ANNUAL REPORT 2019

MEDIVIR

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In the event of any discrepancies between the Swedish and the English Annual Report, the former should have precedence.

2019 in brief and significant events

The project portfolio

- Preclinical data showing that in addition to its direct effect on cancer cells, MIV-818 also modulates the anti-tumor immune response, presented at the AACR-NCI-EORTC conference in Boston.
- Selective effect signal on liver cancer tissue in phase Ia study with MIV-818. The analysis of data from the first six patients provided an early indication that MIV-818 works as expected, i.e. the substance has the intended liver-directed effect.
- The ninth and final liver cancer patient was included in the phase Ia study with MIV-818. Based on safety and tolerability as well as pharmacokinetics and positive biomarker data, it was decided to initiate the phase Ib part of the study.
- The first patient was dosed with remetinostat in an investigator-initiated phase II clinical study in patients with squamous cell carcinoma.
- Positive data from the investigator-initiated study that evaluates the efficacy of remetinostat in patients with basal cell carcinoma, presented at last year's SID conference
- First patient included in an investigator-initiated phase I study in which patients with recurrent squamous cell carcinoma in the head and neck region are treated with a combination of birinapant and radiotherapy.
- A futility analysis was conducted by the independent data review committee for the phase II study of combination therapy with birinapant and pembrolizumab (Keytruda®) in patients with colorectal cancer. The analysis indicated that the study's goals would not be achieved. Medivir decided to end the study.
- Complete phase II data on safety and tolerability from the open label extension study with MIV-711 presented at the Osteoarthritis Research Society International (OARSI) World Congress.
- The first milestone payment for the candidate drug MIV-701 in veterinary medicine was received in October.

The company

- In April, Magnus Christensen was appointed as new CFO of Medivir. He joined the company and the management team on August 12.
- At Medivir's annual general meeting May 9, An van Es Johansson was newly elected as a member of the board of directors. Helena Levander was elected new chairman of the board. Anders Hallberg and Anna Malm Bernsten had both declined re-election.
- The reorganization that was initiated at the end of 2018 is completed. As of the third quarter 2019, the company's fixed costs are at one third of last year's level.
- The organization focuses on clinical development and business development and today consists of 13 employees. The company no longer conducts any laboratory preclinical research in-house.

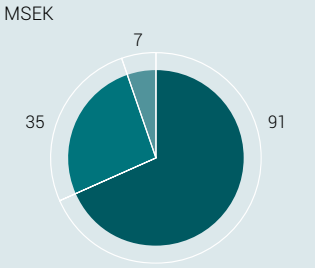
Key ratios[1]

MSEK	2019	2018	2017	2016	2015
Net turnover[2]	9	24	37	93	474
Operating profit[2]	-126	-351	-363	-312	55
Liquid assets	135	286	468	1 698	1 078
Equity/assets ratio, %	63	73	83	90	90
Number of employees	14	75	88	117	127

1) A voluntary redemption program offering Medivir's shareholders the opportunity to redeem one in every four shares at a price of SEK 129 was approved at an Extraordinary General Meeting held after the end of 2016. The redemption process entailed the transfer of SEK 857.5 million of the company's liquid assets to the shareholders.

2) 2015 and 2016 have been recalculated to correspond to the continuing operations.

Operating expenses 2019



CEO's message

The development in 2019 shows that the reorganization and refocus that was initiated at the end of 2018 was right for Medivir. Today we are an agile and efficient development company with the ability to use our resources where we can create the greatest value.

"We continued to make progress with our proprietary and wholly owned candidate drug MIV-818 for liver cancer, and we entered 2020 with a clear and targeted focus on the continued clinical development of this exciting project."

We continued to make progress with our proprietary and wholly owned candidate drug MIV-818 for liver cancer, and we entered 2020 with a clear and targeted focus on the continued clinical development of this exciting project.

MIV-818, our most important project, is the most advanced of a series of proprietary and wholly owned prodrug substances which we intend to develop for the treatment of various cancer indications.

MIV-818, which is developed for the treatment of liver cancer, has been designed to provide a targeted anti- tumor effect in the liver while minimizing side effects. MIV-818 has the potential to be the first liver cancer-targeted, orally administered drug that can help patients with this deadly disease, who lack good treatment options.

The primary objective of the now completed phase Ia study was to evaluate safety and tolerability of MIV-818 in liver cancer patients. A total of nine patients with advanced disease were included: six patients with metastatic liver cancer, two with hepatocellular carcinoma and one with intrahepatic cholangiocarcinoma.

The recent analysis of data from the nine patients confirmed our conclusion from the first six patients. The pharmacokinetic analysis showed that patients were exposed only to low levels of MIV-818 and troxacitabine outside of the liver, providing experimental support for MIV-818's liver targeting. The adverse events were mainly mild and the more serious side effects observed were reversible.

Biomarker analysis of liver biopsies from patients showed a selective liver cancer effect of MIV-818: while tumor tissue had clear DNA damage, healthy liver tissue showed only minimal or no DNA damage. Based on an independent expert analysis of liver tumor growth, five of the nine patients

were assessed to have stable liver disease after treatment.

These early clinical results in phase Ia constitute a proof-of-concept for this proprietary and wholly owned project. There is a very large potential here to make a life-changing difference for patients without good treatment options.

At the end of October, preclinical data were also presented at the AACR-NCI-EORTC conference in Boston showing that, in addition to its direct effect on cancer cells, MIV-818 also modulates the anti-tumor immune response.

Based on the very positive initial observations from the phase Ia study, we decided to initiate the phase Ib part of the study. The recommended dose for the coming phase II study will be determined based on the ongoing study.

MIV-828 is the next candidate drug in our proprietary and wholly owned series of prodrugs. It is a nucleotide-based prodrug that has been optimized for the treatment of acute myeloid leukemia (AML) and other forms of blood cancer. Preclinical data indicate that MIV-828 may offer patients with AML and other blood cancers a drug with good efficacy and tolerability. MIV-828 is developed to be combined with other medications and exhibits synergistic anticancer activity in preclinical models.

We look forward to being able to initiate clinical studies on our own with MIV-828, but this will happen when we have ensured the financial resources required.

The fourth quarter offered successes as well as a setback. Birinapant is Medivir's SMAC mimetic developed for the treatment of solid tumors. The futility analysis conducted by the independent safety committee for the phase II study of combination therapy with birinapant and pembrolizumab (Keytruda®) indicated that the study's goals would not be achieved. We therefore decided to end this colorectal cancer study.

In October, an investigator-initiated phase I study was started in which the safety and tolerability of a combination of birinapant and radiotherapy are evaluated in patients with recurrent squamous cell carcinoma in the head and neck region. Potential signs of treatment efficacy will also be studied. The study is sponsored and funded as part of the National Cancer Institute's Cancer Treatment Evaluation Program.

Remetinostat is our topical HDAC inhibitor that is developed to treat mycosis fungoides, the most common form of cutaneous T-cell lymphoma. Medivir has determined the design of a phase III study is searching a partner for the continued development and commercialization of remetinostat.

In an ongoing investigator-initiated phase II study in collaboration with researchers at Stanford University, remetinostat is given to patients with basal cell cancer (BCC). The preliminary results, presented at last year's SID conference, indicate that remetinostat has potential as an effective and well-tolerated treatment of local skin tumors in BCC patients.

In December 2019, the first patient was dosed with remetinostat in an investigator-initiated phase II clinical study on patients with squamous cell carcinoma. Also this study is being conducted at Stanford University.

For MIV-711, Medivir's cathepsin K inhibitor for the treatment of osteoarthritis, we have compiled a robust and comprehensive data package based on the data from the extension study presented before the summer. We continue to strive to reach a licensing or collaboration agreement for the continued development of MIV-711. Our phase II study was recently published in the esteemed journal Annals of Internal Medicine. In an editorial in the same issue, the study was commented on in a positive way.

Medivir's most important task is to develop and realize the value of our candidate drugs. It was to ensure our ability to develop and exploit the values within our clinical portfolio that we chose to concentrate and focus our operations in 2019.

Our proprietary and wholly owned projects have great potential and I look forward to the development of these projects, especially MIV-818, during 2020.

Business development remains our focus when it comes to remetinostat, birinapant and MIV-711.

In this very moment, the Covid-19 pandemic has escalated, and Medivir has implemented measures to protect its employees, to take its social responsibility and at the same time to minimize the negative impact the Covid-19 pandemic may have on Medivir's operations. It is at this stage impossible to estimate to what extent Medivir's operations may be affected but we see that the pandemic already, around the world, has impacted the recruitment to clinical trials.

We will continuously monitor the situation very carefully, introduce additional measures when needed, and keep our shareholders and the market informed on how we assess that our studies possibly might be affected.

Huddinge, in March 2020

Uli Hacksell,
President & CEO

Vision

Improving life for cancer patients through transformative drugs

Medivir in brief

Medivir is investing in clinical development of innovative cancer drugs. Medivir was founded already in 1988 and has been a publicly listed since 1996 on Nasdaq Stockholm. The company has developed two pharmaceutical products, Xerclear and Olysio, all the way from idea to market launch. In the same time, the company has ventured into more than 20 partnership agreements, often with repeat partners.

Our focus

Our business focus is in-house development of our proprietary and wholly owned project platform for cancer indications with large unmet medical needs. We are focusing especially on the clinical development of MIV-818 for liver cancer. For our three other clinical projects, we are seeking partners for further development work.

Our projects

Our present project portfolio comprises four drug development projects in clinical development stage. We have chosen to develop on our own the liver cancer drug MIV-818, which was discovered within the company. We have chosen to develop MIV-818 as we see that it has great potential to offer patients with liver cancer a significantly improved treatment. The development program is conducted in a cost-efficient way and is well suited for a company of Medivir's current size. This project is wholly owned by Medivir, i.e. we do not have to pay any future milestones or royalties to any third party.

For the other three projects; remetinostat, birinapant and MIV-711, we are seeking partnerships for the continued development of each of the projects.

Business concept, business model and strategy

Business concept

Medivir creates shareholder value by developing innovative cancer drugs for major unmet medical needs, on its own or in partnership with other companies.

Business model

Medivir strives to optimize the value of each separate project. For the commercialization of a specialist pharmaceutical, the company can choose to market on its own within certain territories, when the number of prescribing doctors is limited. In other indications that demand a large marketing organization Medivir intends to seek partners that can secure the fastest route to the market and commercial success. Medivir collaborates with expertise in academia, healthcare and the pharmaceutical industry to bring specialist knowledge, experience and specific competencies to its projects if and when needed.

Strategic priorities

1 **To efficiently take candidate drugs through clinical development**
Effectively and cross-functional drive the development of own candidate drugs all the way to approved pharmaceuticals with large therapeutic benefit and commercial potential.

2 **To be a respected partner and generate revenue through partnerships**
Develop and nurture meaningful and mutually beneficial partnerships in order to accelerate the clinical development and to reduce financial risk.

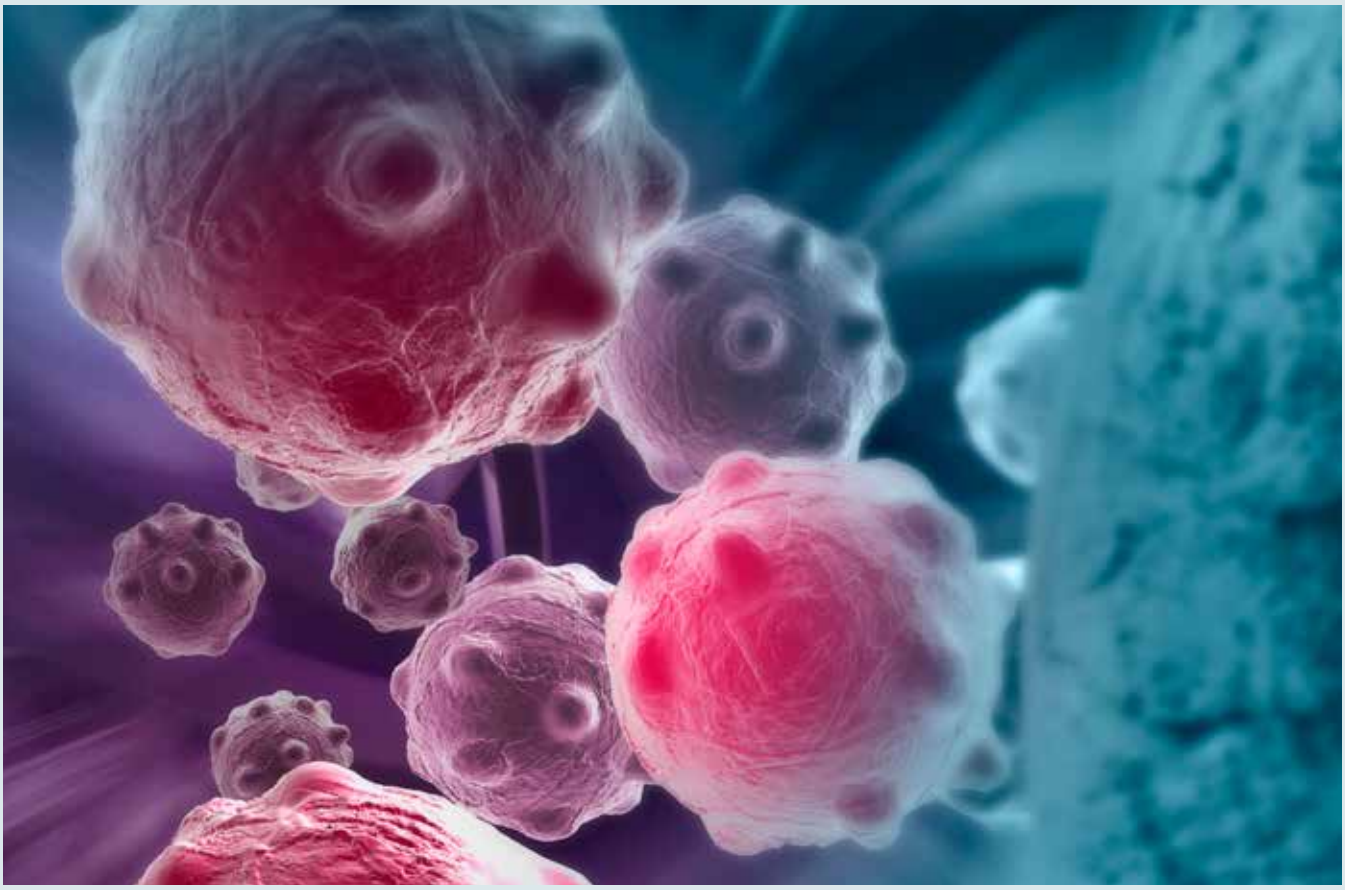
3 **To continuously develop an inspiring corporate culture based on business experience, professionalism, collaborative skills and creativity**
Cultivate a creative, inspiring and professional corporate culture that strengthens our ability to work more virtual.

Achieved milestones in 2019

- The phase Ia study with MIV-818 in patients with advanced liver cancer was completed.
- A futility analysis of the birinapant/Keytruda®-study was conducted. The analysis indicated that the study's goals would not be achieved and the study was ended.
- The reorganization of the company completed in its entirety and the desired effect on Medivir's ongoing costs is reached.
- An investigator-initiated phase I study with birinapant in patients with squamous cell carcinoma in the head and neck region was started and is conducted by the National Cancer Institute .
- An investigator-initiated phase II clinical study with remetinostat in patients with squamous cell carcinoma was started and is conducted at Stanford University.

Milestones 2020

- The most central milestone in Medivir's development work for MIV-818 is to generate top-line data from the phase Ib study in liver cancer patients.



What is cancer?

A cancerous tumor occurs when cells divide in an uncontrolled manner. Genetic changes result in the cells stimulating both their own growth and the growth of blood vessels to and from the tumor. Furthermore, the tumors become resistant to the body's immune responses which would otherwise cause the cancer cells to die.

As tumors grow, they can become more aggressive and begin invading surrounding tissue. Often they also spread cancer cells to other tissues, form subsidiary tumors (metastases). Treatment of cancer is hampered by the fact that when the tumor is exposed to various treatment measures, these can contribute to the rapid selection of resistant cancer cells within the tumor, which can then lead to a relapse.

What are the main objectives of drug treatment in cancer?

The primary goal is obviously to cure the patient. However, it is only certain cancers that so far are possible to cure. The purpose of drug treatments for incurable cancers is therefore to extend the patient's life and/ or improve the patient's quality of life during the remaining lifetime.

The pharmaceutical development process

The initial phases of pharmaceutical development can involve testing thousands of compounds, with the most promising selected as candidate drugs. Safety and efficacy are tested during the preclinical development phase, before the trials on humans begin during the clinical trials phase. Additional clinical trials are sometimes carried out after approval and launch in order to optimize use.

Research and preclinical phase

Before a candidate drug is selected for clinical development it has been through a rigorous chain of studies. The initial phases of pharmaceutical development can involve testing thousands of compounds. The molecules' properties are optimized with regard to safety, efficacy and pharmacokinetics, and their potential benefits in comparison with other similar pharmaceuticals are evaluated. In the preclinical phase, the candidate drug's safety and efficacy are thoroughly evaluated in order to establish whether its safety and efficacy profile is safe enough to enter trials on human beings.

Clinical phase

Clinical trials for a new pharmaceutical product involves studies or trials conducted on human beings: healthy volunteers and patients. These trials are carefully regulated by the requirements of the regulatory agencies. Before a clinical trial can begin, both the regulatory agency and ethical review boards must approve the design of the clinical trial. The number of patients and or volunteers can vary depending on the indication, but in general, the larger the disease – the more likely that the trial will encompass a larger number of patients studied for a longer time.

Phase I

Test subjects: Usually healthy volunteers but the studies may also include patients with the disease in question, particularly in the case of drugs aimed at the treatment of cancer.

Purpose: To establish safe doses and identify possible adverse events, and to understand how the pharmaceutical is absorbed, transported round the body, and excreted. Often also to measure early signs of effect, possibly through the use of so-called biomarkers.

Phase II

Test subjects: Patients with the disease/symptoms.

Purpose: To study efficacy and adverse events profiles in order to determine an optimum dose or dosage range that can provide the desired clinical effect.

Phase III

Test subjects: Patients with the disease/symptoms.

Purpose: To study the efficacy and adverse events profiles in larger patient groups, including comparative studies with existing treatments or placebos, in order to evaluate the benefit/risk profile in a statistically reliable way and thereby provide the necessary evidence to secure marketing authorizations and support reimbursement.

Market

Registration

Before a pharmaceutical product is approved an application for a license to market the pharmaceutical has to be submitted. The regulatory agencies conduct a detailed review of the comprehensive documentation submitted by the company and then decide on whether to approve the pharmaceutical, and in which patient populations. This stage also involves price negotiations with relevant authorities and payers.

Launch and sale

Additional clinical trials may be conducted once a pharmaceutical has been approved by a medicines agency and launched on the market, in order to optimize the drug's usage. These so-called phase IV trials are conducted in parallel with sales.

Patent and market protection

Patent protection and regulatory protection, e.g. data exclusivity, orphan drug exclusivity, and pediatric extension, are key components of pharmaceutical development.

A broad and robust project portfolio

The development portfolio today includes drug projects for in-house development as well as projects that are being run or intended to be driven further in partnerships. Most are focused on oncology, but there is also one project, MIV-711, for osteoarthritis. Three of the partnership projects are run in collaboration with universities.

PROPRIETARY PROJECTS

PROJECT/PRODUCT	DISEASE AREA	RESEARCH	PRECLINICAL	PHASE I	PHASE II	PHASE III	MARKET
MIV-818 NUCLEOTIDE DNA POLYMERASE INHIBITOR (ORAL)	Liver cancer (hepatocellular carcinoma)						
MIV-828 NUCLEOTIDE DNA POLYMERASE INHIBITOR (INTRAVENOUS)	Blood cancer (acute myeloid leukemia)						

PROJECTS FOR PARTNERING

PROJECT/PRODUCT	DISEASE AREA	RESEARCH	PRECLINICAL	PHASE I	PHASE II	PHASE III	MARKET
Remetinostat HDAC INHIBITOR (TOPICAL)	Cutaneous T-cell lymphoma (MF) Basal cell carcinoma (BCC)[1] Squamous cell carcinoma (SCC)[1]						
Birinapant SMAC MIMETIC (INTRAVENOUS)	Head / neck cancer (with radiotherapy)[2]						
MIV-711 CATHEPSIN K-INHIBITOR (ORAL)	Osteoarthritis						

OUTLICENSED PROJECTS

PROJECT/PRODUCT	DISEASE AREA	PARTNER	PRECLINICAL	PHASE I	PHASE II	PHASE III	MARKET
Xerclear	Labial herpes	GlaxoSmithKline					
MIV-802 NUCLEOTIDE NS5B POLYMERASE INHIBITORE	Treatment of hepatitis C	Ascletis (China, Taiwan, Hong Kong and Macao)					

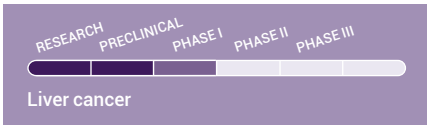
Completed Ongoing

1) Conducted by Stanford University, US
2) Conducted by National Cancer Institute, US

MIV-818

for the treatment of liver cancers

Liver cancer is the third highest cause of cancer-related death worldwide, and existing treatment options provide very little survival benefit.



Medical need and market potential

Liver cancer is the third most common cause of cancer-related death worldwide. Despite existing treatments for hepatocellular carcinoma (HCC), mortality remains at a high level. There are 42,000 patients diagnosed with liver cancer per year in the US and current five-year survival is 11 percent. The generally poor prognosis for patients with HCC results in a great medical need. Cholangiocarcinoma, or bile duct cancer, is the second most common liver tumor form. The average survival in bile duct cancer is 12 months. MIV-818 has the potential to become the first liver-targeted, orally administered drug that can help patients with HCC and other forms of liver cancer.

Next step

Based on the positive results from phase Ia, it was decided to continue with the phase Ib part of the MIV-818 study, which will go on during 2020. In parallel, preparations for more advanced studies are ongoing.

Read more on www.medivir.com

MIV-818 is Medivir's proprietary prodrug with the liver as the target organ. Based on promising preclinical and clinical data, Medivir has chosen to focus on MIV-818 for clinical development on its own.

Although existing treatments for liver cell carcinoma (hepatocellular carcinoma, HCC) can prolong the lives of patients, the treatment benefits are often marginal and mortality remains at a high level. Molecularly directed substances have had limited success in HCC because these tumors have a wide range of mutations. The lack of overall benefit together with the generally poor prognosis for patients with HCC results in a great medical need. Through its mode of action MIV-818 has the potential to be effective independent of type of mutations.

Other forms of liver cancer that could be treated with MIV-818 are intrahepatic cholangiocarcinoma - bile duct cancer - accounting for about 3 to 5 percent of liver cancer cases. Bile duct cancer has a poor prognosis and lacks treatments that effectively increase survival rates

Liver-targeted antitumor effect

MIV-818 is being developed as an orally administrated drug for the treatment of primary liver cancer. The intention is to achieve maximum concentration of the active substance in the liver, while minimizing the levels of the active substance in the rest of the body in order to reduce the risk of side effects. MIV-818 has the potential to be the first liver cancer-targeted, orally administered drug that can help patients with HCC and other forms of liver cancer.

Phase I study in two parts

The first clinical study with MIV-818 was initiated at the end of 2018. The primary purpose of this phase Ia study was to study the safety and tolerability of MIV-818 in patients with advanced liver cancer. Signals of relevant effects on the tumors in the liver were also studied, using biomarkers on liver biopsies from patients and by measuring the size of the tumors.

In June 2019, an analysis of data from the first six patients in the phase Ia part of the phase I study was presented, indicating that MIV-818 has the intended liver-directed effect.

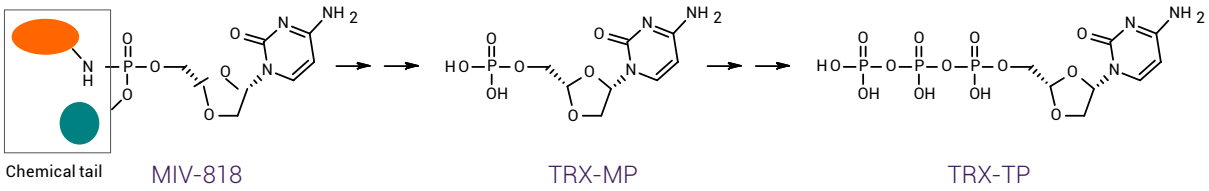
In early March 2020 data from all nine patients in the phase Ia part were presented. The pharmacokinetic analysis showed that patients were exposed only to low levels of MIV-818 and troxacitabine outside of the liver, providing experimental support for MIV-818's liver targeting. The adverse events were mainly mild and the observed serious adverse events were reversible.

Biomarker analysis of liver biopsies from patients showed a selective liver cancer effect of MIV-818: while tumor tissue had clear DNA damage, healthy liver tissue showed only minimal or no DNA damage. Based on an independent expert analysis of liver tumor growth, five of the nine patients were assessed to have stable liver disease after treatment.

Phase Ib will study the safety and tolerability of treatment with MIV-818 and provide indications of efficacy. Furthermore, the study shall provide data for determining the recommended phase II dose. Preparations for our phase Ib trial began in late 2019 and comprise the opening of UK and Belgian study clinics and screening of patients.

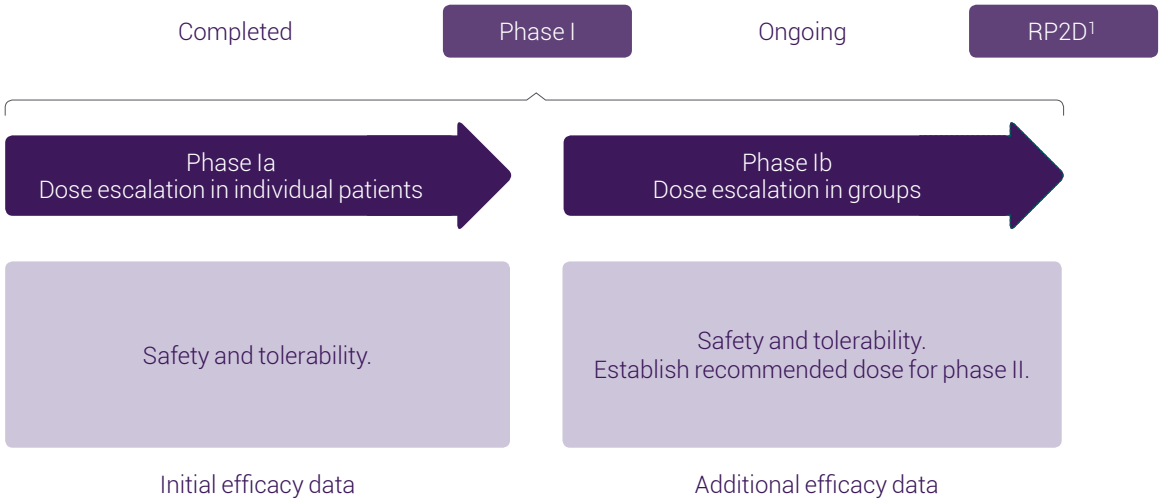
MIV-818 – A liver cancer-targeted nucleotide prodrug

By providing troxacitabine monophosphate (TRX-MP) with a "chemical tail", Medivir has created a prodrug (MIV-818) that is given orally and which is stable in the gastrointestinal tract but which quickly breaks down in the liver. When MIV-818 is absorbed from the gastrointestinal tract, it accumulates in the liver before it enters the bloodstream. MIV-818 is inactive in itself but is converted to TRX-MP and its active metabolite TRX-TP (see image below) when taken up by liver cells. TRX-TP is then incorporated into DNA in rapidly dividing cancer cells, thereby causing DNA damage and cancer cell death. Through the liver-targeted effect, minimal amounts of MIV-818 enter the bloodstream, thereby minimizing the risk of side effects.



