2014 ANNUAL REPORT
& BUSINESS REVIEW

Recipharm
good for business

BUILDING A STRONG, SUSTAINABLE BUSINESS

21%
Increase in Net sales

41%
Increase in EBITDA

24%
Increase in EPS

RECIPHARM IS A LEADING CDMO IN THE GLOBAL ARENA

Recipharm, established 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 through commercial manufacturing and throughout the product lifecycle.

Important customers include 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.

The Company operates two business areas. Manufacturing Services delivers broad-scale contract manufacturing of pharmaceuticals with 14 manufacturing facilities across Europe. Development and Technology provides pharmaceutical development and engages in own intellectual property development and commercialisation.

DISCOVERY

DEVELOPMENT

- API Development
- Pre-formulation
- Formulation development
- Stability studies
- Manufacturing of clinical trial materials

MANUFACTURING

- Purchasing of starting materials
- API Manufacturing
- Manufacturing of semi-finished or finished products
- Packaging

DISTRIBUTION

- Warehousing
- Transportation
- Supply chain management

Development and Manufacturing Services provide customers a full service offering, where synergies created through the know-ledge exchange between the different entities enable the Group to leverage its skills and experience to ensure quality and efficiency throughout the entire product lifecycle.

THE YEAR IN BRIEF

CORPORATE ACTIVITIES

- Successful rights issue of SEK 815 million and a listing on NASDAQ, Stockholm.
- Three important acquisitions increase our European presence in the five most important markets and add a substantial number of attractive IP rights to our portfolio:
  – CDMO Corvette, Italy
  – CDMO Lusomedicamenta, Portugal
  – Development and Manufacturing facility, Pessac, France.
- Continued expansion of the freeze drying capacity in Wasserburg initiated in 2013. Progressing as planned.

FINANCIALS

- Net sales growth of 21% to SEK 2,569 million.
- Organic growth of 5%.
  – All business segments contribute to growth
- Improved profitability.
  – EBITDA increase by 41% to SEK 399 million.
- Strong cashflow.
  – SEK 254 million, an increase of 41%.
- EPS SEK 4.64, an increase of 24%.

KEY RATIOS	2014	2013
Net sales, SEKm	2,569.3	2,124.6
Operating profit, SEKm	272.1	188.1
EBITDA, SEKm	399.3	282.9
Net profit, SEKm	160.2	94.4
Sales growth, %	20.9	2.5
Operating margin, %	10.6	8.9
ROOC, %	12.4	17.6
Earning per share, SEK	4.63	3.72
Employees	1,564	1,521

A year of growth delivered

CONTENTS

The Annual Report (pages 36—88) is a translation of the Swedish Annual report, both are published on the Recipharm website.

A STABLE EXISTING BUSINESS...

As a leading pan-European CDMO, Recipharm has a diversified customer base of more than 200 clients from across the pharmaceutical industry. The Company offers a stable business founded on the combination of steady manufacturing volumes and low churn rates that generate steady revenue streams based upon:

- **An underlying global pharmaceutical market with moderate but stable growth**
- **Longstanding close customer relationships based on long-term production contracts**

In addition, Recipharm´s business portfolio is strengthened by the mix of early development projects, where the aim is to secure future production assignments in combination with a number of proprietary intellectual property rights.

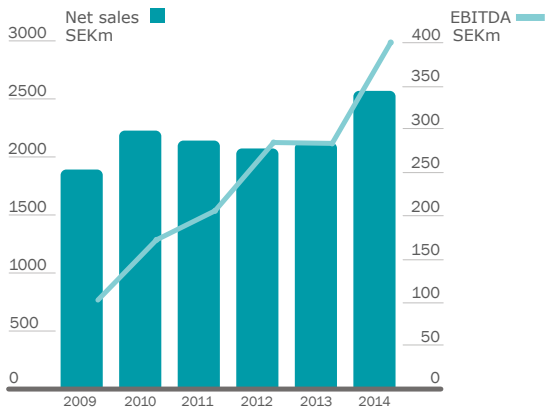
”Present in all major European markets, Recipharm holds a strong position in the growing CDMO industry.”

SALES SPLIT BY SEGMENT

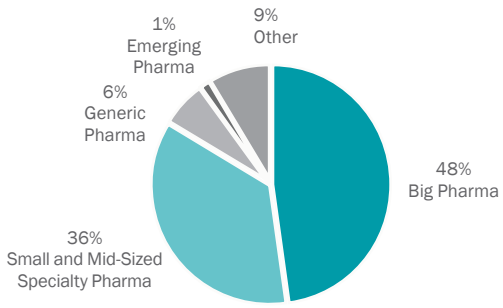
85%
Manufacturing Services

15%
Development & Technology

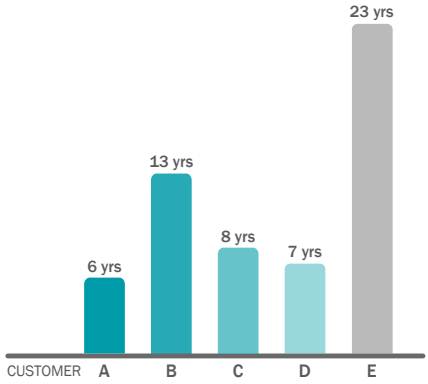
EBITDA & NET SALES



CUSTOMER SEGMENTS AS A SHARE OF SALES



LONG-TERM CUSTOMER RELATIONSHIPS

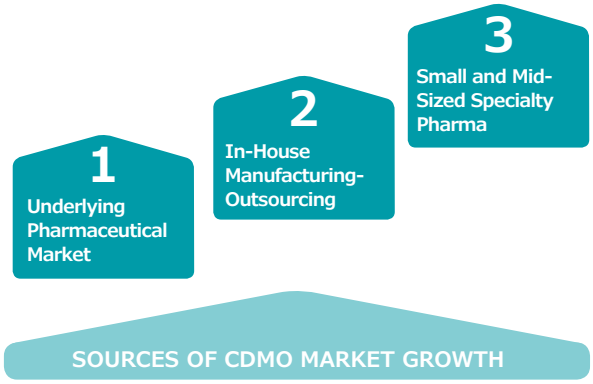


...WITH SIGNIFICANT GROWTH POTENTIAL

Present in all major European markets, Recipharm´s manufacturing and development network gives existing and new customers access to an attractive platform providing both choice and flexibility.

Recipharm holds a strong position in the growing CDMO market, where the underlying growth in the pharmaceutical industry combined with the increased use of outsourcing give a significant projected market growth.

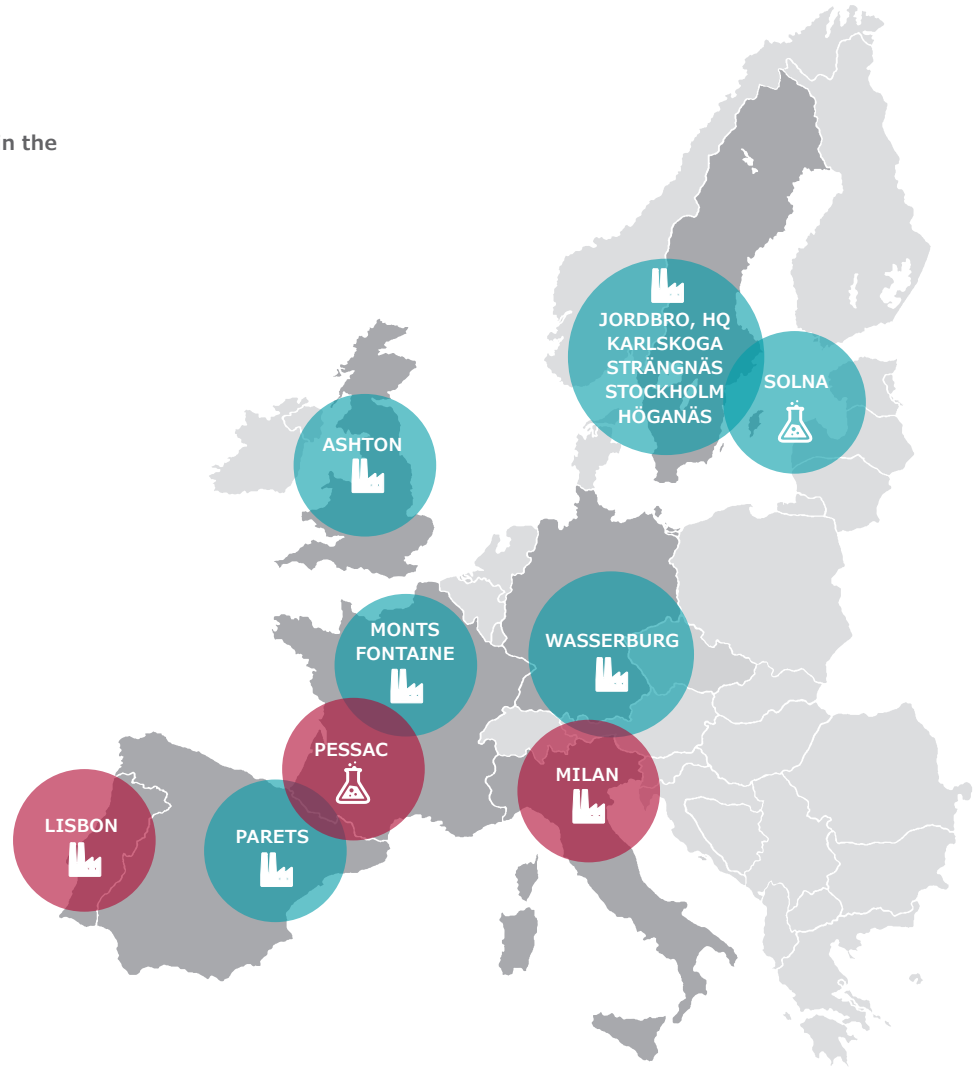
With extensive and valuable experience from a number of successful acquisitions, the Company is well positioned for further growth through acquisitions as the CDMO industry continues to consolidate.



OUR MANUFACTURING AND DEVELOPMENT NETWORK

Acquired 2014

Recipharm Group in the beginning of 2014



GROWING OUR BUSINESS FOR A SUSTAINABLE FUTURE

Our twentieth year since founding the company in 1995 has been our busiest yet. We achieved solid growth, the highest sales and operating profit ever and completed significant acquisitions.

Following a very successful 2013, we achieved an even better 2014. Our motivated and committed employees delivered solid organic growth, the highest sales and operating profit to date, significant acquisitions and important additions to our capabilities. Sales rose 21 percent, of which 5 percent was organic. EBITDA increased by 41 percent, of which 10 percent was organic, to an all-time high. Our initial public offering in April has been a key enabler in achieving this success. With the platform we now have, Recipharm is ideally positioned to continue to develop to a world-leading CDMO.

Initial public offering promotes our strategies

A major milestone in our twenty-year history was the initial public offering on the third of April, when we made a primary issue of shares and raised SEK 815 million to strengthen Recipharm's financial capacity. The listing has proved to be even more important in promoting Recipharm than we initially thought. The transparency, improved access to capital markets and visibility that has come with the listing has clearly contributed to a significant increase in potential new customer contacts and new business proposals, an even greater level of confidence from existing customers, and an improved industry network. In addition, the listing provided us with the financial strength to execute on our growth plan, and in particular, to participate in the consolidation of our industry. Late in the year, we put this financial capacity to work by making important acquisitions, and thereby furthering our strategic growth plan.

Acquisitions accelerate growth

During the fourth quarter we completed the acquisition of the Italian Corvette group and the Portuguese Lusomedicamenta group. In addition we finalised the takeover of a development and niche technology manufacturing site from Flamel Technologies in Pessac, France. Corvette and Lusomedicamenta will together contribute approximately SEK 1 billion in sales. The two acquisitions are not only accretive to sales and profit, but they also contribute positively to the Group's combined profit margin. More importantly, they add important capacity and additional technologies and formulations to our offering to customers. Recipharm now has manufacturing assets in all five of the largest European pharma markets, and these acquisitions provide a major addition to our IP-portfolio and to our product rights. This enables us to strengthen current partnerships, as well as make Recipharm an attractive partner for IP development and other collaborations. The Pessac transaction increases our development services reach and furthers potential technology and IP partnerships. Integration of the companies is progressing according to plan and we expect most of the short-term integration to be completed during the first half of 2015. In parallel, our business development teams have started to explore the potential in the combined customer base. We anticipate increasing the value of services delivered to our customers relatively quickly, and a more significant impact from synergies is expected in the mid- to long-term perspective.

Acquisitions will continue to play an important role for Recipharm going forward. In particular, we would like to add more capacities and capabilities to provide even better support to our customers in the injectable biologics market. We are also reviewing opportunities beyond Europe. Eventually we will need a more pronounced presence in the world's largest pharma market, the US, and we are looking for ways to support our small and mid-size customers with manufacturing services in emerging markets.

"2014 was a milestone year for Recipharm, and with the platform we now have, Recipharm is ideally positioned to continue to develop to a world-leading CDMO."

IP provide profitable business opportunities

During the past year we progressed several IP development projects, both proprietary projects and various partnerships. We now have a number of promising technology and product development relationships with several companies, for example Swedish Astimex and Isofol, French Crossject and Flamel technologies and US Synthonics. We plan to increase our investments in this area, and going forward we expect these collaborations to fuel growth and have a significant positive impact on Group profit.

Our operating segment Development & Technology performed exceptionally well during the year, benefitting from currency tailwinds, strong demand and certain favorable non-recurring items. Sales rose 133 percent where acquisitions contributed 34 percent, and D&T almost doubled its

share to Group sales to 15 percent. In addition to being a profitable segment in itself, D&T plays an important role in providing a valuable pipeline of manufacturing projects, and we will see a growing number of high potential projects enter commercial manufacturing.

Manufacturing Services continues with high activity level

The Group's largest business area, Manufacturing Services with its two operating segments Sweden and Europe, developed well over the past year, mainly due to acquisitions. The level of activity was high with several new projects being introduced and an increasing number of future prospects being addressed.

The sales in Manufacturing Services Sweden increased 6 percent, benefitting from the manufacture of significant orders of ThyroSafe®. The Swedish Group companies also initiated important projects during the year such as the installation of a new, highly efficient packaging line in Höganäs, which was put into production during the last quarter.

Acquisitions had a significant positive impact on sales and profit in Manufacturing Services Europe with a sales increase of 25 percent. Demand for injectables, and in particular lyophilisation, continues to be strong. The strategically important lyophilisation capacity expansion project in Wasserburg continued according to plan with commercial manufacturing scheduled to commence towards the end of 2016. The acquisition in Italy contributed significant additional lyophilisation capacity, and the combined capacity makes Recipharm the leading CDMO in Europe in the highly interesting technology of lyophilisation. Commercial manufacturing in a new small/mid volume filling machine started in Monts, and will enable Recipharm to fill an even broader range of injectable products including new high-value-low-volume biologic products for key customers.

Investment in serialisation raises the bar

A new requirement for all pharmaceutical manufacturers is demand for traceability of a single retail package through the whole supply chain, from manufacturer to end-user ("serialisation"). To achieve this will require manufacturers to install new equipment and develop software and procedures, where the implementation costs will be significant, further increasing barriers to entry to our industry. This may also make it even more attractive for small pharma companies to outsource, as well as further foster consolidation in the industry. Recipharm is well positioned for this and we have already introduced serialisation for some markets. We expect to make additional investments in serialisation over the next three years in order to comply with these new requirements.

Investments in our business form strongest ever service offering

For many years, Recipharm has systematically worked to strengthen its position and to create sustainable competitiveness, and I am confident in stating that we have never stood stronger than we do today. We have followed our five principal strategies to reach our objective that we describe on page 9. These strategies will continue to be central to the sustained effort to strengthen the Group and ensure growth is in line with our financial objectives, and we will continue to build on these strategies in 2015. They shall contribute to improving our growth and to ensure that we continue to enhance our efficiency and bolster our profitability.

I hope that this account of the past year and our perspectives on the future reflect the optimism that I and my team feel when considering Recipharm's potential in the years ahead. 2014 was a milestone year for Recipharm. I want to sincerely thank each and every Recipharm employee for their support and commitment, for doing a truly outstanding job in 2014 and for their continued support towards making Recipharm a world leading CDMO.

Thomas Eldered, CEO

OUR VISION

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

OUR MISSION

To offer expertise and facilities in the development, production and supply of pharmaceuticals to demanding customers for global use.

STRATEGIES TO REACH OUR OBJECTIVES

Recipharm works continuously to expand and improve our development and manufacturing platform to reach our vision to become the best in class provider of CDMO solutions. A combination of five strategies form the basis for how we shall reach our goals.

Conduct business with our existing customers
Recipharm will continue to grow by successfully increasing business with current customers through a broad high-quality service offering, covering solutions from the early development phase to full-scale manufacturing. The growth potential from securing new contracts with current customers is significant. New acquisitions add attractive new technologies to our offering and there is significant potential to grow existing customer engagements by doing more dose forms and expanding distribution solutions. To achieve this goal we have expanded our business development function to maximise sales efforts with current customers.

Expanding the current customer base with new and strategically important customers
We aim to win new strategically important customers and secure comprehensive outsourcing agreements of already established products, with or without acquiring their legacy production facilities. The on-going outsourcing trend underpins the possibility to enter into extensive outsourcing agreements for established products. Additional technologies from acquisitions also attract new customers that want to develop their products.

Consolidating the CDMO industry
We will be a leader in the consolidation of the CDMO market through acquisitions that hold significant value creating synergies with our business. The CDMO market is highly fragmented and the consolidation trend is expected to continue, driven by access to new technologies, greater price control and economies of scale.

Streamlining operations
Recipharm works continuously on improving productivity by using LEAN processes throughout the entire organisation to optimise the use of resources. This includes ensuring synergies and economies of scale as well as supporting sharing of best practise among operating companies. In addition specialisation and optimisation across the Group will become increasingly important as more manufacturing and development facilities are added to the Group.

Investment in new technologies or areas with strong growth
As an IP backed CDMO Recipharm offers its customers access to attractive patents and technologies. Through our combined focus on development and manufacturing, Recipharm has a substantial potential to develop new pharmaceutical methods and formulations. Our extensive range of services, patents and technologies include areas with significant growth potential. The decision to expand lyophilisation capacity in Wasserburg, Germany, is a clear example of our ambition to expand within key growth segments. Acquisitions in order to add new technologies, such as pre-filled syringes and cytotoxics, are also part of our strategy. We also seek to enter strategic partnerships and collaboration projects with technology based companies.

OUR OBJECTIVES

TO BE A WORLD LEADING SUPPLIER OF CDMO-SERVICES
This is measured by market share based on revenue.

TO BE THE FIRST CHOICE OF OUR TARGET CUSTOMERS
This is measured via independent research conducted on a regular basis.

MAINTAIN A SOLID FINANCIAL PERFORMANCE
This is measured by return on operating capital.

OUR FINANCIAL TARGETS

DOUBLE SALES WITHIN FIVE YEARS
Compared to 2013 sales of 2,124 SEKm. This is driven by new outsourcing contracts and M&A activity.

ROOC > 15 %
Long term we seek to achieve a return on operating capital of at least 15 percent.

CREATING VALUE FOR OUR CUSTOMERS AND OUR SHAREHOLDERS

Recipharm's business model is based on the concept of a comprehensive service offering that gives customers access to a combination of development and manufacturing services. Utilising our extensive service offering allows customers to concentrate on their core operations.

SERVICE OFFERING

Our comprehensive service offering combines development and manufacturing services. We offer customers support ranging from development and procurement to full-scale manufacturing, distribution and vendor managed inventory (VMI). Our extensive offering gives customers several important advantages.

1. Manufacturing and development expertise – our customers benefit from Recipharm´s extensive competence and experience of pharmaceutical development and manufacturing, which allows them to focus on their core business.

2. Intellectual Property – as an IP backed CDMO, we offer an attractive portfolio of sophisticated drug delivery technologies, process technology, registration dossiers and other product rights to support our customers' product development.

3. Customised development – small and mid-sized pharmaceutical companies, with limited development capacity, can gain access to a broad range of services and to a team with extensive experience and in-depth knowledge of pharmaceutical production.

4. Cost savings – we create added value for our clients through efficient capacity utilisation where several customers can share the same facility. Our production capacity, combined with extensive expertise, provides an efficient and cost effective alternative to in-house production.

5. Risk reduction – by working with a large, reliable and financially stable partner, customers reduce risks by eliminating the need to invest in costly production facilities.

THE RECIPHARM MODEL

Our organisation unites 13 operating companies in 7 countries. The Recipharm model is a central building block of the Group's structure. It aims to preserve and develop the entrepreneurial spirit as Recipharm grows and changes. Flexibility, local adaptation and customer focus are cornerstones that characterise the corporate structure as well as the way management is organised.

The main elements of the Recipharm model are:

- Stand-alone operating units with strong local management teams, who promote local decisions, flexibility and local sales.
- Consistency and continuity between our development and our manufacturing facilities provide a smooth and efficient transfer from development to commercial manufacturing.
- Group central management ensures strategy alignment and development, as well as financing, marketing and sales.
- Customers meet one Recipharm bound by a single brand.

A SOLID BUSINESS BASED ON STEADY REVENUE STREAMS

In pharmaceutical contract manufacturing, the combination of stable volumes and low churn rates generates steady revenue streams, attributable to:

- The overall pharmaceutical market is stable and non-cyclical.
- Pharmaceutical contract manufacturing is characterised by long-term customer relationships, in which CDMOs often take over the manufacturing of established mature products but with healthy volumes.
- The transfer of production between manufacturing facilities is costly and the high regulatory restrictions usually result in a long process, often up to two years. As such production contracts tend not to relocate.

THE VALUE WE BRING TO OUR CUSTOMERS

FUNDAMENTALS OF THE RECIPHARM MODEL

- **LOCAL ADAPTABILITY**
- **CONSISTENCY & CONTINUITY**
- **STRONG CORPORATE LEADERSHIP**
- **CUSTOMER FOCUS**

GROWTH INITIATIVES WILL DOUBLE SALES

DELIVERING ON OUR GROWTH TARGETS

Recipharm's DNA has a determined focus on growth. We have a unique knowhow in transferring product manufacturing, acquiring facilities and developing the business. In order to deliver on our growth target – to double sales within five years from 2013 – we have adopted five key growth initiatives.

Acquisition of CDMOs
The global CDMO market is currently fragmented with many small manufacturers. Recipharm is set on acquiring a number of these companies in order to gain access to new technologies, customers and markets.

Since 2007, Recipharm has made five acquisitions of CDMOs. In 2014, Italian Corvette and Portuguese Lusomedicamenta were acquired.

Expand outsourcing portfolio through the acquisition of manufacturing assets
When moving inhouse production to a CDMO, Big Pharma seek continuity and stability. With our strong reputation, proven track record in the industry and financial stability, Recipharm is well positioned to take advantage of the Big Pharma outsourcing trend. Big Pharma still manufactures a large share of products in their own facilities indicating a substantial and long term potential for Recipharm. We are committed to taking advantage of this growth opportunity over the coming years.

Recipharm has taken over three manufacturing facilities since 2007. In 2014, the development facility in Pessac was taken over as part of an agreement with French specialty pharmaceutical company Flamel Technologies SA.

Increase sales within existing manufacturing footprint and capacity
There is ample spare manufacturing capacity in Recipharm's existing facilities to significantly increase sales with both current and new customers. Over the past 18 months, we have strengthened and restructured our commercial organisation, and defined our customer strategies on both a central and local level. Sales are now managed with local customer interface combined with a global key account responsible. Recipharm has also increased the number of staff dedicated to sales. Changes in the sales organisation have already resulted in a portfolio of new contracts, where new customers account for a large portion.

A strengthened sales organisation in 2013 contributed to 3 percent organic growth 2013 at constant FX. In 2014, growth was 5 percent. All business segments increased sales.

High growth in strategically important Development & Technology
Development & Technology sales are expected to steadily increase, leading to improved margins given the relatively fixed cost structure. Our development services are important in the generation of incremental sales within Manufacturing Services as development clients often choose Recipharm for contract manufacturing. Also, Recipharm's own patents and technologies are increasingly becoming an important segment of our contract development services. Over the next few years, Recipharm will carry out a number of projects related to product rights and technology in order to increase sales in this area.

Development & Technology increased from 8 to 15 percent of total sales in 2014. IP portfolio sales have increased 133 percent (including acquisitions).

Major capacity or capability expansion
Lyophilisation (freeze drying) of products provides longer shelf life of a drug than the original liquid form. Since we acquired the lyophilisation manufacturing facility in Wasserburg, Germany, in 2010, we have witnessed a substantial increase in demand for lyophilised products and we see a considerable growth potential in this area. To meet the growing demand, Recipharm is investing in increased production in capacity in Wasserburg. The new facility is expected to be fully operational in early 2017. We continuously evaluate other relevant areas for potential expansion.

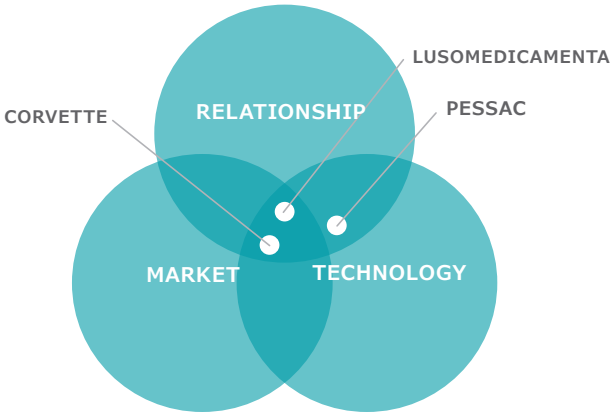
The expansion of lyophilisation capacity in the Wasserburg facility is on track with SEK 73m in CAPEX 2014. The new facility is expected to be fully operational in early 2017.

ACQUISITIONS – KEY TO OUR GROWTH

Acquisitions play a central role in Recipharm's growth strategy, creating value for both our customers and our shareholders.

On an on-going basis, possible acquisition targets are thoroughly evaluated based on their potential to enhance our competitive position. To qualify, an acquisition candidate should create value in the form of a new geographic markets, new customer relationships, new technologies or other significant synergies.

Integration and development of new operations
Recipharm is perceived as an attractive partner for potential acquisition targets as acquired companies are integrated into a decentralised organisation. The units then operate with empowered local leadership with their own profit and loss responsibilities. At the same time, Recipharm provides the Group with a strong common brand and a centralised governance model, whilst also facilitating the further development of their business. The integration process is very quick and typically takes less than one year. Recipharm has successfully integrated a number of facilities, while also attaining valuable capabilities from the continued development of the units.



The acquisitions of the two CDMOs, Corvette and Lusomedicamenta and the take over of the development facility in Pessac, France, in 2014, meet our criteria for acquisitions and take overs.

