Press release, 27 February 2015

Financial Statement, January – December 2014

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Conference call for investors, analysts and the media
The 2014 Financial Statement will be presented by Medivir's President & CEO, Niklas Prager, and members of the management group.
Time: Friday, 27 February 2015, at 14.00 (CET).

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

Financial calendar:
The 2014 Annual Report will be published on 7 April 2015.
The Annual General Meeting will be held on 5 May 2015.
The Interim Report for January–March 2015 will be published on 5 May.

Financial Statement, January – December 2014

Financial summaries for the fourth quarter and the year as a whole*

October to December 2014 (2013)

- Net turnover totalled SEK 377.0 million (SEK 147.1 m), SEK 220.1 million (SEK 10.5 m) of which comprised royalties for simeprevir.
- Revenues from Medivir's own pharmaceutical sales totalled SEK 156.6 million (SEK 47.6 m), SEK 103.1 million (SEK 0) of which derived from sales of OLYSIO® and SEK 53.5 million (SEK 47.6 m) from sales of other pharmaceuticals.
- The profit/loss after tax was SEK 147.3 million (SEK 19.3 m).
- Basic and diluted earnings per share totalled SEK 4.71 (SEK 0.62) and SEK 4.67 (SEK 0.62), respectively.
- The cash flow from operating activities amounted to SEK 505.4 million (SEK 75.6 m).

January to December 2014 (2013)

- Net turnover totalled SEK 1,767.0 million (SEK 446.1 m), SEK 1,399.0 million (SEK 10.5 m) of which comprised royalties for simeprevir.
- Revenues from Medivir's own pharmaceutical sales totalled SEK 366.8 million (SEK 176.1 m), SEK 186.4 million (SEK 0) of which derived from sales of OLYSIO® and SEK 180.4 million (SEK 176.1 m) from sales of other pharmaceuticals.
- The profit/loss after tax was SEK 1,132.7 million (SEK 16.0 m).
- Basic and diluted earnings per share totalled SEK 36.24 (SEK 0.51) and SEK 35.90 (SEK 0.51), respectively.
- The cash flow from operating activities amounted to SEK 1,009.4 million (SEK 43.0 m).
- Liquid assets and short-term investments at the period end totalled SEK 1,395.6 million (SEK 402.2 m). The royalties from the current quarter are not included in these items.

Significant operational events

During Q4 2014

- A Capital Markets Meeting focusing on the updated company strategy was held on 16 October.
- Medivir presented data from the cathepsin S inhibitor programme for the treatment of neuropathic pain at the 15th World Congress on Pain.
- The launch of the phase II study, IMPACT, for the evaluation of simeprevir in combination with sofosbuvir and daclatasvir in patients with decompensated cirrhosis of the liver was announced.
- Medivir entered into an agreement with Swedish county councils regarding risk sharing in connection with the treatment of hepatitis C with OLYSIO®. The agreement offers the county councils and Medivir an increased degree of predictability with regard to treatment costs and the use of OLYSIO®.
- The U.S. Food and Drug Administration (FDA) approved OLYSIO® (simeprevir) in combination with sofosbuvir as an all-oral, interferon- and ribavirin-free treatment option.
- Medivir convened an Extraordinary General Meeting on Thursday, 20 November 2014, at which a voluntary share redemption programme for a total of ca. SEK 625 million was approved. The programme will be conducted during the first quarter of 2015.
- MIV-802 was selected as a candidate drug for Medivir's nucleotide-based polymerase inhibitor project for the treatment of hepatitis C.

After the end of Q4

- Global net sales of OLYSIO® (simeprevir) totalled USD 321 million, USD 256 million of which derived from sales in the USA during the fourth quarter of 2014. Medivir's royalties amounted to SEK 220.1 million (EUR 23.1 m).
- Medivir announced a reorganisation of the company's management group effective 1 March 2015.
- The terms and schedule for the voluntary share redemption programme were announced.
- The phase II studies, COMMIT, for the evaluation of simeprevir in combination with daclatasvir and ACCORDION-I for the evaluation of simeprevir in combination with daclatasvir and sofosbuvir, began.
- The Nomination Committee proposed a new Board of Directors, ahead of the 2015 Annual General Meeting.

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

The CEO's statement

Our ongoing hepatitis C research has resulted in a new candidate drug

2014 has been an historic year for Medivir. The most important event was, of course, the launch of OLYSIO®, a new pharmaceutical for the treatment of hepatitis C and which was developed in collaboration with our partner, Janssen. The launch has resulted in substantial income streams for Medivir, both from own pharmaceutical sales within the Nordic region, and in the form of royalty income through our partner, Janssen, from sales in other markets. Royalty income for these sales in the fourth quarter and the year as a whole totalled SEK 220.1 million and SEK 1,399.0 million, respectively. Medivir's own Nordic market sales of OLYSIO® in the fourth quarter totalled SEK 103.1 million, while sales since the launch in the second quarter of 2014 now amount to SEK 186.4 million.

The global hepatitis C market is an exciting one with an ongoing significant dynamic where only an extremely small propotion of diagnosed patients have received treatment to date. A number of new pharmaceuticals for the treatment of hepatitis C have been introduced, both internationally and on the Nordic market, in 2014, resulting in an increase in the competition faced by OLYSIO®. The Swedish Dental and Pharmaceutical Benefits Agency (TLV) has, however, stated that treatment with OLYSIO® is beneficial from a health economics viewpoint in the treatment of hepatitis C patients, and this past autumn saw a risk-sharing agreement reached between Medivir and the Swedish county councils offering both parties an increased degree of predictability with regard to treatment costs and the use of OLYSIO®. In November, Medivir's partner, Janssen, presented real-world data for treatment with simeprevir and sofosbuvir, with and without ribavirin. These data were very positive and confirmed the positive results presented in the COSMOS study. The treatment results demonstrate a very high cure rate and a good safety profile, which is a very positive outcome now that competition is growing in the global market.

Our research portfolio is developing according to plan. In December, MIV-802 was selected as a candidate drug from our internal nucleotide-based polymerase inhibitor project for the treatment of hepatitis C and has, in our opinion, every chance of proving a valuable addition to the pharmaceuticals currently available. The project has now entered the non-clinical development phase and we intend to present MIV-802's antiviral and pharmacokinetic profiles in 2015.

