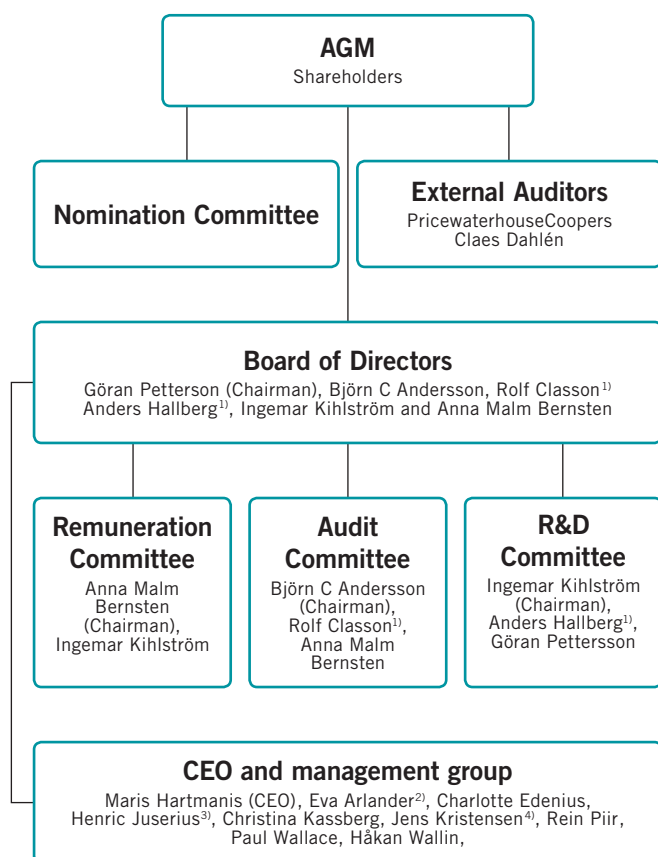


Corporate Governance Report



- 1) Appointed at AGM on 10 May 2012.
- 2) Up to and including June 2012.
- 3) Appointed in August 2012.
- 4) Up to and including July 2012.

The Medivir Group comprises 14 companies that conduct operations in three countries. The Parent Company of the Group is the Swedish public limited company, Medivir AB, whose shares are quoted on the Nasdaq OMX Stockholm Exchange.

Good corporate governance is an essential component of Medivir's efforts to create value for its shareholders and to this end, we endeavour 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.

The figure to the left illustrates Medivir's corporate governance model and the way in which the central bodies operate.

External regulations

As a Swedish public limited company with securities quoted on the Nasdaq OMX Stockholm Exchange, Medivir is obliged to comply with a variety of different regulations that impact on the company's governance. The most important external regulations include:

- The Swedish Companies Act
- Accounting Regulations
- The Nasdaq OMX Stockholm Exchange Rules for Issuers
- The Code of Corporate Governance

Compliance with applicable regulations for stock market trading

No breaches of applicable stock market regulations have occurred and Medivir's operations have been conducted in accordance with generally accepted practice on the stock market.

Compliance with the Swedish Code of Corporate Governance

Medivir has applied the Code of Corporate Governance since 1 July 2008 and has undertaken to follow best practice, wherever possible, with regard to corporate governance. Medivir has not deviated from any of the regulations specified in the Code. The Code can be viewed on the website of the Swedish Corporate Governance Board, which is responsible for the administration of the Code. (www.corporategovernanceboard.se).

Internal regulations

Medivir has also established internal regulations in order to comply with legislative and regulatory provisions and with the high ethical standards we have set for ourselves. These regulations include:

- The Articles of Association
- The Board of Directors' Rules of Procedure and the CEO's Instructions
- The Board Committee's Rules of Procedure
- Guidelines for remuneration to senior executives
- Financial policy
- IT policy
- Accounting and HR Manual

Significant events in 2012

- A new Board of Directors was appointed at the 2012 Annual General Meeting of the company's shareholders through the re-election of Björn C Andersson, Ingemar Kihlström, Anna Malm Bernsten and Göran Pettersson (Chairman) and the new election of Rolf Classon and Anders Hallberg.
- Henric Juserius joined the Group's management group as its new Executive Vice President Commercial. The clinical development operations were also integrated into the R&D organisation, headed by Charlotte Edenius.

The share and shareholders

Medivir's class B share has been traded on the Nasdaq OMX Stockholm Exchange's main market since 1996. The class A share is not quoted. All shares are equally entitled to participation in Medivir's assets and profits. Class A shares grant entitlement to 10 votes per share and class B shares to 1 vote per share. The class A shares are covered by a pre-emption clause in the Articles of Association and a conversion clause, whereby holders of class A shares may convert class A shares to class B shares. Every person entitled to vote at shareholders' meetings may vote for the full number of shares held and represented without limitation.

Medivir's share capital totalled SEK 156.3 (156.3) million at the year-end, divided between 31,260,027 (31,253,827) shares, each with a nominal value of SEK 5. The closing price at the year-end was SEK 69.00 (66.50) per share, corresponding to a market capitalisation of SEK 2,157 (2,078) million.