Ongoing phase I study

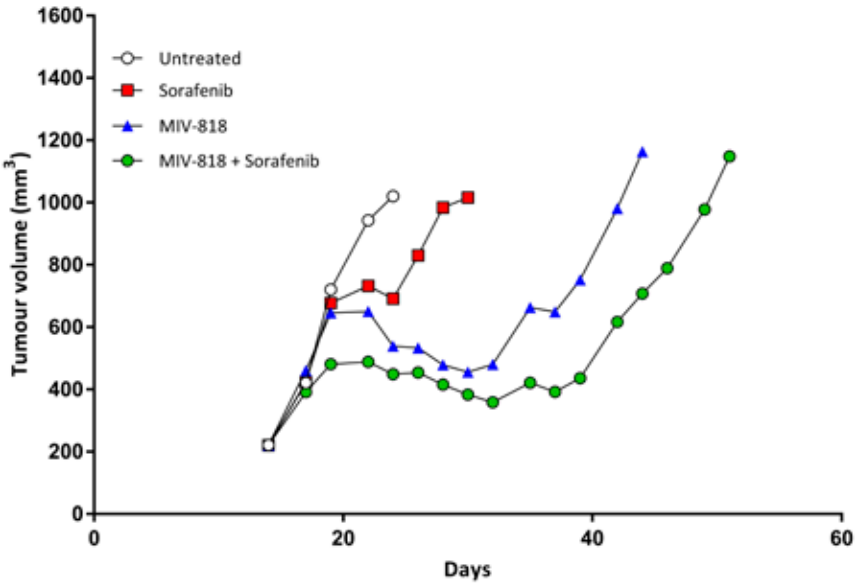
MIV-818 is a prodrug that is developed for improved treatment efficacy, safety and tolerability in the treatment of liver cancer. MIV-818 is administered orally and should provide maximum concentration of the active substance in the tumor while keeping the levels of the active substance in the rest of the body to a minimum. The goal is to have a high anti-tumor effect and at the same time a low risk of side effects.



1) Recommended dose for phase II.

Preclinical studies in liver cancer models provide support for add on therapy with MIV-818 to current standard of care

Today's standard treatment of primary liver cancer is sorafenib and similar drugs. Unfortunately, the treatment effect is limited and there is a large need for more effective treatment. MIV-818 has shown efficacy in several preclinical cancer models. In a mouse model of liver cancer, the effect of various treatments on tumor growth has been studied. Treatment with sorafenib provides slightly slower tumor growth compared to no treatment at all. Treatment with MIV-818 results in significantly slower tumor growth and when sorafenib and MIV-818 are combined, the strongest effect is achieved (see figure). When treated with sorafenib, the tissue becomes oxygen-poor. Many cancer drugs have poor efficacy in oxygen-poor tissue, but MIV-818 works well also in such tissue.



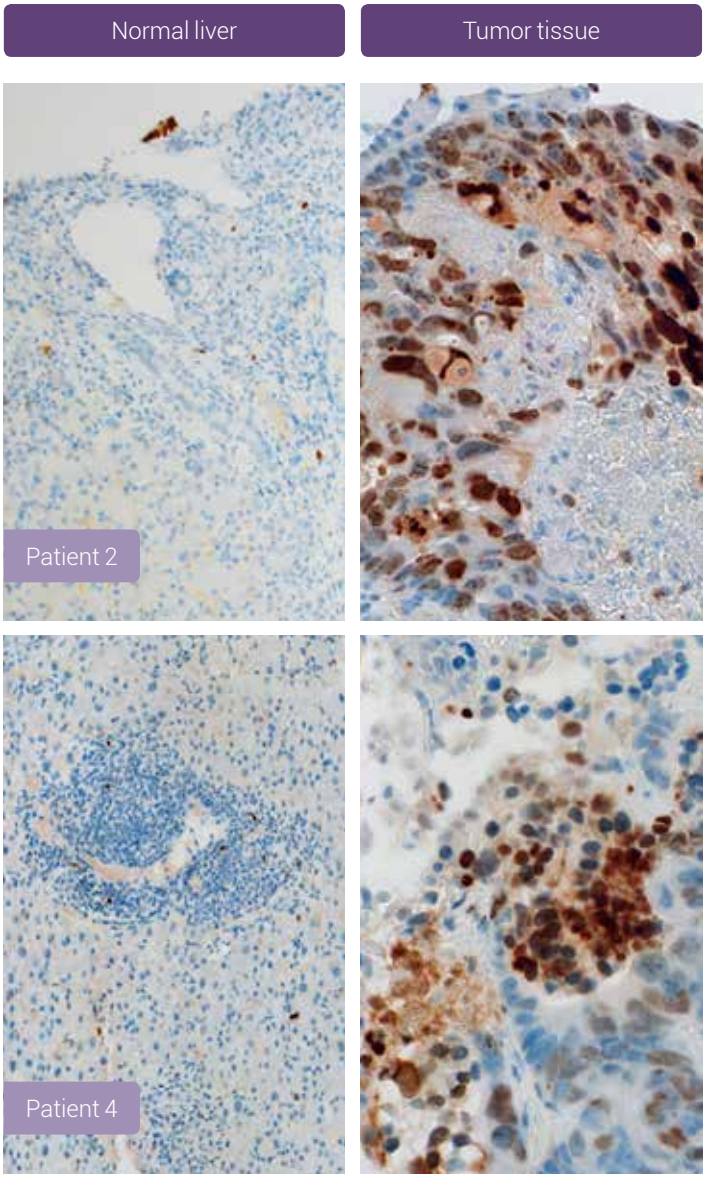
Good anti-tumor effect is achieved by combination treatment with MIV-818 and sorafenib
The effect of MIV-818 treatment in combination with sorafenib was studied in a preclinical HCC model. Human liver cancer cells were transplanted into mice and the tumors were allowed to grow to a size of 200 mm^3 at the start of treatment. The mice were treated with MIV-818 for 5 days (days 15–20), while treatment with sorafenib was continued for 21 days (days 15–36). The effect on tumor growth was then monitored by measuring the volume of the tumors 3 times per week.

Selective signal of efficacy in liver cancer patients treated with MIV-818

In Medivir's phase Ia study with MIV-818 in patients with advanced liver cancer, biopsies were taken both on normal liver tissue and tissue from the liver tumor to study possible MIV-818-induced DNA damages. The results were clear. In tumor tissue, DNA damage was observed while normal liver tissue was not affected by the MIV-818 treatment. As in the mouse studies, we observed DNA damage in oxygen-poor cancer tissue from the patient biopsies.

In addition, we observed indications of an effect on the tumor size in the liver. The doses administered did not lead to serious side effects and only low levels of MIV-818 in the blood were detected.

In summary, the data collected from the phase Ia study indicate that the intended effects were achieved, i.e. the study provided an early proof-of-concept. This provides strong support for the continued clinical development of MIV-818.



Biopsies from liver cancer patients treated with MIV-818.
Cells with damaged DNA are brown in color.

MIV-828

for the treatment of blood cancer

Acute myeloid leukemia (AML) occurs when cells in the bone marrow that normally develop into white blood cells instead become cancer cells. These cancer cells accumulate in the bone marrow and prevent the development of normal blood cells.

RESEARCH | PRECLINICAL | PHASE I | PHASE II | PHASE III

Blodcancer

Medical need and market potential

In the US around 20,000 people per year are diagnosed with AML. The risk of being affected increases with increasing age. The average five-year survival among patients diagnosed with AML was approximately 28 percent during the 2009–2015 period (National Cancer Institute). Patients with AML are in great need of drugs that are more effective and have better tolerability.

Next step

Next step in the development of MIV-828 is to conduct the preclinical safety studies to enable us to start the first clinical studies.

Read more on www.medivir.com

MIV-828 is Medivir's proprietary candidate drug for the treatment of acute myeloid leukemia (AML) and other forms of blood cancer. AML occurs when cells in the bone marrow that are supposed to develop into normal white blood cells become trapped in their development and evolves into cancer cells. These cancer cells accumulate in the bone marrow and impede the development of normal blood cells.

In the United States, about 20,000 people per year are estimated to be diagnosed with AML. The prognosis is poor for a large proportion of patients, as the intensive treatment currently used to treat the disease is not well tolerated, especially by elderly patients. The fact that patients relapse in disease after treatment is common and the remaining treatment alternatives are then limited.

MIV-828 is a nucleotide-based prodrug that has been optimized for the treatment of AML and other forms of blood cancer (including myelodysplastic syndrome and T-cell lymphoma).

MIV-828 is designed to overcome the resistance mechanisms that can inhibit the effects of other nucleoside analogues, such as cytarabine, currently used for the treatment of AML. Preclinical data indicate that MIV-828 may offer patients with AML and other blood cancers a treatment with better tolerability and efficacy. In preclinical studies, MIV-828 exhibits activity in AML with varying genetic background (mutations), which could support broad use.

A conversation with Linda Basse, CMO at Medivir

Why is it important for you to work on developing tomorrow's cancer treatments?
I started my professional career as a doctor and eventually a surgeon focusing on cancer at Copenhagen University Hospital. There, over the years, I have treated and operated a large number of cancer patients, especially patients with gastrointestinal cancer and breast cancer. My experiences meant that I literally saw on the inside the damaging effects of the cancer.

As I see it, the fight against cancer is one of the most important goals, both for healthcare, for medical research and for the pharmaceutical industry. Cancer in all its different forms has such serious consequences . Not only the obvious and most difficult - that patients may endure human suffering and most often suffer premature death - but also that cancer causes such great stress for care, for families and close relatives and finally, but not least, various types of financial disruption and costs for society at large.

"The fight against cancer is one of the most important goals, both for healthcare, for medical research and for the pharmaceutical industry."

For the past twenty years, you have worked with drug development in the industry.
I did my PhD in oncology and did clinical research at Copenhagen University Hospital. When, almost twenty years ago, I got an offer to start in the pharmaceutical industry where I could be involved in developing new drugs for cancer, I did not hesitate for a second. My professional career in the industry has focused on developing new cancer therapies, including two where I was also responsible for taking them through market approval. I have gained both deep and broad experience through my positions as medical director at Genmab, Topotarget, Zealand Pharma, and both international and national roles as medical advisor.

Today you are Chief Medical Officer at Medivir. What's so exciting about it?
I could quickly answer yes when the offer to join Medivir came almost two years ago. It is a company that has long been recognized for high-quality research and as Medivir now had oncology as its main field, I saw the opportunity to participate in and realize the company's vision - to improve the lives of cancer patients through transformative drugs. I have not regretted that decision.

You are very enthusiastic about MIV-818 and MIV-828. They are both candidate drugs that have been developed in-house at Medivir. Can you tell us about the background to the two projects and if there are any similarities between them?
MIV-818 originated in the antiviral field, where Medivir developed a liver-targeted nucleotide prodrug for hepatitis C virus. Based on this experience and using a similar pharmaceutical technology, Medivir developed a liver-targeted prodrug of troxacitabine, MIV-818, with potent anti-cancer properties for the treatment of liver cancer.

Medivir's preclinical development program examined the possibility of treating patients who had relapsed AML. This led to the discovery of MIV-828, which is designed to overcome problems that may limit the effectiveness in this difficult-to-treat patient population.

MIV-818 and MIV-828 are distinct molecules with different profiles and they have been optimized for different indications. However, there are several similarities in the mechanism of action, as both MIV-818 and MV-828 are nucleotide prodrugs that are converted to the active substance within the target cells, affecting DNA where they cause cancer cell death.

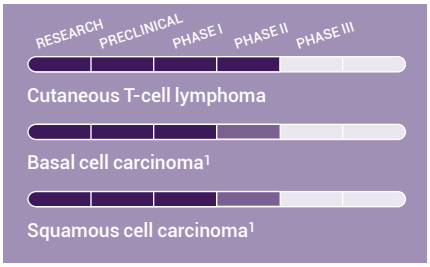
MIV-818 and MIV-828 are both described as prodrugs. What defines a prodrug? And what is the benefit to patients?
A prodrug is a drug that is inactive in the form it is given. It transforms into its active form by altering its chemical structure once inside the body or in the specific target cells. The benefits for patients include reducing toxicity.

Finally, what are you most looking forward to for Medivir in 2020?
For me personally, this is exactly where I want to be, where I really participate in the clinical development of the next generation of cancer drugs. Medivir is now completely reorganized with a very experienced clinical team and I look forward to driving the clinical further development of our two important candidate drugs MIV-818 and MIV-828.

Remetinostat

for the treatment of MF-CTCL

MF cutaneous T-cell lymphoma (MF-CTCL) is a rare form of blood cancer that initially is localized only in the skin. A key unmet need for patients in early stages of MF-CTCL is treatments that have efficacy on cancerous skin lesions and also can lessen the itching, a very troublesome symptom in many patients.



Medical need and market potential

Patients may have MF-CTCL in early stage for many years. Main symptoms are skin changes and apparent itching. In addition, the risk of infection increases. Today's topical treatments have limited tolerability and the need for effective and well-tolerated treatment that can improve patients' quality of life is large. Because remetinostat is active only in the skin and is broken down when it reaches the bloodstream, the risk of side effects decreases.

Read more on www.medivir.com

Mycosis fungoides (MF) is the most common form of CTCL. There are approximately 16,000 MF-CTCL patients in the US and as many in Europe. The disease is more common in men than in women and most often occurs in people older than 50 years. About 75 percent of patients have the disease in early stages where the disease is limited to the skin and is not life-threatening. However, the patients experience a negative impact on the quality of life through abnormal skin changes and disease symptoms, mainly significant itching. There is a need for an effective and well-tolerated treatment since the early stages of the disease can last for many years.

A novel HDAC inhibitor for topical use

Remetinostat is developed as a topical application for use in early stage MF-CTCL. Remetinostat is a histone deacetylase (HDAC) inhibitor which is more stable in skin than in blood. Oral HDAC inhibitors are approved for systemic treatment of MF-CTCL in late stage patients but are not recommended for early-stage patients due to their significant side effects. The unique design of remetinostat enables topical application, making it active only in the skin. As soon as it reaches the blood stream, it is degraded, preventing the systemic side effects associated with other HDAC inhibitors.

Promising data paves way for phase III

Remetinostat has in a clinical phase II study demonstrated efficacy on skin lesions and high tolerability in patients with early-stage MF-CTCL. In addition, remetinostat provided clinically relevant relief of itching for 80% of the patients who had clinically significant itching at baseline. Furthermore, remetinostat did not cause any signs of systemic adverse effects.

Remetinostat has been granted Orphan Drug Designation in the US. One successful phase III study is expected to be sufficient for market approval as a treatment for patients with early-stage MF-CTCL. Medivir is seeking a partner for the continued development and commercialization of remetinostat.

Two ongoing phase II studies, in basal cell carcinoma and in squamous cell carcinoma

In an ongoing investigator-initiated phase II study at Stanford University School of Medicine, remetinostat is given to patients with basal cell carcinoma (BCC). The preliminary results indicate that remetinostat has potential as an effective and well-tolerated treatment of local skin tumors in BCC patients.

In December 2019, another investigator-initiated phase II clinical trial was initiated at the Stanford University School of Medicine as the first patient was dosed with remetinostat. This phase II study includes patients with squamous cell carcinoma (SCC), the second most common form of skin cancer.

Medivir provides remetinostat for both of these studies and is given full access to, as well as the right to use, all clinical data from the studies when completed.

1) Conducted at Stanford University in USA.

Birinapant

for the treatment of solid tumors

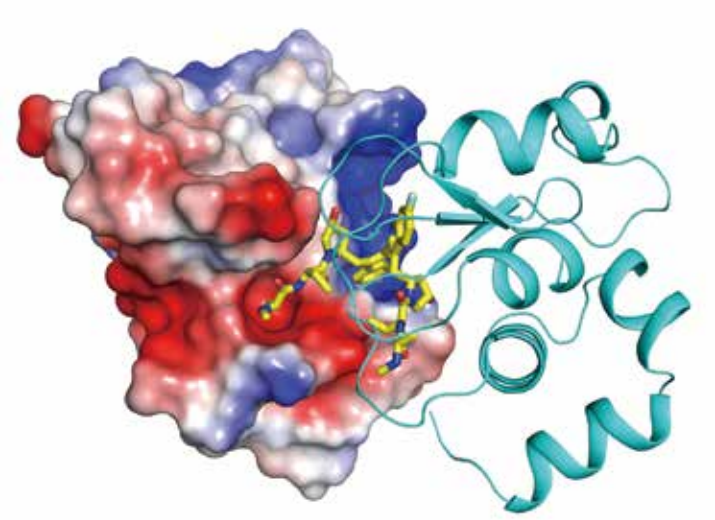
Despite recent breakthroughs with immune-oncology agents in cancer treatment, patients with certain types of solid tumors still have few or no options and are in need of treatments to extend life. They are thus a group for which significant medical needs remain unmet.

Head / neck cancer (with radiotherapy)[1]

Medical need and market potential

Birinapant has the potential to improve a variety of cancer treatments when used in combination with other drugs. During the past year, other drug candidates with the same mechanism of action as birinapant have shown relevant clinical effects in, for example, head and neck cancer.

Read more on www.medivir.com



Birinapant is a SMAC mimetic that is being developed to target a range of cancer indications.

Birinapant is a SMAC mimetic developed for the treatment of solid tumors.

A two-fold attack on tumors

Birinapant is a molecule that in an efficient way binds to and degrades body-specific cell death-inhibiting proteins (cIAP), which enables cell death (apoptosis) in tumor cells. At the same time, the immune system's response is augmented, enhancing its attack on the tumor. Through its double action, on both tumor cells and cells of the immune system, birinapant has the potential to improve the treatment of several types of cancer when used in combination with other drugs.

Phase II study ended after futility analysis

Medivir has studied birinapant in a phase II study of combination therapy with birinapant and pembrolizumab (Keytruda®) in patients with MSS colorectal cancer. A futility analysis was conducted in December 2019 by the independent safety committee which unfortunately indicated that the study's goals were unlikely to be achieved. Medivir therefore decided to end the study.

Medivir intends to drive the continued clinical development of birinapant through external partners.

Phase I study of birinapant in combination with radiotherapy at NCI

In October, an investigator-initiated phase I study was started by the National Cancer Institute (NCI) in the US, in which patients with squamous cell carcinoma in the head and neck region are treated with Medivir's birinapant in combination with radiotherapy. The study is sponsored and funded as part of the NCI Cancer Treatment Evaluation Program.

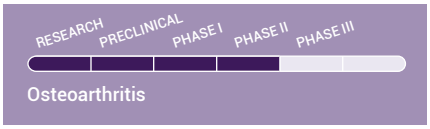
Medivir provides birinapant and is given full access to all reports from the study whose primary goal is to evaluate the safety of the combination therapy and to determine a maximum tolerated dose for further studies. Potential signs of treatment efficacy will also be studied.

1) Conducted by National Cancer Institute in US.

MIV-711

with potential to become the first disease modifying treatment of osteoarthritis

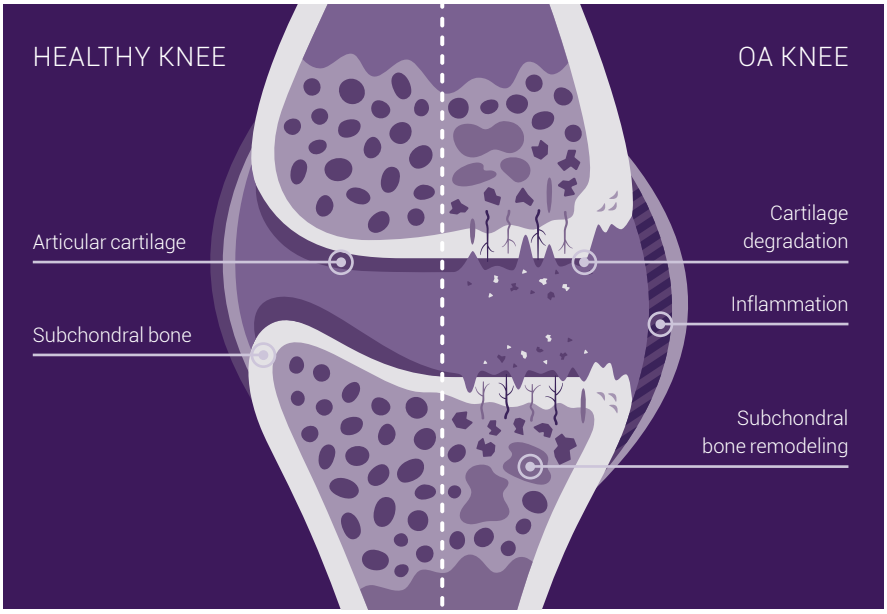
Osteoarthritis (OA) is the most common form of joint disease. Up to 40 percent of the population over 65 years of age suffer from osteoarthritis, which is characterized by pain and varying degrees of inflammation in one or more joints. Osteoarthritis also breaks down cartilage and bone tissue in the affected joint.



Medical need and market potential

Osteoarthritis is a joint disease that lacks effective treatment and around 240 million people worldwide are estimated to suffer from osteoarthritis. Today's treatments are focused only on suppressing pain. There is a great need for a disease-modifying treatment that has the potential to slow down, stop or reverse the course of the disease. Medivir's phase II data supports the potential of MIV-711 to positively affect the osteoarthritis joint by improving its bone and cartilage tissues. Medivir continues to strive to reach a licensing or collaboration agreement for the continued development of MIV-711 as the first disease modifying treatment for OA.

Read more on www.medivir.com



Recent scientific work suggests that two processes – increased bone turnover and cartilage degradation - are involved in the development and progression of OA.

MIV-711 is Medivir's cathepsin K inhibitor for the treatment of osteoarthritis. Medivir has conducted a phase II study showing positive effects in both bone and cartilage in joints in osteoarthritis patients after only six months of treatment with MIV-711. Treatment with MIV-711 for a total of 12 months provided continued treatment effect on bone and cartilage, and the patients also retained the response level of the positive signals for self- reported pain as well as other clinical symptoms. The study was published in the esteemed journal Annals of Internal Medicine, where also an editorial in the same issue, commented on the results (Ref: 2020;172(2):86-95).

Targets the two major tissues involved at the same time

Cathepsin K is a protease that breaks down collagen, a protein that plays an important role in the structural integrity of both bone and cartilage. Through its targeting of both bone resorption and cartilage degradation MIV-711 has a unique potential to be the first disease-modifying treatment for OA.

Medivir continues to strive to reach a licensing or collaboration agreement for the continued development of MIV-711.

Outlicensed projects

During 2019, Medivir have focused its internal resources on development of MIV-818 as well as business development. In order to be able to continue the development and commercialization of our other clinical and preclinical projects, Medivir is seeking industrial or academic partners or licensees.

Xerclear®

In 2009, Xerclear® (Zoviduo®) was approved for the treatment of labial herpes. The marketing rights to Xerclear® in the USA, Canada and Mexico were divested in 2010, while the corresponding rights in Europe and the rest of the world have been out-licensed to GlaxoSmithKline.

Medivir recently out-licensed the rights for China to Shijiazhuang Yuanmai Biotechnology. For Israel and South America Medivir has retained the rights.

Partner

- GlaxoSmithKline.
- Shijiazhuang Yuanmai Biotechnology.

Project status and Medivir participation

Medivir receives royalties on sales of Xerclear®/(Zoviduo®). In addition, Medivir would receive milestones when Zoviduo® is approved as an over the counter product in certain new markets.

After market registration and production in China, Medivir will receive a fixed royalty for each unit sold and the agreement guarantees a minimum sale during the first three years on the market amounting to sigle-digit million amounts in SEK.

MIV-802

MIV-802 is a candidate drug in development to become a future treatment of Hepatitis C infections. Preclinical data supports that MIV-802 could be used in combination with other types of anti-viral pharmaceuticals. Ascletis has the exclusive rights to develop, manufacture and commercialize MIV-802 in China, Taiwan, Hong Kong and Macao.

Partner

- Ascletis Bioscience Co Ltd, a wholly-owned subsidiary of Ascletis Pharma Inc, a company based in China that is publicly listed with its shares traded on the Hong Kong stock exchange since 2018.

Project status and Medivir participation

Under the agreement Medivir is entitled to milestone payments at achieved development goals and step by step increasing royalty payments from the net sale of products where MIV-802 is included. The Investigational New Drug (IND)-application for MIV-802 (ASC21) submitted by Ascletis was approved in the first quarter of 2019 by the Chinese authorities (NMPA).

MIV-701

MIV-701 is a cathepsin K inhibitor that is not suitable for human development due to its rapid degradation, but which has excellent properties for animals.

Partner

- Vetbiolix

Project status and Medivir participation

In the spring of 2019, a licensing agreement was signed for one of Medivir's candidate drugs, MIV- 701, with the French company Vetbiolix, granting Vetbiolix the right to develop the product for veterinary use. In October, Medivir received the first milestone-payment of EUR 10,000 after the product was found to meet certain quality requirements. Medivir is entitled to additional milestone payments as well as royalties during the continued development.

Preclinical projects

In the first quarter of 2020, Medivir entered into a licensing agreement with the US-based biotech company Tango Therapeutics, for one of its preclinical research projects. In this agreement, Medivir is eligible to receive multiple development and commercial milestones as well as royalties on future revenues. In addition, Medivir has entered into an option agreement with another biotech company for a second preclinical project.

Sustainable development

Medivir's vision, to improve the life of cancer patients through transformative drugs, shows in itself that sustainability is central to the company.

Medivir's operations are conducted in compliance with regulatory guidelines and industry standards that in a natural way integrates many of the most important sustainability issues. We also work according to the ten principles of the UN Global Compact Program, which includes human rights, working conditions, the environment and corruption.

Medivir's sustainability work focuses on conducting clinical development in accordance with ethical rules and guidelines, taking into account the environmental impact of both Medivir's own operations and those of our suppliers. Medivir also strives to ensure that it provides a safe and developmental work environment, attractive to both today's and tomorrow's employees.

Medivir's sustainability work focuses on conducting clinical development in accordance with ethical rules and guidelines, taking into account the environmental impact of both Medivir's own operations and those of our suppliers.

Official regulatory approvals are always required for clinical studies, which are then carried out within the framework of the regulatory and ethical regulations of the countries in question. The requisite permits from regulatory authorities and ethics committees are only issued when Medivir is able to demonstrate satisfactory risk and benefit assessments.

With consideration for the environment

Medivir's biggest contribution to reducing its environmental footprint comes from the development of substances which have the desired beneficial effect but which also have a minimal environmental impact from a life-cycle perspective.

Medivir takes a systematic approach to its operations' direct environmental footprint in line with the company's environmental policy. Medivir strives to reduce its resource consumption by recycling materials wherever possible. The company has established strong routines for recycling paper, plastic consumables, glass packaging and cardboard. Environmental issues also form part of the assessment aspect of all procurement processes for goods and services.

For Medivir, the sustainability work is not limited to its own internal business. For the production of substances and products for clinical development, Medivir employs subcontractors. The process for this ensures that the subcontractors that can be hired in the clinical development phase comply with all applicable environmental and other provisions before entering into an agreement. In the case of long-term contractual relationships, there are also regular follow-ups. Medivir is continuously working to reduce the use and management of hazardous substances and hazardous waste. Hazardous waste that cannot be recycled shall be stored, processed and disposed of in accordance with specified hazardous waste handling guidelines.

Medivir is a knowledge-intensive company that wants its employees to be able to attend international conferences and meetings in order to promote development and the exchange of ideas and experiences. By encouraging conference calls and online meetings the company however strives to reduce the environmental impact caused by unnecessary business trips.

Employees

Medivir's success is based on the ability to collaborate, both internally and externally.

Medivir's drug development is organized to combine cost-effectiveness, quality and flexibility. This is achieved through a small internal organization with cutting edge competence within drug development and business developmental leadership. Medivir also prioritizes cooperation with external academic partners, industrial partners and other service providers.

Medivir strives to create a working environment that promotes health and well-being. A good working climate lays the foundation for job satisfaction and good relationships, low sick leave rates and low staff turnover rates.

The Medivir share

Medivir's class B share has been listed on the Nasdaq Stockholm since 1996, with all trade taking place on the Small Cap list.

Share structure, earnings per share, and equity

There were a total of 24,287,818 (24,287,818) class B shares in Medivir AB at the year-end with a nominal value of SEK 8. The average number of shares during the year was 24,287,818 (23,956,175). All shares are equally entitled to participation in Medivir's assets and profits. The company previously also had class A shares, which carried enhanced voting rights, but these were all converted to class B shares in April 2018. The share capital at the year-end was SEK 188.5 million (188.5 m) and the equity totaled SEK 184.5 (307.6 m) million.