CORVETTE GROUP — ITALY

INCREASED REACH, CAPACITY, CAPABILITY AND SCALE
The recently acquired Corvette is a high quality pharmaceuticals services company. The acquisition gives Recipharm access to a highly regarded and largely new customer base, in addition to new manufacturing and development capabilities and capacities that add to our technology base. Italy is a promising market comprised of many small and mid-size companies where Recipharm, historically, has had little presence. This, combined with Corvette's significant sales in emerging markets, represents a promising potential for future growth.

"The combination of Corvette and Recipharm opens up a whole new set of opportunities for both companies"

ROBERTO TERUZZI, CORVETTE

Key value creating factors:

- Access to highly interesting geographical areas, including Italy and emerging markets.
- Strong and reputable customer base allows for significant cross-selling opportunities.
- Italy is a fragmented market with many small companies who typically seek CDMO services.
- Expanded asset base in one of the largest European pharmaceutical markets.
- Increased lyophilisation capacity.
- Very attractive intellectual property (IP) product portfolio, supporting approximately 40% of its manufacturing business.

Completion of major aqcuisitions
In 2014, two major acquisitions were completed, Corvette, Italy, and Lusomedicamenta, based in Portugal. Both companies completely fulfill our key acquisition criteria, adding large geographical markets and new significant customers and technologies. Together these acquisitions contribute approximately SEK 1 billion in annual sales, an increase of about 45 per cent, and both acquisitions are accretive to Group earnings already from the fourth quarter 2014.

Expanded development capacity
In addition to the two acquisitions, Recipharm entered into a long-term collaboration agreement with the French specialty pharmaceutical company Flamel Technologies SA. As part of the agreement, Recipharm takes over Flamel's development facility located in Pessac, France, which significantly expanded our pharmaceutical development capacity and technical capabilities. This allows us to more easily provide development services to both French and other customers. Also, Recipharm will provide development and manufacturing support to Flamel under a long-term services agreement. This new partnership also allows Flamel to retain access to the development and manufacturing capabilities of Pessac, as well as gain the possibility to use Recipharm's other facilities for the development or manufacture of their proprietary product pipeline.

CDMO ACQUISITIONS 2014

	CORVETTE	LUSOMEDICAMENTA
New technologies	✓	✓
New customers	✓	✓
New markets	✓	✓
Emerging markets	✓	✓
Net sales, PF 2014, SEKm	544	466
% of Recipharm net sales, PF 2014	24%	20%
EBITDA, PF 2014, SEKm	131	129
% of Recipharm EBITDA, PF 2014	39%	39%
EBITDA-margin 2014	24.2%	27.7%

LUSOMEDICAMENTA — PORTUGAL

A STRONG CDMO IN EUROPE
The acquisition of Lusomedicamenta represents a strong addition to Recipharm and is an excellent fit to our strategy of accessing new markets, establishing new customer relationships and of being an active participant in the industry's consolidation. The new customer base, combined with considerable IP product sales in Portugal, provides a significant potential for growth. Lusomedicamenta services include the development and manufacture of solid, liquid, semi solid dose forms and sterile ophthalmic products. The company also has a dedicated area for production of effervescent tablets.

"Becoming a part of the Recipharm Group enables us to compete on a wider scale and provide many benefits to our customers"

ANTÓNIO BARROS FERREIRA,
LUSOMEDICAMENTA

Key value creating factors:

- Access to new customers, markets and technologies, with little overlap of customers.
- Strong market presence in Portugal and other exports to several markets, including Africa.
- Several interesting new technologies and niches to enhance the service offering.
- Own products business in Portugal with a number of distribution agreements.
- Attractive financial impact – history of strong sales, profitability development and a favourable cost base.

GLOBAL TRENDS DRIVE GROWTH FOR CDMO COMPANIES

The use of outsourcing services by pharmaceutical companies is growing due to the on-going transformations in the industry, which includes consolidation combined with increased regulation, pricing pressures and the expiration of valuable patents.

CDMOs – transforming the pharmaceuticals market
Contract Development and Manufacturing Organisations, like Recipharm, serve the pharmaceutical industry and provides clients with comprehensive services from drug development through manufacture.

The extensive service offering allows CDMOs to support pharmaceutical companies with managing a product's transition from a laboratory environment to full-scale commercialisation. By outsourcing parts of the business to a CDMO, pharmaceutical companies are able to focus on their core business, with shorter time to market and an effect on cost reduction as the main benefits.

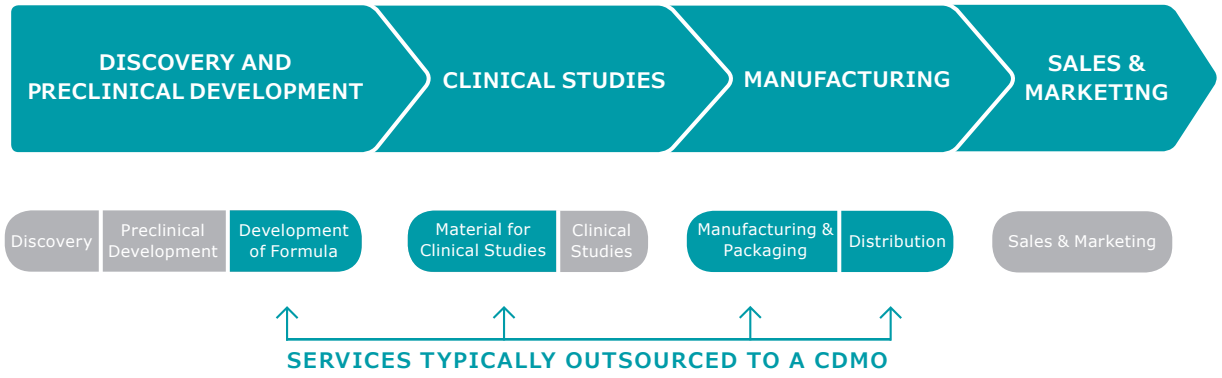
The transformations in the pharmaceuticals industry and the increased use of outsourcing solutions by Big Pharma and Small and Mid-Sized Specialty Pharma companies are driving the development of services in the CDMO market.

Increased reliance on CDMO services
CDMO customers vary in size and operate through all parts of the pharmaceutical industry. Big Pharma are more often looking to hold patents and outsource manufacturing, while Small and Mid-Sized Companies and Specialty Pharma companies that are focused on a specific segment in the industry, are in need of specific knowledge and technology. Generic Pharma companies, who market generic pharmaceuticals, are looking for low cost manufacturing and engage the services of CDMOs. The growing CDMO market is influenced by changes in the global pharma-

OUTSOURCING IN THE PHARMACEUTICALS INDUSTRY IS CHARACTERISED BY

- Product life cycle spanning several decades, leading to long-term customer relationships
- Strict regulatory requirements which limits relocation of production processes
- High barriers for new CDMO entrants given required investments, expertise and technologies
- Changes in manufacturing are time consuming, complex and resource intensive.

OVERVIEW OF CDMO SERVICE OFFERING



An extensive service offering allows CDMOs to support pharmaceutical companies with managing a product's transition from a laboratory environment to full-scale commercialisation.

ceutical industry, which includes increased access to healthcare, technological advances and political changes. The pharmaceutical market, as a result of these changes, is expected to grow by approximately 3-6 percent per year and reach approximately € 880 billion by 2017. *(Recipharm IPO Prospectus, Offering Circular March 2014).*

The pharmaceutical industry's increasing reliance on CDMO services is expected to continue for the foreseeable future with a significant growth rate from an estimated market size of € 29 billion in 2013. The two biggest markets, Europe and the US, continue to grow, but growth rates are higher in China and India with expected growth rates of approximately 20 percent. The US market accounts for 45 percent of the global market, while Europe accounts for about 30 percent. Both of these markets will, in absolute terms, remain the largest markets for a number of years to come. Currently, China and India account for only about 10 percent of the global CDMO market. *(Recipharm IPO Prospectus, Offering Circular March 2014).*

CDMOs meet customer demands

Cost savings is one reason for partnering with a CDMO, which can be realised in a number of ways, including manufacturing and development flexibility as well as the rationalisation of supply and sourcing. Companies in need of better cost competitiveness and improved margins are increasingly realising the benefits of utilising CDMO services.

But it is not purely about cost. A successful research and scale-up process requires competent partners, especially for smaller companies. The CDMO client base varies and customers come from all parts of the pharmaceutical industry. Customers can be a virtual pharmaceuticals company that holds the IP rights to a product or products, but is in need of operational services. Generic drug distributors, or biotech companies, in need of both development and manufacturing services are also target customers for CDMOs.

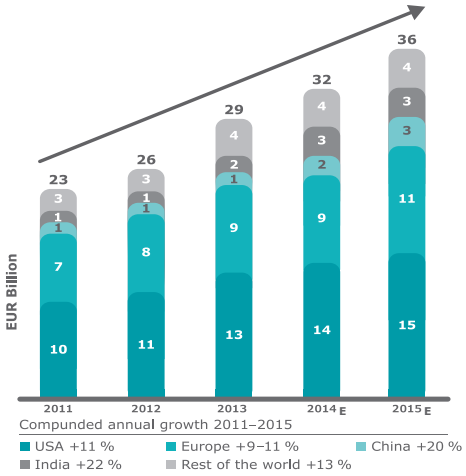
CDMO SERVICE OFFERINGS HAVE EVOLVED TO MEET INCREASING REQUIREMENTS, INCLUDING

- Access to expertise and an integrated development and manufacturing capability
- Possibility to avoid high costs and investments related to the development of necessary manufacturing capabilities, capacity, in addition to new technologies
- Shortened time to market by utilising existing skills and infrastructure for manufacturing
- Possible lower unit cost through focused development and manufacturing services

Shift in competencies

Outsourcing has allowed pharmaceutical companies to refocus their resources, concentrating on core competencies such as R&D and product concept development. The pharmaceutical industry is increasingly looking for not only cost effective solutions, but also solutions that require a specific expertise. The increased availability of specialised and focused expertise at CDMOs leads to a continued shift in expertise from pharmaceutical companies to partners like Recipharm.

THE GLOBAL CMO/CDMO-MARKET



The annual growth of the CDMO market is expected to continue, with the largest absolute markets in North America and Europe.

SOURCE: The International Consultancy Firm, 2013, Recipharm IPO Prospectus, Offering Circilar March 2014.

ONE OF THE TOP PROVIDERS OF CDMO SERVICES IN THE WORLD

The global market consists of more than 1 000 CDMOs and CMOs, where the 20 largest companies together account for no more than 35% of the global market. Recipharm is among the largest ten CDMOs and CMOs in the world.

SOURCE: Recipharm IPO Prospectus, Offering Circular, March 2014.

This shift is expected to gradually result in pharmaceutical companies engaging CDMOs to a larger extent in order to make certain projects possible, where the pharmaceutical companies themselves lack the necessary knowledge and technology, further strengthening the demand for outsourcing. Rapid technological advances can also accelerate this shift in expertise, since a CDMO, through its focused operations, would be better equipped to assimilate, develop and master the new technology faster than pharmaceutical companies.

Continued consolidation of the market

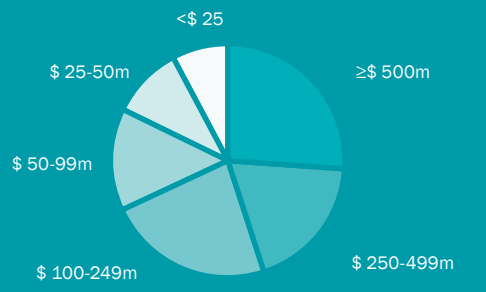
The global market consists of more than 1 000 CDMOs and CMOs, where the 20 largest companies together account for over 35 percent of the global market. Most of the companies are small, niched service providers either by formulation, service, or manufacturing technique. *(Recipharm IPO Prospectus, Offering Circular March 2014, 11T Partners).*

The CDMO industry has started to mature, and has entered a phase of consolidation. The market has already seen numerous mergers and acquisitions in recent years, and according to a report published by Frost & Sullivan, the number of players in the CDMO market is expected to decline by about 30 percent over the next ten years. *(Recipharm IPO Prospectus, Offering Circular March 2014).*

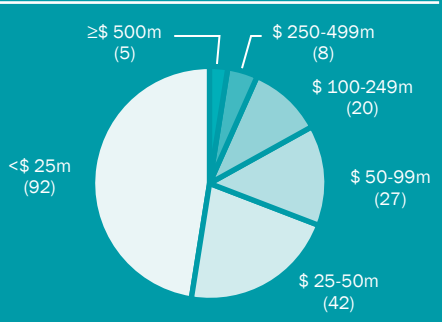
Gaining access to new markets and technologies through acquisitions

Some of the driving forces behind the consolidation of the CDMO market are factors such as efficient and quick access to new technologies, greater price control, as well as economies of scale in production. Securing technology to facilitate higher efficiency in manufacturing is also an important factor. Acquisitions can also facilitate the successful participation in procurement of pharmaceutical manufacturing contracts.

CDMO MARKET SHARE BASED ON SALES



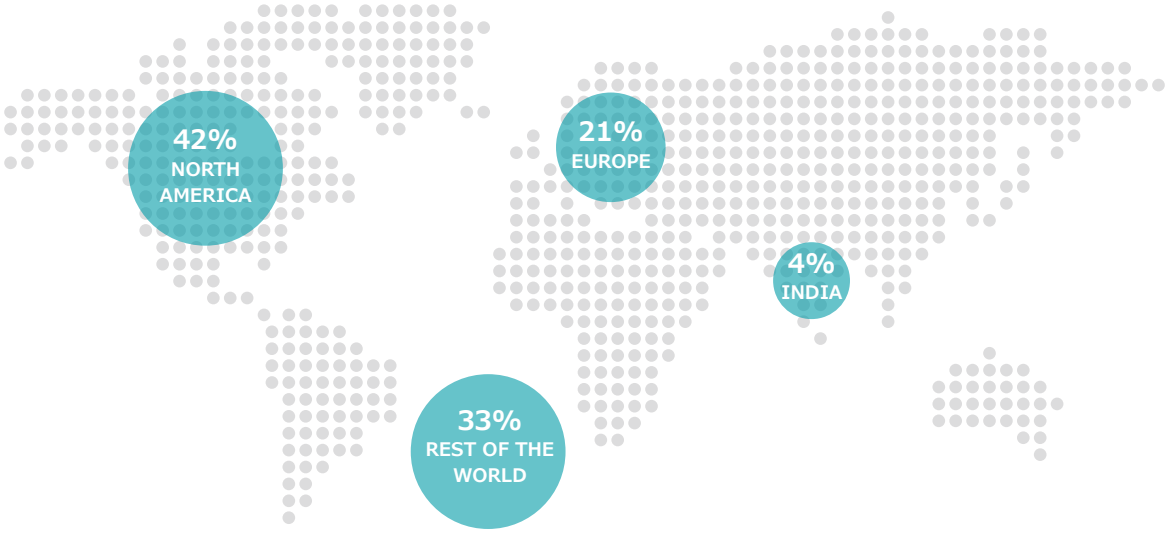
CDMO NUMBER IN EACH SALES RANGE



SOURCE: PharmaSource 2013, Recipharm IPO Prospectus. Offering Circular March 2014

Acquisitions are an effective way to gain access to new markets in emerging regions as well as to a niche market or product segment, and is expected to benefit both small and large participants in the CDMO market. For example, larger CDMOs can expand their geographic footprint through acquisitions, while smaller CDMOs can gain access to substantial resources and technological know-how through acquisitions.

THE GLOBAL DISTRIBUTION OF CDMOs



The largest number of CDMOs originates from the North American market. 21% of the CDMOs globally are European.

SOURCE:
Compilation by the International Strategy Consultancy firm (2013), Recipharm IPO Prospectus, Offering Circular March 2014.
Note: The graph shows a breakdown of the number of market players per geographic area based on the location of headquarters.

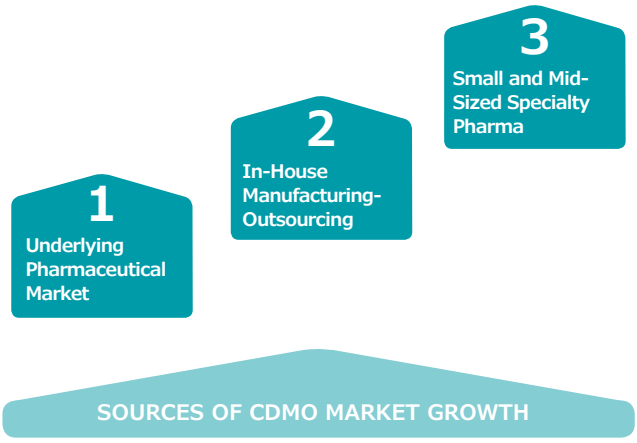
INCREASED DEMAND FOR LYOPHILISATION

The demand for lyophilisation, a freeze-drying process, is expected to grow at a compound rate (CAGR) of over 10% through 2018. Demand is driven by the multiple benefits that lyophilisation brings to a range of pharmaceutical products, such as increased shelf life for compounds that are unstable in solution, preservation of potency and protection from degradation. The continued development of the requirement for freeze-dried formulations is also associated with current changes in the use of biologics, together with multiple patents for major biopharmaceuticals that are expiring where drugmakers are rivaling to develop biosimilars, which typically cost significantly less.

This forecasted development means greater need for lyophilisation equipment and capabilities, together with specialist knowledge and established experience. Forward looking CDMOs, like Recipharm, have responded to this growing demand by investing in high-grade technology and facilities. Through the capacity expansion project in the Wasserburg, Germany site, which includes new production facilities, equipment, and large-scale freeze-drying capabilities, Recipharm is meeting this increased demand. The new site is expected to be complete and fully operational by 2017.

Sources:
Visiongain
BioSpectrum
Manufacturing Chemist

DIFFERENT SOURCES OF CDMO MARKET GROWTH



The underlying global pharmaceutical market is expected to grow by approximately 3-6% per year, where the emerging markets have the highest growth rate. As the pharmaceutical industry's reliance in CDMO services is expected to continue to increase for the foreseeable future, the market growth rate for CDMOs is estimated to be significantly higher.

EXPANDING OUR CUSTOMER BASE

Recipharm aims to be customers' preferred provider in its target segments by offering a wide range of integrated solutions, incorporating advanced technological expertise and capability for pharmaceutical development and manufacturing.

Customers throughout the industry
CDMO customers vary in size and operate through all parts of the pharmaceutical industry. Recipharm's market offering is designed to meet the requirements of Big Pharma and Small and Mid-Sized Specialty Pharma Companies.

Big Pharma companies form the foundation of Recipharm's sales and typically comes to us through manufacturing agreements that include take over of a production facility. Big Pharma will often choose Recipharm as a partner for manufacturing projects where volumes are significant and product maintenance 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, including niche specialty pharma as well as virtual companies that do not have the necessary skills and in-house capacity, are the main target groups to expand sales from existing facilities. These customers make best use of the full-service concept, benefiting from Recipharm's wide range of manufacturing and development services. Recipharm aims to win comprehensive projects by entering the development process at as early stage as possible. Currently most of Recipharm's customers are situated in Europe but their products are supplied globally.

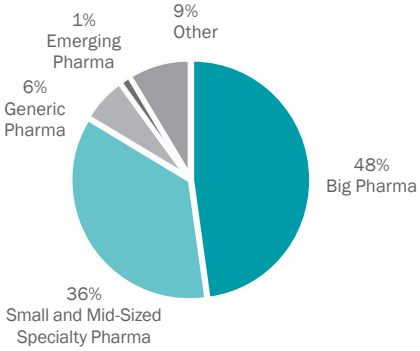
Loyal and growing customer base
Recipharm has more than 200 customers. By continuously diversifying its range of dosage forms, technologies and geographies, Recipharm is increasing the opportunity of extending its relationships with existing customers while also generating new business. Customer focus and long-term relationships are a high priority for Recipharm, and as such we offer a full-service comprehensive solutions portfolio to meet customer requirmements. Due to the high transfer costs and complexity involved, it is vital that a customer carefully selects suppliers they can rely on over a long-term period in order to ensure a successful business relationship. This further reinforces the stability of Recipharm's customer base.

Increased and diversified customer base
With a strengthened Group wide Business Management team in place, Recipharm has successfully managed to increase the number of customers in 2014. Also, a number of contracts have been expanded.

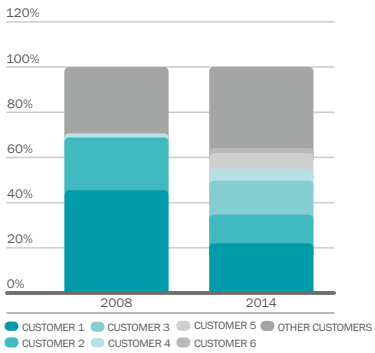
The acquisitions of Corvette and Lusomedicamenta add a number of interesting customers to our customer base. A little overlap of customers provides many good opportunities for cross sales between the manufacturing facilities and new customers.

In total, the number of clients has more than doubled in 2014 with 200+ customer working with Recipharm.

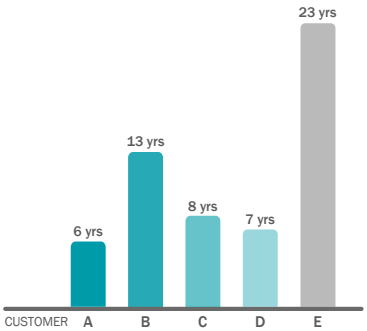
CUSTOMER SEGMENTS AS A SHARE OF SALES



INCREASED CUSTOMER DIVERSIFICATION



LONG-TERM CUSTOMER RELATIONSHIPS



200+

Recipharm´s expanding manufacturing and development network serves more than 200 customers globally.

MANUFACTURING SERVICES – OUR BACKBONE

Recipharm's pan-European manufacturing platform provides customers access to a wide range of technologies, competencies and services. The aim is to always accommodate a customer's specific needs, with a focus on flexibility, quality and service.

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

Our customers place high demands on our ability to manage and coordinate complex projects. As a partner to smaller pharmaceutical companies, Recipharm is able to manage and coordinate their entire product industrialisation process, along with providing them flexible production during a market launch. Large pharmaceutical companies find Recipharm to be a valuable partner that can manufacture and, as required, develop mature products efficiently while also supporting efforts to extend a product's lifecycle.

High-quality requirements
Recipharm is committed to maintaining regulatory compliance and to deliver 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 other variations for our customers.

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 extensive experience of buying a wide range of raw materials, Recipharm can provide purchasing support adapted to each customer needs. The Company works together with suppliers to guarantee continuity of supply and for 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 upward in the value chain, Recipharm has implemented advanced online solutions for vendor managed inventory (VMI) which enables the Company to fully manage customers' stocks and distribution.

Active life cycle management – by combining our manufacturing and development expertise, Recipharm offers services to extend the product life cycle of mature products.

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

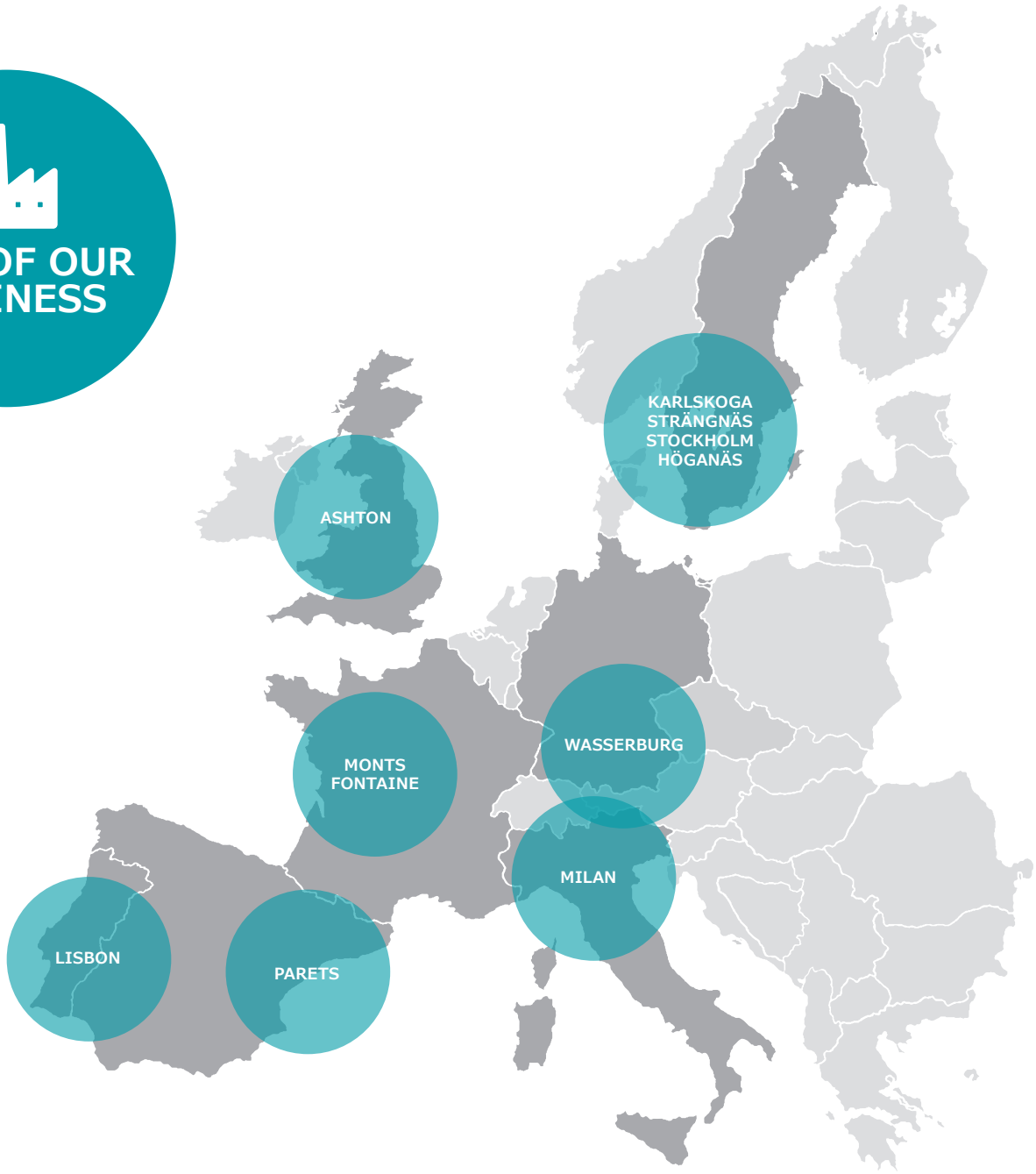
HIGHLIGHTS 2014

- Our investment in Wasserburg has strenghtened our leadership position in the field of lyophilisation.
- High demand on our services has generated many new business contracts.
- Improved efficiency and higher plant utilisation.