There were a total of 11,004 (10,635) shareholders at the year-end, 9,672 (9,425) of whom held 1,000 or fewer shares. 87.9 (88.6) per cent of the shareholders comprised shareholders with 1,000 or fewer shares.

The 10 biggest shareholders accounted for 34.0 (29.1) per cent of the total number of shares and 45.6 (40.4) per cent of the total number of votes. Bo Öberg was the largest shareholder by votes, followed by Nils-Gunnar Johansson and Staffan Rasjö. Foreign owners accounted for 27.9 (28.0) per cent of the total equity. For additional information on the ownership structure, see pages 32-33.

Decision-making at shareholders' meetings

Medivir's shareholders exercise their right of decision at shareholders' meetings (Annual General Meetings and any Extraordinary General Meetings). Most of the decisions at shareholders' meetings are taken with a simple majority. In some cases, however, the Swedish Companies Act prescribes that decisions shall be taken by a qualified majority.

Annual General Meeting

Shareholders exercise their control over the company at the Annual General Meeting or, where relevant, at Extraordinary General Meetings, which constitute Medivir's supreme decision-making body. The Annual General Meeting shall be held within six months of the end of the financial year. The items on the agenda of the Annual General Meeting for resolution shall include the election of the Board of Directors and the Chairman of the Board, the appointment of auditors, the adoption of Income Statements and Balance Sheets, the appropriation of the company's unappropriated earnings, and the discharge from liability for the members of the Board and CEO, the Nomination Committee and its work, and guidelines on remuneration for senior executives. Details of the company's previous Annual General Meetings can be found on Medivir's website, where information on shareholders' entitlement to raise matters for consideration at the Annual General Meeting, and on when such requests for consideration by shareholders should be received by Medivir, can also be found.

2012 Annual General Meeting

The 2012 Annual General Meeting was held on 10 May 2012. 72 (78) shareholders attended the meeting, either in person or through proxies, representing approximately 40.86 (42.4) per cent of the votes. Attorney-at-Law, Erik Sjöman, was elected Chairman of the Meeting. All members of the Board elected by the Meeting, with the exception of Anna Malm Bernsten, were present. The Minutes of the Meeting are available on Medivir's website. The matters resolved by the Meeting included:

- The re-election of Board Members Göran Pettersson, Björn C Andersson, Anna Malm Bernsten and Ingemar Kihlström. The new election of two Board Members, namely Anders Hallberg and Rolf Classon. The re-election of the Chairman of the Board, Göran Pettersson.
- The Directors' fees for the period until the next Annual General Meeting were maximised at SEK 2,055,000, divided between them as follows:

Chairman	470,000
Five members (SEK 210,000 each)	1,050,000
Audit Committee (convening: SEK 80,000, two members: SEK 65,000 each)	210,000
Remuneration Committee (convening: SEK 65,000, one member: SEK 50,000)	115,000
R&D Committee (convening: SEK 80,000, two members: SEK 65,000 each)	210,000
Total	2,055,000

- SEK 20,000 shall, over and above their ordinary fee, be payable to Board Members resident outside of Europe for every physical Board meeting attended, the annual total payable to each member not, however, to exceed SEK 100,000.
- The Auditor's fee for the period until the next Annual General Meeting shall, as before, be payable on account.
- Guidelines for remuneration to senior executives.
- Procedures for the appointment of the Nomination Committee and its work.
- Authorisation of the Board of Directors on one or more occasions before the next Annual General Meeting, 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 10 per cent of the total number of class B shares outstanding after utilisation of the authorisation.¹⁾

2013 Annual General Meeting

Medivir's 2013 Annual General Meeting will be held on 6 May at the IVA Conference Centre in Stockholm. Shareholders wishing to raise a matter for consideration by the Annual General Meeting must submit a written request to the Board of Directors in good time prior to the Meeting. See Medivir's website for further information.

Nomination Committee

The Nomination Committee procedure adopted at the 2012 Annual General Meeting entails the following:

- The Chairman of the Board shall contact the three biggest shareholders in terms of number of votes at the end of the third quarter of the year and offer them the opportunity to each appoint a representative to the Nomination Committee.
- Should 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.
- The Chairman of the Board shall, in accordance with the procedure, also be a member of the Nomination Committee. The Nomination Committee members shall jointly elect a Chairman to lead its work.

The Nomination Committee shall draw up proposals for the nomination and remuneration of the Board of Directors, the Chairman of the Board and, where relevant, auditors. It shall, furthermore, develop methods of appointing the Nomination Committee and its Chairman. The findings of the Nomination Committee shall be submitted to the Annual General Meeting for adoption. Shareholders can submit proposals to the Nomination Committee by means includ-

1) The authorisation has not been utilised in 2012.

ing emails to valberedning@medivir.se. The names of the shareholder representatives who make up the Nomination Committee shall be published no later than six months before the Annual General Meeting.