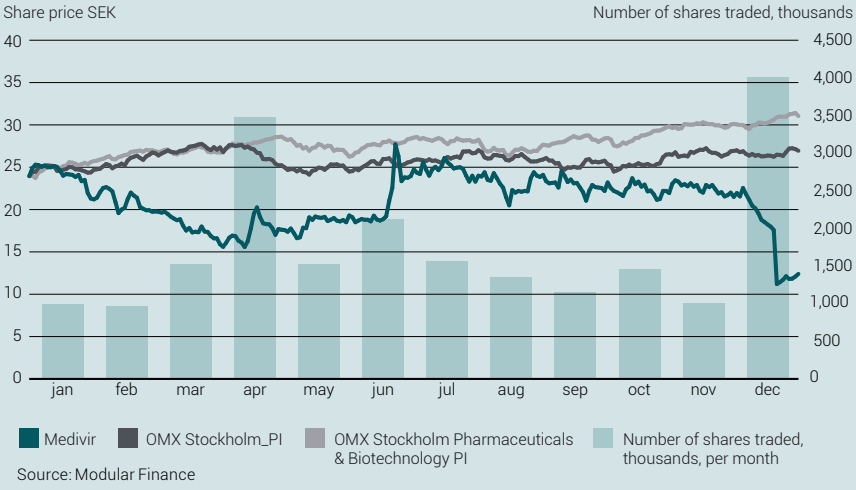
Shareholders

There were a total of 8,436 (8,563) shareholders at the year-end, 1,510 (1,418) of whom held more than 1,000 shares. The fifteen biggest shareholders accounted for 43 percent (45%) of the total number of shares and votes. Foreign owners accounted for 27 percent (28%) of the total equity.

Share price performance and turnover, 2019

Medivir's share price fell by 48.2 percent, from SEK 23.95 to SEK 12.40, in 2019. Nasdaq's Stockholm All Share Index (OMXSPI) increased by 29.6 percent during the same period. Medivir's market capitalization at the end of 2019 was SEK 0.30 billion (0.58 bn), based on the closing price paid at the year-end of SEK 12.40. A total of 20,968,651 Medivir shares were traded on the Nasdaq Stockholm exchange in 2019, corresponding to a turnover rate of 80.5 percent. The average daily trading volume during the year was 83,875 shares. The Medivir share is primarily traded on the Nasdaq Stockholm.

Share price performance and turnover



Source: Modular Finance

Share-related incentive plans

The intention of long-term incentive plans is to create the conditions for retaining and recruiting competent staff to the Group, as well as offering employees an attractive opportunity to become a partner in the company to promote and stimulate continued corporate loyalty by combining shareholders and employees' interests. In 2017, the Board of Directors proposed a long-term incentive plan that was approved by the 2017 Annual General Meeting. The right to subscribe was vested in all of the company's senior executives as well as other permanent employees of Medivir. Medivir's employees purchased 48,515 warrants in the second quarter of 2017 as part of this incentive plan.

The warrants were issued at a market value of SEK 9.41 with a strike price of SEK 89.36 per share. Medivir's employees purchased a further 9,320 warrants in the fourth quarter of 2017. These warrants were issued at a market price of SEK 3.98 with a strike price of SEK 89.36 per share. The combined total of 57,835 warrants can be exercised to subscribe for new class B shares during the period from 16 December 2020 to 15 January 2021, inclusive.

In May 2018, the Annual General Meeting approved a new long-term incentive plan with the same structure. In the second quarter of 2018, Medivir's employees purchased 51,864 warrants with a market value of SEK 5.63 each and a strike price of SEK 52.75 per share. The warrants can be exercised to subscribe for new class B shares during the period from 16 December 2021 to 15 January 2022, inclusive. For a more detailed description, see Note 4 on pages 55–56.

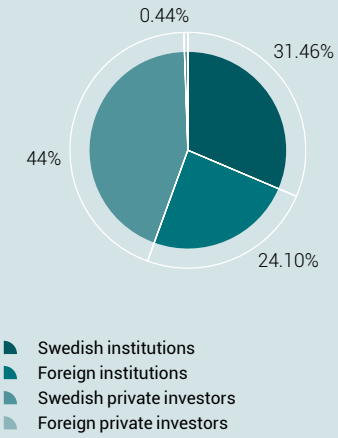
Medivir's 15 largest shareholders 30 December 2019[1]

Name	Class A Shares	Class B Shares	% of votes	% of capital
Avanza Pension	0	2,105,358	8.7	8.7
Nordea Investment Funds	0	1,883,117	7.8	7.8
Nordea Livförsäkring Sverige AB	0	1,014,656	4.2	4.2
AM Karlsson i Kvicksund AB	0	710,727	2.9	2.9
Credit Suisse i Luxemburg S.A	0	703,925	2.9	2.9
Ålandsbanken	0	591,234	2.4	2.4
Nordnet pensionsförsäkring AB	0	550,188	2.3	2.3
Unionen	0	474,342	2.0	2.0
Danica Pension	0	378,750	1.6	1.6
BNP Paribas Sec Serv Luxembourg	0	360,771	1.5	1.5
Hans Sköld	0	350,608	1.4	1.4
Bo Öberg	0	347,744	1.4	1.4
SEB life international assurance	0	320,000	1.3	1.3
SIX SIS AG	0	306,821	1.3	1.3
Jan Stefan Nydahl	0	282,000	1.2	1.2
Total, 15 largest shareholders	0	**10,380,241**	**42.7**	**42.7**
Total, other shareholders	0	**13,907,577**	**57.3**	**57.3**
TOTAL	**0**	**24,287,818**	**100**	**100**

1) Source: Euroclear Sweden. Ownership data in the table may comprise composite data from multiple entries in Euroclear's statistics. These composite entries are designed to show an institution's or private person's total holdings in Medivir.

This composite entry approach has not been taken in other tables for the Medivir share.

Shareholder categories, % of capital



Source: VPC Analys

Analysts who cover Medivir

Klas Palin,
Redeye

Ulrik Trattner,
Carnegie Investment Bank

Ingrid Gafanhao,
Kempen

Joe Pantginis,
H.C. Wainwright & Co

Shareholder breakdown by size of holding 30 December 2019

No. of shares	No. of shareholders	No. class A shares	No. class B shares	% of capital	% of votes
1 – 500	6,077	0	728,480	3.0	3.0
501 – 1,000	849	0	680,025	2.80	2.80
1,001 – 5,000	1,054	0	2,428,866	10.0	10.0
5,001 – 10,000	211	0	1,612,924	6.64	6.64
10,001 – 15,000	71	0	904,671	3.72	3.72
15,001 – 20,000	45	0	808,300	3.33	3.33
20,001 –	129	0	17,124,552	70.51	70.51
Total	**8,436**	**0**	**24,287,818**	**100**	**100**

Share Capital Performance

Year	Transaction	Nominal amount, SEK	Change in share capital, SEK	Total share amount, SEK	Total no. of class A shares	Total no. of class B shares	Total no. of shares
2010	New share issue	5	26,219,390	130,437,125	660,000	25,427,425	26,087,425
	Private placement	5	11,250,000	141,687,125	660,000	27,677,425	28,337,425
	Exercise of options 2005–2010	5	921,650	142,608,775	660,000	27,861,755	28,521,755
	Exercise of options 2007–2012	5	357,370	142,966,145	660,000	27,933,229	28,593,229
2011	Exercise of options 2007–2012	5	496,705	143,462,850	660,000	28,032,570	28,692,570
	Non-cash issue	5	12,806,285	156,269,135	660,000	30,593,827	31,253,827
2012	Exercise of options 2007–2012	5	31,000	156,300,135	660,000	30,600,027	31,260,027
2015	Redemption program and bonus issue	6	858,635	157,158,770	606,358	26,359,679	26,966,037
2017	Redemption program and bonus issue	8	533,818	157,692,558	474,769	19,844,208	20,318,977
2018	New share issue	8	30,801,590	188,494,179	474,769	23,813,049	24,287,818
2018	Conversion of class A shares to class B shares	8	–	188,494,179	–	24,287,818	24,287,818

Contents

Notes

Directors' Report

The Board of Directors and the President of Medivir AB (publ.), corporate ID no. 556238-4361, whose place of incorporation is Huddinge, Sweden, hereby submit the Annual Report for the operations of the Group and the Parent Company, Medivir AB, (publ.) for the 2019 fiscal year. All figures refer to the 2019 fiscal year of the Group, unless otherwise indicated. Comparisons, unless otherwise indicated, are made with the 2018 fiscal year.

The Medivir Group comprises the Parent Company, Medivir AB, and five subsidiary companies, three of which are registered in the UK. The subsidiary companies are currently dormant. The Parent Company's shares are listed on the NASDAQ Stockholm Stock Exchange list for small companies (Small Cap). For additional information, see www.medivir.se.

Medivir develops innovative drugs with a focus on cancer where the unmet medical needs are high. This strategy is aimed at indication areas where available therapies are limited or missing and there are great opportunities to offer significant improvements to patients.

For a detailed description of Medivir's project portfolio, please see pages 9-19.

Significant events in 2019

The project portfolio

- Preclinical data showing that in addition to its direct effect on cancer cells, MIV-818 also modulates the anti-tumor immune response, were presented at the AACR-NCI-EORTC conference in Boston.
- Selective effect signal on liver cancer tissue in phase Ia study with MIV-818. The analysis showed an early indication that MIV-818 works as expected, i.e. the substance has the intended liver-directed effect.
- The ninth and final patient with liver cancer was recruited to the phase Ia study of MIV-818. Based on safety and tolerability, as well as pharmacokinetics and positive biomarker data, the company decided to initiate the phase Ib portion of the study.
- The first patient was dosed with remetinostat in an investigator-initiated phase II clinical study in patients with squamous cell carcinoma.
- Positive data from the investigator-initiated study to evaluate the efficacy of remetinostat in patients with basal cell cancer, were presented at the SID annual conference.
- The first patient was included in an investigator-initiated phase I study evaluating the safety and tolerability of a combination of birinapant and radiation therapy in patients with recurrent head and neck squamous cell carcinoma.
- A futility analysis was conducted by the independent safety committee for the phase II study of combination therapy with birinapant and pembrolizumab (Keytruda®) in colorectal cancer patients. The results of the analysis indicated that the study's goals were unlikely to be achieved. Medivir therefore decided to end the study.
- Complete phase II data regarding safety and efficacy from the MIV-711 open label extension study were presented at the OARSI world congress.
- The first milestone payment for the candidate drug MIV-701 in veterinary medicine was received in October.

The company

- Magnus Christensen was appointed to serve as the new CFO of Medivir in April and began in his new position on 12 August.
- An van Es Johansson was elected to serve on the Board of Directors at Medivir's AGM on 9 May. Helena Levander was elected to serve as the new Chairperson of the Board. Anders Hallberg and Anna Malm Bernsten both declined re-election.
- The reorganization that began in late 2018 has now been completed. As of the third quarter of 2019, overhead for the business is one third of the level for the previous year.
- The organization focuses on clinical development and business development and currently comprises 13 employees. The company no longer conducts any preclinical laboratory research in-house.

Long-term incentive plans

In 2017, the Board of Directors proposed a long-term incentive plan that was approved by the 2017 Annual General Meeting. The right to subscribe was vested in all of the company's senior executives as well as other permanent employees of Medivir. The market value was determined using the Black & Scholes valuation model, based on term, strike price, weighted share price during the subscription period (VWAP), risk-free interest rate, and volatility. The subscription price (strike price) per share for all outstanding warrants shall correspond to 133 percent of the volume-weighted average rate of the class B share during the subscription period.

Medivir's employees purchased 48,515 warrants in the second quarter of 2017 as part of this incentive plan. The warrants were issued at a market value of SEK 9.41 with a strike price of SEK 89.36 per share. Medivir's employees purchased a further 9,320 warrants in the fourth quarter of 2017. These warrants were issued at a market value of SEK 3.98 with a strike price of SEK 89.36 per share.

The combined total of 57,835 warrants can be exercised to subscribe for new class B shares during the period from 16 December 2020 to 15 January 2021, inclusive. The valuation calculation for 2017 was based on the following figures: term, 3.66 years; strike price, SEK 89.36; VWAP, SEK 67.19; risk-free interest rate, –0.35 percent; volatility, 32 percent.

In May 2018, the Annual General Meeting approved a new long-term incentive plan with the same structure. In the second quarter of 2018, Medivir's employees purchased 51,864 warrants with a market value of SEK 5.63 each and a strike price of SEK 52.75 per share. The warrants can be exercised to subscribe for new class B shares during the period from 16 December 2021 to 15 January 2022, inclusive. The 2018 valuation calculation was based on the following figures: term, 3.66 years; strike price, SEK 52.75; VWAP, SEK 39.66; risk-free interest rate, –0.16 percent; volatility, 32 percent.

Significant events after the end of the fiscal year

- The phase II study of MIV-711 in patients with osteoarthritis was published in the respected journal Annals of Internal Medicine (Ref: 2020;172(2):86-95).
- A licensing agreement for Xerclear was signed with the Chinese company Shijiazhuang Yuanmai Biotechnology Co Ltd (SYB). The agreement gives SYB the right to register, manufacture and market the product in China.
- Positive data from the phase Ia portion of the MIV-818 study was presented at the company's R&D Day in March.
- The phase Ib part of the MIV-818 study was initiated in March. The primary objective of the phase Ib study is to establish the safety and tolerability profile of MIV-818. A secondary objective is to further explore the efficacy of MIV-818.
- The Nomination Committee has agreed, ahead of the upcoming 2020 AGM, to propose that a new Board of Directors be appointed by means of the re-election of current Board Members Uli Hacksell, Lennart Hansson, Bengt Julander, Helena Levander, An van Es Johansson and Bengt Westermark. The Nomination Committee also proposes reelection of Helena Levander as Chairperson of the Board.

The Group's results and financial position

Revenues, expenses, and results

Net sales for the period from January–December 2019 totaled SEK 8.7 million (23.9), corresponding to a year on year decrease of SEK 15.2 million that was attributable to the decline in royalty income and a lower milestone payment.

Royalty income from Janssen's sales of simeprevir and GlaxoSmithKline's sales of Xerclear (Zoviduo) during the period totaled SEK 8.6 million (16.9). Milestone payments totaled SEK 0.1 million (6.9) and relate to MIV-802.

Other external costs amounted to SEK –91.1 million (–235.1), corresponding to a decline of SEK 144.0 million.

Personnel costs amounted to SEK –35.0 million (–118.2), corresponding to a decline of SEK 83.2 million. Overhead totaled SEK –126.1 million (–353.3), corresponding to a decline of SEK 227.2 million. The reduction in costs is mainly attributed to lower costs as a result of the organizational change that was implemented. As was previously announced, as of Q3 2019, overhead for the business is about one third of the level for the previous year.

Depreciation, amortization and impairment for the period totaled SEK –7.1 million (–24.5).

Net financial items totaled SEK 2.6 million (0.6), corresponding to an increase of SEK 2.1 million. The decrease was due to a reduction in financial assets and comprises unrealized gains attributable to positive market valuations of short-term interest-bearing investments.

Medivir posted an operating profit/loss of SEK –126.0 million (–351.0 m), an improvement of SEK 225.0 million. The improvement can be explained by the lower costs resulting from the restructuring implemented in the fourth quarter of 2018.

The tax for the period totaled SEK –0.1 million (0.2). The Group's tax cost is based on a tax rate of 21.4 percent. The deficit in the Parent Company Medivir AB parent company is not capitalized, for which reason no deferred tax is credited to the profit/loss.

The net profit/loss for the period was SEK –123.4 million (–350.3).

Cash flow and financial position

Cash and cash equivalents, including short-term investments with a maximum term of three months, totaled SEK 134.5 million (286.3), corresponding to a decrease of SEK 151.8 million. The corresponding amount at the beginning of 2019 was SEK 286.3 million (467.8).

Medivir's financial assets are, in accordance with its financial policy, invested in low-risk, interest-bearing securities.

The cash flow from operating activities totaled SEK –148.3 million (–318.6), with changes in working capital accounting for SEK –15.7 million (–28.0) of this total.

The net profit/loss for the period was SEK –6.7 million (143.8).

Investments, depreciation, amortization and impairment

The investments in tangible and intangible fixed assets during the period were lower, year on year, and totaled SEK 4.5 million (–6.8).

Depreciation, amortization and impairment of property, plant and equipment and intangible fixed assets during the period were charged against earnings in the sum of SEK –6.6 million (–10.3) and SEK –0.5 million (–14.2), respectively.

Royalty undertakings

A part of Medivir's research and development projects work has been carried out exclusively in-house, for which reason Medivir is entitled to all revenues relating to these innovations. Medivir also conducts

Breakdown of net sales

SEK million	2019	2018
Upfront and milestone payments	106	6,925
Royalty	8,612	16,938
Total	**8,724**	**23,863**

research and development work that originates from universities and pharmaceutical companies, and Medivir is consequently entitled to the revenues generated by these projects but obliged to pay royalties on the same.

Royalty costs during the period totaled SEK 1.5 million (2.1).

Patents

Patent protection and regulatory protection, such as data exclusivity, orphan drug exclusivity, and pediatric extension, are key components of pharmaceutical development, both for those projects that are developed in-house and those that are inlicensed. At the end of the year, Medivir's patent portfolio comprised 23 patent families (excluding patents related to Medivir's preclinical research projects), with over 250 patents granted to protect the company's candidate drugs, as well as 29 patents licensed in from Harvard University. Medivir is of the opinion that this protection is strong and therefore provides adequate and effective protection for Medivir's existing and future commercial position. Moreover, the company is not currently subject to any claims relating to liability etc. with regard to alleged infringements of third-party intellectual property rights. In addition to patent protection, the FDA has granted orphan drug designation in the US for the company's candidate drug remetinostat for the treatment of Mycosis Fungoides cutaneous T-cell lymphoma.

Risk 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. If competing products 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 originally expected. The process of research and pharmaceutical development, all the way up to approved registration, is both highly risky and capital-intensive. The majority of the projects begun never achieve market registration. Medivir's ability to conduct clinical studies, to enter into partnerships, and to successfully develop its candidate drugs to market launch and sales, are crucial in terms of the company's future.

Development

Drug development is associated with a high level of risk. Development projects are abandoned during the process when the substances being developed either prove unable to demonstrate the desired efficacy or display risks of unwanted side effects.

Safety and efficacy criteria in clinical trials

Before launching any of Medivir's candidate drugs, Medivir and/or its partner must demonstrate that the pharmaceutical compound complies with the stringent safety and efficacy norms set by the regulatory authorities in the countries in which Medivir plans to market the drug.

The process of obtaining regulatory authorization to market a new candidate drug usually demands extensive preclinical and clinical trials, which are extremely costly and take a very long time. The FDA, EMA and other regulatory authorities may delay, restrict or refuse authorization for a number of reasons, including the possibility that a candidate drug is unsafe or ineffective. If Medivir is unable to obtain authorization for its existing or future candidate drugs, it will be unable to market or sell them. Any deficiencies or delays in the implementation of preclinical or clinical trials will reduce or delay Medivir's ability to generate revenues from the commercialization of these candidate drugs and may have a significant negative effect on Medivir's ability to retain and complement its project portfolio.

Regulatory approval

Medivir is exposed to regulatory decisions such as the permits required to commercialize pharmaceuticals and regulatory changes with regard to pricing and discounting of pharmaceuticals, or altered conditions for prescribing a particular pharmaceutical product.

Production

Medivir has no proprietary production facilities and the company is consequently dependent on subcontractors for pharmaceutical production and for production for projects in preclinical and clinical development.

The relevant compound must be produced in a sufficient quantity and with sufficient quality. The risk exists that Medivir will not have the ability to satisfy its production needs at a reasonable cost at the appropriate time. Moreover, production processes must take into account the environment, working conditions, and human rights.

Competition

Medivir is not the only company that carries out development projects, for which reason successful competing development projects may make completing a project less attractive for marketing reasons. Competitors may develop, market and sell pharmaceuticals that are more effective, safer and cheaper than Medivir's. Once a product has been approved, competitors may also have both greater manufacturing and distribution capacity than Medivir and superior sales and marketing prospects.

Commercial success and market acceptance

Even if Medivir's candidate drugs receive regulatory approval, there is no guarantee that the medication will achieve acceptance among physicians, patients or drug payors. The degree of market acceptance depends on a number of different factors, including the incidence and degree of any side effects, the availability of alternative therapies, price and cost effectiveness, and sales and marketing strategies.

Product liability and insurance coverage
Medivir's operations entail product liability – something that is unavoidable in conjunction with research and development, preclinical trials and clinical trials, and the production, marketing and sale of pharmaceuticals. Even if Medivir considers its existing insurance coverage to be sufficient, the extent and amount of indemnity provided by the insurance coverage is limited, for which reason there is no guarantee that Medivir will be fully recompensed for any damage incurred under its current insurance policy. Moreover, there is no guarantee that suitable insurance coverage can be obtained at an acceptable cost, that such insurance cover can actually be arranged, or that product liability claims or other claims will not have a significantly negative effect on Medivir's operations and financial position.

Patent protection
Medivir's future success is largely dependent on the company's ability to secure and retain protection for the intellectual property rights attributable to Medivir's products. Assessing the potential for achieving patent protection for inventions within the pharmaceutical and biotechnology areas is generally difficult and entails addressing complex legal and scientific issues. There is no guarantee that Medivir will be able to secure or retain patents for either its products or its technologies. Even if patents are issued, they may be contested, invalidated or circumvented, which will limit Medivir's ability to prevent competitors from marketing similar products and reducing the time for which Medivir has patent protection for its products.

Collaboration risks
Entering into collaboration agreements with pharmaceutical and biotechnology companies for the development and sales of the company's potential products is a significant component of Medivir's strategy. The success of such partnerships may vary. Conflicts or differences of opinion may arise between Medivir's partners or counterparties with regard to the interpretation of clinical data, achieving milestone payments, and interpretation of financial remuneration for or title to patents and similar rights developed within the frameworks of these partnerships.

Reliance on key employees
Medivir is highly reliant on certain key employees. The ability to recruit and retain qualified employees is of the utmost importance in ensuring the requisite level of expertise within the company.

Financial risks
Developing new drugs is expensive and takes a long time. Medivir's future potential for revenues of its own depend on the ability, over time, to outlicense or commercialize research and development projects and thereby receive revenues in the form of milestone payments, ongoing royalty payments, or sales revenues. The company might also, from time to time, need to acquire new capital via new share issues. The future profit performance is uncertain. Current and future partnership agreements may have a significant impact on Medivir's future revenues and cash position. For a detailed presentation of financial risks, such as currency risk, interest rate risk, credit risk and liquidity risk, see Note 7 on pages 57-59.

Related party transactions
There are existing agreements between companies owned by senior executives and Medivir entered into in 2005, conferring entitlement to royalties on products that the company has developed based on patented inventions that the company has acquired from the parties in question. Related party transactions occurred during the period with a combined value of SEK 0.002 million (0.1) in royalty payments to Uppsala Hallbechem AB, Anders R Hallberg (Board Member through May 9, 2019). Medivir also purchased consultancy services from Anna Malm Bernsten (Chairperson of the Board through May 9, 2019) for a value of SEK 0.2 million (0.4). The company did not purchase any other services from related parties during the period.

Information security
Medivir's IT systems are exposed to risks such as computer viruses, unauthorized intrusions, natural disasters and breakdowns in the telecommunications or electricity networks. Such events could disrupt the company's operations, delay development, delay submission of applications for authorization to regulatory authorities and increase the company's costs.

Covid-19 pandemic
In the first quarter of 2020 the Covid-19 pandemic has escalated, and Medivir has implemented measures to protect its employees, to take its social responsibility and at the same time to minimize the negative impact the Covid-19 pandemic may have on Medivir's operations. It is at this stage impossible to estimate to what extent the company's operations may be affected. The pandemic has already, around the world, impacted the pharmaceutical industry, including the recruitment to clinical trials. Medivir will continuously monitor the situation very carefully, in order to be prepared to introduce additional measures when needed.

Employees
At the end of the period Medivir had 14 (71) employees (recalculated as full-time positions), 50% (53%) of whom were women. In all, 1 (54) of these employees have been given notice but are still employed. The

average number of employees during the fiscal year was 58 (74).

Salaries, remuneration, and social security contributions totaled SEK 34.198 thousand (116.501); for further information, see Note 4 on pages 55-56. For details of guidelines for remuneration to senior executives approved at the 2019 AGM, see the Corporate Governance Report on page 34-35. See Note 4 with regard to remuneration disbursed to senior executives in the 2019 fiscal year.

Legal issues

Medivir is not and has not been party to any legal proceedings or arbitration proceedings during the past 12 months that had or could have a material effect on Medivir's financial position or profitability.

Environmental work and occupational health and safety

Medivir creates sustainable value through its development of drugs that contribute to giving people better/longer lives. Medivir also strives to be a responsible business partner and employer and consequently conducts an active program of environmental and occupational health and safety work that ensures the company complies fully with all environmental and occupational health and safety-related legislation. In addition, Medivir's Occupational Health and Safety Policy, and our Environmental Policy, both emphasize the importance of maintaining a good working environment and of minimizing the environmental impact of our operations. Incident reporting is an important tool in ensuring a high standard of occupational health and safety, and all incidents and accidents are, therefore, followed up. The company is not involved in any environmental disputes and no workplace accidents were reported to the Swedish Work Environment Authority in 2019. For additional information on Medivir's environmental and occupational health & safety work, see page 20.

Parent Company in brief

Medivir AB (publ), corporate identity number 556238-4361 is the Parent Company of the Group. The operations comprise drug development, as well as administrative and managerial functions.

The Parent Company's total revenues amounted to SEK 8.7 million (24.9).

The operating profit/loss was SEK –126.0 million (–351.1), an improvement of SEK 225.0 million. Combined operating expenses totaled SEK –133.2 million (–372.6), a decline of SEK 239.4 million. Net financial items amounted to SEK 3.7 million (–0.2), an increase of SEK 3.9 million.

The tax for the period totaled SEK 0.0 million (0.0).

The profit/loss for the period was SEK –122.3 million (–351.2), an improvement of SEK 228.9 million. Cash and cash equivalents, including short-term investments with a maximum term of three months, totaled SEK 125.7 million (275.8).

Summary of future development work

In the future, Medivir intends to primarily invest in clinical pharmaceutical projects in oncology. The restructuring that the company implemented in late 2018 resulted in a significant reduction of expenses in 2019. As of Q3 2019, overhead is about one third of the level in 2018.

The Board of Directors and the management are of the opinion that existing cash and cash equivalents are sufficient to meet the company's needs in completing ongoing clinical activities.

Proposed treatment of non-restricted equity

The following non-restricted equity is available for disposition by the Annual General Meeting.

	SEK
Share premium reserve	600,750,161
Accumulated loss	-487,708,222
Net profit for the year	-122,282,119
Total	**-9,240,180**

The Board of Directors proposes that the Annual General Meeting resolve that the above amount, SEK –9,240,180 be carried forward.

Dividend

The Board of Directors proposes that no dividend be paid for the 2019 fiscal year.

Corporate Governance Report

The Medivir Group comprises six companies. The Parent Company is the Swedish public limited company, Medivir AB, whose shares are listed on the NASDAQ Stockholm stock exchange. Good corporate governance is an essential component of Medivir's efforts to create value for its shareholders and we endeavor at all times to:

- Generate optimum conditions for active and responsible corporate governance.
- Achieve a well-balanced division of responsibility between owners, the Board of Directors, and the company management.
- Maintain a high level of transparency in relationships with owners, the capital market, employees and society at large.

Compliance with the Swedish Code of Corporate Governance ("the Code")

Medivir has applied the Code since July 1, 2008 and has undertaken to follow best practice, wherever possible, with regard to corporate governance. The company has not deviated from any of the provisions of the Code in 2019.

Decision-making at shareholders' meetings

Medivir's shareholders exercise their right of decision at the Annual General Meeting and any Extraordinary General Meetings. See pages 22-23 for information on Medivir's share and shareholders.

AGM

Shareholders exercise their control over the company at the AGM or at EGMs. Minutes from and information on Medivir's General Meetings can be found on the website.

2019 Annual General Meeting

The Annual General Meeting was held on May 9, 2019. In all, 40 (53) shareholders attended, either in person or through proxies, representing 16.63% (27.65) of the votes. Erik Sjöman, Attorney at Law, was elected Chairman of the Meeting.

