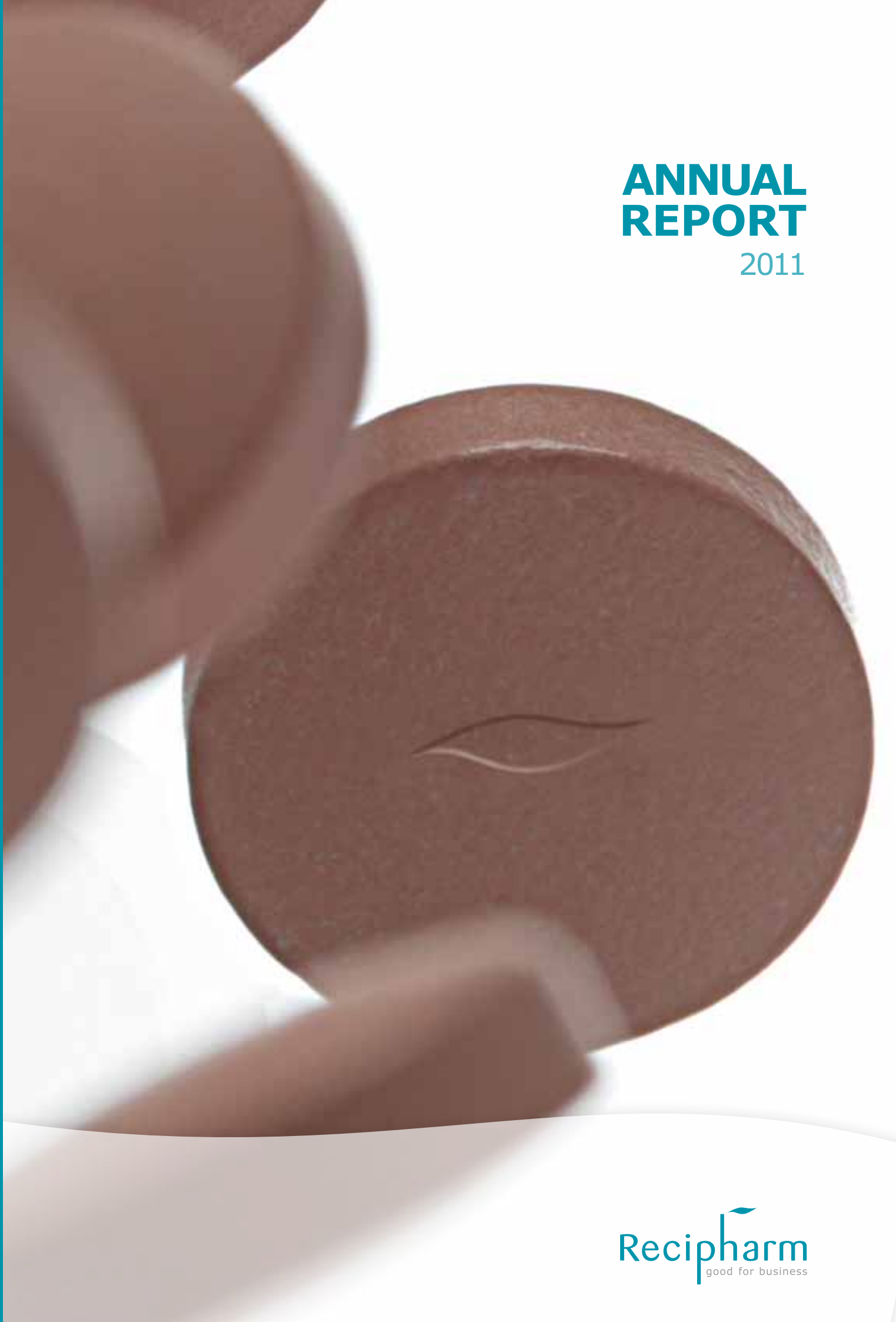


ANNUAL REPORT
2011

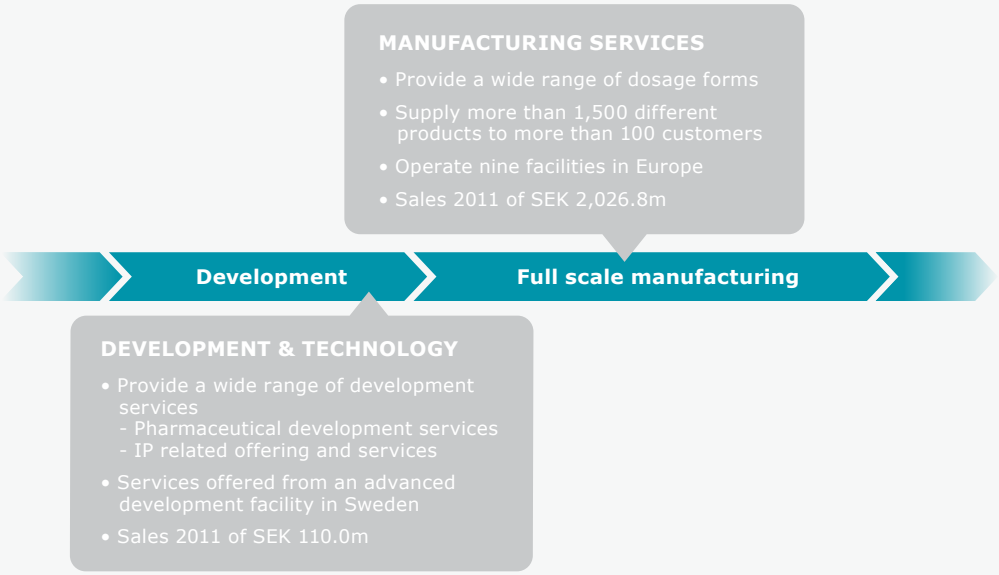
Recipharm
good for business

Strategically positioned. Financially solid. More competitive than ever.

Recipharm

Recipharm, established in 1995 in Sweden, is one of Europe's leading Contract Development and Manufacturing Organisations (CDMO). The Company supports pharmaceutical companies in taking their products from early development to commercial manufacturing and throughout the product lifecycle.

Important customers are large pharmaceutical companies wanting to outsource part of their production to a reliable business partner as well as small and medium-sized companies who seek support in the development of new pharmaceuticals and the transfer from development to commercial production.



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2011

Strong profit improvement in 2011
EBITDA increased by 20 percent

The year in brief

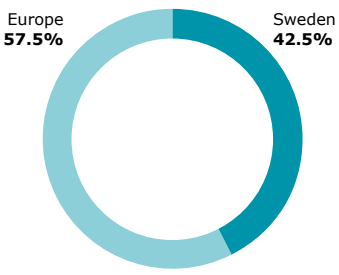
- **Strong profit improvement**
  – EBITDA increased by 20 percent
  – Operating profit increased by SEK 44.1m
- **Stronger financial situation**
  – Net debt to EBITDA ratio improved to 2.4 (3.4)
- **Net result affected by SEK 75m exceptional charge related to the divestment of the biologics operations**

KEY RATIOS

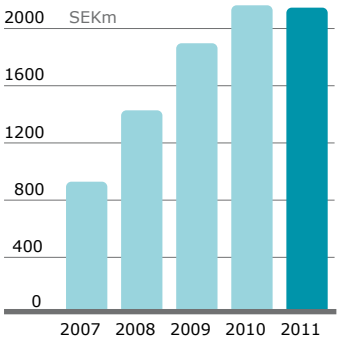
	2011	2010
Net sales, SEKm	2,141.0	2,157.4
Operating profit, SEKm	101.3	57.2
EBITDA, SEKm	205.3	171.8
Net profit, SEKm	-46.1	10.7
Sales growth, %	-3.9	17.7
Operating margin, %	4.7	2.6
Return on capital employed, %	7.9	11.6
Earnings per share, SEK	-3.63	0.84
Employees	1,691	1,694

FACTS IN FIGURES 2011

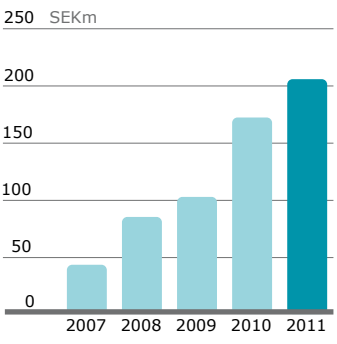
Manufacturing sales by region



Net sales



EBITDA



WE ENTERED 2011 FACING SEVERAL CHALLENGES; the decline in manufacturing volume in Stockholm; a very difficult financial environment for many customers; operational problems in Ashton and we were in the midst of adapting to the situation. Taking stock after this challenging time, we see that our people truly proved themselves. By the end of the year we had significantly improved our financial position with a record operating profit.

Emerging strong from a challenging year

Increasing demand

The Group's large share of revenues coming from manufacturing of mature and non-cyclical products provided some resilience, as did its geographical and customer mix. As we went through the year we saw signs of improvement in demand for new projects, however with a mixed picture. Business continues to be soft in the UK whereas business for lyophilisation and new orders from Scandinavian clients for development and small scale manufacturing increased significantly giving us comfort for the future. Development sales in particular provide a strong pipeline for future manufacturing projects so this is particularly encouraging.

Promising profit improvements

There is potential for significant further improvements in profit and margins when we realise the full effect of the reshaping initiatives that were implemented during the year. The measures were targeted so as not to jeopardize the Group's capabilities within our business streams or its ability to accommodate the important growth opportunities in certain markets. Whilst we should still not be satisfied with the 2011 profitability, I think that against the background of the very challenging activities we have been through, the Recipharm Group delivered a good performance.

I am particularly pleased with the operating cash flow which contributed to us being able to repay borrowings of 201 MSEK. This together with record operating profit before depreciations (EBITDA) made a significant reduction in the Net debt to EBITDA ratio; from 3.4 to 2.4. Thanks to this financial performance, we now have a healthy base from which we can not only defend our position, but also go on the offensive.

In terms of cost we addressed all areas of our business. Our comparable parent company overhead and administration costs were reduced significantly in the year. In our operating companies we also had to adjust our manufacturing costs by reducing the number of employees. During the year more than 200 people left the Recipharm Group and further people will leave during 2012 as part of already announced programmes. These are steps which we did not want to take and which I personally deeply regret. The decrease in manufacturing volume following one major customer withdrawal in Stockholm, a significant lack of development projects in biologics and the operational issues which led to the closure of the sterile department in Ashton meant these steps were necessary to ensure the Group's long-term future.

In our current situation, we must remain focused on creating lasting customer value. We continue to have a high focus on improving customer satisfaction and have introduced Group wide guidelines supported by operational excellence initiatives in all operating companies. Following the divestment of the biologics development services business we have brought the core business of the company back into sharp focus. Recipharm is now a CDMO with an excellent fit for purpose structure.

Success demands drive and tenacity

We believe the sustainable development of Recipharm will benefit all our stakeholders. When we say we are committed to sustainable productivity, it means we do everything we can to ensure reliable, lasting results with a responsible use of resources; human, natural and capital. Having Tenacity as one of our core values, we always take the long-term view because our customers need to know that we will be here not just today, but also tomorrow and years from now. Sustainability is therefore not an additional add-on, but a route to prosperity for Recipharm and other companies. Those that succeed will be the ones with the truly efficient and reliable processes, innovative services and excellent customer service.

2,141 SEKm
Net sales 2011

> We have a good financial position which will enable us to continue to invest

Recipharm is unique with its eight business streams and formulation technology platforms. We work to strengthen our knowledge within and across the platforms to develop new concepts, solutions and services to our customers. We continue to bring our knowledge to our customers and in particular the large number of medium and smaller customers around the world. One such way is through Recipharm Development Services where many of these skills are gathered under one roof. These skills will be instrumental in increasing the share of products in the early stage of the product life cycle.

Exploring a growing market

The key to success in this field lies with our employees. We have to recruit, develop and retain the most talented people, whoever they are and wherever they are from. This is a long-term priority in order to ensure that the Recipharm Group becomes a global leader. We already have a great group of people, but achieving a higher level of international diversity is a key target that we believe will yield even better results.

Now we are re-entering a more expansive mode after a tough period, my task as the CEO is to further intensify Recipharm's strategy for profitable growth. As before, we expect, in the longer term, to generate about one third of growth through acquisitions and the other two thirds organically, including outsourcing through carve-outs from big pharma. We will explore opportunities that can extend the Group's geographic presence, extend the customer base or add new technologies.

In summary, 2011 was a very challenging year. However, I believe Recipharm showed its resilience by standing up to the challenges and delivering a good result and cash flow. Our priority was to implement our reshaping initiatives and provide a platform for further rapid profitable growth going forward and we achieved this. At this point 2012 suggests we will see a continued strong improvement in margins and profitability and several interesting growth opportunities. We have a good financial position which will enable us to continue to invest both organically and structurally to support a long-term positive development for the Group.

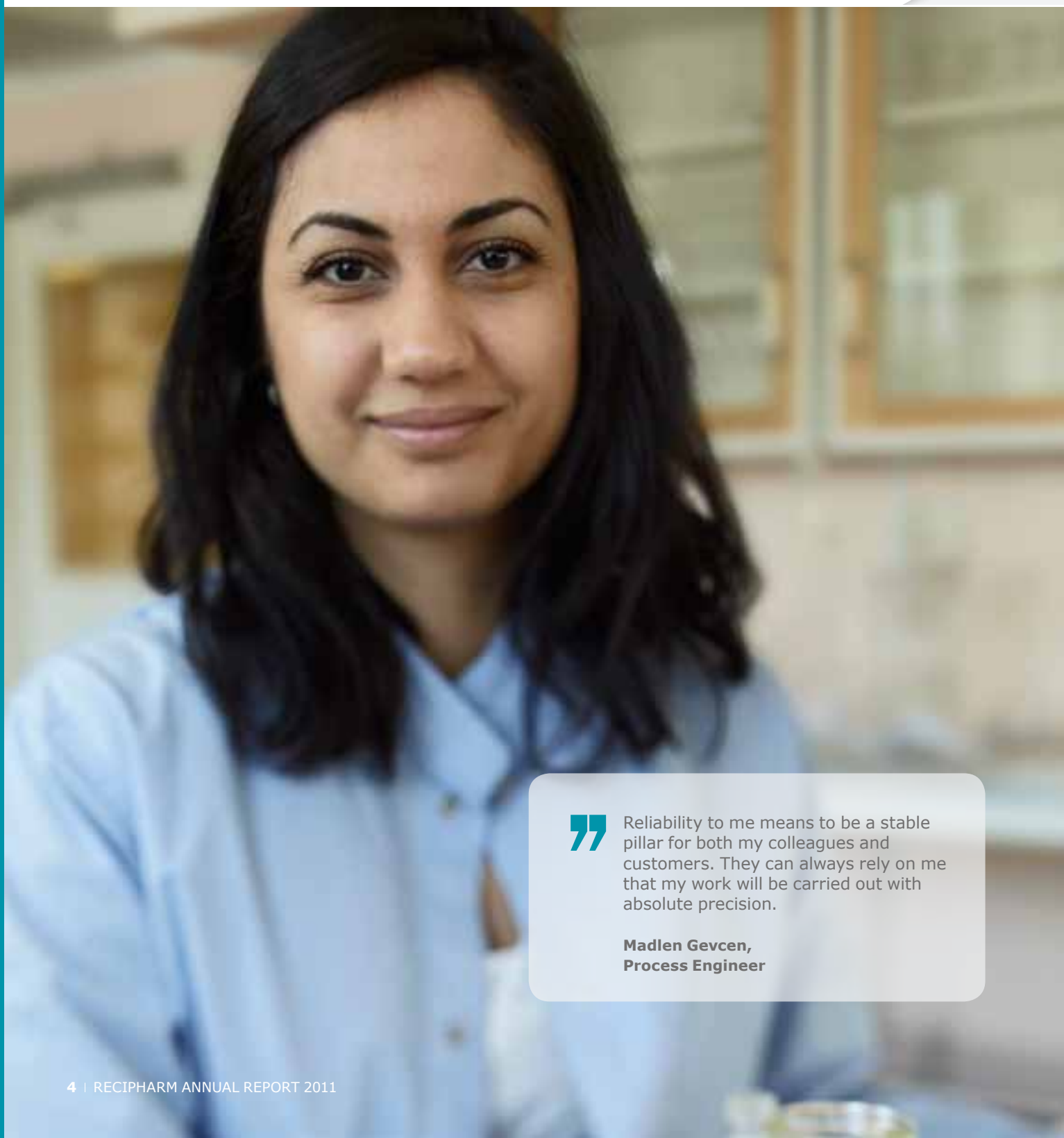
I would like to sincerely thank each and every Recipharm employee for their drive, commitment and understanding as we together manoeuvred our way through the year. I am proud to lead this hard-working team, in which we find a tremendous professional competence, entrepreneurial spirit and a strong will to deliver customer satisfaction.

Thomas Eldered, CEO

Recipharm's core value

RELIABILITY

- We create trust by always delivering on promises.
- We deliver with quality and in time.
- We are honest and always follow our code of conduct.



Reliability to me means to be a stable pillar for both my colleagues and customers. They can always rely on me that my work will be carried out with absolute precision.

Madlen Gevcen,
Process Engineer

Vision

To be acknowledged as the best-in-class provider of contract development and manufacturing solutions to the pharmaceutical industry as judged by our employees, customers and other stakeholders.

Mission

Recipharm offers its expertise and facilities in the development, production and supply of pharmaceuticals to demanding customers for global use.

How to become best-in-class

Objectives and strategies
- To reach a top three market position in Europe by 2014
- To reach a top three market position worldwide by 2016

Recipharm's market objective is to be a world leading supplier of CDMO services.

Financial objectives
- Sales growth >15%
- Return on capital employed >20%

This will be achieved through organic growth (5-10%), increased sales to current and new customers, acquisitions, efficient operations and the effects of the implemented reshaping initiatives.

Process objectives
- Supply chain excellence
- Successfully acquire new projects

This will be achieved by operational excellence, high quality processes, excellent customer service and highly competent people.

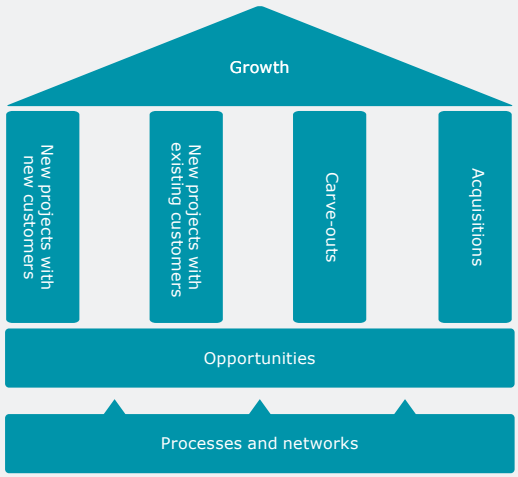
Customer objectives
- Deliver our promises
- First choice among target customers

This will be achieved by developing in-depth relations with our key customers and excellence in key processes, providing a one-stop shop with a breadth of services.

People objectives
- Embed our core values
- Right people and skills

This will be achieved through a learning organisation characterised by creativity and openness to new ideas.

BUILDING A STRONG BUSINESS



The growth strategies to achieve this are:
- Grow organically by leveraging on resources and capabilities
- Develop in-depth relationships with customers and provide a one-stop shop with a full service approach
- Enter into long term partnerships with big pharma customers through carve-outs
- Make strategic acquisitions to differentiate and further develop a competitive position

BUSINESS MODEL. Through the combination of development and manufacturing services, Recipharm's business model adds value to customers and also provides cost effective and high quality products and services from development to commercial manufacturing.

A synergistic business model

Manufacturing Services

The **Manufacturing Services** business segment is the backbone of Recipharm's operations. It includes the Company's manufacturing and packaging facilities, which produce and deliver large quantities of pharmaceuticals in many different formulations to its customers.

Through Recipharm's comprehensive manufacturing network, customers are offered choice and flexibility. Consistency and continuity between Recipharm's development and manufacturing facilities provides a smooth and efficient transfer between development and commercial manufacturing.

The revenues of the business areas come from multiple long-term relationships with different types of pharmaceutical companies that have chosen to outsource their manufacturing to Recipharm.

Development and Technology

The **Development and Technology** business segment supports Manufacturing Services with a wide range of development related services and technologies. The business area's main purpose is to provide a project pipeline for Manufacturing Services.

Development Services – support customers in their development process and have the capability to handle a pharmaceutical project's transfer from a development laboratory to full-scale commercial manufacturing.

Technology – comprises Recipharm's owned patents and technologies, such as rights related to specific drug delivery systems, as well as a limited number of products that are manufactured in-house and then sold to external marketing companies.

> Combining development, technologies and manufacturing services adds value for Recipharm's customers – small and medium-sized companies as well as large pharmaceutical companies.

An attractive combination

Added value throughout the product life cycle
The combination of development, technologies and manufacturing services adds value for Recipharm's customers – small and medium-sized as well as large pharmaceutical companies. With technical know-how and pharmaceutical expertise, Recipharm supports its customer from early development stages to an approved pharmaceutical product.

Leveraging the business
On Recipharm's part, the combination of Development & Technology and Manufacturing Services serves as business leverage.

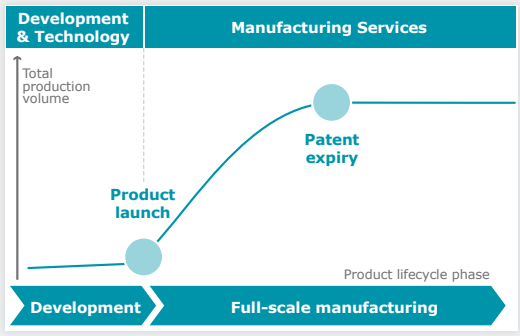
Recipharm's **Manufacturing Services (M)**, with a high capacity utilisation in the manufacturing facilities, form the basis of the Company's operations.

Development (D) and **Technology (T)** generate their own revenues and also serve as a springboard to new business for Recipharm's manufacturing facilities. The Development Services boost the customer benefits with their high competence and support to customers in the development of new pharmaceuticals.

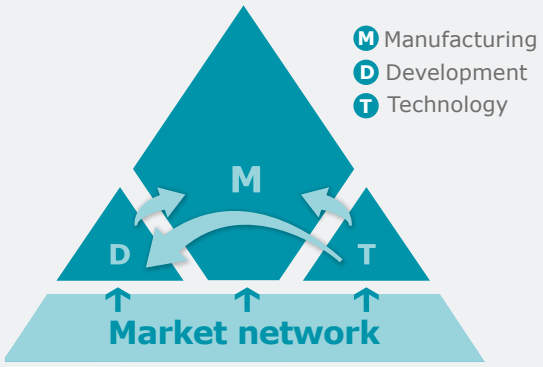
Recipharm's extensive **market network**, in combination with access to the multitude of formulations in the different manufacturing facilities, also provides opportunities for additional sales and increased capacity utilisation.

RECIPHARM'S BUSINESS MODEL

Added value throughout the product life cycle



Combination of services to leverage business



IN A PERIOD OF EXTENSIVE change and consolidation within the CDMO market, growth is achieved in a number of ways. It is generated not only by expanding the customer base and performing additional work with those new and existing customers, but also by taking over facilities from pharmaceutical companies who wish to transfer to a CDMO as part of their outsourcing strategy (carve-outs). Acquisition of competitors is a key strategy in building a foundation for profitable growth too.

Growth and acquisitions

Growth

With an extensive platform of development and manufacturing capabilities, strong customer relationships and a dedicated, highly experienced workforce, Recipharm is well equipped to leverage its market position and generate future growth and return on capital.