Members of the Nomination Committee

The current Nomination Committee comprises the Chairman of the Board and the three members appointed by the three shareholders with the largest shareholdings on 30 September 2012:

- Anders Algotsson, Chairman and representative of AFA Försäkring
- Annelie Enquist, representative of Skandia Fonder
- Bo Öberg, founder and representative of the class A shareholders.

The Chairman of the Board of Medivir, Göran Pettersson, is also a member of the Nomination Committee.

NOMINATION COMMITTEE BEFORE THE 2013 AGM

Name	Representing	Proportion of votes, %, on 30 Sept. 2012
Annelie Enquist	Skandia Fonder	4.28
Anders Algotsson	AFA Försäkring	4.09
Bo Öberg	Class A shareholders	18.73
Göran Pettersson	Medivir's Board of Directors	0.05
Total		27.15

Nomination Committee duties

The duties of the Nomination Committee have changed over the years in order to comply with the requirements of the Swedish Code of Corporate Governance. The primary duty of the Nomination Committee continues, however, to be to propose candidates for election to the Board of Directors. The Nomination Committee must, in order to ensure its ability to evaluate the expertise and experience required of the Board Members, keep itself informed of the Group's strategy and the challenges it will face in the years ahead.

The Nomination Committee must also take into consideration all applicable rules governing the independence of the members of the Board.

The Nomination Committee shall also draw up proposals for resolution by the Annual General Meeting regarding the remuneration and fees payable to:

- Members of the Board who are not employed by the company and who are elected by the Annual General Meeting
- The Auditor
- The members of the Nomination Committee

The Nomination Committee has not, to date, proposed the payment of any remuneration to its members. The Nomination Committee proposes auditor candidates in consultation

ATTENDANCE BY THE MEMBERS OF THE BOARD AT MEETINGS HELD IN 2012¹⁾

Name	Elected	Born	Function	Board meetings, Present/total number of Board meetings	Remuneration Committee Present/total number of Committee meetings	Audit Committee Present/total number of Committee meetings	R&D Committee Present/total number of Committee meetings	Independent
Björn C Andersson	2008	1946	Member	10/11		Chairman, 4/4		Yes
Rolf Classon ²⁾	2012	1945	Member	5/7		Member, 2/2		Yes
Anders Hallberg ²⁾³⁾	2012	1945	Member	6/7			Member, 1/2	No
Ingemar Kihlström	2008	1952	Member	11/11	Member, 2/2		Chairman, 2/2	Yes
Anna Malm Bernsten	2006	1961	Member	10/11	Chairman, 2/2	Member, 4/4		Yes
Göran Pettersson	2008	1945	Chairman	11/11			Member, 2/2	Yes

1) Members prevented from attending a Board meeting have been afforded the opportunity to submit their views to the Chairman before the meeting.

2) Appointed at the 2012 AGM.

3) Independent in relation to the company's major shareholders. Not independent in relation to the company and the company management. Anders Hallberg is part of a consortium of people who, under the terms of an agreement with Medivir, are entitled to receive certain royalty payments on products that the company may develop, based on patented inventions previously acquired from the consortium.

with the Board's Audit Committee. The Nomination Committee is also tasked with proposing a candidate for election as Chairman of the Annual General Meeting.

The work of the Nomination Committee for the 2013 Annual General Meeting

The work of the Nomination Committee begins with a review of a checklist detailing all of the duties of the Nomination Committee as prescribed by the Swedish Code of Corporate Governance and by the Nomination Committee's Rules of Procedure, which have been adopted by the Annual General Meeting. A timetable is also set for the work to be carried out. A good understanding of Medivir's operations is vital in enabling the members of the Nomination Committee to carry out their duties.

The Chairman of the Board is responsible for the annual appraisal of the work of the Board of Directors, including the efforts of the individual members of the Board. The Nomination Committee has been informed of the results of these appraisals, including the appraisal of the Chairman of the Board. The Nomination Committee is able, on the basis of this information, to adjudge the expertise and experience required on the part of the members of the Board.

The Nomination Committee has also studied the Group's and Audit Committee's appraisals of the quality and efficiency of the auditor's work, including recommendations for auditors and audit fees.

The Nomination Committee had held four meetings, at which all members were present, by 25 March 2013. The Nomination Committee's full proposal for the 2013 Annual General Meeting was published in conjunction with the issue of the notice convening the Annual General Meeting.

Duties and work of the Board of Directors

The primary duty of the Board of Directors is to manage the Group's operations on behalf of the owners in such a way that the owners' interests, in terms of a long-term healthy

return on capital invested, are optimally protected. The work of the Board is regulated by means of, among other things, the Swedish Companies Act, the Swedish Code of Corporate Governance, the Articles of Association, and the Rules of Procedure adopted by the Board for its work. Medivir's Articles of Association are available on the company's website.

