, %	65.9	0.7	3.3
Number of shares at beginning of period, '000	31 260	31 260	31 260
New share issues	-	-	-
Number of shares at period end, '000	31 260	31 260	31 260
-of which class A shares	660	660	660
-of which class B shares	30 600	30 600	30 600
Average number of shares, '000	31 260	31 260	31 260
Outstanding warrants, '000	315	404	249
Share capital at period end, SEK m	156.3	156.3	156.3
Shareholders' equity at period end, SEK m	1 839.3	833.7	852.6
Earnings per share, SEK			
- Continuing operations, basic earnings	31.52	-0.11	0.51
- Continuing operations, diluted earnings	31.21	-0.11	0.51
- Discontinued operations, basic and diluted earnings	-	-1.19	-1.19
- Total operations, basic earnings	31.52	-1.30	-0.68
- Total operations, diluted earnings	31.21	-1.30	-0.68
Shareholders' equity per share, SEK	58.8	26.7	27.3
Net worth per share, SEK	58.8	26.7	27.3
Cash flow per share after investments, SEK	15.8	2.6	4.9
Equity/assets ratio, %	91.5	87.4	85.7
EBITDA	1 006.9	44.4	76.4
EBIT	982.2	4.6	25.2
Operating margin, %	70.7	1.5	5.6

Key ratio definitions

Average number of shares. The unweighted average number of shares during the year.

Basic earnings per share. Profit/loss per share after financial items divided by the average number of shares.

Capital employed. Balance Sheet total less non-interest-bearing liabilities including deferred tax liabilities.

Cash flow per share after investments. Cash flow after investments divided by the average number of shares.

Diluted earnings per share. Profit/loss per share after financial items divided by the average number of shares and outstanding warrants, adjusted for any dilution effect.

EBIT (Earnings before interest and taxes). Operating profit/loss after depreciation and amortisation.

EBITDA (Earnings before interest, taxes, depreciation and amortisation). Operating profit/loss before depreciation and amortisation.

Equity/assets ratio. Shareholders' equity in relation to the Balance Sheet total.

Net worth per share. Shareholders' equity plus hidden assets in listed equities divided by the number of shares at the period end.

Operating margin. Operating profit/loss as a percentage of net turnover.

Return on shareholders' equity. Profit/loss after financial items as a percentage of the average shareholders' equity.

Return on capital employed. Profit/loss after financial items plus financial expenses as a percentage of average capital employed.

Return on total assets. Profit/loss after financial items plus financial expenses as a percentage of the average Balance Sheet total.

Shareholder's equity per share. Shareholders' equity divided by the number of shares at the period end.

Accounting principles

Medivir applies International Financial Reporting Standards (IFRS) as endorsed by the European Union. Significant accounting and valuation principles are presented on pages 60-67 of the 2013 Annual Report. The Group's Interim Report has been prepared in accordance with IAS 34. The Parent Company applies the principles recommended by the Swedish Financial Reporting Board in its recommendation, RFR 2. Other new or revised IFRS standards and IFRIC interpretations that have come into force since 31 December 2013 have had no significant effect on the Group's or Parent Company's financial position or results.

Fiscal loss carry forwards

Medivir AB has accumulated fiscal loss carry forwards arising from losses made in previous years. The accumulated losses at the period end, less the profit made in January-September 2014, totalled SEK 2.9 million.

The loss carry forwards entail a latent tax benefit that can be used to offset future taxable surpluses. The reporting of deferred tax receivables from capitalisation of the loss carry forwards is subject to the provisions of the IAS 12 accounting standard. Two criteria must be fulfilled in order to report a deferred tax receivable based on loss carry forwards in accordance with IAS 12. It must be likely that future taxable surpluses will be generated against which the loss carry forwards can be offset and the company must be able to produce convincing evidence demonstrating that this will occur. Assessments are made on a rolling basis.

The launch of simeprevir has been successful and the company has reassessed the probability criterion in order to report the fiscal loss carry forwards in Medivir and has concluded that this criterion has been fulfilled and that convincing evidence exists. The combined value of deferred tax receivables within the Group attributable to Medivir AB and BioPhausia AB, at the period end was SEK 38.5 million.

Segment reporting

Medivir was, until 30 June 2013, organised into two operating segments. On 30 June, the wholly-owned subsidiary company, Cross Pharma, which conducted parallel imports of pharmaceuticals, was sold. The Group's continuing operations consist, as of the third quarter of 2013, of a single segment comprising both research and development operations and pharmaceutical sales.

Discontinued operations

On 25 June 2013, Medivir announced the sale of its parallel imports operations, Cross Pharma AB, including the Polish subsidiary company, Prodlekpol. The sale has been reported separately as a discontinued operation in the Income Statement in accordance with IFRS 5. A discontinued operation is reported separately from continuing operations in the Income Statement with retroactive effect for previous periods. For a more detailed description of the discontinued operations, see Note 24 of the 2013 Annual Report.