Our in-house development projects are currently conducting important preclinical safety studies. Cathepsin S is a protease that plays an important role in long-term neuropathic pain. In October, we presented data from the project involving our candidate drug, MIV-247, a cathepsin S inhibitor currently in non-clinical development for the oral treatment of neuropathic pain. The results to date are very promising and we look forward to the continued development of a new, effective and safe treatment alternative for the substantial group of patients who suffer from chronic neuropathic pain. MIV-711 is a cathepsin K inhibitor in clinical development for the treatment of osteoarthritis. The positive results we have seen from the initial clinical phase I studies confirm that MIV-711 has the potential to offer disease-modifying treatment of skeletal and cartilage-related diseases such as osteoarthritis.

Nordic pharmaceutical sales have performed well during the quarter. Nordic Brands continued to report stable sales of SEK 53.4 million during the fourth quarter and of SEK 180.0 million during 2014 as a whole. Innovative Specialty Care and Nordic Brands collectively generated sales of SEK 156.6 million during the quarter and of SEK 366.8 million during 2014 as a whole, corresponding to a year on year increase of SEK 190.7 million.

An Extraordinary General Meeting held in November approved a voluntary share redemption programme for ca. SEK 625 million for which the final terms, approved by the Board of Directors on 30 January 2015, mean that every seventh share will be redeemable for a cash consideration of SEK 140 per share.

We can now put a successful year to rest and look forward to 2015. Medivir will continue to be a research-based pharmaceutical company and will, in order to strengthen and develop our research portfolio, continue to build on our cutting-edge expertise in protease inhibitor design and nucleotide/nucleoside research, with the emphasis on infectious diseases and oncology. We will intensify our activities in the commercial development sphere and within our already strong commercial organisation with the aim of identifying new business opportunities for both our R&D operations and our Nordic pharmaceutical portfolio – activities that will lead to increased value generation and promote long-term profitability.

Niklas Prager
President & CEO

Operational overview

Medivir is a research-based pharmaceutical company with a research focus on infectious diseases and oncology. We have a leading expertise in protease inhibitor design and nucleotide/nucleoside research and are dedicated to the development of innovative pharmaceuticals that meet substantial medical needs. Our commercial organisation supplies the Nordic market with a growing portfolio of specialist pharmaceuticals.

*Economic overview for the fourth quarter**

Net turnover

Net turnover for the fourth quarter totalled SEK 377.0 million (SEK 147.1 m), corresponding to an increase of SEK 229.9 million. Royalty income totalled SEK 220.4 million (SEK 11.5 m), with SEK 220.1 million derived from simeprevir and SEK 0.3 million from Xerclear. Janssen's global net sales of simeprevir amounted to USD 321 million, USD 256 million of which derived from sales in the USA. Revenue from Medivir's own pharmaceutical sales in the Nordic region totalled SEK 156.6 million (SEK 47.6 m), SEK 103.1 million (-) of which derived from sales of OLYSIO® and SEK 53.5 million (SEK 47.6 m) from sales of other pharmaceuticals. Sales of other pharmaceuticals increased by SEK 5.9 million, primarily due to an increase in Mollipect unit sales as a result of the early onset of the common cold and influenza season.

Operating profit/loss

The operating profit/loss for the fourth quarter totalled SEK 206.5 million (SEK 20.6 m), corresponding to an increase of SEK 185.9 million. Combined operating expenses totalled SEK -117.9 million (SEK -105.9 m), corresponding to an increase of SEK 12.0 million. Selling expenses increased by SEK 7.4 million due, primarily, to the Nordic market launch of OLYSIO® and Adasuve®. Administrative expenses increased by SEK 6.0 million and principally entailed non-recurrent staff overheads. Research and development costs increased by SEK 5.2 million, mainly as a result of the planned higher costs in connection with the HCV nucleotide project (MIV-802) and the MIV-247 project for the treatment of neuropathic pain. Other operating income/expenses were positive and increased by SEK 6.6 million, largely due to exchange rate effects.

Cash flow and financial position

Cash flow from operating activities amounted to SEK 505.4 million (SEK 75.6 m), corresponding to an increase of SEK 429.8 million. The positive cash flow refers, primarily, to incoming royalties for the previous quarter. Liquid assets and short-term investments totalled SEK 1,395.6 million (SEK 402.2 m) at the end of the fourth quarter. These figures do not include royalties for the current quarter.

Summary of the Group's figures, continuing operations (SEK m)	Q4		Q1-Q4	
	2014	2013	2014	2013
Net turnover	377.0	147.1	1 767.0	446.1
Gross profit	324.5	126.5	1 593.0	374.3
Operating profit before depreciation and amortisation (EBITDA)	214.9	32.0	1 221.9	76.4
Operating profit (EBIT)	206.5	20.6	1 188.7	25.2
Profit/loss before tax	204.3	22.8	1 192.7	27.7
Profit/loss after tax	147.3	19.3	1 132.7	16.0
Operating margin, %	54.8	14.0	67.3	5.6
Basic earnings per share, SEK	4.71	0.62	36.24	0.51
Diluted earnings per share, SEK	4.67	0.62	35.90	0.51
Net worth per share, SEK	63.40	27.27	63.40	27.27
Return on equity	10.7	2.7	84.1	3.2
Cash flow from operating activities	507.9	75.6	1 011.9	43.0
Liquid assets and short-term investments at the period end	1 395.6	402.2	1 395.6	402.2

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Research and development

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

Simeprevir (OLYSIO®)

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

Status/significant events:

In November, the U.S. Food and Drug Administration (FDA) approved a supplemental new drug application (sNDA) for simeprevir in combination with sofosbuvir as an all-oral, interferon- and ribavirin-free treatment option on the basis of the data produced by the phase II COSMOS study. The results of the COSMOS study show that 92 per cent of patients with genotype 1 chronic hepatitis C infection who received a combination treatment of simeprevir and sofosbuvir were cured. The study included patients with cirrhosis of the liver and prior null responders to treatment with pegylated interferon and ribavirin. A broad clinical development programme has been initiated by Janssen in which simeprevir is being studied in interferon-free combinations with other direct-acting antiviral agents in order to evaluate shorter treatment periods and to determine the optimum combination treatments for different patient groups.