The Board of Directors manages and decides on Group-wide issues such as:

- strategic orientation and significant objectives;
- significant issues in relation to financing, investments, acquisitions and divestments;
- following up and monitoring operations, information provision and organisational issues, including appraisals of the Group's executive management;
- appointment and, when required, dismissal of the company's CEO;
- overall responsibility for setting up efficient systems for internal monitoring and risk management;
- significant policies

The composition of the Board of Directors

The Board of Directors shall, in accordance with the Articles of Association, comprise a minimum of three and a maximum of ten members and a maximum of two Deputy Members. The members shall serve from the end of the Annual General Meeting at which they are elected until the end of the next Annual General Meeting. There is no limit on the number of consecutive periods during which a person may be a Board Member. The CEO may be elected to the Board but under the provisions of the Swedish Companies Act, a CEO of a public limited company may not be appointed Chairman of the Board.

The Board of Directors elected by the shareholders at the 2012 Annual General Meeting for the period until the end of the 2013 Annual General Meeting comprised six members and no Deputy Members, including the Chairman of the Board. See page 44 for a description of the members of the Board.

Independence

Several different types of independence requirement apply to the Board of Directors and its Committees. Medivir applies independence requirements taken from applicable Swedish legislation, the Swedish Code of Corporate Governance, and Nasdaq's stock exchange rules.

The Nomination Committee evaluates the Board's independence ahead of the Annual General Meeting. The Board has been adjudged to fulfil the applicable requirements for independence. The evaluation of each member of the Board's independence is presented in the table above. Anders Hallberg has been adjudged to be independent in relation to the company's major shareholders, but not independent in relation to the company and the company management. Anders Hallberg is part of a consortium of people who, under the terms of an agreement with Medivir, are entitled to receive certain royalty payments on products that the company may develop, based on patented inventions previously acquired from the consortium.

Rules of Procedure and Board meetings

The Board of Directors adopts written Rules of Procedure every year in accordance with the provisions of the Swedish Companies Act, clarifying the duties of the Board and regulating the internal division of labour of the Board and its Committees, including the role of the Chairman, the decision-making processes within the Board, the Board's schedule of meetings, notices convening Board meetings, agendas and minutes. The Rules of Procedure also regulate the way in which the Board shall receive information and documentation in order to ensure its ability to take well-founded decisions. The Board of Directors also adopts written instructions for the Chief Executive Officer each year, clarifying the CEO's responsibility for the ongoing administration, methods of reporting to the Board, requirement for internal control instruments, and other matters requiring a decision by the Board or reporting to the Board.

The Rules of Procedure require a Board meeting following election to be held immediately after the Annual General Meeting. The Board normally also holds a minimum of six further meetings each year. Four of these meetings are held in conjunction with the publication of the Group's annual and interim financial reports. At least one of the meetings deals with the research portfolio and at least one deals with specific strategic issues. The budget and economic outlook are addressed during the final meeting of each calendar year. Additional meetings, including telephone conferences, are held as required.

The duties of the Chairman of the Board

The Chairman of the Board is responsible for ensuring that the work of the Board is well organised, conducted efficiently,

and that the Board fulfils its obligations. The Chairman monitors the operations in dialogue with the CEO and is also 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, furthermore, 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 Chairman represents Medivir on ownership issues.

The work of the Board of Directors in 2012

The Board of Directors has held eleven minuted meetings in 2012. The attendance of the individual members of the Board at these meetings is shown in the table on page 37. All of the meetings during the year have followed an approved agenda which, together with the documentation for every item on the agenda, was supplied to the members before the Board meetings. An ordinary Board meeting usually lasts for half a day in order to ensure sufficient time for presentations and discussions. An appointed lawyer has acted as secretary at all Board meetings. The CEO and CFO participate in the majority of Board meetings. Reviews of the current business position, the Group's results and financial position, and the outlook for the rest of the year are conducted at every ordinary Board meeting. A member of the Group's management group will usually also review a relevant strategic issue. Reports on the work of the committees are usually also presented at each Board meeting by the Chairmen of the respective committees.

The work of the Board during the year has largely focused on:

- Interim Reports, the full-year financial statement, and the annual accounts
- Financial performance
- Financing issues and the Group's capital structure
- Research and pharmaceutical development
- Acquisition issues
- Strategic orientation
- Partnerships and collaborations
- Significant investments and undertakings

Board committees

There are three consultative committees within the Board of Directors: the Remuneration Committee, the Audit Committee, and the R&D Committee.

The Remuneration Committee

The Remuneration Committee is appointed by the Board of Directors and shall comprise a maximum of four members. The 2012 Remuneration Committee has comprised Ingemar Kihlström and Anna Malm Bernsten (Chairman).

The Committee is an advisory one and has no independent right of decision.

The primary duty of the Remuneration Committee is to represent the Board on issues relating to remuneration and employment terms for the CEO and senior executives who report directly to the CEO, based on the remuneration and employment terms for the CEO and other senior executives adopted by the Annual General Meeting. The Committee reports continuously on its work to the Board of Directors.