Seasonal variations

Medivir's sales and operating profit/loss are, to some extent, dependent on external seasonal variations over which the company has no control. Sales of influenza- and common cold-related products during the first and fourth quarters are affected by the intensity and timing of the influenza and common cold season. This risk is, however, mitigated by the fact that Medivir has a growing number of pharmaceuticals in other therapeutic areas.

Transactions with related parties

Transactions with related parties are on market terms. There are existing agreements between companies owned by senior executives and Medivir, dating from 2005, which entitle the senior executives to royalties on products that the company may develop based on patented inventions that the company has purchased from the parties in question. Royalty payments have been made during the period to Uppsala Hallbechem AB (Board Member, Anders Hallberg) totalling SEK 8.8 million (SEK 0.9 m) and to Sybesam AB (Board Member, Bertil Samuelsson) totalling SEK 17.9 million (-). Other services were purchased from related parties for a total of SEK 1.0 million (SEK 2.5 m). Parent Company sales to Group companies totalled SEK 24.4 million (SEK 27.4 m).

Fair value measurement of financial assets and liabilities

IFRS 13 requires that financial instruments be classified in a 3-level hierarchy on the basis of the information used to determine their fair value. Level 1 inputs are when fair value is measured on the basis of quoted prices in active markets for identical financial assets or liabilities. Level 2 inputs are when fair value is measured on the basis of observable information other than quoted market prices included within level 1. Level 3 inputs are when the fair value is measured using valuation models in which significant inputs are based on unobservable data.

The Group has level 1 short-term investments. The short-term investments, in the form of fixed income funds, are managed as a group of financial assets and are reported at fair value in the Income Statement. The Group has saleable financial assets at level 3, the fair value of which are, as in the previous period, adjudged to be SEK 0.

Other financial assets and liabilities

The fair value of financial instruments such as accounts receivable, accounts payable, and other non-interest-bearing financial assets and liabilities which are reported at the accrued historical value less any depreciation, is adjudged to correspond to the reported value, due to their short anticipated terms.

Share-related incentive plans

The intention of share-related incentive plans is to promote the company's long-term interests by motivating and rewarding the company's senior executives and other members of staff. Medivir currently has two active share-related incentive plans, LTI 2014 and 2013. The cost of both plans, including social security contributions, and based on certain assumptions such as share price performance, participation, and staff turnover, was charged to the profit/loss for the period in the sum of SEK 4.0 million.

48 per cent of all permanent employees have chosen to participate in LTI 2014, with the CEO investing SEK 0.3 million (2,085 shares) and other senior executives investing SEK 0.4 million (3,266 shares). 73 per cent of all permanent employees have chosen to participate in LTI 2013, with other senior executives investing SEK 0.7 million (10,322 shares). For a more detailed description of LTI 2013, see page 41 of the 2013 Annual Report. The principle rule in the event of cessation of employment prior to the end of the Vesting period is annulment of that participant's Share warrants.

Significant risks and uncertainty factors

An effective risk assessment reconciles Medivir's business opportunities and results with the requirements of shareholders and other stakeholders for stable, long-term value growth and control. The process of research and pharmaceutical development, all the way up to approved registration, is both high risk and capital-intensive. The majority of projects initiated will never achieve market registration. If competing pharmaceuticals take market shares, or competing research projects achieve better efficacy and reach the market more quickly, the future value of Medivir's product and project portfolio may be lower than expected. Medivir's ability to produce new CDs (candidate drugs), to enter into partnerships for its projects, to successfully develop its projects to market launch and continued sale, and to secure funding for its operations, are decisive in terms of the company's future.

Medivir is exposed to the following main risk categories:

- Exogenous risks – such as regulatory approval, competition, price changes, external seasonality and patent protection.
- Operating risks – such as integration risk, production risk, and a reliance on key employees and partnerships.
- Financial risks – such as liquidity, interest, currency and credit risk.

A more detailed description of exposure to risk, and of the ways in which Medivir manages it, is provided in the 2013 Annual Report.

Stockholm, 20 November 2014

Niklas Prager
President & CEO

Auditors' review of summary interim financial information (Interim Report) prepared in accordance with IAS 34 and section 9 of the Swedish Annual Accounts Act

Introduction

We have reviewed the summary financial interim information (Interim Report) for Medivir AB (publ.) on 30 September 2014, and for the nine-month period ending on this date. The Board of Directors and the CEO are responsible for the preparation and presentation of this Interim Report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this Interim Report based on our review.

Focus and scope of the review

We have conducted our review in accordance with the International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Company*. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and significantly lesser scope than those of an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance such that we would become aware of all significant matters that might be identified in an audit. The conclusion expressed on the basis of a review does not, therefore, provide the same level of assurance as a conclusion expressed on the basis of an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the Interim Report has not, in all material respects, been prepared in accordance with IAS 34 and the Swedish Annual Accounts Act for the Group, and with the Swedish Annual Accounts Act for the Parent Company.

Stockholm, 20 November 2014
PricewaterhouseCoopers AB

Hans Jönsson
Authorised Public Accountant