PLAN 2015

- Integration of Corvette and Lusomedicamenta to the Recipharm Group.
- Further improvement of Commercial Excellence Programme.
- Continued focus on efficiency and LEAN initiatives.

85% OF OUR BUSINESS



MANUFACTURING SITES – DOSAGE FORMS

Ashton, UK	*Solids, inhalors, hormones*
Fontaine, France	*Solids*
Höganäs, Sweden	*Solids (granulates and powders)*
Lisbon, Italy	*Sterile opthalmics, solids, semi-solids, liquids*
Milan, Italy	*Steriles, solids, lyophilisates, APIs*
Monts, France	*Steriles*
Parets, Spain	*Solids, liquids, semi-solids*
Stockholm, Sweden	*Solids*
Strängnäs, Sweden	*Beta-lactams*
Karlskoga, Sweden	*Semi-solids*
Wasserburg, Germany	*Lyophilisates, steriles*

DEVELOPMENT AND TECHNOLOGY – PART OF OUR DNA

Development and Technology offers a wide range of pharmaceutical development services, including the development of niche APIs, in addition to a number of patents, technologies and product rights belonging to the Recipharm Group. The development services provide vital support to customers as they can move their projects from development phase to commercial production.

Managing the Pharmaceutical development process
Recipharm has the capability to manage a pharmaceutical project from development in the laboratory to fullscale commercial manufacturing. Some of the the most common development services are the supply of raw material, formulation development, development of validated analytical methods, stability studies, material selection for packaging, as well as small scale manufacturing for clinical trials.

API development capabilities
In Italy, Recipharm has a modern and well-equipped facility for the development and manufacturing of APIs. The focus is niche generic APIs in relatively low volumes with the goal to serve the international market with a drug master file (DMF) for FDA approvals.

GMP pilot facilities
Recipharm has its own Good Manufacturing Practice (GMP) pilot facility in Solna, Sweden for the manufacture of solid dose, semi-solids and aseptic sterile vials. The facility also has a number of adaptable capabilities to support other dosage forms.

Tailored development process
Recipharm offers integrated solutions and access to an advanced development environment with medical and toxicological expertise. Products are finally made suitable for an industrial process in order to prepare products for a successful technology transfer.

Innovative drug delivery solutions
In order to provide competitive solutions and better drug profiles, the Recipharm Pessac facility delivers a wide range of highly innovative solutions for controlled drug release.

Technology transfer expertise
An important part of Recipharm's development offering is technology transfer of a pharmaceutical project, in which a substance can enter the development phase for clinical trials. This is a sensitive and comprehensive phase where a project transfers from a laboratory environment, with limited production volumes for tests on a few patients, to the manufacturing of larger volumes for expanded tests and then later to full scale commercial manufacturing. Recipharm can also assist with development support when products are transferred from an external supplier to our manufacturing facilities.

Broad technology offering
Technology includes patents and technologies belonging to Recipharm, which are increasingly a component in our contract development services. Recipharm also owns a substantial portfolio of product rights, where the great majority of these are outlicensed.

Pharmaceutical development is based on a vast number of technologies. Recipharm has access to a wide range of these technologies, covering analytics, formulation and clinical trials manufacturing. The service offering has also been expanded with new patent protected technologies, both via the collaboration with external partners and through own development.

HIGHLIGHTS 2014

- Substantial growth in D&T with the acquisitions of
  - Edmond Pharma in Italy (from Corvette)
  - Dávi and Medicamenta (from Lusomedicamenta), Portugal
  - The Flamel site in Pessac, France
- Organic growth of the own product's business, including ThyroSafe® tenders
- IP projects have proceeded according to plan with initiation of new projects

PLAN 2015

- Combine the pharmaceutical development offering of Pessac and Solna
- Integrate new facilities to take full advantage of the added capabilities
- Strengthen IP and product portfolio
  - Initiation of new IP projects
  - Focus on erdosteine product range
  - Continued delivery of ThyroSafe® through tender business
- Further develop drug delivery opportunities

"Development & Technology involvement in the drug development process at an early stage increases Recipharm´s chances of winning contracts for manufacturing services in the future"

20%
DEVELOPMENT SERVICES
Broad-scale contract development of pharmaceuticals

DEVELOPMENT SERVICES – STRENGTHENED OFFERING

The combination of the pharmaceutical development facility in Solna and the new facility in Pessac strengthens Recipharm's development services offering.

SOLNA, SWEDEN

Recipharm, Solna offers pharmaceutical development based on our extensive experience in a wide range of formulation types – tablet, gel, liquid for injection, among others. The facility supports customers through the clinical phases and stability studies, leaving customers with a registered product and the possibility to transfer the manufacturing process to one of our manufacturing sites.

The Solna facility works with new development projects and new customers, as well as ongoing projects managed by the manufacturing operating companies. The facility is licensed for GMP manufacturing of clinical trial supplies, and manufactures material for all clinical phases.

PESSAC, FRANCE

Recipharm Pessac is a state of the art pharmaceutical development site that provides both production and development services. Recipharm Pessac is specialised in the controlled release of medicines both in dry forms, like pellets, and in injectable materials with specific vector products giving sustained and controlled release properties.

In addition to the drug delivery technologies available in Pessac, Recipharm can through its cooperation with Synthonics, a US based specialty Pharma Company, provide highly competitive solutions to controlled drug release with metal coordinated pharmaceuticals.

80%
TECHNOLOGY
Proprietary Products and Intellectual Property

THE BENEFIT OF AN IP-BACKED CDMO

Today, Recipharm offers its customers and partners a large amount of proprietary products and an attractive IP portfolio including technologies, drug delivery methods and drug master files (DMFs). Depending on the type of IP, Recipharm can offer different collaboration opportunities through distribution, supply and license agreements.

Moving forward, the Company aims to further strengthen its own portfolio of IP. A number of product development projects with well-known active pharmaceutical ingredients within niche areas have been initiated and potential new product candidates are continuously scrutinized through an evaluation process. Selected projects are developed through license and distribution agreements with external partners.

OUR ACQUISITIONS HAVE EXTENDED OUR PRODUCT PORTFOLIO

In 2014 the Group significantly extended its IP and product portfolio with the acquisition of Corvette and Lusomedicamenta.

In Italy, in one of the facilities from Corvette, Recipharm develops and manufactures niche generic APIs for the international market, where the products are developed with DMFs for FDA approvals. In this facility there is also manufacturing of the erdosteine API, which is the basis of the important mucolytic product range built on this molecule. The erdosteine molecule was originally developed in Edmond Pharma and is now registered in many countries all over the world. Today the molecule is marketed in more than 40 countries with increasing market shares in most markets.

Two additional product right categories are added through Recipharm Lisbon, previously Lusomedicamenta, where one is a line of ophthalmology pharma products marketed under the brand Dávi and another is a range of mature drugs for various indications marketed under the brand Medicamenta.

COMMITMENT TO
OUR PEOPLE

ENVIRONMENTAL
RESPONSIBILITY

LONG-TERM
SUSTAINABLE GROWTH

TAKING RESPONSIBILITY

Long-term sustainable growth will make Recipharm the best-in-class CDMO. We are dedicated to our customers and we have a strong commitment to our employees as well as the environment. This commitment is what will make Recipharm successful today and tomorrow.

MANAGING A DECENTRALISED ORGANISATION

Recipharm, as a leading pharmaceutical contract and development company in Europe, is known as a competent and trustworthy supplier of pharmaceutical services. As a company we strive to maximise our employees talents together with our technologies to solve our customers' biggest challenges.

Supporting our core values

Recipharm believes this is best achieved by maintaining the corporate culture based on the Company's core values of professionalism, tenacity, entrepreneurship and reliability. This is an important challenge for Recipharm's management as the company grows and becomes increasingly international. For example, in order to preserve the familiar, entrepreneurial approach all operating companies are maintained as stand-alone units.

A company wide Code of Conduct has been developed, under-pinned by the UN Global Compact's 10 principles, to ensure the preferred corporate qualities. The UN Global Compact is a principle-based framework for businesses, stating ten principles in the areas of human rights, labor, the environment and anti-corruption.

A program for autonomy – The Recipharm model

The Recipharm model, a platform for proactivity and confidence in the individual, is an important way for maintaining the Company's position as an attractive employer.

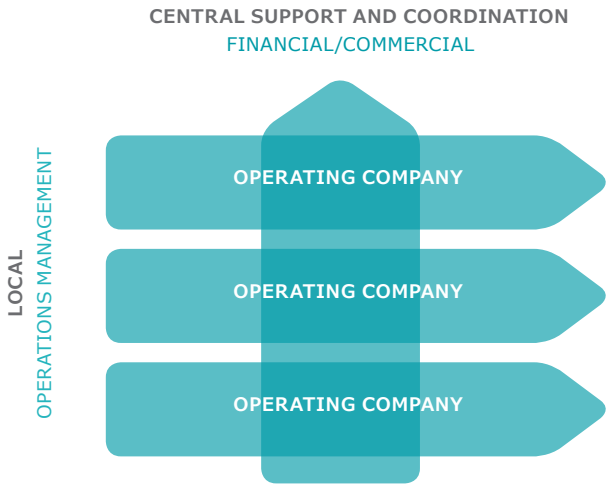
Recipharm's manufacturing facilities operate as independent units, but are strategically coordinated at the Group level. Each company has a General Manager with authority and responsibility to implement strategies and policies at the local level.

The companies have independent responsibility for customer relationships and are able to develop and expand existing contracts with existing customers. The Group wide Business Management team is responsible for finding new customers or new contracts with existing customers.

The Group central functions plays an important role in supporting local operating units by, for example, encouraging cross selling between units and customers. Implementation and promotion of knowledge management and best practices between different companies are also centrally managed.

Recipharm's customers meet a single brand and a standardised customer interface. The Recipharm brand is used throughout the company and customers who use several of Recipharm's manufacturing facilities meet the same business model and business culture.

THE RESPONSIBILITIES OF CENTRAL VS LOCAL MANAGEMENT



Recipharm manufacturing facilities operate as independent facilities, but are strategically coordinated at the Group level. Management at the different operating companies oversee local customers and operations. The Group wide Business Management team is responsible for attaining new customers or new contracts with existing customers.

ENTREPRENEURIAL COMPANY

It's the people that make our business

Recipharm's unique culture and service approach delivers results, where the operating units are dedicated to each client's specific requirements. The Company's values are supported by the organisation, which has been put together to best meet customer needs, while also supporting the Company's strategy. Today Recipharm has approximatley 2 200 employees.

The Company has grown considerably since it was founded 20 years ago, but both old and new Recipharm employees feel they are attracted by the company's entrepreneurial corporate culture, and the company's endeavor to retain its original core values. At Recipharm the exchange of skills and professional knowledge are like those of working at a small company, but in a Europe-wide network, united under a single brand.

The Recipharm values underscore the organisation's culture

Flexibility, local adaptation and customer focus are important priorities that influence the corporate structure and culture. Recipharm has focused over the past few years on optimising the business by restructuring the portfolio, streamlining the organisation and applying "best practice". The streamlined organisation, the Recipharm model, is the cornerstone of the Company and aims to preserve and develop the entrepreneurial spirit as the Company grows and changes.

It is the strength of the entrepreneurial culture that supports Recipharm in delivering world-class pharmaceutical products and to identifying future technologies that will improve drug delivery.

Collaboration creates opportunities

Recipharm has a collaborative working style that emphasises teamwork, trust and tolerance for diverging opinions. It is this collaboration across the Company that creates innovation and increases opportunities for cross selling of services. Moreover, on-going contact with customers at each of the manufacturing facilities allows customers needs to be efficiently matched with manufacturing capacity at other facilities. Recipharm is an organisation with customer offerings in many different areas and with several degrees of complexity, which enables the company to provide significant value to customers.

INTERVIEW WITH MICHEL SAUDEMON, GENERAL MANAGER & RESPONSIBLE PHARMACIST, MONTS, FRANCE

"Autonomy, autonomy, autonomy" – that's what Michel Saudemon believes is the differentiator in working at Recipharm by comparison to Big Pharma, where he spent a better part of his 25+ years in the industry.

Marrying autonomy with collaboration

Michel Saudemon goes on to explain that he and his team work with local strategies to meet the needs of his customers at the site in Monts, France, where he is General Manager and responsible Pharmacist.

"It's like a family run business, with global policies to create clear guidelines, but with the strengths of autonomy to deliver solutions."

The opportunity for meeting customer requirements lies in marrying autonomy and collaboration. Big Pharma is driven by policies and procedures in every aspect of the organisation. Instead of spending his day creating and sending reports, Michel Saudemon now has the support of a local Board, which includes Group Management, to ensure he can reach his targets and goals.

Meeting the demands of Big Pharma and smaller customers

His customers benefit too. Smaller and medium sized customers benefit from the Recipharm flexibility – the independence he has at the site. At the same time, the Recipharm organisation meets the needs of Big Pharma through group functions, which include Key Account Directors that interface with larger customers to ensure a unified corporate approach.

"2014 was a busy year for us, marked by the acquisitions of the CDMOs Corvette and Lusomedicamenta as well as the development facility in Pessac. We welcomed a large number of new colleagues to Recipharm many of who bring with them new areas of expertise that strengthens our commitment to bring the best solutions to our customers"

JONAS LEJONTAND
VICE PRESIDENT OF HUMAN RESOURCES

Recipharm recognises that our people, and their respective expertise and talents, are one of our major assets. We are committed to capitalising on the existing industry experience of our employees and we encourage networking and knowledge exchange at all levels.

Steering our business forward
Recipharm has established itself as one of Europe's largest contract manufactures of pharmaceuticals. This has been achieved through an organisational structure based on stand-alone legal centers where employees feel they are part of establishing service solutions – weighing carefully through associated risks.

The way to manage sales is based on individual customer strategies with key customer responsibilities. One important change for production facilities that are taken over is switching from being cost centers to becoming profit centers, which promotes a commercial culture.

The organisation is based on a fine tuned mix of company wide guidelines ensuring a controlled and unified approach to customer contacts on the one side, and autonomy at the operating sites providing unique customer solutions on the other.

INTERVIEW WITH ANTONIO LOPEZ, DIRECTOR OF BUSINESS MANAGEMENT, SPAIN

Antonio Lopez is Director of Business Management, located in Spain. Antonio's extensive experience includes 20 years in a private, family run pharmaceutical company.

Resourceful management
He compares Recipharm with his previous employer. Both companies operate in an international environment but there are a lot of commonalities between the two organisational types in that there is a familiarity with the people around you, and everyone is resourceful in the management of assets.

Good cross of competencies
Antonio also sees that given there are people from different backgrounds, such as Big Pharma versus smaller pharmaceutical companies, mean you get a good cross of a conservative approach and an entrepreneurial attitude to attain required customer goals. He finds that the organisation supports this collaboration, which also benefits the customer in that they know who to contact at any particular unit.

"As part of the family business, you are part of the success. Recipharm has this, but adds a dimension in the form of pro-activeness in that there are common goals, with a common culture across the company."

TALENT MANAGEMENT

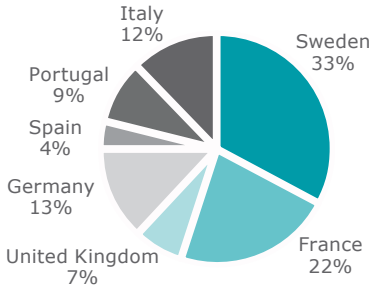
It is a top priority to have continued capacity and capabilities in the organisation in order for Recipharm to achieve its overall strategies. This becomes increasingly important as the Group grows, even to new geographies.

To meet this demand, Recipharm established a Talent Management strategy, which identifies strategic capabilities, strategic positions with strategic capabilities, and strategic competences. A part of this strategy is to identify employees within the Group with high potential and the ability and interest to develop their knowledge within the strategic competences.

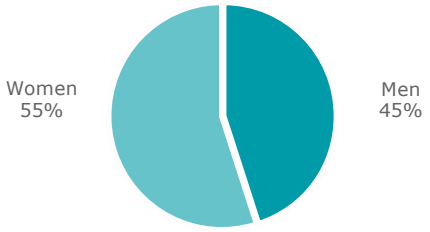
Employee development is vital to Recipharm's future success, and as a company, Recipharm seeks to focus on developing employee's potential and provide the proper development of skills and increased responsibility. Recipharm encourages and promotes ambitious initiatives from all employees.

EMPLOYEES 2014
(Number of FTEs)

PERCENTAGE PER COUNTRY



PERCENTAGE MEN/WOMEN



In 2014 1,986 FTEs were working for Recipharm in different countries. More than half of the work force were women.

INTERVIEW WITH JEANETTE MCCORMACK, COMMERCIAL MANAGER AT ASHTON, UK

Jeanette McCormack is part of the Senior Leadership team in Ashton, UK. She has been on the site for thirty years, the last eight with Recipharm, and she has enjoyed every minute of it.

From bureaucracy to quicker decision making
But it's not the same company she started with – before Recipharm took over, the operating company was a production facility of a major pharmaceuticals company. Today, she enjoys a company culture that is one of very little bureaucracy and where decisions can be made quickly. Jeanette has a lot of freedom in finding solutions for her customers.

Independence creates better customer solutions
At the local facility in the UK, Jeanette in her role as Commercial Manager gets to use her extensive expertise and experience defining and providing service solutions that best meet her customers' needs. Group management is there to support her, for example, to provide a balanced view on a customer service solution when needed. Jeanette says that the company places high demands on performance, but at the same time she and her team are able to work independently to deliver efficient, cost effective services, with high standards to her customers.

"We have a consistent image across the company, one of a large company. But we operate out of the local sites, which means we have decision processes that are quite quick."

OUR 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 on 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

PROVIDING ENVIRONMENTALLY SOUND SERVICES

Since Recipharm was founded in 1995, its commitment to environmental best practice has been a pivotal corporate mission. Recipharm devotes increasing attention to the need to factor sustainability issues into investment and business choices as the threat of climate change and the depletion of natural resources grows. The breadth of possible concerns is vast, but the most important areas are management of chemicals, hazardous waste and energy solutions to reduce carbon emissions.

High environmental, health and safety standards

Recipharm has a long history of being at the forefront when it comes to managing environmental risks and opportunities. Today, Recipharm's sustainability work focuses on, among other things, providing manufacturing and development services that maintain high environmental, health and safety standards. All facilities have or is working towards ISO 14001 certifications and most also hold the OHSAS certificate. The objective is for newly acquired facilities to be certified within two years of joining the Recipharm Group.

Taking care of our environment

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 ISO 14001 environmental perspectives. The systematic approach of Recipharm's development services can help to minimize future risks. Through on-going environmental stewardship, Recipharm can offer customers customised services based on an extensive environmental program.

Local initiatives

Recipharm continually endeavours to be a responsible company by offering environmentally sound pharmaceutical services. 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, which include carbon emissions and management of chemicals, raw materials and waste as well as energy consumption.

The corporate environmental policy gives facilities a common framework for continued improvements in environmental efficiencies, while the Recipharm model provides the platform for local units to drive initiatives based on local requirements, taking into account local aspects. By driving efficiency at the local units, Recipharm ensures that the best solutions are realized as the local teams are in the best position to succeed.

CASE STUDY – ENERGY EFFICIENCY

The site in Monts has been ISO 14001* certified since 2000, but the work doesn't stop there. The team in Monts has actively worked with their policy to reduce the consumption of natural resources, including gas and electricity. Early on, it was relatively easy to accomplish initiatives resulting in substantial efficiency gains. But no stone is left unturned, and the team continues its efforts in improving energy efficiency and increasing safety standards. Over the past 6 years, the team's efforts have resulted in decreased gas consumption by 33 percent and of electricity by 12 percent.

"Management sets the values, but the best ideas come from the team on the ground floor."

During 2014, in a continued effort to increase safety standards and energy efficiency, a study was initiated to evaluate the dissipated energy loss from the steam system. The annual energy loss linked with lack of insulation was estimated to 12 million kwh for an amount of € 50K. The installation of an insulating padding solved the problem and reduced the energy loss by approximately 80 percent on a yearly basis equal to a financial saving of € 40K per year. The R.O.I of the initiative is less than one year.

"Improving safety and increasing energy efficiency is in our genes."

OLIVIER CORRIGER, SERVICES & UTILITIES MAINTENANCE COORDINATOR, RECIPHARM MONTS

* The ISO 14001 is a comprehensive policy covering not only gas and electricity; it also covers water consumption, and the limiting of waste rejection, to name a few.

Recipharm's seventh International Environmental Award

Recipharm awards annually the International Environment Award to the best environmental performance, or practice and innovation, in order to encourage and inspire best practice and foster dialogue in the pharmaceutical industry.

This year, Dr. Ettore Zuccato, Department of Environmental Health Sciences at Mario Negri Institute for Pharmacological Research in Milan, Italy, was granted the award in recognition of his longstanding work, resulting in identification, quantification and monitoring levels of environmental contamination from pharmaceuticals. Dr Ettore Zuccato is internationally recognized in the field of emerging environmental contaminants, with a specialist focus on pharmaceuticals and illicit drugs in surface waters.

"Dr Ettore Zuccato is one of the foremost authorities and leaders in the field of environmental contamination by pharmaceuticals. His authoritative research, which has been published extensively across world leading scientific journals, has provided a comprehensive view in this critical subject area."

LARS BACKSELL, CHAIRMAN OF
THE BOARD OF RECIPHARM

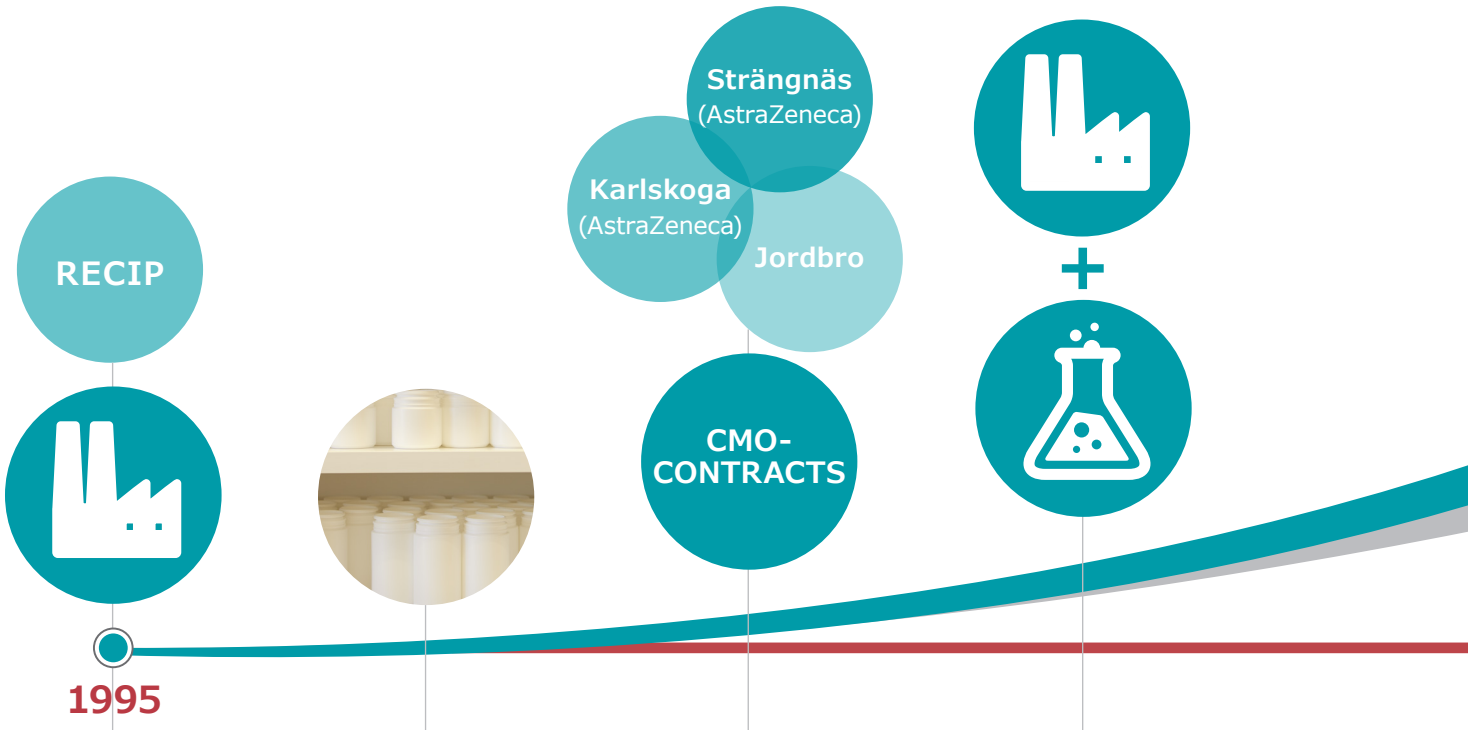
OUR MISSION TO BE A BEST-IN-CLASS CDMO

LONG–TERM SUSTAINABLE GROWTH

Since the start in 1995, Recipharm has worked systematically to strengthen our position and achieve sustainable competitiveness.

Our strong manufacturing and development network in combination with an attractive portfolio of IP and proprietary products meet the demands of both Big Pharma and Small and mid-size pharma customers.

With a committed team and a solid platform for continued growth, Recipharm is ideally placed to advance our position as a best-in-class CDMO.



RECIP IS BORN

Completion of a management buyout of a Big Pharma manufacturing facility in Sweden.