The Remuneration Committee has held two minuted meetings in 2012. The attendance of the individual Board Members is shown in the table on page 37. The Committee has also held a number of consultations by telephone and email. The Committee has largely focused on:

- Reviews of proposals regarding salaries and remuneration for the CEO and other senior executives.
- Reviews of proposals for a programme for short-term performance-related pay.
- Reviews of proposals for a programme for long-term performance-related pay.

The Audit Committee

The Audit Committee is appointed by the Board of Directors and shall comprise a maximum of four members. The 2012 Audit Committee has comprised Björn C Andersson (Chairman), Rolf Classon and Anna Malm Bernsten. The members are independent and have audit competence. The Committee advises the Board of Directors and has no independent right of decision.

The primary duty of the Audit Committee is to support the Board of Directors in its work with Medivir's risk management, governance and internal control, and to quality assure the financial reporting. The Committee considers significant auditing issues that affect the Group and meets on an ongoing basis with Medivir's auditors and evaluates the audit process. The Committee also assists the Nomination Committee in the production of proposals for auditors and the fees payable to auditors, and approves the supplementary services that the company may purchase from its external auditors. The Chairman of the Audit Committee is responsible for ensuring that the entire Board of Directors is kept continuously informed of the work of the Committee and, when necessary, submits matters to the Board for decision.

The Audit Committee has held four minuted meetings in 2012. The attendance of the respective Board Members is shown in the table on page 37. The CEO and CFO have attended all meetings. The Committee has 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 Annual General Meeting, including the Auditor's audit plan.

The R&D Committee

The R&D Committee is appointed by the Board of Directors and shall comprise a maximum of five members. The 2012 R&D Committee comprised Anders Hallberg, Ingemar Kihlström (Chairman) and Göran Pettersson. The Committee is an advisory one and has no independent right of decision over and above that specified below.

The primary duty of the R&D Committee is to review and evaluate the research portfolio and to provide the Board with supporting data ahead of decisions on the strategic orientation of the R&D portfolio. The R&D Committee also has an advisory role in relation to the company management with regard to specific scientific matters.

The R&D Committee has held two minuted meetings in 2012. A number of physical, non-minuted working meetings and telephone conferences have also been held during the year. The attendance of the respective Board Members is shown in the table on page 37. The Committee has largely focused on 6-monthly reviews and evaluations of the research portfolio

Group management

The Board appoints the CEO and, where necessary, the Deputy CEO. The CEO leads the work of the Group management and is, together with the Group management, responsible 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. At the beginning of 2012, the Group management comprised eight people (two women and six men) and at the end of the year, it comprised seven people (two women and five men). The Group management group has a broad composition of individuals with in-depth and extensive experience of research and development, the marketing and sale of pharmaceuticals, and the requisite expertise in accounting, finance and communication. For a presentation of the Group management, see page 45. The role of the Group management is to:

- Establish a long-term vision, a corporate culture and strategies and policies based on the goals established by the Board of Directors.
 - Establish goals for the operating units, allocate resources and follow up on the units' results.
 - Produce information and documentation as support data that enables the Board to take well-founded decisions
- Medivir converts strategic goals into results goals for the

operating units. The primary objective of this work is to enable measurement of:

- The development of the research portfolio.
- Financial performance and results per operating unit.
- Employee satisfaction and influence.

Goals are updated for the year ahead on the basis of the annual strategic work. Goals are set for each unit and communicated throughout the organisation. The goals are a management tool used to adapt the goals of the operating units and employees in line with the company's goals and to monitor goal fulfilment and identified risks.

Medivir has two business areas: the Pharmaceuticals business area comprises the Group's research and development projects, the Xerclear cold sore pharmaceutical, and the original pharmaceuticals owned by BioPhausia. The Parallel imports business area imports pharmaceuticals to the Swedish market via Cross Pharma.

Election of auditors

The duties of the Nomination Committee include proposing an auditor to the Annual General Meeting.

PricewaterhouseCoopers AB (PwC) was appointed as the company's external auditors for a one-year period up to and including the 2013 Annual General Meeting. Authorised Public Accountant, Claes Dahlén, is the Auditor-in-Charge for Medivir.

The work of the auditors:

- The auditors work to an audit plan that incorporates the views submitted by the Audit Committee and the Board of Directors. They report their observations on a rolling basis to the Audit Committee and the Board, both during the course of the audit and in conjunction with the preparation of the annual accounts.
- Reviewing the interim reports 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 auditors attend the Annual General Meeting at which they present details of the audit work and observations made.

PwC submits audit reports for Medivir AB, the annual accounts of the company's subsidiary companies, the consolidated accounts and the administration of Medivir AB. The auditors also conduct a review of the Q3 report. PwC replaced Ernst & Young as auditors for the BioPhausia corporate group in the fourth quarter of 2011.