The IMPACT study was initiated in October with the aim of studying the efficacy and safety of 12-week treatment regimens with simeprevir, sofosbuvir and daclatasvir. The study has enrolled genotype 1 and genotype 4 HCV-infected patients with decompensated cirrhosis of the liver.

Enrolment in a further two phase II studies began in February 2015:

- The COMMIT study which aims to study the efficacy and safety of a 12-week treatment regimen of simeprevir in combination with daclatasvir. The study is enrolling genotype 1b HCV-infected patients with advanced liver disease – METAVIR scores F3 or F4 (cirrhosis).
- The ACCORDION-I study which aims to study the efficacy and safety of simeprevir, daclatasvir and sofosbuvir. This is a two-arm study of genotype 1 HCV-infected patients, where patients with early stages of liver fibrosis will receive a 6-week course of treatment, while those with cirrhosis of the liver will receive an 8-week course of treatment.

MIV-711

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

Status/significant events:

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

MIV-247

MIV-247 is a cathepsin S inhibitor that is currently in preclinical development for the oral treatment of neuropathic pain. Neuropathic pain can occur in conjunction with injuries to or diseases of parts of the nervous system that affect perceptions of pain, touch, vibrations and temperature. Diseases that can result in this type of chronic neuropathic pain include diabetes, herpes zoster, cancer and different types of chronic low back pain. Cathepsin S is up-regulated and released in conjunction with nerve damage, which leads to inflammatory reactions in the nervous system, resulting in neurogenic pain. Inhibition of cathepsin S has resulted in a reduction in pain-related behaviour in preclinical models of neuropathic pain.

Status/significant events:

Preclinical safety studies are currently in progress in order to prepare for the first studies in humans. Preclinical data from Medivir's cathepsin S inhibitor programme were presented in October at the 15th World Congress of Pain. The data support the development of MIV-247 for the treatment of neuropathic pain with the potential for:

- Use as a first line monotherapy – inhibition of cathepsin S yielded a rapid and sustained effect in neuropathic pain models.
- Use as an add-on to current treatments – a significantly improved effect was apparent when a cathepsin S inhibitor was administered in combination with gabapentin, compared to either drug alone.
- A low risk of side effects. No CNS-related side effects were detected at the maximum effective dose.

MIV-802

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

Status/significant events:

In December, MIV-802 was selected as a candidate drug and has now entered non-clinical development. MIV-802 is a highly potent and selective nucleotide inhibitor of the replication of all genotypes of the hepatitis C virus in antiviral assays. Preclinical data indicate that MIV-802 can be used effectively in combination with other classes of antiviral agents for the treatment of HCV, including protease inhibitors and NS5A inhibitors. MIV-802 has been designed to deliver large amounts of the drug selectively to the liver, where the hepatitis C virus replicates. Medivir expects to communicate the preclinical antiviral and pharmacokinetic profile of MIV-802 at a major scientific meeting in 2015.

RSV fusion protein inhibitor

The aim of the project is to develop an oral inhibitor of the RSV fusion protein. Respiratory syncytial virus (RSV) can cause life-threatening pulmonary and respiratory tract infections, particularly in children, the elderly, and the immunocompromised. The RSV fusion protein is a mediator of viral entry into host cells and an important target for new medicines. Medivir has concluded an in-licensing agreement for the RSV programme with Boehringer Ingelheim. The agreement offers exclusive, global rights to a drug programme for the treatment and prevention of RSV infections.

Status/significant events:

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

Royalties and Milestones

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

Status/significant events:

- Global net sales of simeprevir in the fourth quarter totalled USD 321 million, USD 256 million of which derived from sales in the USA.
- Medivir's royalties totalled SEK 220.1 million, based on Janssen's fourth quarter global sales of simeprevir (OLYSIO®).
- Medivir's royalties totalled SEK 0.3 million, based on GSK's fourth quarter global sales of Xerclear (Zoviduo®).

Nordic pharmaceutical sales (Innovative Specialty Care and Nordic Brands)

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

Our Nordic Brands pharmaceuticals portfolio comprises 14 well-known pharmaceutical products with a long prescription tradition in the Nordic region. The pharmaceutical portfolio enjoys stable sales and healthy profitability. The cough medicine, Mollipect, and the analgesic, Citodon, are amongst the strongest brands, but the portfolio also includes Digoxin BioPhausia, Egazil, Laxabon, Lithionit, Morfin Special, Nitroglycerin BioPhausia, Paraflex, Probecid, Solvezink, Suscard, Teovent and Theo-Dur.

Status/significant events:

- The market introduction of OLYSIO® has continued to be successful with a growth in sales in comparison with Q3 of SEK 37.7 million. Revenues from our Nordic sales of OLYSIO® totalled SEK 103.1 million in the fourth quarter.

- The Dental and Pharmaceutical Benefits Agency (TLV) has concluded that treatment with OLYSIO® is beneficial from a health economics viewpoint in the treatment of hepatitis C. A risk-sharing agreement between Medivir and the Swedish county councils has also been concluded in parallel with TLV's health economics assessment. The risk-sharing applies both to treatment results and the number of patients who will be treated, offering both the county councils and Medivir an increased degree of predictability with regard to treatment costs and the use of OLYSIO®. This is expected to result in more county councils offering hepatitis C patients the opportunity to be cured through treatment with OLYSIO®.
- OLYSIO® has been recommended by the New Pharmaceutical Product Therapies (NLT) group of the Swedish Association of Local Authorities and Regions as the first-line treatment for genotype 1 and genotype 4 patients, whether treatment-naïve or prior null responders to protease inhibitor treatment. This ensures the establishment of an important place in the therapeutic regimen for OLYSIO®, despite the recent launch of several other new treatment alternatives.
- Nordic Brands generated stable quarterly sales of SEK 53.4 million, corresponding to an increase of SEK 5.8 million in comparison with the corresponding quarter last year. The increase was primarily due to an increase in the unit sales of Mollipect.

