

## **Notice of Annual General Meeting of Medivir AB (publ)**

The shareholders in Medivir AB are hereby summoned to the annual general meeting on Thursday 8 May 2014 at 2 p.m. at the conference center 7A Odenplan, Norrtullsgatan 6, Stockholm, Sweden.

### **Participation**

Shareholders who wish to participate in the meeting must (a) be recorded in the share register maintained by Euroclear Sweden AB on Friday 2 May 2014, and (b), notify the company of their intention participate in the meeting not later than on Friday 2 May 2014 in writing to Medivir AB, Blasieholmsgatan 2, SE-111 48 Stockholm, Sweden. Such notification can also be made by telephone +46 (0)8-407 64 30, by e-mail [enter@medivir.se](mailto:enter@medivir.se) or via the company's web site at [www.medivir.se](http://www.medivir.se). The notification shall set forth the name, address, telephone number (daytime), personal/corporate identity number, the number of shares held and, when applicable, information about representatives and assistants.

As per the day of this notice, there are 31,260,027 shares outstanding in the company, whereof 660,000 series A shares and 30,600,027 series B shares corresponding to an aggregate of 37,200,027 votes. The company holds no treasury shares.

Shareholders represented by proxy shall issue a written and dated power of attorney for the proxy or, should the right to vote for the shares be divided among different representatives, the representatives, together with information on the number of shares each representative is entitled to vote for. If the power of attorney is issued on behalf of a legal entity, a certified copy of a registration certificate for the legal entity (or corresponding document), evidencing the authority to issue the proxy, shall be appended. The original of the power of attorney and, when applicable, the registration certificate should be sent to the company at the address indicated above, well before the meeting. A proxy form is available at the company's website, [www.medivir.se](http://www.medivir.se), and is sent to shareholders who so request.

Shareholders whose shares are registered in the name of a nominee through a bank or a securities institution must re-register their shares in their own names to be entitled to participate in the meeting. Such registration, which may be temporary, must be duly effected in the share register maintained by Euroclear Sweden AB on Friday 2 May 2014, and the shareholders must therefore advise their nominees well in advance of this date.

The shareholders are reminded of their right to request information in accordance with Chapter 7 Section 32 of the Swedish Companies Act (Sw. *aktiebolagslagen*).

### **Proposed agenda**

1. Election of chairman of the meeting (see below).
2. Preparation and approval of the voting list.
3. Approval of the agenda.
4. Election of two persons to approve the minutes of the meeting.
5. Determination of whether the meeting has been duly convened.
6. Report from the managing director Maris Hartmanis. Report from the chairman of the board Göran Pettersson concerning the work of the board, the board's committees and of the nomination committee.
7. Presentation of the annual report and the auditor's report as well as consolidated annual accounts and the auditor's report for the group.

8. Resolution on approval of the profit and loss account and balance sheet as well as the consolidated profit and loss account and consolidated balance sheet.
9. Resolution on approval of allocations of the company's profits or losses according to the adopted balance sheet (see below).
10. Resolution on discharge from liability of the members of the board of directors and the managing director.
11. Determination of the number of directors, deputy directors, auditors and deputy auditors. (see below).
12. Determination of fees to be paid to the directors and the auditor (see below).
13. Election of the directors, chairman of the board and auditor (see below).
14. The nomination committee's proposal concerning nomination committee (see below).
15. The board's proposal on guidelines for remuneration to the management (see below).
16. The board's proposal concerning resolution on authorisation for the board to resolve on new issue of shares (see below).
17. The board's proposal regarding (a) long-term incentive programme and (b) hedging arrangements in relation thereto (see below).

### **Allocation of the company's balance (item 9)**

The board of directors proposes that the company's results shall be carried forward.

### **Board of directors etc (items 1 and 11–13)**

The nomination committee, comprising Anders Algotsson (AFA Försäkring and chairman of the nomination committee), Bo Öberg (shareholder of series A-shares and founder), Annelie Enquist (Skandia Fonder) and the chairman of the board of directors of Medivir Göran Pettersson, proposes the following:

- > Attorney at law Erik Sjöman to be appointed chairman of the meeting (item 1).
- > The board of directors shall consist of seven members with no deputies. The company shall have one auditor without deputy auditors (item 11).
- > The remuneration to the board of directors shall be paid in a total amount of not more than SEK 2,530,000 allocated as follows. The chairman shall receive SEK 500,000 and other members which are not employed by the company shall receive SEK 230,000 each. Remuneration for work performed in relation to committees is proposed to be paid in a total amount of not more than SEK 650,000, whereof SEK 210,000 shall be allocated to the audit committee (whereof SEK 80,000 to the summoner of the committee and SEK 65,000 to each of the other two members), SEK 165,000 to the remuneration committee (whereof SEK 65,000 to the summoner of the committee and SEK 50,000 to each of the other two members) and SEK 275,000 to the R&D committee (whereof SEK 80,000 to the summoner of the committee and SEK 65,000 to each of the other three members). For board members resident outside of Europe it is proposed that, in addition to the ordinary remuneration, compensation of SEK 20,000 shall be paid per physical board meeting. However, such additional compensation shall never exceed SEK 100,000 per year (item 12).
- > Remuneration to the auditor shall be paid in accordance with approved invoices within the auditor's quotation (item 12).
- > Re-election of members of the board Björn C. Andersson, Anders Hallberg, Anna Malm Bernsten and Birgitta Stymne Göransson and election of Anders Ekblom, Niklas Prager and Bertil Samuelsson. Rolf A Classon, Ingemar Kihlström, Göran Pettersson and Bo Öberg have declined re-election (item 13).
- > Election of Birgitta Stymne Göransson as chairman of the board (item 13).

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- > Re-election of the auditing company PricewaterhouseCoopers AB for the period up to the end of the annual general meeting to be held 2015 (item 13).

Further information on the proposed members of the board is available at [www.medivir.se](http://www.medivir.se).

### **Nomination committee (item 14)**

The nomination committee proposes that the annual general meeting shall resolve to appoint a nomination committee for the annual general meeting 2015 mainly in accordance with the same procedure as the preceding year.

The chairman of the board shall contact the three largest shareholders in respect of voting power by the end of the third quarter. These three shareholders are offered to appoint one representative each for the nomination committee. In addition, the chairman of the board shall be a member of the nomination committee. If a shareholder chooses not to exercise the right to appoint a representative, the right shall pass on to the largest shareholder in respect of voting power who has not appointed a representative. The nomination committee is to elect a chairman among its members to lead the work of the committee.

If any of the shareholders who has appointed a member of the nomination committee sells a not insignificant part of its shareholding during the nomination committee's term or for any other reason ceases to be a larger shareholder with rights to appoint a member of the nomination committee, the member appointed by such shareholder should resign from the nomination committee. This member shall then be replaced by a member appointed by the shareholder who, based on voting power following the sale, instead is one of the three largest shareholders in the company. If such shareholder does not utilise its right to appoint a member of the nomination committee, the above described procedure shall be applied.

In the event a member no longer represents the shareholder who appointed him or her, or otherwise resigns from the nomination committee prior to the completion of the nomination committee's work, the shareholder shall be given the opportunity to appoint a new member of the nomination committee.

The nomination committee shall pursue the tasks that, according to the Swedish Code of Corporate Governance, are the responsibility of the nomination committee.

### **Guidelines for remuneration to the management (item 15)**

The board proposes remuneration guidelines for senior executives that generally correspond to the guidelines that have been applied up to now. Under the guidelines, the company shall offer a total remuneration on market norms and enable skilled senior executives to be hired and retained. The remuneration to senior executives may consist of fixed salary, variable salary, incentive programmes resolved by the general meeting, pension and other benefits. The fixed salary shall relate to individual responsibilities and experience. The variable cash remuneration may not exceed 50% of the annual fixed salary. In order to facilitate the company's long-term value creation, variable remunerations shall be based on pre-determined and measurable criteria.

### **Authorisation to issue new shares (item 16)**

The board of directors proposes that the general meeting resolves to authorise the board, for the period up to the next annual general meeting to adopt decisions, whether on one or several occasions and whether with or without pre-emption rights for the shareholders, to issue new shares of series B to an amount not exceeding in total 10 per cent of the total number of outstanding series B shares in the company following utilization of the authorisation. New issue may be made with or without provisions concerning non-cash consideration, set-off or other provision specified

in Chapter 13 Section 5, first paragraph, 6, of the Swedish Companies Act. The purpose of the authorisation is to provide the board with flexibility in its work to secure that the company, in a suitable way, can be provided with capital for the financing of the business, acquisitions of companies and products, and to enable a broadening of the ownership of the company.

### **Proposal for long-term incentive programme (item 17)**

The board of Medivir AB (publ) ("Medivir") proposes that the annual general meeting resolves on a long-term incentive programme for the employees of Medivir in accordance with items 17 a) and b). All resolutions are proposed to be conditional on each other and therefore proposed to be adopted as one resolution. Resolutions in accordance with items a) and b) below are only valid if supported by shareholders representing at least nine tenths of both the votes cast and the shares represented at the annual general meeting.