Matters resolved by the AGM:

- Reelection of Board Members Uli Hacksell, Lennart Hansson, Bengt Julander, Helena Levander and Bengt Westermark, and new election of An van Es Johansson. Helena Levander was elected to serve as Chairperson of the Board.
- The Auditors' fees for the period until the next AGM shall be payable upon approval of their invoice within the framework of the amount quoted.
- Remuneration guidelines to senior executives.
- Procedures for the appointment of the Nomination Committee and its work.
- The Directors' fees for the period until the next AGM were set at a maximum of SEK 1,610,000, divided as follows: The Chairman shall receive SEK 650,000, and the other Members who are not employed by the company shall each receive SEK 240,000. No compensation will be paid for committee work.
- Authorization of the Board on one or more occasions before the next AGM, with or without deviation from the shareholders' preferential rights, to approve the new issue of class B shares in a number that shall not collectively exceed 20% of the total number of shares outstanding in the company after exercise of this authorization. Issuance of new shares under the authorization shall be carried out on market terms.

2020 Annual General Meeting

Medivir's 2020 AGM will be held at 2:00 p.m. (CET) on May 5 at Tändstickspalatset, Västra Trädgårdsgatan 15, Stockholm. Shareholders wishing to raise a matter for consideration by the AGM must submit a written request to the Board of Directors in good time prior to the Meeting. The Board can be contacted by letters mailed to: Styrelsen, Medivir AB, Box 1086, 141 22 Huddinge, Sweden, or by email to: info@medivir.com. For further information, see also www.medivir.com.

Nomination Committee

Under the Nomination Committee procedure adopted at the 2019 AGM, the Chairman of the Board shall contact the three largest shareholders in terms of the number of votes at the end of the third quarter and offer them the opportunity to each appoint a representative to the Nomination Committee. If any of these shareholders waive their right to appoint a representative, the right shall pass to the shareholder with the next largest shareholding after these shareholders. According to the procedure, the Chairman of the Board shall also be a member of the Nomination Committee. The Committee members shall jointly elect a Chairman to lead the work of the Committee.

Nomination Committee duties

The duties have changed over the years in order to comply with the requirements of the Code. The primary duty of the Committee continues, however, to be to propose candi-

The model reflects the situation as of Dec. 31, 2019.

dates for election to the Board of Directors. In order to ensure its ability to evaluate the expertise and experience required of Board Members, the Committee must keep itself informed of the Group's strategy and the challenges it will face. The Committee must also take into consideration all applicable rules governing the independence of the Board Members. The Committee shall also draw up proposals for resolution by the AGM regarding the remuneration and fees payable to: Board Members who are not employed by the company, the auditor and Members of the Nomination Committee.

To date, the Committee has not proposed payment of any remuneration to its members. The Nomination Committee proposes candidates for the position of auditor in consultation with the Board of Directors. The Nomination Committee is also tasked with proposing a candidate for election as Chairman of the AGM.

The work of the Nomination Committee ahead of the 2020 AGM

The work begins with a review of a checklist detailing all of the duties of the Committee as prescribed by the Swedish Code of Corporate Governance and by the Nomination Committee's Rules of Procedure as adopted by the AGM. A timetable is also set for the work. A good understanding of Medivir's operations is vital in enabling the members of the Committee to carry out their duties. The Chairman of the Board is responsible for the annual appraisal of the work of the Board, including the efforts of the individual Members of the Board. In 2019 the Board Members responded to a digital questionnaire and the results were compiled by an external supplier. A report based on the results was then jointly discussed at the December Board Meeting, which provided the Board and its Chairperson with a good picture of how the Board can improve its work. The Nomination Committee was also informed of the results of these appraisals, including the appraisal of the Chairman of the Board. The Committee is thus able to assess the expertise and experience required for Board Members. The Nomination Committee also studied the Group's and the Audit Committee's appraisals of the quality and efficiency of the Auditor's work, including recommendations for auditors and audit fees. The Nomination Committee held three meetings by January 23, 2020. The Committee's full proposals for the 2020 AGM were published in conjunction with publication of the notice convening the AGM.

The composition of the 2019–2020 Nomination Committee was as follows:

- Jan Särlvik, Chairman of the Nomination Committee, and representing Nordea Fonder
- Karl Tobieson, representing Linc AB
- Bo Öberg, representing the shareholders
- Helena Levander, Chairperson of the Board Medivir AB

The Nomination Committee has agreed, ahead of the upcoming 2020 AGM, to propose that the Board of Directors remain unchanged with reelection of the Board's current Members: Uli Hacksell, Lennart Hansson, Bengt Julander, Helena Levander, An van Es Johansson and Bengt Westermark. The Nomination Committee also proposes reelection of Helena Levander as Chairperson of the Board.

Duties and work of the Board of Directors

The primary duty of the Board is to manage the Group's operations on behalf of the owners in such a way that the interests of the owners, in terms of a long-term healthy return on capital invested, are optimally protected. The Board manages and decides on Group-wide issues such as:

- Strategic orientation and significant objectives.
- Significant issues in relation to the optimization of capital structure, investments, acquisitions, and divestments.
- Monitoring and control of operations, financial position, information provision and organizational issues, including appraisals of the Group's executive management.
- Appointment and, when required, dismissal of the CEO.
- Overall responsibility for setting up efficient systems for internal control and risk management.
- Significant policies.

Composition of the Board of Directors

The Members of the Board shall serve from the end of the AGM at which they were elected until the end of the next AGM. There is no limit on the number of consecutive periods during which a person may be a Board Member. The Board of Directors elected by the shareholders at the 2019 AGM until the end of the 2020 AGM comprised six Members of the Board and no Deputy Members, including the Chairperson of the Board. Women make up 33% of the Board. The CEO and CFO also attend Board Meetings. However, they are not present for matters that may involve a conflict of interest, or where it is otherwise inappropriate for them to attend, such as in conjunction with the evaluation of the CEO's work. See pages 38-39 for a presentation of the Members of the Board.

Members of the Nomination Committee

The Nomination Committee, ahead of the 2020 AGM (appointed by the biggest shareholders in terms of the number of votes held on Sept. 29, 2019)

Name	Representing	Proportion of votes, % Sept. 30, 2019
Jan Särlvik	Nordea Fonder	7.8
Karl Tobieson	Linc AB	4.2
Bo Öberg	Shareholders	1.4
Helena Levander	Medivir's Chairperson of the Board (convenor)	0.1
Total		**13.5**

Rules of Procedure and Board Meetings
The Board of Directors adopts written Rules of Procedure every year, clarifying the duties of the Board and regulating the division of labor of the Board and its Committees, including the role of the Chairman, the decision-making process within the Board, the Board's schedule of meetings, notices convening Board Meetings, agendas and minutes.

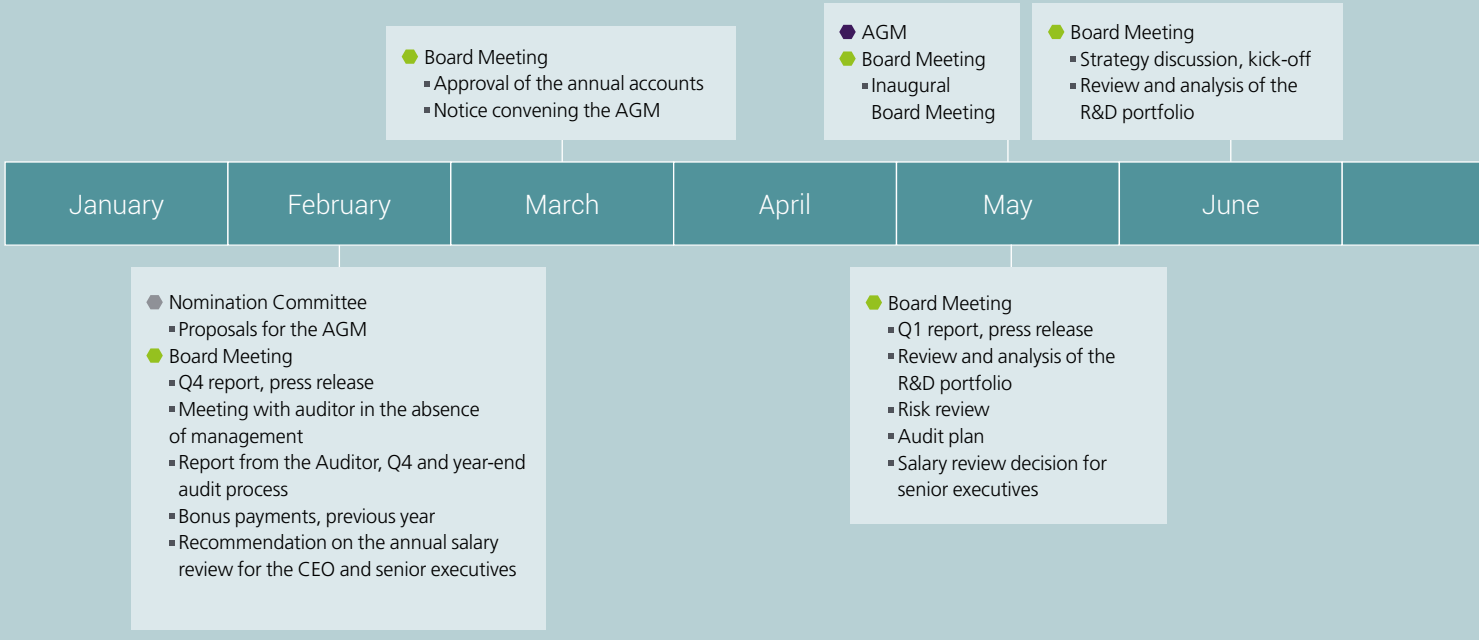
The Rules of Procedure also regulate how the Board shall receive information and documentation in order to ensure its ability to take well-founded decisions. The Board adopts written instructions for the CEO each year, clarifying the CEO's responsibility for the ongoing administration, methods of reporting to the Board, the requirement for internal control instruments, and other matters requiring a decision by the Board or which must be reported to the Board. The Rules of Procedure require an inaugural Board Meeting to be held immediately after the AGM. The Board normally also holds a minimum of six additional Meetings each year. Four of these Meetings are held in conjunction with the publication of the Group's annual and interim reports. Each meeting addresses the company's project portfolio and business development. In addition, at least one meeting addresses specific long-term strategy issues. The budget and economic outlook are addressed at the final Meeting of each calendar year. Additional meetings, incl. telephone conferences, are held as required.

Responsibilities of the Chairman of the Board
The Chairman is responsible for ensuring that the work of the Board is well-organized, conducted efficiently, and that the Board fulfills its obligations. The Chairman monitors company operations in dialogue with the CEO and is responsible for ensuring that other Board Members receive the information and documentation required to enable a high standard of discussion and decision-making, and for monitoring the implementation of the Board's decisions. The Chairman is responsible for conducting an annual appraisal of the Board's work and for ensuring that the Nomination Committee is provided with the results of the appraisals. The Board has evaluated its work during the year by means of an online questionnaire comprising ca. 50 questions in seven areas. The Board has completed the same questionnaire for three years, for which reason a good description of the trend was obtained. In general, the evaluation showed consistent and strong results, with clear improvements over the previous year noted in the Board material and the Board's responsibility for reporting and control. The Board's contribution to the company's overarching strategy received the highest grade, while some room for improvement was noted regarding information between Board Meetings. The results of the evaluation were presented to the Nomination Committee. The Chairman represents Medivir on ownership issues.

The work of the Board of Directors in 2019
The Board held 12 minuted meetings in 2019. The attendance of the individual Members at these Meetings is shown in the table on page 33. All meetings followed an approved agenda which, together with the documentation for every item, was provided to the Members before the relevant meeting. An ordinary Board Meeting usually lasts for just over half a day in order to ensure sufficient time for presentations and discussions.

The CEO and CFO participate in the majority of Board Meetings. Reviews of the current business position, developments relating to ongoing projects, the Group's results and financial position, liquidity and the outlook for the rest of the year are conducted at every ordinary Board Meeting.

The Board's Rules of Procedure



The Board of Directors' attendance and fees[1]

				ATTENDANCE (TOTAL NUMBER OF MEETINGS)				TOTAL REMUNERATION
Members elected by the AGM	Elected	Born	Independent	Board Meetings	Remuneration Committee[6]	Audit Committee[6]	R&D Committee[6]	
Uli Hacksell[5]	2018	1950	No[5]	12/12				0
Anders Hallberg[2,4]	2012	1945	No[5]	4/4			0/0	0
Lennart Hansson	2018	1956	Yes	12/12		1/1		240,000
Bengt Julander	2017	1953	Yes	11/12				240,000
Helena Levander (Chairperson)	2015	1957	Yes	12/12	1/1	1/1		650,000
Anna Malm Bernsten[2], (former Chairperson)	2006	1961	Yes	3/4	1/1			0
An van Es Johansson[3]	2019	1960	Yes	7/8				240,000
Bengt Westermark	2017	1945	Yes	12/12			0/0	240,000

1) The table refers to fees paid to the Board of Directors during the period from May 2019 – April 2020. The fee payable to Members of the Board elected by the Annual General Meeting is determined by the Annual General Meeting in line with a proposal by the Nomination Committee. Fees for 2019 have been paid in the amounts shown in the above table, which excludes travel expenses. Differences arise between the maximum fee approved by the Annual General Meeting and the actual amount disbursed, as the actual amount disbursed during the calendar year is a combination of the fees paid between the two most recent General Meetings. See Note 4 on pages 55-56 for the actual amounts disbursed.

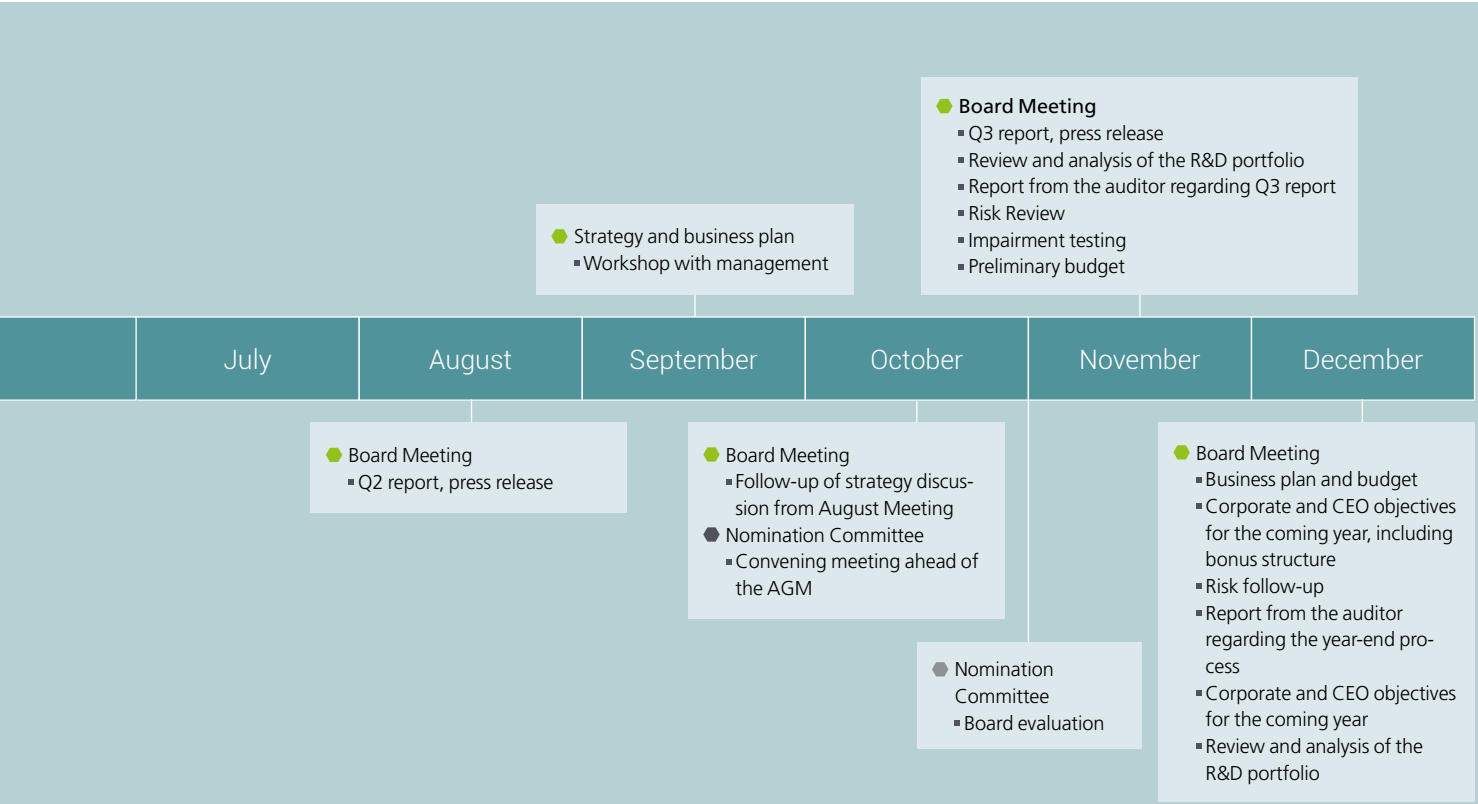
2) Resigned at the 2019 AGM.

3) Appointed at the 2019 AGM.

4) Royalties in accordance with preexisting agreements have, in addition to Directors' fees, been paid to Uppsala Hallbechem AB in the sum of SEK 2 thousand (63) for 2019.

5) Independent in relation to the company's major shareholders, but not independent in relation to the company and the company management.

6) The Committee was discontinued at the AGM on May 9, 2019.



A member of Group management usually reviews a relevant strategic issue. The work of the Board during the year largely focused on:
- Development of the project portfolio.
- Financial development and capital acquisition.
- Interim Reports, the Year-end Report, and the Annual Report.
- Collaborations and partnerships.
- Overview of corporate management.
- Focus on the clinical portfolio and the reorganization of the company.

Board Committees

Up until the 2019 AGM there were three consultative committees: the Remuneration Committee, the Audit Committee, and the R&D Committee. After the AGM the Board resolved to handle the areas of responsibilities of these committees jointly within the Board. Below is a summary of the work handled by the committees up until the 2019 AGM and thereafter in the Board:

In 2019 up until the AGM the Remuneration Committee held one minuted meeting. The attendance of the respective members is shown in the table on page 33. Work in the Committee, which after the AGM was handled in the Board, largely focused on:
- Reviews of proposals regarding salaries and remuneration for the CEO and other senior executives.
- Reviews of proposals for a program for short-term performance-related pay.
- Review of the results of existing long-term incentive plans.
- Evaluation of the talent pool management, contracts, and remuneration.

In 2019 the Audit Committee held one minuted meeting. The attendance of the respective members is shown in the table on page 33. The CFO attended all meetings. Work in the Committee, which after the AGM was handled in the Board, largely focused on:
- The scope and accuracy of the Year-End Financial Statement.
- Reviews of the company's risk management, governance, and internal controls.
- Significant audit issues.
- Reviews of reports from the company's Auditor elected by the AGM, including the Auditor's audit plan.

In 2019 the R&D Committee held no minuted meetings. Work in the Committee, which after the AGM was handled in the Board, largely focused on:
- Review and evaluation of the R&D portfolio.
- Prepare supporting data ahead of decisions on strategic assessments and resource allocation within R&D.
- Serve in an advisory role in relation to the company management with regard to specific scientific matters.

Group management

The Board appoints the CEO and, where necessary, the Deputy CEO. The CEO leads the work of Group management and is responsible, together with Group management, for ensuring that the operating activities are conducted in accordance with the provisions of the Swedish Companies Act, other legislation and regulations, applicable regulations for listed companies, the Articles of Association, and the CEO's Instructions. Group management has a broad composition of individuals with in-depth and extensive experience of R&D, registration and approval of pharmaceuticals, and the requisite expertise in commercial development, accounting, finance and communication. For a presentation of Group management, see page 40. The role of Group management is to:
- Set goals, allocate resources, and follow up on the performance of the company and the development of the projects.
- Produce information and documentation that enables the Board to take well-founded decisions.
- Implement the strategy adopted by the Board throughout the organization on the basis of the annual strategic work.
- Following up on established goals is a key tool in the management of our operational work.

Guidelines for remuneration to senior executives

Remuneration principles for senior executives at Medivir are determined by the AGM. The proposed guidelines for 2020 are mainly in line with the guidelines that so far have been applied, but have been adapted in accordance with certain amendments to the Swedish Companies Act.

In this context, senior executives refers to the CEO and other members of Group management. The guidelines apply to employment contracts entered into after the adoption of the guidelines by the AGM or AGM-approved amendments to existing terms. Medivir shall offer a competitive total compensation package that promotes recruitment and retention of qualified senior executives. Remuneration payable to senior

Remuneration to senior executives (SEK thousand)

Function	Year	Fixed salary	Performance-related pay	Benefits	Severance pay	Total	Pension	Total
CEO, Uli Hacksell[1]	**2019**	**2,280**	**371**	**0**	**0**	**2,651**	**0**	**2,651**
	2018	486	0	0	0	486	0	486
Former CEO, Christine Lind[2]	**2019**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2018	2,186	771	0	3,931	6,888	414	7,302
Other senior executives[3]	**2019**	**5,634**	**484**	**0**	**0**	**6,118**	**1,995**	**8,113**
	2018	8,776	1,530	101	1,123	11,529	1,550	13,079
Total	**2019**	**7,914**	**855**	**0**	**0**	**8,769**	**1,995**	**10,764**
	2018	11,448	2,301	101	5,054	18,903	1,964	20,867

1) Uli Hacksell took over as CEO on October 15, 2018.
2) Christine Lind took over as CEO on April 1, 2017 and resigned from the position on October 15, 2018.
3) During the year, Fredrik Öberg and Magnus Christensen joined the management group on January 1, 2019 and August 12, 2019, respectively. Richard Bethell was a member of Group management until Dec. 19, 2018. Åsa Holmgren stepped down from Group management on April 30, 2019. Daniel Eriksson was a member of Group management until Dec. 31, 2018.

executives may comprise a fixed salary, performance-related pay, incentive plans approved by the AGM, pensions and other benefits. The fixed salary shall take into account the extent of the individual's responsibilities and their experience.

Performance-based pay, as a cash bonus, may comprise a maximum of 50% of the annual fixed salary. Performance-related pay shall be linked to predetermined and quantifiable criteria formulated in order to promote the company's long-term value creation.

Evaluation of principles for remuneration to senior executives

In 2019, Medivir has complied with the remuneration principles for senior executives approved by the AGM.

Long-term incentive plans

The purpose of long-term incentive plans is to generate the conditions for retaining and recruiting competent personnel and to offer employees an attractive opportunity to acquire a stake in the Group, so as to encourage continued company loyalty by combining the interests of the shareholders and the employees.

In 2017, the Board of Directors proposed a long-term incentive plan that was approved by the 2017 AGM. The right to subscribe was vested in all of the company's senior executives as well as other permanent employees of Medivir. The market value was determined using the Black & Scholes valuation model, based on term, strike price, weighted share price during the subscription period (VWAP), risk-free interest rate, and volatility. The subscription price (strike price) per share for all outstanding warrants shall correspond to 133% of the volume-weighted average rate of the class B share during the subscription period.

Medivir's employees purchased 48,515 warrants in the second quarter of 2017 as part of this incentive plan. The warrants were issued at a market value of SEK 9.41 with a strike price of SEK 89.36 per share. Medivir's employees purchased a further 9,320 warrants in the fourth quarter of 2017. These warrants were issued at a market value of SEK 3.98 with a strike price of SEK 89.36 per share. The combined total of 57,835 warrants can be exercised to subscribe for new class B shares during the period from December 16, 2020 through January 15, 2021. The valuation calculation for 2017 was based on the following figures: term, 3.66 years; strike price, SEK 89.36; VWAP, SEK 67.19; risk-free interest rate, –0.35%; volatility, 32%.

In May 2018, the Board and the AGM approved a new long-term incentive plan with the same structure. In the second quarter of 2018, Medivir's employees purchased 51,864 warrants with a market value of SEK 5.63 each and a strike price of SEK 52.75 per share. The warrants can be exercised to subscribe for new class B shares during the period from December 16, 2021 through January 15, 2022. The 2018 valuation calculation was based on the following figures: term, 3.66 years; strike price, SEK 52.75; VWAP, SEK 39.66; risk-free interest rate, –0.16 percent; volatility, 32 percent.

Election of auditors

The duties of the Nomination Committee include proposing an auditor to the AGM.

Öhrlings PricewaterhouseCoopers AB (PwC) was appointed as the company's external auditors for a one-year period up to and including the 2020 AGM. Tobias Stråhle, Authorized Public Accountant, is the Auditor-in-Charge for Medivir.

- The auditors work according to an audit plan and report their observations on a rolling basis to the Board, both during the course of the audit and in conjunction with the preparation of the annual accounts.
- The auditors review one interim report and the annual financial statement in order to assess their accuracy, completeness and the correspondence of the accounts with generally accepted accounting practice and relevant accounting principles.
- The Auditor-in-Charge attends the AGM at which he or she presents details of the audit work and observations made.

When additional services are requested from PwC, over and above the audit engagement, such services are provided, subject to the approval of the Chairman of the Board.

Auditors' fees

Fees for auditing Medivir's accounts are determined by the AGM in line with proposals by the Nomination Committee. Auditors' fees in 2019 and 2018 are shown in the table below.

Audit and audit consulting costs (SEK thousand)

	GROUP	
	2019	**2018**
PwC		
Audit engagement	459	648
Auditing activities other than audit engagement	150	263
Tax advice	18	–
Valuation services	–	–
Other services	–	46
Total, PwC	**627**	**956**
Other auditors		
Audit engagement	–	–
Total	**–**	**–**
Total	**627**	**956**

The Board of Directors' Internal Controls Report

Internal control
The following presentation comprises the Board of Directors' report on Internal Controls. The purpose of internal controls is to shed light on Medivir's systems for monitoring and controlling operational risks in relation both to strategy and operational practice and to compliance with legislative and regulatory requirements. It shall also provide reasonable assurance of the reliability of the external financial reporting. The internal controls include, amongst other things, a control environment, risk assessment, control activities, information and communication, and monitoring.

Control environment
Medivir's internal control structure is based on the division of labor between the Board of Directors, the CEO and other members of the management team. Medivir is also subject to the guidelines and regulations issued by the Swedish Medical Products Agency with regard to research and trials of potential new pharmaceutical products.

Medivir's control environment is based on:
- Steering documents, such as the Board's Rules of Procedure and the CEO's Instructions, quality systems, policies and guidelines.
- Medivir's core values and Code of Conduct.
- The company's organization and the way in which it conducts its operations, with clearly defined roles and areas of responsibility, and delegation of authority.
- The company's quality process and its guidelines, which ensure compliance with the permits issued by the Swedish Medical Products Agency.
- Group-wide planning processes, such as the process for appraisal of the R&D portfolio, the budget process, and performance reviews.

In addition to external laws and regulations, the internal control environment comprises policies and guidelines. These internal steering documents are updated regularly in line with changes in both internal and external requirements.

The internal steering documents include:
- The Articles of Association
- The Board of Directors' Rules of Procedure and the written instructions for the CEO
- Guidelines for remuneration to senior executives
- Quality Manual
- Finance Policy
- Information Policy
- IT policy
- Accounting and HR Manuals
- Code of Conduct
- Environmental Policy

Operational and financial reports are drawn up on a monthly and quarterly basis for the Group, the Parent company, the subsidiary companies, operating units and projects. The process includes specific controls that shall be carried out in order to ensure that the reports are of a high quality.

Risk assessment
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. Medivir continu-

ously updates its risk analysis with regard to the assessment of operational risks. The risk work is reported annually to Group management and the Board of Directors.

Medivir is exposed to the following main risk categories:

- Strategic risks and external risks – such as regulatory approval, competition, price changes and patent protection.
- Operating risks – such as partnerships, uncertainty in the context of research projects, disruptions to production, data security and reliance on key persons and partnerships.
- Financial risks – such as liquidity, interest, currency and credit risks.

Medivir's risk assessment is designed to identify and evaluate the most significant risks and to ensure that there are sufficient control points in place during the processes to manage these risks. Policies and guidelines are important steering tools. For a more detailed presentation of risk exposure and the way in which Medivir handles it, see pages 57-59.

Control activities

Procedures and activities have been structured to handle and remedy significant risks. The activities include regular reviews of the research portfolio, internal audits of the quality manual and of compliance with documented procedures for handling clinical projects, review and control of significant suppliers, and monitoring and following up of financial analyses and key ratios.