*Consolidated results and financial position**

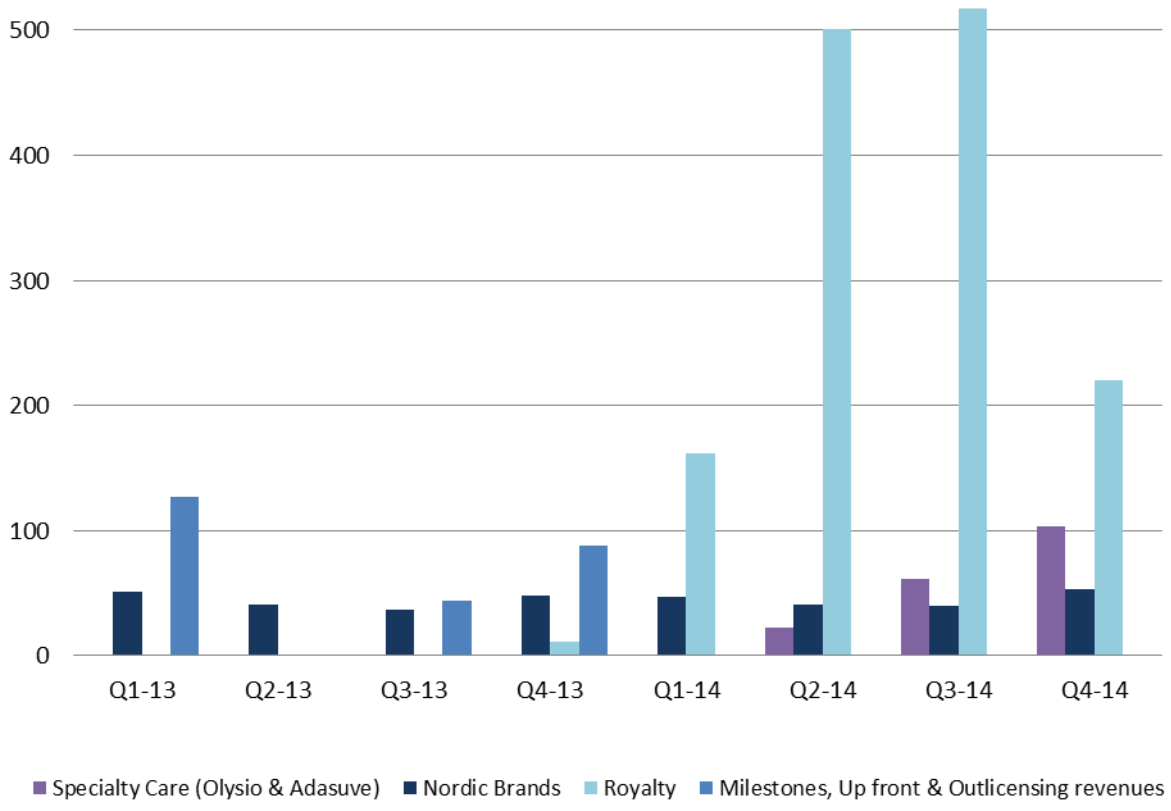
Revenues and results, October – December 2014

Net turnover totalled SEK 377.0 million (SEK 147.1 m), corresponding to an increase of SEK 229.9 million. Royalty income totalled SEK 220.4 million (SEK 11.5 m), with royalties from Janssen's global sales of simeprevir amounting to SEK 220.1 million (SEK 10.5 m). Revenues from Medivir's own pharmaceutical sales in the Nordic region totalled SEK 156.6 million (SEK 47.6 m), SEK 103.1 million (-) of which derived from sales of OLYSIO® and SEK 53.5 million (SEK 47.6 m) from sales of other pharmaceuticals. Sales of other pharmaceuticals increased by SEK 5.9 million due to an increase in units sales of Mollipect as a result of the early onset of the influenza and common cold season.

Breakdown of net turnover (SEK m)

	Q4		Q1-Q4	
	2014	**2013**	**2014**	**2013**
Outlicensing and partnership agreements				
Non-recurrent payments	-	88.0	-	258.5
Pharmaceutical sales	156.6	47.6	366.8	176.1
Royalties	220.4	11.5	1 400.2	11.5
Total	**377.0**	**147.1**	**1 767.0**	**446.1**

Net turnover Q1 2013 – Q4 2014



The cost of goods sold was SEK -52.5 million (SEK -20.6 m), corresponding to an increase of SEK 31.9 million and due, primarily, to the period's royalty costs for simeprevir. The gross profit amounted to SEK 324.5 million (SEK 126.5 m), corresponding to an increase of SEK 198.0 million and equating to a gross margin of 86% (86%).

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Selling expenses increased by SEK 7.4 million, primarily due to the Nordic market launch of OLYSIO® and Adasuve®. Administrative expenses increased by SEK 6.0 million that related, in the main, to non-recurrent staff overheads. Research and development costs increased by SEK 5.2 million, primarily as a result of the planned higher costs for the MIV-802 HCV project and the MIV-247 neuropathic pain project. Other operating income/expenses are positive and increased by SEK 6.6 million, largely due to exchange rate effects. Overall, operating expenses totalled SEK -117.9 million (SEK -105.9 m), corresponding to an increase of SEK 12.0 million.

The operating profit/loss totalled SEK 206.5 million (SEK 20.6 m), corresponding to an increase of SEK 185.9 million.

Net financial items totalled SEK -2.2 million (SEK 2.2 m), corresponding to a decrease of SEK -4.4 million.

The estimated tax cost for the period was SEK -57.0 million (SEK -3.5 m).

The net profit/loss for the period was SEK 147.3 million (SEK 19.1 m), corresponding to an increase of SEK 128.2 million.

Revenues and results, January – December 2014

Net turnover totalled SEK 1,767.0 million (SEK 446.1 m), corresponding to an increase of SEK 1,320.9 million. Royalty income totalled SEK 1,400.2 million (SEK 11.5 m), with royalties from Janssen's global sales of simeprevir amounting to SEK 1,399.0 million (SEK 10.5 m). Revenues from Medivir's own pharmaceutical sales in the Nordic region totalled SEK 366.8 million (SEK 176.1 m), SEK 186.4 million (-) of which derived from sales of OLYSIO® and SEK 180.4 million (SEK 176.1 m) from sales of other pharmaceuticals. Sales of other pharmaceuticals increased by SEK 4.3 million.