Medivir has, in addition to the audit engagement, consulted PwC on tax issues and a range of accounting and

financial matters. PwC verifies its independence ahead of its decision to offer independent advisory services to Medivir over and above its audit engagement.

Remuneration to the Board of Directors and senior executives

REMUNERATION PRINCIPLES

Remuneration principles for senior executives of Medivir are determined by the Annual General Meeting. The term, senior executives, refers to the CEO and other members of the management group.

The Nomination Committee's proposed guidelines for remuneration to senior executives were adopted at the 2012 Annual General Meeting. These guidelines essentially are consistent with the principles previously applied. The guidelines mean, in effect, that the company shall offer a competitive total remuneration package that enables the recruitment and retention of qualified senior executives. Remuneration for senior executives may comprise a fixed salary, performance-related pay, incentive programmes approved by the Annual General Meeting, pensions and other benefits. The fixed salary shall take into account the individual's areas of responsibility and experience. Cash performance-related pay may total a maximum of 50 per cent of the annual fixed salary. Performance-related pay shall be linked to predetermined and quantifiable criteria, structured with the aim of promoting the company's long-term value creation.

For additional information on remuneration, see Note 5, page 68.

The Board's proposal for remuneration guidelines to be submitted to the 2013 Annual General Meeting are essentially consistent with the principles applied previously. See page 51 for the Board's full proposal to the 2013 Annual General Meeting.

LONG-TERM INCENTIVE PROGRAMMES

The purpose of long-term incentive programmes is to promote the company's long-term interests. Added value is created by motivating and rewarding the company's senior executives and other employees. Each year, the Board agrees on a proposal for submission to the Annual General Meeting with regard to any new long-term incentive programmes and their scope, objectives and the number of participants. A three-year stock option plan comprising 394,400 share warrants and staff stock options was approved at the 2010 Annual General Meeting. After vesting, the options can be exercised to subscribe for new class B shares upon payment of an exercise price.

REMUNERATION TO SENIOR EXECUTIVES (SEK 000)¹⁾

Function	Year	Performance-related pay				Total	Pension	Total incl. pension
		Fixed salary	Performance-related pay	Severance pay	Benefits			
CEO²⁾	2012	3,300	990	–	85	4,375	1,184	5,559
	2011 ¹⁾	3,690	–	1,694	21	5,405	356	5,761
Other senior executives	2012	8,888	1,414	2,006	530	12,838	2,387	15,225
	2011 ¹⁾	8,818	–	–	4,906	13,724	1,940	15,664
Total	2012	12,188	2,404	2,006	615	17,213	3,571	20,784
	2011 ¹⁾	12,508	–	1,694	4,927	19,129	2,296	21,425

1) At the beginning of 2012, the management group, including the CEO, comprised 8 people. At the end of the year, it comprised 7 people.

At the beginning of 2011, the management group, including the CEO, comprised 9 people. At the end of the year, it comprised 8 people.

2) Maris Hartmanis replaced Ron Long as CEO in September 2011.

DIRECTORS' FEES (SEK 000)¹⁾

Name	Function	Director's fees		Audit Committee		Remuneration Committee		R&D Committee		Total	
		2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Björn C Andersson	Member	210	200	80	80	–	–	–	–	290	280
Rolf Classon	Member	210	–	65	–	–	–	–	–	275	–
Anders Hallberg	Member	210	–	–	–	–	–	65	–	275	–
Ingemar Kihlström	Member	210	200	–	–	50	65	80	65	340	330
Anna Malm Bernsten	Member	210	200	65	65	65	50	–	–	340	315
Göran Pettersson	Chairman	470	450	–	–	–	–	65	–	535	450
Total		1,520	1,050	210	145	115	115	210	65	2,055	1,375

1) Remuneration to the Board of Directors for the period from May 2012 to April 2013 and for the period from May 2011 to April 2012, SEK thousands.

The fee payable to members of the Board elected by the Annual General Meeting is determined by the Annual General Meeting in line with proposals by the Nomination Committee. Remuneration has been paid as shown in the above table in 2012 and 2011. The remuneration does not include travel expenses. Consultancy fees, approved by the Board of Directors, and totalling SEK 414,000 have also been paid to Bernsten Konsult AB in 2012.

REMUNERATION TO SENIOR EXECUTIVES

The term, senior executives, refers to the CEO and other members of the management group. Medivir gathers and evaluates information on competitive remuneration levels for relevant sectors and markets on a rolling basis. Remuneration payments in 2012 and 2011 are shown in the above table.

REMUNERATION TO THE BOARD OF DIRECTORS

The Director's fee payable to members of the Board of Medivir is determined by the Annual General Meeting in line with proposals by the Nomination Committee. Remuneration payments in 2012 and 2011 are shown in the above table.

AUDITORS' FEES

Fees for auditing Medivir's accounts are determined by the Annual General Meeting in line with proposals by the Nomination Committee. Remuneration payments in 2012 and 2011 are shown in the table below.