### **Resolution on long-term incentive programme (item 17 a))**

#### **Summary of LTI 2014**

The board proposes that the annual general meeting resolves to implement a new long term incentive programme for the employees of Medivir ("LTI 2014"). To participate in LTI 2014, it is required that the participants acquire Series B shares in Medivir at market price ("Investment Shares"). This personal investment will thereafter be matched by Medivir through allotment free of charge of so-called matching shares ("Matching Shares") and so-called performance shares ("Performance Shares") under the following conditions and principles. Each Investment Share entitle the participants to receive a maximum of one (1) Matching Share and a maximum of three (3) Performance Shares. The total number of Series B shares in Medivir that may be granted under the programme, not taking into account the shares that may be issued through the exercise of warrants to secure the programme, shall be limited to 299,192, representing approximately 0.9 per cent of the total number of shares and approximately 0.8 per cent of the total number of votes in Medivir. The total number of Series B shares in Medivir that may be granted under the programme, including the shares that may be issued through the exercise of warrants to secure the programme, amounts to a maximum of 385,359 Series B shares representing approximately 1.2 per cent of the total number of shares and approximately 1.0 per cent of the total number of votes in Medivir.

#### **Preparation and motives for the proposal**

LTI 2014 has been initiated by the board of Medivir, and has been prepared in consultation with external advisers based on an evaluation of prior incentive programmes. LTI 2014 has been prepared by the remuneration committee of the board and discussed at board meetings. Following an evaluation of the previous incentive programmes, the board proposes a new long-term incentive programme which, to a large extent, is equivalent to the incentive programme resolved on by the annual general meeting 2013 and is addressed to all employees of Medivir.

The purpose of LTI 2014 is to create conditions to retain and recruit competent personnel to the group and that employees become shareholders in the company to promote and encourage continued loyalty with the company through aligning the interests of the shareholders and the employees. In light hereof, the board believes that the implementation of LTI 2014 will have a positive effect on the continued development of the group and consequently that LTI 2014 is beneficial to both the shareholders and the company. The board intends to carry out an evaluation of LTI 2014 which will be based on the objectives mentioned above in order to systematically analyse achieved results. The aim of the evaluation will be to determine whether the programme fulfils its purposes, which also includes to review the outcome and costs for the programme.

## **Investment Shares**

In order to be able to participate in LTI 2014, it is required that the employees acquire Series B shares in Medivir at market price, with an amount corresponding to a minimum of in total SEK 3,000 and a maximum of in total one-twelfth (1/12) of its annual basic salary before tax, so-called Investment Shares.

## **Allocation**

For each Investment Share that a participant acquires under LTI 2014, the participant will be granted one (1) matching share award ("Matching Share Award") and three (3) performance share awards ("Performance Share Award") (Matching Share Awards and Performance Share Awards, together referred to as "Share Awards").

## **Conditions for all Share Awards**

The following conditions shall apply to all Share Awards:

- > The Share Awards shall be granted provided that the participant has made a private investment in Investment Shares as stated above.
- > Each Share Award entitles the holder to receive one (1) Series B share in Medivir free of charge, vested as Matching Share or Performance Share in accordance with the terms below, three (3) years after the start of LTI 2014 (the "Vesting Period"). The last day for the start of LTI 2014 shall be 31 December 2014.
- > The right to receive Series B shares presumes, with certain exceptions, that the participant is still employed within the Medivir group and has kept the Investment Shares at the end of the Vesting Period.
- > The Share Awards also include a right to be compensated for the value of dividends paid to the shareholders during the Vesting Period, through grant of additional Series B shares.
- > The Share Awards are non-transferable and may not be pledged.
- > The Share Awards can be granted by Medivir or other companies within the group.

## **Special conditions for the Performance Share Awards**

The number of Performance Share Awards that entitle to Series B shares in Medivir (Performance Shares) depends on the outcome of three performance criteria set by the board of directors as follows:

- i) the share price development for the Medivir Series B share compared to a benchmark index during the financial years 2014-2016, corresponds to one-third (1/3) of the granted Performance Share Awards to each employee;
- ii) the outcome of strategic objectives related to Medivir's research portfolio<sup>1</sup> during the financial years 2014-2016, corresponds to one-third (1/3) of the granted Performance Share Awards to each employee; and
- iii) the outcome of strategic objectives related to Medivir's pharmaceutical portfolio<sup>1</sup> during the financial years 2014-2016, corresponds to one-third (1/3) of the granted Performance Share Awards to each employee.