Non-recurrent payments from out-licensing and partnership agreements totalled SEK 258.5 million during the corresponding period last year and referred to the registration applications for simeprevir in Japan (EUR 10 million) and the USA (EUR 20 million).

The cost of goods sold was SEK -174.0 million, corresponding to an increase of SEK 102.2 million due, primarily, to the period's royalty costs for simeprevir. The gross profit amounted to SEK 1,593.0 million (SEK 374.3 m), corresponding to an increase of SEK 1,218.7 million and equating to a gross margin of 90% (84%).

Selling expenses increased by SEK 33.2 million, primarily due to the Nordic market launch of OLYSIO® and Adasuve®. Administrative expenses increased by SEK 10.6 million due, primarily, to non-recurrent staff overheads. Research and development costs increased by SEK 16.4 million, primarily as a result of the expanded product portfolio and due to planned higher costs for the MIV-802 HCV project and the MIV-247 neuropathic pain project. Other operating income/expenses were positive and increased by SEK 5.0 million, largely due to exchange rate effects. Overall, operating expenses totalled SEK -404.2 million (SEK -349.1 m), corresponding to an increase of SEK 55.1 million.

The operating profit/loss totalled SEK 1,188.7 million (SEK 25.2 m), corresponding to an increase of SEK 1,163.5 million.

Net financial items totalled SEK 4.0 million (SEK 2.5 m), corresponding to an increase of SEK 1.5 million.

The estimated tax cost for the period totalled SEK -60.0 million (SEK -11.7 m). The estimated tax for the consolidated profit/loss after a reduction in the deferred tax receivable totalled SEK -273.2 million. A renewed assessment of the Parent Company's accumulated fiscal loss carry forward has also entailed a reported tax income of SEK 213.2 million, corresponding to a capitalisation of the entire loss carry forward related to the company as of 31 December 2013.

The profit/loss for the period was SEK 1,132.7 million (SEK -21.3 m), corresponding to an increase of SEK 1,154.0 million.

Discontinued operations, Parallel Imports segment

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

Parallel Imports Segment	Q1		Q1-Q4	
	2014	2013	2014	2013
Net turnover	-	0.0	-	213.0
EBITDA	-	0.0	-	8.2
EBITDA %	-	0.0	-	3.8

Cash flow and financial position, January – December 2014

Liquid assets, including short-term investments with a maximum term of three months, amounted to SEK 402.2 million (SEK 296.7 m) at the beginning of 2014, and to SEK 1,395.6 million (SEK 402.2 m) at the end of the period, corresponding to a change of SEK 993.4 million (SEK 105.5 m). Pledged assets at the end of the period totalled SEK 54.3 million (SEK 54.3 m). Medivir's financial assets are, in accordance with its financial policy, invested in low-risk, interest-bearing securities.

Cash flow from operating activities totalled SEK 1,009.4 million (SEK 43.0 m), with changes in working capital accounting for SEK -7.1 million (SEK -24.2 m). The positive cash flow derives, primarily, from incoming royalties for the previous quarters.

Cash flow from investing activities totalled SEK -12.7 million (SEK 111.0 m). Investments in research and office equipment and IT systems totalled SEK -17.7 million (SEK -4.0 m), and a tranche of the purchase price from the sale of Cross Pharma totalled SEK 5.0 million. The figure for the corresponding period last year primarily comprised the sale of Cross Pharma.

Cash flow from financing activities totalled SEK 0.0 million (SEK -48.6 m).

Investments, depreciation and amortisation, January – December 2014

Investments in tangible fixed assets during the period amounted to SEK 8.9 million (SEK 3.6 m) and comprised research and office equipment. Investments in intangible fixed assets during the period amounted to SEK 8.6 million (SEK 4.2 m), SEK 6.9 million of which comprised the in-licensing of the RSV project and capitalised development expenses for IT systems. Depreciation of tangible fixed assets totalling SEK -10.1 million (SEK -9.9 m) were charged to the profit/loss for the period. Write-downs of intangible fixed assets of SEK -23.1 million (SEK -23.6 m) were charged to the profit/loss for the period.

Employees

Medivir had 140 (117) employees at the period end, 60% (55%) of whom were women. The increase is primarily due to the establishment of the Nordic marketing and sales organisation.

Royalty undertakings

A significant percentage of Medivir's research and development project work has been carried out exclusively in-house and Medivir is consequently entitled to all revenues in respect of these inventions. Some of Medivir's research and development projects also originate from Swedish universities and pharmaceutical companies, and Medivir is consequently entitled to the revenues generated by these projects but obliged to pay royalties on their commercialisation. Certain projects have been progressed with patented research tools which are in-licensed from other companies and for which royalties are payable. The combined royalty costs for the period were SEK 79.3 million (SEK 13.6 m).

The Parent Company in brief, January – December 2014

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

The Parent Company's net turnover totalled SEK 1,646.4 million (SEK 327.3 m), corresponding to an increase of SEK 1,319.1 million. Royalty income from Janssen's global sales of simeprevir totalled SEK 1,399.0 million (SEK 10.5 m). Revenues from Medivir's own sales of pharmaceuticals in the Nordic region totalled SEK 186.7 million (SEK 0.0 m), SEK 186.4 million of which comprised sales of OLYSIO®. Intra-Group sales amounted to SEK 59.5 million (SEK 85.3 m). Non-recurrent payments of SEK 258.5 million were included in the net turnover for the corresponding period last year.

The gross profit amounted to SEK 1,517.9 million (SEK 313.7 m), corresponding to an increase of SEK 1,204.2 million.

The combined operating expenses totalled SEK -336.8 million (SEK -295.1 m), corresponding to an increase of SEK 41.7 million that was primarily due to the increased costs in connection with the market launch of OLYSIO® and Adasuve®.

The operating profit/loss was SEK 1,181.1 million (SEK 18.6 m), corresponding to an increase of SEK 1,162.5 million. Net financial items totalled SEK -48.9 million (SEK 80.2 m), corresponding to a decrease of SEK 129.1 million. Dividends of SEK 120,0 million from subsidiaries were included in the net financial items during the corresponding period last year.

Appropriations amounts to SEK -181.0 million (SEK 0.0 m) MSEK which refers to group contributions paid to the subsidiary BioPhuasia AB.