Information and communication

Medivir has information and communication pathways that are designed to promote the completeness and accuracy of the external communication. The Board of Directors approves the consolidated annual accounts and the year-end financial statement, and tasks the CEO with presenting quarterly reports in accordance with the Board's Rules of Procedure. All financial reports are published in accordance with applicable regulations. External information is communicated through channels such as the Medivir website (www.medivir.com), where quarterly reports, year-end financial statements, annual reports, press releases and news are published. The Board of Directors and management receive ongoing reports on the Group's position, profit performance, and operational development in terms of the status both of research projects and other business-critical areas. The most important communication channels within the company include the intranet, where quality systems, policies, guidelines and information are published, and regular information meetings for all members of staff.

Monitoring

The Board of Directors regularly reviews the Group's development projects and business development strategy, as well as all financial reporting and liquidity.

The Board of Directors' follow up of internal control is mainly carried out by Medivir's auditors, who review operations in accordance with a set audit plan and follow up annually on selected aspects of the internal controls annually within the framework of the statutory audit. Once an audit is completed, observations are reported back to the Board on a rolling basis. The Auditor-in-Charge also attends at least one Board meeting per year and reports the observations made during the audit for the year and the operational routines. The practice on these occasions is to set time aside for specific discussions not attended by the CEO or other employees.

Board of Directors

Helena Levander

Born: 1957.

Title: Chairperson of the Board. Member of the Board since 2015.

Education: B.Sc. in Economics and Business Administration from the Stockholm School of Economics.

Background: Extensive experience of the financial and equity markets and of corporate governance issues. Helena was previously employed by companies such as Neonet, Odin Förvaltning, Nordea Asset Management and SEB Asset Management.

Other directorships: Founder and now Chairperson of the Board of Nordic Investor Services AB. Member of the Boards of Concordia Maritime AB, Lannebo Fonder, Recipharm AB, Rejlers and Stendörren Fastigheter. Chairperson of the Board of Ativo Finans.

Shares in Medivir: 53,750 class B shares (including related party).

Uli Hacksell

Born: 1950.

Title: Member of the Board since 2018.

Education: Pharmacist and PhD.

Background: Senior positions at major pharmaceutical and biotech companies for over 25 years and more than 10 years' experience as CEO of publicly held companies. As CEO of ACADIA Pharmaceuticals between 2000 and 2015, he led its development from a private start-up company to a public, multibillion-dollar company. In the 1990s, he held senior positions at Astra AB, prior to which he was a Professor of Organic Chemistry at Uppsala University.

Other directorships: Chairman of the Board of Adhera Therapeutics, and Member of the Boards of Active Biotech, Cerecor Inc., InDex Pharmaceuticals AB, Beactica AB and Uppsala University.

Shares in Medivir: 49,000 class B shares.

Lennart Hansson

Born: 1956.

Title: Member of the Board since 2018.

Education: Ph.D. in Genetics from Umeå University.

Background: Extensive experience in senior positions in the fields of pharmaceutical and commercial development in both biotech and pharmaceutical companies, such as KabiGen AB, Symbicom AB, AstraZeneca, and Biovitrum AB, and as CEO of Arexis AB. Responsible for Industrifonden's life sciences operations between 2008 and 2016, and currently working as a senior advisor to the fund on a consultancy basis. He has held seats on the Boards of over 30 companies and is also a co-founder of two pharmaceutical development companies.

Other directorships: Member of the Boards of InDex Pharmaceuticals AB, Calliditas Therapeutics AB and Cinclus Pharma Holding AB. Chairman of the Boards of Ignitus AB and Sixera Pharma AB.

Shares in Medivir: 10,000 class B shares.

An van Es-Johansson

Born: 1960.

Title: Member of the Board since 2019.

Education: Physician from Erasmus University, Rotterdam, the Netherlands.

Background: Extensive international experience in the life science sector and has held several leading positions in Clinical Development, Medical Affairs, Business Development and Commercial at Pharmacia and Swedish Orphan Biovitrum in Sweden, Eli Lilly in the Netherlands and Roche in the US and Switzerland. She has also worked in biotech and at startup companies. An is an entrepreneur and professional coach.

Other directorships: She is a Member of the Boards of BioInvent International AB, Savara Pharmaceuticals Inc, PLUS Therapeutics and Agendia BV.

Shares in Medivir: 0.

Bengt Julander

Born: 1953.

Title: Member of the Board since 2017.

Education: M. Sc. Pharmacy. Has worked in the pharmaceutical industry since 1978.

Background: CEO of Linc AB, which invests in life sciences. Since 1990, primarily active as an investor in and a Member of the Boards of pharmaceutical development companies. Experience of developing and commercializing products.

Other directorships: Member of the Boards of Linc AB, Livland Skog AB, Knil AB, Calliditas Therapeutics AB, Animal Probiotics AB, Rejson AB, Sedana Medical AB, Stille AB and Swevet AB, as well as a number of smaller companies.

Shares in Medivir: 1,008,283 class B shares (through endowment policy).

Bengt Westermark

Born: 1945.

Title: Member of the Board since 2017.

Education: Professor of Tumor Biology at Uppsala University, Faculty of Medicine, since 1986.

Background: Dean of the Faculty of Medicine at Uppsala University, 1996–2002, and Vice-Rector of Medicine and Pharmacy, 1999–2002. Chairman of the research board of the Swedish Cancer Society, 2003–2013. He has published over 300 papers in scientific journals, primarily on the mechanisms governing the uncontrolled growth of cancer cells. Member of the Royal Swedish Academy of Sciences, the European Molecular Biology Organisation, and the European Academy of Cancer Sciences. He has received a number of prizes and awards for his research and has been cited over 25,000 times by other researchers.

Other directorships: Member of the Board of Hamlet Pharma AB and various advisory groups for medical research funding.

Shares in Medivir: 8,000 class B shares.

Refers to the shareholding on March 17, 2020. See website for current holdings.

Management

Uli Hacksell

Born: 1950.

Title: President & CEO

Education: Pharmacist and PhD.

Employed: 2018.

Background: Senior positions at major pharmaceutical and biotech companies for over 25 years and more than 10 years' experience as CEO of publicly held companies. As CEO of ACADIA Pharmaceuticals between 2000 and 2015, he led its development from a private start-up company to a public, multibillion-dollar company. In the 1990s, he held senior positions at Astra AB, prior to which he was a Professor of Organic Chemistry at Uppsala University. Also Chairman of the Board of Adhera Therapeutics. Member of the Boards of Active Biotech, Cerecor Inc., InDex Pharmaceuticals AB, Beactica AB and Uppsala University.

Shares in Medivir: 49,000 class B shares.

Warrants in Medivir: 0.

Linda Basse

Born: 1956.

Title: Chief Medical Officer.

Education: Ph.D. in medicine and MD, Copenhagen University.

Employed: 2018.

Background: Former Medical Director at the Danish companies Genmab, TopoTarget and Zealand Pharma, specializing in research and development. Medical Manager, specializing in medical marketing at Abbott Denmark. Advisor to Novo Nordisk and Nycomed Denmark.

Shares in Medivir: 0

Warrants in Medivir: 0.

Magnus Christensen

Born: 1974.

Title: Chief Financial Officer.

Education: B.Sc. in Economics and Business Administration.

Employed: 2019.

Background: Twenty years of experience in business and finance. Previously CFO at O'Learys Trademark AB. Prior to that, Interim CFO at Rebtel and Head of Business Control at ICA Sverige AB. Prior senior positions at Scan AB and SkiStar AB. Experience of finance in listed, private equity and private companies.

Shares in Medivir: 4,500 class B shares.

Warrants in Medivir: 0.

Christina Herder

Born: 1961.

Title: EVP, Chief Operating Officer.

Education: Ph.D. in Physical Chemistry from Royal Institute of Technology and Executive MBA from Stockholm University.

Employed: 2017.

Background: Former CEO of Modus Therapeutics. Prior to that, Director, Corporate Development at Sobi. Responsible for building and leading the Project & Portfolio Management function at Biovitrum. Also Member of the Boards of PCI Biotech and Idogen.

Shares in Medivir: 5,000 class B shares.

Warrants in Medivir: 4,630.

Fredrik Öberg

Born: 1965.

Title: Chief Medical Officer.

Education: PhD in Medical Science at Uppsala University.

Employed: 2011.

Background: More than 25 years of experience in cancer research. Over the past 10 years, focused on industrial drug discovery in oncology. Prior to that he managed an academic research group at Uppsala University as principal investigator, and has initiated several innovative scientific projects in cancer biology. He has published more than 50 scientific articles and holds several patents. Associate professor of Experimental Pathology at Uppsala University.

Shares in Medivir: 34,586 class B shares.

Warrants in Medivir: 1,510.

Refers to the shareholding on March 17, 2020. See website for current holdings.

Financial reports

Income Statements

Summary of the Group's Income Statement, SEK k	NOTE	GROUP 2019	GROUP 2018	PARENT COMPANY 2019	PARENT COMPANY 2018
Net sales	1	8,724	23,863	8,724	24,925
Other operating income		2,659	9,446	2,659	703
Total income		**11,383**	**33,309**	**11,383**	**25,629**
Goods for resale		–	–	–	–
Other external costs	3, 5	-91,063	-235,129	-94,036	-227,247
Personnel costs	4	-35,033	-118,177	-35,033	-118,413
Depreciation, amortization and impairment	12, 13, 14	-7,085	-24,532	-4,179	-24,532
Other operating expenses		-4,181	-6,501	-4,181	-6,501
Operating profit/loss		**-125,979**	**-351,030**	**-126,046**	**-351,065**
Profit/loss from participations in Group companies	6	–	–	800	-1,092
Interest income and similar profit/loss items	8	4,449	2,551	3,474	2,916
Interest expenses and similar profit/loss items	9	-1,805	-1,996	-510	-1,996
Profit/loss after financial items		**-123,334**	**-350,475**	**-122,282**	**-351,237**
Appropriations		–	–	–	–
Tax	10	-106	161	–	20
Net profit/loss for the year		**-123,440**	**-350,314**	**-122,282**	**-351,217**
Net profit/loss for the year attributable to:					
Parent Company shareholders		-123,440	-350,314	-122,282	-351,217
Earnings per share, calculated from the profit/loss attributable to: Parent Company shareholders during the year					
Earnings per share (SEK per share)	11				
Basic earnings per share, all operations		-5.08	-14.62		
Diluted earnings per share, all operations		-5.08	-14.62		
Average number of shares, '000		24,288	23,956		
Average number of shares after dilution, '000		24,288	23,956		
Number of shares at year-end, '000		24,288	24,288		

– = not applicable

Statement of Comprehensive Income

	GROUP		PARENT COMPANY	
Consolidated Statement of Comprehensive Income, SEK k	**2019**	**2018**	**2019**	**2018**
Net profit/loss for the year	**-123,440**	**-350,314**	**-122,282**	**-351,217**
Other comprehensive income				
Items that may be reclassified in the Income Statement	–	–	–	–
Translation differences	290	-439	–	–
Total other comprehensive income	**290**	**-439**	**–**	**–**
Total comprehensive income for the year	**-123,150**	**-350,753**	**-122,282**	**-351,217**

– = not applicable

Balance Sheets

		GROUP		PARENT COMPANY	
SEK k	**NOTE**	**2019 Dec. 31**	**2018 Dec. 31**	**2019 Dec. 31**	**2018 Dec. 31**
ASSETS					
Fixed assets					
Intangible fixed assets					
Capitalized research and development expenditure		96,312	96,774	96,312	96,774
Product rights		–	–	–	–
Other intangible assets		29	111	29	111
Total intangible fixed assets	12	**96,341**	**96,885**	**96,341**	**96,885**
Property, plant and equipment					
Buildings and land	13	5,881	340	5,881	340
Equipment, tools, fixtures and fittings	13	1,596	10,488	1,596	10,488
Right-of-use assets	14	15,806	–	–	–
Total property, plant and equipment		**23,283**	**10,828**	**7,477**	**10,828**
Financial fixed assets					
Participations in Group companies	15	–	–	100	100
Investments at fair value in the income statement	7, 16	–	–	–	–
Financial receivable lease	14	21,027	–	–	–
Total financial fixed assets		**21,027**	**–**	**100**	**100**
Total fixed assets		**140,651**	**107,713**	**103,918**	**107,813**
Current assets					
Current receivables					
Accounts receivable	7	63	160	63	204
Receivables from Group companies		–	–	864	23,269
Tax receivables		1,577	3,629	1,577	3,624
Other receivables		3,554	1,750	3,089	1,750
Prepaid expenses and accrued income	17	6,745	19,820	4,704	17,930
Financial receivable lease	14	6,363	–	–	–
Total current receivables		**18,302**	**25,358**	**10,297**	**46,777**
Short-term investments					
Other short-term investments	18	100,209	239,106	100,209	239,106
Cash and bank balances	18	34,300	47,175	25,488	36,740
Total short-term investments		**134,509**	**286,282**	**125,697**	**275,847**
Total current assets		**152,811**	**311,640**	**135,994**	**322,624**
TOTAL ASSETS		**293,462**	**419,352**	**239,912**	**430,436**

– = not applicable

Balance Sheets

SEK k	NOTE	GROUP 2019 Dec. 31	GROUP 2018 Dec. 31	PARENT COMPANY 2019 Dec. 31	PARENT COMPANY 2018 Dec. 31
EQUITY AND LIABILITIES					
Equity, Group					
Share capital		188,494	188,494	–	–
Other capital contributed		420,208	420,208	–	–
Exchange rate difference		-3,211	-3,501	–	–
Accumulated profit/loss		-421,035	-297,595	–	–
Total equity, Group		**184,456**	**307,606**	**–**	**–**
Equity, Parent Company					
Restricted equity					
Share capital		–	–	188,494	188,494
Statutory reserve		–	–	–	–
Total restricted equity		**–**	**–**	**188,494**	**188,494**
Non-restricted equity					
Share premium reserve		–	–	600,750	600,750
Accumulated profit/loss		–	–	-487,708	-125,205
Net profit/loss for the year		–	–	-122,282	-362,503
Total non-restricted equity	26	**–**	**–**	**-9,240**	**113,042**
Total equity, Parent Company		**–**	**–**	**179,254**	**301,536**
Untaxed reserves		–	–	–	–
Provisions					
Other provisions	19	–	–	19,782	37,669
Total provisions		–	–	**19,782**	**37,669**
Non-current liabilities					
Deferred tax liability	10	–	–	–	–
Other provisions	19	16,879	14,763	–	–
Lease debt	14	37,153	–	–	–
Total non-current liabilities		**54,032**	**14,763**	**–**	**–**
Current liabilities					
Accounts payable	7	12,303	16,335	12,359	16,329
Liabilities to Group companies	2	–	–	69	21,308
Provisions	19	2,903	22,906	–	–
Lease debt, short-term	14	6,729	–	–	–
Other liabilities		3,023	5,035	2,117	4,630
Accrued expenses and deferred income	20	30,016	52,707	26,331	48,964
Total current liabilities		**54,974**	**96,983**	**40,876**	**91,231**
Total equity and liabilities		**293,462**	**419,352**	**239,912**	**430,436**

Pledged assets are reported in Note 21, and Undertakings and Contingent Liabilities in Note 22.

Changes in Equity

Group, SEK k	Share capital	Other capital contributed	Translation reserve	Accumulated profit/loss	Total equity	Number of shares
Opening balance, January 1, 2018	**157,693**	**295,933**	**-3,062**	**63,494**	**514,057**	**20,318 ,977[1]**
Net profit/loss for the year	–	–	–	-350,314	-350,314	–
Exchange rate differences	–	–	-439	–	-439	–
Total comprehensive income for the period	**–**	**–**	**-439**	**-350,314**	**-350,753**	**–**
New share issue	30,802	123,983	–	–	154,785	3,968,841
Warrants	–	292	–	–	292	
Transaction costs	–	–	–	–10,775	–10,775	
Closing balance, December 31, 2018	**188,494**	**420,208**	**-3,501**	**-297,595**	**307,606**	**24,287,818[2]**
Opening balance, January 1, 2019	**188,494**	**420,208**	**-3,501**	**-297,595**	**307,606**	**24,287,818[3]**
Net profit/loss for the year	–	–	–	-123,440	-123,440	–
Exchange rate differences	–	–	290	–	290	–
Total comprehensive income for the period	**–**	**–**	**290**	**-123,440**	**-123,150**	**–**
New share issue	–	–	–	–	–	–
Warrants	–	–	–	–	–	–
Transaction costs	–	–	–	–	–	–
Closing balance, December 31, 2019	**188,494**	**420,208**	**-3,211**	**-421,035**	**184,456**	**24,287,818[4]**

1) Opening number of shares in 2018: 474,769 class A shares and 19,844,208 class B shares, nominal value: SEK 8 (of which 11,413 class B shares held by the company).
2) Closing number of shares in 2018: 0 class A shares and 24,287,818 class B shares, nominal value: SEK 8 (of which 11,413 class B shares held by the company).
3) Opening number of shares in 2019: 0 class A shares and 24,287,818 class B shares, nominal value: SEK 8 (of which 11,413 class B shares held by the company).
4) Closing number of shares in 2019: 0 class A shares and 24,287,818 class B shares, nominal value: SEK 8 (of which 11,413 class B shares held by the company).

Parent Company, SEK k	Share capital	Statutory reserve	Share premium reserve	Accumulated profit/loss	Net profit/ loss for the year	Total equity	Number of shares
Opening balance, January 1, 2018	**157,693**	**–**	**476,767**	**237,806**	**-363,011**	**509,255**	**20,318,977[1]**
Appropriation of profits:							
Profit/loss for the previous year brought forward	–	–	–	-363,011	363,011	–	–
Net profit/loss for the year	–	–	–	–	-351,217	-351,217	–
New share issue	30,802		123,983	–	–	154,785	3,968,841
Transaction costs			–	–	-11,286	-11,286	–
Closing balance, December 31, 2018	**188,494**	**–**	**600,750**	**-125,205**	**-362,503**	**301,536**	**24,287,818[2]**
Opening balance, January 1, 2019	**188,494**	**–**	**600,750**	**-125,205**	**-362,503**	**301,536**	**24,287,818[3]**
Appropriation of profits:							
Profit/loss for the previous year brought forward	–	–	–	-362,503	362,503	–	–
Net profit/loss for the year	–	–	–	–	-122,282	-122,282	–
New share issue	–	–	–	–	–	–	–
Transaction costs	–	–	–	–	–	–	–
Closing balance, December 31, 2019	**188,494**	**–**	**600,750**	**-487,708**	**-122,282**	**179,254**	**24,287,818[4]**

1) Opening number of shares in 2018: 474,769 class A shares and 19,844,208 class B shares, nominal value: SEK 8 (of which 11,413 class B shares held by the company).
2) Closing number of shares in 2018: 0 class A shares and 24,287,818 class B shares, nominal value: SEK 8 (of which 11,413 class B shares held by the company).
3) Opening number of shares in 2019: 0 class A shares and 24,287,818 class B shares, nominal value: SEK 8 (of which 11,413 class B shares held by the company).
4) Closing number of shares in 2019: 0 class A shares and 24,287,818 class B shares, nominal value: SEK 8 (of which 11,413 class B shares held by the company).

The nominal value has been calculated as the share capital divided by the total number of shares.
Proposed dividend for 2019: SEK 0 per share.

Statements of Cash Flow

		GROUP		PARENT COMPANY	
Total operations, SEK k	**NOTE**	**2019**	**2018**	**2019**	**2018**
Operating activities					
Profit/loss after financial items		-123,334	-350,475	-122,282	-351,237
Adjustment for non-cash items	23	-11,207	56,887	-14,145	56,066
		-134,541	**-293,588**	**-136,427**	**-295,171**
Tax paid		1,946	2,987	2,052	2,846
Cash flow from operating activities before changes in working capital		**-132,595**	**-290,601**	**-134,375**	**-292,325**
Cash flow from changes in working capital					
Increase (–)/decrease (+) in current receivables		5,003	-6,958	34,451	-4,998
Increase (+)/decrease (–) in current liabilities		-20,663	-21,071	-50,347	-22,153
Cash flow from operating activities		**-148,255**	**-318,630**	**-150,271**	**-319,476**
Investing activities					
Acquisition of property, plant and equipment		-1,436	-6,838	-1,377	-6,838
Sale of property, plant and equipment		1,499	–	1,499	–
Divestment of/reduction in financial assets		4,427	–	–	–
Cash flow from investing activities	24	**4,490**	**-6,838**	**122**	**-6,838**
Financing activities					
New share issue		–	154,785	–	154,785
Amortization of debt		-6,659	–	–	–
Warrants issue		–	292	–	–
Transaction costs		–	-11,286	–	-11,286
Cash flow from financing activities		**-6,659**	**143,790**	**–**	**143,498**
Cash flow for the year		**-150,424**	**-181,678**	**-150,149**	**-182,816**
Cash and cash equivalents at the beginning of the year		286,282	467,780	275,847	458,663
Exchange rate differences, cash and cash equivalents		-1,349	180	-1	–
Cash and cash equivalents at the end of the year	18	**134,509**	**286,282**	**125,697**	**275,847**

– = not applicable

Accounting policies 2019

Group

Medivir prepares its Consolidated Accounts in accordance with IFRS, International Financial Reporting Standards, as endorsed by the EU. In addition to the stated IFRS, the Group also observes the Swedish Financial Reporting Board's recommendation, RFR 1 Supplementary Accounting Rules for Groups, and applicable pronouncements from the Swedish Financial Reporting Board. The Group utilizes the cost for Balance Sheet item valuation, unless otherwise indicated. IFRS are under constant development. A number of standards and interpretations were published during the preparation of the consolidated accounts as of December 31, 2019, only some of which have come into effect. An assessment of the impact that the introduction of these standards and statements has had, and may have, on Medivir's financial statements follows. Comments are restricted to those changes that have had, or could have, a significant effect on Medivir's accounting.

New and amended standards applied by the Group from January 1, 2019

In January 2016, IASB published a new leasing standard, IFRS 16 Leases, which will replace IAS 17 Leases and the associated interpretations, IFRIC 4, SIC-15 and SIC-27. The standard requires assets and liabilities attributable to all leasing agreements, with a few exceptions, to be reported in the Balance Sheet. This approach to the reporting is based on the view that the lessee has a right to make use of an asset during a specific period of time and, at the same time, has an obligation to pay for this right. The reporting by the lessor will, in every significant respect, remain unchanged. IFRS 16 will be applied from January 2019. Medivir has chosen to implement the simplified transition method with regard to IFRS 16. This will not entail a recalculation of the figures for 2018 for Medivir; rather, the opening balance for 2019 will be adjusted; see note 14 for more information. Beginning on January 1, 2019, Medivir reports assets at the same value as leasing liabilities, for which reason there will be no effect on equity in conjunction with the transition. The effects of the transition to IFRS 16 are presented in Note 14.

None of the other IFRS or IFRIC interpretations that have not, as yet come into force, are expected to have any significant impact on the Group and its reported values.

New and amended standards applied by the Group from January 1, 2020

A number of new standards and interpretations enter into force for financial years commencing after January 1, 2019 and have not been applied in the preparation of this financial report. These new standards and interpretations are not expected to have a material impact on the Group's financial reports on current or future periods, nor on future transactions.

Parent Company

Medivir AB continues, as in previous years, to apply those accounting principles relevant to legal entities that prepare Consolidated Accounts and which are listed on a stock exchange. Medivir AB complies with the Swedish Financial Reporting Board's recommendation, RFR 2 Accounting principles for legal entities. The Parent Company shall, in accordance with RFR 2, structure its reports in accordance with all applicable IFRS unless the recommendation permits an exemption from application. The Parent Company's principles are consequently consistent with those of the Group, unless otherwise indicated below. The Parent Company will use the exception set forth in RFR 2 in order not to report leasing in accordance with IFRS 16; rather the company will, in 2019 and thereafter, continue to apply the same principles as those applied in 2018.

Consolidated accounts

The Consolidated Accounts have been prepared using acquisition accounting, whereby the subsidiary's equity at the time of acquisition is eliminated. The equity of the acquired subsidiary is measured on the acquisition date on the basis of the fair value of identifiable assets and liabilities assumed. Cost consists of the fair value of assets submitted as payment, issued equity instruments, and liabilities arising or assumed as of the transfer date. In cases where the cost of shares in the subsidiary exceeds the fair value of the assets and liabilities acquired, the difference is recognized as goodwill. Costs directly attributable to the acquisition are reported in the Group under other operating expenses in the Income Statement as they arise. In the Parent Company, transaction costs are included in the acquisition value of equity in subsidiaries.

Subsidiaries comprise all companies over which the Group exercises a controlling influence. The Group controls a company when it is exposed to or entitled to a variable return from its holding in the company and has the ability to affect the return through the exercise of its influence over the company. Subsidiaries are consolidated from the day when controlling influence is transferred to the Group. They are deconsolidated from the date when the controlling influence ceases. For each acquisition, the Group determines whether potential non-controlling interests in the acquired company are recognized at fair value or at the holding's proportional share of the carrying amount of the acquired company's identifiable net assets. The preparation of Medivir's Consolidated Accounts includes the elimination of intra-group receivables and liabilities and of intra-group income and expenses between Group companies and the Consolidated Income Statement and the Consolidated Balance Sheet are consequently reported without intra-group transactions.

Translation of foreign currencies

Functional currency and reporting currency

Items included in the financial statements for the various entities within the Group are valued in the currency used in the economic environment in which the respective company is primarily active (functional currency). The Swedish krona (SEK), which is the Parent Company's functional currency and reporting currency, is the currency utilized in the Consolidated Accounts.

Transactions and Balance Sheet items

Transactions in foreign currencies are translated to the functional currency at exchange rates applicable on the transaction date or the date when the item is translated. Exchange rate profits and losses arising when paying for such transactions and when translating monetary assets and liabilities in foreign currencies at the closing

day rate are reported in the Income Statement. Profits are reported under operating income and losses under operating expenses.

Group companies
The profit/loss and financial position of all Group companies whose functional currency differs from the reporting currency are translated to the Group's reporting currency (SEK) as follows:

- Assets and liabilities for each Balance Sheet item are translated at the closing day rate.
- Income and expenses for each Income Statement item are translated at the average exchange rate. If the average exchange rate is not a reasonable estimate of the total exchange rate effects for the year from each transaction date, income and expenses are translated at the closing day rate instead. All exchange rate differences arising are reported under other comprehensive income and accumulated as a separate portion of the equity.

The Income Statement
Medivir applies a classification by type of cost approach to the presentation of the Income Statement in accordance with the description in IAS 1, Presentation of Financial Statements.

Costs in the Income Statement are broken down into Other external costs, Personnel costs, Depreciation, amortization and impairment, and Other operating expenses:

Other external costs
Other external costs relate to services bought by Medivir. These mainly comprise clinical phase projects conducted through contracted research organizations.

Personnel costs
Personnel costs comprise costs for employed personnel.

Depreciation, amortization and impairment
Depreciation, amortization and impairment relate to scheduled depreciation for the year, but also non-recurrent depreciation, amortization and impairment, when relevant.

Financial instruments, reporting, disclosure and classification
For information on financial risks and investments, see Note 7, Financial Risks, on pages 57–59. Purchases and sales of financial instruments are reported on the transaction date – the date when Medivir undertakes to buy or sell the asset. Financial instruments are derecognized from the Balance Sheet when the right to receive cash flows from the instrument has expired or been transferred and the Group has transferred essentially all risks and benefits associated with title to the asset.

Financial instruments
Medivir divides its financial instruments into the following categories, in accordance with IFRS 9: amortized cost, and fair value through profit or loss. The classification for interest-bearing assets is based on the nature of the assets' cash flow and business model. Investments in equity instruments shall be valued at fair value under IFRS 9. Medivir has elected to report the change in value of such instruments via profit or loss.

Financial assets valued at fair value via profit or loss
Investments in fixed income funds are valued at fair value via profit or loss as the Group's business model entails managing the funds on the basis of increase in value and to realize profits or losses continuously through the divestment of parts of the investments. Equity instruments, which the Group has elected to report at fair value via profit or loss, are also included in this category. A profit or loss on a financial asset that is reported at fair value via profit or loss is reported net in the Income Statement for the period in which the profit or loss arises.

Financial assets valued at amortized cost
Interest-bearing assets (debt instruments) held in order to cash in contractual cash flows, and where these cash flows solely comprise capital sums and interest, are valued at amortized cost. The reported value of these assets is adjusted for any anticipated credit losses (see Impairment testing section below). Interest income from these financial assets is reported using the effective interest method and is reported as financial income. The Group's financial assets valued at amortized cost comprise accounts receivable and cash and bank balances.