AUDITORS' FEES (SEK 000)

	2012	2011
PwC		
Audit engagement	1,003	537
Auditing services over and above the audit engagement	116	330
Tax advice	196	336
Other services	1,087	1,323
Subtotal	2,402	2,526
Ernst & Young		
Audit engagement	129	553
Auditing services over and above the audit engagement	–	27
Other services	88	–
Subtotal	217	580
Total	2,619	3,106

Board of Directors' internal controls report

The Board of Directors' responsibility for internal controls is regulated in the Swedish Companies Act and the Swedish Code of Corporate Governance. Internal controls with regard to the financial reporting are one component of the total internal controls system within Medivir and are a central component of Medivir's corporate governance.

Internal control of the financial reporting

The overall purpose of the internal control is to provide reasonable assurance that the company's strategies and goals are monitored and that the owners' investments are protected. The internal control shall, furthermore, provide reasonable assurance that the external financial reporting is reliable and has been prepared in accordance with generally accepted accounting practices, that applicable legislation and regulations have been observed, and that the requirements of listed companies have been observed. According to the COSO framework, the internal control shall include, among 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 labour between the Board of Directors and its Committees, and the CEO and President. The control environment also includes the culture that the Board of Directors and company management communicate and operate from. Medivir's control environment is based on:

- Steering documents such as the Board's Rules of Procedure and the CEO's Instructions, policies and guidelines.
- Corporate culture and values.
- The company's organisation and the way in which it conducts its operations, with clearly defined roles and areas of responsibility, and delegation of authority.
- Group-wide planning processes such as the process for appraisal of the R&D portfolio and the annual budget process.

Medivir's financial reporting complies with the laws and regulations applicable to companies listed on the main market of the Nasdaq OMX Stockholm Exchange. The internal control environment includes, in addition to external laws and regulations, policies and guidelines for the financial reporting, such as the finance policy, endorsement and authorisation instructions, and the purchasing and investment policy. The internal steering documents are updated regularly in line with changes in legislation. Checklists

have also been drawn up for important routines and processes. Internal instructions and routines are developed on a rolling basis. 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. 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 launched never achieve market registration. If competing products take market shares or competing research projects achieve better effect and reach the market more quickly, the future value of Medivir's product and project portfolio may be lower than expected. Medivir's ability to produce new CDs (candidate drugs), to enter into partnerships for its projects, to successfully develop its projects to market launch and continued sale, and to secure funding for its operations, are decisive in terms of the company's future.


Medivir is exposed to the following main risk categories:

- External risks – such as regulatory approval, competition, price changes, external seasonal fluctuations, and patent protection.
- Operating risks – such as integration risk, production risk and reliance on key persons and partnerships.
- Financial risks – such as liquidity, interest, currency and credit risks.

For a more detailed presentation of risk exposure and the way in which Medivir handles it, see pages 52-53.

The risk of material misstatements in reporting may arise in conjunction with bookkeeping and valuation of assets, liabilities, income and expenses, or deviations from disclosure requirements. Other risks in conjunction with the financial reporting include fraud, losses or embezzlement of assets or improper preference of another party at the company's expense.

Medivir's risk assessment with regard to the financial reporting is intended to identify and evaluate the most significant risks that affect the internal controls with regard to the financial reporting. Policies and guidelines for account-



ing and financial reporting comprise the areas of particular importance in promoting correct and complete accounting, reporting and information provision at the right time. Risks identified are handled through well-documented processes, through a clear division of responsibility and labour, and an appropriate decision-making process. Important transactions consequently require special approval in order to ensure that assets are managed correctly.

Control activities

The primary purpose of the control activities is to prevent, identify and rectify errors in the financial reporting. Routines and activities have been structured to handle and action significant risks in relation to the financial reporting.

The activities include analytical monitoring and comparison of profit performance or items, reconciliation of accounts and balance specifications, and approval of all business transactions and partnership agreements, powers of attorney and authorisation instructions, and accounting and valuation principles. Access to ERP systems is largely restricted in line with authorisation, responsibilities and roles.

There is an established Controller function that carries out control activities at all levels within the company. The function analyses and follows up on deviations from budget, draws up forecasts, follows up on significant fluctuations over periods, and reports within the company, thereby reducing the risk of misstatements in the financial reporting.

Information and communication

Medivir has information and communication pathways that are designed to promote the completeness and accuracy of the financial reporting. 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 by means of, among other things, Medivir's website (www.medivir.se), where quarterly reports, year-end finan-

cial statements, annual reports, press releases and news are published in chronological order. The website is also complemented with information from press conferences and analysts' meetings.

The Board of Directors receives regular financial reports on the Group's position and profit performance. Meetings are held within the company at management group level, and then at the level deemed appropriate by the respective units. Important communication channels within the company include the intranet, where policies, guidelines and information are published, and regular information meetings for all members of staff.

Monitoring

The Board of Directors considers all of the Group's quarterly reports, year-end financial statements and annual reports before publication. The Board receives regular financial reports on the Group's position and profit performance and the Group's financial situation is discussed at every Board meeting.