Individual operating companies promote their own facilities locally to existing customers, whilst central management play a key role in boosting the customer base and developing cross-sales between facilities and customers.

Pharmaceutical development projects also generate additional manufacturing contracts for the operating companies, when products are approved and launched in the market. In the future, developing Recipharm's own know-how and intellectual property will become an increasingly important part of organic growth.

In a period of big pharma divestments, carve-outs represent a good opportunity for Recipharm to grow organically. Recipharm is well placed to take advantage of these opportunities having a good reputation and track record successfully completing four since 2007.

Selected acquisitions

Consolidation in the CDMO market also gives rise to acquisition opportunities. Selected competitor acquisitions which allow Recipharm to support, differentiate and further improve its competitive position are evaluated thoroughly. In order to be considered for acquisition, a facility must have the potential to create value in the form of a new geographical market, new customer relationships or new technologies.

Integration and development of new operations

Recipharm's aim is to develop new additions to the Group in the long term. In the case of carve-outs, the former owners and their personnel gain a financially robust, well-established and committed new owner, with clear targets for performance and profitability. Recipharm has successfully integrated a number of facilities and at the same time gained valuable experience from developing them.

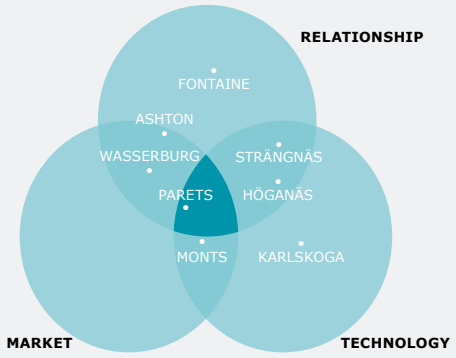
When brought into Recipharm's decentralised organisation, new companies are autonomous within the Group, having their own profit and loss responsibility. At the same time, Recipharm adds a strong common brand, governance model and support in developing their business. The integration process is very quick and typically takes less than one year.

RECIPHARM'S ACQUISITION MODEL

A business that is for sale is thoroughly evaluated and must meet at least one of the following three criteria to be considered for acquisition.

- It gives access to an attractive geographical market.
- It provides valuable, long-term client relationships.
- It brings with it a new technology that has good potential and strengthens Recipharm's market offer.

Recipharm's acquisitions are positioned according to the relevant criteria in the illustration.

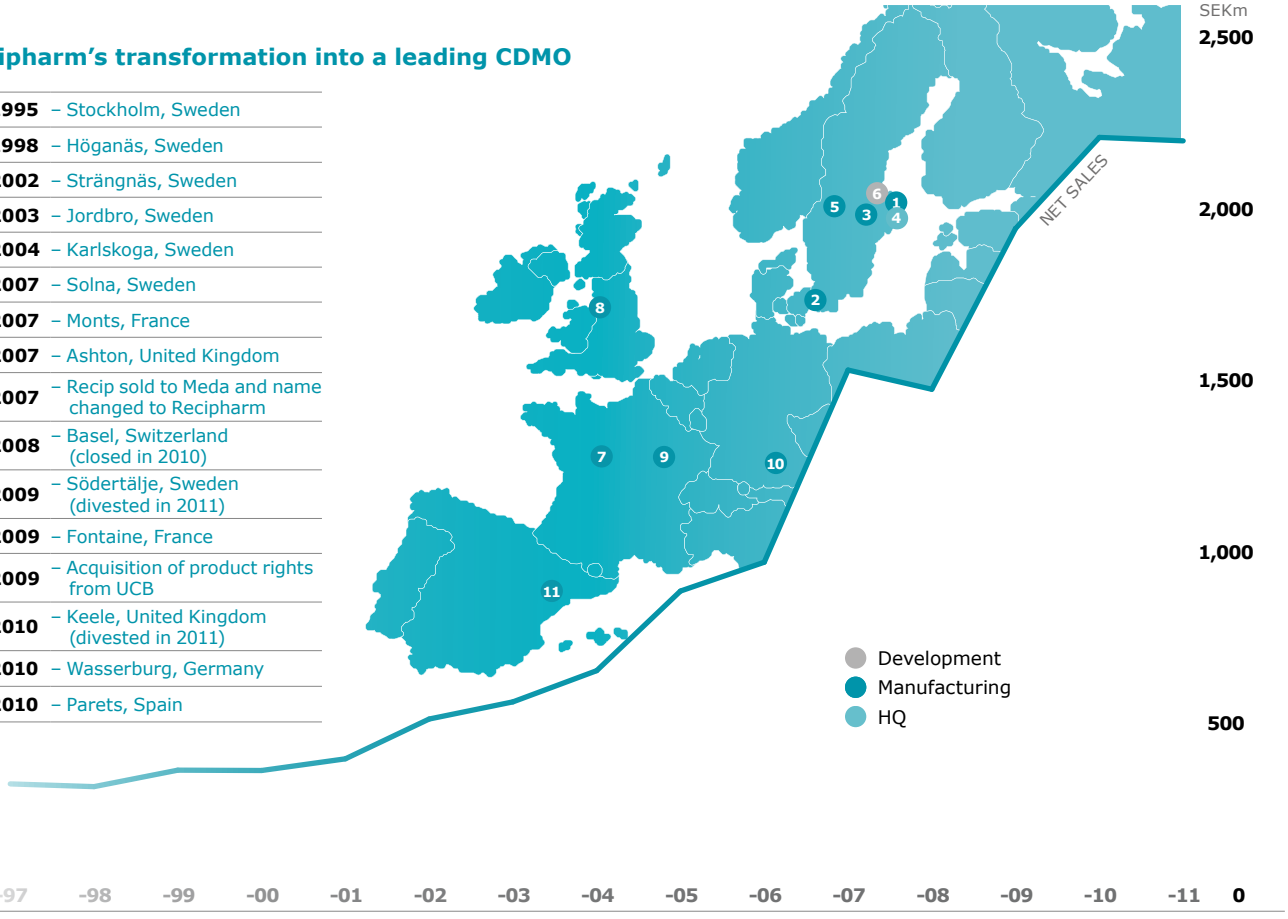


1995 » 2011 – A robust performance

RECIPHARM – A CDMO WITH PAN-EUROPEAN PRESENCE

Recipharm's transformation into a leading CDMO

1	**1995**	– Stockholm, Sweden
2	**1998**	– Höganäs, Sweden
3	**2002**	– Strängnäs, Sweden
4	**2003**	– Jordbro, Sweden
5	**2004**	– Karlskoga, Sweden
6	**2007**	– Solna, Sweden
7	**2007**	– Monts, France
8	**2007**	– Ashton, United Kingdom
	2007	– Recip sold to Meda and name changed to Recipharm
	2008	– Basel, Switzerland (closed in 2010)
	2009	– Södertälje, Sweden (divested in 2011)
9	**2009**	– Fontaine, France
	2009	– Acquisition of product rights from UCB
	2010	– Keele, United Kingdom (divested in 2011)
10	**2010**	– Wasserburg, Germany
11	**2010**	– Parets, Spain



1995 » 2011

From Recip to Recipharm

Recipharm was founded in 1995 (originally under the name of Recip) by Thomas Eldered and Lars Backsell who bought a solid-dose factory in Sweden with about 20 well known pharmaceutical products. Since then, the Company has sold the rights to most of its products and developed into one of Europe's largest CDMOs.

Recipharm is still growing, organically mainly through additional facilities realised by carve-outs, as well as through acquisitions. New technologies and dosage forms are added to further enhance the offer to be consistent with the Vision.

Recipharm's core value

TENACITY

- We show commitment in everything we do.
- We are committed to reaching our goals.
- We are persistent and we will not give up easily. If we encounter an obstacle, we try harder to find a solution.

”

Tenacity is a good watchword in my job. I am determined to achieve my goals. You cannot give up when an obstacle arises. It sometimes requires a great deal of creativity and pragmatism to "undo the knots".

Charlotte Lewerth
Head of Regulatory Affairs

THE PHARMACEUTICAL INDUSTRY develops, produces and markets medicinal drugs, which are typically divided into generic and patented pharmaceuticals.

A growing market for the CDMO

The global pharmaceutical market

The pharmaceutical industry develops, produces and markets medicinal drugs, which are typically divided into patented pharmaceuticals and generics. These, in turn, are commonly divided into prescription-only and over the counter (OTC).

There is a rising demand for effective medicines and it is driven by several factors. These include population growth and ageing, higher healthcare expectations, the disease burden of developing countries increasingly resembling that of developed countries, and improved possibilities to diagnose and treat more effectively diseases. The value of the global pharmaceutical market is expected to grow at a CAGR of around 5 percent until 2015 bringing sales to above US$ 1 trillion[1]. The underlying volume growth rate is much higher than this however, as lower pricing and the wider use of cheaper generics is masked. The share of biologic pharmaceuticals is also anticipated to increase as pharma companies are investing heavily in them.

A trend towards outsourcing

As governments need to control the insatiable demand for healthcare, the pharmaceutical industry continues to experience tighter pricing restrictions and stronger prescribing regulations. This is exacerbated by the greater hurdles that must now be overcome to gain licences for new drugs: not only is the cost rising, but also the length of time required – hence reducing the period of patent protection. Much of the industry's current focus is therefore on protecting profitability through cost-cutting measures. One such attempt is to outsource parts of the value chain.

PHARMACEUTICAL COMPANY CATEGORIES

BIG PHARMA
Large companies that market licensed pharmaceuticals and biopharmaceuticals, typically with operations throughout the value chain.

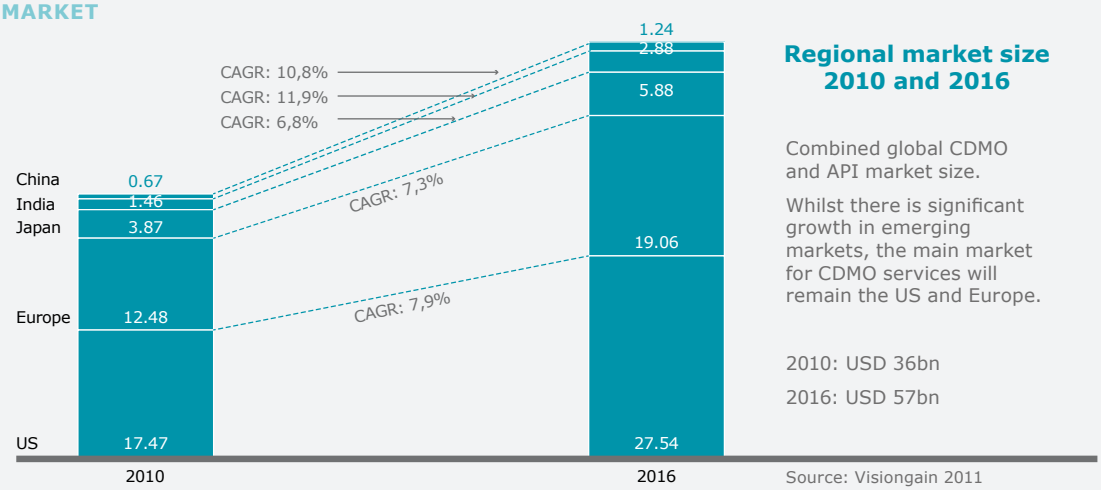
SMALL & MID-SIZE SPECIALTY PHARMA
Small to mid-sized companies that market licensed pharmaceuticals and biopharmaceuticals targeted at a limited range of diseases or indications. Many of these types of companies operate on a virtual model having no manufacturing facilities of their own.

GENERIC
Companies focused on making or selling generic pharmaceuticals and/or follow-on biopharmaceuticals.

RESEARCH
Companies focussed on drug discovery and early-stage development of pharmaceuticals and bio-pharmaceuticals, typically selling or partnering products at later stages.

TECHNOLOGY/PLATFORM
Companies developing and selling technology solutions to be used in combination with drugs and/or biotechnology platforms for the manufacture or administration of biopharmaceuticals. Many companies in this category will not have in-house development or manufacturing capacity.

[1] IMS Health, IMS Market Prognosis™, 2010–2014



Regional market size 2010 and 2016

Combined global CDMO and API market size.

Whilst there is significant growth in emerging markets, the main market for CDMO services will remain the US and Europe.

2010: USD 36bn

2016: USD 57bn

Source: Visiongain 2011

Outsourcing has always been common practice for small niche companies that could not afford or chose not to have certain capacity or competence in-house. But in recent years this has become an industry-wide trend, and today larger pharmaceutical companies also tend to limit their in-house manufacturing activities and instead invest in research or other core areas. This has resulted in the sale or closure of many facilities as well as the trend to outsource.

The growing generics market is another driving force in the outsourcing trend. When patents expire, many best-selling products become subject to competition, forcing prices and margins down. By outsourcing manufacturing to a contract manufacturing organisation (CMO), production can often be carried out more efficiently, flexibly and at lower cost.

Need for strategic development partnerships

The outsourcing model is very dynamic and has taken yet another step in its development with the emergence of technologically capable contract development and manufacturing organisations (CDMOs). The trend away from doing everything in-house has led many companies to consciously outsource not only production but also some of their development activities. The accelerated advancement of new manufacturing techniques and products has also reinforced this. There are many small companies who develop products in a laboratory with the aim of taking it through to phase II clinical trials before selling the intellectual property to a larger partner. These companies are often very specialised and need external support in many fields, including process development and production.

This means that the pharmaceutical companies are increasingly looking for integrated partners rather than just manufacturers. In the future this is likely to evolve even more, driven not only by the desire for companies to reduce their supplier base but also with greater sharing of risks and rewards among partners. The ability to add greater value is also enhanced.

The CDMO market

The market for CDMO services consists of CMOs and CDMOs, the latter offering more comprehensive services to the pharmaceutical industry, from drug development through to manufacturing.

The pure CMO market is more price-sensitive, whereas successful CDMOs have found a way to differentiate themselves through specialist expertise and capacity in late-stage development processes, thereby creating opportunities to boost margins.

CDMOs' clients vary in size and operate throughout the pharmaceutical industry. They include big pharma companies looking for cost efficiency and specialist CDMO expertise or other companies who either do not have or have chosen not to have in-house development and manufacturing capacity.

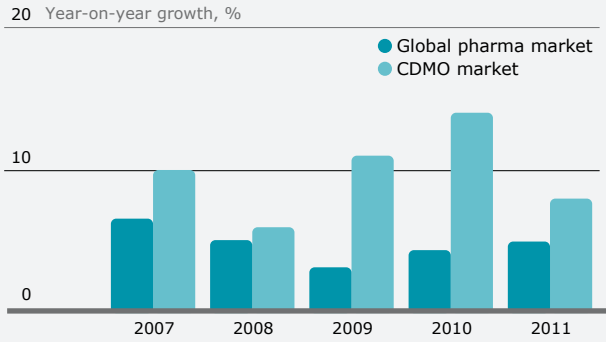
The pharmaceutical contract manufacturing market is difficult to estimate, but some research suggests the global dose form market (excluding API manufacture) is currently worth in excess of US$ 12 billion and will have a CAGR in excess of 8 percent to 2016. Recipharm estimates that there are more than 400 CMOs and CDMOs in the US and Europe alone, and some estimates suggest that the top 10 suppliers account for less than 30 percent of the market. However, there are signs of consolidation in the market.

The market is quite diversified, with niche companies specialised in certain therapeutic areas, and others, like Recipharm, offering a wide range of advanced technologies and dosage forms. The largest CDMOs are Catalent and Patheon. Recipharm's major competitors, with a similar market offer and structure, are Next Pharma, Famar, Corden Pharma, Fareva and Haupt Pharma. Revenue-wise, Recipharm is a top-10 CDMO in the world.

A globalised market

Globalisation is increasingly influencing the contract manufacturing market. Companies in emerging markets are entering the Western market, offering additional cost-saving opportunities for the pharmaceutical industry. The globalised outsourcing is located in Asia, where operating costs are significantly lower than in the west. Most benefits from the globalisation of CDMO services are gained where the work intensity is highest, or in manufacturing commodity-type pharmaceuticals with large sales volumes. With CDMOs in emerging markets further improving their capabilities, development projects are also predicted to be attractive for export.

Recipharm outperformed the CDMO industry by achieving an average growth rate of 18 percent p.a.



Whilst the global pharmaceutical market increased at a CAGR of 5 percent between 2006 and 2009, the CDMO market increased by a CAGR of 11 percent, over the same period.

Source: BizAcumen, Recipharm

However, locating development and manufacturing in emerging markets also involves some concerns. Problems regarding intellectual property protection, counterfeiting, product safety, environmental impact and development process control have made pharmaceutical companies cautious. Seeking to meet the demands of a globalised market, western CDMOs are now considering acquisitions in Asia and other emerging markets in an attempt to offer a more controllable low-cost alternative and also offer support to these relatively high growth markets on behalf of Western pharma companies.

A further response to CMO market competition is an even stronger focus on development. By focusing on products in an early stage of development where close proximity to the contractor is critical to cooperation and the maintenance of control, Western CDMOs can maintain long-term market share.

OUTSOURCING WITHIN THE PHARMACEUTICAL VALUE CHAIN

	DISCOVERY & PRE-CLINICAL DEVELOPMENT		CLINICAL TRIALS			MANUFACTURING		SALES & MARKETING
COMPANY TYPE	**Discovery**	**Pre-clinical Develop-ment**	**Formulation Develop-ment**	**Clinical Trial Material Supply**	**Clinical Trials**	**Commercial Manufacture & Packaging**	**Distribution**	**Sales & Marketing**
Big pharma	in	in	in	in/out	in/out	in/out	in/out	in
Small and mid-sized specialty pharma	in/out	in/out	in/out	in/out	in/out	in/out	out	in
Generic	–	–	in	in	–	in	out	in
Research	in	out	out	out	out	–	–	–
Technology/platform	–	–	in	out	out	–	–	–

Activities typically performed by a CDMO

The diagram illustrates the typical activities different types of pharmaceutical companies undertake throughout the value chain.

in = Activity typically performed in-house
– = Activity typically not performed
out = Activity typically outsourced

Nycomed: a Takeda Company

A long term partnership

Takeda Pharmaceutical Company Limited, headquartered in Osaka and founded in 1781, is Japan's largest pharmaceutical company. At the end of September 2011, Takeda acquired Zurich-based pharmaceutical company Nycomed. The transaction was the second largest outbound acquisition by a Japanese company ever.

The combination is an excellent strategic fit as it strengthens Takeda's geographic reach outside Japan and the United States complemented by Nycomed's focus on fast growing emerging markets like Russia and Brazil.

The largest pharmaceutical company in Asia

Today, Takeda is the largest pharmaceutical company in Asia and the 12th largest in the world with approximately 30,000 employees in more than 70 countries worldwide and forecasts net sales of ¥ 1.5 trillion. This is a growth of 6.4 percent for the fiscal year 2011/12.

Ing. Bernhard S. Zoidl
Senior Director Supply Chain & Logistics

"High quality in combination with flexibility and a proactive approach in our day to day business have been the key success factors in our co-operation over the years".

The company has an active commercial presence in the therapeutic areas of metabolic diseases, gastroenterology, oncology, cardiovascular health, central nervous system diseases, inflammatory and immune disorders, respiratory diseases and pain management.

Long term partnership

Recipharm's operating company located in Wasserburg, Germany has been a contract manufacturer cooperating in a loyal partnership with the German and Austrian affiliates of Nycomed, for almost 20 years. Xefo® (Lornoxicam) is a well-established product. It is fast and efficient for acute management of pain due to the unique formulations available. Xefo® provides short term relief of acute mild to moderate pain and symptomatic relief of pain and inflammation in osteoarthritis and rheumatoid arthritis. The product is available in more than 40 countries.

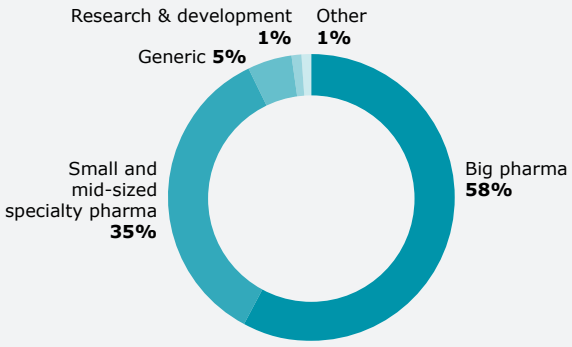
The long term partnership between Recipharm and Nycomed that has developed over the years is based on trust and customer focus.

Ing. Bernhard S. Zoidl – Senior Director Supply Chain & Logistics; Nycomed Austria GmbH confirms this and said "High quality in combination with flexibility and a proactive approach in our day to day business have been the key success factors in our co-operation over the years".

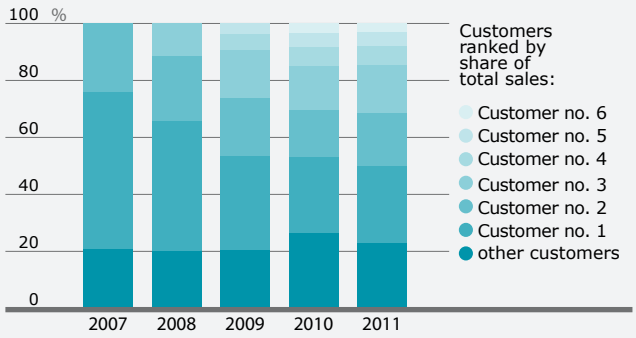
The Wasserburg facility has more than 35 years experience in aseptic filling and lyophilisation and the high level of expertise and blemish-free GMP compliance record has supported many customer projects including that of Nycomed's. Over the years this has led to successful partnerships and this was particularly demonstrated during the successful development of the Xefo® 4R vial presentation.

Both Nycomed and Recipharm are driven by strong emphasis on entrepreneurship, and delivery reliability. As a result, the relationship is extremely open and honest which continues to yield an excellent result for both companies.

Customer groups as a share of Recipharm's sales, 2011



Increased customer diversification
Sales split by customer 2007–2011



Developing a stable customer base

By offering a wide range of integrated solutions, incorporating advanced technological expertise and capability for pharmaceutical development and manufacturing, Recipharm aims to be the first choice for its target groups.

Customers throughout the industry

Recipharm's customers operate throughout the pharmaceutical industry, and the Company's market offering is designed to meet the requirements of two important customer groups.

Big pharma companies form the basis of Recipharm's sales. Big pharma typically choose Recipharm as a partner in manufacturing projects where volumes are significant and the product maintenance and update requirements are high. These customers are increasingly interested in solutions such as vendor managed inventory (VMI), in which Recipharm often takes full responsibility for supply and distribution.

Small and mid-sized companies, for example niche, specialty pharma and virtual companies that do not have the necessary skills and capacity in-house, are the main target groups in the development of sales from existing facilities. These customers make best use of the full-service concept, benefiting from Recipharm's wide range of manufacturing technologies and development services. Recipharm aims to win comprehensive projects by entering the development process as early as possible.
Currently most of Recipharm's customers are situated in Europe but their products are supplied globally. Several of Recipharm's operating companies deliver pharmaceuticals to countries outside of Europe, such as the US and Japan.

Loyal and growing customer base

Recipharm has more than 100 customers. By continuously diversifying its range of dosage forms, technologies and geographies, Recipharm is gaining the opportunity of extending its relationships with existing customers whilst generating new business.

Because customer focus and long-term relationships are a high priority to Recipharm, the full-service concept, offering comprehensive services and treating customers in a fair and skilled manner, is of great importance. High transfer costs and the increasingly regulated pharmaceutical market also motivate customers to carefully choose those suppliers who they can trust for a long-term, successful business relationship. This further reinforces the stability of Recipharm's customer base.