Financial liabilities valued at amortized cost
The Group's financial liabilities are classified as valued at amortized cost using the effective interest method. Financial liabilities valued at amortized cost comprise accounts payable and other liabilities. Liabilities are initially reported at fair value, net after transaction costs. Liabilities are subsequently reported at amortized cost and any difference between the amount received (net after transaction costs) and the repayment amount are reported in the Statement of Comprehensive Income over the loan period, using the effective interest method. Borrowing is classified as short-term in the Balance Sheet if the company does not have an unconditional right to postpone settlement of the debt for at least twelve months after the end of the reporting period. Dividends paid are reported as a liability after the approval by the AGM of the dividend payment. Accounts payable and other operating expenses have a short anticipated term and are valued without discounting at nominal amounts.

Impairment testing for financial assets
The Group assesses future anticipated credit losses in connection with assets reported at amortized cost, based on forward-looking information, in conjunction with the preparation of every financial report. The Group's financial assets for which anticipated credit losses are assessed comprise, in every significant respect, accounts receivable and other receivables. The Group applies the simplified approach for credit provision, i.e. the provision will correspond to the anticipated loss throughout the lifespan of the account receivable.

Share-related incentive plans
Payroll expenses in relation to share-related incentive plans are reported on the basis of a metric of the value to the company of the services rendered by the employees during the term of the plans. This value is based on the fair value of, for example, free shares on the vesting date, valued at the share price in conjunction with every investment. The value on the vesting date is carried as an expense in the Income Statement in the same way as all other salary earned during the vesting period. Example: the value on the vesting date is SEK 90. Given the normal vesting period of three years within the Group, SEK 30 is charged to the Income Statement per year during the vesting period. The amount carried as an expense in the Income Statement is also reported (credit) in shareholders' equity every time

an item is carried as an expense in the Income Statement and the cost consequently has no direct effect on the cash flow. The cost in the Income Statement corresponds to an issue of equity instruments.

When remuneration costs for shares received through performance-based share saving plans are calculated, an assessment is made on every reporting date of the probability that the performance goals will be achieved. The costs are calculated on the basis of the number of shares which it is estimated will be matched by the end of the vesting period. When share matching occurs, social security contributions shall be paid for the value of the employee's benefit. This value is, in general, based on the market value on the matching date. Provision for these estimated social security contributions is made during the vesting period.

Intangible fixed assets

Trademarks and brands, product rights

Trademarks and brands, and product rights acquired separately are recognized at historical cost in the Group. Trademarks and brands, and product rights acquired through a business combination are recognized at fair value on the acquisition date. Trademarks and brands, and product rights have a defined useful life and are recognized at historical cost less accumulated impairment. Amortization is calculated on a straight-line basis over their estimated useful life of 10–15 years.

Research and Development costs – in-house development

Pharmaceutical development expenses are capitalized in accordance with IAS 38 Intangible assets, when the following criteria are fulfilled:

- It is technically possible to complete the pharmaceutical.
- The company's management intends to complete the pharmaceutical and the conditions for sale are in place.
- The asset is expected to provide future economic benefits.
- Medivir adjudges that the resources required to complete the development of the asset are available.
- Developmental expenses can be reliably calculated.

Medivir's judgment of this principle with regard to ongoing development projects is presented on page 61-62 (Research & Development costs). Development costs for the product are reported, as of the date when the above criteria are fulfilled, as intangible fixed assets at historical cost. Expenses arising before this date will continue to be reported as costs. Historical costs include direct costs for the completion of the pharmaceutical, including patents, registration application costs, and product tests including remuneration to employees. Amortization is calculated on a straight-line basis in order to spread the development costs over the estimated useful life. Amortization begins when the pharmaceutical begins to generate income. Useful life is based on the underlying patent term.

Medivir's other research and development costs are reported as they arise as costs for patent and technology rights, and other similar assets, developed in-house. Against the background of the contents of the "Research and development costs" section on page 61-62, other research work performed by Medivir is judged to be associated with such uncertainty that IAS 38's capitalization criteria cannot be considered satisfied, primarily because of the difficulties in judging whether it is technically possible to complete the pharmaceutical.

Development projects acquired

Amortization of intangible assets acquired, e.g. customer relationships or trademarks and brands, is calculated on a straight-line basis over the useful life. Amortization of other intangible assets acquired, such as development projects, is calculated on a straight-line basis over the useful life – linked to the term of patents obtained.

Other intangible fixed assets

Expenses incurred in connection with the development of Medivir's ERP systems such that the software's performance is improved or its useful life extended, are reported at historical cost. These expenses are amortized over the estimated useful life. The useful life is estimated at 5 years, whereupon the reported asset will be amortized on a straight-line basis in accordance with this estimate.

Property, plant and equipment

Property, plant and equipment are reported at historical cost less depreciation. Cost includes expenses directly attributable to the acquisition of the asset. Scheduled depreciation has been calculated on the basis of original cost with depreciation rates based on estimates of the economic useful lives of the assets. The Group applies the following depreciation periods: buildings, 20 years; equipment, tools, fixtures and fittings, 5-10 years; and IT hardware, 3 years.

Impairment

Property, plant and equipment and intangible fixed assets are subject to impairment testing and impairment losses are recognized whenever internal or external indications of potential impairment are identified, in accordance with IAS 36. An impairment is effected in the amount by which the asset's carrying value exceeds the recoverable amount. The recoverable amount is whichever is the higher of the asset's fair value, less selling expenses, and its value in use. The term, value in use, refers to the sum of the present value of expected future cash flows and the estimated residual value at the end of the useful life. When calculating the value in use, future cash flows are discounted at an interest rate that takes into account the market's assessment of risk-free interest and risk. In the Group, the calculation is based on results achieved, forecasts and business plans. When conducting impairment testing, assets are grouped together at the lowest level at which there are separate, identifiable cash flows (cash-generating units). Intangible assets that are not in use are not amortized, but are subject to annual impairment testing. If the recoverable amount is less than the carrying amount, an impairment loss is recognized. The recoverable amount comprises whichever is the higher of the fair value and the value in use. The value in use is calculated on the basis of the estimated future cash flows, based on the competitive situation and estimated market shares. Investments in subsidiaries are valued in the Parent Company at historical cost and impairment testing is carried out at each year-end. The subsidiary's equity forms a key criterion for assessment in this context. Supplementary investments may be made in the form of new share issues or shareholders' contributions.

Shareholders' equity

Transaction costs directly attributable to the issuance of new shares or options are reported in equity as a deduction from issue proceeds under Accumulated profit/loss.

Net debt

Medivir has positive net debt, as reported in Note 24. The company's cash and cash equivalents comprise bank balances. The short-term investments comprise the company's fund portfolio, which has a short maturity that can be converted to cash and cash equivalents without significant change in value. Calculation of net debt also includes interest-bearing receivables (leases). Liabilities include interest-bearing debt instruments (leases).

Revenue recognition principles

Out-licensing and collaboration agreements

Remuneration may, in the context of out-licensing and collaboration agreements, be payable in the form of upfront fees when the agreement is entered into, milestone payments, payments during the term of the agreement for a number of full-time equivalent research positions (FTEs), and/or royalties. Revenues from agreements with Medivir's partners in the research projects are recognized when Medivir's various discrete undertakings under the terms of the contract are fulfilled. When Medivir becomes a party to an agreement, it is analyzed in order to determine the number of discrete performance undertakings it contains. The remuneration received or which will be received under the terms of the agreement, the transaction price, are spread over each discrete undertaking on the basis of the respective undertaking's relative share of the estimated independent retail price of the undertakings. The allocated amount is subsequently recognized when the undertaking is fulfilled. See below for details of the way in which the various component elements are reported in Medivir's accounts.

Performance undertakings

The agreements often include remuneration for the use of Medivir's incorporeal rights that are licensed to the counterparty and remuneration for research work carried out by Medivir.

These undertakings are analyzed to determine whether they constitute discrete performance undertakings that shall be reported individually or whether they shall be regarded as a single undertaking. The license is deemed to comprise a separate undertaking in those cases where the license can be used without associated consultancy services from Medivir.

Reporting of discrete licenses

Licenses identified as separate performance undertakings are classified either as "right to access" or "right to use". A "right to access" license entails the right to access Medivir's rights as found during the licensing period, i.e. the IP right changes and Medivir conducts operations which have a material effect on the intangible asset to which the customer has a right. A "right to use" license entails the right to use Medivir's IP right as found at the time when the license is granted. Right to access licenses are reported over time, i.e. over the period of time during which the customer is entitled to use the license, while right to use licenses are reported at a given point in time, i.e. at the point in time when the customer gains control over the license. Discrete licenses are usually classified as "right to use" licenses because the research positions that could affect the value and benefit of the license are reported separately as a discrete performance undertaking.

In cases where Medivir receives an upfront payment when the agreement is entered into, it is allocated partly, as described above, to the licensing undertaking, and partly to the research positions. The part allocated to the license is recognized when the counterparty has obtained control over the license. Additional potential remunerations, i.e. variable payments that depend on certain milestones being achieved in the course of future performances in the context of pharmaceutical development, are not recognized until it is adjudged very probable that a significant reversal of accumulated revenues will not occur when uncertainty ceases to exist with regard to milestone achievement. This point in time is deemed to occur only when achievement of the milestone has been confirmed by the counterparty. A counterparty can also compensate Medivir for the use of an IP right by means of the payment of royalties on the future sales of a pharmaceutical based on the IP right. Revenues for sales-based royalties guaranteed in return for an IP license are only recognized when the subsequent sale is made.

Reporting of discrete research positions

The percentage of the agreement's transaction price allocated to the undertaking to provide research positions is recognized over time based on the degree of fulfillment of the undertaking. Variable remuneration for the positions that may also be payable, depending on milestones in a project being reached, are recognized in the manner described above. Variable income is recognized when uncertainty ceases to exist with regard to whether the milestone will be reached. This point in time is deemed to occur only when achievement of the milestone has been confirmed by the counterparty.

Reporting when Licensing and research positions comprise an undertaking

If the license is not distinct from the research positions which the customer shall receive in connection with the license, the license and consultancy positions are reported as a combined performance undertaking. An assessment is performed as to whether revenues for the combined performance undertaking shall be reported at a single point in time or over time, depending on when control over both the license and the consultancy services have been transferred to the customer. If the license that forms part of the combined performance undertaking is deemed to constitute the dominant element, relative to the research positions, the "right to access" and "right to use" criteria are applied – see above under discrete licenses – in order to determine when the customer obtains control over the combined undertaking and thereby to determine when the point in time for revenue recognition occurs. If the license is not deemed to constitute the dominant element of the combined undertaking, the revenue is recognized over the period of time during which the research positions are provided. Additional potential remuneration based on milestone achievement is recognized using the principles described above. Royalties from the counterparty's use of the license in a finished pharmaceutical product are recognized in accordance with the principle described above.

Central government support (EU grants and other subsidies)

Central government support is reported in accordance with IAS 20 under other income. Support received is recognized as revenue when the company satisfies the conditions associated with the support and it can be reliably determined that the support will be received. Support received is reported in the Balance Sheet under prepaid income and is recognized as revenue as the terms for receiving the funds are satisfied. Medivir receives central government support mainly in the form of research grants from the EU.

An insignificant percentage of Medivir's projects are financed with central government support.

Operating segments
IFRS 8 requires segment information to be presented from the management's perspective, which means that it is presented in the way used in internal reporting. The basis for identifying reportable segments is internal reporting as it is reported to and followed up on by the chief operating decision maker. The company has, in this context, identified the Group President/CEO as the chief operating decision maker, who assesses the operating segment's results on the basis of the operating profit/loss metric presented in the Income Statement. Medivir has only one segment, namely pharmaceuticals. This segment comprises the Group's project portfolio and the in-house developed pharmaceutical products, simeprevir and Xerclear.

Leases 2018
Leases are classified either as operational or financial leases. Leases for fixed assets under which the Group has, in every significant way, assumed the economic risks and benefits associated with ownership, are classified as financial leases. The leased object is reported as a fixed asset in the Balance Sheet and the obligation to pay leasing charges is reported as a liability. Financial leases are reported in the Balance Sheet at the beginning of the lease term at whichever is the lower of the lease object's fair value and the present value of the minimum lease payments. Lease payments are reported divided between amortization and interest. The leased fixed asset is depreciated over the asset's useful life. Leases where Medivir incurs no significant risk or benefit from an object are reported as operational leases. Payments made during the lease term are booked as expenses in the Income Statement on a straight-line basis over the lease period.

Leases 2019
As explained in the section "New and amended standards applied by the Group from January 1, 2019" above, the Group changed its accounting policies for leases. The new policy and the effects of the transition are reported in Note 14.

Pension liabilities and pension costs
Medivir's ITP (supplementary pensions for salaried employees) scheme is insured with Alecta and should be regarded as a defined benefit pension scheme in accordance with the UFR 10 statement from the Swedish Financial Reporting Board. In accordance with UFR 10, the company shall report its proportional share of the defined benefit undertakings and the plan assets and costs associated with the scheme. Alecta is unable to provide sufficient information and the scheme is consequently reported, until further notice, as if it were a defined contribution plan. Alecta's surplus can be distributed among the policyholders and/or the beneficiaries. At the end of 2019, Alecta's surplus in the form of the collective consolidation ratio was preliminarily calculated by Alecta at 148% (142). The Group is of the opinion that the current premiums should cover existing undertakings. Other pension schemes within the Group are defined contribution schemes. The premiums paid are reported as personnel costs when they fall due for payment. The anticipated pension costs for 2020 are estimated at SEK 3,176 thousand.

Severance pay
Severance pay is booked as an expense when the obligation to pay the remuneration arises.

Rights agreements
The Medivir Group has entered into various forms of agreement, both with parties external to the Group and with related parties, with regard to various rights linked to pharmaceutical development and finished pharmaceutical products (see above under the Intangible fixed assets section for the various kinds of rights acquired). Medivir may, depending on the nature and content of the agreement, have an existing or potential future undertaking to transfer resources to a party as remuneration for the rights and the use thereof. Medivir may consequently have rights in the Balance Sheet that may generate future revenues in the form of pharmaceutical sales or partnership agreements (see above under Revenues) but which may also result in another party receiving payments based on this return. This may result in Medivir reporting liabilities and provisions in the Balance Sheet with related costs in the Income Statement and/or disclosing contingent liabilities in the Notes. Different types of remuneration circumstances are presented below.

Royalty costs and provisions from in-licensed rights
Some of the pharmaceuticals that generate revenues for Medivir are based on inventions and rights that originally belonged to external parties and to which Medivir has obtained contractual right of disposal. Medivir's right of disposal over these incorporeal rights entail payments in the form of royalties. The payments in these agreements are based on the revenues that Medivir receives from any milestone payments or sales of finished pharmaceutical products. Royalty provisions are recognized when it is probable that payments will be made to the counterparty from whom the right was acquired and when the amount can be reliably estimated. These two preconditions for recognition as provisions are often not fulfilled until Medivir receives feedback and confirmation from the other parties that sales of the pharmaceutical product have occurred or on the successful completion of a pharmaceutical trial as part of a partnership agreement that generates a milestone payment to Medivir. The payments made to the rights holders may be made either to parties external to the Group or to related parties. Payments made to related parties are also reported as a supplementary disclosure (Note).

Contingent liabilities
Payments may have to be disbursed in future for a number of in-licensed rights on the basis of future events, such as a successful clinical phase pharmaceutical trial or future product sales. When the criteria for provision recognition (probable and reliable estimation of amounts) have not been met, but the possibility exists that future payments may have to be disbursed by Medivir for the usufruct, this fact is recognized as a Contingent liability in the Notes, together with estimations of the possible outcome.

Contingent assets
Other parties have acquired the usufruct for a number of the rights at Medivir's disposal (often as a result of Medivir having entered into so-called Out-licensing and collaboration agreements – see above under Revenues), and which may generate revenues for the Group in the future. These revenues are, however, contingent upon uncertain future events that are, to some extent, beyond the company's control. Such contingent assets are not reported as disclosures in the Notes until they become probable. When the uncertainty with regard to the outcome has ceased and Medivir is entitled to receive remuneration from a counterparty, the principles described above in the section entitled "Revenues" are applied.

Income tax
The tax expense for the period consists of current tax and deferred tax. Tax is recognized in the Income Statement apart from when tax relates to items recognized in other comprehensive income or directly in equity. In such cases, tax is also recognized in other comprehensive income and equity, respectively. Current tax is tax to be paid or received for the current year and restatements of current tax relating to previous years. Deferred tax is recognized in accordance with the balance sheet method on all temporary differences that arise between the taxable values of assets and liabilities and their carrying amounts in the consolidated accounts. Deferred tax receivables are recognized to the extent it is likely that future taxable profits will be available. Note 10 lists, amongst other things, the estimated deductible deficits accumulated in the Group. The Group's taxable deficits have no expiry date. The treatment of deferred tax on temporary differences is reported and explained in Note 10 on page 60 The various components of consolidated total tax are also explained in this Note.

Statements of Cash Flows
The Statement of Cash Flows has been reported by applying the indirect method. Reported cash flow only includes transactions involving payments made or received. Cash and bank balances, and short-term investments such as commercial papers and fixed income and bond funds with a maximum term of three months, are reported as cash and cash equivalents in the Statement of Cash Flows.

Significant estimates and judgments
The company management and the Board of Directors must, in order to be able to prepare the accounts in accordance with generally accepted accounting practices and in compliance with IFRS, make estimates and assumptions regarding the future. These estimates and assumptions affect both recognized revenue and cost items and asset and liability items, as well as other disclosures. Estimates and judgments are evaluated continuously and are based on historical experience and other factors, including expectations of future events regarded as reasonable under the prevailing circumstances. Segments that include such estimates and assumptions that may have a material impact on the Group's operating results and financial position are presented below.

Revenues
Medivir does not apply successive revenue recognition for impending potential milestone payments within the research projects due to the constant uncertainty regarding the extent of the progress made by the project and the likelihood that the next goal/milestone will be achieved. The income side consequently only shows confirmed and non-refundable income that can be considered to have accrued. Allocation to particular periods could show how Medivir successively receives revenues from the counterparty's utilization of incorporeal rights, but if successive revenue recognition were to be applied, there is a risk that income would be reported that is uncertain in terms of whether Medivir would ever receive any payment. An announcement by the counterparty that the project was to be discontinued, for example, could, under such circumstances, mean that Medivir had reported its profit or loss inaccurately.

Research and development costs
Research costs, including registration costs, are reported on an ongoing basis as costs as long as it remains uncertain what the future economic benefits arising from these costs will be. Pharmaceutical development is generally a complex and risky activity and the majority of research projects will never result in a pharmaceutical on the market. Product development costs shall be capitalized when it is likely that the project will succeed. Every research project is unique and must be judged individually on the basis of its own preconditions. The earliest date for capitalization to occur is adjudged to be upon completion of the phase III trials, but a number of uncertainty factors may still remain, even after completion of phase III trials, such that the criteria for capitalization cannot be considered to be satisfied. Where this is the case, capitalization does not occur until the pharmaceutical is approved by the relevant regulatory authority. Premature capitalization entails a risk of a project failing and of it being impossible to justify offset costs which must, instead, be carried directly as an expense. This would, in turn, mean that the previous year's results, and those for the year in question, would be misleading due to overly optimistic probability assessments.

Intangible fixed assets
The Group conducts impairment testing every year with regard to intangible assets with an unidentified useful life, and as yet uncompleted development projects. Other intangible assets are subject to impairment testing when events or changes indicate that the carrying amounts are not recoverable. When calculating the value in use, future cash flows are discounted at an interest rate that takes into account the market's assessment of risk-free interest and risk (WACC). In the Group, the calculation is based on results achieved, forecasts and business plans. The underlying assumptions about forecasted revenues, costs and margins are based on both internal and external sources of information. When conducting impairment testing, assets are grouped together at the lowest level at which there are separate, identifiable cash flows (cash-generating units). The estimations and assumptions made by the management in conjunction with impairment testing can have a significant impact on the Group's reported profit or loss. Impairment is effected if the estimated value in use is less than the carrying amount and is charged to the profit or loss for the year. See also Note 12, on pages 61-62, for significant assumptions and a description of the effect of reasonable possible changes in the assumptions that form the basis for the calculations.

Tax
Deferred tax is calculated on the basis of the management's and Board of Directors' judgment of possible future utilization of the accumulated deficits within the Group. A revised judgment of the way in which the deductible loss carry forward can be recovered through future taxable surpluses may affect reported tax in the results of the operations and the balance in forthcoming periods. See also Note 10, on page 60.

Other information
The financial reports are presented in thousands of kronor (SEK k) unless otherwise indicated. Rounding off may mean that certain tables in the Notes do not add up.

Notes

01 Segment reporting

Medivir has only one segment, namely pharmaceuticals. This segment comprises the Group's project portfolio and the in-house developed pharmaceutical products, simeprevir and Xerclear.

The company monitors the operations through the operating profit/loss, which is presented in the Income Statement.

	GROUP		PARENT COMPANY	
SEK k	**2019**	**2018**	**2019**	**2018**
Breakdown of net sales				
Out-licensing and collaboration agreements				
Non-recurrent payments	106	6,925	106	6,925
Research collaborations	–	–	–	–
Pharmaceutical sales	–	–	–	–
Royalty	8,618	16,938	8,618	16,938
Other services	–	–	–	1,063
Total	**8,724**	**23,863**	**8,724**	**24,925**
Geographic breakdown of net sales				
Sweden	477	570	477	1,632
Nordic region, other	439	805	439	805
Europe, other	7,721	13,345	7,721	13,345
USA	–	352	–	352
Rest of the world	87	8,791	87	8,791
Total	**8,724**	**23,863**	**8,724**	**24,925**
External customers who account for more than 10% of net sales (SEK k)				
Customer #1	8,145	8,921	8,145	8,921
Customer #2	–	8,016	–	8,016
Customer #3	–	6,925	–	6,925

The Parent Company's sales to Group companies totaled SEK 0 thousand (1,063 k). Intra-Group purchases amounted to SEK 56 thousand (0). The Other services item refers to management fees invoiced to subsidiaries by the Parent Company.

02 Intra-Group transactions

Parent Company
Intra-Group sales totaled SEK 0 thousand (1,063 k). Intra-Group purchases amounted to SEK 56 thousand (0).

03 Audit costs and audit consulting

Remuneration paid to the statutory audit firm and its network by the Medivir Group in 2019 totaled SEK 627 thousand (956 k), of which SEK 627 thousand (956 k) was paid to the statutory audit firm, Öhrlings PricewaterhouseCoopers AB, which sum can be broken down into the following categories:

Group
The cost of audit engagements for Medivir by the audit firm and its network totaled SEK 459 thousand (648 k) in 2019, of which SEK 459 thousand (648 k) was paid to the audit firm.

Other statutory engagements on behalf of Medivir by the audit firm and its network in 2019 cost a total of SEK 150 thousand (263 k), SEK 150 thousand (263 k) of which was paid to the audit firm.

Tax advice provided for Medivir by the audit firm and its network in 2019 cost SEK 18 thousand (0 k), SEK 18 thousand (0 k) of which was paid to the audit firm.

Valuation services provided for Medivir by the audit firm and its network in 2019 cost SEK 0 thousand (0), SEK 0 thousand (0) of which was paid to the audit firm.

Other services provided for Medivir by the audit firm and its network in 2019 cost SEK 0 thousand (46 k), SEK 0 thousand (46 k) of which was paid to the audit firm.

Parent Company
The cost of audit engagements for Medivir by the audit firm and its network totaled SEK 459 thousand (648 k) in 2019, SEK 459 thousand (648 k) of which was paid to the audit firm.

Other statutory engagements on behalf of Medivir by the audit firm and its network in 2019 cost a total of SEK 150 thousand (263 k), SEK 150 thousand (263 k) of which was paid to the audit firm.

Tax advice provided for Medivir by the audit firm and its network in 2019 cost SEK 18 thousand (0 k), SEK 18 thousand (0 k) of which was paid to the audit firm.

Valuation services provided for Medivir by the audit firm and its network in 2019 cost SEK 0 thousand (0), SEK 0 thousand (0) of which was paid to the audit firm.

Other services provided for Medivir by the audit firm and its network in 2019 cost SEK 0 thousand (46 k), SEK 0 thousand (46 k) of which was paid to the audit firm.

04 Average number of employees, salaries, other remuneration, and social security contributions

	GROUP			
	2019		2018	
Average number of employees	**Women**	**Men**	**Women**	**Men**
Sweden	26	25	40	33
UK	–	–	–	1
Total	**26**	**25**	**40**	**34**

	GROUP	
Salaries, remuneration, social security contributions and pension costs, SEK thousand [1–3]	**2019**	**2018**
Salaries and remuneration		
Christine Lind (CEO from 1 April 2017 until 15 Oct. 2018)[3]	–	6,888
Uli Hacksell (Member of the Board from 3 May 2018 and CEO from 15 Oct. 2018)	2,651	606
Anna Malm Bernsten (Chairperson of the Board from 3 May 2016[2]	700	1,043
Anders Ekblom (Member of the Board from 8 May 2014 until 3 May 2018)	–	193
Lennart Hansson (Member of the Board from 3 May 2018)	317	158
Anders R Hallberg (Member of the Board)	155	330
Helena Levander (Member of the Board)	618	370
An van Es Johansson (Member of the Board from 9 May 2019)	160	–
Bengt Julander (Member of the Board from 3 May 2017)	280	280
Bengt Westermark (Member of the Board from 3 May 2017)	330	325
Total, Board of Directors and CEO	**5,211**	**10,193**
Other senior executives[3]	6,118	11,529
Other employees[3]	11,879	62,596
Salaries and remuneration, total	**23,208**	**84,318**
Statutory and contractual social security contributions	**7,284**	**20,866**
Pension costs		
of which for the CEO: SEK 0 thousand (414)	**3,706**	**11,317**
Total salaries, remuneration, social security contributions, and pension costs	**34,198**	**116,501**

1) The number of employees for the Parent Company, and their salaries, remuneration, social security contributions, and pension costs correspond to those of the Group and this Note consequently only shows the figures for the Group.
2) Director's fees of SEK 508 thousand and consultancy work carried out on behalf of Medivir SEK 192 thousand.
3) In 2019 remuneration totaling SEK 21,149 thousand (3,098) that was carried as an expense in 2018 to former employees.

Board of Directors
SEK 2,560 thousand (2,819) was paid in Directors' fees to the Board of Directors of Medivir during the financial year, SEK 1,318 thousand (1,043) of which was paid to the Chairperson of the Board. Members of the Board are also reimbursed for travel expenses in conjunction with Board Meetings, etc. There is no pension plan for the Board of Directors. In addition and in accordance with pre-existing contracts, royalties have been disbursed to Uppsala Hallbechem AB (Anders Hallberg) in the sum of SEK 2 thousand (63).

Guidelines for remuneration to senior executives
Medivir shall offer a competitive total compensation package that promotes recruitment and retention of qualified senior executives. Remuneration payable to senior executives may comprise a fixed salary, performance-related pay, incentive plans approved by the AGM, pensions and other benefits. The fixed salary shall take into account the extent of the individual's responsibilities and their experience. Performance-related pay paid in cash shall total a maximum of 50 percent of the annual fixed salary. Performance-related pay shall be linked to predetermined and quantifiable criteria formulated in order to promote the company's long-term value creation. The guidelines in their entirety are presented on Medivir's web site.

Pensions
Pensions shall be premium-based for the CEO and other senior executives, and the premium may comprise up to 25 percent of the fixed salary. The Board of Directors shall be entitled, the above provisions notwithstanding, to offer other alternative solutions which, from a costs point of view, are equivalent to the above.

Severance pay, etc.
A maximum mutual notice period of six months shall apply. No severance pay or similar remuneration shall, as a basic principle, be payable but may – up to a one-off amount corresponding to a maximum of 100 percent of the annual remuneration – be agreed with reference to any change of control. An additional entitlement to severance pay corresponding to a maximum of 100 percent of the annual remuneration may also apply for the CEO in the event of the company terminating the employment of the CEO or of the CEO resigning due to a significant breach of contract on the part of the company.

Remuneration for the Chief Executive Officer
Salaries and other remuneration paid to the CEO during the year totaled SEK 2,280 thousand (2,672), while bonuses totaled SEK 371 thousand (771), and other benefits SEK 0 thousand (0). Pension provisions during the year totaled SEK 0 thousand (414).

A mutual notice period of six months applies for the CEO. The CEO is entitled to severance pay corresponding to twelve times the value of the fixed monthly salary at the time when notice of termination was given if the notice is given by the company or if the CEO gives notice due to significant breach of contract on the part of the company. Any bonuses are maximized to a value of 50 percent of the annual fixed salary.