The tax for the period totalled SEK -8.8 million (SEK 0.0 m). The estimated tax for the period, including a reduction in the deferred tax receivable, totalled SEK -222.0 million. A renewed assessment of the Parent Company's accumulated fiscal loss carry forward entailed a reported tax income of SEK 213.2 million, corresponding to a capitalisation of the entire loss carry forward related to the company as of 31 December 2013. The fiscal loss carry forward had been utilised in full by the end of the fourth quarter.

The profit/loss for the period was SEK 942.4 million (SEK 98.8 m), corresponding to an increase of SEK 843.6 million.

The cash flow from operating activities totalled SEK 964.0 million (SEK -13.0 m), with changes in working capital accounting for SEK -20.0 million (SEK -56.9 m) of this total. The positive cash flow derives primarily from incoming royalties for the previous quarters.

The cash flow from investing activities totalled SEK 14.8 million (SEK 81.0 m). Investments in tangible and intangible fixed assets totalled SEK -20.2 million (SEK -4.0 m) and comprised investments in research and office equipment and in IT systems. Recovery of loans to subsidiaries totalled SEK 35.0 million during the period.

Liquid assets, including short-term investments with a maximum term of three months, amounted to SEK 1,352.9 million (SEK 380.4 m).

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

Annual Report

Medivir's Annual Report is scheduled to be available on the company's website, www.medivir.se, as of 7 April 2015. Printed copies of the Annual Report will be distributed to those shareholders who have requested it.

Dividend

The Board of Directors proposes that no dividend be paid for the 2014 financial year. For details of the voluntary share redemption programme approved by the Extraordinary General Meeting held in November 2014, please see Medivir's website: www.medivir.se.

Annual General Meeting

The Annual General Meeting will be held at 14.00 (CEST) on 5 May 2015 at the IVA Conference Centre at Grev Turegatan 16, Stockholm. Shareholders wishing to contact the Nomination Committee may do so by letter addressed to: The Nomination Committee, Medivir AB, Blasieholmsgatan 2, SE-111 48 Stockholm, or by email to: valberedning@medivir.se.

Outlook

Medivir is a research-based pharmaceutical company with a research focus on infectious diseases and oncology. We have a leading expertise in the design of protease inhibitors and in the science of nucleotides and nucleosides and are dedicated to the development of innovative pharmaceuticals that meet substantial medical needs. Our commercial organisation supplies the Nordic market with a growing portfolio of specialist pharmaceuticals. Medivir is listed on the NASDAQ Stockholm Stock Exchange's Mid Cap list.

The market launch of OLYSIO® (simeprevir) has been successful, both in the Nordic countries and in other markets where Medivir's partner, Janssen, owns the marketing rights. OLYSIO® (simeprevir) can, however, be expected to face increasing competition in the hepatitis C market. A number of studies of simeprevir in combination with other direct-acting antiviral agents are also being conducted in parallel under the aegis of Janssen with the aim of developing interferon-free treatment alternatives for different patient groups with hepatitis C. Medivir also has several attractive in-house projects in the development phase as well as a number of early discovery projects. Medivir will continue to focus on sustainable profitability by exploiting our leading expertise in the design of protease inhibitors and in

nucleotide and nucleoside research with a focus on infectious diseases and oncology. We will also continue with the commercialisation of our existing pharmaceuticals and on building growth through the in-licensing of new specialist pharmaceuticals for the Nordic market. We will intensify our activities in the commercial development sphere and within our already strong commercial organisation with the aim of identifying new business opportunities for both our research operations and our Nordic pharmaceutical portfolio – activities that will lead to increased value generation and promote long-term profitability.

Share structure, earnings per share, and shareholders' equity

The total share capital at the period end was SEK 156.3 million (SEK 156.3 m) and the total shareholders' equity, SEK 1,982.6 million (SEK 852.6 m). There were a total of 31,260,027 (31,260,027) shares in Medivir AB at the period end, 660,000 (660,000) of which were class A shares and 30,600,027 (30,600,027) of which were class B shares with a nominal value of SEK 5. The average number of shares during the period was 31,260,027 (31,260,027).

Share structure, 30 December 2014

Share class	Number of shares	Number of votes	% of capital	% of votes	Shares after full exercise of options
A, 10 votes	660 000	6 600 000	2.10%	17.70%	660 000
B, 1 vote	30 600 027	30 600 027	97.90%	82.30%	30 894 513
Total	**31 260 027**	**37 200 027**	**100.00%**	**100.00%**	**31 554 513**

Basic and diluted earnings per share, based on a weighted average of outstanding share warrants, amounted to SEK 36.24 (SEK 0.51) and SEK 35.90 (SEK 0.51), respectively. Shareholders' equity per share totalled SEK 63.4 (SEK 27.3). The equity/assets ratio was 90.8% (85.7%).

Shareholders

On 30 December 2014, Medivir AB had 11,743 shareholders. The table below shows Medivir's shareholders registered with Euroclear Sweden AB on that date.

Name	Class A shares	Class B shares	% of votes	% of capital
Bo Öberg	284 000	262 475	8.34%	1.74%
Nils Gunnar Johansson	284 000	66 575	7.81%	1.12%
AFA Försäkring	0	1 636 729	4.40%	5.24%
Staffan Rasjö	0	1 611 807	4.33%	5.16%
UNIONEN	0	1 204 200	3.24%	3.85%
Nordea Investment Funds	0	1 189 484	3.20%	3.81%
Avanza Pension	0	952 581	2.56%	3.04%
Christer Sahlberg	92 000	27 881	2.54%	0.38%
AMF Försäkring och Fonder	0	867 488	2.33%	2.78%
Danica Pension	0	750 370	2.02%	2.40%
Catella Fondförvaltning	0	739 050	1.99%	2.36%
Skandia Fonder	0	546 230	1.47%	1.74%
Tredje AP-fonden	0	507 408	1.36%	1.62%
JPM Chase NA	0	481 931	1.30%	1.54%
Nordnet Pensionsförsäkring	0	402 201	1.09%	1.29%
Total, 15 largest shareholders	660 000	11 246 410	47.98%	38.07%
Total, other shareholders		19 353 617	52.02%	61.91%
TOTAL	**660 000**	**30 600 027**	**100%**	**100%**

Consolidated Income Statement, summary (SEK m)