Recipharm's core value

ENTREPRENEURSHIP

- We are innovative and creative in finding ways to develop and improve our business.
- We are open to change but respect that it can take time to achieve.
- We have a "can do" attitude and always take on challenges with a mindset that nothing is too difficult.

> For me, entrepreneurship means that nothing is impossible, just more challenging. Many projects are complicated and take a long time to implement, but when everyone takes responsibility, we are well on our way towards good results.
>
> **Mikael von Porat, Director of Supply Chain**

RECIPHARM'S CUSTOMERS get access to specialised and integrated development and manufacturing expertise and facilities. Through its wide range of CDMO services, Recipharm adds value and cuts considerable development and manufacturing costs throughout a product's lifecycle – improving business for big pharma as well as smaller pharmaceutical enterprises.

Value-added pharmaceutical solutions

A wide range of integrated solutions

Through its broad CDMO competence, which combines manufacturing and development services, Recipharm provides comprehensive support to its customers throughout a product's lifecycle.

Recipharm offers a wide range of integrated solutions that incorporate advanced technological and pharmaceutical expertise. The solutions include not only development and manufacturing, but also a full-service concept, with focus on high quality and an aim to always exceed customer expectations. Customers in a given project do not need to look elsewhere for additional capacity or ancillary services.

RECIPHARM SERVICES THROUGHOUT THE PRODUCT LIFE CYCLE

MANUFACTURING SERVICES

- Procurement of starting materials
- Manufacturing
- Packaging
- Supply chain management and logistics (distribution, VMI, etc.)

Recipharm adds value and fulfils customer needs all the way from the development phase to full-scale commercial manufacturing.

Discovery → **Development** → **Full-scale manufacturing** → **Sales and marketing**

DEVELOPMENT SERVICES

- Pre-formulation
- Formulation development
- Stability studies
- Selection of raw materials and packaging
- Manufacturing of pre-clinical and clinical trial materials (secondary manufacturing)

RECIPHARM'S MANUFACTURING PLATFORM is spread across Europe and gives customers access to a wide range of technologies, competencies and services. The aim is to always accommodate every customer's specific needs, with a focus on flexibility, quality and service.

Manufacturing Services

Through Recipharm's comprehensive manufacturing network, customers are offered choice and flexibility. Consistency and continuity between Recipharm's development and manufacturing facilities also make it possible to quickly achieve efficiency and quality when a pharmaceutical is transferred from development to manufacturing.

Recipharm's customers range from small, regional or specialised companies to large international pharmaceutical companies. Smaller customers are typically looking for a partner that is able to manage and coordinate the entire industrialisation process, and to offer flexible production capacity during a market launch. Large pharmaceutical companies on the other hand often need a partner that can continue the manufacture and development of mature products efficiently as well as support the work to extend the product lifecycle. With an increasing number of customers, the number of projects extending from the development phase all the way through to manufacturing is increasing. All customers are discriminating, knowledgeable and place significant demands on Recipharm's ability to manage and coordinate complex projects throughout the product's lifecycle.

DOSAGE FORMS

Access to a wide range of dosage forms

	Solid dose	Sterile filling	Lyophilisates	Beta-lactams	Semi-solids	Inhalation	Liquids	Granulates and powders
Stockholm, Sweden	●							
Höganäs, Sweden								●
Strängnäs, Sweden				●				
Karlskoga, Sweden					●			
Monts, France		●						
Ashton, UK	●				●	●		
Fontaine, France	●							
Wasserburg, Germany		●	●					
Parets, Spain	●				●		●	

Recipharm operates through nine manufacturing subsidiaries spread across Europe. These subsidiaries run facilities that cover a wide variety of dosage forms.

High-quality requirements

Recipharm is committed to maintaining regulatory compliance and delivering high-quality services to its customers. Quality systems with well established processes are used throughout the organisation. To guarantee compliance with customer and regulatory authority requirements, Recipharm performs supplier and sub-contractor audits. All operating companies operate in accordance with current good manufacturing practice (cGMP).

Full-service support

An important part of Recipharm's integrated solution is the possibility for customers to choose their manufacturing service level. Therefore, Recipharm has built up capacity for a wide range of ancillary services.

Regulatory services
Recipharm has its own team of regulatory experts, who specialise in developing documentation packages to support new submissions, re-registrations and variations. The regulatory experts also draw up information for summaries of product characteristics (SPC) and assist in compiling expert reports.

Supply chain
Recipharm works closely with customers to optimise all aspects of its operations, from the sourcing of raw materials to market supply.

With a global network of suppliers and long experience of buying a wide range of raw materials, Recipharm can provide first-class purchasing support. The Company works together with suppliers to guarantee continuity of supply and high quality of raw materials.

All Recipharm operating companies produce pharmaceuticals registered with European Union authorities and many also have the necessary accreditation to manufacture products for markets outside of Europe, for example to the US and Japan. Moving forward in the value chain, Recipharm has also developed advanced online solutions for vendor managed inventory (VMI) which enables the Company to fully manage customers' stocks and distribution.

Active life cycle management
Combining its manufacturing and development expertise, Recipharm offers services to extend the product life cycle of mature products.

Analytical services
Recipharm's offer includes stability studies and analytical method development. For customers who import products into the EU, full EU gateway release and testing services are offered.

DEVELOPMENT SERVICES AND TECHNOLOGY offers a wide range of pharmaceutical development services as well as hosting a number of owned patents, technologies and the products rights in the Recipharm Group. The development services provide vital support to customers when they prepare development projects for commercial production.

Development & Technology

Pharmaceutical development services

Recipharm can handle a pharmaceutical project's transfer from a development laboratory to full-scale commercial manufacturing. Some of the most common services are raw material supply, formulation development, development of validated analytical methods, stability studies, and material selection for packaging and small-scale manufacturing for clinical trials.

GMP pilot facilities

Recipharm has its own good manufacturing practice (GMP) pilot facility for manufacture of solid dose, semi-solids and aseptic sterile vials. It also has a number of flexible areas to support other dosage forms. The primary role of the facility is to target new development projects and clients, but it also cooperates in ongoing development projects run by the many manufacturing operating companies, most of whom have their own local scale-up facilities and resources.

Tailored development process

Recipharm offers integrated solutions and access to an advanced development environment with medical and toxicological expertise. The project team always tailors the development processes to fulfil each customer's specific needs. Based on dosage form and other preferences, the product is optimised to achieve the most efficient drug delivery. In order to prepare for a successful technology transfer, the product is also made suitable for an industrial process.

Technology transfer

Contributing to the technology transfer of a pharmaceutical project, in which a substance can enter the development phase for clinical trials, is an important part of Recipharm's development offer. This is a sensitive and comprehensive phase, in which a project transfers from a laboratory environment with limited production volumes for tests on a few patients, to larger volumes for expanded tests and later full-scale commercial manufacturing.

Technology

Technology includes Recipharm's owned patents and technologies, which are increasingly a factor in the Company's contract development services. Recipharm also owns product rights to formulations that are out-licensed to generic or specialty pharma companies.

RecipharmCobra Biologics,

which had been a part of Development & Technology, was divested in July 2011.

EARNING A POSITION as a top CDMO requires high environmental standards. Recipharm has an extensive environmental programme and can offer customers manufacturing and development services with risk minimisation due to a systematic approach for health, safety and environment.

Making sustainability a tradition

Long tradition of environmental initiatives

For many years, Recipharm has been at the forefront when it comes to managing environmental risks and opportunities. In 1997 Recipharm (known as Recip at that time) was one of the first companies in Europe to obtain ISO 14001 certification (which means that the Company adheres to an environmental management system certified by a third party). As a company that marketed consumer products, Recipharm was also a strong driving force in the development of pharmaceuticals with minimised environmental impact for consumers on the Swedish market. When the health and safety standard OHSAS 18001 was introduced ten years ago, it was a logical step to incorporate that into the environmental work.

Today, the sustainability work within the Company focuses on providing manufacturing and development services that maintain high environmental, health and safety standards. A company policy states that all facilities must be ISO 14001 certified and the objective is for newly acquired facilities to be certified within two years of joining the Recipharm Group. Today all facilities have ISO 14001 certifications and most also hold the OHSAS certificate. In addition to certifications, all operating companies comply with the corporate environmental policy. The policy focuses on the areas of Recipharm's operations that have the biggest environmental impact, e g carbon dioxide emissions and management of chemicals, raw materials and waste. Each year targets are set locally to minimise the risks and impacts linked to these areas.

Minimising impacts in the future

Pharmaceuticals are deliberately manufactured to be biologically active, creating a risk to plants and animals should they be discharged into the environment. Because of this it is imperative that the drug, packaging and process is considered from all environmental perspectives. The systematic approach of Recipharm's development services can help to minimise future risks.

RECIPHARM INTERNATIONAL ENVIRONMENTAL AWARD

To inspire and reward positive environmental efforts within the pharmaceutical industry, Recipharm has established the Recipharm International Environmental Award.

Each year, the award is given to a company, individual or organisation that has shown good examples of sustainable development or innovations that contribute to a better environment.

In 2011, the award was presented to Professor Benoit Roig of Ecole des Hautes Etudes en Santé Publique (EHESP) in France. Professor Roig was awarded the prize because of his highly recognised research brought new and valuable knowledge which encourages the sustainable use of pharmaceuticals. Together with his team, he has developed new specific methodologies which monitor pharmaceutical pollutants in water, helping to identify and lower the presence of pharmaceuticals in the environment.

THE RECIPHARM MODEL for organisational development is a cornerstone of the Company. The model aims to keep and nurture an entrepreneurial organisation. Flexibility, local adaptation and customer focus are important priorities that influence the corporate structure as well as the way the management is organised.

Recipharm model

Stand-alone operating companies

Due to the limited scope for coordination and economies of scale, in manufacturing, all Recipharm facilities operate as stand-alone companies, usually in the form of legally separate entities. Each company has a general manager with authority and responsibility to implement strategies and policies. Performance is primarily measured by profitability, using return on capital employed but growth is also an important performance indicator.

Central management support

The parent company is responsible for management of the Group. Central management supports the local operating companies, for example by boosting the customer base and encouraging cross-selling between facilities and customers. Implementation and promotion of knowledge management and best practices between different facilities are centrally managed. Business development, acquisitions and financing for both the Group and the separate companies are managed centrally. Recipharm's global policies are important management tools for the Group.

Customers meet one Recipharm

Recipharm's customers meet a single brand. The brand name Recipharm applies to all operating companies in the Group. Customers utilising more than one Recipharm company encounter the same business model and ethical business practices throughout the Group.

OPERATING STRUCTURE

Recipharm AB (publ)

Development and Technology	Manufacturing Services
• Recipharm Pharmaceutical Development AB • Recipharm Inc • RPH Pharmaceuticals AB • Recipharm Venture Fund AB	• Recipharm Stockholm AB • Recipharm Höganäs AB • Recipharm Strängnäs AB • Recipharm Karlskoga AB • Recipharm Ltd • Recipharm Monts SAS • Recipharm Fontaine SAS • Wasserburger Arzneimittelwerk GmbH • Recipharm Parets SL

"We show commitment in everything we do."

Diverse management and staff

Making a difference

For Recipharm to become the best-in-class provider of CDMO services, the Company needs to attract and retain some of the best people in the business. When the journey first started, the founders were concerned whether people in the pharmaceutical industry, who could bring vital experience, would be interested in working for a new, relatively small company with an uncertain future. They needn't have been worried as the fast development of the business has provided employees with many opportunities to develop and play an important role in the development of the Group. People are empowered and encouraged to take on responsibility and gain new skills in an exciting rapidly changing environment.

Today, Recipharm is one of the world's 10 largest CDMOs, with nearly 1,700 full time employees. Whilst much has changed both new and old employees are still attracted by Recipharm's small-company ethos and its commitment to its core values.

Supporting international cohesion

Maintaining the cohesion of an increasingly international company is an important challenge for Recipharm's management. There is a strong resolve within Recipharm to maintain a small-scale, entrepreneurial approach. This is why, in the Recipharm Model, all operating companies are stand-alone units, working as separate companies with full responsibility for running profitable businesses.

To implement the desired corporate culture a Code of Conduct has been developed. The UN Global Compact's 10 principles are important guidelines and are included in the Code.

Recipharm is keen to capitalise on the existing industry experience of its staff and encourages networking and knowledge exchange at all levels.

RECIPHARM'S CORE VALUES

Tenacity

- We show commitment in everything we do.
- We are committed to reaching our goals.
- We are persistent and we will not give up easily. If we encounter an obstacle, we try harder to find a solution.

Reliability

- We create trust by always delivering on promises.
- We deliver with quality and in time.
- We are honest and always follow our code of conduct.

Professionalism

- We maintain a high level of competence to deliver a return on investment to our stakeholders.
- We are flexible, service minded and always looking for the best solutions. We learn from our mistakes.
- We show respect – to customers, peers, partners and managers.

Entrepreneurship

- We are innovative and creative in finding ways to develop and improve our business.
- We are open to change but respect that it can take time to achieve.
- We have a "can do" attitude and always take on challenges with a mindset that nothing is too difficult.

Nearly
1,700
employees

Recipharm is one of the world's 10 largest CDMOs

Recipharm

- rewards success, encourages personal and professional development and offers exciting challenges and participation in the Company's development
- is characterised by pride in the Company, high quality standards, creativity and delivering on the Company's promises
- contributes to the improvement of health and care for the environment

Talent development and succession

Employee development is key to Recipharm's future success and thus a top priority. Although everyone in the organisation is responsible for his or her own career, the Company encourages and promotes ambitious initiatives from all employees. For example, all vacancies at all levels are posted internally.

Central management are important ambassadors for employee development and work closely with local managers. All operating companies are responsible for and work actively with their own training activities, but cooperation between companies in the Group is encouraged. For example, a number of purchasing synergies have been realised by pooling of requirements with suppliers.

A good work environment

The health and well-being of employees are imperative and Recipharm not only complies with all local occupational health and safety regulations but also works proactively to promote a healthier lifestyle and a better work environment for its employees. The Company's main focus areas for creating a better work environment include the following.

High occupational standards

Recipharm works proactively to maintain a safe work environment. Risk analyses are performed regularly to identify and eliminate risks in the workplace and operating companies either have or are working in line with third party certification for health and safety.

Healthy employees

By working proactively with health-related issues, Recipharm becomes a more attractive employer. For example, many of the Swedish companies offer sport and exercise activities to their employees. Other ways in which Recipharm creates opportunities for better health are through healthcare service and activities designed to reduce illness.

Equality, diversity and discrimination

All employees are treated with respect and offered equal opportunities for personal development and career advancement. Recipharm has a global policy regarding prevention of discrimination that is supported by local plans.

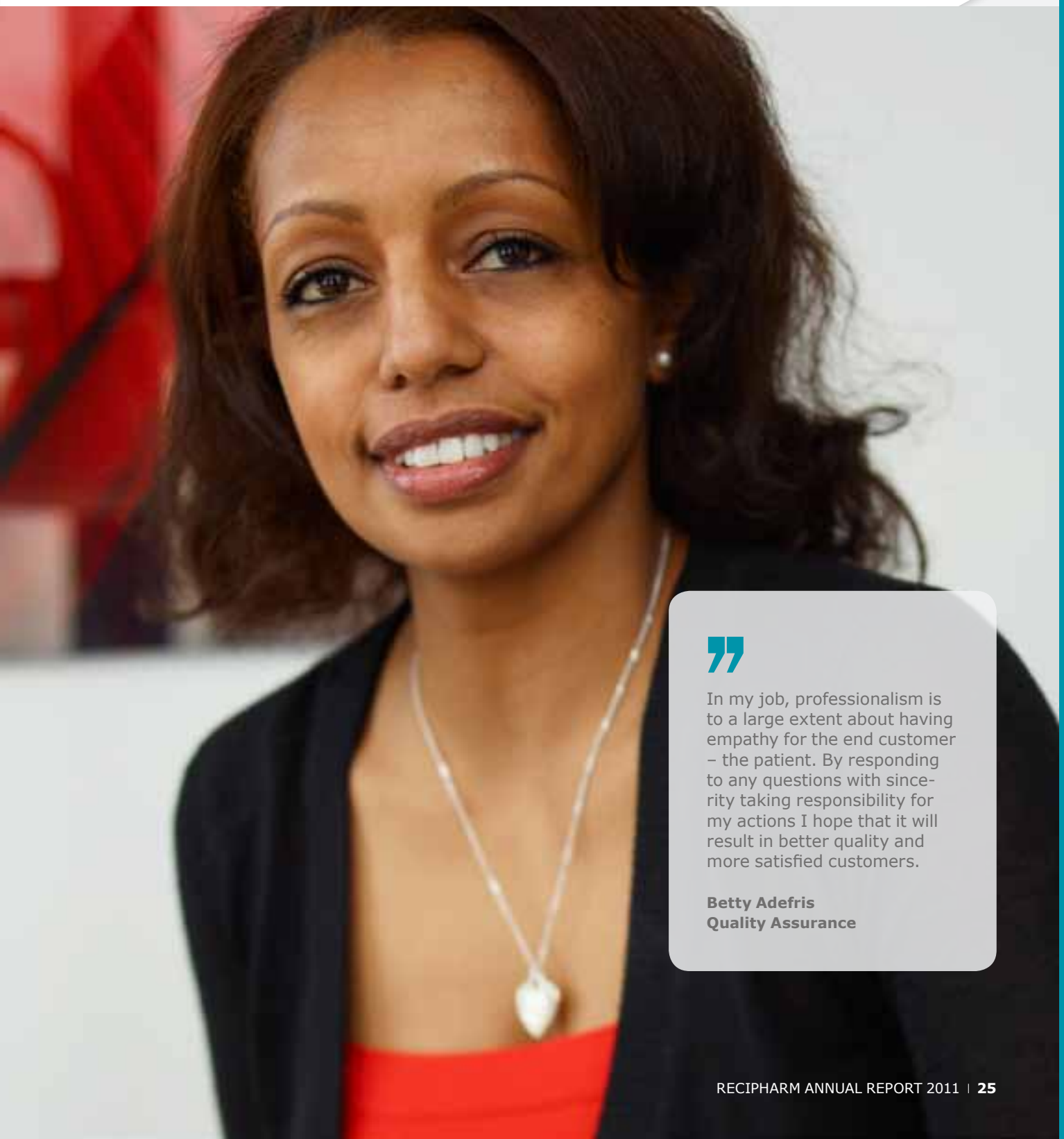
The Company's mix of ages, genders and ethnicities contributes to a greater openness which in turn helps to promote continued diversity and skill base within the company.

Recipharm recognises it is important to further enhance the diversity of the company for example by promoting internal mobility to achieve an even greater international mix, and by conducting seminars for management to raise awareness of the risks of discrimination in recruitment.

Recipharm's core value

PROFESSIONALISM

- We maintain a high level of competence to deliver a return on investment to our stakeholders.
- We are flexible, service minded and always looking for the best solutions. We learn from our mistakes.
- We show respect – to customers, peers, partners and managers.



In my job, professionalism is to a large extent about having empathy for the end customer – the patient. By responding to any questions with sincerity taking responsibility for my actions I hope that it will result in better quality and more satisfied customers.

Betty Adefris
Quality Assurance

Administration Report

The Board of Directors and CEO of Recipharm AB (publ), corporate identification number 556498-8425, with its registered office in Stockholm, Sweden, hereby submit the annual report and consolidated annual accounts for the 2011 financial year. The annual report was approved by the Board of Directors for publication 9 March 2012.

GROUP BUSINESS AND STRUCTURE

The Recipharm group, in which Recipharm AB is the Parent Company, owned by 90.1 percent of B&E Participation AB, corporate identification number 556510-1879, with its registered office in Stockholm. The remaining 9.9 percent is owned by Nordea Fonder. The parent company, Recipharm AB, includes not only direct subsidiaries but also two branches in the UK and in Norway. The consolidated annual accounts are prepared by Recipharm AB, including its subsidiaries and B&E Participation AB for the entire Parent Group. The reporting currency is SEK.

Recipharm provides pharmaceutical manufacturing services to pharmaceutical companies and provides them with development services and technology in the drug development phase. Customers vary in size, from large international pharmaceutical companies, to small pharmaceutical or biotech companies.

NET SALES AND PROFIT

Consolidated net sales for the financial year reached SEK 2,141.0m (2,157.4). Overall, the sales remained stable in spite of lower sales due to the closure of the sterile unit in the Asthon site.

For the financial year, operating profit totalled to SEK 101.3m (57.2). The increase in operating profit was primarily associated with less non-recurring costs and improved result in many of the companies. Consolidated profit after financial items reached SEK 0.5m (54.2) for the Group.

Profitability, calculated as the return on capital employed, was 8 percent (12). The long-term target is a return of more than 20 percent on capital employed.

Net sales for the Parent Company amounted to SEK 82.7m (111.8), a decrease of about 26 percent. The loss after financial items equalled SEK -138,4m (-98.5).

LIQUIDITY AND CASH FLOW

At 31 December 2011 the Group's cash and cash equivalents were SEK 144.2m (277.8). The unutilised portion of the bank overdraft facility was SEK 81.0m.

The Group's businesses are financed by equity of SEK 539.8m (642.6) as well as long-term loans of SEK 330.2 million (425.6) and a bank overdraft facility of SEK 250m (250) and current loans of SEK146.7m (216.0). The remaining part, SEK 88m, related to the new issues of shares, was paid in March 2011.

Consolidated cash flow totalled SEK -133.0m (128.5). This total includes SEK 123.1m (187.6) from operating activities, SEK -142.8m (590.8) from investing activities and SEK -113.2m (531.7) from financing activities. The Group's equity/assets ratio was 30 percent (29) at financial year-end, which is less than the Group's long-term target of 40 percent. The net debt/equity ratio for the Group was 0.98 (0.92), which is higher than the long-term target of a maximum multiple of 0.5. This is mainly due to loans raised in connection with previous year's acquisitions.

The Parent Company's cash and cash equivalents totalled SEK 2.2m (101.4) at year-end. In addition, the Company can utilise the Group's bank overdraft facility of SEK 250m (250), of which SEK 81.0m (24.8) was unutilised at year-end. Cash flow totalled SEK -99.2m (83.5). For the financial year, cash flows from operating activities totalled SEK -17.8m (114.0), SEK 4.3m (-612.3) from investing activities and SEK -85.7m (581.9) from financing activities.

CAPITAL INVESTMENT

The Group's gross investment in property, plant and equipment during the financial year totalled SEK 53.8m (51.5), excluding business acquisitions. Most investments were for replacements, though a significant portion was related to new projects or expansion of capacity. Acquisition of intangible assets totalled 0.0m (43.9). The Parent Company's gross investments equalled SEK 0.m7 (8.8), all in machinery and equipment.

SIGNIFICANT EVENTS DURING THE YEAR

No acquisitions or carve outs have been made. Further integration of previous year's transactions in Wasserburg and Parets have continued.

The business related to manufacturing of Biological pharmaceuticals was sold during the year. That business consisted of two companies, Recipharm Biologics AB and RecipharmCobra Biologics Ltd. The business was divested as the results did not evolve as expected, essentially due to the low sales. The market for this kind of services has been negatively affected by the global financial crisis, as many of the companies within this industry is dependant of external financing while their projects are in development phase without a continuous flow of revenues. Recipharm still see this market as interesting and we continue to provide manufacturing services primarily in the segment for injectable solutions. The Group result was affected negatively by SEK -75m as a result of the divestment. Further details are presented in note 4.