Other senior executives
The term, other senior executives, refers, in addition to the CEO, to the people who, together with the CEO, have comprised Group management during the year. From 12 August 2019, Group management, excluding the CEO, comprises four people (two women and two men). Salaries totaling SEK 5,634 thousand (8,776) have been paid to other senior executives, together with SEK 484 thousand (1,530) in performance-related pay, SEK 0 thousand (1,123) in severance pay, and SEK 0 thousand (101) in benefits, comprising a total of SEK 6,118 thousand (11,529) in remuneration paid. Pension provisions have been made in the sum of SEK 1,995 thousand (1,550).

Fixed salaries and performance-related pay
The CEOand Group management, managers and a number of key individuals receive performance-related pay in addition to their fixed salaries. The performance-related pay follows a system adopted by the Board of Directors, based on financial goals, company-wide goals, functional goals and, where relevant, individual goals.

The level of the performance-related pay per individual is maximized to between 10 and 50 percent of the basic salary received and is disbursed every year in cash for the previous year. For the CEO and management group, 50 percent of the performance-related pay is based on financial goals and 50 percent on company-wide goals. For managers and a number of key individuals, 25 percent of the performance-related pay is based on financial goals, 25 percent on company-wide goals and 50 percent on individual goals.

04 cont.

Long-term incentive plans
The purpose of long-term incentive plans is to generate the conditions for retaining and recruiting competent personnel and to offer employees an attractive opportunity to acquire a stake in the Group, so as to encourage continued company loyalty by combining the interests of the shareholders and the employees. An account of the stock option-related incentive program introduced by the company in 2017 is provided below. Medivir's share-related incentive plan is reported in accordance with "IFRS 2 – Share-based Payment".

Stock option program 2017 (LTI-2017)
The 2017 Annual General Meeting approved the Board's proposal to introduce a stock option program on condition that the company does not thereby incur any costs. The right to subscribe is vested in all of the company's senior executives and other permanent employees of Medivir. The company issued a total of 102,500 warrants to subscribe, free of charge, to the subsidiary company, Medivir Personal AB, without preferential rights for existing shareholders. The warrants may be exercised to subscribe for new class B shares during the period from 16 December 2020 up to and including 15 January 2021, and the subscription price (strike price) per share shall correspond to 133 percent of the volume-weighted average rate of the class B share according to the official NASDAQ Stockholm price list during the period from 4–17 May 2017, namely SEK 89.36/share. The Board of the company may, by means of a Board resolution and with the consent of the Board of Directors of the Subsidiary, cancel the Subsidiary's warrants that are not transferred or which have been repurchased from participants. Cancellation shall be registered with the Swedish Companies Registration Office. In the event of full exercise of the warrants, the company's share capital will increase by a maximum of SEK 795,487. The warrants are not associated with any vesting conditions for the employees.

Medivir AB employees were allocated and subscribed for a combined total of 57,835 warrants sold by Medivir Personal AB on two occasions in 2017. The employees paid the market value of the warrants when subscribing. The market value was determined using the Black & Scholes valuationmodel, based on term, strike price, weighted share price during the subscription period (VWAP), risk-free interest rate, and volatility. The volatility was determined by means of a comparative study of the historic volatility of Medivir and similar companies, taking into account the relative size and risk of Medivir. A total of 48,515 warrants were allocated during the second quarter at a market value of SEK 9.41 per warrant and with a strike price of SEK 89.36 per share. The valuation calculation was based on the following figures: term, 3.66 years; strike price, SEK 89.36; VWAP, SEK 67.19; risk-free interest rate, –0.35 percent; volatility, 32 percent. A total of 9,320 warrants were allocated during the fourth quarter at a market value of SEK 3.98 per warrant and with a strike price of SEK 89.36 per share. The market value was determined in accordance with the Black & Scholes valuation method using the following figures: term, 3.09 years; strike price, SEK 89.36; VWAP, SEK 49.58, risk-free interest rate, –0.61 percent; volatility, 37 percent. On 31 December 2017, there were 44,665 warrants remaining in the program. In May 2018, the Annual General Meeting approved a new long-term incentive plan with the same structure.

Stock option program 2018 (LTI-2018)
In the second quarter of 2018, Medivir's employees purchased 51,864 warrants with a market value of SEK 5.63 each and a strike price of SEK 52.75 per share. The warrants can be exercised to subscribe for new class B shares during the period from December 16, 2021 through January 15, 2022. The 2018 valuation calculation was based on the following figures: term, 3.66 years; strike price, SEK 52.75; VWAP, SEK 39.66; risk-free interest rate, -0.16 percent; volatility, 32 percent. This brings the total number of outstanding warrants by 31 December 2018 to 109,699.

05 Leasing agreements including property rent

	GROUP		PARENT COMPANY	
SEK thousand	**2019**	**2018**	**2019**	**2018**
Costs for the year[1]	–	13,581	5,041	5,957
Nominal value of future minimum lease payments for irrevocable leasing agreements including property rent:				
Within one year	–	13,036	5,650	5,645
Between two and five years	–	50,113	22,600	20,552
Over five years	–	21,614	16,950	25,352
Total	**–**	**84,763**	**45,200**	**51,549**

1) Costs for the year refer primarily to the rental of premises by Medivir AB.

06 Profit/loss from participations in Group companies

	GROUP		PARENT COMPANY	
SEK thousand	**2019**	**2018**	**2019**	**2018**
Dividends from subsidiaries	–	–	800	–
Impairment of capital contributions in subsidiaries	–	–	–	–1,092
Total	**–**	**–**	**800**	**–1,092**

07 Financial risks

The Group is, by virtue of its operations, exposed to different types of risks. The operations are affected by a number of factors that can impact the company's profit or loss and its financial position. The strategy entails the ongoing identification and management of risks, as far as possible. The risks can be divided into operational risks and financial risks and the section below describes the financial risk factors that are adjudged to be of the greatest significance in terms of Medivir's development, together with the way in which Medivir manages them in order to minimize the risk level. The main financial risks that arise as a result of the management of financial instruments comprise market risks (interest risk, currency risk and share price risk), credit risk, and liquidity and cash flow risk. Operational risks are described in a separate section of the Directors' Report.

Financial policy
Medivir has established a Group policy for its financial operations. The policy defines the financial risks and describes the way in which the company shall manage these risks. The policy states that the company must, at all times, maintain a liquidity that corresponds to at least twelve months' known future net cash disbursements.

Medivir has an agreement with SHB regarding the discretionary management of the company's funds. The investment regulations linked to the agreement specify how the funds may be invested. In the current capital market, investments of liquid assets shall be made in such a way that the capital invested, first and foremost, is protected, and, if possible, provides a reliable and secure return. Investments are made in interest-bearing instruments, fixed income funds, and cash or cash equivalent instruments. Underlying instruments shall have a low risk level and a risk spread shall be sought when investing cash and cash equivalents. Investments may only be made in specified securities, which are low risk securities (such as Swedish bondsand papers issued by the Swedish State and A1-rated commercial papers).

Capital risk
An effective risk assessment reconciles Medivir's business opportunities and results with the requirements of shareholders and other stakeholders for sustainable profitability, stable long-term value growth, and control. The process of research and pharmaceutical development, all the way up to approved registration, is both highly risky and capital-intensive.

The Group's objective with regard to its capital structure is to secure the Group's ability to continue its operations such that it can continue to generate a return for its shareholders and benefits for other stakeholders, and to maintain an optimal capital structure in order to keep capital costs down.

To maintain, progress and expand its research portfolio, and thereby generate future value through both milestone payments and royalties, Medivir must have a strong capital base.

The consolidated equity totals SEK 184,456 thousand (307,606). The cash and cash equivalent position and short-term investments total SEK 134,509 thousand (286,282), and the equity/assets ratio is therefore 62.8 percent (73.4%).

The connection between categories and Medivir's Balance Sheet items

The Group, 31 Dec. 2019, SEK thousand	Financial assets recognized at fair value in the Income Statement	Financial assets valued at amortized cost	Financial liabilities valued at amortized cost	Total
Financial leasing receivables	–	27,390	–	27,390
Accounts receivable	–	63	–	63
Other short-term investments	100,209	–	–	100,209
Cash and bank balances	–	34,300	_	34,300
Accounts payable	–	–	12,303	12,303
Financial leasing liabilities	–	–	43,882	43,882
Total	**100,209**	**61,753**	**56,185**	**218,147**

The Group, 31 Dec. 2018, SEK thousand	Financial assets recognized at fair value in the Income Statement	Financial assets valued at amortized cost	Financial liabilities valued at amortized cost	Total
Accounts receivable	–	160	–	160
Other short-term investments	239,106	–	–	239,106
Cash and bank balances	–	47,175	–	47,175
Accounts payable	–	–	16,335	16,335
Financial leasing liabilities	–	–	–	–
Total	**239,106**	**47,335**	**16,335**	**302,776**

Parent Company, 31 Dec. 2019, SEK thousand	Financial assets recognized at fair value in the Income Statement	Financial assets valued at amortized cost	Financial liabilities valued at amortized cost	Total
Accounts receivable	–	63	–	63
Other short-term investments	100,209	–	–	100,209
Cash and bank balances	–	25,488	–	25,488
Accounts payable	–	–	12,359	12,359
Financial leasing liabilities	–	–	–	–
Total	**100,209**	**25,551**	**12,359**	**138,119**

07 cont.

Parent Company, 31 Dec. 2018, SEK thousand	Financial assets recognized at fair value in the Income Statement	Financial assets valued at amortized cost	Financial liabilities valued at amortized cost	Total
Accounts receivable	–	23,473	–	23,473
Other short-term investments	239,106	–	–	239,106
Cash and bank balances	–	36,740	–	36,740
Accounts payable	–	–	37,637	37,637
Financial leasing liabilities	–	–	–	–
Total	**239,106**	**60,213**	**37,637**	**336,956**

Financial assets and liabilities recognized at fair value
The table below shows financial instruments valued at fair value, based on the way in which they have been classified in the value hierarchy. The different levels are defined as follows:

Level 1 fair value is determined on the basis of listed prices on an active market for identical financial assets and liabilities.

Level 2 fair value is determined on the basis of observable information other than listed prices included in level 1.

Level 3 fair value is determined on the basis of valuation models where material input data is based on non-observable data. The Group has level 1 short-term investments. The short-term investments in the form of fixed income funds are managed as a single group of financial assets and are recognized at fair value in the Income Statement.

	Carrying amount	Recognition at fair value at the end of the period, based on:		
The Group, 31 Dec. 2019, SEK thousand		**Level 1**	**Level 2**	**Level 3**
Financial assets recognized at fair value in the Income Statement:				
Short-term investments	100,209	100,209	–	–
Other receivables	–	–	–	–
Total assets	**100,209**	**100,209**		

	Carrying amount	Recognition at fair value at the end of the period, based on:		
The Group, 31 Dec. 2018, SEK thousand		**Level 1**	**Level 2**	**Level 3**
Financial assets recognized at fair value in the Income Statement:				
Short-term investments	239,106	239,106	–	–
Total assets	**239,106**	**239,106**		

Other financial assets and liabilities
The fair value of financial instruments such as accounts receivable, loan receivables, accounts payable and other non-interest-bearing financial assets and liabilities which are recognized at amortized cost less any amortization is deemed to correspond to the reported value due to the short anticipated term.

Market risks
Interest risk
Interest risk is the risk of a negative impact on cash flow or financial assets and liabilities resulting from changes in market rates of interest. Interest risk arises in two ways; the Group's investments in interest-bearing assets whose value changes when interest rates change and the cost of the Group's borrowings when interest rates change.

Medivir's cash and cash equivalents are invested in instruments such as bank and corporate commercial papers, fixed income and bond funds, fixed bank investments and special deposits. Changes in market rates of interest consequently affect Medivir's profit/loss by reducing or increasing returns on financial assets.

The Group's cash and cash equivalents, including short-term investments with a maximum term of three months, totaled SEK 134,509 thousand (286,282) on 31 December 2019. SEK 100,209 thousand (239,106) of this sum was invested in fixed income funds with discretionary management. An average return on cash and cash equivalents of 0.47 percent (-0.3%) was achieved in 2019. The return has fluctuated during the year between 0.08 percent and 0.72 percent (–0.37% and 0.14%). Assuming an average of existing short-term investments during the year, if the average return had been 1 percentage point higher or lower, the annualized positive or negative effect on the profit/loss would have been approximately SEK 1,375 thousand on a full-year basis. Falling interest rates result in a reduction in the return on the Group's cash or cash equivalents.

Currency risk
Currency risk is the risk that the fair value or future cash flows associated with financial instruments vary due to changes in foreign exchange rates.
– The profit/loss is affected when costs and revenues in foreign currencies are translated into Swedish kronor (transaction risk).
– The Balance Sheet is affected when assets and liabilities in foreign currencies are translated into Swedish kronor (translation risk).

In accordance with Medivir's financial policy, the Group has not made use of currency hedging in 2019. Income and expenses have consequently been affected by fluctuations in foreign currency exchange rates. The company's operating profit/loss was affected during the financial year by a net of SEK –1,974 thousand (-6,469) in exchange rate profits/losses and the exchange rate items component of net financial items totals SEK 1,638 thousand (568).

All trading in foreign currency was conducted at the best rate of exchange attainable at the point of exchange. Many of Medivir's contracts involve payments in GBP, EUR and USD, and accounts payable and accounts receivable consequently have currency exposure.

The Group's transactions in foreign currency consist of revenues from partners, pharmaceutical sales, purchases of services and goods and other operating costs.

The Group's transactions in its most common currencies and the theoretical effect on profit or loss arising if the average rates of exchange for each currency change by 5 percent are shown below.

07 cont.

2019	Net sales	Costs	Operating profit/loss	Change +/– 5%
EUR	8,724	-5,404	3,320	+/– 166
USD	–	-37,505	-37,505	+/– 1,875
GBP	–	-9,027	-9,027	+/– 451
DKK	–	-3,020	-3,020	+/– 151
SEK	2,659	-78,302	-75,643	+/– 0
Other currencies	–	-4,104	-4,104	+/– 205
Total	**11,383**	**-137,362**	**-125,979**	+/– 2,517

2018	Net sales	Costs	Operating profit/loss	Change +/– 5%
EUR	18,216	-28,471	-10,255	+/– 513
USD	7,134	-100,526	-93,392	+/– 4,670
GBP	8,743	-28,000	-19,257	+/– 963
DKK	–	-1,781	-1,781	+/– 89
NOK	–	-115	-115	+/– 6
SEK	-784	-218,382	-219,166	+/– 0
Other currencies	–	-7,065	-7,065	+/– 353
Total	**33,309**	**-384,339**	**-351,030**	**+/– 6,594**

The table shows the currency exposed operating income and operating expenses as net amounts per currency in SEK thousand for continuing operations.

A sensitivity analysis shows that a strengthening of the Swedish krona by 5 percent against the above currencies' annualized average exchange rates would have entailed an improvement in the Group's net profit/loss of SEK 2,517 thousand (6,594). A corresponding weakening of the Swedish krona would have yielded a deterioration in the net profit/loss of SEK 2,517 thousand (6,594).

Share price risk of unlisted shares

In 2007, Medivir received shares in conjunction with the new share issue conducted by Epiphany Biosciences, Medivir's licensing partner for the MIV-606 (EPB-348) shingles project and shares in conjunction with the new share issue conducted by Presidio Pharmaceuticals, Inc., Medivir's licensing partner for the MIV-410 (PTI-801) compound. The value of the shares held, which totaled SEK 18,793 thousand, is now impaired to SEK 0. Medivir has classified the shares as financial assets held for sale in accordance with IFRS 9.

Credit risk (counterparty risk)

Credit risk is the risk that a counterparty is unable to fulfill its contracted obligations to Medivir, thus causing a financial loss for the company.

Medivir invests its cash and cash equivalents with Swedish asset managers with high credit ratings, P-1 from Moody's. During the year, these investments did not experience any value changes resulting from changes to asset managers' credit risk. The credit risks in relation to the above investments are deemed to be minor.

Medivir may also be exposed to credit risk in accounts receivable.

Medivir's partnership agreements are with established pharmaceutical companies and historically, Medivir has never needed to impair accounts receivable. Medivir had SEK 63 thousand (160) in outstanding accounts receivable on the reporting date. The accounts receivable are reported at amortized cost, taking into account expected credit loss provisions. Accounts receivable in foreign currencies are converted at the closing day rate. Accounts receivable are exposed to credit risk and, in principle, to exchange rate risk. On 31 December 2019, however, all accounts receivable were denominated in Swedish kronor and hence no exchange rate risk exists. When assessing the impairment requirement for accounts receivable, the company primarily takes into
account such factors as the time passed since the due date, evaluations of the customer's solvency, indications of insolvency, and individual agreements with the customer in question. In 2019, a bad debt loss of SEK 0 thousand (0) was reported.

	GROUP		PARENT COMPANY	
Age analysis, accounts receivable, SEK thousand	**2019**	**2018**	**2019**	**2018**
Not due	–	160	–	204
Due, 1–90 days	39	–	39	–
91+ days	24	–	24	–
Total	**63**	**160**	**63**	**204**

Other receivables total SEK 3,554 thousand (1,750), of which SEK 0 thousand (0) was due on the reporting date.

Liquidity and cash flow risk

Liquidity risk is the risk of Medivir experiencing difficulties, in future, in fulfilling their obligations associated with financial liabilities. A financial liability is each liability in the form of a contracted obligation to pay cash or other financial assets to another company, or to exchange a financial asset or financial liability with another company subject to terms that may be disadvantageous for the company.

Medivir's management and Board of Directors have continuous access to information on the company's equity and cash and cash equivalents. Liquidity and cash flow forecasts are prepared continuously on the basis of anticipated cash flows in order to monitor liquidity capacity.

Medivir had a negative debt/equity ratio at the period end, i.e. the available cash and bank balances and short-term investments, as well as interest-bearing receivables, exceed the Group's interest-bearing liabilities (leases). Current liabilities and ongoing operating expenses for 2020 are covered by Medivir's cash position and short-term investments. The company's management is of the opinion that Medivir is a going concern.

The following table shows the contractual undiscounted cash flows from the Group's financial liabilities, broken down by the time which, on the closing day, remains until the contractual due date.

	GROUP			PARENT COMPANY		
31 Dec. 2019	**Less than 1 year**	**2–3 years**	**More than 3 years**	**Less than 1 year**	**2–3 years**	**More than 3 years**
Accounts payable	12,303	–	–	12,359	–	–
Financial debt lease	14,309	28,618	27,526	–	–	–

	GROUP			PARENT COMPANY		
31 Dec. 2018	**Less than 1 year**	**2–3 years**	**More than 3 years**	**Less than 1 year**	**2–3 years**	**More than 3 years**
Accounts payable	13,736	2,599	–	13,730	2,599	–

The amounts maturing within 12 months are consistent with the reported amounts, because the discount effect is insignificant.

08 Interest income and similar profit/loss items

	GROUP		PARENT COMPANY	
SEK thousand	**2019**	**2018**	**2019**	**2018**
Interest income, Group companies	–	–	340	362
Interest income, other	48	54	48	57
Interest income, lease	1,313	–	–	–
Dividends from fixed income fund	–	–	–	–
Exchange rate differences	1,948	2,550	1,946	2,550
Change in fair value of fixed income fund, unrealized	1,140	-53	1,140	-53
Total	**4,449**	**2,551**	**3,474**	**2,916**

09 Interest expenses and similar profit/loss items

	GROUP		PARENT COMPANY	
SEK thousand	**2019**	**2018**	**2019**	**2018**
Interest expenses, Group companies	–	–	–	–
Interest expenses, other	-26	-15	-20	-15
Interest expenses, lease	-1,289	–	–	–
Exchange rate differences	-490	-1,981	-490	-1,981
Change in fair value of fixed income fund, unrealized	–	–	–	–
Total	**-1,805**	**-1,996**	**-510**	**-1,996**

10 Tax

	GROUP		PARENT COMPANY	
SEK thousand	**2019**	**2018**	**2019**	**2018**
Tax on profit/loss for the year				
Current tax	-106	161	–	20
Change in deferred tax	–	–	–	–
Tax on profit/loss for the year	**-106**	**161**	–	**20**
Applicable tax rate for the Parent Company	21.4%	22%	21.4%	22%
Difference between the Group's tax reported in the Income Statement and tax based on applicable tax rate				
Profit/loss before tax	-123,334	-350,475	-122,283	-351,237
Tax at the applicable rate for the Parent Company	26,393	77,105	26,168	77,272
Tax effect of non-deductible costs	-74	-198	-72	-198
Tax effect of non-taxable income	171	2,186	171	1,479
Effect of foreign tax rates	–	–	–	–
Adjustment of tax in respect of previous years	–	146	–	–
Tax effect of loss carry-forwards not previously capitalized	-26,597	-79,077	-26,268	-78,533
Reported tax	**-106**	**161**	**0**	**20**

At the year-end, the total accumulated taxable loss of the Group was SEK 1,114 million (1,080) of which SEK 0 million (0) has been capitalized. The remaining loss comprises primarily losses within the Parent Company. There is no time restriction on the utilization of capitalized loss.

11 Earnings per share

	GROUP	
	2019	**2018**
Total operations		
Basic earnings per share, SEK[1]	-5.08	-14.62
Diluted earnings per share, SEK[2]	-5.08	-14.62
Net profit/loss for the year, SEK thousand	-123,440	-350,314
Average number of shares, '000[3]	24,288	23,956

1) Basic earnings per share – the profit/loss after financial items less the tax expense for the period divided by the average number of shares.
2) Diluted earnings per share – the profit/loss after financial items less the tax expense for the period divided by the average number of shares and outstanding share warrants, adjusted for any dilution effect.
3) The average number of shares is a calculated average over 12 months in 2019.

Earnings per share have been calculated as the net profit/loss for the year divided by the average number of shares during the year.

12 Intangible fixed assets

2019, SEK thousand	GROUP Product rights	Goodwill	Capitalized R&D expenditure	Other	PARENT COMPANY Product rights	Capitalized R&D expenditure	Other
Cost at beginning of the year	–	–	119,545	4,680	–	119,545	4,680
Additions	–	–	–	–	–	–	–
Sales and disposals	–	–	-461	-357	–	-461	-357
Closing accumulated cost	–	–	**119,084**	**4,323**	–	**119,084**	**4,323**
Depreciation at beginning of the year	–	–	-3,895	-2,351	–	-3,895	-2,351
Depreciation for the year	–	–	–	-543	–	–	-543
Sales and disposals	–	–	–	–	–	–	–
Accumulated depreciation at year-end	–	–	**-3,895**	**-2,894**	–	**-3,895**	**-2,894**
Depreciation at beginning of the year	–	–	-18,877	-2,218	–	-18,877	-2,218
Depreciation for the year	–	–	–	–	–	–	–
Sales and disposals	–	–	–	818	–	–	818
Closing accumulated depreciation	–	–	**-18,877**	**-1,400**	–	**-18,877**	**-1,400**
Book value at year-end	–	–	**96,312**	**29**	–	**96,312**	**29**

2018, SEK thousand	GROUP Product rights	Goodwill	Capitalized R&D expenditure	Other	PARENT COMPANY Product rights	Capitalized R&D expenditure	Other
Cost at beginning of the year	–	–	119,545	18,662	–	119,545	18,662
Additions	–	–	–	–	–	–	–
Sales and disposals	–	–	–	-13,982	–	–	-13,982
Closing accumulated cost	–	–	**119,545**	**4,680**	–	**119,545**	**4,680**
Depreciation at beginning of the year	–	–	-3,461	-3,127	–	-3,461	-3,127
Depreciation for the year	–	–	-434	-3,760	–	-434	-3,760
Sales and disposals	–	–	–	4,536	–	–	4,536
Accumulated depreciation at year-end	–	–	**-3,895**	**-2,351**	–	**-3,895**	**-2,351**
Depreciation at beginning of the year	–	–	-18,877	–	–	-18,877	–
Depreciation for the year	–	–	–	-2,218	–	–	-2,218
Sales and disposals	–	–	–	–	–	–	–
Closing accumulated depreciation	–	–	**-18,877**	**-2,218**	–	**-18,877**	**-2,218**
Book value at year-end	–	–	**96,773**	**111**	–	**96,773**	**111**

12 cont.

Capitalized research and development expenditure
Capitalized expenditure for research and development work relates to capitalized development expenditure for the Birinapant and Remetinostat research programs acquired. The useful life of completed projects is based on the lifetime of the underlying patents and totals 10 years. Amortization is calculated on a straight-line basis in order to spread the development costs over the estimated useful life. Amortization of other intangible assets acquired, such as development projects, is effected linearly over the useful life and is linked to the lifetime of the patents obtained. Birinapant and Remetinostat are not yet completed and amortization has not yet begun.

Other
Other intangible assets relates to capitalized development expenditure on ERP systems. The useful life is estimated at 5 years.

Impairment testing
Intangible assets with an indefinite useful life are subject to impairment testing at least once every year. Assets depreciated or amortized according to plan are subject to impairment testing whenever events or changes in circumstances indicate that their carrying amount is not recoverable.

Research projects that have been acquired but which are not yet completed for sale are subject to annual impairment testing. The value is also monitored and reviewed if there are indications to suggest that the carrying amount is not recoverable. This might, for example, happen in conjunction with failed research results or in the absence of the resources required to render the asset ready for sale. An impairment test has been performed at the end of 2019 and the analysis shows that there is no indication of impairment.

13 Property, plant and equipment

SEK thousand	GROUP		PARENT COMPANY	
Buildings and land[1]	**2019**	**2018**	**2019**	**2018**
Cost at beginning of the year	4,245	4,245	4,245	4,245
Reclassification	3,992	–	3,992	–
Capital expenditure	1,377	–	1,377	–
Closing accumulated cost	**9,614**	**4,245**	**9,614**	**4,245**
Depreciation at beginning of the year	-3,905	-3,774	-3,905	-3,774
Sales and disposals	984	–	984	–
Depreciation for the year	-812	-131	-812	-131
Accumulated depreciation at year-end	**-3,733**	**-3,905**	**-3,733**	**-3,905**
Book value at year-end	**5,881**	**340**	**5,881**	**340**

1) The value of the Group's buildings corresponds to the incurred cost of improvements to rental properties.

	GROUP		PARENT COMPANY	
Equipment, tools, fixtures and fittings	**2019**	**2018**	**2019**	**2018**
Cost at beginning of the year	102,253	116,684	102,253	116,684
Reclassification	-3,992	–	-3,992	–
Capital expenditure	–	6,838	–	6,838
Sales and disposals	-85,265	-21,269	-85,265	-21,269
Closing accumulated cost	**12,996**	**102,253**	**12,996**	**102,253**
Depreciation at beginning of the year	-91,765	-102,719	-91,765	-102,719
Depreciation for the year	-2,823	-5,021	-2,823	-5,021
Sales and disposals for the year	83,188	15,975	83,188	15,975
Accumulated depreciation at year-end	**-11,400**	**-91,765**	**-11,400**	**-91,765**
Book value at year-end	**1,596**	**10,487**	**1,596**	**10,487**

14 Leases

IFRS 16 Leases came into effect on 1 January 2019 and the company has elected to apply the simplified transition method for IFRS 16. For Medivir, this means that we will not perform a recalculation of the 2018 figures and will, instead, adjust the opening balance for 2019. The total value of the assets has increased by SEK 50.5 million. Leased assets are included in property, plant and equipment, which have increased by SEK 18.7 million due to IFRS 16 during the transition period. Financial fixed assets in the form of the long-term and short-term components of lease receivables total SEK 25.4 million and SEK 6.4 million, respectively. With regard to liabilities, non-current liabilities increased by SEK 41.9 million and current liabilities by SEK 8.6 million at the beginning of 2019. The Parent Company applies the exemption offered in RFR 2 and consequently reports leasing as operational, in accordance with the previous method.

This note explains the effects in the Group's financial report when applying IFRS 16 Leases.