The Board's monitoring of the internal controls in respect of the financial reporting is primarily conducted through the Audit Committee. Medivir's auditors carry out regular reviews of the operations in accordance with a set audit plan and follow up 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 Audit Committee on a rolling basis. The auditors also attend one Board meeting per year and report their 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.

The company has a simple legal and operational structure and well-developed steering and internal control systems. The Board of Directors has, therefore, opted not to institute a special internal audit process. The Board and the Audit Committee evaluate and monitor the situation continuously with regard to the possible establishment of an internal audit function.

The Board of Directors

BJÖRN C ANDERSSON

Born 1946. Member of the Board since 2008 and Chairman of Medivir's Audit Committee. He has a Licentiate in Economics and was previously employed by Handelsbanken where he was the Deputy CEO and Director of Handelsbanken Markets and, subsequently, Director of Handelsbanken Asset Management. Björn is the Chairman of the Board of NAXS Nordic Access Buyout Fund AB and a member of the Boards of Bliwa Livförsäkring, Euroben Life & Pension Ltd, Nordben Life Insurance & Pension and SPP Fonder AB.

Shares in Medivir: 2,500 class B.

ANNA MALM BERNSTEN

Born 1961. Member of the Board since 2006, and also a member of Medivir's Audit and Remuneration Committees. Anna holds a B.Sc. in Engineering, has extensive knowledge of the life sciences sector, and runs her own management and business development firm. Anna has held senior executive positions in GE Healthcare Life Sciences, Pharmacia, Assa Abloy, Medivir, Baxter Medical and Carmeda AB. Anna is a member of the Boards of Birdsteep ASA, Cellavision AB, Fagerhult AB, Matrisen AB and Nolato AB and is the Chairman of

the Board of Scientific Solutions AB. She was previously a member of the Board of BioPhausia AB

Shares in Medivir including holdings via companies: 3,406 class B.

ROLF CLASSON

Born 1945. Member of the Board since 2012. Rolf holds a Master's degree in Political Science from the University of Gothenburg. He has extensive experience of senior executive positions in the pharmaceutical and medical technology industry with such companies as Pharmacia and Bayer Diagnostics, and as Global CEO for Bayer Healthcare. He was also a Divisional Manager at Swedish Match. Rolf's current directorships include membership of the Boards of Hill-Rom Corporation (USA), Auxilium Pharmaceuticals (USA), Tecan Group (Switzerland), Fresenius Medical Care (Germany) and Aerocrine AB (Sweden).

Shares in Medivir: 0

ANDERS HALLBERG

Born 1945. Member of the Board since 2012. Anders has held a professorship in Medicinal Chemistry at Uppsala University's Faculty of Pharmacy since 1990 and has also held a number of positions as scientific advisor

at AstraZeneca and smaller pharmaceutical companies between 1990 and 2006. Prior to this, he was the Head of the Medicinal Chemistry Department at Astra in Lund. Between 2006 and 2011 he was the Vice Chancellor of Uppsala University. He has published over 250 scientific articles, a large number of which are on the subject of pharmaceuticals for infectious diseases. Anders Hallberg is currently a member of the Government's Research Committee, the Royal Swedish Academy of Sciences, and the Royal Swedish Academy of Engineering Sciences.

Shares in Medivir, including family: 1,600 class B

INGEMAR KIHLSTRÖM

Born 1952. Member of the Board since 2008, Chairman of Medivir's Remuneration Committee and member of the R&D Committee. Ingemar is an Associate Professor at Uppsala University and a life sciences advisor, via his own consultancy firm. Ingemar has extensive experience of the pharmaceutical sector and business development from both the pharmaceutical industry and the finance sector. Ingemar has previously held senior executive

positions with Pharmacia, Aros Securities and ABG Sundal Collier. He currently has a number of directorships in Scandinavia, including as a member of the Boards of HealthInvest Partners AB, Miris AB and Respiratorius AB. Ingemar is also Chairman of the Boards of Creative Antibiotics AB, Hammercap AB, RecoPharma AB and Spectracure AB.

Shares in Medivir, including family: 9,350 class B.

GÖRAN PETTERSSON

Chairman of the Board. Born 1945. Elected to the Board of Medivir in 2008. Göran is a graduate pharmacist and market economist (IHM) and has extensive experience of the Swedish pharmaceutical industry, both in Sweden and other countries. Göran has run his own life sciences consultancy firm since 2000 and has previously held senior executive positions in the Astra corporate group, KabiVitrum, Pharmacia/PharmaciaUpJohn and Meda. Göran holds a number of directorships in other companies and is the Chairman of the Board of Axelar AB and a member of the Boards of Pfizer Sweden Pensionsstiftelse, Pergamum AB and Recipharm AB.

Shares in Medivir, including family: 19,550 class B.



Anders Hallberg, Anna Malm Bernsten, Rolf Classon, Björn C Andersson, Ingemar Kihlström, Göran Pettersson.