The sterile solutions business in Ashton, UK, was closed during the year. However, the main part of the manufacturing in Ashton continues and consists mainly of solid dose dosage forms as tablets. In connection with the closure, a few customers have claimed compensation. We have challenged these demands and no formal process has started. No reservation in the financial statements has been made related to these claims. One-time-costs related to this closure amounts to SEK 17.9m consisting of redundancy provisions and machinery write-off.

The new issue of shares totaling SEK 188m, which was decided end 2010, was concluded as the remainder of SEK 88m was paid.

RESEARCH AND DEVELOPMENT

Recipharm's research and development (R&D) activities focus on the pharmaceutical development of new products as well as the improvement of existing products and processes to achieve greater efficiency and customer benefit. Many product projects are conducted as assignments for internal and external customers. Costs for the development of products and production processes are expensed as they arise. During the year, we made use of new laboratories that significantly increased our capacity and possibilities to take on new projects. Now we can also conduct development assignments for sterile formulations. R&D costs totaled SEK 43.9 million (47.3).

THE ENVIRONMENT

Our vision is for Recipharm to be a shining example with regard to the environment. Environmental efforts are vital to Recipharm and are an integral part of day-to-day work.

Recipharm has resolved for all operational subsidiaries in the Group to obtain ISO 14001 environmental certification. All companies are already there or are working towards certification. Several Recipharm companies are also certified according to OHSAS 18001 for the work environment.

The impact of the Recipharm Group on the external environment results from our activities as a pharmaceutical manufacturer. The direct impact consists of air and water emissions from manufacturing processes that involve gas, solvents and effluent containing pharmaceutical residuals. The indirect impact consists of emissions from transport to and from our sites and through energy consumption. Every company monitors its environmental impact using its own environmental management system and continuously works to follow up and improve its operations with respect to the environment.

During the year, the Company complied with environmental legislation as well as the conditions in all permits. Only Recipharm Stockholm AB has operations requiring a permit according to the Swedish Environmental Code, while other Swedish subsidiaries have operations requiring registration.

In the opinion of the Company, there are no environmental liabilities for future decontamination.

PERSONNEL

In 2011, the average number of employees (corresponding to fulltime positions) was 1,691 (1,694), a change of -0.2 percent (21). Women accounted for 57 percent (56) of personnel. Please refer to Note 7 for additional information about personnel.

Recipharm's Swedish business has held AFS 2000:1 and OHSAS 18001 work environment certifications for many years.

A convertible bond programme, directed to the employees and members of the Board, was implemented in 2009. Convertible bonds totalling SEK 39.2 million were issued. Full conversion would increase the total number of shares less than 7 percent. The bonds may be converted into shares during the period 6 February-20 March 2014 or earlier if Recipharm's shares are publicly listed. Interest is paid annually, based on the 12-month STIBOR plus 0.75 percentage points.

THE WORK OF THE BOARD

At the 2011 Annual General Meeting (AGM), all five members of the Board were re-elected. All members elected by the AGM are men. The Board held five regular meetings during the year.

OUTLOOK

In addition to organic growth in existing operations, the combination of several contracting projects already underway and the full-year impact of acquired production facilities is expected to generate healthy sales growth in coming financial years. Overall operating profit and profitability are forecast to improve in coming years. A decline may occur in individual years following strategic acquisitions that do not generate healthy profits until changes are implemented or the investment phase is completed.

TAX LITIGATION

The Swedish Tax Agency decided to reject loss carry-forwards totaling SEK 457m claimed by Recipharm AB and related to tax year 2008. The Agency has also informed the Company that they intend to reject SEK 308m more in loss carry-forwards. These deductions are mainly related to operations divested in 2007. As a consequence of the Tax Agency's decision, Group contributions totalling SEK 337.7m that were received in 2008 were cancelled and reversed in 2009 in the same way as they had been booked in previous years. If the Tax Agency's claims are upheld in full in future judgements, Recipharm's tax costs will increase by SEK 29m. The Company has appealed to the administrative court, where a decision is expected within one year. Company management and the Board consider a judgement in favour of the Tax Agency so unlikely that no provisions for or disclosure of contingent liabilities are necessary.

ALLOCATION OF PROFIT/LOSS

The following earnings of the Parent Company are available to the AGM.

Profit brought forward	428,885,952
Loss for the year	-138,368,703
Total	**344,517,249**

The Board proposes that the earnings be allocated as follows.

Balance carried forward	344,517,249
Total	**344,517,249**

Risks

Recipharm has identified the following types of risks:

Market-related risk	Risks related to internal processes	Financial risks

MARKET-RELATED RISK

Competition	The growing CDMO market is attracting strong suppliers, and the competition may have a negative impact on profit margins. Through continuous improvement of business processes and customer relationships, Recipharm creates value for customers, thereby improving its competitive edge.
Customer dependence	A significant portion of Recipharm's business comes from a limited number of customers. Through acquisitions and carve outs and a strong emphasis on increasing the number of customer relationships, Recipharm decreases its dependence on a small number of customers. In previous years, the three largest customers accounted for 80 percent of Company sales. Prior to 2011, with new acquisitions, the 14 largest customers now represent about 80 percent of sales. The pharmaceutical market is encountering a decline in R&D productivity, and consequently fewer new drugs are entering the market.
Customer cost pressure	Thus many pharmaceutical customers have dedicated more effort than before to cutting costs. To secure revenue flows, Recipharm uses long-term contracts, thereby stabilising prices. Price levels are maintained by providing services with high customer value.

RISKS RELATED TO INTERNAL PROCESSES

Building and maintaining expertise	In a more competitive market, it is becoming more difficult to attract and retain key competencies. Recipharm has a strong emphasis on leadership training, career planning and creating an attractive workplace.
Acquisition and carve out projects	Such transactions expose the Company to different types of risk: financial, commercial and operational. Before the Board decides to make an acquisition, due diligence in line with the risk entailed by each acquisition, as well as a management team assessment, are always performed. To secure successful integration of newly acquired businesses, Recipharm follows well-established internal procedures.
Product defects	Any significant product defect caused by Recipharm would damage the Company image and customer confidence. All subsidiaries operate in accordance with current good manufacturing practice and with Recipharm's own high quality standards. Every Recipharm facility is inspected periodically by regulatory authorities as well as by Recipharm's own team of regulatory experts.

FINANCIAL RISKS (SEE ALSO NOTE 40, SENSITIVITY ANALYSIS)

Currency risk	Recipharm does not normally hedge its foreign exchange exposure, but the Company aims to limit the foreign exchange risk in its operations by balancing income and expenses in local currencies. Group transactions are mainly in euros, which limits the currency exposure. Foreign investments such as acquisitions are financed in local currency as far as possible. The currency that has the greatest influence on Recipharm's profits is the euro, but foreign exchange risks are deemed relatively limited as they offset well within the Group as a whole.
Credit risk	Recipharm only accepts creditworthy counterparts in financial transactions and, when needed, uses a system for managing overdue invoices. Long-term contracts and customers' dependence on their CDMO suppliers are important factors that reduce credit risk. Recipharm has many financially solid customers and few credit losses.
Interest-rate risk	Operations are partly financed through borrowing. Fluctuations in interest rates directly influence the financial results. Recipharm aims to maintain a balanced loan portfolio of short- and long-term borrowings, with interest rates normally linked to official interbank rates.
Liquidity and refinancing risk	External capital exposes Recipharm for some liquidity risks. Refinancing risk is the risk that the company cannot refinance their loans when desired or raise new financing in the market when the need arises. Recipharm has a long term loan facility which is dependent on the achievement on certain covenants. If these covenants are not met the lender may renegotiate or execute an earlier termination. The current loan facility amounts to SEK 439m and is amortised yearly. Detailed description of the loan periods is given in note 40.

Five-Year Summary

	2011	2010	2009	2008	2007
Profit & Loss summary (MSEK)	(IFRS)	(IFRS)	(IFRS)	(IFRS)	(BFN)
Net turnover	2,141.0	2,157.4	1,891.5	1,422.9	924.2
Operating profit before depreciation (EBITDA)	205.3	171.8	102.4	84.9	43.1
Operating profit	101.3	57.2	61.1	56.5	16.0
Financial income	4.4	83.5	2.5	13.0	21.2
Financial expense	-30.1	-30.8	-4.1	-4.7	-41.8
Profit after financial items	0.5	54.2	59.5	64.8	208.9
Profit for the period [1/]	-46.1	10.7	13.5	44.7	208.9
Balance sheet summary (MSEK)					
Non-current assets	867.7	1,026.6	464.2	194.5	162.3
Cash and cash equivalents	144.2	277.8	164.6	107.1	253.2
Total assets	1,727.2	2,186.6	1,304.8	1,231.4	865.9
Equity	514.1	642.6	506.7	455.5	418.1
Interest-bearing debts	645.9	866.9	402.3	91.8	111.4
Non-interest-bearing debts [2/]	567.2	677.1	395.8	684.0	336.4
Capital employed [3/]	1,160.0	1,509.5	909.0	547.4	529.5
Net debt [4/]	501.7	589.1	237.7	-15.2	-141.8
Cash Flow (CF) summary (MSEK)					
CF from operating activities [5/]	123.1	187.6	5.7	-18.6	-78.3
CF from investing activities	-142.8	-590.8	-309.3	-104.2	332.1
CF from financing activities	-113.2	531.7	365.6	-20.8	-101.3
Total cash flow	-133.0	128.5	62.0	-143.6	152.4
Share information (1000)					
Average no of shares basic	12,238	10,000	10,000	10,000	10,000
Average no of shares, diluted	12,891	10,653	10,653	10,000	10,000
No of shares at year-end	12,686	10,000	10,000	10,000	10,000
Key measures	2011	2010	2009	2008	2007
Operating margin [6/]	4.7%	2.6%	3.2%	4.0%	1.7%
Return on capital employed [7/]	7.9%	11.6%	8.7%	12.9%	7.7%
Interest coverage ratio [8/]	3.5	4.6	15.5	14.9	0.9
Net debt/Ebitda	2.4	3.4	2.3	-0.2	-3.3
Debt/equity ratio [9/]	1.26	1.35	0.79	0.20	0.27
Net debt/equity ratio [10/]	0.98	0.92	0.47	-0.03	-0.34
Equity/assets ratio	29.8%	29.4%	38.8%	37.0%	48.3%
Earnings per share [11/]	-3.63	1.00	1.35	4.47	20.89
Earnings per share after dilution	-3.58	1.00	1.27	4.47	20.89
Equity per share [12/]	40.53	60.32	50.67	45.55	41.81

Note	Comments
1/ Profit for the period year 2007	Includes Recip AB, which was divested 2007
Profit for the period year 2011	Includes the divested Biologics business
2/ Non-interest-bearing debts	Include deferred tax in untaxed reserves
3/ Capital employed	Total assets minus non-interest bearing debts
4/ Net debt	Interest-bearing debts minus cash and cash equivalents
5/ Cash flow from operations	Cash flow from operations
6/ Operating margin	Operative result divided by Net turnover
7/ Return on capital employed	Operative result plus financial revenues divided by average capital employed
8/ Interest coverage ratio	Operative result plus financial revenues divided by financial costs
9/ Debt/equity ratio	Interest-bearing debts divided by equity
10/ Net debt/equity ratio	Net debt divided by equity
11/ Earnings per share	Net result divided by no of shares at year end
12/ Equity per share	Equity divided by no of shares at year end

Consolidated statement of comprehensive income

SEK million	Note	2011	2010
Operating income			
Net sales	2, 3	2,141.0	2,157.4
Other operating income	5	15.6	15.6
		2,156.6	**2,173.0**
Operating expenses			
Raw materials and consumables	27	-640.8	-684.3
Other external costs	2, 6	-464.7	-460.9
Employee benefits expense	7	-820.8	-834.0
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	8	-104.1	-114.6
Other operating expenses	9	-24.9	-22.1
Operating profit	3	**101.3**	**57.2**
Loss for the year from discontinued operations	4	-75.0	-55.7
Interest income and similar revenues	10	4.4	83.5
Interest expenses and similar costs	11	-30.1	-30.8
Net financial income/expense		**-100.7**	**-3.0**
Profit before tax		***0.5***	***54.2***
Current tax	12	-46.6	-43.5
Profit/loss for the year		**-46.1**	**10.7**
Other Comprehensive Income:			
Translation difference		-75.8	-49.7
Tax on items recognised in other comprehensive income		–	–
Comprehensive income for the year		**-121.9**	**-39.0**
Net profit attributable to:			
Parent Company shareholders		-46.1	16.3
Non-controlling interest		–	-5.6
		-46.1	**10.7**
Comprehensive income for the year attributable to:			
Parent Company shareholders		-121.9	-33.4
Non-controlling interest		–	-5.6
		-121.9	**-39.0**
Earnings per share before dilution (SEK)		-3.76	1.07
Earnings per share after dilution (SEK)		-3.47	1.07
Earnings per share for remaining operations before dilution (SEK)		2.37	6.64
Earnings per share for remaining operations after dilution (SEK)		2.34	6.30
Earnings per share for discontinued operations before dilution (SEK)		-6.13	-5.57
Earnings per share for discontinued operations after dilution (SEK)		-5.72	-5.16
Profit before dilution (TSEK)		-46,046	10,679
Effect from potential shares (TSEK)		1.272	725
Profit after dilution (TSEK)		-44,774	11,404
Average number of shares before dilution		12,238	10,000
Potential shares		653	653
Share issue		–	2,686
Average number of shares after dilution		12,891	10,653

Consolidated statement of financial position

SEK million	Note	2011-12-31	2010-12-31
ASSETS	4		
NON-CURRENT ASSETS			
Intangible assets			
Product rights	13	163.5	177.5
Goodwill	4, 15	78.2	107.8
Customer contracts	4, 15	168.2	229.9
Intellectual capital	4	–	3.3
Other intangible fixed assets	14	12.4	13.1
		422.3	**531.7**
Property, plant and equipment			
Land and Buildings	16	133.5	135.7
Leasehold improvements	17	8.1	8.3
Plant and machinery	18	204.2	163.9
Equipment, tools, fixtures and fittings	19	38.1	143.0
Construction in progress	20	39.4	36.2
		423.1	**487.1**
Other non-current assets			
Other investments held as non-current assets	23	8.8	0.1
Deferred tax asset	24	13.5	7.6
Other non-current receivables	25	–	0.1
		22.3	**7.8**
TOTAL NON-CURRENT ASSETS		**867.7**	**1.026.6**
CURRENT ASSETS			
Inventories	26	390.4	384.1
Accounts receivable	27	236.0	301.6
Tax asset		15.0	7.7
Other receivables	28	42.1	143.3
Prepaid expenses and accrued income	29	31.8	45.5
		715.3	**882.3**
Cash and cash equivalents	30	***144.2***	***277.8***
TOTAL CURRENT ASSETS		**859.5**	**1.160.1**
TOTAL ASSETS		**1,727.2**	**2,186.6**

Consolidated statement of financial position

SEK million	Note	2010-12-31	2010-12-31
EQUITY	31		
Share capital		12.7	10.0
Other paid-in capital		514.5	517.2
Reserves		-97.4	-21.6
Profit brought forward		84.3	130.4
Equity attributable to Parent Company shareholders		***514.1***	***636.0***
Non-controlling interest		-	6.8
TOTAL EQUITY		**514.1**	**642.8**
LIABILITIES	4		
Interest-bearing liabilities	40	330.2	425.6
Provision for pensions	32	63.0	57.7
Other provisions	33	4.2	18.7
Deferred tax liability	24	69.7	75.6
Other non-current liabilites	34	31.9	21.7
Total non-current liabilities		***499.0***	***599.2***
Interest-bearing liabilities	40	315.7	441.3
Accounts payable	35	153.9	196.3
Tax liabilities		29.7	21.2
Other liabilities		57.6	106.5
Accrued expenses and prepaid income	37	157.2	179.5
Total current liabilities		***714.0***	***944.7***
TOTAL LIABILITIES		**1,213.0**	**1,543.9**
TOTAL EQUITY AND LIABILITIES		**1,727.2**	**2,186.6**
Pledged assets	38	**640.4**	**556.5**
Contingent liabilities	39		
Guarantee, Recipharm Karlskoga Fastighets AB		12.3	13.0
Corp. Id. no 556657-8315			

Consolidated statement of changes in equity

SEK million	Share capital	Additional paid-in capital	Translation reserve	Fair-value reserve	Retained earnings incl. profit/loss for the year	Equity attributable to Parent company shareholders	Non-controlling interest	Total Equity
Equity at 31 December 2009	**10.0**	**337.7**	**27.4**	**0.7**	**119.5**	**495.3**	**11.5**	**506.7**
Profit/loss 2010					16.3	16.3	-5.6	10.7
Other comprehensive income 2010			-49.7			-49.7		-49.7
Total comprehensive income 2010			-49.7		16.3	-33.4	-5.6	-39.0
Transactions with owners:								
Adjustment of non-controlling interests					-0.9	-0.9	0.9	–
Proportion of equity attributable to previous acquisitions in Recipharm Cobra Biologics					-4.5	-4.5		-4.5
New share issue		179.6				179.6		179.6
Equity at 31 December 2010	**10.0**	**517.2**	**-22.3**	**0.7**	**130.4**	**636.0**	**6.8**	**642.8**
Profit/loss 2011					-46.1	-46.1	–	-46.1
Other comprehensive income 2011			-75.8			-75.8		-75.8
Total comprehensive income 2011			-75.8		-46.1	-121.9	–	-121.9
Equity attributable to discontinued operations							-6.8	-6.8
Transactions with owners:								
New share issue	2.7	-2.7				–		–
Equity at 31 December 2011	**12.7**	**514.5**	**-98.1**	**0.7**	**84.3**	**514.1**	**–**	**514.1**

Consolidated cash flow statement

SEK million	Note	2011	2010
OPERATING ACTIVITIES			
Profit before tax		0.5	54.2
Adjustments for items not affecting cash		99.6	110.5
Income taxes paid		-61.7	-42.0
Cash flow from operating activities before changes in working capital		**38.4**	**122.7**
Cash flow from changes in working capital:			
Change in inventories		-9.0	54.3
Change in operating receivables		66.6	12.6
Change in operating liabilities		27.1	-2.0
Cash flow from operating activities		**123.1**	**187.6**
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	16-20	-53.8	-72.1
Acquistion of intangible assets	13-14	–	-23.3
Acquisition of subsidiary operations, net of cash acquired	4	-83.5	-495.3
Acquisition of financial assets		-4.5	–
Disposal of financial assets		-1.1	–
Cash flow from investing activities		**-142.8**	**-590.8**
FINANCING ACTIVITIES			
Proceeds from issue to Parent Company shareholders	31	88.0	100.0
Loans raised	40	–	500.0
Repayment of borrowings	40	-201.2	-68.3
Cash flow from financing activities		**-113.2**	**531.7**
Total cash flow for the year		***-133.0***	***128.5***
Cash and cash equivalents at beginning of year		277.8	164.6
Translation difference on cash and cash equivalents		-0.5	-15.3
Cash and cash equivalents at end of year		**144.2**	**277.8**
Interest received		0.6	1.4
Interest paid		-23.9	-30.0
Adjustments for items not affecting cash flow			
Depreciation, amortisation and impairment of assets		104.1	131.7
Gain/loss on sale of of non-current assets		–	0.1
Provisions for pensions and similar obligations		1.7	3.4
Gain/loss on revaluation of assets for sale		–	-2.2
Unrealised translation difference		-9.3	-35.5
Other items not affecting cash flow		3.1	13.1
		99.6	**110.5**

Parent Company income statement

SEK million	Note	2011	2010
Operating income			
Net sales	2	82.7	111.8
Other operating income		2.0	0.4
		84.7	**112.2**
Operating expenses			
Other external costs	2, 6	-42.5	-77.4
Employee benefits expense	7	-57.4	-74.1
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	8	-3.7	-5.4
Other operating expenses	9	-1.1	-1.0
		-104.8	**-157.9**
Operating profit/loss		**-20.1**	**-45.7**
Profit/loss on financial items			
Profit/loss on participations in Group companies		-146.0	-75.7
Interest income from Group companies		49.4	44.5
Other interest income and similar revenues	10	2.8	81.7
Interest expense from Group companies		-0.3	-0.6
Other interest expenses and similar costs	11	-24.2	-102.7
		-118.3	**-52.8**
Profit/loss after financial income and expenses		**-138.4**	**-98.5**
Appropriations			
Change in accelerated depreciation and amortisation		–	-2.6
Profit/loss before tax		**-138.4**	**-101.1**
Current tax	12	–	6.1
Profit/loss for the year		**-138.4**	**-95.0**

Statement of comprehensive income for Parent Company

SEK million	2011	2010
Profit/loss for the year	-138,4	-95,0
Translation difference	-0,1	0,2
Comprehensive income/loss for the year	**-138,5**	**-94,8**

Parent Company balance sheet

SEK million	Note	2011-12-31	2010-12-31
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Product rights	13	0.2	9.4
Other intangible assets	14	7.9	9.8
Intangible assets in progress		–	0.2
		8.1	**19.4**
Property, plant and equipment			
Land and Buildings	16	0.8	0.8
Leasehold improvements	17	–	0.1
Equipment, tools, fixtures and fittings	19	2.8	6.3
Construction in progress	20	0.7	2.0
		4.3	**9.1**
Financial assets			
Participations in Group Companies	4, 21, 42	18.7	52.1
Receivables from Group companies	22	917.7	805.1
Other securities held as non-current assets	23	4.2	0.1
		940.6	**857.3**
TOTAL NON-CURRENT ASSETS		**952.9**	**885.7**
CURRENT ASSETS			
Current receivables			
Accounts receivable	27	0.7	1.6
Receivables from Group companies	23	65.5	258.1
Tax assets		3.8	2.0
Other receivables	28	4.0	88.5
Prepaid expenses and accrued income	29	3.7	7.3
		77.8	**357.5**
Cash and bank balances	30	***2.2***	***101.4***
TOTAL CURRENT ASSETS		**80.0**	**458.9**
TOTAL ASSETS		**1,032.9**	**1,344.6**

Parent Company balance sheet

SEK million	Note	2011-12-31	2010-12-31
SHAREHOLDERS EQUITY AND LIABILITIES	31		
Equity			
Restricted equity			
Share capital		12.7	10.0
Restricted reserves		2.0	2.0
New Issue		–	179.6
		14.7	**191.6**
Non-restricted equity			
Profit or loss brought forward		482.9	401.0
Profit for the period		-138.4	-95.0
		344.5	**306.0**
TOTAL SHAREHOLDERS EQUITY		**359.0**	**497.6**
Untaxed reserves			
Accumulated accelerated depreciation		6.0	6.0
		6.0	**6.0**
Long-term liabilities			
Interest bearing long-term debts	40	304.9	382.8
		304.9	**382.8**
Current liabilities			
Overdraft facility	40	262.4	381.5
Accounts payable		4.5	18.2
Liabilities to group companies		39.6	10.5
Other liabilities		40.6	34.3
Accrued expenses and prepaid income	37	15.7	13.7
		362.9	**458.2**
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		**1,032.9**	**1,344.6**
Pledged securities	38	**102.4**	**102.4**
Contingent liabilities			
Guarantee. Recipharm Karlskoga Fastighets AB. Corporate Id No. 556657-8315		12.3	13.0

Statement of changes in equity, Parent Company

SEK million	Share capital	Statutory reserve	New share issue	Retained earnings	Profit/Loss for the year	Total equity
Equity at 31 December 2009	**10.0**	**2.0**	**–**	**416.3**	**-34.1**	**394.2**
Allocation of profit/loss				-34.1	34.1	
Profit/loss 2010				–	-95.0	-95.0
Other comprehensive income 2010				1.6		1.6
Share premium reserve. unregistered share capital			179.6			179.6
Group contribution from subsidiaries				23.3		23.3
Tax effect on Group contributions				-6.1		-6.1
Equity at 31 December 2010	**10.0**	**2.0**	**179.6**	**401.0**	**-95.0**	**497.6**
Allocation of profit/loss				-95.0	95.0	
Profit/loss 2011					-138.4	-138.4
Other comprehensive income 2011				-0.1		-0.1
New share issue	2.7		-179.6	176.9		
Equity 31 december 2011	**12.7**	**2.0**	**–**	**482.8**	**-138.4**	**359.0**

Parent Company cash flow statement

SEK million	Note	2011	2010
OPERATING ACTIVITIES			
Profit/loss after financial income and expenses		-138.4	-98.5
Adjustments for items not affecting cash flow		38.2	73.9
Income taxes paid		-1.8	–
Cash flow from operating activities before changes in working capital		**- 102.0**	**-24.6**
Cash flow from changes in working capital			
Change in operating receivables		60.4	55.1
Change in operating liabilities		23.8	83.5
Cash flow from operating activities		**-17.8**	**-114.0**
INVESTING ACTIVITIES			
Acquisition of subsidiaries/associated companies	21	–	-7.3
Liquidation of subsidiaries	21	–	0.4
Shareholders' contribution paid and settled		–	-47.2
Acquisition of non-current assets	16-20	-0.9	-7.2
Disposal of property. plant and equipment		5.2	0.3
Acquisition of financial assets		–	-551.3
Cash flow from investing activities		**4.3**	**-612.3**
FINANCING ACTIVITIES			
New share issue	31	88.0	100.0
Loans raised	40	–	500.0
Repayment of borrowings	40	-197.0	-68.8
Group contributions received/paid		23.3	50.7
Cash flow from financing activities		**-85.7**	**581.9**
Total cash flow for the year		***-99.2***	***83.5***
Cash and cash equivalents at beginning of year		101.4	18.0
Translation difference in cash and cash equivalents		–	-0.1
Cash and cash equivalents at end of year		**2.2**	**101.4**
Interest received		36.7	41.1
Interest paid		-20.1	-21.8
Adjustments for items not affecting cash			
Depreciation. amortisation and impairment of assets		3.7	5.4
Impairment of shares in subsidiaries		40.2	81.0
Gain/Loss on sale of non-current assets		–	-0.4
Unrealised translation difference		-0.8	-12.1
Other items not affecting cash flow		-4.9	–
		38.2	**73.9**

Notes

(Recipharm AB, corp. id. No. 556498-8425)

Recipharm AB and its subsidiaries (together, the "Group") manufacture pharmaceuticals and perform contract development services for pharmaceutical companies. The Group has production plants in Europe. The Parent Company is a public limited liability company registered in Sweden and headquartered in Jordbro, Sweden. The address of the head office is Lagervägen 7, SE-136 50 Jordbro. The annual report was approved by the Board of Directors for publication 9 March 2012.