OWN PRODUCTS

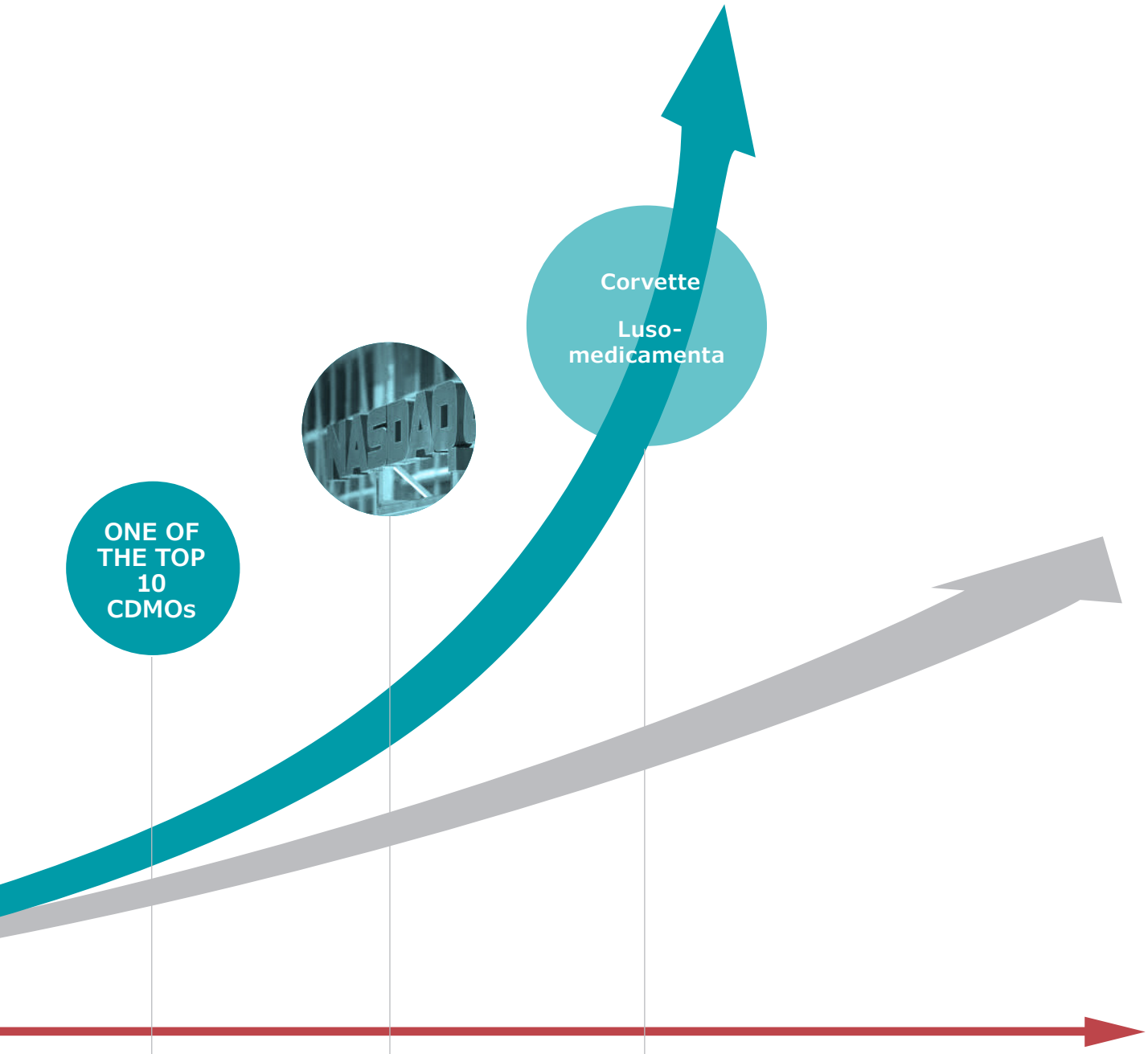
Continued production for Big Pharma customer. Development of own product portfolio.

EXPANSION

Acquisition of three Swedish manufacturing facilities holding long-term CMO–contracts.

THE EMERGENCE OF A NEW CDMO

A strategic decision is reached to form a contract development and manufacturing organisation, a CDMO called Recipharm. Establishment of a pharmaceutical development facility. The Recip portfolio of own products is divested.



EUROPEAN EXPANSION
Five additional European manufacturing facilities add to manufacturing platform. Recipharm grows to be one of the largest CDMOs globally.

PUBLIC LISTING ON NASDAQ, STOCKHOLM
The successful IPO provides a financial platform to further realise strategies.

PAN-EUROPEAN MANUFACTURING PLATFORM
Acquisition of Italian Corvette and Portuguese Lusomedicamenta and take over of a development facility in Pessac, France, from Flamel Technologies. Recipharm is established in all major European markets. Extended IP and proprietary product portfolio.

GLOBAL EXPANSION
With a strong European footprint and attractive offering, Recipharm continues its mission to be a best-in-class CDMO beyond Europe.

ANNUAL REPORT 2014

ADMINISTRATION REPORT

The Board of Directors and CEO of Recipharm AB (publ.), corporate identity number 556498-8425, with its registered office in Stockholm, Sweden, hereby submit the annual report and consolidated accounts for the 2014 financial year. The annual report was approved by the Board of Directors for publication on 12 April 2015 and will be presented to the Annual General Meeting for approval on 7 May 2015.

GROUP OPERATIONS AND STRUCTURE

On 3 April 2014, Recipharm AB (publ) became a listed company at NASDAQ Stockholm. The Recipharm Group includes two branches in England and Norway, in addition to direct subsidiaries. The consolidated accounts are prepared by Recipharm AB (publ) and its subsidiaries. The presentation currency is SEK.

Recipharm provides pharmaceutical development and manufacturing services to pharmaceutical companies and owns different forms of intellectual property rights and technology in the pharmaceutical industry. 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 amounted to SEK 2,569 million (2,125). Sales rose compared with the previous year, due to completed acquisitions, currency movement and organic growth. Sales in the Manufacturing Services Sweden segment ("Mfg-SE") increased by 6 percent, with only minor changes per factory as well as increased manufacturing of a tender product being sold internally to companies within D&T. Sales in the Manufacturing Services Europe segment ("Mfg-EU") rose, mainly due to acquisitions as well as increased sales of new products compared to previous year. The Development & Technology segment ("D&T") increased, mainly due to acquisition effects, increased sales of a tender product as well as increased demand for several products where Recipharm owns the product rights, but sales are being made via distributors.

Other operating income amounted to SEK 43 million (37), an increase of SEK 6 million, largely in line with the previous year. These revenues mainly consist of re-invoiced costs and currency effects on operating receivables and liabilities.

For the financial year, operating profit totaled SEK 272 million (188). Operating profit increased for Manufacturing Services Sweden, mainly due to increased sales. Manufacturing Services Europe increased, mainly as a result of the sales effects mentioned above and also due to higher operating margins in the acquisitions than the other operations. D&T improved profitability mainly due to acquisition effects and increased sales of more profitable products. Operating profit related to Others and eliminations was lower mainly due to increased due diligence costs related to completed and potential acquisitions. Consolidated profit after financial items amounted to SEK 216 million (167). Profitability, calculated as the return on operating capital, was 12 percent (17). The decrease in the return was due to the financing of acquisitions completed during the fourth quarter of 2014. The long-term target is to continually generate a return of more than 15 percent. The effective tax rate was 26 percent (43), significantly lower than the previous year, mainly due to the use of loss carryforwards in Sweden and higher tax in 2013 than normal due to non-recurring items.

Net sales for the Parent Company amounted to SEK 77 million (74). Net profit after financial items amounted to SEK 42 million (-60), an improvement of SEK 102 million mainly related to received group contributions in 2014 and the fact that 2013 was charged with tax expenses attributable to prior years.

Liquidity, financing and cash flow

At 31 December 2014, the Group's cash equivalents totaled SEK 404 million (190). The unutilised portion of the bank overdraft facility was SEK 46 million (40).

The Group's businesses are financed by equity of SEK 2,131 million (681) as well as long-term loans of SEK 1,555 million (359) and short-term loans of SEK 13 million (241).

Consolidated cash flow totaled SEK 203 million (16). This figure includes SEK 254 million (180) from operating activities, SEK -1,457 million (-104) from investing activities, and SEK 1,405 million (-60) from financing activities. The increase in investing activities was mainly due to acquisitions and an increased rate of investment in property, plant and equipment.

The Group's equity/assets ratio was 39 percent (38) at the end of the financial year. The net debt/equity ratio for the Group was 0.5 times (0.6).

The Parent Company's cash equivalents totaled SEK 124 million (2) at year-end. In addition, the Company can utilize the Group's approved overdraft facility of SEK 1,500 million (200), of which SEK 46 million (40) was unutilized at year-end. Cash flow totaled SEK 121 million (-12). For the financial year, cash flow from operating activities totaled SEK -41 million (-78), SEK -1,431 million (78) from investing activities and SEK 1,593 million (-12) from financing activities. Net debt in relation to EBITDA amounted to 2.9, and to about 2.0 adjusted for the full-year effect of acquisitions.

Capital investment

The Group's gross investment in property, plant and equipment during the financial year totaled SEK 215 million (82), excluding business combinations. Investments primarily related to replacements, as well as new projects and expansion of capacity, such as the current investment to increase capacity for manufacturing of freeze-dried products in Wasserburg amounting to SEK 73 million. Acquisition of intangible assets totaled SEK 56 million (15). In connection with the acquisition of the manufacturing facility in Pessac from Flamel Technologies SA, shares in Flamel were acquired with a value of SEK 97 million.

The Parent Company's gross investments in non-current assets amounted to SEK 10 million (2).

Significant events during the year
Management's main focus has been to create opportunities for growth and using that as a basis for executing planned growth inititiatives. This has been achieved by issuing new shares in connection with the company's listing at NASDAQ Stockholm, an increased credit facility and other share-related activities. Three acquisitions were completed during the fourth quarter of 2014. In addition to this, Management focused during the financial year on ensuring that the previously executed improvement inititiatives are achieving the expected results.

The IPO, which occurred on 3 April 2014, generated SEK 778 million net. The listing was successful and the share has had a very strong development since the listing.

In connection with the acquisition of Corvette Pharmaceuticals Services Group in Italy, which was made on 1 October, convertible bonds were issued representing approximately 50 percent of the purchase price. These were fully converted during first quarter of 2015. In connection with the acquisition of Lusomedicamenta Sociedade Técnica Farmacêutica S.A, which was made on 1 November, new shares were issued representing approximately 40 percent of the purchase price. Additional information regarding these acquisitions, including the acquisition of the development operations in Pessac, France on 1 December, is provided in Note 4.

These acquisitions generate an improved profit margin and create good opportunities for increased sales to existing customers from the new facilities and to new customers from the existing facilities before the acquisitions.

One of Group's large customers terminated a medium-sized contract for penicillin products in the Strängnäs facility. The termination date for this contract is 31 December 2015, and it represents about 2 percent of Group sales, with only a marginal impact on profitability. Discussions about a continued manufacturing in Strängnäs for a limited period after 2015 are ongoing.

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 different internal and external customers. Most of the costs for the development of products and production processes are expensed as they arise. The development of new own products is capitalised as assets in the balance sheet.

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

Recipharm has resolved that all operating subsidiaries in the Group shall obtain ISO 14001 environmental certification. All companies are already certified except one newly acquired company which will implement it within short. Several Recipharm companies are also certified according to OHSAS 18001 for occupational health and safety.

The environmental impact of the Recipharm Group results from our activities as a pharmaceutical manufacturer. The direct impact consists of air and water emissions from manufacturing processes that involve different solvents as well as discharge to drains of pharmaceutical residues. An indirect environmental impact arises due to emissions from transport to and from our sites and as a result of energy consumption. Every company monitors its environmental impact using its own environmental management system and continuously works to follow up and improve its operations from an environmental standpoint.

During the year, Recipharm complied with environmental legislation as well as the conditions in all permits. Of the Swedish facilities only Stockholm conducts operations requiring a permit according to the Swedish Environmental Code, while other Swedish facilities have operations that are subject to compulsory registration. In the opinion of the Company, there are no environmental liabilities for future decontamination.

Personnel
In 2014, the average number of employees (corresponding to full-time positions) was 1,564 (1,521), a change of 3 percent (1), where the increase is due to the effect of aquisitions. Women accounted for 57 percent (56) of personnel. At year end, about 2,000 persons were employed in the Group, an increase related to the acquisitions. Please see Note 9 for additional information about personnel.

Recipharm's Swedish operating companies has held AFS 2000:1 certifications for many years.

The 5-year convertible bond programme from 2009 matured during 2014 and 98 percent was converted to shares. This meant that 1,374,407 new B-shares were issued, resulting in 3.8 percent dilution. At the Annual General Meeting on 10 March 2014, it was resolved to introduce a share saving programme directed to the employees. For more information please see Note 31.

Outlook
The operational focus is a combination of growth and improvements in efficiency. There are opportunities for organic growth within both of the business areas, Manufacturing Services and D&T. Apart from organic growth in existing operations, several contracting projects are already underway and are expected to bring a sales growth in the coming financial years. Capacity investments for manufacturing of freeze-dried products in Wasserburg will generate further organic growth after completion in 2016. Acquisition of competitors or portfolio contracts from major pharmaceutical companies is also expected to be an important growth factor during the coming year. Overall operating profit and profitability are expected to improve in the next few years, especially during 2015 when the full-year effect of the completed acquisitions will be realized.

The manufacturing of pharmaceuticals is a very regulated industry. Some countries have recently introduced regulations relating to traceability of pharmaceuticals for end customers. The most pharma markets will implement this during the coming years. This is positive for Recipharm, as many companies in the Group are successful in manufacturing that requires more complexity and advanced production equipment. This will imply purchase of machinery and equipment during the next three years of around a couple of SEK hundred millions. These investments will be largely borne by customers, in the form of increased prices or other financial solutions.

Recipharm's return on operating capital amounted to 12.4 percent, which is lower than our target of 15 percent or more. The decrease compared to last year is related to the financing of the two larger acquisitions in Italy and Portugal. We will probably see a decrease during 2015 as a result of the acquisitions, as the operating capital is calculated as an average of the opening and closing balances. We expect an improvement after that.

Post-balance sheet events
No significant post-balance sheet events have occurred in addition to what is described above relating to conversion of shares and in the outlook section.

Appropriation of profits
The following earnings of the parent company are available to the AGM.

Retained earnings	1,429,888,239
Net profit for the year	41,646,456
Total	**1,471,534,695**

The Board of Directors proposes to the AGM that the earnings should be distributed as follows:

Share dividend	57,149,273
To be carried forward	1,414,385,423
Total	**1,471,534,695**

RISKS

Recipharm has identified the following types of risks:

Market-related risks	Risks related to internal processes	Financial risks

MARKET-RELATED RISKS

Competition

The growing CDMO market is attracting strong suppliers, and the competition may have a negative impact on Recipharm's margins. Through continuous improvement of business processes and customer relationships, Recipharm creates value for customers, thereby improving its competitive edge.

Customer dependence

A significant part of Recipharm's business comes from a limited number of customers. The large customers have several contracts, as each facility has its own contract with the customer, which reduces the exposure. Contracts are sometimes terminated, by customers or by Recipharm, for renegotiation of terms. No large contract has been terminated since the start of the Company (20 years ago), only a few small and medium-sized contracts. Through a strong focus on increasing of the number of customer relationships, Recipharm has decreased the share of its sales that go to larger customers. Seven years ago, the three largest customers accounted for 80 percent of the Company's sales compared to 2014 when the three largest customers accounted for less than 50 percent of sales, which will further decrease as a result of the acquisitions in 2014.

Customer cost pressure

Many countries are implementing different activities to increase competition and reduce pharmaceutical costs. Recipharm normally uses price adjustment formulas in contracts, which are linked to changes in manufacturing costs. In the past, prices have fluctuated between zero and inflation.

Dependence on continuous supply

Sales of products for which Recipharm owns the product rights only account for 12 percent of consolidated sales. A stoppage or disruption in the supply chain would affect sales of these products in the market. In recent times, only one incident has had a significant impact. This was three years ago when sterile production was discontinued in our own factory in Ashton, where a large proportion of our proprietary products are manufactured. However, we have now recovered a large part of the sales.

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. In general, Recipharm has low employee turnover, especially in relation to key people.

Product defects

Any significant product defect caused by Recipharm would damage the Company's image and customer confidence. All subsidiaries operate in accordance with current good manufacturing practice and on the basis of Recipharm's own high quality standards. Every Recipharm facility is inspected at regular intervals by regulatory authorities and customers as well as by Recipharm's own team of regulatory experts.

Acquisition projects

Acquisitions expose the Company to different types of risk, including financial, commercial and operational risk. Before the Board decides to make an acquisition, due diligence is performed in line with the risk level of each acquisition, as well as a management team assessment. To ensure successful integration of newly acquired businesses, Recipharm follows well established internal procedures.

Dependence on key people

Key personnel usually have extensive experience and expertise within fields that are important for Recipharm. It is important to ensure and develop expertise so that Recipharm continues to have the right competencies. Recipharm works with succession planning programmes for executive positions to ensure continued access to such expertise.

FINANCIAL RISKS (SEE ALSO NOTE 40, SENSITIVITY ANALYSIS)

Currency risk

Recipharm has relatively little foreign currency exposure on its profit after tax. The difference between inflows and outflows by currency is well balanced in operational activities. Recipharm has therefore chosen not to hedge currency flows against price fluctuations. However, extra exposure may arise in connection with acquisitions or similar activities. Recipharm usually tries to limit any currency risk associated with acquisitions by financing the acquisition as far as possible in the local currency.

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 the level of credit risk. Recipharm mainly has financially strong customers and historically has had limited or minor credit losses.

Interest rate risk

The 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 that are normally linked to official interbank rates. No specific hedging of these loans occurs.

Liquidity and refinancing risk

External raising of capital exposes Recipharm to some liquidity risks. Refinancing risk is the risk that the company cannot refinance its loans when desired or raise new financing in the market when the need arises. Over the years, Recipharm has managed to raise new loans when required. The latest example is the new 5-year credit facility which was signed during the year. This long-term loan facility which is dependent on meeting certain covenants. If these covenants are not met, the lender may renegotiate or call in the loan. A detailed description of the loan periods is provided in Note 40.

CORPORATE GOVERNANCE

GENERAL

Recipharm AB (publ) is a Swedish public limited company with its registered office in Haninge, Sweden. Recipharm's corporate governance is based on the Swedish Companies Act, the company's articles of association, the obligations that accompany listing on the NASDAQ Stockholm, the Swedish Code of Corporate Governance and other applicable laws and regulations. Corporate governance comprises a regulatory and decision making system for managing a company's business in an effective, controlled manner. The aim is to meet the owners' requirements in terms of the return on capital invested. In Sweden, corporate governance has traditionally been regulated by legislation. In addition, the self-regulatory bodies of trade and industry have continually presented various stipulations relating to corporate governance. For detailed information on the Swedish Code of Corporate Governance (the "Code") visit www.bolagsstyrning.se.

Recipharm aims for a high standard through a clear and simple management system and guiding documents. Management, leadership and control of Recipharm is divided between the shareholders at the annual general meeting (the "AGM"), the board of directors, the CEO, and the auditors in accordance with the Swedish Companies Act and the company's articles of association. Increased transparency provides good insight into the company's operations, which contributes to effective control.

RECIPHARM'S APPLICATION OF THE CODE

Recipharm has applied the Code since the listing on NASDAQ Stockholm 3 April 2014. The board of directors has chosen not to set up a specific audit function for internal audit because the board of directors does not consider it necessary. The board of directors will evaluate the need to set up a specific audit function annually.

SHAREHOLDERS

The share capital amounts to SEK 20,344,438 spread over 40,688,875 shares with a quota value of SEK 0.50. There are four series of shares in Recipharm: shares of series A (10 votes per share), shares of series (1 vote per share), preference shares of series C (1 vote per share) and shares of series D (1 vote per share). In total there are 12,685,716 shares issued of series A and 28,003,159 shares issued of series B. The number of shareholders amount to about 4,300. Shareholders who directly, or indirectly, represent at least 10% of the total amount of the votes in the company are: Flerie Participation, approx. 43.5% and Cajelo Invest, approx. 41.0%. The foreign owners represented are 17.8%. For more information regarding Recipharm's share and ownership structure, please refer to the Section "The Recipharm Share", on page 88.

SHAREHOLDERS' MEETING AND THE AGM

Under the Companies Act, the shareholders' meeting is a company's highest decision-making body. The company's AGM adopts the income statement and balance sheet, elects the board of directors and auditors, establishes fees and deals with other matters laid down in legislation or in the Code. At the AGM, the shareholders have the opportunity to ask questions to the management, the board of directors and the auditors. Recipharm's articles of association do not contain any restrictions on how many votes each shareholder may cast at a shareholders' meeting. Neither, do the articles of association contain specific provisions on the appointment and dismissal of directors or amendment of the articles of association.

Authorizations resolved by the shareholders' meetings in 2014

In order to enable the implementation of a share savings program, the AGM, on 10 March 2014 authorized the board of directors:

- to, for the period until the next AGM, on one or more occasions, decide on a directed issue of up to 500,000 shares of series D.
- to, for the period until the next AGM, on one or more occasions, decide on the repurchase of shares of series D by an offer directed to shareholders of shares of series D.

The extraordinary general meeting, on 11 September 2014 authorized the board of directors:

- to, for the period until the next AGM, on one or more occasions, decide to issue convertible bonds, which may be converted to shares of series B in Recipharm AB, for payment in kind in form of the shares in Corvette Group S.p.A. and LIO Immobiliare S.r.l.
- to, for the period until the next AGM, on one or more occasions, decide on a non-cash or offset issue of shares and/or convertible bonds that involve the issue of, or conversion to, a maximum total of 3,700,00 shares of series B. The purpose of the authorization was to enable the payment in own shares and/or convertible bonds in connection with possible acquisitions of companies or businesses that the company may carry out, and to settle any additional purchase price in connection with such acquisitions.

The minutes and other documentation relating to the above-mentioned shareholders' meeting are available on Recipharm's website www.recipharm.com.

AGM 2015

The 2015 AGM will be held at 14.00 on Thursday 7 May 2015 on the company's premises at Lagervägen 7 in Jordbro.

NOMINATION COMMITTEE

Recipharm's 2014 AGM resolved that the Recipharm nomination committee shall consist of four members – one representative for each of the three largest shareholders on the last banking day of September wishing to appoint a member of the nomination committee and the chairman of the board. With the three largest shareholders this instruction refers to the three largest shareholders registered and grouped by Euroclear Sweden AB as of the last banking day of September.

The composition of the committee shall be announced at least six months ahead of the AGM. The nomination committee represents the company's shareholders and is responsible for preparing and presenting proposals to the AGM regarding chairman of the board, the board of directors, fees to be paid to the chairman of the board and other board members and remuneration for committee work, election of and fees to

auditors and deputy auditors (where applicable) for decisions on principles for the structure of the nomination committee as well as for the chairman of the AGM.The nomination committee ahead of the AGM comprises Per Lundborg (Flerie Participation AB/Cajelo Invest AB), Frank Larsson (SHB Fonder), Johan Lannebo (Lannebo fonder) and Lars Backsell (chairman of the board). Per Lundborg was appointed as chairman of the nomination committee. All shareholders have been given opportunity to contact the nomination committee with proposals, e.g. for board members, for further evaluation within the context of the nomination committee's work. The nomination committee has held 3 meetings and has also been in contact at other times.

As a basis for its appraisal of the composition of the board the nomination committee had access to the appraisal carried out by the board and was also given opportunity to meet the members of the board individually. Based on this appraisal and the opportunity to take into account suggestions for new board members, the nomination committee draws up a proposal for a new board which is made public in conjunction with the invitation to the 2015 AGM. At the AGM the nomination committee gives a report on its work. The AGM appoints annually. When auditors are to be elected the audit committee (which comprises Anders G. Carlberg (chairman of the board), Tony Sandell and Lars Backsell) assists the nomination committee with producing a proposal. The current auditor, Ernst & Young AB, was first elected at the 2004 AGM.

THE BOARD OF DIRECTORS

The board's responsibilities and duties

At the constituent board meeting the board decides on the rules of procedure and way of work for the board, any other bodies that the board may establish and the CEO as well as the framework for financial reporting, instructions and policies regarding functions and powers.

Composition of the board

According to the company articles of association, the board shall have at minimum 3 members and maximum 8 members with no AGM-appointed deputies. The board has one employee representative with one deputy director. Coming from different backgrounds and with a broad pool of experience, the directors have the knowledge required to perform their board duties, including issues relating to strategy, executive management and structural development. Individual directors also provide valuable assistance to management in facilitating contacts with key clients and on issues relating to politics, economics, accounting and finance, law, organization and marketing.

Age, mainly education, work experience, mainly assignments, election year and holdings of Recipharm shares of the board members is presented on page 86.

Division of work

At the board meeting 4 February 2014 the board decided to establish an audit committee and a remuneration committee.

Chairman of the board

The chairman of the board is responsible for leading the work of the board and for the board meeting its commitments in accordance with the Swedish Companies Act and the work plan established by the board for its work. Continual contact with the CEO shall ensure that the chairman of the board monitors the company's development and ensures that the board receives the information required in order to be able to meet its commitments. The chairman of the board shall also represent the company in matters concerned with ownership. The chairman of the board does not participate in the operational work in the company. He is neither included in the company management. Lars Backsell has been chairman of the board since 2007.

Board fees

The 2014 AGM established that the fees will amount to SEK 1,230,000 in total, of which SEK 350,000 will be paid to the chairman and SEK 175,000 will be paid to each of the other directors who are not employees of the company. The AGM also resolved that a fee of SEK 50,000 will be paid to the chairman of the audit committee and SEK 30,000 each to the other members. A fee of SEK 30,000 will be paid to the chairman of the remuneration committee and SEK 20,000 each to the other members.

The work of the board in 2014

In 2014 the board held 21 meetings, including a statutory meeting following the AGM on 10 March 2014. The minutes of these meetings represent documentation of decisions taken and the minutes are taken by the secretary of the board.

The regular board meetings are prepared jointly by the chairman of the board and the CEO of the company. Ahead of each board meeting the board receives written material as a basis for discussions and decisions that will be dealt with. One or more members of the executive management take part in the board meetings in order to report on matters within their specific areas. At every regular board meeting an update is given on the business situation and financial monitoring. Other matters dealt with during the year include the economic trend, competence needs, organisation and acquisitions.

Board member	Independent in relation to company and management	Independent in relation to larger shareholders	Presence at the board meetings	Presence in the remuneration committee	Presence in the audit committee
Lars Backsell	No	No	21/21	4/4	3/3
Marianne Dicander Alexandersson[1]	Yes	Yes	14/14		
Anders G. Carlberg	Yes	Yes	17/21		3/3
Thomas Eldered	No	No	21/21		
Göran Pettersson	Yes	Yes	19/21	4/4	
Tony Sandell	Yes	Yes	21/21		3/3
Joan Traynor[2]	Yes	Yes	14/14		
Olle Christenson	Yes	Yes	21/21		

1) Marianne Dicander Alexandersson was elected 10 March 2014.
2) Joan Traynor was elected 18 March 2014.

These reports are compiled by the CEO and the Chief Financial Officer. The company's auditor was present at the meeting at which the year-end financial statements were discussed. This gave the board of directors and the auditor the opportunity to discuss the business accounting and audit.

Audit committee
The audit committee of 2014 was constituted by Anders G Carlberg (Chairman), Tony Sandell and Lars Backsell. The board considers that the requirement that at least one member shall be independent and have competence in accounting or auditing is met. The committee has held three meetings in 2014. They have also held meetings with the auditor. Matters that have been taken under 2014 includes review of risk analyses, internal financial reporting, review of results by AGM elected auditors audit of the operations, impairment tests and matters concerning internal control.

Remuneration committee
The board meeting on 4 February 2014 resolved to establish a remuneration committee. The board has appointed Lars Backsell as the Chairman of the committee and Göran Pettersson as a member. The remuneration committee has met four times during 2014. Matters that have been processed during 2014 include incentive programs for senior executives and an evaluation of the CEO's performance during the year and the establishment of a compensation package for the CEO.