	Q4		Q1-Q4	
	2014	**2013**	**2014**	**2013**
Continuing operations				
Net turnover	377.0	147.1	1 767.0	446.1
Cost of goods sold	-52.5	-20.6	-174.0	-71.8
Gross profit	**324.5**	**126.5**	**1 593.0**	**374.3**
Selling expenses	-29.7	-22.3	-103.6	-70.4
Administrative expenses	-20.3	-14.3	-62.5	-51.9
Research and development costs	-76.3	-71.1	-245.8	-229.4
Other operating income/expenses	8.4	1.8	7.6	2.6
Operating profit/loss	**206.5**	**20.6**	**1 188.7**	**25.2**
Net financial items	**-2.2**	**2.2**	**4.0**	**2.5**
Profit/loss after financial items	**204.3**	**22.8**	**1 192.7**	**27.7**
Tax	-57.0	-3.5	-60.0	-11.7
Net profit/loss for the period from continuing operations	147.3	19.3	1 132.7	16.0
Net profit/loss for the period from discontinued operations	0.0	-0.2	0.0	-37.3
Net profit/loss for the period	**147.3**	**19.1**	**1 132.7**	**-21.3**
Net profit/loss for the period attributable to:				
Parent Company shareholders	147.3	19.1	1 132.7	-21.3
Earnings per share, calculated from the net profit/loss attributable to Parent Company shareholders during the period				
Earnings per share (SEK per share)				
- Continuing operations, basic earnings	4.71	0.62	36.24	0.51
- Continuing operations, diluted earnings	4.67	0.62	35.90	0.51
- Discontinued operations, basic and diluted earnings	-	-0.01	0.00	-1.19
- Total operations, basic earnings	4.71	0.61	36.24	-0.68
- Total operations, diluted earnings	4.67	0.61	35.90	-0.68
Average number of shares, '000	31 260	31 260	31 260	31 260
Number of shares at period end, '000	31 260	31 260	31 260	31 260

Consolidated Statement of Comprehensive Income (SEK m)

	Q4		Q1-Q4	
	2014	2013	2014	2013
Net profit/loss for the period	**147.3**	**19.1**	**1 132.7**	**-21.3**
Other comprehensive income				
Items that may be reclassified in the Income Statement				
Exchange rate differences	-4.6	-0.8	-5.4	-2.2
Total other comprehensive income for the period, net after tax	**-4.6**	**-0.8**	**-5.4**	**-2.2**
Total comprehensive income for the period	**142.6**	**18.3**	**1 127.3**	**-23.5**
Total comprehensive income attributable to:				
Continuing operations	142.6	18.5	1 127.3	14.9
Discontinued operations	0.0	-0.2	0.0	-38.4
Total net profit/loss	**142.6**	**18.3**	**1 127.3**	**-23.5**

Consolidated Balance Sheet, summary (SEK m)

	2014	2013
	30 Sept	31 Dec
Assets		
Intangible fixed assets	417.6	432.1
Tangible fixed assets	26.9	28.0
Financial fixed assets	5.0	10.0
Deferred tax receivable	0.0	43.2
Inventories	23.6	24.0
Current receivables	315.2	56.0
Short-term investments	1 309.6	370.6
Cash and bank balances	86.0	31.6
Total assets	**2 183.9**	**995.5**
Shareholders' equity and liabilities		
Shareholders' equity	1 982.6	852.6
Long-term liabilities	0.0	40.0
Current liabilities	201.3	102.9
Total shareholders' equity and liabilities	**2 183.9**	**995.5**

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

	Share capital	Other paid-in capital	Exchange rate difference	Accumulated loss	Total shareholders' equity
Opening balance, 1 January 2013	**156.3**	**1 757.9**	**3.6**	**-1 042.9**	**874.9**
Total comprehensive income for the period	-	-	-2.2	-21.3	-23.5
Share incentive plan: value of employee service	-	1.2	-	-	1.2
Closing balance, 31 December 2013	**156.3**	**1 759.1**	**1.4**	**-1 064.2**	**852.6**
Opening balance, 1 January 2014	**156.3**	**1 759.1**	**1.4**	**-1 064.2**	**852.6**
Total comprehensive income for the period	-	-	-5.4	1 132.7	1 127.3
Share incentive plan: value of employee service	-	2.7	-	-	2.7
Closing balance, 31 December 2014	**156.3**	**1 761.8**	**-4.0**	**68.5**	**1 982.6**

Consolidated Cash Flow Statement, summary (SEK m)

	Q4		Q1-Q4	
	2014	2013	2014	2013
Cash flow from operating activities before changes in working capital	**494.1**	**23.9**	**1 016.5**	**67.2**
Changes in working capital	13.8	51.7	-4.6	-24.2
Cash flow from operating activities	**507.9**	**75.6**	**1 011.9**	**43.0**
Investing activities				
Acquisition/sale of fixed assets	-5.3	-3.5	-20.2	-4.0
Sale of operations	0.0	0.1	5.0	115.0
Cash flow from investing activities	**-5.3**	**-3.4**	**-15.2**	**111.0**
Financing activities				
Loans raised	-	-	-	-
Loans amortised	-	-47.8	-	-70.0
Other changes in liabilities	-	0.0	-	-18.6
Cash flow from financing activities	**-**	**-7.8**	**-**	**-48.6**
Cash flow for the period	**502.6**	64.4	**996.7**	105.4
Liquid assets at beginning of period	896.4	337.7	402.2	296.7
Change in liquid assets	502.6	64.4	996.7	105.4
Exchange rate difference, liquid assets	-3.4	0.1	-3.3	0.1
Liquid assets at period end	**1 395.6**	**402.2**	**1 395.6**	**402.2**

Parent company income statement, summary (SEK m)

	Q4		Q1-Q4	
	2014	2013	2014	2013
Net turnover	358.6	150.9	1 646.4	327.3
Cost of goods and services sold	-35.9	-7.1	-128.5	-13.6
Gross profit	**322.7**	**143.8**	**1 517.9**	**313.7**
Selling expenses	-21.8	-9.9	-62.2	-21.6
Administrative expenses	-17.7	-13.5	-54.3	-61.3
Research and development costs	-61.5	-70.7	-227.7	-228.9
Other operating income/expenses	8.5	4.2	7.4	16.7
Operating profit/loss	**230.2**	**53.9**	**1 181.1**	**18.6**
Net financial items	-54.4	-42.2	-48.9	80.2
Profit/loss after financial items	**175.8**	**11.7**	**1 132.2**	**98.8**
Appropriations	-181.0	-	-181.0	-
Tax	-11.7	-	-8.8	-
Net profit/loss for the period	**-16.9**	**11.7**	**942.4**	**98.8**