NOTE 1 Significant accounting policies

The consolidated accounts were prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) valid 31 December 2011 and endorsed by the European Commission for application within the European Union (EU). Recommendation RFR 1 Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board, was also applied. All of the above standards were applied consistently to the year presented for comparison in the annual report.

BASIS OF PREPARATION

The annual report was prepared based on historical costs except for financial instruments that are measured at fair value. Preparing reports in compliance with IFRS requires the use of some important estimates for accounting purposes. In addition, management must make certain assessments when applying the Group's accounting policies. Those areas entailing a high degree of assessment, which are complex, or areas in which assumptions and estimates are material to the consolidated accounts are specified under "Critical accounting estimates" in this Note.

The Group adheres to the accounting policies used previously, with the following additions for new or revised IFRS, IAS and IFRIC from 1 January 2010. Only amendments or revisions already applicable or deemed applicable to future annual accounts are described below.

IAS 24 Related Party Disclosures – revised (approved by EU 19 July 2010)

IAS 32 Financial instruments – revised (approved by EU 23 December 2009)

IFRIC 14 Prepayment of Minimum Funding Requirements – revised (approved by EU 19 July 2010)

Improvements of IFRS-standards (approved by EU 18 February 2011)

At 31 December 2011, the following standards and interpretations had been published as taking effect in 2012 or later and are likely to be applicable to the Group.

IFRS 7 Financial instruments: Disclosures – revised (approved by EU 22 November 2011)

IFRS 9 Financial instruments: Recognition and Measurement (not yet approved by EU, time plan for approval currently not decided)

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements – revised (expected to be approved by EU in third quarter 2012)

IFRS 13 Fair value measurement (expected to be approved by EU in first quarter 2012)

IAS 1 Presenting Comprehensive Income – revised (expected to be approved by EU in first quarter 2012)

IAS 19 Employee Benefits – revised (expected to be approved by EU in first quarter 2012)

Based on circumstances prevailing at the time this annual report was prepared, the Group's financial position will not be materially affected when the standards and interpretations specified above take effect. The direct change compared to previous reports appears specifically in an increased amount of disclosures.

ACCOUNTS OF THE PARENT COMPANY

The Parent Company prepared its annual report as per the Swedish Annual Accounts Act and Recommendation RFR 2 issued by the Swedish Financial Reporting Board. Consequently, the Parent Company in its annual report for the legal entity applies all IFRS and interpretations endorsed by the EU as far as possible within the framework of the Annual Accounts Act and with due regard to the connection between accounting and taxation. The Parent Company and the Group apply the same accounting policies, as described in this Note. When the Parent Company's accounting policy deviates from the Group's, it is described in the appropriate section.

Material changes in RFR recommendations that entailed a change during the financial year or were deemed likely to be applicable to future annual reports are as follows.

RFR 2 concerning business combinations. Acquisition cost is recognised as per the Annual Accounts Act, that is, the balance sheet item shall include transaction costs and contingent consideration.

CONSOLIDATED ACCOUNTS

The consolidated accounts comprise the Parent Company Recipharm AB and those companies in which Recipharm AB at year-end directly or indirectly controlled more than 50 percent of the total voting rights or in some other way had a controlling influence. The consolidated annual accounts were prepared in compliance with IAS 27 and IFRS 3 on consolidated accounts and using acquisition accounting. A subsidiary is included in the consolidated accounts from the date on which the controlling influence is transferred to the Group until the date on which the controlling influence ceases.

Costs associated with acquisitions are recognised in the period when they arise. The cost of an acquisition consists of the fair value of the assets provided as consideration, equity instruments issued and liabilities incurred and assumed at the date of transfer. The surplus, consisting of the difference between the acquisition cost and the fair value of the Group's interest in acquired identifiable net assets, is recognised as goodwill. If the acquisition cost is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. All intra-group transactions, that is, income, expenses, receivables, liabilities and unrealised gains, as well as Group contributions, have been eliminated. Where necessary, the accounting policies of a subsidiary have been adjusted to ensure consistent reporting within the Group. The Group had one associated company at 31 December 2009, Cobra Biomanufacturing Plc, which is recognised under shares in associated companies using the equity method, by which only Recipharm's share of equity is included in the Group's equity.

SEGMENT REPORTING

Operating segments are reported as per IFRS and in a way that matches the internal reporting submitted to the highest executive decision-maker. The highest executive decision-maker is the function responsible for allocating resources and assessing the results of the operating segments. In this context, the Group has identified the Group's CEO and Group management as the highest executive decision-maker. The segments are Manufacturing and Development & Technology. Manufacturing is divided into Sweden and Rest of Europe. The manufacturing segments essentially consist of contract manufacturing of pharmaceuticals. The Development & Technology segment provides services to pharmaceutical companies in the drug development phase for new pharmaceuticals. Each operating company is placed in one of the aforementioned segments based on type of business. Net sales, earnings and assets are totalled based on corporate structure, with more or less all companies belonging to one segment, except for the Parent Company, which is in "Other". Liabilities are not allocated by segment.

TRANSLATION OF FOREIGN CURRENCIES

Functional and presentation currencies

Items included in the financial reports for the different units in the Group are measured in the currency used in the business environment where each company primarily operates (functional currency). The Swedish krona (SEK) is used in the consolidated accounts as well as the Parent Company's accounts. SEK is the Parent Company's functional and presentation currency.

Transactions and balance sheet items

Transactions in foreign currency are translated into the functional currency at the exchange rates prevailing on the transaction date. Foreign exchange gains and losses resulting from the payment of such transactions or in the translation of monetary assets and liabilities in foreign currencies at the closing rate of exchange are recognised in the income statement.

Group companies
The earnings and financial position of foreign subsidiaries that have a different functional currency are translated into the Group's reporting currency as follows.

i) Assets and liabilities for the balance sheet are translated at the closing rate of exchange.
ii) Income and expenses are translated at the average rate.
iii) All exchange rate differences arising are recognised as a separate part of equity through other comprehensive income.

FINANCIAL INSTRUMENTS

Financial instruments recognised on the balance sheet include, on the assets side, cash and cash equivalents, financial receivables, accounts receivable and loan receivables. The liabilities side includes accounts payable, borrowings and derivatives. There are no special hedging instruments or financial derivatives in the operations.

Recognition in and derecognition from the statement of financial position
A financial asset or financial liability is recognised in the statement of financial position when the company becomes party to the contractual conditions of the instrument. An account receivable is recognised in the statement of financial position when the invoice has been sent. A liability is recognised when the counterparty has performed a service or supplied a product and there is a contractual obligation to pay, even if the invoice has not yet been received. Accounts payable are recognised when the invoice is received.

A financial asset is removed from the statement of financial position when the rights in the contract are realised, expire or the company loses control of them. The same applies to part of a financial asset. A financial liability is removed from the statement of financial position when the commitment in the contract has been fulfilled or is otherwise extinguished. The same applies to part of a financial liability.

A financial asset and a financial liability are only offset and recognised at a net amount in the statement of financial position when a legal right allows the amounts to be to offset and there is an intention to settle the items with a net amount or simultaneously realise the asset and settle the liability.

Acquisitions and disposals of financial assets are recognised at the transaction date, which is the date when the company undertakes to acquire or dispose of the asset.

Classification and measurement
Financial assets and liabilities are classified in different categories for subsequent recognition and measurement as per the principles that apply to each category. The instruments are categorised according to the purpose of the holding. Management determines the category of each instrument upon initial recognition.

Financial assets and liabilities measured at fair value through profit or loss
These items consist of financial assets and liabilities held for trading as well as those that were initially assigned by management to the category measured at fair value through profit or loss. A financial asset or liability is classified as held-for-trading if it is:

– acquired mainly for the purpose of being sold or repurchased in the short term,
– included in a portfolio of identified financial instruments managed together and for which there is a recent pattern of short-term profit-taking or
– a derivative classified as held-for-trading except when used for hedge accounting.

Assets in this category are measured on an ongoing basis at fair value with changes in value recognised in the income statement.

Loan receivables and accounts receivable
These consist of accounts receivable, other current receivables and other non-current receivables. The majority of the Group's financial instruments refer to accounts receivable attributable to deliveries of goods. Accounts receivable are recognised initially at fair value and subsequently at amortised cost, less provisions for impairment, if any. An account receivable is recognised on the balance sheet when the invoice has been sent. Impairment of accounts receivable is recognised when there is objective evidence and other indicators that the Group will not be able to obtain the entire amount due based on the original terms of the receivable. The size of the provision equals the difference between the asset's carrying amount and its estimated fair value.

Cash and cash equivalents and investments in securities
Cash and cash equivalents include cash and investments in securities with maturities shorter than three months and minimal value risk as well as bank balances, excluding the unutilised portion of the Group's bank overdraft facility. "Investments in securities" refers to other investments maturing in less than one year. Cash, cash equivalents and investments in securities are measured at fair value, and changes in value are recognised in the income statement. The utilised portion of the bank overdraft facility is recognised on the balance sheet among current liabilities.

Non-current liabilities
Non-current liabilities consist of loans from credit institutions and convertible bonds with a term to maturity greater than 12 months. Convertible bonds are recognised in the Group as per IAS 32, as a liability component (net of transaction costs). The liability component earns interest, at a market rate according to the effective interest method, which is recognised in the income statement. Convertible bonds are recognised in the Parent Company at nominal value.

Accounts payable
Accounts payable are recognised initially at their nominal amounts and subsequently at amortised cost, which is normally regarded as equivalent to the nominal amounts because their maturity is usually short. Accounts payable are recognised when the invoice is received.

Other current liabilities
Other liabilities consist of current loans from credit institutions and other liabilities with a term to maturity less than 12 months.

Other financial liabilities
Financial liabilities are recognised initially at accrued value, net transaction costs. Borrowings are measured subsequently at amortised cost. Any difference between the (net) amount received and the replacement value is recognised in the income statement distributed over the period of the loan, using the effective interest method. This is calculated so that a constant effective interest rate is achieved throughout the period of the loan.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised at acquisition cost, less accumulated depreciation during the estimated useful life, and less any impairment losses. Straight-line depreciation applies to all property, plant and equipment as follows.

Machinery and equipment	3–15 years
Buildings	25–40 years
Leasehold improvements	8–20 years

The residual value and useful life of assets are tested at the end of each reporting period and adjusted as necessary.

An asset's carrying amount is restated at its recoverable amount if the asset's carrying amount exceeds its assessed recoverable amount. Gains and losses on the disposal of property, plant and equipment are determined by comparing the proceeds of the disposals with the carrying amounts and are recognised in the income statement. Restoration costs in conjunction with closures are generally considered not to result in an additional impact on earnings, because the realizable value of a plant, less closure costs, is deemed to be at least equal to the carrying amount.

Borrowing costs directly attributable to the purchase, design or production of an asset that takes a considerable amount of time to complete for use or sale are capitalised as part of the acquisition cost of the asset. At the end of the reporting period, the Group had no assets for which borrowing costs had been capitalised.

INTANGIBLE ASSETS

Intangible assets are recognised at acquisition cost, less accumulated amortisation during the estimated useful life, and less any impairment losses. Straight-line amortisation applies to all intangible assets from the time the asset is put into service as follows.

Product rights	8–15 years
Patents, customer contracts and other intellectual property	5–10 years

Any indication of impairment results in an assessment of the asset's carrying amount.

If an asset's carrying amount exceeds its estimated recoverable amount, the asset is restated at its recoverable amount. Gains and losses on the disposal of intangible assets are determined by comparing the proceeds of the disposal and the carrying amounts and are recognised in the income statement.

Research and development
Expenditure for research and development activities is capitalised if it is probable that the costs incurred for development will lead to future economic benefits in the form of an intangible asset. In all other cases, costs are expensed in the periods when they occur. No major development projects for own account are underway.

Goodwill
Goodwill consists of the amount by which the acquisition cost of the Group's share of an acquired subsidiary's identifiable net assets at the time of the acquisition exceeds those assets' fair value. Goodwill on the acquisition of subsidiaries is recognised as an intangible asset. Goodwill is tested annually for any indication of impairment and recognized at acquisition cost less accumulated impairment losses. Impairment recognised on goodwill is never reversed. Gains or losses on the disposal of a unit include the residual carrying amount of the goodwill related to the unit. Goodwill is allocated to cash-generating units to test for impairment. Goodwill is allocated to the cash-generating units or groups of cash-generating units, determined according to the Group's operating segments that are expected to benefit from the business combination in which the goodwill item arose.

INVENTORIES
Inventories are recognised at the lower of acquisition cost and net realisable value. The acquisition cost is determined as a weighted average value of the products acquired. The acquisition cost consists of raw materials, direct labour, shipping and other direct costs as well as indirect production costs. Net realisable value is the estimated selling price, less applicable variable selling costs.

EQUITY
Equity is allocated to various classes such as share capital, other paid-in capital and other equity. The change in equity can refer in part to all the income and expenses for the year, that is, transactions that have increased or reduced equity through the statement of comprehensive income. Transactions directly attributable to an issue of new shares or options are recognised, net after tax, in equity as a deduction from the proceeds of the issue.

ANTICIPATED DIVIDENDS
Anticipated dividends from subsidiaries are recognised if the Parent Company has the sole right to determine the size of the dividend and has determined the size of the dividend before publishing its financial statements.

PROVISIONS
Provisions are recognised when the Group has or can be regarded as having a commitment as a result of past events and it is probable that payments will be required to fulfil the commitment. An additional prerequisite is that the amount to be paid can be estimated reliably. No provisions are made for future operating losses.

EMPLOYEE BENEFITS
Short-term employee benefits
Short-term benefits to employees are posted in the period they are earned. The Parent Company and the Swedish subsidiaries have defined-contribution occupational pension plans only. Some foreign subsidiaries have defined-benefit pension plans.

Defined-contribution plans
Pension plans in which a company's commitments are limited to the fees the company has undertaken to pay are classified as defined-contribution plans. In such cases, the size of an employee's pension depends on the fees the company has paid into the pension plan or to an insurance company and the capital return on those fees. Consequently the employee bears the actuarial risk and risk of principal. The company's commitments concerning fees paid to defined-contribution plans are recognised as a cost in the income statement at the same rate as they are earned by the employees performing services for the company during a period.

Defined-benefit plans
The Group's net commitments for defined-benefit plans are calculated separately for each plan by estimating the future benefit that each employee has earned through employment both in the current period and previous periods; this benefit is discounted to its present value. The discount rate is the market interest rate on government bonds with a maturity corresponding to the Group's pension commitments. The calculation is performed by a qualified actuary using the projected unit credit method. In addition, the fair value of any plan assets is calculated as of the end of the reporting period. Actuarial gains or losses may arise when the present value of the commitment and the fair value of plan assets are determined, either because an actual outcome differs from previous assumptions or because the assumptions were changed. Actuarial gains and losses that result from the calculation of the Group's commitments for different plans are recognised in the income statement over the expected average remaining service period of the employees covered by the plan. The carrying amounts of pensions and similar commitments recognised on the balance sheet correspond to the present value of those commitments at the end of the reporting period, less deductions for the fair value of plan assets. If the calculation results in an asset for the Group, the carrying amount of the asset is limited to the net present value of future refunds from the plan or reduced future contributions to the plan. When the payments in a plan improve, the proportion of the increased payments attributable to the service of employees during previous periods is recognised as a cost in the income statement distributed on a straight-line basis over the average period until the payments are fully earned. If the payments are fully earned, a cost is recognised in the income statement immediately. All components included in the period's expense for a defined-benefit plan are recognised in operating profit and loss or as a financial item for the portion related to financial investment.

Termination benefits
Termination benefits are paid when an employee is given notice before the normal retirement date or when an employee voluntarily resigns in exchange for such benefits. The Group recognises severance pay when demonstrably committed either to giving employees notice based on a formal plan with no possibility of reversal or to paying termination benefits as a result of an offer made to encourage voluntary resignations.

REVENUE RECOGNITION
Revenue in the Group arises from sales of goods and services, and customers principally consist of international pharmaceutical companies. Revenue includes the fair value of goods and services sold excluding value-added tax and discounts and, in the Group, after elimination of intercompany sales. Revenue is recognised as follows.

Sale of goods
Revenue is recognised in conjunction with delivery, when the risk and ownership are also transferred to the buyer. As a rule, this means after internal analysis, approval and delivery from inventory.

Sale of services
Sales of services are recognised as revenue in the period they are performed.

Other income
Other revenue consists of exchange differences that arise with revaluation of operating assets and liabilities.

Interest income
Interest is recognised as revenue using the effective interest method.

Dividend income
Dividend income is recognised when the right to receive payment is established.

TAX
The Company applies IAS 12. Total tax consists of current tax and deferred tax. Taxes are recognised in the income statement except when the underlying transaction is recognised in other comprehensive income, whereby the related tax effect is recognised in other comprehensive income. Current tax is tax to be paid or refunded for the current year. Adjustments to current tax attributable to prior periods also belong here. Deferred tax is calculated using the balance sheet method starting with the temporary differences between the recognised and taxable values of assets and liabilities. The amounts are computed based on how the temporary differences are expected to be evened out, while applying the tax rates and tax rules in effect or announced at the end of the reporting period. Deferred tax assets in deductible temporary differences and tax loss carry-forwards are recognised only to the extent it is likely that they will lead to reduced tax payments in the future.

LEASES
Financial leases, that largely transfer to the company all risks and benefits regarding the leased asset that are associated with ownership, are recognised as an asset in the consolidated balance sheet starting from the date the agreement is entered into. The asset is then measured at the object's fair value or at the present value of the minimum lease payments for the lease term, whichever is lower. Transfers of lease payments are divided into financial costs and reductions (amortisation) of the financial liability in such a way as to achieve a constant interest rate on the stated liability. The financial costs are charged to income. Assets associated with financial leases are depreciated over the estimated useful life or the duration of the lease, whichever is shorter.

Leasing contracts in which all risks and benefits associated with ownership essentially accrue to the lessor are classified as operating leases. Fees for operating leases are recognised as costs in the income statement and distributed on a straight-line basis over the term of the contract.

The Parent Company classifies all leases as operating leases.

CASH FLOW STATEMENTS

Cash flow statements are prepared using the indirect method. Recognised cash flow comprises transactions that include disbursements and receipts. In addition to cash and bank balances, cash and cash equivalents consists of current investments in securities that, on the one hand, are exposed to an insignificant risk of changes in value and, on the other, – are traded in an open market at known amounts and– have an initial maturity less than three months.

DIVIDEND

The dividend to Parent Company shareholders is recognised as a liability in the consolidated balance sheet in the period when the dividend is approved by Parent Company shareholders.

GROUP CONTRIBUTIONS AND SHAREHOLDERS' CONTRIBUTIONS

Group contributions and shareholders' contributions are recognised in accordance with statement RFR2 from the Swedish Financial Reporting Board, which is a change to previous years. An adjustment of comparative numbers has not been made since we assess the amounts not to be material. Group contributions paid or received for the purpose of minimising the Group's tax are recognised as a reduction or increase, respectively, of non-restricted equity. This is also the method for recognising Group contributions whose economic significance is not clear. Group contributions comparable to dividends are recognised as a reduction of equity by the remitter and as financial income by the recipient. Group contributions paid are normally a tax-deductible expense, and contributions received are normally taxable income. Shareholders' contributions paid are recognised by the remitter as an increase in "Participations in Group companies". Impairment testing of the shares is required in such cases, particularly if the contribution is intended to cover a loss. This test adheres to normal rules for measuring the asset's value. Shareholders' contributions received are recognised by the recipient in non-restricted equity. However, if the shareholders' contribution has been paid in conjunction with a new share issue and the contribution constitutes a prerequisite for the shares being fully subscribed at an advantageously low price, the contribution shall be allocated to the share premium reserve.

CONTINGENT LIABILITIES

A contingent liability is recognised whenever there is a possible obligation arising from past events and whose existence is confirmed only by one or more uncertain future events, or there is an obligation not recognised as a liability or provision because it is not clear that resources will be disbursed.

CRITICAL ACCOUNTING ESTIMATES

In preparing the annual accounts, the Board of Directors and Company management make accounting estimates and assumptions that affect the carrying amounts at the end of the reporting period of assets and liabilities as well as of contingent liabilities. Recognised revenues and costs are also affected by these estimates and assessments. Accounting estimates are evaluated on an ongoing basis, based on past experience and other factors, including expectations of future events deemed reasonable under prevailing circumstances. Actual outcomes may deviate from these accounting estimates. Company management and the Board have discussed the development, choices and disclosures regarding the Group's critical accounting policies and estimates. The estimates and assumptions that entail considerable risk of significant adjustments to the carrying amounts of assets and liabilities during the next financial year are Goodwill, Customer contracts and Product rights.