Assessment of the board's work
In accordance with what is laid down in the board's rules of procedure, the board continually assesses its work through open discussions in the board and through an annual board appraisal taking the form of a survey. The results of the annual board appraisal are submitted to the nomination committee. The nomination committee has also had individual meetings with board members in order to ask questions regarding the board work.

Auditors
The company's auditor, Ernst & Young AB, was first elected on the AGM in 2004. The current period runs until the end of the AGM 2015. Michael Forss is the responsible auditor. During the year the auditor has, in addition to auditing the financial statements for the company, also reviewed the interim reports. As described in the section "The work of the board in 2014", the auditor has also met the board at the board meeting treating the full year results. For information regarding remuneration to auditor, please refer to note 8 on page 67.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting is based on the control environment established by the board and executive management. Control environment refers to – among other things – the values and the culture that exist within Recipharm, but also the organizational structure, responsibilities and powers defined and communicated to everyone concerned within the company. It also includes components such as the competence and experience of the company's employees and a number of governing documents such as policies and manuals. The internal control over financial reporting is to ensure that internal and external reporting is accurate and relevant, that it is established in accordance with law and applicable accounting standards and other requirements for reporting.

The board of Recipharm is responsible for the existence of effective systems for monitoring and controlling the company's operations, including risk management, and that the company complies with laws and regulations that apply to its activities. The board of Recipharm is also responsible for the company's internal control over financial reporting. Furthermore, the internal control over financial reporting is for example focused on ensuring an effective and reliable processing of invoices to customers, customer credit, foreign exchange and investment. The company carries out annual internal and external quality audits. The board annually evaluates the need to establish a specific internal audit function.

Control environment
The board of Recipharm has established rules of procedure which are resolved upon annually at the constituted board meeting and forms the basis of the work of the board and for effective management of the risks to which the business is exposed. The board annually updates and establishes the board's rules of procedure, CEO instructions and authorization arrangement.

The framework for Recipharm's internal control system consists of the company's Global Policy, which addresses for example goals, management philosophy, the board's working methods, responsibilities and authority, quality and environment and the company's other policies. Recipharm's policies and other governing documents are considered to constitute the foundation of a well-functioning internal control.

Information and communication
Information on Recipharm's steering documents such as policies, guidelines and routines is provided to the persons concerned. Significant policies and guidelines are updated as needed, but at least annually, and communicated to the staff concerned. Financial reporting issues are also discussed at meetings at which the group's financial officers meet. For external communication Recipharm follows its established policies.

Monitoring
Within Recipharm the income statement and balance sheet are monitored along with certain key ratios, at both group and segment level. In addition to the financial reporting, a follow-up of the internal control work and risk inventory is made. The board receives updates of the financial outcome of the group.

Disclosure of information to the stock market
In accordance with the commitments incumbent upon Recipharm as a listed company, Recipharm provides the stock market with information on the group's financial position and development. The information is provided in the form of interim reports and an annual report, which are published in Swedish and English. In addition to financial information, Recipharm also issues press releases of news and events and also gives presentations for shareholders, financial analysts and investors both in Sweden and abroad. The information published is also made available on the company's website, www.recipharm.com.

RESOLUTION IN RESPECT OF GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

At the Annual General Meeting on 10 March 2014, it was resolved to adapt the following guidelines for remuneration and other terms of employment for senior executives.

These guidelines for remuneration of senior executives include salary and other terms for the CEO and other senior executives in Recipharm. Other senior executives are those who, together with the CEO, constitute the group management as well as the CEO/managing director or equivalent in subsidiaries.

Recipharms' opinion is that remuneration shall be paid according to competitive terms, which enables senior executives to be recruited and retained. Remuneration of senior executives may consist of basic salary, pension, other benefits and share-based incentive programs. The remuneration of the CEO and other senior executives shall be based on factors such as duties, expertise, experience, position and performance. Furthermore, the relationship between basic salary and variable remuneration shall be proportionate to employees' responsibilities and duties. The variable remuneration shall be linked to predetermined criteria designed to promote the company's creation of value in the long-term. The remuneration shall not discriminate on grounds of gender, ethnic background, national origin, age, disability or other irrelevant factors.

In addition to salary, the CEO and other senior executives are generally entitled to an annual bonus of up to 40 percent of the base salary, annual pension equivalent to up to 35 percent of annual salary, sick pay equivalent to 75-90 percent of the monthly salary during the first 3-6 months of a period of sickness. The CEO and other senior executives generally have the right to health insurance and company car as well as other benefits in accordance with local practice. When possible, the pension arrangements shall be in accordance with current collective agreements. In addition to the bonus, approved share or share-price related incentive programs may be added.

Regarding senior executives, provided that collective agreements do not state otherwise, the employee and the employer have a mutual notice period of up to six months. In addition to salary during the notice period, severance pay of up to six months of salary may occur.

Senior executives residing outside Sweden may receive other remuneration or benefits that are competitive in the country of their residence, preferably equivalent to those of other senior executives residing in Sweden.

The board members are paid directors fees set by the shareholders' meeting. Board members elected by the shareholders' meeting shall, in specific cases, receive a fee for services within their respective areas of expertise, which do not constitute work of the board. These services shall be remunerated according to market terms, which shall be approved by the board.

Deviation from the guidelines
The Board of Directors shall be entitled to deviate from the guidelines in individual cases if there are special reasons for doing so.

The Board of Directors' proposal for guidelines to apply until the next Annual General Meeting
The Board of Directors' proposal to be presented at the Annual General Meeting 2015 is that the current guidelines for remuneration and other terms of employment for senior executives shall remain unchanged.

FIVE YEAR SUMMARY

	2014	2013	2012	2011	2010
Profit & Loss summary (MSEK)	(IFRS)	(IFRS)	(IFRS)	(IFRS)	(IFRS)
Net turnover	2,569.3	2,124.6	2,073.0	2,141.0	2,226.9
EBITDA (EBIT before depreciation & amortization)	399.3	283.0	284.0	205.3	171.8
Operating profit (EBIT)	272.1	188.1	192.3	101.2	57.2
Financial income	9.3	6.8	3.2	4.4	83.5
Financial expense	-65.4	-27.7	-28.1	-30.1	-30.8
Profit after financial items	216.1	167.1	167.4	0.5	54.2
Net profit/loss for the period	160.2	94.4	130.1	-46.1	10.7
Balance sheet summary (MSEK)					
Non-current assets	3,614.6	870.5	813.1	867.7	1,026.6
Cash and cash equivalents	404.5	190.2	179.2	144.2	277.8
Total assets	5,403.7	1,810.5	1,692.9	1,727.2	2,186.6
Equity	2,131.3	680.8	625.1	514.1	642.6
Interest-bearing debts	1,568.2	600.0	598.8	645.9	866.9
Non-interest-bearing debts [1/]	1,704.2	529.7	469.0	567.2	677.1
Operating capital [2/]	3,295.0	1,090.6	1,051.5	1,027.3	1,231.7
Net debt [3/]	1,163.7	409.8	419.6	501.7	589.1
Cash Flow (CF) summary (MSEK)					
CF from operating activities	254.2	179.6	123.7	123.1	187.1
CF from investing activities	-1,456.8	-104.1	-54.7	-142.9	-599.0
CF from financing activities	1,405.4	-59.9	-34.1	-113.2	531.7
Total cash flow	202.8	15.6	34.9	-133.0	128.5
Share information (1000) Adjusted for split 2014					
Average no of shares basic	34,605	25,371	25,371	24,503	20,000
Average no of shares, diluted	39,656	26,073	26,025	25,156	20,653
No of shares at year-end	40,689	25,371	25,371	25,371	20,000
Key measures					
Operating margin [4/]	10.6%	8.9%	9.3%	4.7%	2.6%
Return on equity [5/]	11.4%	14.5%	22.8%	-8.0%	1.9%
Return on operating capital [6/]	12.4%	17.6%	18.5%	9.0%	5.8%
Interest coverage ratio [7/]	4.3	7.0	7.0	3.5	4.6
Net debt/Ebitda	2.9	1.4	1.5	2.4	3.4
Debt/equity ratio [8/]	0.74	0.88	0.96	1.26	1.35
Net debt/equity ratio [9/]	0.55	0.60	0.67	0.98	0.92
Equity/assets ratio	39.4%	37.6%	36.9%	29.8%	29.4%
Earnings per share [10/]	4.63	3.72	5.13	-1.88	0.53
Earnings per share after dilution [11/]	4.13	3.66	4.93	-1.78	0.55
Equity per share [12/]	52.38	26.83	24.64	20.26	32.13

Note	Comment
1/ Non-interest-bearing debts	Include deferred tax
2/ Operating capital	Net debt plus equity
3/ Net debt	Interest-bearing debts minus cash and cash equivalents
4/ Operating margin	Operating profit divided by net sales
5/ Return on equity	Net profit/loss divided by average equity
6/ Return on operating capital	Operating profit divided by average operating capital
7/ Interest coverage ratio	Operating profit plus financial revenues divided by financial costs
8/ Debt/equity ratio	Interest-bearing debts divided by equity
9/ Net debt/equity ratio	Net debt divided by equity
10/ Earnings per share	Net profit divided by yearly average no of shares
11/ Earnings per share after dilution	Net profit divided by no of yearly average shares after dilution
12/ Equity per share	Equity divided by no of shares at year end

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

SEK million	Note	2014	2013
Operating income			
Net sales	2, 3	2,569.3	2,124.6
Other operating income	6	43.0	36.7
		2,612.3	**2,161.3**
Operating expenses			
Raw materials and consumables	7	-703.9	-580.7
Other external costs	2, 8	-588.7	-468.6
Employee benefits expense	9	-888.6	-806.6
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	10	-127.2	-94.9
Other operating expenses	11	-32.0	-22.5
Share of profit in participations	45	0.1	–
Operating profit for continuing operations	3	**272.1**	**188.1**
Interest income and similar revenues	12	9.3	6.8
Interest expenses and similar costs	13	-65.4	-27.7
Net financial income/expense		**-56.1**	**-20.9**
Profit before tax		*216.1*	*167.1*
Current tax	14	-55.9	-72.7
Profit for the year		**160.2**	**94.4**
Other Comprehensive Income:			
Items that may be reclassified subsequently to profit or loss			
Translation differences		65.2	14.5
Gains from fair value valuation of financial instruments		42.1	–
Deferred tax relating to items that may be reclassified		-9.3	–
Total items that may be reclassified subsequently to profit or loss		**98.0**	**14.5**
Items that will not be reclassified to profit or loss			
Actuarial losses on pensions		-34.7	-3.0
Deferred tax relating to items that will not be reclassified		9.8	0.7
Total items that will not be reclassified to profit or loss		**-24.9**	**-2.3**
Total other comprehensive income		**73.1**	**12.2**
Comprehensive income for the year		**233.4**	**106.6**
Profit for the year attributable to:			
Parent Company shareholders		160.2	94.4
		160.2	**94.4**
Comprehensive income for the year attributable to:			
Parent Company shareholders		233.4	106.6
		233.4	**106.6**
Earnings per share before dilution (SEK)		4.63	3.72
Earnings per share after dilution (SEK)		4.13	3.66
Profit before dilution (TSEK)		160,247	94,387
Effect from potential shares (TSEK)		3,452	1,047
Profit after dilution (TSEK)		163,699	95,434
Average number of shares before dilution (thousand)		34,605	25,371
Potential shares		5,051	701
Average number of shares after dilution (thousand)		39,656	26,072

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK million	Note	2014-12-31	2013-12-31
ASSETS			
NON-CURRENT ASSETS			
Intangible non-current assets			
Product rights	15	290.3	136.8
Goodwill	16	936.2	78.2
Customer contracts	16	1,065.9	126.5
Corporate brands	16	120.8	–
Software	17	16.9	13.0
Investment in progress intangible assets	18	39.1	7.6
		2,469.2	**362.2**
Property, plant and equipment			
Land and buildings	19	418.5	120.8
Leasehold improvements	20	11.9	11.1
Plant and machinery	21	377.0	206.4
Equipment, tools, fixtures and fittings	22	97.6	40.8
Construction in progress	23	146.9	72.8
		1,051.9	**451.9**
Financial non-current assets			
Other investments held as non-current assets	24	46.4	22.4
Deferred tax asset	14	47.1	34.1
		93.4	**56.4**
TOTAL NON-CURRENT ASSETS		**3,614.6**	**870.5**
CURRENT ASSETS			
Inventories	25	590.8	413.1
Accounts receivable	26	528.2	237.2
Current investments	27	137.3	–
Tax asset		36.8	34.1
Other receivables	28	33.9	14.5
Prepaid expenses and accrued income	29	57.5	50.9
		1,384.6	**749.8**
Cash and cash equivalents	30	*404.5*	*190.2*
TOTAL CURRENT ASSETS		**1,789.1**	**940.0**
TOTAL ASSETS		**5,403.7**	**1,810.5**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK million	Note	2014-12-31	2013-12-31
EQUITY	31		
Share capital		20.3	12.7
Other paid-in capital		1,723.5	515.2
Reserves		-10.0	-106.4
Profit brought forward		397.4	259.5
Equity attributable to Parent Company shareholders		*2,131.3*	*680.8*
TOTAL EQUITY		**2,131.3**	**680.8**
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	40	1,555.0	359.1
Provision for pensions	32	164.4	94.8
Other provisions	33	8.5	20.1
Deferred tax liability	14	395.0	59.3
Other non-current liabilities	34	13.5	–
Total non-current liabilities		*2,136.4*	*533.3*
Current liabilities			
Interest-bearing liabilities	40	8.4	80.8
Overdraft facility	40	4.8	160.2
Accounts payable	35	236.6	112.6
Tax liabilities		25.3	40.8
Other liabilities	36	621.3	44.1
Accrued expenses and prepaid income	37	239.7	158.0
Total current liabilities		*1,136.1*	*596.4*
TOTAL LIABILITIES		**3,272.5**	**1,129.7**
TOTAL EQUITY AND LIABILITIES		**5,403.7**	**1,810.5**
Pledged assets	38	**14.9**	**542.0**
Contingent liabilities	39		
Guarantees		1,582.9	25.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK million	Share capital	Additional paid-in capital	Reserves	Retained earnings incl. Profit/loss for the year	Equity attributable to Parent company shareholders
Equity at 31 December 2012	**12.7**	**515.2**	**-118.6**	**215.8**	**625.1**
Profit/loss 2013				94.4	94.4
Other comprehensive income 2013			12.2		12.2
Total comprehensive income 2013			12.2	94.4	106.6
Transactions with owners:					
Dividend				-50.7	-50.7
Equity at 31 December 2013	**12.7**	**515.2**	**-106.4**	**259.5**	**680.8**
Profit/loss 2014				160.2	160.2
Other comprehensive income 2014			98.0	-24.9	73.1
Total comprehensive income 2014			98.0	135.3	233.3
Transactions with owners:					
New share issue	7.7	1,208.4			1,216.1
Share-based incentive program				0.9	0.9
EQUITY AT 31 DECEMBER 2014	**20.4**	**1,723.5**	**-8.3**	**395.7**	**2,131.3**

CONSOLIDATED CASH FLOW STATEMENT

SEK million	Note	2014	2013
OPERATING ACTIVITIES			
Profit before tax		216.1	167.1
Adjustments for items not affecting cash		184.3	128.0
Income taxes paid		-79.5	-76.9
Cash flow from operating activities before changes in working capital		**320.8**	**218.1**
Cash flow from changes in working capital			
Change in inventories		20.9	-15.0
Change in operating receivables		-86.8	-19.3
Change in operating liabilities		-0.7	-4.2
Cash flow from operating activities		**254.2**	**179.6**
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	19-23	-215.5	-82.4
Disposal of property, plant and equipment	19-23	2.1	0.7
Acquistion of intangible assets	15-18	-56.3	-14.7
Acquisition of subsidiaries/operations, net of cash acquired	4	-1,062.7	–
Purchase consideration payable, subsidiary		-17.9	–
Acquisition of financial assets		-106.5	-7.7
Cash flow from investing acivities		**-1,456.8**	**-104.1**
FINANCING ACTIVITIES			
Dividend paid to Parent Company shareholders		–	-50.7
New share issue	31	777.7	–
Redemption convertible bonds	31	-0.8	–
Change in overdraft facility	40	-160.2	12.7
Loans raised	40	1,402.1	–
Repayment of borrowings	40	-613.4	-21.8
Cash flow from financing activities		**1,405.4**	**-59.9**
Total cash flow for the year		*202.8*	*15.6*
Cash and cash equivalents at beginning of year		190.2	179.2
Translation difference on cash and cash equivalents		11.5	-4.6
Cash and cash equivalents at end of year		**404.5**	**190.2**
Interest received		2.4	0.6
Interest paid		-14.3	-20.1
Adjustments for items not affecting cash flow			
Depreciation, amortisation and impairment of assets		127.2	94.9
Gain/loss on sale of of non-current assets		-0.6	0.6
Provisions for pensions and similar obligations		14.8	22.7
Unrealised translation difference		42.9	11.4
Other items not affecting cash flow		–	-1.7
		184.3	**128.0**

PARENT COMPANY INCOME STATEMENT

SEK million	Note	2014	2013
Operating income			
Net sales	2	77.4	73.9
Other operating income	6	0.9	2.0
		78.2	**75.9**
Operating expenses			
Other external costs	2, 8	-50.0	-55.9
Employee benefits expense	9	-56.2	-51.0
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	10	-5.1	-3.3
Other operating expenses	11	-0.3	-1.9
		-111.6	**-112.1**
Operating profit/loss		**-33.4**	**-36.3**
Profit/loss on financial items			
Profit/loss on participations in Group companies	41	2.0	-7.6
Interest income from Group companies	12	37.4	37.7
Other interest income and similar revenues	12	126.0	16.7
Interest expense to Group companies	13	-0.6	-0.2
Other interest expenses and similar costs	13	-91.5	-34.5
		73.3	**12.1**
Profit/loss after financial income and expenses		**39.9**	**-24.2**
Appropriations			
Change in accelerated depreciation and amortisation	44	1.8	1.0
Profit/loss before tax		**41.6**	**-23.2**
Current tax	14	–	-36.5
Profit/loss for the year		**41.6**	**-59.7**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Translation difference		-2.2	0.6
Comprehensive income/loss for the year		**39.4**	**-59.1**

PARENT COMPANY BALANCE SHEET

SEK million	Note	2014-12-31	2013-12-31
ASSETS			
NON-CURRENT ASSETS			
Intangible non-current assets			
Product rights	15	0.6	0.1
Software	17	9.2	4.3
Investment in progress intangible assets	18	1.0	2.4
		10.7	**6.8**
Property, plant and equipment			
Equipment, tools, fixtures and fittings	22	0.3	0.7
		0.3	**0.7**
Financial non-current assets			
Participations in Group Companies	41	1,979.3	18.7
Receivables from Group companies	43	942.5	712.3
Other securities held as non-current assets	24	0.2	0.4
		2,922.0	**731.4**
TOTAL NON-CURRENT ASSETS		**2,933.1**	**739.0**
CURRENT ASSETS			
Accounts receivable	26	0.2	0.1
Current investments	27	97,3	–
Accounts receivables from parent company	42	–	0.6
Receivables from Group companies	43	315.2	154.1
Tax assets		2.2	–
Other receivables	28	0.4	0.1
Prepaid expenses and accrued income	29	5.5	4.7
		420.9	**159.5**
Cash and cash equivalents	30	*123.6*	*2.4*
TOTAL CURRENT ASSETS		**544.5**	**161.9**
TOTAL ASSETS		**3,477.6**	**900.9**

PARENT COMPANY BALANCE SHEET

SEK million	Note	2014-12-31	2013-12-31
SHAREHOLDERS EQUITY AND LIABILITIES	31		
Equity			
Share capital		20.3	12.7
Restricted reserves		2.0	2.0
		22.3	**14.7**
Non-restricted equity			
Profit or loss brought forward		1,429.9	282.5
Profit for the period		41.6	-59.7
		1,471.5	**222.8**
TOTAL SHAREHOLDERS EQUITY		**1,493.9**	**237.5**
Untaxed reserves			
Accumulated accelerated depreciation	44	1.0	2.8
		1.0	**2.8**
Non-current liabilities			
Interest-bearing liabilities	40	1,447.9	335.9
		1,447.9	**335.9**
Current liabilities			
Interest-bearing liabilities	40	–	79.2
Overdraft facility	40	–	160.2
Accounts payable	35	6.1	9.4
Liabilities to group companies	43	44.0	34.0
Tax liabilities		–	26.8
Other liabilities	36	468.7	0.9
Liabilities to parent company	42	–	0.1
Accrued expenses and prepaid income	37	16.0	14.3
		534.9	**324.7**
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		**3,477.6**	**900.9**
Pledged securities	38	**14.7**	**154.9**
Contingent liabilities	39		
Guarantees		1,582.9	25.0

STATEMENT OF CHANGES IN EQUITY, PARENT COMPANY

SEK million	Share capital	Statutory reserve	Retained earnings	Profit/Loss for the year	Total equity
Equity at 31 December 2012	**12.7**	**2.0**	**391.5**	**-58.9**	**347.3**
Allocation of profit/loss			-58.9	58.9	**–**
Profit/loss 2013			–	-59.7	**-59.7**
Group contributions received			–	0.6	**0.6**
Transactions with owners:			–		**–**
Dividend paid			-50.7		**-50.7**
Equity at 31 December 2013	**12.7**	**2.0**	**281.9**	**-59.1**	**237.5**
Allocation of profit/loss			-59.1	59.1	**–**
Profit/loss 2014				41.6	**41.6**
Other comprehensive income 2014			-2.2		**-2.2**
Transactions with owners:					
New share issue	7.7		1,208.4		**1,216.1**
Dividend paid			0.9		**0.9**
EQUITY AT 31 DECEMBER 2014	**20.4**	**2.0**	**1,429.9**	**41.6**	**1,493.9**

PARENT COMPANY CASH FLOW STATEMENT

SEK million	Note	2014	2013
OPERATING ACTIVITIES			
Profit/loss after financial income and expenses		39.9	-24.2
Adjustments for items not affecting cash flow		-28.7	9.0
Income taxes paid		-28.9	-7.2
Cash flow from operating activities before changes in working capital		**-17.7**	**-22.3**
Cash flow from changes in working capital			
Change in operating receivables		-41.8	-90.6
Change in operating liabilities		18.9	35.3
Cash flow from operating activities		**-40.6**	**-77.6**
INVESTING ACTIVITIES			
Acquisition of subsidiaries/associated companies	4	-1,087.3	-0.1
Loans to subsidiaries, new loans	43	-380.6	-52.1
Loans to subsidiaries, repayments		142.4	90.9
Dividends received		–	24.1
Group contribution, received		–	62.5
Group contribution, paid		–	-15.5
Shareholders' contribution, paid		–	-30.0
Acquisition of non-current assets	15-18	-8.6	-1.8
Disposal of property, plant and equipment	15-18	–	0.4
Acquisition of financial assets	4	-97.3	–
Cash flow from investing acivities		**-1,431.3**	**78.4**
FINANCING ACTIVITIES			
New share issue		777.7	–
Dividend, paid	31	–	-50.7
Change in overdraft facility	40	-160.2	58.2
Loans raised	40	1,402.4	–
Repayment of borrowings	40	-426.7	-20.0
Cash flow from financing activities		**1,593.1**	**-12.5**
Total cash flow for the year		*121.1*	*-11.7*
Cash and cash equivalents at beginning of year		2.4	14.1
Translation difference on cash and cash equivalents		0.1	–
Cash and cash equivalents at end of year		**123.6**	**2.4**
Interest received		35.3	37.7
Interest paid		-12.6	-18.0
Adjustments for items not affecting cash			
Depreciation, amortisation and impairment of assets		5.1	3.3
Impairment of shares in subsidiaries		27.0	31.8
Unrealised translation difference		13.0	-4.9
Dividend, received		–	-24.1
Group contribution, received		-72.5	–
Other items not affecting cash flow		-1.3	2.9
		-28.7	**9.0**

CONTENT NOTES

NOTES

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

Recipharm AB (publ.) 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 has been approved by the Board of Directors for publication on 12 April 2015 and will be presented to the Annual General Meeting for approval on 7 May 2015.

Note 1 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 2014 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 for preparation of the Report

The Annual Report was prepared taking into account historical acquisition values except for financial instruments that are valued at fair value or amortized cost.

Assets and liabilities are classified as current assets or current liabilities when settled within twelve months from closing day. Cash and cash equivalents are reported as current assets. Other assets are reported as non-current assets and other liabilities as non-current liabilities.

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, that are complex or that are areas in which assumptions and estimates are material to the consolidated accounts are specified under "Accounting judgements and critical estimates and assessments" in this Note.

New standards and interpretations

IFRSs that came into force in 2014 and are approved by the EU

As of January 1, 2014 Recipharm has implemented the following new and amended IFRSs (only the new IFRSs that are relevant to Recipharm's reporting are commented):

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of interests in other entities
- IAS 32 Financial Instruments: Presentation – amendment
- IAS 36 Impairment of assets – amendment
- IAS 39 Financial Instruments: Recognition and Measurement – amendment

The most important effects of these changes are described below.

IFRS 10 "Consolidated Financial Statements" and amendment to IAS 27 "Separate Financial Statements". This standard replaces the sections of IAS 27 that describe the principles for preparing and presenting consolidated financial reports. The principles for preparing and presenting consolidated accounts are unchanged; the change defines, rather, the standard for establishing decisive influence, and therefore whether an entity should be consolidated. The amendment entered into force on January 1, 2014.

IFRS 11 "Joint Arrangements" and the amendment to IAS 28 "Investments in associates and joint ventures." IFRS 11 outlines the reporting by entities that jointly control a business, and replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly controlled Entities - Non-monetary contributions from a venture. Cooperation arrangements are classified as either joint operations or jointly controlled entities (joint ventures). In the case of joint operations, each partner reports their share of joint assets, liabilities, income and expenses. Jointly controlled entities (joint ventures) are no longer proportionally consolidated, and instead the equity method should be applied. This means that the share is recognised in the Consolidated statement of financial position and the share of earnings is reported in the Consolidated statement of comprehensive income. The revised IAS 28 describes the equity method for both associates and joint ventures. The amendment entered into force on January 1, 2014.

IFRS 12 "Disclosure of interests in other entities." A disclosure standard for companies that own shares in subsidiaries, associates and joint arrangements, for example disclosures regarding judgments and estimates used in determining whether or not a company should be consolidated, are recognized as associates or as a joint arrangement, whether or not it should be regarded as a joint venture and even disclosures regarding the financial information of the share in associates as well as joint arrangements. The amendment entered into force on January 1, 2014.

IAS 32 "Financial Instruments: Presentation" – amendment. The amendment includes clarification of criteria regarding offsetting financial assets and financial liabilities, and entered into force January 1, 2014.