Parent company statement of comprehensive income (SEK m)

	Q4		Q1-Q4	
	2014	2013	2014	2013
Net profit/loss for the period	-16.9	11.7	942.4	98.8
Other comprehensive income for the period, net after tax	-16.9	11.7	942.4	98.8
Total comprehensive income for the period	**-16.9**	**11.7**	**942.4**	**98.8**

Parent company balance sheet, summary (SEK m)

	2014	2013
	31-dec	31-dec
Assets		
Intangible fixed assets	14.6	6.6
Tangible fixed assets	26.6	27.6
Financial fixed assets	611.5	604.2
Deferred tax receivable	0.0	-
Inventories	3.6	-
Current receivables	284.9	84.1
Short-term investments	1 309.6	370.6
Cash and bank balances	43.3	9.8
Total assets	**2 294.0**	**1 102.9**
Shareholders' equity and liabilities		
Shareholders' equity	1 928.6	983.4
Long-term liabilities	0.0	40.0
Current liabilities	365.5	79.5
Total shareholders' equity and liabilities	**2 294.0**	**1 102.9**

Parent Company Cash Flow Statement, summary (SEK m)

	Q4		Q1-Q4	
	2014	2013	2014	2013
Cash flow from operating activities before changes in working capital	**509.2**	**61.9**	**984.9**	**43.9**
Changes in working capital	-18.0	-2.0	-20.0	-56.9
Cash flow from operating activities	**491.2**	**59.9**	**965.0**	**-13.0**
Investing activities				
Acquisition/sale of fixed assets	-5.3	-3.5	-20.2	-4.0
Loans to subsidiary companies	-	-35.0	35.0	-35.0
Dividend received from subsidiary companies	-	-	0.0	120.0
Cash flow from investing activities	**-5.3**	**-38.6**	**14.8**	**81.0**
Financing activities				
Loans raised	-	40.0	-	40.0
Long term receivables	-7.3	-	-7.3	
Cash flow from financing activities	**-7.3**	**40.0**	**-7.3**	**40.0**
Cash flow for the period	**478.7**	**61.3**	**972.5**	**108.0**
Liquid assets at beginning of period	874.2	319.1	380.4	272.4
Change in liquid assets	478.7	61.3	972.5	108.0
Liquid assets at end of period	**1 352.9**	**380.4**	**1 352.9**	**380.4**

Key ratios, share data, options

	2014 Q1-Q4	2013 Q1-Q4
Return on:		
- shareholders' equity, %	84.1	3.2
-capital employed, %	82.0	3.7
-total capital, %	75.2	3.3
Number of shares at beginning of period, '000	31 260	31 260
New share issues	-	-
Number of shares at period end, '000	31 260	31 260
-of which class A shares	660	660
-of which class B shares	30 600	30 600
Average number of shares, '000	31 260	31 260
Outstanding warrants, '000	294	249
Share capital at period end, SEK m	156.3	156.3
Shareholders' equity at period end, SEK m	1 982.6	852.6
Earnings per share, SEK		
- Continuing operations, basic earnings	36.24	0.51
- Continuing operations, diluted earnings	35.90	0.51
- Discontinued operations, basic and diluted earnings	-	-1.19
- Total operations, basic earnings	36.24	-0.68
- Total operations, diluted earnings	35.90	-0.68
Shareholders' equity per share, SEK	63.4	27.3
Net worth per share, SEK	63.4	27.3
Cash flow per share after investments, SEK	31.9	4.9
Equity/assets ratio, %	90.8	85.7
EBITDA	1 221.9	76.4
EBIT	1 188.7	25.2
Operating margin, %	67.3	5.6

Key ratio definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting principles

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

Fiscal loss carry forwards

Medivir AB's fiscal loss carry forwards arising from losses made in previous years had been utilised in full by the end of the fourth quarter.

The accumulated value of the Group's deferred tax receivables attributable to BioPhausia AB totalled SEK 45.7 million at the period end.

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

Segment reporting

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

Discontinued operations

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

Seasonal variations

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

Transactions with related parties

Transactions with related parties are on market terms. There are existing agreements between companies owned by senior executives and Medivir, dating from 2005, which entitle the senior executives to royalties on products that the company may develop based on patented inventions that the company has purchased from the parties in question. Royalty payments have been made during the period to Uppsala Hallbechem AB (Board Member, Anders Hallberg) totalling SEK 11.1 million (SEK 1.9 m) and to Sybesam AB (Board Member, Bertil Samuelsson) totalling SEK 24.2 million (-). Other services were purchased from related parties for a total of SEK 0.7 million (SEK 2.6 m). Parent Company sales to Group companies totalled SEK 59.5 million (SEK 85.3 m).

Fair value measurement of financial assets and liabilities

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

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

Other financial assets and liabilities

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

Share-related incentive plans

The intention of share-related incentive plans is to promote the company's long-term interests by motivating and rewarding the company's senior executives and other members of staff. Medivir currently has two active share-related incentive plans, LTI 2013 and 2014. The cost of both plans, including social security contributions, and based on certain assumptions such as share price performance, participation, and staff turnover, was charged to the profit/loss for the period in the sum of SEK 3.4 million.

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

Significant risks and uncertainty factors

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

Medivir is exposed to the following main risk categories:

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

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

Stockholm, 27 February 2015

Björn C Andersson
Member of the Board

Susana Ayesa Alvarez
Member of the Board, Employee Representative

Anders Ekblom
Member of the Board

Anders Hallberg
Member of the Board

Anna Malm Bernsten
Member of the Board

Bertil Samuelsson
Member of the Board

Birgitta Stymne Göransson
Chairman of the Board

Christian Sund
Member of the Board, Employee Representative

Niklas Prager
President & CEO

The Financial Statement has not been subject to review by the company's auditor.