NOTE 2 Purchases and sales within the Group

PARENT COMPANY	2011	2010
Sales to Group companies	79.2	96.4
Purchases from Group companies	5.9	5.9

Sales to Group companies mainly consists of services from Group functions and development services in conjunction with customer projects.

Related company	Related party relationship
B&E Participation AB	Parent company to Recipharm AB.
B&E Invest AB	Subsidiary of B&E Participation AB.
Recipharmfastigheter AB	Subsidiary of B&E Participation AB.
KB Titania	Company in the B&E Participation group, with Recipharmfastigheter AB as the general partner and B&E Participation AB as the limited partner. Company was sold on 28 June 2011 and is after that not a related party to Recipharm AB.
B&E Participation Inc.	Indirect majority owner Thomas Eldered.
Trimeta LLC	Indirect majority owner Thomas Eldered.
Cobra Biologics Holding AB	Indirect majority owner Thomas Eldered, Recipharm AB holds 9 percent of the shares.
Cobra Biologics Ltd	Subsidiary of Cobra Biologics Holding AB.
Cobra Biologics AB	Subsidiary of Cobra Biologics Holding AB.
Zentricity Holding AB	Majority owner Thomas Eldered.
Unitech Pharma AB	Majority owner Thomas Eldered.

OPERATING AGREEMENTS WITH RELATED PARTIES

Recipharm AB and Recipharm Stockholm AB leases factory and office premises from KB Titania, who until 28 June 2011 was a related party. The company judges that the rental agreement has been entered into on market terms. After selling Cobra Biologics AB (previously Recipharm Biologics AB) Recipharm AB continued providing various administrative services to the company.

During the second half of 2011 Cobra Biologics Ltd sold administrative services to Recipharm Ltd. Recipharm Ltd has during the same period sold other services to Cobra Biologics Ltd.

OTHER RELATED PARTY TRANSACTIONS

In June 2011 Recipharm AB sold its shares in Recipharm Biologics AB and Recipharm CobraBiologics Ltd to Cobra Biologics Holding for 4 MSEK. Recipharm AB has acquired shares in Cobra Biologics Holding for 4 mSEK through an offset issue. During 2011 Trimeta LLC has been provided with other services from Recipharm AB and research- and development services by Recipharm Pharmaceutical Development AB.

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Operating income				
Trimeta LLC	1.5	0.1	0.1	0.1
Cobra Biologics Ltd	0.1	–	–	–
Cobra Biologics AB	1.1	–	1.1	–
Operating expenses				
KB Titania	10.4	20.7	1.3	2.4
Cobra Biologics Ltd	0.3	–	–	–
Accounts receivable				
Trimeta LLC	0.4	1.6	–	–
Cobra Biologics AB	0.0	–	0.0	–
Cobra Biologics Ltd	0.1	–	–	–
Accounts payable				
Cobra Biologics Ltd	0.3	–	–	–

NOTE 3 Segment reporting

					2011					2010
GROUP	Mfg-SE	Mfg-EU	D&T	Other	Total	Mfg-SE	Mfg-EU	D&T	Other	Total
External sales	861.9	1,164.9	111.0	3.4	**2,141.0**	903.7	1,117.7	135.9	0.1	**2,157.4**
Internal sales	15.4	59.6	15.3	79.5	**169.8**	9.4	76.3	23.1	83.5	**192.3**
Operating profit before depreciation and amortisation	36.3	184.8	0.3	-16.2	**205.3**	48.4	157.5	-6.9	-27.3	**171.8**
Depreciation and amortisation	-16.0	-69.6	-14.7	-3.7	**-104.1**	-18.4	-50.3	-16.3	-2.7	**-87.8**
Impairment	0.0	0.0	0.0	0.0	**0.0**	-4.3	-22.5	0.0	0.0	**-26.8**
Operating profit/loss	20.4	115.2	-14.4	-19.9	**101.2**	25.7	84.7	-23.3	-30.0	**57.2**
Profit/Loss before tax	11.3	107.3	-103.5	-14.6	**0.5**	17.7	60.6	-90.3	66.2	**54.2**
Non-current assets	81.0	593.7	176.0	16.9	**867.6**	79.5	657.7	257.5	31.9	**1,026.6**
Total assets	391.9	1,023.3	193.4	118.5	**1,727.2**	413.8	1,144.9	373.7	231.6	**2,163.9**
Goodwill	0.0	78.2	0.0	0.0	**78.2**	0.0	89.5	18.2	0.0	**107.7**
Capital investment	31.6	60.2	21.9	1.3	**115.0**	12.3	103.6	27.4	7.4	**150.7**

Net sales to major customers	Segment	2011	2010
Customer X	Manufacturing & development	577.7	571.7
Customer Y	Manufacturing	398.7	359.6
Customer Z	Manufacturing & development	354.4	327.1
Other customers	Manufacturing & development	810.2	899.1
Total		**2,141.0**	**2,157.4**

The Manufacturing segment contains companies in the Group whose main business activity is Manufacturing (Mfg), and is in turn divided into Sweden (Mfg-SE) and Europé (Mfg-EU) based on each company's registered office. The Development & Tecknology (D&T) segment contains all companies in the Group who have this as their main activity, including the companies RPH Pharmaceuticals AB and Recipharm Inc US, whose business activities are based on intellectual property (IP). Liabilities are not allocated among the segments, because the majority of liabilities are recognised in the Parent company.

NOTE 4 Loss from discontinued operations

Recipharm AB sold its shares in the companies Recipharm Biologics AB (80,1 percent) and RecipharmCobra Biologics Ltd (100 percent) to Cobra Holding AB at June 30, 2011. The purchase price was SEK 4 million. The main reason for selling the Biologics business was continuing losses, mainly due to the difficult market conditions.

Consolidated statement of comprehensive income - the discontinued operations	January - June 2011	January - December 2010
Revenue	30.1	69.7
Cost	-65.1	-125.4
Profit/Loss before tax	**-35.0**	**-55.7**
Current tax	0.0	0.0
Profit/Loss after tax	**-35.0**	**-55.7**
Result from revaluation of assets and liabilities - before tax	0	0
Current tax	**0**	**0**
Result from revaluation of assets and liabilities - after tax	**0**	**0**
Total result from discontinued operations	**-35.0**	**-55.7**

Consolidated cash flow statement – the discontinued operations	January - June 2011	January - December 2010
Profit before tax	-35.0	-56.3
Adjustments for items not affecting cash flow	3.1	18.0
Income tax paid	-1.0	0.0
Cash flow from operating activities before changes in working capital	**-32.9**	**-38.3**
Cash flow from changes in working capital	-10.3	19.6
Cash flow from operating activities	**-43.2**	**-18.7**
Cash flow from investment activities	**0.0**	**-30.3**
Cash flow from financing activities	**0.0**	**57.2**

Business combinations

WASSERBURGER ARZNEIMITTELWERK GMBH

At 31 January 2010, all shares in the German company Wasserburger Arzneimittelwerk GmbH were acquired for EUR 40.4 million. The company has conducted business in Germany for 35 years, consisting of the aseptic filling and lyophilisation of pharmaceuticals in ampoules and vials. The business's contribution to the Group since the acquisition date consists of SEK 270.2 million in net sales and SEK 30.1 million in operating profit.

Net assets in the acquired company were:	Carrying amount in the business	Fair value adjustment	Fair value in the Group
Intangible assets [1]	0.4	238.2	238.6
Property, plant and equipment	157.9		157.9
Accounts receivable and other operating assets	127.4		127.4
Cash and cash equivalents	43.6		43.6
Deferred tax liability		-66.9	-66.9
Interest-bearing liabilities	-99.1		-99.1
Accounts payable and other operating liabilities	-77.4		-77.4
Net identifiable assets and liabilities	**152.8**	**171.3**	**324.2**
Group goodwill [2]		89.5	89.5
Purchase consideration [3]			**413.7**
Less: Cash and cash equivalents in the acquired business			-43.6
Net effect on cash and cash equivalents			**370.0**

[1] Intangible assets consist of customer agreements/relationships.
[2] Goodwill consists of the value in personnel, new customers and synergies.
[3] Contingent liabilities – The second installment of the purchase consideration corresponding to EUR 5 million was paid at 31 January 2011. The second instalment was discounted as a part of the total purchase consideration of EUR 40.4 million (SEK 413.7 million). In connection with this acquisition, all shares in the Group's essential operating companies were pledged to the bank providing the loan.

COBRA BIOMANUFACTURING PLC

Recipharm AB owned at December 31, 2009 43.9 percent of the shares in Cobra-Biomanufacturing Plc. On February 28, acquired Recipharm remaining 56.1 percent shares. The acquired companies engaged in development of biopharmaceuticals for its clients (pharmaceutical companies) in Keele, outside Manchester, England. The company has been running this type of business in England for 12 years. When the Group received a qualified majority the company's name changed to RecipharmCobra Ltd. And was delisted from AIM (Alternative Investment Market) on the London Stock Exchange. Operating contribution to the Group since the acquisition date are 43.3 million in net sales and -25.7 million in operating income.

	Carrying amount in the business 2009-12-31	Carrying amount in the business 2010-02-28	Fair value in the Group
Net assets in the acquired company were [4]	43.9%	100.0%	100.0%
Intangible assets	0.5	1.1	1.1
Property, plant and equipment	24.4	52.0	52.0
Accounts receivable and other operating assets	5.6	12.0	12.0
Cash and cash equivalents	-0.1	0.4	0.4
Interest-bearing liabilities	-17.0	-49.1	-49.1
Accounts payable and other operating liabilities	-16.0	-34.3	-34.3
Net identifiable assets and liabilities	**-2.6**	**-17.9**	**-17.9**
Revaluation [5]	8.8	31.4	31.4
Purchase consideration [6]	**6.2**	**13.5**	**13.5**
Less: Cash and cash equivalents in the acquired business	0.1	-0.4	-0.4
Net effect on cash and cash equivalents	**6.3**	**13.0**	**13.0**

[4] Fair value shows 43.9 percent of the acquired company's assets and liabilities at 31 December 2009 and 100.0 percent at 28 February 2010.
[5] Revaluation of assets is assessed on customer agreements/relationships (14.8), IP (3.6), deferred tax (-5.2) and goodwill (12.8). Goodwill consists of the value in personnel, new customers and synergies.
[6] Of the total purchase consideration of SEK 13.5 million, SEK 6.2 million was paid to acquire 43.9 percent of the shares at 31 December 2009, and SEK 7.3 million for the remaining 56.1 percent at 28 February 2010.

ACQUISITIONS OF ASSETS AND BUSINESS ACTIVITIES IN PARETS FROM ABBOTT HEALTHCARE LTD

At 1 October 2010, a factory and its assets were acquired in Parets, outside Barcelona, Spain, from Abbott Healthcare Ltd for SEK 77.7 million. The operations consist primarily of the manufacture and packaging of sterile ointments and suppositories, with the production of other preparation forms, too. The employees and existing customer agreements were taken over in conjunction with the acquisition. A new supply agreement was signed with Abbott. Upon signing (13 July) EUR 0. 8 million was paid, on the acquisition date EUR 4 million and at year-end EUR 1 million. During the first six months of 2011, EUR 1.4 million was paid, and the remainder corresponds to the additional consideration, which will be paid after the final calculation. The business's contribution to the Group since the acquisition date consists of SEK 48.6 million in net sales and SEK 3.3 million in operating profit.

Net assets in the acquired companies (SEK million) at the date of acquisition were:	2010
Property, plant and equipment	45.1
Current operating assets	38.7
Current operating liabilities	-6.1
Net identifiable assets and liabilities	**77.7**
Group goodwill	–
Purchase consideration paid	**77.7**
Less: Cash and cash equivalents in the acquired businesses	–
Net effect on cash and cash equivalents	**77.7**

Contingent liabilities: Additional purchase consideration may be paid on two occasions based on the following criteria:
1 – Up to EUR 600 thousand based on sales targets achieved during the 12 months following the takeover.
2 – Up to EUR 300 thousand based on sales targets achieved during the 12–24 months following the takeover. It is estimated that the entire additional consideration will be paid, so that amount has been included in the paid purchase consideration above. The additional consideration was discounted to its present value using a rate of 3.2 percent.

NOTE 5 Other operating income

GROUP	2011	2010
Foreign exchange gains on operating receivables and liabilities	4.0	6.2
Capital gains on sale of intangible assets and property, plant and equipment	0.1	1.0
Other income	11.6	8.4
	15.6	**15.6**

PARENT COMPANY	2011	2010
Foreign exchange gains on operating receivables and liabilities	0.5	0.3
Capital gains on sale of intangible assets and property, plant and equipment	1.5	0.1
Other income	0.0	0.0
	2.0	**0.4**

NOTE 6 Other external costs

GROUP	2011	2010
Costs of premises	44.8	41.2
Property costs	35.9	39.4
Energy costs	56.2	47.4
Expendable equipment and consumable supplies	54.6	62.8
Repairs and maintenance	65.4	72.0
Corporate insurance and other costs of risk	11.4	19.9
Other external services	110.5	70.2
Advertising and PR	8.0	14.4
Administration costs	6.3	18.4
Other costs	71.5	75.1
	464.7	**460.9**

PARENT COMPANY	2011	2010
Costs of premises	2.6	7.8
Property costs	0.0	2.2
Energy costs	0.1	1.8
Expendable equipment and consumable supplies	2.4	7.3
Repairs and maintenance	0.3	2.2
Corporate insurance and other costs of risk	3.8	4.3
Other external services	15.5	25.0
Advertising and PR	3.1	4.0
Administration costs	2.1	11.0
Other costs	12.7	11.7
	42.5	**77.4**

LEASE PAYMENTS ATTRIBUTABLE TO OPERATING LEASES

GROUP	2011	2010
Leasing costs for the financial year	48.9	40.4
Estimated payments within 1 year	50.1	42.4
Estimated payments within 2-5 years	209.6	181.5

PARENT COMPANY	2011	2010
Leasing costs for the financial year	0.0	0.7
Estimated payments within 1 year	0.1	0.9
Operating leases mainly relate to rented factory and office premises.	–	–

FEES AND REMUNERATION TO AUDITORS

GROUP	2011	2010
Ernst & Young		
Audit engagement	2.8	1.9
Audit business outside the audit engagement	0.2	0.8
Tax consulting	0.2	1.1
Other services	1.7	0.9
	4.9	**4.8**
Alliance Audit/KPMG		
Audit engagement	0.4	0.4
Audit business outside the audit engagement	–	0.2
	0.4	**0.6**

PARENT COMPANY	2011	2010
Ernst & Young		
Audit engagement	1.1	1.1
Audit business outside the audit engagement	0.1	0.4
Tax consulting	–	0.1
Other services	0.1	0.9
	1.3	**2.5**

"Audit engagement" refers to the statutory audit, that is, work necessary to produce the auditors' report, as well as audit advice provided in connection with the audit engagement.

NOTE 7 Personnel

AVERAGE NUMBER OF EMPLOYEES

Calculation based on hours of attendance paid in relation to normal working hours

	2011		2010	
	GROUP	PARENT COMPANY	GROUP	PARENT COMPANY
Sweden				
Men	284	25	310	43
Women	392	27	419	43
Total	**677**	**52**	**729**	**86**
France				
Men	167		170	
Women	198		190	
Total	**366**		**360**	
Great Britain				
Men	148		175	
Women	142		174	
Total	**291**		**349**	
Switzerland				
Men	–		6	
Women	–		9	
Total	**–**		**15**	
Germany				
Men	94		84	
Women	181		137	
Total	**276**		**221**	
Spain				
Men	36		9	
Women	47		13	
Total	**83**		**22**	
Total				
Men	730		753	
Women	961		941	
Total average number of employees	**1,691**		**1,694**	

SENIOR MANAGEMENT

	2011		2010	
	GROUP	PARENT COMPANY	GROUP	PARENT COMPANY
Members of the Board, including CEO	7	7	7	7
of whom women	–	–	–	–
Other members of senior management	17	6	17	7
of whom women	5	–	2	1

SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY CONTRIBUTIONS

GROUP	2011	2010
Board of Directors and CEO		
Salaries	20.5	29.7
Variable remuneration	2.8	4.5
Pension expenses	4.6	2.1
	27.9	**36.3**
Other employees		
Salaries and remuneration	558.6	531.1
Pension expenses	30.6	33.1
	589.2	**564.1**
Social security contributions	166.3	170.8
Other employee benefits expense		
Total Board of Directors, CEO and other employees	**820.8**	**834.0**
Pension commitments to board members and CEO	–	–

No variable remuneration is paid to the Group's CEO. Other senior executives may be paid a bonus of a maximum of two month's salary, based on the outcome of financial targets and achievement of individual goals. The Company and CEO have a mutual period of notice of six months. In the case of termination by the Company, no severance pay is payable.

PARENT COMPANY	2011	2010
CEO		
Salary Thomas Eldered	1.0	1.0
Variable remuneration	–	–
Pension expenses	0.4	0.4
Total	**1.4**	**1.4**
Chairman of the Board		
Salary Lars Backsell	0.8	0.8
Variable remuneration	–	–
Pension expenses	0.5	0.3
Total	**1.3**	**1.1**
Other members of the Board		
Anders G Carlberg	0.1	0.1
Tony Sandell	0.1	0.1
Göran Pettersson	0.1	0.1
Total	**0.4**	**0.3**
Total Board of Directors and CEO		
Salaries and remuneration	2.1	2.1
Pension expenses	0.9	0.7
	3.0	**2.8**
Other management staff		
Salaries and remuneration	8.0	7.7
Variable remuneration	1.0	0.2
Pension expenses	1.7	2.0
	10.7	**9.9**
Other employees		
Salaries and remuneration	23.7	32.6
Pension expenses	6.1	5.2
	29.8	**37.8**
Social security contributions	10.6	16.2
Tax on pension expenses	1.5	2.0
Other employee benefits expense	2.2	5.7
Total Board of Directors, CEO and other employees	**57.4**	**74.1**

The company has no pension commitments to the Board of Directors and CEO.

NOTE 8 Depreciation, amortisation and impairment of property, plant, equipment and intangible assets

GROUP	2011	2010
Product rights	-13.4	-13.1
Customer contracts	-21.0	-20.3
Other intangible assets	-3.1	-2.6
Buildings and land improvements	-8.6	-10.2
Leasehold improvements	-0.5	-0.7
Plant and machinery	-50.5	-25.4
Equipment, tools, fixtures and fittings	-7.0	-42.3
	-104.1	**-114.6**

PARENT COMPANY	2011	2010
Product rights	0.0	-1.3
Other intangible assets	-2.4	-1.5
Leasehold improvements	-0.1	-0.1
Equipment, tools, fixtures and fittings	-1.2	-2.5
	-3.7	**-5.4**

NOTE 9 Other operating expenses

GROUP	2011	2010
Exchange losses on receivables/liabilities in operations	-5.7	-5.4
Loss on sale of property, plant and equipment	0.0	-0.1
Excise duties	-17.0	-9.9
Other	-2.1	-6.7
	-24.9	**-22.1**

PARENT COMPANY	2011	2010
Exchange losses on receivables/liabilities in operations	-1.1	-1.0
	-1.1	**-1.0**

NOTE 10 Interest income and similar revenues

GROUP	2011	2010
Interest income, external	1.1	1.4
Capital gains on disposal of Group companies	–	0.4
Exchange rate differences	3.4	81.7
	4.4	**83.5**

PARENT COMPANY	2011	2010
Interest income, external	0.4	0.0
Exchange rate differences	2.3	81.7
	2.8	**81.7**

NOTE 11 Interest expenses and similar costs

GROUP	2011	2010
Interest expenses, external	-28.0	-30.4
Other financial expenses	-2.1	-0.4
	-30.1	**-30.8**

PARENT COMPANY	2011	2010
Interest expense, external	-22.7	-23.0
Exchange rate differences	-1.5	-79.4
Other financial expenses	–	-0.3
	-24.2	**-102.7**

NOTE 12 Tax on profit for the year

GROUP		2011		2010
Current tax for the period		-52.6		-48.0
Adjustment for tax attributable to prior years		–		1.1
Total current tax		**-52.6**		**-46.9**
Deferred tax on temporary differences recognised in profit for the year		6.0		3.4
Deferred tax resulting from changes in tax rates or tax regulations		–		–
Total deferred tax		**6.0**		**3.4**
Total tax recognised on profit for the year		**-46.6**		**-43.5**
Deferred tax recognised in other comprehensive income		**–**		**–**
Deferred tax recognised in equity		**–**		**–**
Reconciliation of total effective tax				
Net profit before tax		*0.5*		*54.2*
Tax at the rate valid for the Parent Company	26.3%	-0.1	26.3%	-14.3
Effect of different tax rates in foreign subsidiaries		-9.0		-9.9
Tax effect of non-deductible expenses		-33.4		-13.5
Tax effect on non-taxable income		12.9		44.1
Increase in tax loss carry-forwards without capitalisation as deferred tax asset		-17.6		-59.1
Utilisation of loss carry-forwards previously not capitalised		–		0.3
Tax attributable to prior years		0.0		0.1
Effect of changes in tax rates or tax regulations		–		–
Change in temporary differences		0.6		8.8
Total effective tax	9328.7%	**-46.6**	80.2%	**-43.5**

PARENT COMPANY		2011		2010
Current tax in profit for the year		–		6.1
Current tax on Group contributions recognised in equity		–		-6.1
Total current tax		**–**		**–**
Total tax expense recognised		**–**		**–**
Reconciliation of total effective tax				
Net profit before tax		-138.4		-101.1
Tax at the rate valid for the Parent company	26.3%	-36.4	26.3%	-26.6
Tax effect of non-deductible expenses		36.2		18.4
Increase in tax loss carry-forwards without capitalisation as deferred tax asset		–		-1.5
Utilisation of loss carry-forwards previously not capitalised		–		–
Total effective tax	1.8%	**-2.5**	9.6%	**-9.7**

NOTE 13 Product rights

GROUP	2011-12-31	2010-12-31
Opening acquisition cost	193.6	175.6
Purchases	–	18.0
Discontinued operations	-1.6	–
Opening amortisation according to plan	-16.1	-2.8
Closing accumulated acquisition cost	192.0	193.6
Amortisation for the year according to plan	-13.3	-13.3
Discontinued operations	0.9	–
Closing accumulated amortisation	**-28.5**	**-16.1**
Carrying amount	**163.5**	**177.5**

PARENT COMPANY	2011-12-31	2010-12-31
Opening acquisition cost	13.5	13.3
Purchases	–	0.1
Sales	-13.3	–
Reclassifications	–	0.1
Closing accumulated acquisition cost	**0.2**	**13.5**
Opening amortisation according to plan	-4.1	-2.8
Sales	4.1	–
Amortisation for the year according to plan	0.0	-1.3
Closing accumulated amortisation	**0.0**	**-4.1**
Carrying amount	**0.2**	**9.4**

NOTE 14 Other intangible assets

GROUP	2011-12-31	2010-12-31
Opening acquisition cost	18.9	2.3
Purchases	2.3	5.3
Acquired in connection with business combinations	–	5.1
Reclassifications	0.1	7.0
Translation difference	0.0	-0.9
Closing accumulated acquisition cost	**21.2**	**18.9**
Opening amortisation according to plan	-5.8	-0.1
Acquired in connection with business combinations	–	-3.6
Amortisation for the year according to plan	-3.1	-2.5
Translation difference	0.0	0.4
Closing accumulated amortisation	**-8.9**	**-5.8**
Carrying amount	**12.4**	**13.1**

PARENT COMPANY	2011-12-31	2010-12-31
Opening acquisition cost	11.3	–
Purchases	0.4	4.3
Reclassifications	–	7.0
Closing accumulated acquisition cost	**11.7**	**11.3**
Opening amortisation according to plan	-1.5	–
Amortisation for the year according to plan	-2.3	-1.5
Reclassifications	–	–
Closing accumulated amortisation	**-3.8**	**-1.5**
Carrying amount	**7.9**	**9.8**

NOTE 15 Goodwill

GROUP	2011-12-31	2010-12-31
Opening acquisition cost	107.8	–
Acquired in connection with business combinations	–	107.8
Discontinued operations	-18.2	–
Translation difference	-11.3	–
Closing accumulated acquisition cost	**78.2**	**107.8**
Amortisation/Impairment	–	–
Carrying amount	**78.2**	**107.8**

Customer contracts

GROUP	2011-12-31	2010-12-31
Opening acquisition cost	251.5	–
Acquired in connection with business combinations	–	251.5
Discontinued operations	-13.3	–
Translation difference	-27.2	–
Closing accumulated acquisition cost	**211.0**	**251.5**
Opening amortisation according to plan	-21.6	–
Amortisation for the year according to plan	-21.1	-21.6
Discontinued operations	–	–
Closing accumulated amortisation	**-42.8**	**-21.6**
Carrying amount	**168.2**	**229.9**

Impairment testing of goodwill

Goodwill has arisen in connection with the acquisition of business operations in 2010. The Group has no other intangible assets that are not amortised. During the year the Biologics business has been divested (part of segment Development and Technology), with the consequence that all its assets and liabilities have been eliminated in 2011. The remaining goodwill comes from the acquisition of Wasserburg, within segment Manufacturing Europe. The carrying amounts of these intangible assets are shown in the table below.