IAS 36 "Impairment of Assets" – amendment. The amendment eliminates the requirement to disclose the recoverable amount of all cash-generating units to which goodwill has been allocated. Instead, disclosure regarding fair value is introduced when the recoverable amount of an impaired asset is based on fair value less selling costs, and whether the recoverable amount of the asset (cash-generating unit) has either been impaired during the year or that a previous impairment loss is reversed during the year. The amendment entered into force on January 1, 2014.

New standards and interpretations that came into force in 2014 have not had a significant impact on the Group's financial position.

IFRSs that have not yet entered into force or been approved by the EU and that have not been adopted early by the Group.

On December 31, 2014 the following new standards, amendments and revisions to existing standards have been published:

- IFRS 9 Financial Instruments (expected to be approved by the EU Q3-Q4 2015)
- IFRS 14 Regulatory Deferral Accounts (not yet approved by the EU)
- IFRS 15 Revenue from Contracts with Customers (expected to be approved by the EU Q2 2015)
- IFRIC 21 Levies (Approved by the EU June 13, 2014)
- IFRS 10 Consolidated Financial Statements and IAS 28 Investments in associates and joint ventures – change (expected to be approved by the EU Q4 2015)
- IFRS 11 Joint Arrangement – amendment (expected to be approved by the EU Q3 2015)
- IAS 16 Property, plant and equipment and IAS 38 Intangible assets - amendment (expected to be approved by the EU Q3 2015)
- IAS 19 Employee Benefits – amendment (approved by the EU on December 17, 2014)
- IAS 27 Separate Financial Statements – amendment (expected to be approved by the EU Q3 2015)
- Annual Improvements to IFRSs 2010-2012 Cycle & Annual Improvements to IFRSs 2011-2013 Cycle (approved by the EU 17 and December 18, 2014)
- Annual Improvements to IFRSs 2012-2014 Cycle (expected to be approved by the EU Q3 2015)

IFRS 9 "Financial Instruments". The standard requires that financial assets be classified in three different categories of valuation: amortized cost, fair value through other comprehensive income or fair value through profit or loss. Classification is determined on initial recognition of the asset characteristics and the company's business model. This standard is effective for annual periods beginning January 1, 2018 or later, and will replace IAS 39 "Financial Instruments: Recognition and Measurement".

IFRS 14 "Regulatory Deferral Accounts". This standard is effective for annual periods beginning January 1, 2016 or later. The standard is a temporary solution that may be applied solely by first-time IFRS-implementation, where previously GAAP maintained rules.

IFRS 15 "Revenue from Contracts with Customers". The standard contains a comprehensive model for the recognition of customer contracts. To start a customer agreement is identified, which generates an asset at the seller corresponding to the promise of obtaining compensation as well as a liability of the promise of the transfer of goods or services. Subsequently the company reports revenue and thereby demonstrates that it fulfils its commitment to deliver the promised goods or services to the customer. The standard takes effect for financial periods beginning January 1, 2017 or later.

IFRIC 21 "Levies". The interpretation states that a liability for a levy (covered by IAS 37) is recognized when the company has a commitment to pay the levy as a result of a past event. The liability is recognized progressively if the obligating event occurs over a period of time. If an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. The standard came into effect January 1, 2014 but the EU resolved to postpone the first application to the financial period beginning on June 17, 2014 or later.

IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – amendment. The amendment "Sale of the Contribution of Assets between an investor and its Associate or Joint Venture" clarifies how a parent company should report a transaction where control of a subsidiary is lost (whose activities do not constitute an operation as defined in IFRS 3 Business Combinations) by selling all or part of its holding in the subsidiary to an associate or a joint venture accounted for under the equity method. The amendment clarifies when and how the parent company's eventual gain or loss resulting from this transaction shall be recognized in profit or loss. The amendments shall enter into force for the financial period beginning on January 1, 2016 or later.

IFRS 11 "Joint Arrangements" – amendment. The standard requires that a joint operation, which describes the acquisition of a stake in a joint operation, whose activities constitute a business, must report the acquisition in accordance with the relevant principles of IFRS 3 Business Combinations relating to the reporting of acquisitions. The amendment also clarifies that previous ownership interests in a joint operation should not be re-valued if additional interests are acquired as long as joint control continues. The amendment to IFRS 11 enters into force for the financial period beginning on January 1, 2016 or later.

IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets" - amendment. The standard prohibits revenue-based depreciation of tangible fixed assets. A revenue-based method can only be used in exceptional cases for intangible assets. The amendment enters into force for the financial period beginning on January 1, 2016 or later.

IAS 19 "Employee Benefits" – amendment. The amendment relates to reporting of employee or third-party contributions to defined benefit plans. The change introduces a difference in the recognition of the contribution depending on whether it is dependent or not on the number of years of service. The amendment clarifies in which period contributions from employees or third parties will reduce pension expenses for defined benefit pension plans. The amendment enters into force for annual periods beginning on 1 July 2014 or later.

IAS 27 "Separate Financial Statements" – amendment. This change represents an opportunity for a legal entity to recognize investments in subsidiaries, joint ventures and associates using the equity method. Given current Swedish legislation, this amendment is likely not applicable for a Swedish legal entity. The amendment enters into force for financial period beginning on January 1, 2016 or later.

Annual Improvements to IFRSs 2010-2012 Cycle & Annual Improvements to IFRSs 2011-2013
Improvement projects contain a total of eleven different minor changes, affecting nine standards. These are IFRS 1 First-time Adoption of IFRS, IFRS 2 Share-based Payment, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, plant and equipment, IAS 38 Intangible Assets, IAS 24 Related Party Disclosures and IAS 40 Investment Property. The amendments shall enter into force for the financial years starting on July 1, 2014 or later.

Annual Improvements to IFRSs 2012-2014
The improvement project contains five different minor changes, affecting four standards. These are IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting. The amendments shall enter into force for the financial period beginning on January 1, 2016 or later.

Based on circumstances prevailing at the time this annual report was prepared, the Group's financial position will not be affected to any great extent when the standards and interpretations specified above take effect.

Significant changes in RFR

RFR 2 Accounting for Legal Entities was updated in January 2014. The amendments shall be applied for annual periods beginning January 1, 2014 or later, and consist of:

- IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – requirements for the disclosure of guarantee commitments and similar obligations, as well as situations where the company has an unlimited liability for another company.
- Clarification of the requirements for the presentation of interim reports for companies that do not prepare consolidated statements but that apply RFR for a legal entity.
- IAS 21 has previously had a reference to BFN R7. BFN R7 was withdrawn when BFNAR 2012: 1 (K3) came into force, and the corresponding text is entered into RFR 2.
- Update of RFR 1 Supplementary reporting rules for Group accounting, which states that investment companies, rather than provide a Group consolidation, shall establish a separate financial report under IFRS to meet the demands of consolidated accounts in accordance with the Swedish Financial Reporting Board. In addition, the company will prepare a financial report in accordance with the Swedish Financial Reporting Board and RFR 2 for legal entities. The update is effective for fiscal years beginning January 1, 2014 or later, unless otherwise specified in the relevant standard and statement.

Reporting in 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, in its annual report for the legal entity, the Parent Company 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 below:

Anticipated dividends

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

Group and shareholders' contributions

Group and shareholder contributions are recognized in accordance with RFR 2 Accounting for Legal Entities. Group contributions received by the Parent Company from a subsidiary are recognized as dividends. Group contributions made by the Parent Company to a subsidiary are recognized as a capital injection to the subsidiary. Group contributions made between Group companies with the aim of minimising the Group's taxes are recognised as a reduction or increase in non-restricted equity. Group contributions made are normally a tax-deductible expense, and Group contributions received are normally taxable income. Shareholders' contributions paid are recognised by the Parent Company 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.

Untaxed reserves
The parent company recognizes untaxed reserves in the form of accelerated depreciation of tangible assets. Because of the relationship between accounting and taxation, the deferred tax on untaxed reserves is recognized as part of the untaxed reserves.

Holdings in Group companies
The Parent Company reports all holdings in Group companies at acquisition value after deductions for any accumulated write-downs.

Current investments
The parent company reports current investments which are listed shares. The parent company does not apply fair value valuation principle, instead current investments are reported at acquisition value.

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 10 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.

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. Costs associated with acquisitions are recognised in the period in which they arise.

A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets of the Arrangement. Holdings in joint ventures are recognized using the equity method. The holding is initially recognized at cost. Subsequently, the carrying amount of the investment is increased or decreased with the Group's share of the Arrangement's results after the acquisition date. The Group's share of the results from the joint arrangement is included in the consolidated results.

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.

Segment reporting
Operating segments are reported 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, Development & Technology and Other. 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 currency and reporting currency
Items included in the financial reports for the different units in the Group are measured in the currency used in the business environment in which each company primarily operates (functional currency). The Swedish krona (SEK) is used in the consolidated accounts as well as in the Parent Company's accounts. SEK is the Parent Company's functional and reporting currency.

Transactions and balance 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, liabilities and equity are converted to the closing rate.
ii) revenues and expenses are converted to the average exchange rate, and
iii) all exchange rate differences that occur are to be reported as a separate part of equity in other comprehensive income.

Tangible fixed assets
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.

Land and buildings	25–40 years
Leasehold improvements	8–20 years
Machinery and equipment	3–15 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.

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 capitalised borrowing costs in the Group amounted to SEK 0,2 m.

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	8–20 years
Patents, customer agreements and other intellectual property rights	5–15 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 written-down 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.

Development costs
Expenditure for 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 in which they occur. No major development projects for own account are underway.

Goodwill
Goodwill is the amount by which the acquisition value exceeds the fair value of the Group's portion of the acquired subsidiary's identifiable net assets at the time of acquisition. Goodwill on the acquisition of subsidiaries is recognised as an intangible asset. Goodwill is tested annually in order to identify any impairment requirements and is recognised

at acquisition value reduced by accumulated impairment. Impairment recognised on goodwill is never reversed. Profit or loss following the disposal of a unit includes the residual carrying amount of the goodwill related to the unit. Goodwill is allocated to cash-generating units when testing for impairment.

This allocation takes place between the cash-generating entities or groups of cash-generating entities, determined according to the Group's operating segments, that are expected to benefit from the business combination in which the goodwill item arose.

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 and borrowings.

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 components 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 components 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 on which 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

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.

Borrowings and accounts receivable

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. A provision is made for impairment of accounts receivable 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 profit-taking equals the difference between the asset's carrying amount and its estimated fair value.

Financial assets available-for-sale

Financial assets available-for-sale consists of short-term investments. Financial assets available-for-sale are recognized, at acquisition, at fair value plus transaction costs; subsequently the asset is recognized at fair value. Unrealised gains and losses arising from the on-going revaluation to fair value are recognized in Other comprehensive income. On the sale of financial assets available-for-sale, the accumulated fair value adjustments are recognized in the income statement as a financial income or expense.

Other investments held as non-current assets

Other investments held as non-current assets include endowment insurance, investments in shares as well as deposits. Profit or loss from revaluation is reported as other comprehensive income.

Current investments

Current investments include an investment in listed shares, which was made in conjunction with the acquisition of assets from Flamel Technologies. The investment was initially reported at acquisition cost. At year-end the investment is valued at fair value and the unrealised profit is reported as other comprehensive income.

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 to credit institutions

Non-current liabilities to credit institutions consist partly of loans from credit institutions with due dates more than 12 months from the balance date. Non-current liabilities to credit institutions are valued to their accrued acquisition 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.

Current liabilities to credit institutions

Current liabilities to credit institutions consist of the current part of non-current loans from credit institutions and convertible bonds with a term of less than 12 months. Convertible bonds are recognised in the Group in accordance with IAS 32, as a liability component (net of transaction costs) and an equity component. 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.

Other financial liabilities

Financial liabilities are recognised initially at accrued value, net after 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.

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, reserves and balanced profits, including earnings for the year. 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. Transaction costs that may be directly attributed to issues of new shares or options are recognised net after tax in shareholders' equity as a deduction from the issue proceeds.

Employee benefits
Short-term employee benefits
Short-term benefits to employees are posted in the period in which they are earned.

Remuneration after termination of employment
The Parent Company and the Swedish subsidiaries primarily have defined-contribution occupational pension plans. The Parent Company has a defined-benefit pension solution, but it is not significant to the amount. The foreign subsidiaries in Germany, France and Italy 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 investment risk. 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. When establishing the current value of the obligation and the fair value of plan assets, actuarial profits and losses may arise. These arise either as a result of the actual outcome deviating from previously made assumptions or by those assumptions changing. Actuarial profits and losses that occur during the calculation of the Group's obligations for various plans are recognised in other comprehensive income during the period in which they occur. 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 any plan assets. If the calculation results in a net 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 staff 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 immediately. Net interest calculated on management assets and pension liabilities is recognised as a financial cost or revenue.

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.

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.

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.

Revenue recognition
Revenue in the Group arises from sales of goods and services, with customers principally consisting 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. Most service sales are made to customers to whom Recipharm also sells goods. 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. This means after internal analysis, approval and delivery from inventory.

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

Other revenue
Other revenue consists of exchange rate differences that occur during the revaluation of operative assets and liabilities, and reduced profits from the sale of fixed assets.

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
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.

Leasing as lessee
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.

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.

Earnings per share

Earnings per share is calculated as Profit for the year attributable to Parent Company shareholders divided by average number of shares for the period. When calculating earnings per share after dilution the average number of shares is adjusted with total number of potential shares, and profit for the year attributable to Parent Company shareholders is adjusted with interest expenses attributable to potential shares.

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 on an open market for known amounts, and
- have an original term of less than three months.

Accounting judgements and critical estimates and assessments

In preparing the annual accounts, the Board of Directors and Company management makes 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 and assessments 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.

Critical judgements in applying the Group's accounting policies

Acquisitions

In connection with acquisitions, Recipharm makes an assessment of whether the acquisition is to be regarded as a business combination, as defined in IFRS 3 Business Combinations, or an acquisition of an asset. In a business combination all identifiable assets and liabilities are accounted for at fair value. Differences between the acquisition cost and the fair value of the identifiable assets and liabilities will be recognized as goodwill. When a transaction is defined as the acquisition of an asset, individual assets and associated liabilities are identified and recognized. The purchase price is allocated to the individual assets and liabilities based on their respective fair values as of the acquisition date. The acquisition of an asset does not give rise to goodwill.

Critical estimates and assessments

Impairment test of goodwill and customer contracts

Every year, the Group conducts an impairment test of goodwill and customer contracts in accordance with the description in Note 16. The recoverable amount for cash-generating units has been agreed based on their utility value. In order to estimate utility value, certain estimates and assessments have been carried out.

Defined benefit pension plans

Provisions and costs for defined-benefit pension plans depend on assumptions made in conjunction with actuarial calculations. Actuarial assumptions include assessments of and assumptions for the discount rate, expected yield on plan assets, expected development for inflation, salary increases, employee turnover, fatalities, etc. The discount rate is the market interest rate on government bonds with a maturity corresponding to the Group's pension commitments. Expected yield on management assets is based on historical yield on non-current assets. Inflation assumptions are based on analyses of external market data. The salary increase assumptions are based on anticipated salary increase trends. Employee turnover is based on historical figures for employee turnover within each subsidiary. Mortality assumptions are based on official statistics. The Group's defined benefit pension plans come from subsidiaries in Germany, France and Italy. Further information regarding defined benefit pension plans is outlined in Note 32.

Product rights

Valuation of product rights includes certain assumptions. These assumptions are in respect of expected future sales revenues, costs and margins for each product. The assumptions also include the discount rate and the lifespan of products. The depreciation periods used by the Recipharm Group for product rights are between 8 and 20 years. As of 31 December 2014, the value of the Group's product rights amounted to SEK 290.3 million (2013: SEK 138.8 million).

Provisions

Provisions for severance pay include estimates of the number of employees and the length of time over which severance pay will be paid. Provisions for restructuring include an assessment of the costs of restructuring measures and the termination of an estimated number of services at an assessed average cost.

Note 2 NET SALES

Distribution of net sales

GROUP	2014	2013
Pharmaceutical manufacturing	2,073.7	1,838.2
Product sales	338.2	144.6
Service sales	157.4	141.8
	2,569.3	**2,124.6**

Related party transactions

PARENT COMPANY AND GROUP

Related company	Related party relationship
B&E Participation AB	Indirect majority owners Lars Backsell and Thomas Eldered.
Trimeta LLC	Indirect majority owner Thomas Eldered.
Cobra Biologics Holding AB	Majority owner Thomas Eldered.
Cobra Biologics Ltd	Subsidiary of Cobra Biologics Holding AB.
Cobra Biologics AB	Subsidiary of Cobra Biologics Holding AB.
Prokarium Ltd	Majority owner Thomas Eldered.
Empros Pharma AB	Majority owner Thomas Eldered.

Operating agreements with related parties

2014

During 2014 Pharmaceutical Development AB has provided development services to Empros Pharma AB.

2013

During 2013 Recipharm Ltd has provided other services to Cobra Biologics Ltd.

Other related party transactions

2014

During the year Recipharm AB (publ) has provided administrative services to B&E Participation AB.

2013

During the year Recipharm AB (publ) has provided administrative services to B&E Participation AB and Prokarium Ltd. Recipharm AB (publ) has during the year also purchased administrative services from B&E Participation AB.

2012

During 2012 Recipharm AB (publ) bought a guarantee from B&E Participation AB valued at SEK 2.5m, as remuneration related to taking over certain debt of Recipharm AB. The guarantee is still valid.

Related party transactions

	Type of service	PARENT COMPANY 2014	PARENT COMPANY 2013	GROUP 2014	GROUP 2013
Operating income					
Cobra Biologics Ltd	Administrative services	–	–	–	0.0
B&E Participation AB	Administrative services	0.1	1.6	0.1	1.6
Prokarium Ltd	Administrative services	–	0.5	–	0.5
Empros Pharma AB	Development services	–	–	1.4	–
Operating expenses					
B&E Participation AB	Administrative services	–	0.4	–	0.4
Accounts receivable					
Cobra Biologics Ltd	Administrative services	–	–	–	0.0
B&E Participation AB	Administrative services	0.2	0.1	0.2	0.1
Prokarium Ltd	Administrative services	–	0.1	–	0.1
Accounts payable					
B&E Participation AB	Administrative services	–	0.1	–	0.1

Purchase and sales within the Group

PARENT COMPANY	2014	2013
Sales to Group companies	75.1	73.4
Purchases from Group companies	-8.9	-6.4

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

Note 3 SEGMENT REPORTING

2014	Mfg-SE	Mfg-EU	D&T	Other	Elimination	Total
External sales	895.8	1,275.3	398.2	–	–	**2,569.3**
Internal sales	60.6	64.2	0.9	77.4	-203.2	–
Operating profit before depreciation and amortisation	95.2	261.5	100.7	-58.1	–	**399.3**
Depreciation and amortisation	20.1	79.8	26.6	0.7	–	**127.2**
Impairment	–	–	–	–	–	–
Operating profit/loss	75.1	181.7	74.1	-58.7	–	**272.1**
Non-current assets	97.0	2,876.6	487.2	153.8	–	**3,614.6**
Total assets	454.7	3,716.4	811.6	421.0	–	**5,403.7**
Goodwill	–	821.2	114.9	–	–	**936.2**
Capital expenditure	28.8	196.4	10.0	9.9	–	**245.0**

2013	Mfg-SE	Mfg-EU	D&T	Other	Elimination	Total
External sales	892.1	1,060.5	171.5	0.5	–	**2,124.6**
Internal sales	9.7	59.5	3.3	73.4	-145.8	–
Operating profit before depreciation and amortisation	82.0	204.1	33.3	-36.5	–	**283.0**
Depreciation and amortisation	-16.6	-59.3	-14.5	-3.2	–	**-93.7**
Impairment	–	–	-1	–	–	**-1.2**
Operating profit/loss	65.4	144.8	17.6	-39.7	–	**188.1**
Non-current assets	102.8	589.3	152.9	25.3	–	**870.5**
Total assets	436.6	1,050.6	287.9	35.5	–	**1,810.5**
Goodwill	–	78.2	–	–	–	**78.2**
Capital expenditure	25.3	72.1	11.8	1.9	–	**111.1**

Net sales to major customers	2014	2013
Customer X	566.4	519.0
Customer Y	384.2	417.9
Customer Z	325.2	351.1
Other customers	1,293.4	836.6
Total	**2,569.3**	**2,124.6**

The MFG-SE and MFG-EU segments manufacture drugs on behalf of the product owners, which generally are pharmaceutical companies. The MFG-SE segment includes that activity in Sweden and MFG-EU consists of the manufacturing units in other Europe. Development and Technology (D&T) segment primarily includes development services to pharmacuetical companies and development and sales through distributors of own products. The segment reporting matches the internal reporting submitted to the highest executive decision-maker.

	Net sales		Non-current assets	
	2014	2013	2014	2013
Sweden	1,168.7	1,062.7	412.7	281.1
Other	1,400.6	1,061.9	3,201.9	589.4
	2,569.3	**2,124.6**	**3,614.6**	**870.5**

Note 4 ACQUISITION OF SUBSIDIARIES

Corvette Pharmaceutical Services Group

Recipharm acquired all shares in the companies belonging to the Corvette Pharmaceutical Services Group ("Corvette") on 1 October 2014. The acquisition will bring an increased customer base, geographical expansion (especially in Italy) and access to partially new technologies. These components together create increased opportunities for cross-selling from Recipharm's existing units to the customers of Corvette and from the new units to existing Recipharm customers.

The total purchase price was SEK 997.9 million, of which SEK 455.2 million was paid in cash and SEK 542.7 million by issuing a convertible bond. Specification of carrying amounts and fair value are shown below.

Acquisition costs amounted to SEK 5.5 million and are reported as Other external costs in the income statement. The consolidated income statement for the period includes revenue of SEK 149.1 million and operating profit for the period amounted to SEK 25.1 million. Full-year sales are estimated to be SEK 554.0 million and operating profit before depreciation and amortisation for the full-year is estimated to be SEK 128 million. Since Corvette has not previously reported in accordance with IFRS, these estimates should be considered as approximates.

Assets and Liabilities in the acquired company were:	Carrying amount	Fair value adjustment	Fair value in the Group
Intangible assets [1]	20.9	484.5	505.4
Property, plant and equipment	204.9		204.9
Other non-current assets	10.9		10.9
Accounts receivable and other operating assets	222.0		222.0
Cash and cash equivalents	77.9		77.9
Deferred tax liability	5.5	139.6	145.1
Provisions	16.4		16.4
Interest-bearing liabilities	267.2		267.2
Accounts payables and other operating liabilities	134.4		134.4
Net identifiable assets and liabilities	**113.2**	**344.8**	**458.0**
Group goodwill [2]		**539.9**	**539.9**
Purchase consideration			**997.9**

[1] Intangible assets consist of customer contracts/relationships SEK 299.6 million, product rights SEK 111.1 million and corporate brands SEK 73.8 million.
[2] The recognised value of goodwill represents the combined value of synergies, employee competence and experience.

Lusomedicamenta Sociedade Técnica Farmacêutica S.A.

Recipharm acquired all shares in the companies belonging to the Lusomedicamenta Group ("Lusomedicamenta") on 1 November 2014. Lusomedicamenta Group besides the parent company, consists of a wholly-owned subsidiary and a joint venture. The acquisition will bring an increased customer base, geographical expansion (especially in Portugal) and access to partially new technologies. These components together create increased opportunities for cross-selling from Recipharm's existing units to customers of Lusomedicamenta and from the new units to existing Recipharm customers.

The total purchase price was SEK 1,038.9 million, of which SEK 621.6 million was paid in cash and SEK 404.9 million by issuing 3.5 million new shares in Recipharm AB (publ). An additional purchase price amounting to SEK 12.4 million will be paid and recognised as Other current liabilities in the Statement of financial position. Specification of carrying amounts and fair value are shown below.

Acquisition costs amounted to SEK 3.8 million and are reported in the line Other external costs in the income statement. Costs attributable to the issuing of new shares amounted to SEK 4.8 million and are reported against Equity. The consolidated income statement for the period includes revenue of SEK 94.3 million and operating profit during the period amounted to SEK 29.7 million. Full-year sales for 2014 are estimated to be around SEK 470 million and operating profit before depreciation and amortisation for the full-year is estimated to be SEK 120 million. Since Lusomedicamenta has not previously reported in accordance with IFRS, these estimates should be considered as approximates.

Assets and Liabilities in the acquired company were:	Carrying amount	Fair value adjustment	Fair value in the Group
Intangible assets [1]	0.2	730.7	730.9
Property, plant and equipment	107.0		107.0
Accounts receivables and other operating assets	180.9		180.9
Cash and cash equivalents	38,6		38.6
Deferred tax liability	–	175.4	175.4
Interest-bearing liabilities	29.4		29.4
Accounts payables and other operating liabilities	96.9		96.9
Net identifiable assets and liabilities	**200.4**	**555.3**	**755.7**
Group goodwill [2]		**283.2**	**283.2**
Purchase consideration			**1 038.9**

[1] Intangible assets consist of customer contracts/relationships SEK 640.2 million, product rights SEK 47.6 million and corporate brands SEK 42.9 million.
[2] The recognised value of goodwill represents the combined value of synergies, employee competence and experience.

Recipharm Pessac

Recipharm Pessac SAS was formed in October 2014 and SEK 0.9 million was paid in cash for the shares. On 1 December 2014, the Company acquired a business for development services from Flamel Technologies SA. Customer contracts and other operating contracts were taken over by Recipharm Pessac SAS.

This acquisition will strengthen Recipharm's development services offering, bothin terms of a broader service offering and greater proximity to existing and potential customers in southern Europe.

The total purchase price was SEK 101.5 million, all of which was paid in cash. In connection with the acquisition, Recipharm AB (publ) purchased shares in Flamel Technologies S.A., which are reported as a short-term investment in the statement of financial position. At the balance sheet date, the fair value of the shares amounted to SEK 137.3 million.

Assets and Liabilities in the acquired company were:	Carrying amount	Fair value adjustment	Fair value in the Group
Property, plant and equipment	98.9		98.9
Inventories	8.0		8.0
Provisions	5.1		5.1
Other operating liabilities	0.2		0.2
Net identifiable assets and liabilities	**101.5**	**-**	**101.5**
Group goodwill		**-**	**-**
Purchase price			**101.5**

Acquisition costs amounted to SEK 7.7 million of which SEK 5.3 million are reported in the line Other operating costs and SEK 2.4 million in the line Other external costs. The consolidated income statement for the period includes revenue of SEK 12.0 million and the operating loss for the period, excluding acquisition costs as above, amounted to SEK -5.4 million. As the acquired business consists of parts of Flamel's existing operations, it has not been possible with reasonable efforts to estimate the full-year results of the acquired business.