The determined levels of the performance conditions are minimum and maximum levels with a linear increase for intermediate values regarding the number of Share Awards that shall entitle to allotment of Series B shares. If the determined minimum level for the respective performance conditions are fulfilled, 25 per cent of the Share Awards in the relevant category will entitle to Series B shares. If the minimum level for a performance condition is not fulfilled, all Share Awards in the relevant category will be forfeited. If the maximum level is fulfilled for a performance

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<sup>1</sup> Strategic objectives related to Medivir's research portfolio primarily relate to value creating progress in Medivir's research projects and licensing out of projects. Strategic objectives related to Medivir's pharmaceutical portfolio primarily relate to licensing in and out of pharmaceuticals.

condition, all Share Awards in the relevant category will entitle to Series B shares. Separate assessments are made for the fulfilment of each performance condition.

#### **Preparation and administration**

The board shall be responsible for the detailed preparation and administration of LTI 2014, within the resolved terms and guidelines. In connection therewith, the board shall be entitled to make adjustments to fulfill certain foreign regulations or market conditions. The board shall also have the right to make other adjustments if significant changes in the Medivir group, or its operating environment, would result in a situation where the resolved terms and conditions for allotment, the possibility to invest in Investment Shares or the possibility to receive Matching Shares and Performance Shares under LTI 2014 is no longer appropriate.

#### **Scope and costs for the programme**

The total number of Series B shares which corresponds to the participant's total maximum personal investment in Investment Shares, and thus the total number of Share Awards under LTI 2014, is dependent on the share price for Medivir's Series B share at the time of the start of LTI 2014. Provided that the company's Series B share at such time is traded at around SEK 114, it is estimated that LTI 2014 will, in accordance with the above principles and assumptions, comprise of in total maximum 299,192 Series B shares, which corresponds to approximately 0.9 per cent of the total number of shares and approximately 0.8 per cent of the total number of votes in Medivir. Including the shares that may be issued through the exercise of warrants to secure the programme, in accordance with the below, the total number of Series B shares amounts to a maximum of 385,359 Series B shares representing approximately 1.2 per cent of the total number of shares and approximately 1.0 per cent of the total number of votes in Medivir.

LTI 2014 will be accounted for in accordance with "IFRS 2 – Share-based payments". IFRS 2 stipulates that the Share Awards should be expensed as personnel costs over the Vesting Period and will be accounted for directly against equity. Personnel costs in accordance with IFRS 2 do not affect the company's cash flow. Social security costs will be expensed in the income statement according to UFR 7 during the Vesting Period. Payments of social security charges are secured for cash flow purposes through the exercise of warrants. The cost for LTI 2014 has been calculated assuming a share price at the time of implementation of the programme of SEK 114, that all participants (except for the managing director who will not participate in LTI 2014) acquire Investment Shares to the maximum level, that the Share Awards entitle to compensation for dividends and an employee turnover of 5 per cent. For the calculation of the social security costs, an annual share price increase of 10 per cent has been assumed. In accordance with the above principles and assumptions, the cost for the LTI 2014 before tax assuming full achievement of the conditions for the Performance Share Awards, including the social security cost, is estimated to in total approximately SEK 36.8 million, which on an annual basis corresponds to approximately 8.6 per cent of Medivir's total personnel costs for the financial year 2013.

The effects of LTI 2014 on Medivir's key ratios had, provided that the programme was implemented in 2013 with full acceptance and maximum allotment of Matching Shares and Performance Shares had occurred in 2013 and that the company had incurred costs in accordance with the example above, resulted in a decrease in earnings per share for the financial year 2013 by SEK 0.33 to SEK -1.02 and a decrease in equity per share for the financial year 2013 by SEK 0.47 to SEK 26.81.

Reference is made to the company's annual report for 2013, note 5, for a description of Medivir's other long-term share based incentive programmes.

#### **Hedging arrangements and authorisation to issue warrants (item 17 b))**

To secure the completion of LTI 2014, the board proposes that the annual general meeting authorises the board to, during the period until the next annual general meeting, on one or several occasions, to resolve to issue, free of

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charge, in total a maximum of in total 385,359 warrants to wholly owned subsidiaries within the Medivir group. Each warrant shall give the right to subscribe for one Series B share in Medivir at a subscription price corresponding to the share's quota value. The warrants and shares issued through the exercise of the warrants shall be possible to dispose of to fulfill delivery of shares under LTI 2014 and to secure cash flows for certain payments in connection therewith, including payments of social security charges incurred by the group in connection with LTI 2014.

## **Documentation**

The annual report and other supporting documentation for resolutions will be available at the company's offices, Blasieholmsgatan 2, 111 48 Stockholm, at latest three weeks prior to the general meeting and will be sent to shareholders who so request and who have specified their postal address. This notice is a translation of a Swedish notice and in case of any deviations between the both language versions, the Swedish version shall prevail.

Stockholm, April 2014

Medivir AB (publ)

*The board of directors*