	Manufacturing Europe			Development & Technology			Total		
(SEK million)	2011-12-31	2010-12-31	2009-12-31	2011-12-31	2010-12-31	2009-12-31	2011-12-31	2010-12-31	2009-12-31
Goodwill	78.2	89.5	–	–	18.2	–	78.2	107.8	–

The Manufacturing Sweden segment has no goodwill items. The cost of goodwill in Manufacturing Europe consists of the goodwill arising in connection with the acquisition in Wasserburg, Germany, of Wasserburger Arzneimittelwerk GmbH. That business is for all intents and purposes its own business operation, so the cash-generating unit consists of the two companies that belong to the business in Wasserburg.

Impairment testing consists of comparing the carrying amount before the test with a value based on financial forecasts. The financial forecasts are based on budgets for coming years adopted by Group management and the Board of Directors. For subsequent years (up to the fifth year), the person responsible for the particular business prepares financial forecasts that are approved by the CEO. An estimated growth rate for the market is used for subsequent years. In conjunction with these forecasts, the person responsible for the business also assesses how the market is developing. The financial forecasts serve as a foundation for cash flow forecasts, which are discounted using an after tax discount rate. The latter consists of a weighted average return on equity and cost of loans. The return on equity is based on a risk-free interest rate (10-year government bonds in EUR or SEK) plus a risk premium. The cost of the loan consists of an estimated interest margin based on the Parent Company's borrowings and conditions in the credit market.

MANUFACTURING EUROPE

The Group carried out its annual impairment test at 31 December 2011. The cash-generating unit consists of the two companies that constitute the business in Wasserburg following the acquisition. In general, management sees continued stable development and a healthy growth rate. The discount rate is estimated at 10.0 percent; the annual growth rate after five years is estimated at 2 percent per annum. As a result of this test, Group management found no need for impairment, as the value in use and is equal to or greater than the carrying amount. A sensitivity analysis was also performed, in which the discount rate was increased one percentage point. This caused no change in the previous conclusion. If the growth rate decreased one percentage point, no impairment would be indicated.

NOTE 16 Land and buildings

GROUP	2011-12-31	2010-12-31
Opening acquisition cost	229.8	81.4
Translation difference	-0.8	-28.0
Acquired in connection with business combinations	–	216.8
Reclassifications	11.1	-46.5
Purchases	5.4	6.2
Sales	–	-0.1
Closing accumulated acquisition cost	**245.6**	**229.8**
Opening depreciation according to plan	-94.1	-10.1
Translation difference	1.0	12.1
Acquired in connection with business combinations	–	-98.1
Reclassifications	-0.9	29.7
Sales	-0.9	0.1
Impairment	–	-17.6
Depreciation for the year according to plan	-17.0	-10.2
Closing accumulated depreciation	**-112.0**	**-94.1**
Carrying amount	**133.5**	**135.7**
Of which carrying amount on Land	37.1	37.1

PARENT COMPANY	2011-12-31	2010-12-31
Opening acquisition cost	1.1	1.1
Purchases	–	–
Closing accumulated acquisition cost	**1.1**	**1.1**
Opening depreciation according to plan	-0.3	-0.3
Depreciation for the year according to plan	-0.1	0.0
Closing accumulated depreciation	**-0.3**	**-0.3**
Carrying amount	**0.8**	**0.8**
Of which carrying amount on Land	0.1	0.1
Tax-assessed value	23.8	23.8
of which buildings	21.5	21.5

NOTE 17 Leasehold improvements

GROUP	2011-12-31	2010-12-31
Opening acquisition cost	19.7	21.9
Disposals	–	-10.8
Purchases	0.3	–
Reclassifications	–	8.6
Closing accumulated acquisition cost	**20.0**	**19.7**
Opening depreciation according to plan	-11.4	-21.3
Disposals	–	10.8
Depreciation for the year according to plan	-0.5	-0.9
Closing accumulated depreciation	**-11.9**	**-11.4**
Carrying amount	**8.1**	**8.3**

PARENT COMPANY	2011-12-31	2010-12-31
Opening acquisition cost	8.6	8.6
Disposals	–	–
Closing accumulated acquisition cost	**8.6**	**8.6**
Opening depreciation according to plan	-8.5	-8.4
Disposals	–	–
Depreciation for the year according to plan	-0.1	-0.1
Closing accumulated depreciation	**-8.6**	**-8.5**
Carrying amount	**–**	**0.1**

NOTE 18 Plant and machinery

GROUP	2011-12-31	2010-12-31
Opening acquisition cost	340.2	35.2
Translation difference	-2.7	-41.4
Acquired in connection with business combinations	–	319.8
Sales/disposal	-0.8	-6.1
Reclassifications	219.9	5.3
Restated as current assets	–	-32.1
Purchases	24.2	59.6
Closing accumulated acquisition cost	**580.8**	**340.2**
Opening depreciation according to plan	-176.2	-7.0
Translation difference	2.4	23.3
Acquired in connection with business combinations	–	-199.2
Sales/disposal	0.7	1.2
Reclassifications	-173.4	0.7
Restated as current assets	–	25.4
Impairment	–	-6.2
Depreciation for the year according to plan	-30.2	-14.5
Closing accumulated depreciation	**-376.6**	**-176.2**
Carrying amount	**204.2**	**163.9**

NOTE 19 Equipment, tools, fixtures and fittings

GROUP	2011-12-31	2010-12-31
Opening acquisition cost	402.2	317.6
Translation difference	1.9	-9.4
Acquired in connection with business combinations	–	55.8
Purchases	16.5	23.9
Sales/Disposals	-90.3	-4.4
Reclassifications	-212.8	18.8
Closing accumulated acquisition cost	**117.5**	**402.2**
Opening depreciation according to plan	-259.2	-196.5
Translation difference	-1.6	6.5
Acquired in connection with business combinations	–	-41.3
Sales/Disposals	43.1	3.9
Reclassifications	170.3	-0.4
Impairment	–	-0.3
Depreciation for the year according to plan	-32.0	-31.1
Closing accumulated depreciation	**-79.4**	**-259.2**
Carrying amount	**38.1**	**143.0**

PARENT COMPANY	2011-12-31	2010-12-31
Opening acquisition cost	76.1	74.8
Translation difference	–	0.0
Purchases	0.5	2.7
Reclassifications	0.2	0.4
Sales/Disposals	-21.0	-1.8
Closing accumulated acquisition cost	**55.8**	**76.1**
Opening depreciation according to plan	-69.8	-68.9
Sales/Disposals	18.0	1.6
Depreciation for the year according to plan	-1.2	-2.4
Closing accumulated depreciation	**-53.0**	**-69.8**
Carrying amount	**2.8**	**6.3**

NOTE 20 Construction in progress

GROUP	2011-12-31	2010-12-31
Opening acquisition cost	36.2	44.0
Translation difference	-0.1	-1.1
Acquired in connection with business combinations	–	4.5
Sales/Disposals	-7.1	-0.1
Purchases	56.6	28.6
Impairment	–	-0.8
Reclassifications	-46.2	-38.9
	39.4	**36.2**

PARENT COMPANY	2011-12-31	2010-12-31
Opening acquisition cost	2.0	7.8
Purchases	0.2	1.8
Sales/Disposals	-1.3	–
Reclassifications	-0.2	-7.6
	0.7	**2.0**

NOTE 21 Participations in Group companies

PARENT COMPANY	2011-12-31	2010-12-31
Opening acquisition cost	114.9	70.5
Purchase of new shares	–	16.5
Shareholders' contributions to subsidiaries	50.0	28.0
Group contributions to subsidiaries	8.8	–
Liquidation	–	-0.1
Discontinued operations	-66.4	–
Closing accumulated acquisition cost	**107.3**	**114.9**
Opening impairment losses	-62.8	0.0
Impairment for the year	-58.8	-62.8
Discontinued operations	33.0	–
Closing accumulated impairment losses	**-88.6**	**-62.8**
Carrying amount	**18.7**	**52.1**

During the year, shareholders' contribution were paid to four subsidiaries to fortify equity. Impairment was subsequently charged to the amounts of the participations in these Group companies. The shares in Recipharm Biologics AB and Recipharm CobraBiologics Ltd were sold at 30 June 2011, see also note 4.

SPECIFICATIONS OF PARTICIPATIONS IN SUBSIDIARIES DIRECTLY HELD BY PARENT COMPANY

Company and Corp. Id No.	Registered office	No of participations/ pctg. owned	2011-12-31 Carrying amount	2010-12-31 Carrying amount
Recipharm Stockholm AB	Stockholm	100,000	0.1	0.1
Corp. id. no. 556666-8249		100.0%		
Recipharm Strängnäs AB	Strängnäs	100,000	0.1	0.1
Corp. id. no. 556666-8231		100.0%		
Recipharm Inc	Delaware	1,000	0.9	0.9
Corp. id. no. 74-3061963		100.0%		
Recipharm Venture Fund AB	Stockholm	400,000	0.4	0.4
Corp. id. no. 556666-2697		100.0%		
Recipharm Karlskoga AB	Karlskoga	100,000	0.1	0.1
Corp. id. no. 556662-4366		100.0%		
Recipharm Karlskoga FastighetsAB	Stockholm	100,000	0.1	0.1
Corp. id. no. 556657-8315		100.0%		
Recipharm Höganäs AB	Höganäs	100,000	3.0	3.0
Corp. id. no. 556666-2606		100.0%		
Recipharm Participation SAS	France	–	0.3	0.3
Corp. id. no. 498 592 757 000 13		100.0%		
Recipharm Ltd	Great Britain	–	13.2	13.2
Corp. id. no. 6360398		100.0%		
Recipharm AG	Switzerland	–	–	–
Corp. id. no. CH-270.3.010.655-3		100.0%		
Recipharm Biologics AB	Stockholm	–	–	25.0
Corp. id. no. 556767-1366		–		
RM 2959 Vermögensverwaltungs GmbH	Germany	–	0.3	0.3
HRB 182 656		100.0%		
Recipharm Cobra Biologics Ltd.	Great Britain	–	–	8.4
4442924		–		
RPH Iberia AB	Stockholm	50,000	0.1	0.1
Corp. id. no. 556805-3234		100.0%		
Recipharm Pharmaceutical Development AB	Stockholm	50,000	0.1	0.1
Corp. id. no. 556825-0095		100.0%		
RPH Pharmaceuticals AB	Stockholm	1,000	0.1	0.1
Corp. id. no. 556731-7226		100.0%		
			18.7	**52.1**

SPECIFICATION OF INCOME FROM SHARES IN SUBSIDIARIES

PARENT COMPANY	2011-12-31	2010-12-31
Impairment of shares in subsidiaries	-88.4	-62.7
Impairment of receivables from subsidiaries	-64.5	-69.6
Received dividends	6.9	56.2
Gain on liquidation of subsidiaries	–	0.4
	-146.0	**-75.7**

NOTE 22 Receivables from Group companies

PARENT COMPANY	2011-12-31	2010-12-31
Promissory note receivables from subsidiaries, Recipharm Stockholm AB	85.0	85.0
Promissory note receivables from subsidiaries, Recipharm Karlskoga AB	17.0	17.0
Promissory note receivables from subsidiaries, Recipharm Höganäs AB	13.0	13.0
Promissory note receivables from subsidiaries, Recipharm Strängnäs AB	5.0	10.0
	120.0	**125.0**

The promissory notes carry interest corresponding to the average Swedish government borrowing rate (SLR) plus 0,5 percentage points.

Loan Agreement Recipharm Stockholm AB	–	3.5
Loan Agreement Recipharm Höganäs AB	15.4	25.2
Loan Agreement Recipharm Verwaltung GmbH	325.8	361.6
Loan Agreement RPH Pharmaceuticals AB	202.3	206.2
Loan Agreement RPH Iberia AB	38.0	40.1
Loan Agreement Recipharm Parets S.L.U	22.8	16.2
Loan Agreement RecipharmCobra Biologics Ltd	–	24.9
Loan Agreement Recipharm Venture Fund AB	5.0	–
Loan Agreement Recipharm Pharmaceutical Development AB	5.0	–
Loan Agreement Recipharm Ltd	183.3	–
	797.7	**677.7**

The loan in SEK carries interest corresponding to six-month STIBOR plus 4 percentage points.

The loan in EUR carries interest corresponding to six-month EURIBOR plus 4 percentage points.

The loan in GBP carries interest corresponding to RBA plus 4 percentage points.

Convertible receivable, Recipharm Cobra Biologics Ltd	–	2.4
	–	**2.4**

The convertible receivable with a related loan from Cobra Biomanufacturing Plc carried interest of 6 percent. During 2011 the company has been sold.

Total non-current receivables from Group companies	**917.7**	**805.1**
Receivables from Group companies	52.2	40.0
Current loans to Group companies (carry no interest)	0.0	198.7
Current component of non-current receivables from Group companies	0.0	4.1
Accrued income, Group companies	11.5	11.7
Accrued interest, Group companies	1.7	3.4
Other current receivables from Group companies	0.0	0.2
Total current receivables from Group companies	**65.5**	**258.1**

NOTE 23 Other securities held as non-current assets

GROUP	2011-12-31	2010-12-31
Endowment insurance	0.1	0.1
Shares in Cobra Biologics Holding AB	4.0	–
Convertible shares in Crossject	4.4	–
Other equities	0.1	0.1
Deposits	0.2	–
	8.8	**0.1**

PARENT COMPANY	2011-12-31	2010-12-31
Endowment insurance	0.1	0.1
Shares in Cobra Biologics Holding AB	4.0	–
Other equities	0.1	0.1
	4.2	**0.1**

The reported holdings are measured in level III at cost, since no official market prices are available.

NOTE 24 Deferred tax

GROUP	2011-12-31	2010-12-31
SPECIFICATION TO DEFERRED TAX ASSETS/-LIABILITIES		
Property, plant and equipment	1.8	–
Inventories	0.1	0.6
Pension liabilities	6.6	1.4
Accrued expenses	4.9	5.6
Total deferred tax assets	**13.5**	**7.6**
Property, plant and equipment	14.9	6.8
Customer contracts	47.2	64.6
Intellectual capital	–	1.0
Untaxed reserves	7.3	6.9
Pension liabilities	–	-4.2
Interest-bearing liabilities	0.4	0.5
Total deferred tax liabilities	**69.7**	**75.6**
Deferred tax assets and liabilities, net	**-56.2**	**-68.0**

CHANGE IN DEFERRED TAX IN TEMPORARY DIFFERENCES AND LOSS CARRY-FORWARDS		
Opening balance	-68.0	-1.0
Recognised in profit/loss for the year	16.9	-1.4
Acquisition of subsidiaries	6.7	-65.6
Recognised in equity	-0.9	–
Closing balance	**-45.3**	**-68.0**

DEFERRED TAX ASSETS NOT RECOGNISED		
Tax-effective losses	105.9	168.1
Deductible temporary differences	–	–
	105.9	**168.1**

Deferred tax assets not recognised refers to tax loss carry-forwards that have no time restrictions. Unrecognised deferred tax assets relating to tax losses in Sweden and UK which have no expiration dates.

NOTE 25 Other non-current receivables

GROUP	2011-12-31	2010-12-31
Other receivables	–	0.1
	–	**0.1**

NOTE 26 Inventories

GROUP	2011-12-31	2010-12-31
Raw material and consumables	176.6	177.9
Products in process	85.6	89.6
Finished goods and goods for resale	128.3	116.6
	390.4	**384.1**
Inventories recognised at net realisable value	48.7	33.9
Purchases recognised as a cost during the period	-593.7	-607.5
Impairment of inventory recognised as a cost during the period	-47.1	-91.6
Reversed impairment of inventory that had been recognised as a cost	–	14.8
Total cost for raw materials and consumables	**-640.8**	**-684.3**

NOTE 27 Accounts receivable

GROUP	2011-12-31	2010-12-31
Accounts receivable, gross before bad debt provisions	240.7	313.1
Bad debt provisions at beginning of year	-11.5	-3.0
Acquired in connection with business combinations	0.0	0.3
Impairment for the year	6.0	-9.9
Reversal of unutilised reserve	0.9	1.1
Bad debt provisions at year-end	**-4.6**	**-11.5**
Accounts receivable, net of bad debt provisions	**236.0**	**301.6**
Accounts receivable, SEK	107.2	146.2
Accounts receivable, EUR	96.7	111.6
Accounts receivable, GBP	30.4	34.6
Accounts receivable, USD	1.4	4.2
Accounts receivable, CHF	0.0	5.0
Accounts receivable, other currencies	0.3	0.0
	236.0	**301.6**
Age of accounts receivable		
< 3 months	229.2	307.5
3-6 months	3.6	1.9
> 6 months	7.8	3.7
	240.7	**313.1**

The Group has received no security pledged for outstanding accounts receivable.

PARENT COMPANY	2011-12-31	2010-12-31
Accounts receivable	1.1	2.0
Bad debt provision	-0.4	-0.4
	0.7	**1.6**

NOTE 28 Other receivables

GROUP	2011-12-31	2010-12-31
Receivables from employees	0.3	0.6
VAT receivable	15.9	12.5
Expenses to be billed to customers	0.2	3.4
Assets available for sale	–	21.4
Proceeds receivable for new share issues	–	88.0
Other receivables	25.7	17.3
	42.1	**143.3**

Recipharm has reached agreement to sell a closed factory in Oxford, United Kingdom. A formal decision was made in November 2010, and the factory was divested in February 2011. When the decision to sell the factory was taken, impairment was charged to the assets so that their carrying amount matched their estimated fair value after selling costs, resulting in a non-recurring charge of SEK 2.2 million.

PARENT COMPANY	2011-12-31	2010-12-31
VAT receivable	–	0.3
Expenses to be billed to customers	–	0.2
Proceeds receivable for new share issues	–	88.0
Proceeds receivable for disposal of operations	4.0	–
	4.0	**88.5**

NOTE 29 Prepaid expenses and accrued income

GROUP	2011-12-31	2010-12-31
Prepaid rent	8.5	10.9
Prepaid annual fees	2.5	3.3
Prepaid insurance premiums	3.1	4.0
Accrued income	14.4	22.7
Other prepaid expenses	3.2	4.6
	31.8	**45.5**

PARENT COMPANY	2011-12-31	2010-12-31
Prepaid rent	–	1.9
Prepaid annual fees	1.7	1.8
Prepaid insurance premiums	1.6	1.7
Accrued income	–	1.1
Other prepaid expenses	0.5	0.8
	3.7	**7.3**

NOTE 30 Cash and cash equivalents

GROUP	2011-12-31	2010-12-31
Bank balances	129.0	247.8
Mutual fund, France	15.2	30.0
	144.2	**277.8**

Securities Fund refers to non-interest bearing current assets at market value.

PARENT COMPANY	2011-12-31	2010-12-31
Bank balances	2.2	101.4

NOTE 31 Equity

Shares outstanding	2011-12-31	2010-12-31
Ordinary shares (quotient value SEK 1)	12,685,715	10,000,000
An extraordinary General Meeting held on 17 December 2010 resolved to issue new shares on the following terms:		
Number of shares issued	–	2,685,715
Price/share (SEK)	–	70
Value of new shares (SEK million)	–	188.0
Issue expenses	–	-8.4
Increase in equity	**88.0**	**179.6**
Proceeds received from issue	–	100.0
Proceeds receivable for new share issue	–	88.0
Dividend		
Proposed dividend SEK 0.00 per ordinary share (SEK 0.00)	–	–
Dividend recognised per share (SEK)	–	–

The Board of Directors has proposed to the 2012 Annual General Meeting that no dividend be paid.

Capital management
According to Board policy, the Group's financial objective is to have a solid financial position to help retain the trust of investors, lenders and the market and to serve as a foundation for continued satisfactory growth.

	2011-12-31	2010-12-31
Financial liabilities	645.9	866.8
Less cash, cash equivalents and investments in securities	-144.2	-277.8
Net debt	**501.7**	**589.0**
Total equity	**514.1**	**642.8**
Net debt / total equity	0.98	0.91

The change in net debt is mainly due to repayment of loans during the year.

Neither the company nor the Group has an established dividend policy at this time. Neither the Parent Company nor any subsidiary is subject to any external capital adequacy requirements.

Parent Company equity
The opening and closing balances for the Parent Company's components of equity are reconciled above in a separate statement of changes in equity, following the balance sheet for the Parent Company.

NOTE 32 Provisions for pensions

	2011-12-31		2010-12-31	
GROUP	**France**	**Germany**	**France & Switzerland**	**Germany**
Present value of obligations	17.5	57.1	16.1	–
Fair Value, hived off assets	-20.4	–	-20.7	–
Unrealized actuarial gains	–	–	–	–
Surplus (-) / Deficit (+) in pension fund or equivalent	-2.9	57.1	-4.6	–
Surplus in pension fund or equivalent, not reported	8.3	–	8.8	–
Recognised liability exceeding present value of obligations	–	0.4	–	52.4
Net liability in balance sheet	**5.5**	**57.5**	**4.2**	**52.4**
Opening balance	5.3	52.4	5.5	–
Cost recognised in income statement	–	6.7	–	6.7
Provision to pension fund	–	–	–	–
Pension disbursements	-0.2	-1.3	2.2	–
Reimbursement from fund	0.2	–	-2.2	–
Translation difference	–	–	–	-6.6
Effect of operations acquired/disposed of	–	–	-4.4	-0.1
Net liability at year-end	**5.3**	**57.8**	**1.1**	**52.4**
Cost for earning pensions	-1.0	-2.5	–	-4.3
Difference between reimbursement from fund or equivalent and pension disbursements	–	-1.3	–	–
Interest expense	0.3	-2.2	–	-2.4
Actual return on hived-off assets	-0.1	–	–	–
Earnings effect of redeemed obligations	–	–	–	–
Cost of pension plans under own management	-0.9	-6.0	–	-6.7
Cost recognised in the income statement	**-0.9**	**-6.0**	**–**	**-6.7**
Of which, financial expense	–	–	–	–
Percentage return on hived-off assets	0.0%	0.0%	0.0%	0.0%
Actuarial assumptions:				
Interest rate	4.3%	4.8%	4.3%	4.8%
Annual salary increase	2.3%	3.0%	2.3%	3.0%
Turnover rate	7.4%	3.0%	7.4%	7.0%
Retirement age	–	65 years	–	65 years
Length of employment in order to obtain maximum compensation	30 years	–	30 years	–

Provisions for pensions relates to defined benefit plans in France and Germany. During 2011 the operations in Switzerland were closed down.