Note 5 INFORMATION ABOUT SUBSIDIARIES

The consolidated financial statements of Recipharm Group include:

			% equity interest	
Name	Principal activities	Country of incorporation	2014-12-31	2013-12-31
Recipharm Stockholm AB	Manufacturing	Sweden	100%	100%
Recipharm Karlskoga AB	Manufacturing	Sweden	100%	100%
Recipharm Karlskoga Fastighets AB	Manufacturing	Sweden	100%	100%
Recipharm Höganäs AB	Manufacturing	Sweden	100%	100%
Recipharm Strängnäs AB	Manufacturing	Sweden	100%	100%
Recipharm Strängnäs Fastighets AB	Manufacturing	Sweden	100%	100%
Recipharm Pharmaceutical Development AB	Development services	Sweden	100%	100%
RPH Pharmaceuticals AB	IP	Sweden	100%	100%
Recipharm Venture Fund AB	Development services	Sweden	100%	100%
RPH Iberia AB	Manufacturing	Sweden	100%	100%
Recipharm Parets SL	Manufacturing	Spain	100%	100%
Recipharm Participations S.A.S.	Manufacturing	France	100%	100%
Recipharm Fontaine S.A.S.	Manufacturing	France	100%	100%
Recipharm Monts S.A.S.	Manufacturing	France	100%	100%
Recipharm Pessac S.A.S.	Development services	France	100%	–
Recipharm Verwaltungs GmbH	Manufacturing	Germany	100%	100%
Wasserburger Arzneimittelwerk GmbH	Manufacturing	Germany	100%	100%
Recipharm Holdings Ltd	Manufacturing	Great Britain	100%	100%
Recipharm Ltd	Manufacturing	Great Britain	100%	100%
Recipharm Properties Ltd	Manufacturing	Great Britain	100%	100%
Recipharm Italia S.p.A.	Manufacturing	Italy	100%	–
Edmond Pharma S.r.l.	IP	Italy	100%	–
Biologici Italia Laboratories S.r.l.	Manufacturing	Italy	100%	–
Pharmnew S.r.l	Manufacturing	Italy	100%	–
Liosintex S.r.l.	Manufacturing	Italy	100%	–
LIO Immobiliare S.r.l.	Manufacturing	Italy	100%	–
Lusomedicamenta S.A.	Manufacturing	Portugal	100%	–
Davi II Farmacêutica S.A.	Development services	Portugal	100%	–
SVS Portugal	Development services	Portugal	50%	–
Recipharm Inc.	IP	USA	100%	100%
Recipharm AG	Development services	Switzerland	100%	100%

Entity with significant influence over the Group

Flerie Creations AB holds 25,1% of the shares and 43,5% of the votes in Recipharm AB (publ), Cajelo Invest AB holds 15,7% of the shares and 41% of the votes in Recipharm AB (publ).

Joint venture in which Recipharm Group is a joint venturer

Recipharm Group has a 50% interest in SVS Portugal (2013 0%). No additional information is provided regarding this joint venture since it is insignificant for the reporting company.

Note 6 OTHER OPERATING INCOME

PARENT COMPANY	2014	2013
Foreign exchange gains on operating receivables and liabilities	0.6	0.3
Revenue from parent company	0.2	1.6
Other income	0.1	0.0
	0.9	**2.0**

GROUP	2014	2013
Foreign exchange gains on operating receivables and liabilities	5.0	2.2
Capital gains on sale of intangible assets and property, plant and equipment	0.8	0.7
Insurance	1.3	8.5
Reinvoicing of expenses, packaging and scrap material	19.2	10.9
Received refund of previously paid expenses	2.6	2.0
Additional purchase price	0.0	5.8
Other income	14.2	6.7
	43.0	**36.7**

Note 7 RAW MATERIALS AND CONSUMABLES

GROUP	2014	2013
Purchase cost for used inventory	702.2	558.9
Write-down on inventory	9.6	33.1
Reversed write-down on inventory	-7.9	-11.3
	703.9	**580.7**

Note 8 OTHER EXTERNAL COSTS

PARENT COMPANY	2014	2013
Costs of premises	3.0	2.8
Property costs	0.2	0.5
Rental fixed assets	0.0	0.0
Energy costs	0.0	0.0
Expendable equipment and consumable supplies	2.3	2.1
Repairs and maintenance	0.4	0.4
Transport costs	0.0	0.0
Travel costs	4.7	3.4
Advertising and PR	3.6	2.7
Other costs of sales	0.5	0.4
Office costs	2.6	2.5
Corporate insurance and other costs of risk	3.1	3.8
Administration costs	3.0	1.5
Temporary staff	0.9	1.8
Other external services	21.8	27.4
Other costs	3.9	6.5
	50.0	**55.9**

GROUP	2014	2013
Costs of premises	45.1	45.1
Property costs	30.0	31.7
Rental fixed assets	5.0	4.5
Energy costs	60.4	56.1
Expendable equipment and consumable supplies	71.0	50.7
Repairs and maintenance	77.4	66.0
Transport costs	11.3	9.0
Travel costs	10.0	7.6
Advertising and PR	8.8	4.3
Other costs of sales	20.6	14.8
Office costs	10.3	9.1
Corporate insurance and other costs of risk	8.7	7.8
Administration costs	22.0	8.0
Temporary staff	55.4	45.1
Other external services	99.6	75.2
Other costs	53.3	33.7
	588.7	**468.6**

Lease payments attributable to operating leases

PARENT COMPANY	2014	2013
Leasing costs for the financial year	1.0	2.8
Estimated payments within 1 year	1.0	2.9
Estimated payments within 2-5 years	4.2	12.2
Estimated payments after 5 years	5.1	7.5

Operating leases mainly relate to rented factory and office premises. No significant new leases have been entered into during the year. The Group has no assets that are sublet.

GROUP	2014	2013
Leasing costs for the financial year	54.7	51.4
Estimated payments within 1 year	56.1	52.0
Estimated payments within 2-5 years	244.0	164.6
Estimated payments after 5 years	60.0	66.9

Fees and remuneration to auditors

PARENT COMPANY	2014	2013
Ernst & Young		
Audit engagement	1.5	1.2
Audit business outside the audit engagement	–	0.2
Tax consulting	–	–
Other services	0.2	–
	1.8	**1.4**

GROUP	2014	2013
Ernst & Young		
Audit engagement	3.5	1.9
Audit business outside the audit engagement	0.3	0.2
Tax consulting	0.2	0.5
Other services	0.2	0.1
	4.3	**2.7**
Other statutory auditors		
Audit engagement	0.5	0.4
	0.5	**0.4**

"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 9 PERSONNEL

Average number of employees

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

PARENT COMPANY	2014	2013
Sweden		
Men	21	22
Women	22	19
Total average number of employees	**43**	**41**

GROUP	2014	2013
Sweden		
Men	278	278
Women	372	383
Total	**650**	**661**
France		
Men	163	167
Women	180	189
Total	**343**	**356**
Great Britain		
Men	76	86
Women	68	89
Total	**144**	**175**
Germany		
Men	96	95
Women	164	157
Total	**260**	**252**
Spain		
Men	36	33
Women	47	44
Total	**83**	**77**
Portugal		
Men	12	–
Women	11	–
Total	**23**	**–**
Italy		
Men	28	–
Women	33	–
Total	**61**	**–**
Total		
Men	689	659
Women	875	862
Total average number of employees	**1,564**	**1,521**

Senior management

PARENT COMPANY	2014	2013
Members of the Board, including CEO	8	7
of whom women	2	–
Other members of senior management	8	7
of whom women	–	–

GROUP	2014	2013
Members of the Board, including CEO	8	6
of whom women	2	–
Other members of senior management	20	17
of whom women	4	4

Salaries, other remunerations and social security contributions

PARENT COMPANY	2014	2013
CEO		
Salary Thomas Eldered	1.0	1.1
Variable remuneration	0.0	–
Pension expenses	0.4	0.3
Total	**1.4**	**1.4**
Chairman of the Board		
Fixed remuneration Lars Backsell	0.4	0.4
Variable remuneration	–	–
Pension expenses	–	–
Total	**0.4**	**0.4**
Other members of the Board		
Anders G Carlberg	0.2	0.1
Tony Sandell	0.2	0.1
Göran Pettersson	0.2	0.1
Marianne Dicander Alexandersson	0.2	–
Joan Traynor	0.2	–
Total	**0.9**	**0.3**
Total Board of Directors and CEO		
Salaries and remuneration	2.3	1.9
Pension expenses	0.4	0.3
	2.6	**2.2**
Other management staff		
Salaries and remuneration	8.6	9.1
Variable remuneration	1.9	1.7
Pension expenses	2.2	2.2
	12.7	**13.0**
Other employees		
Salaries and remuneration	23.8	19.9
Pension expenses	3.6	3.3
	27.5	**23.2**
Social security contributions	10.0	9.2
Tax on pension expenses	1.4	1.1
Other employee benefits expense	3.3	2.6
Total Board of Directors, CEO and other employees	**57.4**	**51.0**
Of which remuneration to the Board, reported as Other external costs	1.2	

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

GROUP	2014	2013
Board of Directors and CEO		
Salaries	23.5	20.4
Variable remuneration	4.0	1.4
Pension expenses	4.6	2.0
	32.1	**23.8**
Other employees		
Salaries and remuneration	603.5	537.5
Pension expenses	27.4	28.6
	630.9	**566.1**
Social security contributions	183.5	164.6
Other employee benefits expense	43.3	52.0
Total Board of Directors, CEO and other employees	**889.8**	**806.6**
Of which remuneration to the Board booked as Other external costs	1.2	

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.

Holdings of shares, thousand	2014	2013
Chairman, indirect via Cajelo Invest AB / B&E Participation AB	6,376.6	12,685.7
Other members of the board	105.5	–
CEO, indirect via Flerie Participation AB / B&E Participation AB	10,201.5	12,685.7
Other management staff	138.3	–
	16,821.9	**25,371.4**

Holdings of convertible bonds, thousand	2014	2013
Chairman, indirect via Cajelo Invest AB / B&E Participation AB	–	24.3
Other members of the board	–	35.6
CEO, indirect via Flerie Participation AB / B&E Participation AB	–	24.3
Other management staff	–	88.8
	–	**172.9**

Note 10 DEPRECIATION, AMORTISATION AND IMPAIRMENT OF PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

PARENT COMPANY	2014	2013
Product rights	-0.2	0.0
Other intangible assets	-4.6	-2.5
Equipment, tools, fixtures and fittings	-0.4	-0.8
	-5.1	**-3.3**

GROUP	2014	2013
Product rights	-15.6	-14.6
Customer contracts	-33.1	-20.1
Software	-6.5	-4.9
Buildings and land improvements	-13.7	-9.3
Leasehold improvements	-0.7	-0.6
Plant and machinery	-51.0	-38.2
Equipment, tools, fixtures and fittings	-6.6	-7.3
	-127.2	**-94.9**

The amounts above include impairment of software of -1.6 (-) and equipment, tools, fixtures and fittings of -0.6 (-).

Note 11 OTHER OPERATING EXPENSES

PARENT COMPANY	2014	2013
Exchange losses on operating receivables and liabilities in operations	-0.3	-1.9
	-0.3	**-1.9**

GROUP	2014	2013
Exchange losses on receivables/liabilities in operations	-5.7	-5.8
Loss on sale of property, plant and equipment	-0.2	-0.7
Excise duties	-22.8	-16.0
Other operating expenses	-3.3	–
	-32.0	**-22.5**

Note 12 INTEREST INCOME AND SIMILAR REVENUES

PARENT COMPANY	2014	2013
Interest income, external	2.3	–
Exchange rate differences	50.3	16.7
Group contribution, received	72.5	–
Other financial income	0.9	–
	126.0	**16.7**
Interest income affiliates	37.4	37.7

GROUP	2014	2013
Interest income, external	2.4	0.6
Exchange rate differences	1.5	6.2
Other financial income	5.5	–
	9.3	**6.8**

Note 13 INTEREST EXPENSES AND SIMILAR COSTS

PARENT COMPANY	2014	2013
Interest expense, external	-13.0	-19.5
Other financial expenses	-6.0	-3.2
Exchange rate differences	-72.5	-11.8
	-91.5	**-34.5**
Interest expense affiliates	-0.6	-0.2

GROUP	2014	2013
Interest expenses, external	-21.5	-23.9
Other financial expenses	-20.5	-3.2
Exchange differences	-23.4	-0.6
	-65.4	**-27.7**

Note 14 TAX ON PROFIT FOR THE YEAR

PARENT COMPANY		2014		2013
Current tax in profit for the year		–		–
Adjustment for tax attributable to prior years		–		-36.5
Total current tax		**–**		**-36.5**
Deferred tax on temporary differences recognised		–		–
Total deferred tax		**–**		**–**
Total tax expense recognised		**–**		**-36.5**
Reconciliation of total effective tax				
Net profit before tax		41.6		-23.2
Tax at the rate valid for the Parent company	22.0%	-9.2	22.0%	5.1
Tax effect of non-deductible expenses		-0.1		-7.4
Tax effect on non-taxable income		6.3		5.3
Tax attributable to prior years		–		-36.5
Increase in tax loss carry-forwards without capitalisation of deferred tax asset		–		-3.0
Utilisation of loss carry-forwards previously not capitalised		3.0		–
Total effective tax	0.0%	**–**	157.3%	**-36.5**

Parent company tax expense has been recalculated and adjusted compared to what was reported in the Full-year report published 19 February.

GROUP		2014		2013
Current tax for the period		-70.7		-59.9
Adjustment for tax attributable to prior years		0.2		-36.4
Total current tax		**-70.5**		**-96.3**
Deferred tax on temporary differences recognised		14.6		23.6
Total deferred tax		**14.6**		**23.6**
Total tax recognised on profit for the year		**-55.9**		**-72.7**
Deferred tax recognised in other comprehensive income		**0.5**		**0.7**
Reconciliation of total effective tax				
Net profit before tax	22.0%	216.1	22.0%	167.1
Tax at the rate valid for the Parent Company		-47.5		-36.8
Effect of different tax rates in foreign subsidiaries		-22.4		-23.8
Tax effect of non-deductible expenses		-17.4		-13.4
Tax effect on non-taxable income		11.3		26.3
Increase in tax loss carry-forwards without capitalisation as deferred tax asset		-0.6		-0.4
Utilisation of loss carry-forwards previously not capitalised		16.0		14.6
Tax attributable to prior years		0.0		-34.0
Effect of changes in tax rates or tax regulations		0.1		-1.1
Change in temporary differences		4.5		-4.2
Total effective tax	25.9%	**-55.9**	43.5%	**-72.7**

Deferred tax

GROUP	2014-12-31	2013-12-31
Specification to deferred tax assets/-liabilities		
Tangible fixed assets	5.1	2.4
Taxable deficit	4.0	14.7
Accounts receivable	0.2	–
Inventories	2.0	–
Pension liabilities	23.6	11.9
Interest-bearing liabilities	3.9	–
Accrued expenses	8.2	5.1
Total deferred tax assets	**47.1**	**34.1**
Tangible fixed assets	16.9	21.4
Customer contracts	304.6	37.5
Product rights	51.2	–
Current investments	8.8	–
Untaxed reserves	13.2	0.2
Interest-bearing liabilities	0.1	–
Pension liability	0.1	0.2
Total deferred tax liabilities	**395.0**	**59.3**
Deferred tax assets/-liabilities, net	**-347.9**	**-25.2**

Changes of deferred tax in temporary differences and tax deficit	2014	2013
Opening balance	-31.9	-56.4
Recorded within net profit for the period	14.6	25.5
Allocated directly to equity	0.5	-2.1
Acquisition of subsidiaries	-315.0	–
Translation differences	-16.1	-1.1
Closing balance	**-347.9**	**-31.9**

Note 15 PRODUCT RIGHTS

PARENT COMPANY	2014-12-31	2013-12-31
Opening acquisition cost	0.2	0.2
Purchases	0.6	–
Closing accumulated acquisition cost	**0.8**	**0.2**
Opening amortisation according to plan	-0.1	-0.1
Amortisation for the year according to plan	-0.2	0.0
Closing accumulated amortisation	**-0.2**	**-0.1**
Carrying amount	**0.6**	**0.1**

GROUP	2014-12-31	2013-12-31
Opening acquisition cost	193.3	192.0
Purchases	1.1	1.3
Acquired in connection with business combinations	162.1	–
Sales	-0.1	–
Translation differences	6.5	–
Closing accumulated acquisition cost	**362.9**	**193.3**
Opening amortisation according to plan	-56.5	-41.9
Amortisation for the year according to plan	-15.6	-13.4
Impairment	–	-1.2
Sales	0.0	–
Translation differences	-0.5	–
Closing accumulated amortisation	**-72.6**	**-56.5**
Carrying amount	**290.3**	**136.8**

Note 16 GOODWILL, CUSTOMER CONTRACTS AND CORPORATE BRANDS

Goodwill

GROUP	2014-12-31	2013-12-31
Opening acquisition value	78.2	75.3
Acquired in connection with business combinations	823.2	–
Translation difference	34.8	2.9
Closing accumulated acquisition value	**936.2**	**78.2**
Carrying amount	**936.2**	**78.2**

Impairment testing of cash generating units containing goodwill

Goodwill in the group amounts to SEK 936.2 million, and is mainly attributable to the completed acquisitions of operations during October and November 2014. According to IAS 36 Impairment of Goodwill acquired in a business combination should be tested for impairment on an annual basis. Since the acquisitions of Corvette and Lusomedicamenta occurred during the last quarter of the year, it was deemed unnecessary to include the goodwill attributable to those particular acquisitions in the annual impairment testing. Goodwill recognised in the Group from prior years is attributable to the acquisition of Wasserburger Arzneimittelwerk GmbH in 2010, which is part of the Manufacturing Europe segment. The carrying amount for these assets is shown in the table below. As this business to a large extent is a separate operation, the cash generating unit consists of the two companies that are part of Wasserburg's operations.

Manufacturing Europe	2014-12-31	2013-12-31
Goodwill	83.2	78.2

Impairment testing consists of comparing the carrying amount before test with a recoverable amount that is calculated by determine the value in use 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 markets 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 before tax discount rate. The latter consists of a weighted average return on equity and the 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 2014. 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 9.3 percent (8.3) and 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 is equal to or greater than the carrying amount. A sensitvity analysis was also performed, in which the discount rate was increased by one percentage point, the gross margin was decreased by one percentage point and the growth rate was decresed with one percentage point. This caused no change in the previous conclusion. If the growth rate decreased one percentage point, no impairment would be indicated.

Customer contracts

GROUP	2014-12-31	2013-12-31
Opening acquisition value	208.1	200.5
Acquired in connection with business combinations	939.8	–
Translation difference	39.3	7.6
Closing accumulated acquisition value	**1 187.2**	**208.1**
Opening amortization according to plan	-81.6	-58.5
Amortization for the year according to plan	-33.1	-20.1
Translation difference	-6.7	-3
Closing accumulated amortization	**-121.3**	**-81.6**
Carrying amount	**1 065.9**	**126.5**

Corporate brands

GROUP	2014-12-31	2013-12-31
Opening acquisition value	–	–
Acquired in connection with business combinations	116.7	–
Translation difference	4.2	–
Closing accumulated acquisition value	**120.9**	**–**
Carrying amount	**120.9**	**–**

Note 17 SOFTWARE

PARENT COMPANY	2014-12-31	2013-12-31
Opening acquisition cost	12.9	12.4
Purchases	8.8	0.5
Reclassifications	2.2	–
Closing accumulated acquisition cost	**23.9**	**12.9**
Opening amortisation according to plan	-8.6	-6.1
Amortisation for the year according to plan	-6.1	-2.5
Closing accumulated amortisation	**-14.7**	**-8.6**
Carrying amount	**9.2**	**4.3**

GROUP	2014-12-31	2013-12-31
Opening acquisition cost	30.4	20.8
Purchases	11.2	9.1
Acquired in connection with business combinations	2.3	–
Reclassifications	5.3	–
Impairment	-1.6	–
Sales	-7.1	–
Translation difference	2.0	0.6
Closing accumulated acquisition cost	**42.5**	**30.4**
Opening amortisation according to plan	-17.3	-12.1
Sales	1.6	–
Amortisation for the year according to plan	-8.3	-4.9
Translation difference	-1.5	-0.3
Closing accumulated amortisation	**-25.5**	**-17.3**
Carrying amount	**16.9**	**13.0**

Note 18 INVESTMENT IN PROGRESS INTANGIBLE ASSETS

PARENT COMPANY	2014-12-31	2013-12-31
Opening acquisition cost	2.4	–
Purchases	1.0	1.3
Impairment	-2.4	1.1
	1.0	**2.4**

GROUP	2014-12-31	2013-12-31
Opening acquisition cost	7.6	3.2
Purchases	17.2	4.5
Acquired in connection with business combinations	16.0	–
Reclassifications	-2.4	–
Impairment	–	-0.2
Translation difference	0.8	–
	39.1	**7.6**

Impairment tests carried out do not indicate a need for impairment.

Note 19 LAND AND BUILDINGS

GROUP	2014-12-31	2013-12-31
Opening acquisition cost	282.4	268.4
Translation difference	28.6	9.0
Purchases	20.5	5.0
Reclassification	2.9	–
Acquired in connection with business combinations	255.0	–
Sales	-0.3	0.0
Closing accumulated acquisition cost	**589.1**	**282.4**
Opening depreciation according to plan	-161.5	-147.5
Translation difference	-11.3	-4.8
Reclassifications	16.2	–
Sales	-0.3	0.0
Depreciation for the year according to plan	-13.7	-9.3
Closing accumulated depreciation	**-170.6**	**-161.5**
Carrying amount	**418.5**	**120.8**
Of which carrying amount on Land	59.2	45.5

Financial leases

GROUP	2014-12-31	2013-12-31
Carrying amount	73.0	–

Reconciliation between gross investment and the present value of minimum lease payments:	Gross investment	Present value
Estimated payments within 1 year	4.2	4.2
Estimated payments within 2-5 years	16.8	16.1
Estimated payments after 5 years	50.5	43.3
Total future payments for non terminable sublease object:		**63.7**

Financial lease refers to the production facility in Masate, Italy, in which the subsidiary Biologici operates. There are no contingent rents in the profit for the period. There are no material restrictions in the lease agreement.

Note 20 LEASEHOLD IMPROVEMENTS

PARENT COMPANY	2014-12-31	2013-12-31
Opening acquisition cost	8.6	8.6
Closing accumulated acquisition cost	**8.6**	**8.6**
Opening depreciation according to plan	-8.6	-8.6
Depreciation for the year according to plan	–	–
Closing accumulated depreciation	**-8.6**	**-8.6**
Carrying amount	**–**	**–**

GROUP	2014-12-31	2013-12-31
Opening acquisition cost	24.1	20.0
Purchases	1.4	3.8
Reclassifications	0.1	0.4
Closing accumulated acquisition cost	**25.6**	**24.1**
Opening depreciation according to plan	-12.9	-12.4
Depreciation for the year according to plan	-0.7	-0.5
Closing accumulated depreciation	**-13.6**	**-12.9**
Carrying amount	**11.9**	**11.1**

Note 21 PLANT AND MACHINERY

GROUP	2014-12-31	2013-12-31
Opening acquisition cost	672.9	621.3
Acquired in connection with business combinations	134.3	–
Translation difference	52.7	19.5
Impairment	-1.2	-0.7
Reclassifications	32.0	10.0
Purchases	40.0	22.7
Closing accumulated acquisition cost	**930.8**	**672.9**
Opening depreciation according to plan	-466.5	-414.0
Translation difference	-39.4	-15.0
Reclassifications	2.3	–
Sales/disposal	0.7	0.7
Depreciation for the year according to plan	-53.0	-36.4
Impairment	2.2	-1.7
Closing accumulated depreciation	**-553.7**	**-466.5**
Carrying amount	**377.0**	**206.4**

Financial leases

GROUP	2014-12-31	2013-12-31
Carrying amount	33.0	–

Reconciliation between gross investment and the present value of minimum lease payments:	Gross investment	Present value
Estimated payments within 1 year	–	–
Estimated payments within 2-5 years	8.6	7.9
Estimated payments after 5 years	29.5	25.4
Total future payments for non terminable sublease object:		**33.3**

Financial lease refers to some production equipment taken over from previous owners of Recipharm Pessac S.A.S. There are no contingent rents in the profit for the period. There are no material restrictions in the lease agreement.

Note 22 EQUIPMENT, TOOLS, FIXTURES AND FITTINGS

PARENT COMPANY	2014-12-31	2013-12-31
Opening acquisition cost	16.3	55.8
Purchases	–	0.1
Sales/Disposals	–	-39.5
Closing accumulated acquisition cost	**16.3**	**16.3**
Opening depreciation according to plan	-15.6	-54.0
Sales/Disposals	–	39.3
Depreciation for the year according to plan	-0.4	-0.8
Closing accumulated depreciation	**-16.0**	**-15.6**
Carrying amount	**0.3**	**0.7**

GROUP	2014-12-31	2013-12-31
Opening acquisition cost	134.5	116.8
Translation difference	23.6	11.6
Acquired in connection with business combinations	43.4	–
Purchases	15.4	7.9
Sales/Disposals	-1.0	-1.9
Impairment	-0.6	–
Translation difference	1.5	–
Closing accumulated acquisition cost	**216.8**	**134.5**
Opening depreciation according to plan	-93.7	-77.9
Translation difference	-19.8	-10.2
Sales/Disposals	1.0	1.8
Depreciation for the year according to plan	-11.3	-7.3
Impairment	4.6	–
Closing accumulated depreciation	**-119.1**	**-93.7**
Carrying amount	**97.6**	**40.8**
Book value of assets under financial leases	2.0	–

Note 23 CONSTRUCTION IN PROGRESS

GROUP	2014-12-31	2013-12-31
Opening acquisition cost	72.8	38.9
Translation difference	3.9	1.8
Purchases	138.1	56.7
Acquired in connection with business combinations	0.9	–
Reclassifications	-68.9	-24.6
	146.9	**72.8**

Borrowing costs have been capitalised and constitute 0,2 SEK million of carrying amount for construction in progress. Interest rate used is 0,9%.

Note 24 OTHER INVESTMENTS HELD AS FIXED ASSETS

PARENT COMPANY	2014-12-31	2013-12-31
Endowment insurance	0.1	0.0
Other equities	0.1	0.1
Non-current receivable	0.1	0.2
	0.2	**0.4**

GROUP	2014-12-31	2013-12-31
Endowment insurance	30.9	21.1
Shares, listed	3.0	–
Share joint venture	0.1	–
Other equities	9.0	1.0
Deposits	3.4	0.4
	46.4	**22.4**

Investments in listed shares are recognized at level 1. Fair value measurement is based on quoted prices on an active market. Reported holdings in other equities are measured in level III at cost, since no official market prices are available. Endowment insurance is attributable to the German defined-benefit pension plan.