In the balance sheet, the following adjustments have been made at the transition date (1 January 2019) regarding IFRS 16 Leases:

	Closing balance 31 Dec. 2018	Effect of transition to IFRS 16	Opening balance 1 Jan. 2019
Property, plant and equipment	10,828	18,654	29,482
Financial fixed assets	–	25,454	25,454
Current receivables	25,358	6,363	31,721
Lease liabilities, of which	–	50,471	50,471
Long-term	–	41,578	41,578
Short-term	–	8,893	8,893

IFRS 16 has had a minimal impact on operating profit and a minimal impact on earnings after financial items. The Group has applied IFRS 16 Leases from 1 January 2019, which resulted in changed accounting policies and adjustments in the amounts reported in the financial report. In accordance with the transitional rules in IFRS 16, the Group has applied the simplified transition method and has therefore not recalculated the comparative figures. All rights of use are valued at the transition to an amount corresponding to the lease liability adjusted for prepaid leasing fees attributable to the agreements as of 31 December 2018. At the transition, the following relief rules have been applied:

- The rights to use rights have been classified per asset class and country and then the discount rate has been set per country and asset class.
- The right of use has been established with the help of ex-post knowledge regarding, for example, extension options and termination clauses. The weighted average incremental borrowing rate used on the initial date of application (1 January 2019) was 6-7%.

Below is an explanation of the difference between operating lease obligations recognized under IAS 17 immediately before the initial date of application (i.e. on 31 December 2018) and lease liabilities recognized under IFRS 16 on the initial date of application (i.e. 1 January 2019).

Obligations for operating leases as at 31 December 2018	84,763
Less provision for onerous leases	-22,011
Discount with the Group's incremental borrowing rate 6-7%	-12,215
(Less): short-term leases, expensed straight-line	-66
Lease liabilities recognized at 1 January 2019	**50,471**

Below is an explanation of the difference between operating lease obligations where the Group is lessor recognized under IAS 17 immediately before the initial date of application (i.e. on 31 December 2018) and lease liabilities recognized under IFRS 16 on the initial date of application (i.e. 1 January 2019).

Rights for operating leases as at 31 December 2018	38,800
Discount with the Group's incremental borrowing rate 7%	-6,983
Lease receivable recognized at 1 January 2019	**31,817**

The balance sheet shows the following amounts related to leasing agreements:

SEK thousand	GROUP	
Right-of-use assets	**2019**	**2018**
Properties	15,384	–
Equipment	332	–
Cars	90	–
Closing accumulated cost	**15,806**	**–**

The statement of profit or loss shows the following amounts related to leasing agreements:

SEK thousand	GROUP	
Depreciation charge of right-of-use assets	**2019**	**2018**
Properties	-2,565	–
Equipment	-254	–
Cars	-88	–
Accumulated depreciation at year-end	**-2,907**	**–**

Interest expense is included in finance cost. Expense relating to short-term leases is included in other external costs. Expense relating to leases of low-value assets that are not short-term leases are included in other external costs. Expense relating to variable lease payments not included in lease liabilities are included in other external costs. The total cash outflow for leases in 2019 was SEK 2,232 thousand (0).

The Group leases various buildings, machinery and cars. Leases are normally signed for fixed periods of three to ten years, but there may be an extension option, which is described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The leases do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the Group's exercising that option to end the lease agreement.

14 cont.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs,
- restoration costs

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

The Group as lessor

The Group rents out a building in the UK and that letting covers largely the same terms and leasing period as the main lease. A financial lease receivable is therefore recognized in the statement of financial position, allocated into a non-current and current component.

Interest income is distributed over the lease period. This is offset against the gross investment in the lease and reduces these capital amounts. The amounts are shown in Note 8.

The following table shows the contractual undiscounted cash flows from the Group's financial lease receivables, broken down by the time which, on the closing day, remains until the contractual due date.

	GROUP		
31 Dec. 2019	**Less than 1 year**	**2–3 years**	**More than 3 years**
Financial receivable lease	7,814	15,628	7,544

The difference between the undiscounted cash flows amounting to SEK 30,986 thousand and the reported finance lease receivable amounting to SEK 27,390 thousand relates to unearned interest income of SEK 3,596 thousand.

15 Participations in Group companies

	PARENT COMPANY	
SEK thousand	**2019**	**2018**
Opening cost	150,267	149,175
Divestments	–	–
Shareholders' contributions made	–	1,092
Closing accumulated cost	**150,267**	**150,267**
Depreciation at beginning of the year	-150,167	-149,075
Depreciation for the year	–	-1,092
Closing accumulated depreciation	**-150,167**	**-150,167**
Book value at year-end	**100**	**100**

Subsidiary:	**Corporate ID no.**	**Registered office**	**Number of shares**	**Share of capital**	**Book value, 2019**	**Book value, 2018**
Glycovisc BioTech AB	556535-0005	Huddinge	5,000	100%	0	0
Medivir UK Ltd[1]	3496162	Essex (UK)	2,000,007	100%	0	0
Medivir Personal AB	556598-2823	Huddinge	1,000	100%	100	100
Tetralogic Birinapant UK Ltd[1]	9497530	Birmingham (UK)	2	100%	0	0
Tetralogic Shape UK Ltd[1]	9497577	Birmingham (UK)	2	100%	0	0
Total					**100**	**100**

1) The company is exempted from statutory audit requirements, pursuant to section 476 of The Companies Act, 2006.

16 Financial assets held for sale

	GROUP		PARENT COMPANY	
SEK thousand	**2019**	**2018**	**2019**	**2018**
Epiphany Biosciences				
Opening book value	14,165	14,165	14,165	14,165
Accumulated impairment loss	-14,165	-14,165	-14,165	-14,165
Closing book value	**0**	**0**	**0**	**0**
Presidio Pharmaceuticals Inc.				
Opening book value	4,628	4,628	4,628	4,628
Accumulated impairment loss	-4,628	-4,628	-4,628	-4,628
Closing book value	**0**	**0**	**0**	**0**
Total	**0**	**0**	**0**	**0**

In 2012, valuations carried out by independent parties showed that the market value was significantly lower than the carrying amount. The value impairment was adjudged to be significant and lasting and the holdings in Epiphany and Presidio were accordingly impaired to SEK 0. Testing of fair value did not give rise to any changes in value in 2019. As of 2014, gross values in respect of the opening book value and accumulated impairment losses are reported as totals per share holding.

17 Prepaid expenses and accrued income

	GROUP		PARENT COMPANY	
SEK thousand	**2019**	**2018**	**2019**	**2018**
Prepaid rent	–	3,653	1,722	1,763
Licensing fees	1,467	3,135	1,467	3,135
Accrued royalty income	1,365	6,003	1,365	6,003
Repairs and Maintenance	30	1,260	30	1,260
Trade literature and publications	44	14	44	14
Insurance	76	–	76	–
Clinical studies	–	3,945	–	3,945
Other items	3,763	1,810	–	1,810
Total	**6,745**	**19,820**	**4,704**	**17,930**

18 Other short-term investments and cash equivalents

	GROUP		PARENT COMPANY	
SEK thousand	**2019**	**2018**	**2019**	**2018**
Fixed income and bond funds	100,209	239,106	100,209	239,106
Cash and bank balances	34,300	47,175	25,488	36,740
Total	**134,509**	**286,282**	**125,697**	**275,847**

The Group's net available cash on the balance sheet date amounted to SEK 134,509 thousand.

19 Provisions

	GROUP		PARENT COMPANY	
SEK thousand	**2019**	**2018**	**2019**	**2018**
Opening provisions	37,669	–	37,669	–
Outgoing provisions	-18,293	–	-18,293	–
Additional provisions	406	37,669	406	37,669
Total	**19,782**	**37,669**	**19,782**	**37,669**

Refers to provision for restructuring of personnel and premises in 2018.

20 Accrued expenses and deferred income

	GROUP		PARENT COMPANY	
SEK thousand	**2019**	**2018**	**2019**	**2018**
Accrued personnel costs	5,813	17,401	5,813	17,401
Accrued research costs	5,034	10,076	5,034	10,076
Deferred royalty payments	13,734	12,788	13,734	12,788
Deferred rental income	–	2,067	–	–
Accrued property costs	–	7,051	–	5,557
Other items	5,435	3,324	1,750	3,142
Total	**30,016**	**52,707**	**26,331**	**48,964**

21 Pledged assets

There are no pledged assets.

22 Undertakings and contingent liabilities

	GROUP		PARENT COMPANY	
SEK thousand	**2019**	**2018**	**2019**	**2018**
Parent Company guarantees for subsidiary companies	–	–	5,000	5,000
Total	–	**–**	**5,000**	**5,000**

22 cont.

Research and development undertakings linked to milestones
Medivir has several ongoing research and development partnerships, including in-licensed projects or similar kinds of arrangement, with a variety of parties. These partnerships may oblige Medivir to make payments in conjunction with the achievement of research, launch or net sales targets. The company is, however, generally entitled to terminate such partnership agreements without incurring any costs thereby. Medivir does not classify research and development milestones as intangible assets until a payment obligation of this kind arises, which is generally when the company reaches pre-determined points in the development cycle. The table below shows Medivir's contingent liabilities in the form of potential development and net sales payments that Medivir may be obliged to make during the course of these partnerships.

SEK thousand	Total	Within 12 months	12–24 months	25–48 months	48 months +
Future contingent liabilities linked to the development cycle	830,619	–	114,134	520,826	195,659
Future contingent liabilities linked to net sales targets	1,217,745	–	–	–	1,217,745
Total	**2,048,364**	**–**	**114,134**	**520,826**	**1,413,404**

The table includes all potential payments for milestones achieved during ongoing research and development agreements. Net sales-related milestone payments refer to the maximum possible disbursement based on specified net sales levels when a product has reached the market in accordance with the agreements entered into. The amounts do, however, exclude variable payments based on sales volumes (known as royalty payments), which are carried as expenses in conjunction with the recognition of the sale. The table also excludes those payments booked as assets in the Balance Sheet on 31 December 2019.

The future contingent liabilities reported represent contractual payments and are not discounted or risk adjusted. As stated in the company's risk factors on pages 27-28, pharmaceutical development is a complicated and risky process that can fail at any stage of the development process due to a wide variety of factors (such as failure to obtain regulatory approval, unfavorable data from ongoing trials, adverse events, or other safety aspects). The date of any disbursement and entering as a liability in the company's Balance Sheet is based on the company's assumptions regarding the likelihood of reaching relevant milestones. No contingent liabilities were booked in 2019 since the company assessed that the likelihood of reaching the milestones is not yet high enough.

23 Cash flow analysis, supplemental disclosures

	GROUP		PARENT COMPANY	
SEK thousand	**2019**	**2018**	**2019**	**2018**
Interest paid and dividends received				
Dividends received	–	–	800	–
Interest payments received	1,361	57	388	419
Interest payments made	-1,315	-15	-20	-15
Adjustments for non-cash items				
Depreciation, amortization and impairment of assets	7,086	26,304	4,179	25,454
Unrealized exchange rate differences	–	-29	–	–
Capital gain/loss on sale/disposal of fixed assets	–	–	–	–
Capital gain/loss on the sale of operations/subsidiaries	–	–	–	–
Change in restructuring provisions	-18,293	30,612	-18,293	30,612
Share savings plan: value of employees' service	–	–	–	–
Other	–	–	–	–
Total	**-11,207**	**56,887**	**-14,145**	**56,066**

24 Reconciliation of net debt

Reconciliation of net debt
The net debt and changes in the net debt in 2019 are analyzed below.

	GROUP		PARENT COMPANY	
	2019	**2018**	**2019**	**2018**
Cash and cash equivalents	34,300	47,175	25,488	36,740
Short-term investments	100,209	239,106	100,209	239,106
Current loan receivables	6,363	–	–	–
Non-current loan receivables	21,027	–	–	–
Non-current financial liabilities	-37,153	–	–	–
Current financial liabilities	-6,729	–	–	–
Net debt	**118,017**	**286,282**	**125,697**	**275,847**

Group	**Other assets**		**Other liabilities**				
	Cash and cash equivalents/ bank overdraft facility	**Short-term investments**	**Loan receivables maturing within 1 year**	**Loan receivables maturing after 1 year**	**Loan liabilities maturing within 1 year**	**Loan liabilities maturing after 1 year**	**Total**
Net debt on 1 January 2019	**47,175**	**239,106**	**–**	**–**	**–**	**–**	**286,282**
Additional items IFRS 16	–	–	6,363	25,454	-8,893	-41,578	-18,654
Cash flow	-11,527	-138,897	–	–	–	–	-150,424
Amortization	–	–	-4,427	–	6,659	–	2,232
Reclassification short-term component	–	–	4,427	-4,427	-4,425	4,425	–
Exchange rate differences	-1,349	–	–	–	–	–	-1,349
Other non-cash items	–	–	–	–	-70	–	-70
Net debt on 31 December 2019	**34,300**	**100,209**	**6,363**	**21,027**	**-6,729**	**-37,153**	**118,017**

Parent Company	**Other assets**		**Other liabilities**				
	Cash and cash equivalents/ bank overdraft facility	**Short-term investments**	**Loan receivables maturing within 1 year**	**Loan receivables maturing after 1 year**	**Loan liabilities maturing within 1 year**	**Loan liabilities maturing after 1 year**	**Total**
Net debt on 1 January 2019	**36,740**	**239,106**	**–**	**–**	**–**	**–**	**275,847**
Cash flow	-11,253	-138,897	–	–	–	–	-150,150
Redemption program	–	–	–	–	–	–	–
Exchange rate differences	–	–	–	–	–	–	–
Other non-cash items	–	–	–	–	–	–	–
Net debt on 31 December 2019	**25,488**	**100,209**	**–**	**–**	**–**	**–**	**125,697**

25 Events after the end of the reporting period

Data from the Phase II study of MIV-711 presented
The phase II study of MIV-711 in patients with osteoarthritis was published in January in the respected journal Annals of Internal Medicine. (Ref: 2020;172(2):86-95).

Agreement with Xerclear in China
An agreement for Xerclear was signed with with the Chinese company Shijiazhuang Yuanmai Biotechnology Co Ltd (SYB). The agreement gives SYB the right to register, manufacture and market the product in China.

Positive data from MIV-818 study presented
Positive data from the phase Ia study of MIV-818 were presented at the company's R&D day, which was arranged in March.

The phase Ib part of the MIV-818 study was initiated in March.
The primary objective of the phase Ib study is to establish the safety and tolerability profile of MIV-818. A secondary objective is to further explore the efficacy of MIV-818.

Nomination Committee proposal for a new Board of Directors ahead of 2020 AGM
The Nomination Committee has agreed, ahead of the upcoming 2020 AGM, to propose that a new Board of Directors be appointed by means of the re-election of the Board's existing Members, namely Uli Hacksell, Lennart Hansson, Bengt Julander, Helena Levander, An van Es Johansson and Bengt Westermark, and the re-election of Helena Levander as Chairperson.

26 Proposed treatment of non-restricted equity

The Board of Directors proposes that the accumulated loss of SEK -9,240,180 be carried forward.

Attestation

The Board of Directors and the Chief Executive Officer hereby attest that the Consolidated Accounts have been prepared in accordance with the IFRS international financial reporting standards, as adopted by the EU, and that they present a true and fair view of the Group's financial position and results of operations. The Annual Accounts have been prepared in accordance with generally accepted accounting principles and provide a true and fair view of the Parent Company's financial position and results of operations.

The Directors' Report for the Group and the Parent Company provides a true and fair view of the development of the Group's and the Parent Company's operations, financial positions and results of operations and describes significant risks and uncertainty factors facing the companies included in the Consolidated Accounts.

Stockholm, 26 March 2020

Helena Levander
Chairperson of the Board

Uli Hacksell
Member of the Board and CEO

Lennart Hansson
Member of the Board

Bengt Julander
Member of the Board

An van Es-Johansson
Member of the Board

Bengt Westermark
Member of the Board

Our Audit Report was submitted on 26 March 2020
Öhrlings PricewaterhouseCoopers AB

Tobias Stråhle
Authorized public accountant

Auditor's Report

To the general meeting of the shareholders of Medivir AB (publ), corporate identity number 556238-4361

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Medivir AB (Publ) for the year 2019 except for the corporate governance statement on pages 30-37. The annual accounts and consolidated accounts of the company are included on pages 25-69 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of December 31, 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 30-37. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the Board of Directors of the parent company and the Group in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

The majority of the transaction flow, as well as the processes implemented by the company to ensure financial reporting, have limited complexity and are limited in scope. The financial reporting is monitored by a limited group of people within the company's finance department, management team and board. Against this background, we have obtained audit evidence primarily by testing details in the books and records and the company's own controls regarding closing of accounts. The testing is carried out by random sampling, where we test individual transactions and items in the accounts and financial statements against supporting documentation.

Our audit of the consolidated financial statements has included the material unit, Medivir AB. Other companies that are part of the Group, in our opinion, constitute an insignificant part of the Group as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the Key audit matter*
Valuation of intangible fixed assets In December 2016, Medivir acquired the research projects Remetinostat and Birinapant. The research projects have yet to be completed and annual amortizations has not yet commenced. As described in the directors' report under the section "risk factors" on page 27-28 development of pharmaceuticals is a risked filled and time-consuming process. Furthermore, the section entitled "Important estimates and assessments" on page 53 shows that intangible assets are associated with assessments and estimates of the future. How the assessment was made is disclosed in note 12 on page 61-62. The company's Board of Directors also has a separate R&D committee which continuously monitors and evaluates the result of ongoing research. Since the 2019 Annual General Meeting, the Board of Directors and Group management have handled matters related to research and development. According to IFRS, it is required that assets with indefinite lifespan are tested for impairment at least annually. During such testing, management needs to apply assessments and estimates of the future to ensure the book value does not exceed fair value. For the above reasons, valuation of intangible fixed assets is considered to be a Key audit matter.	In our audit, our task is to evaluate and review the company's application of accounting principles and the documentation prepared by management to support the impairment test. Our audit has included, but is not limited to, the following. ● We have obtained the company's calculations and qualitative assessments of the value established in the original acquisition and evaluated them. ● We have reviewed the model's mathematical accuracy and evaluated whether it is based on generally accepted valuation models with the support of our valuation specialists. ● We have obtained the management's comments on the development of the research projects and the results communicated through the company's press releases. ● We have reviewed the minutes and other documents from board meetings. ● We have evaluated input data in the model by checking information from external data sources and reports. Our audit has not resulted in any adjustments and we have not reported any significant observations regarding the valuation of intangible fixed assets to the Audit Committee.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-24 and 74-78. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Medivir AB (Publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the loss be treated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for ensuring that the corporate governance statement on pages 30-37 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Öhrlings PricewaterhouseCoopers AB, Torsgatan 21 in Stockholm, was appointed as auditors of Medivir AB (Publ) by the Annual General Meeting of shareholders on 9 May 2019 and has been the company auditors since 29 February 1996. Tobias Stråhle has been main responsible auditor of Medivir AB (publ) from the annual general meeting of the shareholders held May 3, 2016.

Stockholm, 26 March 2020

Öhrlings PricewaterhouseCoopers AB

Tobias Stråhle
Authorized public accountant

Key ratios

Group	2019	2018	2017	2016	2015	2014
EBITDA, SEK thousand	-118,894	-326,498	-342,580	-278,919	95,662	1,221,925
EBIT, SEK thousand	-125,979	-351,030	-362,835	-312,380	55,428	1,188,731
Operating margin, %	-1,444.0	-1,471.0	-990.3	-335.7	11.7	67.3
Profit margin, %	-1,413.7	-1,468.7	-981.8	-329.7	9.7	67.5
Debt/equity ratio, multiple	0.6	0.4	0.2	0.1	0.1	0.1
Return on:						
shareholders' equity, %	-50.2	-85.3	-32.1	-18.5	1.8	84.1
capital employed, %	-41.0	-85.3	-32.0	-19.3	2.7	80.6
total capital, %	-34.6	-67.7	-28.3	-17.3	2.5	75.2
Equity/assets ratio, %	62.8	73.4	83.4	90.2	89.7	90.8
Average number of shares, '000	24,288	23,956	21,963	26,941	29,048	31,260
Number of shares at year-end, '000	24,288	24,288	20,319	26,966	26,966	31,260
Earnings per share, SEK						
Basic earnings per share, all operations	-5.08	-14.62	-16.40	10.50	2.59	36.24
Diluted earnings per share, all operations	-5.08	-14.62	-16.40	10.47	2.56	35.90
Equity per share, before and after dilution, SEK[1]	7.59	12.67	25.31	64.38	54.04	63.42
Net worth per share, before and after dilution, SEK[1]	7.59	12.67	25.31	64.38	54.04	63.42
Cash flow per share from operating activities, SEK	-6.10	-13.30	-16.32	-6.68	11.95	32.45
Cash flow per share after investments, SEK	-5.92	-13.59	-16.94	23.05	11.44	31.88
Cash flow per share after financing activities, SEK	-6.19	-7.58	-56.03	23.03	-10.99	31.88
Dividend per share, SEK	–	–	–	–	–	–
Number of outstanding share warrants	109,699	109,699	57,835	62,842	238,254	294,486
Capital employed	228,338	307,606	514,057	1,733,922	1,450,109	2,032,778

1) IAS 33 states that potential ordinary shares do not give rise to any dilution effect when their conversion to ordinary shares entails an improvement in earnings per share, which would be the case in conjunction with a conversion of the outstanding share warrants in Medivir.

Six-year summary

Group, SEK thousand	2019	2018	2017	2016	2015	2014
Income Statements						
Net sales	8,724	23,863	36,639	93,043	474,274	1,766,989
Total expenses	-134,703	-374,893	-399,474	-405,423	-418,846	-578,257
Operating profit/loss	-125,979	-351,030	-362,835	-312,380	55,428	1,188,731
Net financial items	2,645	555	3,106	5,655	-9,225	3,970
Profit/loss after financial items	-123,334	-350,475	-359,729	-306,725	46,203	1,192,701
Tax	-106	161	-490	11,870	-14,495	-59,966
Profit/loss after tax	-123,440	-350,314	-360,218	-294,855	31,708	1,132,735

	31 Dec. 2019	31 Dec. 2018	31 Dec. 2017	31 Dec. 2016	31 Dec. 2015	31 Dec. 2014
Balance Sheets						
Intangible fixed assets	96,341	96,885	112,742	111,854	398,022	417,577
Property, plant and equipment	23,283	10,828	14,436	21,956	26,283	26,875
Financial fixed assets	21,027	–	–	–	–	2,500
Deferred tax receivables	–	–	–	1,002	–	–
Inventories and current receivables	18,302	25,358	21,213	88,209	114,008	341,317
Liquid assets and short-term investments	134,509	286,282	467,780	1,698,481	1,077,942	1,395,621
Shareholders' equity	184,456	307,606	514,057	1,732,912	1,450,109	1,982,604
Deferred tax liability/provisions	–	–	–	–	351	468
Long-term interest-bearing liabilities	37,153	–	–	–	–	–
Long-term non-interest-bearing liabilities	16,879	14,763	–	–	–	–
Current liabilities	54,974	96,983	102,113	188,591	165,795	201,286
Balance Sheet total	293,462	419,352	616,171	1,921,503	1,616,255	2,183,891

Definitions

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

Basic earnings per share
Profit/loss after financial items less full tax 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
Cash flow divided by the average number of shares.

Debt/equity ratio
Interest-bearing liabilities divided by shareholders' equity.

Diluted earnings per share
Earnings per share after financial items less full tax divided by the average number of shares and outstanding share warrants adjusted for any dilution effect.

EBIT
Profit/loss before financial items and tax.

EBITDA
Operating profit/loss before depreciation and amortization, financial items and tax.

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

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

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

Profit margin
Profit/loss after financial items as a percentage of net sales.

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

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

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

Shareholders' equity
The sum of non-restricted and restricted equity at the year-end. Average shareholders' equity has been calculated as the sum of the opening and closing shareholders' equity balances, divided by two.

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

Tax cost for the year
The sum of current and deferred tax, taking into account changes in temporary differences and loss carry- forwards.

Glossary

Biomarker
A biological or chemical marker which can be used as an indicator that a pharmaceutical substance may have an effect on a disease.

Candidate drug (CD)
Substance selected for further development in clinical trials.

Clinical trials
Trials of pharmaceutical substances on human subjects.

Collagen
A protein that forms fiber structure. Collagen provides support for supportive tissues such as bones, skin and tendons. Collagen makes up almost 30% of the body's total protein.

EMA
The European Medicines Agency.

Enzyme
A protein molecule that catalyzes chemical reactions in cells without the actual enzyme being consumed. Polymerases and proteases are examples of enzymes.

FDA
The United States Food and Drug Administration.

Futility analysis
An interim analysis of a clinical study where the objective is to investigate whether any benefit can be demonstrated in the study. The study will be terminated for "futility" if it is unlikely to demonstrate benefit.

Hepatitis C/HCV
Jaundice caused by the human hepatitis C virus (HCV).

Histone deacetylases (HDACs)
A class of enzymes that remove acetyl groups from histones.

Histones
A group of proteins which, together with DNA, form nucleoproteins that make up the body's chromosomes.

Metastasis (secondary growth)
A tumor that has spread to organs other than the one in which the primary growth or tumor is located.

Nucleoside analogue
Chemical variants of the nucleosides that build up genetic material (DNA).

Nucleotide
A nucleoside with one or more phosphate groups.

Orphan drugs
Pharmaceutical agents for the treatment of extremely rare diseases.

Orphan Drug Designation
Orphan Drug Designation (ODD) is granted by the FDA and EMA and can imply certain financial easing for the development of a drug. This may include lower fees to the authorities and increased market protection, including market exclusivity for the approved use (10 years in Europe and 7 years in the United States).

PD1 inhibitors
A novel class of cancer drugs that acts by blocking the binding of two PD1-protein ligands, PDL1 and PDL2, and in this way activate the T-cells and the immune system.

Polymerase
A type of enzyme that copies the genetic material (genes) in, for example, a virus.

Prodrug
An inactive drug substance that is converted to its active form when entering the body.

Protease
An enzyme that can cleave proteins into smaller units.

Skin lesions
Medical term for an injury or morbid change in the skin tissue, for example growths or spots.

SMAC mimetic
SMAC (second mitochondrial activator of caspases) is a protein found naturally in cells. Smac mimetics drugs block survival signals that cancer cells are dependent on to avoid cell death.

Systemic effect
The pharmaceutical drug enters the bloodstream and effects other places in the body than where it was applied. Tablets do usually have systemic effect. The opposite of systemic effect is local or topical effect.

Topical administration
Application of a drug directly at the place where it should have its effect. Topical administration is used, for example, for medicines applied to skin, eyes and ears.

Troxacitabine
A nucleoside analogue with anticancer activity.

Financial glossary

IAS (International Accounting Standards)
See IFRS.

IFRS (International Financial Reporting Standards)
New accounting rules adopted by the EU. The rules are designed to facilitate comparability between annual accounts in Europe. Listed companies have been obliged, since 1 January 2005, to comply with these rules.

Milestone payments
Payments as contractual goals are achieved.

Option
Right to buy shares in the future.

Royalty
Remuneration, often a percentage, for sales of a product (pharmaceutical).

SEK k
Swedish kronor in multiples of 1,000.

SEK m
Swedish kronor in multiples of 1,000,000.

Share issue
Issuance of new shares in order to obtain new capital.

Shareholder information

Financial calendar, 2020

- Q1 Interim Report January–March, publishing date May 5.
- Q2 Interim Report January–June, publishing date August 20.
- Q3 Interim Report January–September, publishing date November 10.

The reports will be available on Medivir's website; www.Medivir.se, under the heading, Investor Relations, as of these dates.

For additional information on Medivir, please contact Magnus Christensen, CFO.
Tel: +46 (0)8 5468 3100
magnus.christensen@medivir.com

2020 Annual General Meeting

The Annual General Meeting will be held at
the Tändstickspalatset conference facility at Västra Trädgårdsgatan 15, Stockholm, Sweden at 14.00 (CET) on Tuesday, May 5.

Shareholders wishing to attend the Annual General Meeting shall:

- be entered in the register of shareholders maintained by Euroclear Sweden AB no later than April 28, 2020,
- notify the company of their intention to attend, stating their name, address and telephone number, either by letters in the post to:
  Medivir AB, c/o Euroclear Sweden, PO Box 191,
  SE-101 23 Stockholm, Sweden
  or by telephone: +46 (0)8 402 92 37
  no later than April 28, 2020.

PLEASE NOTE:
Important information regarding nominee-registered shares
Shareholders whose shares are nominee-registered must, in order to be entitled to attend the Annual General Meeting, temporarily re-register their shares in their own names with Euroclear Sweden AB. Shareholders wishing to effect such re-registration must inform their nominee thereof in good time before April 28, 2020.

For full details of the 2020 Annual General Meeting, please see the convening notice on the website, www.medivir.com.

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