NOTE 33 Other provisions

GROUP	2011-12-31	2010-12-31
Redundancy pay	3.1	15.4
Complaints	0.2	–
Other provisions	0.9	3.3
	4.2	**18.7**

Redundancy pay refers to salaries for employees who have been given notice as a consequence of the removal of part of the business activities from Recipharm Ltd., UK, to Recipharm Wasserburg GmbH, Germany.

Change in provisions during the year	2011-12-31	2010-12-31
Opening balance	18.7	2.1
Reversals	-15.6	-2.1
Provisions	1.1	18.7
Closing balance	**4.2**	**18.7**

NOTE 34 Other non-current liabilities

GROUP	2011-12-31	2010-12-31
Additional purchase consideration payable	31.9	21.7
	31.9	**21.7**

Additional purchase consideration payable refers to the acquisitions of Recipharm Fontaine SAS, France, and Recipharm Parets SL, Spain.

NOTE 35 Accounts payable

GROUP	2011-12-31	2010-12-31
Accounts payable, SEK	61.3	62.3
Accounts payable, EUR	78.3	115.6
Accounts payable, GBP	7.9	15.9
Accounts payable in other currencies	6.5	2.4
	153.9	**196.3**

PARENT COMPANY	2011-12-31	2010-12-31
Accounts payable, SEK	4.3	17.6
Accounts payable, EUR	0.1	0.4
Accounts payable, GBP	0.1	0.1
Accounts payable in other currencies	–	0.1
	4.5	**18.2**

NOTE 36 Other liabilities

GROUP	2011-12-31	2010-12-31
Liabilities to employees	0.1	2.4
Employee withholding taxes	6.8	7.8
VAT	11.1	17.9
Purchase consideration payable, subsidiaries	–	45.0
Other liabilities	39.5	33.4
	57.6	**106.5**

PARENT COMPANY	2011-12-31	2010-12-31
Employee withholding taxes	0.9	1.2
VAT	0.2	–
Other liabilities	39.5	33.1
	40.6	**34.3**

NOTE 37 Accrued expenses and deferred income

GROUP	2011-12-31	2010-12-31
Holiday pay liability and working hour reduction	46.8	42.2
Social security contributions	38.1	29.7
Profit-sharing and bonuses	23.9	23.3
Other employee benefits expense	2.4	8.2
Restructuring reserve	5.3	6.5
Accrued interest expense	2.9	2.5
Accrued taxes	1.6	7.1
Other accrued expenses	35.0	40.8
Additional purchase consideration	–	10.2
Deferred income	1.1	9.0
	157.2	**179.5**

PARENT COMPANY	2011-12-31	2010-12-31
Holiday pay liability and working hour reduction	3.4	4.8
Social security contributions	4.2	2.9
Profit-sharing and bonuses	0.5	0.2
Other employee benefits expense	0.2	–
Restructuring reserve	2.5	–
Accrued interest expense	2.9	2.5
Accrued taxes	0.1	0.1
Other accrued expenses	1.9	3.2
	15.7	**13.7**

NOTE 38 Liabilities for which assets have been pledged

GROUP	2011-12-31	2010-12-31
Property mortgage, Strängnäs, Kemisten 3	19.4	19.4
Floating charges	83.0	83.0
Total Parent Company	**102.4**	**102.4**
Property mortgage, Karlskoga, Bofors 1:10	12.3	13.0
Property mortgage, Keele, UK	–	27.8
Guarantee benefiting holders of the convertible loan	40.0	40.0
Shares in Recipharm Participation SAS, estimated net assets	75.4	66.8
Shares in Recipharm Fontaine SAS, estimated net assets	107.6	74.7
Shares in Recipharm Monts SAS, estimated net assets	63.0	44.6
Shares in Recipharm Ltd, estimated net assets	–	–
Shares in RM 2959 Vermögensverwaltungs GmbH, estimated net assets	57.0	27.4
Shares in Wasserburger Arzneimittelwerk GmbH, estimated net assets	133.8	135.0
Shares in Recipharm Stockholm AB, estimated net assets	19.1	15.6
Shares in Recipharm Strängnäs AB, estimated net assets	5.7	5.0
Shares in Recipharm Karlskoga AB, estimated net assets	0.8	0.9
Shares in RPH Pharmaceuticals AB, estimated net assets	23.5	3.3
Total Group	**640.4**	**556.5**

NOTE 39 Contingent liabilities

Recipharm Ltd has been notified of a number of potential claims regarding the closure of its steriles manufacturing division. The Management and Directors of Recipharm Ltd consider that the probability of these potential claims resulting in a liability is remote and that there is a high chance of settling these disputes through future commercial negotiations. Therefore no provision has been made.

NOTE 40 Financial assets and liabilities

	Fair value		Carrying amount	
GROUP	2011-12-31	2010-12-31	2011-12-31	2010-12-31
Financial assets				
Other securities held as non-current assets	8.8	0.1	8.8	0.1
Deposits	0.0	0.1	0.0	0.1
Accounts receivable	232.2	301.6	232.2	301.6
Cash and cash equivalents, bank balances	129.0	247.8	129.0	247.8
Cash and equivalents, current investments	15.2	30.0	15.2	30.0
	385.3	**579.6**	**385.3**	**579.6**
Financial liabilities				
Interest-bearing liabilities, non-current component	330.2	425.6	330.2	425.6
Interest-bearing liabilities, current component*	315.7	441.3	315.7	441.3
Accounts payable	153.9	196.5	153.9	196.5
	799.8	**1,063.4**	**799.8**	**1,063.4**

* Interest-bearing liabilities, current component refers to that portion of non-current liabilities that will be repaid during 2012 (2011) as well as to the unutilised portion of the group account facility.

	Fair value		Carrying amount	
PARENT COMPANY	2011-12-31	2010-12-31	2011-12-31	2010-12-31
Financial assets				
Receivables from Group companies, non-current	917.7	805.1	917.7	805.1
Other securities held as non-current assets	4.2	0.1	4.2	0.1
Other non-current receivables	0.0	2.4	0.0	2.4
Accounts receivable	0.7	1.6	0.7	1.6
Receivables from Group companies, current	52.7	258.1	52.7	258.1
Cash and cash equivalents, bank balances	2.2	100.9	2.2	100.9
	977.5	**1,168.3**	**977.5**	**1,168.3**
Financial liabilities				
Interest-bearing liabilities, non-current component	304.9	382.8	304.9	382.8
Interest-bearing liabilities, current component*	262.4	381.5	262.4	381.5
Accounts payable	4.5	18.4	4.5	18.4
Liabilities to Group companies, current	29.5	10.5	29.5	10.5
	601.3	**793.2**	**601.3**	**793.2**

* Interest-bearing liabilities, current component refers to that portion of non-current liabilities that will be repaid during 2012 (2011) as well as to the unutilised portion of the group account facility.

THE GROUP'S FINANCIAL LIABILITIES AND MATURITY STRUCTURE

31 december 2011	Interest rate	Currency	Nominal amount	< 1 month	1-3 mos	3-12 mos	1-5 years	> 5 years	Carrying amount
Bank loan	3.065%	SEK	28.3	0.1	0.3	1.3	7.0	19.6	28.3
Bank loan [1)]	3.838%	EUR	5.5	–	–	–	48.8	–	48.8
Bank loan [1)]	3.795%	EUR	7.4	–	–	66.1	–	–	66.1
Bank loan [1)]	3.387%	EUR	19.1	–	19.7	59.1	92.1	–	170.9
Bank loan [1)]	3.080%	GBP	11.7	–	–	–	125.0	–	125.0
Convertible loans	3.660%	SEK	37.8	–	–	–	37.8	–	37.8
Bank overdraft facility	2.810%	SEK	169.0	–	–	169.0	–	–	169.0
Total interest-bearing liabilities				**0.1**	**20.0**	**295.5**	**310.6**	**19.6**	**645.9**
Accounts payable				153.9	–	–	–	–	153.9
Total				**154.0**	**20.0**	**295.5**	**310.6**	**19.6**	**799.8**

1) No covenants are linked to these loans except for the foreign currency loan of SEK 410.8 million indicated above. The covenants are as follows.

Net debt/operating profit before depreciation and amortisation, Equity/assets ratio and Cash flow/(repayments+interest). The ratios for earnings and cash flow are based on the trailing 12 months. Recipharm is within the acceptable limits for these covenants.

31 december 2010	Interest rate	Currency	Nominal amount	< 1 month	1-3 mos	3-12 mos	1-5 years	> 5 years	Carrying amount
Bank loan	2.050%	SEK	30.2	0.1	0.3	1.3	7.0	21.4	30.2
Bank loan [1)]	3.279%	EUR	5.5	–	–	–	49.1	–	49.1
Bank loan [1)]	3.293%	EUR	14.6	–	–	131.8	–	–	131.8
Bank loan [1)]	3.264%	EUR	27.8	–	19.7	59.1	171.2	–	250.0
Bank loan [1)]	2.989%	GBP	11.7	–	–	–	123.4	–	123.4
Bank loan	2.150%	GBP	1.9	0.4	0.7	3.2	16.3	–	20.6
Convertible loans	1.825%	SEK	37.2	–	–	–	37.2	–	37.2
Bank overdraft facility	0.0277	SEK	224.5	–	–	224.6	–	–	224.6
Total interest-bearing liabilities				**0.5**	**20.7**	**420.1**	**404.2**	**21.4**	**866.9**
Accounts payable				196.5	–	–	–	–	196.5
Total				**197.0**	**20.7**	**420.1**	**404.2**	**21.4**	**1,063.4**

Overdraft facility	2011-12-31	2010-12-31
Group	250.0	250.0
Parent company	250.0	250.0

CONVERTIBLE BONDS PROGRAMME

In March 2009, the Company issued a convertible bond programme entitling the Board and employees to acquire convertible bonds in the company. The convertible bonds constitute a combined financial instrument in which each component is classified individully and recognized separately to better reflect the financial purpose of the instrument. At the time of the issue, the convertible bonds are recognized as a liability component and an equity component based on a residual value method. Thus the liability is measured at amortized cost by applying the effective interest method in subsequent periods. Consequently the initial carrying amount of the liability part will be encreased by effective interest and upon maturity will equal the nominal amount.

Terms and conditions for convertible loan:

Number of convertible bonds:	653,200
Nominal amount:	60 SEK per convertible
Conversion rate:	60 SEK (each convertible right could be converted to one C-class of share)
Conversion period:	February 6, 2014 to April 5, 2014
Duration:	April 6, 2014 (if not yet converted)
Interest rate:	STIBOR 12 months+0,75 percent (from April 7, 2009)
Interest payments:	April 6 each year

SENSITIVITY ANALYSIS

Interest-rate risk

The table shows the effects on net interest income over the next 12-month period of an interest rate increase of 1 percentage point (100 basis points) given the interest-bearing assets and liabilities at the end of the reporting period.

Currency (interest-bearing assets and liabilities)	2011-12-31	2010-12-31
Total effect on profit/loss before tax	-6.3	-5.9

Currency risk

The table below shows the effects of a 10-percent appreciation in the SEK for the financial year considered, all other factors remaining unchanged (such as, interest rates). The table shows only the impact in relation to EUR and GBP, the currencies with significant outflows. During these financial years, no hedging was done to influence these figures, so that similar figures (with the opposite sign) would be posted in the event of a 10-percent depreciation.

	2011-12-31	2010-12-31
Effect on profit/loss for the year	20.0	25.0
Effect on other equity	-54.5	-68.5
Total effect on equity	**-34.5**	**-43.5**

The currency risk linked to accounts payable and accounts receivable is not deemed significant, because a 10-percent change in the exchange rate of the net flow is minor during the outstanding credit period between invoicing and payment. The effect on operating profit, interest rates and taxes is based on the net amount per currency. The effects on other financial income and expense are based on a weighted average of interest-bearing financial liabilities and assets for the year. The effects on equity, excluding profit for the year, are based on a weighted average of liabilities to the Parent Company and the subsidiaries' equity.

Board signatures

The undersigned hereby assure that (i) the consolidated accounts and annual report were prepared as per International Financial Reporting Standards (IFRS) as adopted by the EU, and generally accepted accounting principles, respectively, and provide a true and fair view of the development of the Group's and Parent Company's position and performance, and (ii) the administration report provides a true and fair view of the development of the Group's and Parent Company's operations, position and performance as well as describing material risks and uncertainties faced by the companies that are part of the Group. The income statements and balance sheets of the Parent Company and the Group are subject to adoption by the Annual General Meeting on 29 March 2012.

Stockholm, 9 March 2012

Lars Backsell
Chairman of the Board

Anders G Carlberg

Lars-Göran Carlsson

Olle Christenson

Thomas Eldered
Chief Executive Officer

Göran Pettersson

Tony Sandell

My audit report was presented on 9 March 2012

Michael Forss
Authorised Public Accountant

Auditor's report

TO THE ANNUAL MEETING OF THE SHAREHOLDERS OF RECIPHARM AB
Corporate identity number 556498-8425

Report on the annual accounts and consolidated accounts

I have audited the annual accounts and consolidated accounts of Recipharm AB for the financial year 2011. [The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 28–61.]

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

Auditor's responsibility
My responsibility is to express an opinion on these annual accounts and consolidated accounts based on my audit. I conducted the audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinions
In my opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2011 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts

I therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Report on other legal and regulatory requirements

In addition to my audit of the annual accounts and consolidated accounts, I have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Recipharm AB for the financial year 2011.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility
My responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on my audit. I conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for my opinion on the Board of Directors' proposed appropriations of the company's profit or loss, I examined whether the proposal is in accordance with the Companies Act.

As a basis for my opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, I examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. I also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinions
I recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, March 9, 2012

Michael Forss
Authorised Public Accountant

Group Management

1. THOMAS ELDERED
Born: 1960
Position: CEO
Management Experience: CEO, Recipharm AB 2008–present; Vice President, Recip AB 1995–2007; factory manager, Pharmacia 1990–1995
Education: M.Sc. in Industrial and Management Engineering, Linköping Institute of Technology, 1985
Employee since: 1995
Shareholding: 5,714,286[1]

5. MAGNUS RENCK
Born: 1953
Position: VP Operations Development
Management Experience: Member of senior management, Apoteket, 1999–2006.
Education: Engineering degree, 1976
Employee since: 2006
Holding: 8,000 (convertible bonds)

2. KENTH BERG
Born: 1959
Position: VP Business Management
Management Experience: Senior management at Recipharm
Education: Market economist, Lund University, 1989
Employee since: 1997
Holding: 8,000 (convertible bonds)

6. CARL-JOHAN SPAK
Born: 1956
Position: EVP Development & Technology
Management Experience: Director Nordic Region, Country Manager Sweden, Meda AB, 2007–2008; CEO Recip AB and Recip Läkemedel AB, 2005–2007; Executive management, Recip AB, 1995–2005
Education: Dentist, Karolinska Institute, 1980, Ph.D. Karolinska Institute, 1984
Employee since: 2009 (1995–2007)[2]
Holding: 8,000 (convertible bonds)

3. KJELL JOHANSSON
Born: 1956
Position: EVP Chief Operating Officer
Management Experience: Management Consultant 2008–2011, VP Global Supply Chain AstraZeneca 2004–2008, VP Manufacturing AstraZeneca 1999–2004, Senior VP Manufacturing & Logistics Astra AB 1997–1999.
Education: M.Sc. in Chemical Engineering, Lund Institute of Technology 1981, B.Sc. in Economics, Stockholm University 1987.
Employee since: 2011
Holding: 0

7. BJÖRN WESTBERG
Born: 1962
Position: EVP Chief Financial Officer
Management Experience: CFO, Jeeves Information Systems AB, 2001–2006; Finance Director, North Europe, Astra Zeneca, 1999–2001
Education: M.Sc. in Industrial Engineering and Management, Linköping Institute of Technology, 1988
Employee since: 2007
Holding: 10,800 (convertible bonds)

4. MARK QUICK
Born: 1966
Position: EVP Corporate Development
Management Experience: Head of Business Development, Celltech Manufacturing Services, 2000–2006
Education: B.Sc. (Hons) in Industrial Studies, Nottingham Trent University, 1988, MBA, Open University, 2005
Employee since: 2006
Holding: 8,000 (convertible bonds)

NOTES

1) 11,428,572 shares are indirectly held through B&E Participation AB. Thomas Eldered owns 50 percent of the shares in B&E Participation AB.

2) Previous employment in the Group.

Board of Directors

1. LARS BACKSELL
Chairman of the Board
Born: 1952
Experience: OTC Business Area Manager, Pharmacia AB, 1991–1994, and CEO Recip AB 1995–2007
Education: B.Sc. Economics, Stockholm School of Economics 1978 and AMP Insead Fontainbleu France 1989
Other assignments: Board member, Bioinvent AB and Lund University BioScience AB, and member of the Royal Swedish Academy of Engineering Sciences
Shareholding: 5,714,286*

5. ANDERS G CARLBERG
Born: 1943
Experience: President and CEO, Axel Johnson International AB, 1993–2008. Previously president and CEO, Nobel Industrier and JS Saba, and Vice President, SSAB.
Education: MBA, Lund University, 1968
Other assignments: Chairman of the board of Höganäs AB and Herenco AB, vice chairman in Sapa AB, member of the boards of Sweco AB, Axel Johnson Inc., AxFast AB, Mekonomen, SSAB, Investment AB Latour and Beijer-Alma
Holding: 16,000 (convertible bonds)

2. THOMAS ELDERED
Born: 1960
Experience: CEO, Recipharm AB 2008–present; Vice President, Recip AB 1995–2007; factory manager, Pharmacia 1990–1995
Education: M.Sc. in Industrial and Management Engineering, Linköping Institute of Technology, 1985
Other assignments: Chairman of Cobra Biologics, member of the board of SwedenBIO
Shareholding: 5,714,286*

6. GÖRAN PETTERSSON
Born: 1945
Experience: Assignments in interim management 2001–2004, VD Meda AB 1997–1999, senior management positions at PharmaciaUpjohn AB, KabiVitrium AB, KabiPharmacia AB and the Astra group
Education: Pharmacist (M. Pharm Sc.) Stockholm 1970, MBA IHM Stockholm 1974
Other assignments: Chairman of Medivir AB, Axelar AB, Oxypharma AB, Vivoxid Oy. Member of the board of Pfizer Sweden Pension Trust
Holding: 10,000 (convertible bonds)

3. TONY SANDELL
Born: 1943
Experience: Chairman of Transatlantic AB
Education: LL.B
Other assignments: Chairman of MFEX, Mutual Fund Exchange AB; member of the boards of Danfo AB and Bokforlaget Natur och Kultur
Holding: 9,000 (convertible bonds)

7. LARS-GÖRAN CARLSSON
Born: 1951
Employee representative
Holding: 800 (convertible bonds)

4. OLLE CHRISTENSON
Born: 1956
Employee representative
Holding: 800 (convertible bonds)

* 11,428,572 shares are indirectly held through B&E Participation AB. Lars Backsell and Thomas Eldered each controls 50 percent of the shares in B&E Participation AB.

CORPORATE GOVERNANCE

Recipharm AB (publ) is an unlisted company. Recipharm is governed by the Annual General Meeting and by the Board of Directors and CEO in compliance with the Companies Act (2005:551) and the Company's articles of association. Because Recipharm is an unlisted company, the Company is not obligated to follow the Swedish Code of Corporate Governance. However, Recipharm monitors developments in the Code.

BOARD OF DIRECTORS

Recipharm's Board consists of seven regular members, including the Chairman of the Board. According to Recipharm's articles of association, the Board of Directors shall have no less than three and no more than eight members, and no more than five deputy members. By custom, all members of the Board are elected to serve until the following Annual General Meeting.

Recipharm's Board of Directors has overall responsibility for the business. The Board is responsible for management of the Company in accordance with the Companies Act and determines the Company's overall strategies, among other things. The Chief Executive Officer manages the business within the framework adopted by the Board. Through the CEO, senior management is responsible for contacts with the media and other stakeholders.

On ownership issues, the Company is represented by the Chairman of the Board. The Company's Board takes decisions on questions concerning strategic direction, investment, financing, organisational issues, acquisitions and divestments and key policies. The Board of Directors shall also ensure proper disclosure to Recipharm's stakeholders. The work of the Board is regulated by the Companies Act, the articles of association and the procedures adopted by the Board for its work, among other documents. The work of the Board adheres to a yearlong schedule intended to ensure that the Board receives the information members need to make decisions for the Company. In accordance with the regulations in the Companies Act, the Board has adopted procedures for its work (see below). No committees have been established for audit or remuneration issues.

PROCEDURES OF THE BOARD OF DIRECTORS

The work of the Board is governed by procedures adopted annually, which regulate the Board's internal division of tasks, decision procedures within the Company, authority to sign for the Company, Board meeting procedures, the Chairman's tasks and the like. The work of the Board follows a fixed procedure intended to ensure that Board members receive the information they need and that tasks are divided appropriately between the Board and the CEO. The work of the Board adheres to a yearlong schedule of business that satisfies the Board's need for information. The schedule of business is governed in other respects by the procedure adopted by the Board for dividing work between the Board and CEO. The Board as a whole handles matters of internal control incumbent upon the Board. Each year, the Company's auditors report in person to the Board their observations from their audit and their assessment of the Company's internal control.

Shareholders

Shareholders	Number of shares	Percentage of shares and votes
B&E Participation AB	11,428,572	90.1%
Nordea Funds	1,257,143	9.9 %
Total	**12,685,715**	**100,00%**

B&E Participation AB are owned, indirectly, through a company, to 50 percent by Thomas Eldered and 50 percent by Lars Backsell.

From our headquarters near Stockholm, Sweden, and production facilities across Europe, Recipharm is in a unique position to provide reliable, value-conscious service to our customers. Wherever they are.

Recipharm's facilities

STOCKHOLM
- solid dose

KARLSKOGA
- creams, gels, ointments
- suppositories

STRÄNGNÄS
- beta-lactams (solid forms and dry syrups)

HÖGANÄS
- granulates
- powders

ASHTON
- solid dose
- creams
- dry powder inhalation

MONTS
- sterile filling
- logistics centre

PARETS
- solid dose
- sterile ointments
- oral liquids, sprays and aerosols
- suppositories

JORDBRO
- Recipharm's headquarters

FONTAINE
- solid dose
- logistics centre

SOLNA
- development services
- pharmaceutics laboratory
- clinical trials supplies
- sterile filling
- solid dose
- semi-solids

WASSERBURG
- lyophilisates
- sterile filling

Addresses

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Sweden

RPH PHARMACEUTICALS AB
General Manager Carl-Johan Spak
Gårdsvägen 10B
SE-169 70 Solna
Sweden

RECIPHARM STOCKHOLM AB
General Manager Heléne Fehrm
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Sweden

RECIPHARM STRÄNGNÄS AB
General Manager Staffan Widengren
Mariefredsvägen 35
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Recipharm
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