Note 25 INVENTORIES

GROUP	2014-12-31	2013-12-31
Raw material and consumables	255.3	178.2
Products in process	130.7	94.7
Finished goods and goods for resale	204.8	140.3
	590.8	**413.1**
Write-down / obsolescence reserve:		
Raw material and consumables	-14,6	-8,5
Products in process	-18,4	-19,3
Finished goods and goods for resale	-10,1	-11,6
	-43.1	**-39.4**
Inventories recognised at net realisable value	71.4	51.8

Note 26 ACCOUNTS RECEIVABLE

PARENT COMPANY	2014-12-31	2013-12-31
Accounts receivable	0.2	0.1
Bad debt provision	0.0	0.0
	0.2	**0.1**

GROUP	2014-12-31	2013-12-31
Accounts receivable, gross before bad debt provisions	534.2	240.3
Bad debt provisions at beginning of year	-5.8	-2.4
Impairment for the year	-0.8	-1.5
Reversal of unitilised reserve	0.6	0.9
Accounts receivable, net after bad debt provision	**528.2**	**237.2**
Accounts receivables in SEK	137.4	111.2
Accounts receivables in EUR	324.2	82.9
Accounts receivables in GBP	55.1	39.8
Accounts receivables in USD	10.7	3.3
Accounts receivables other currency	0.9	–
	528.2	**237.2**
Account receivables by age		
< 3 months	504.4	232.5
3-6 months	13.1	6.5
> 6 months	16.7	1.3
	534.2	**240.3**

The Group had no received collateral for outstanding accounts receivable.

Note 27 CURRENT INVESTMENTS

PARENT COMPANY	2014-12-31	2013-12-31
Shares Flamel Technologies S.A.	97.3	–
	97.3	**–**

GROUP	2014-12-31	2013-12-31
Shares Flamel Technologies S.A.	137.3	–
	137.3	**–**

Short-term investments are recognized at level 1. Fair value measurement is based on quoted prices on an active market.

Note 28 OTHER RECEIVABLES

PARENT COMPANY	2014-12-31	2013-12-31
VAT receivables	0.3	0.1
Other receivables	0.1	–
	0.4	**0.1**

GROUP	2014-12-31	2013-12-31
Receivables from employees	0.4	0.3
VAT receivables	25.0	10.5
Assets available for sale	0.3	3.4
Other receivables	8.2	0.3
	33.9	**14.5**

Note 29 PREPAID EXPENSES AND ACCRUED INCOME

PARENT COMPANY	2014-12-31	2013-12-31
Prepaid rent	–	–
Prepaid annual fees	–	2.9
Prepaid insurance premiums	1.4	1.2
Accrued income	–	–
Other prepaid expenses	4.1	0.7
	5.5	**4.7**

GROUP	2014-12-31	2013-12-31
Prepaid rent	9.7	9.7
Prepaid annual fees	6.3	6.6
Prepaid insurance premiums	4.5	2.8
Accrued income	25.6	20.9
Prepaid life insurance	0.4	1.1
Prepaid tax	0.0	0.1
Other prepaid expenses	11.0	9.6
	57.5	**50.9**

Note 30 CASH AND CASH EQUIVALENTS

PARENT COMPANY	2014-12-31	2013-12-31
Bank balances	123.6	2.4

GROUP	2014-12-31	2013-12-31
Bank balances	404.5	190.2

Note 31 EQUITY

	2014-12-31	2013-12-31
Number of issued shares (thousands)		
Ordinary shares, of each 0,50 SEK (1 SEK 2013)	40,688,875	12,685,715

The Recipharm share

Recipharm's class B shares were first available for trading on NASDAQ Stockholm on 3 April. The initial price was SEK 78 per share and the number of new shares in the issue amounted to 10,443,038. In total, new shares to a value of SEK 814.6 million were issued, and the listing and issue costs amounted to SEK 43.4 million, of which SEK 6.5 million was expensed in 2013. The remainder was deducted during the second quarter from the newly issued amount in equity.

The largest shareholders as of 31 December 2014 were as follows:

(% of share capital and votes):	Share capital	Votes
Flerie Participation AB [1)]	25.1	43.5
Cajelo Invest AB [1)]	15.7	41.0
Lannebo Fonder	11.5	3.0
Fjärde AP-fonden	5.8	1.5
SHB Fonder	2.4	0.6

The number of shareholders were 4,352 and foreign shareholders hold 17.8 percent of the share capital and 4.7 percent of the votes.

[1)] The previous ownership by B&E Participation AB (controlled by Thomas Eldered and Lars Backsell) was in October changed to the owners separate companies. Flerie Participation AB is controlled by CEO Thomas Eldered and Cajelo Invest AB is controlled by Chairman Lars Backsell.

Share-based incentive program

The Annual General Meeting on 10 March 2014 resolved to issue a share-based incentive program aimed at the employees. In order to participate in the program, the participants must use their own funds to acquire class B-shares in Recipharm ("Savings Shares") for the NASDAQ Stockholm market price. 550 employees, which is approximately 1/3 of the employees, subscribed for the program. Provided that all fulfill their participation for the full period, the cost is estimated to SEK 12 million during a three year period and the number of new shares may amount to approximately 100 000. The latter assumes full allocation of the performance shares as well.

Convertible bond

A convertible bond was issued in relation to the acquisition of Corvette Group. The duration of the convertible bond is one year from October 1 2014. It has been fully converted in February 2015. It was converted to 5 030 543 new class B-shares representing 11 percent of the share capital. The total number of shares as of 31 December amounted to 40 688 875 and after the full conversion the total number of shares amounts to 45 719 418.

Dividends

The Group's new dividend policy stipulates that dividend should be based upon the Group's profit-development, taking into consideration future development opportunities and the financial position. Our long-term goal is a stable development for dividends, amounting to 30-50 percent of profit after tax for the previous year.

The board of directors have proposed to the 2014 Annual General Meeting a dividend of SEK 1,25 per share (0 in 2014). This corresponds to SEK 57.1 million which equals 35.7 percent of the net profit.

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 also to serve as a foundation for continued satisfactory growth. Investments should only be in financial securities and similar with minimum or no risk.

	2014-12-31	2013-12-31
Financial liabilities	1,568.2	600.0
Less liquid funds	-404.5	-190.2
Net debt	**1,163.7**	**409.8**
Total equity	**2,131.3**	**680.8**
Net debt/equity ratio: (Net debt / Total equity)	0.55	0.60

The change in net debt is mainly due to new loans related to acquisitions during the year.

Neither the Parent company nor any of the subsidiaries have any external capital demands.

Parent company's equity

Reconciliation of opening and closing balance for the Parent company's equity components are accounted above in a separate statement of changes equity, after the balance sheet of the Parent company.

Note 32 PROVISION FOR PENSIONS

Defined benefit pension plans occur in the subsidiaries in Germany, France and Italy.

Defined net obligation / net asset	2014-12-31	2013-12-31
Germany	129.4	85.3
France	18.8	9.6
Italy	16.1	–
Carrying amount	**164.4**	**94.8**

	Italy	France		Germany	
GROUP	2014-12-31	2014-12-31	2013-12-31	2014-12-31	2013-12-31
Opening Balance	**–**	**9.6**	**7.8**	**85.3**	**65.9**
Acquired in connection with business combinations	14.9	5.1	–		
Current period service costs	0.6	0.9	0.5	4.6	3.9
Interest costs	0.1	0.3	0.2	3.3	3.2
Revaluation of the defined net obligation/net asset:					
Return on plan assets	–	–	–	0.8	–
Actuarial gains and losses due to changes in demographic assumptions	-0.1	0.2	0.6	–	-3.3
Actuarial gains and losses due to changes in financial assumptions	0.6	2.1	–	30.8	6.1
Changes due to limitations in the asset ceiling,	–	–	–	0.1	–
Service costs related to previous periods	–	–	–	–	0.6
Effect from changes in exchange rates	0.7	0.9	0.3	7.2	3.1
Payments to the pension plan - from the employer	-0.7	-0.3	-1	-2.6	–
Payments from the pension plan	–	–	1.1	–	-2.3
Reclassifications	–	–	–	–	8.2
Closing balance	**16.1**	**18.8**	**9.6**	**129.4**	**85.3**

	Italy	France		Germany	
Actuarial assumptions:	2014-12-31	2014-12-31	2013-12-31	2014-12-31	2013-12-31
Average life expectancy after retirement, men and women respectively	19.5/24.8	16.4/20,9	26.1/31.2	18.9 / 23.0	18.8 / 22.9
Employee turnover rate	3.00%	7.00%	6.20%	3.00%	3.00%
Financial assumptions:					
Discount rate	2.00%	2.00%	3.20%	3.00%	3.80%
Annual salary increase	2.00%	2.00%	2.00%	3.00%	3.00%
Retirement age	66	65	65	65 - 67	65 - 67
Length of employment in order to obtain maximum compensation		30	30	–	–
Tax rate	34.00%	33.33%	33.33%	28.08%	28.08%

Germany

The defined benefit plan provides retirement and survivors' pensions. The amount of the granted benefit depends on the number of benefit-entitled years of service as well as on a salary-dependent increment or on the benefit-entitled income respectively. Only a few beneficiaries may recieve additional disability benefits.

The beneficiaries' benefit claims are protected by the German Occupational Pensions Plan Act. Hence the company is obliged to adjust pensions in payment to compensate depreciation. The entity is not obliged to fund the defined benefit plan by seperating assets.

The financial risks of the benefit plan are covered by a reinsurance contract for the most part. As this Capital Insurance is not hedged in case of a bankruptcy it is not considered as a plan asset.

France

Benefits are related to a one-time termination pay when the employee retires. There is no mandatory or regulatory framework related to funding of pension plan. It's up to each company to determine if they need or not to save money for future pension payments. Both Recipharm Monts and Recipharm Fontaine have inherited their plan asset from their former owners (Astra Zeneca and Laboratoires Fourniers). Since the take-over by Recipharm, neither of the two companies have cashed-out additional amounts to these external plan assets. Recipharm Pessac, acquired in 2014, received funds from their seller in order to finance payment of future retirement bonus.

Italy

The italian provision covers termination indemnities payable to the employees, for when they leave the company. This deferred compensation is substantially a portion of the employee compensation which is deferred to the date of termination of the employment. In accordance with the Italian severance pay statutes. This deferred compensation is yearly accrued and it is payable immediately upon leaving, regardless of the reason for termination. Advances can be given to the employees under specific circumstances. The provision correspond to the amount that the employee would have been entitled to, less any advances, if the employee had left at the balance sheet date. The yearly cost accrued approximates 1/13th of annual wages and the liability brought forward from prior year is revalued based on a cost of living index, set out by the Government. Since 2007 all employees have to communicate if the accrual has to be paid to an external fund. The fund becomes the only obliged to the payment of the cumulated amount at the retiring date. In that case, the Entity is obliged only for the leaving indemnity cumulated before the employee's choice.

Sweden

Salaried employees are covered by the ITP plan which is collective-based and encompasses employers in a variety of industries. Under the ITP plan, newly employed salaried employees are offered a premium-based solution (ITP 1) negotiated by the Confederation of Swedish Enterprise and the Swedish Federation of Salaried Employees in Industry and Services (PTK). Those already employed retain the older ITP plan (ITP 2). The pension in the ITP 2 plan is a defined benefit obligation secured via insurance with Alecta. According to UFR 3 (statement issued by the Swedish Financial Reporting Board) this is a multi-employer defined benefit plan. These benefits under ITP 2 are therefore recognised as a defined contribution plan. Recipharm's share of the total contributions to the plan amounts to 0.0558% (0.0524) and Recipharm's share of the total number of active participants is 0.0548% (0.0533). The expected pension insurance premiums for 2015 for the ITP 2 plan with Alecta amount to SEK 7.9 million (8.3).

Note 33 OTHER PROVISIONS

GROUP	2014-12-31	2013-12-31
Redundancy pay	5.4	18.4
Complaints	0.6	0.7
Validations	0.5	1.0
Other provisions	2.0	–
	8.5	**20.1**

Change in provisions during the year	2014-12-31	2013-12-31
Opening balance	20.1	4.4
Releases, paid	-3.4	-0.5
Acquired in connection with business combinations	2.5	–
Reversals, unused amounts	-16.3	-1.2
New provisions	5.7	17.4
Closing balance	**8.5**	**20.1**

Note 34 OTHER NON-CURRENT LIABILITIES

GROUP	2014-12-31	2013-12-31
Liability to customer regarding received inventories	13.5	–
	13.5	**–**

Note 35 ACCOUNTS PAYABLE

PARENT COMPANY	2014-12-31	2013-12-31
Accounts payable, SEK	6.0	8.9
Accounts payable, EUR	–	0.3
Accounts payable, GBP	0.1	0.1
Accounts payable in other currencies	–	0.1
	6.1	**9.4**

GROUP	2014-12-31	2013-12-31
Accounts payable, SEK	45.2	37.8
Accounts payable, EUR	162.6	65.2
Accounts payable, GBP	26.4	7.1
Accounts payable in other currencies	2.3	2.5
	236.6	**112.6**

Note 36 OTHER LIABILITIES

PARENT COMPANY	2014-12-31	2013-12-31
Employee withholding taxes	0.8	0.9
Convertible bond	455.2	–
Purchase consideration payable, subsidiares	12.4	–
Other liabilities	0.4	–
	468.7	**0.9**

GROUP	2014-12-31	2013-12-31
Liabilities to employees	5.9	0.0
Employee withholding taxes	11.7	7.3
VAT	16.9	11.7
Convertible bond	564.5	0.0
Purchase consideration payable, subsidiares	18.1	23.3
Other liabilities	4.2	1.8
	621.3	**44.1**

A convertible bond was issued in relation to the acquisition of Corvette Group. The duration of the convertible bond is one year from October 1 2014. It has been fully converted in February 2015 into 5 030 543 new class B-shares.

Note 37 ACCRUED EXPENSES AND PRE-PAID INCOME

PARENT COMPANY	2014-12-31	2013-12-31
Holiday pay liability and working reduction	4.6	3.3
Social security contributions	0.8	0.7
Profit sharing and bonuses	1.6	1.7
Accrued interest expense	1.0	1.5
Accrued taxes	1.6	2.8
Accrued financial expense	0.1	0.4
Other accrued expense	6.3	3.9
	16.0	**14.3**

GROUP	2014-12-31	2013-12-31
Holiday pay liability and working reduction	73.1	50.8
Social security contributions	34.0	19.7
Profit sharing and bonuses	26.8	25.0
Other employee benefits expense	6.7	1.1
Restructuring reserve	1.5	0.9
Accrued interest expense	1.1	2.8
Accrued taxes	8.8	11.2
Deferred income	19.2	0.6
Accrued real property expense	6.8	4.7
Accrued financial expense	7.9	6.0
Other accrued expense	53.9	35.2
	239.7	**158.0**

Note 38 PLEDGED ASSETS

	PARENT COMPANY		GROUP	
	2014-12-31	2013-12-31	2014-12-31	2013-12-31
Floating charges	–	83.0	–	83.0
Property mortgage, Strängnäs, Kemisten 3	–	–	–	14.2
Property mortgage, Karlskoga, Bofors 1:10	–	–	–	10.8
Guarantee benefiting holders of convertible loan	–	40.0	–	40.0
Guarantee benefiting customer	14.7	14.5	14.7	14.5
Guarantee, other	–	–	0.2	–
Shares in Recipharm Paticipation S.A.S., estimated net assets	–	–	–	245.2
Shares in Recipharm Ltd, estimated net assets	–	–	–	–
Shares in Recipharm Verwaltung GmbH, estimated net assets	–	–	–	67.1
Shares in Recipharm Stockholm AB, estimated net assets	–	–	–	23.3
Shares in Recipharm Strängnäs AB, extimated net assets	–	–	–	5.9
Shares in Recipharm Karlskoga AB, estimated net assets	–	–	–	2.2
Shares in RPH Pharmaceuticals AB, estimated net assets	–	–	–	32.6
Shares in Recipharm Höganäs AB, estimated net assets	–	–	–	3.2
Shares in subsidiaries as listed above, book-value in Recipharm AB (publ)	–	17.4	–	–
Group total	**14.7**	**154.9**	**14.9**	**542.0**

Note 39 CONTINGENT LIABILITIES

	PARENT COMPANY		GROUP	
	2014-12-31	2013-12-31	2014-12-31	2013-12-31
Guarantees for Recipharm Karlskoga				
Fastighets AB, Corp.id.no. 556657-8315	–	10,8	–	10,8
Guarantees for Recipharm Strängnäs				
Fastighets AB, Corp.id.no. 556885-6842	–	14,2	–	14,2
Guarantees for Recipharm Stockholm AB, Corp.id.no. 556666-8249	129.3	–	129.3	–
Guarantees for external funding via bank loan	1,453.6	–	1,453.6	–
	1,582.9	**25,0**	**1,582.9**	**25,0**

Note 40 FINANCIAL ASSETS AND LIABILITIES

	Fair value		Carrying amount	
GROUP	2014-12-31	2013-12-31	2014-12-31	2013-12-31
Financial assets				
Available-for-sale financial assets				
Other investments held as non-current assets	46.4	22.4	46.4	22.4
Short-term investments	137.3	–	137.3	–
Loans and receivables				
Other receivables	8.9	14.5	8.9	14.5
Cash and cash equivalents, bank balances	404.5	190.2	404.5	190.2
	597.1	**227.1**	**597.1**	**227.1**
Financial liabilities				
Other financial liabilities				
Interest-bearing liabilities, non-current portion	1,560.7	362.1	1,555.0	359.1
Interest-bearing liabilities, current portion	13.2	241.0	13.2	241.0
Other liabilities	592.5	44.1	592.5	44.1
	2,166.4	**647.2**	**2,160.7**	**644.2**

Short-term investments are measured at fair value at Level 1 based on quoted prices on an active market.

Interest bearing liabilities, current component refers to the portion of interest-bearing liabilities that will be repaid during 2015 (2014) as well as to the utilized portion of the Group account facility. The liability related to the convertible bond program at 31 December 2013 is part of interest-bearing liabilities, current portion. The liability related to the convertible bond from the acquisition of Corvette, SEK 564.5 million at 31 December 2014, is part of Other liabilities.

Derivatives are measured at Level 2, using valuation techniques with observable market data.

For information purposes, the fair value of interest-bearing liabilities is discounted based on future cash flows of interest, using the relevant market discount rate. Valuation is at Level 3, based on the assumption that the credit margin is the same as when the loan was issued.

	Fair value		Carrying amount	
PARENT COMPANY	2014-12-31	2013-12-31	2014-12-31	2013-12-31
Financial assets				
Available-for-sale financial assets				
Other securities held as non-current assets	0.2	0.4	0.2	0.4
Short-term investments	137.3	–	97.3	–
Loans and receivables				
Recivables from Group companies, non-current	942.5	712.3	942.5	712.3
Other non-current receivables	–	0.6	–	0.6
Recivables from Group companies, current	309.6	154.1	309.6	154.1
Other receivables	0.1	–	0.1	–
Cash and cash eqvivalent, bank balances	123.6	2.4	123.6	2.4
	1,513.5	**869.8**	**1,473.5**	**869.8**
Financial liabilities				
Other financial liabilities				
Interest-bearing liabilities, non-current component	1,447.9	335.9	1,447.9	335.9
Interest-bearing liabilities, current component*	–	239.4	–	239.4
Debt to parent company	–	0.1	–	0.1
Liabilities to Group companies, current	44.0	34.0	44.0	34.0
Other liabilities	468.0	–	468.0	–
	1,959.8	**609.4**	**1,959.8**	**609.4**

*Interest-bearing liabilities, current portion refers to that portion of non-current liabilities that will be repaid during 2015 (2014) as well as to the utilised portion of the group account facility.

The Group's financial liabilities and maturity structure[1)]

2014-12-31	Currency	Nom. Amount	< 1 month	1-3 months	3-12 months	1-5 years	>5 years	Total
Bank loan[2)]	GBP	10	–	–	1.7	129.5	–	131.2
Bank loan[2)]	EUR	20	–	–	1.7	198.1	–	199.8
Bank loan[2)]	EUR	30	–	0.6	1.9	297.2	–	299.7
Bank loan[2)]	EUR	40	–	0.8	2.2	394.7	–	397.7
Bank loan[2)]	EUR	50	–	1.0	2.8	493.4	–	497.1
Bank loan	EUR	0.1	–	1.2	–	–	–	1.2
Bank loan	EUR	0.4	0.6	–	1.8	1.8	–	4.1
Bank loan	EUR	0.9	–	0.5	1.6	7.0	–	9.0
Bank loan	EUR	0.3	–	–	3.0	–	–	3.0
Overdraft facility	EUR	0.5	–	4.8	–	–	–	4.8
Derivative	EUR	0.7	–	–	–	–	6.6	6.6
Financial leases	EUR	9.7	0.4	0.9	3.6	16.8	86.8	108.5
Total interest-bearing liabilities			**1.0**	**9.6**	**20.3**	**1,538.5**	**93.4**	**1,662.8**
Other liabilities		592.5	15.7	12.4	564.5	–	–	592.5
Total			**16.7**	**22.0**	**584.8**	**1,538.5**	**93.4**	**2,255.3**

1) The table includes forecasted future nominal interest payment and, consequently does not correspond to the net book value in the balance sheet. In instances where future interest payments are unknown estimates are based upon interest- and currency rates at 31 December 2014.

2) To the bank loans there are two covenants as part of the loan agreement, which are:
Net debt/operating profit before depreciation and amortisation and Interest cover ratio. The ratios for earnings are based on the last twelve months. Recipharm is within the acceptable limits for these covenants. Interest rates are based upon relevant IBOR plus margin. Interest periods vary from 3 to 6 months.

2013-12-31	Currency	Nom. Amount	< 1 month	1-3 months	3-12 months	1-5 years	>5 years	Total
Bank loan[1)]	EUR	5.5	–	–	–	48.7	–	48.7
Bank loan[1)]	EUR	14.6	–	10.0	30.0	90.7	–	130.7
Bank loan[1)]	GBP	6.9	–	–	–	73.9	–	73.9
Bank loan[1)]	GBP	11.7	–	–	–	125.6	–	125.6
Bank loan[2)]	SEK	25.0	0.1	0.3	1.3	7.0	16.3	25.0
Convertible bonds	SEK	39.0	–	–	39.0	–	–	39.0
Overdraft facility	EUR	2.5	–	–	22.4	–	–	22.4
Overdraft facility	GBP	1.0	–	–	10.7	–	–	10.7
Overdraft facility	SEK	127.1	–	–	127.1	–	–	127.1
Total interest-bearing liabilities			**0.1**	**10.3**	**230.5**	**345.9**	**16.3**	**603.1**
Trade payables			112.6	–	-	–	–	112.6
Total			**112.7**	**10.3**	**230.5**	**345.9**	**16.3**	**715.7**

1) To the bank loans and overdraft facilities there are three covenants connected as part of the loan agreement, they are:
Net debt/operating profit before depreciation and amortization, Cash flow/(repayments+interest) and Interest coverage ratio.
The ratios for earnings and cash flow are based on the last twelve months.
Recipharm is within the acceptable limits for these covenants.
Interest rates are based upon relevant IBOR plus margin. Interest periods vary from to 1, 3 and 6 months.

2) Property loan related to properties in Karlskoga and Strängnäs.

Overdraft facilities	2014-12-31	2013-12-31
Overdraft facilities amount to:		
Group	113.3	200.0
Parent company	20.0	200.0

Sensitivity analysis

The purpose with this analysis is to present risks and effects how changes in interest and currencies affect the companies result and equiry.

Interest 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 point) given the interest-bearing assets and liabilities at the end of the reporting period.

Currency (interest-bearing assets and liabilities)	2014-12-31	2013-12-31
Total effect on profit/loss before tax	-15.7	-6.4

Currency risk

The table below shows the effect of a 10-percent appreciation in SEK for the financial year considered, all other factors remaining unchanged (such as, interest rates). The table shows only the impact for the currencies with significant currency flows, mainly EUR and GBP. 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.

	2014-12-31	2013-12-31
Effect on net profit, subsidiaries outside Sweden	-25.7	-11.1
Other effect on equity, subsidiaries outside Sweden	35.4	-19.8
Effect on net profit, parent company financial items	141.0	4.1
Other effect on equity, parent company	-85.1	-42.6
Total change in equity	**65.6**	**-68.4**

The items listed above are the main items affecting the currency risk on equity. The currency risk linked to accounts payable and receivables is not deemed significant, because a 10% change in the exchange rate of the net flow is minor during the outstanding credit period between invoicing and payment. That currency risk is therefore not included in the table above. Effect on net profit, subsidiaries outside Sweden, includes the effect on operating profit, interest rates and taxes, based on the full year profit. Other effect on equity, subsidiaries outside Sweden, includes the other effect on subsidiaries equity, end of the year. Effect on net profit, parent company financial items, includes the effect on cash and interest bearing debt in foreign currencies, end of the year. Other effect on equity, parent company, includes internal receivables and debts to subsidiaries outside Sweden in foreign currencies, end of the year. The convertible bond debt, 31 Dec 2014, is not included, as it was converted into equity during Q1 2015.

Significant exchange rates applied in the financial statements

		Average exchange rates		Closing day rates	
Country	Currency	2014	2013	2014-12-31	2013-12-31
Euro zone	EUR	9.0968	8.6494	9.5155	8.943
UK	GBP	11.2917	10.1863	12.1388	10.7329
USA	USD	6.8577	6.514	7.8117	6.5084

Note 41 PARTICIPATIONS IN GROUP COMPANIES

	2014-12-31	2013-12-31
Opening acquisition cost	137.4	107.4
Purchase of new shares	1,959.8	–
Share-based incentive program	0.7	–
Group/Shareholders' contributions to subsidiaries	27.0	30.0
Closing accumulated acquisition cost	**2,124.9**	**137.4**
Opening impairment losses	-118.7	-88.6
Impairment for the year	-27.0	-30.0
Closing accumulated impairment losses	**-145.6**	**-118.7**
Carrying amount	**1,979.3**	**18.7**

During the year, group contribution was paid to three subsidiaries. Previous year shareholders' contribution was paid to two subsidiaries to fortify equity. Impairment has subsequently been charged to the amounts of the participations in these Group companies.

Specifications of participations in subsidiaries directly held by parent company

Company and Corp. Id No.	Registered office	No of participations/ pctg. Owned	2013-12-31 Carrying amount	2012-12-31 Carrying amount
Recipharm Stockholm AB	Stockholm	100,000	0.1	0.1
Corp. id. no. 556666-8249		100%		
Recipharm Strängnäs AB	Strängnäs	100,000	0.1	0.1
Corp. id. no. 556666-8231		100%		
Recipharm Inc	Delaware	1,000	0.9	0.9
Corp. id. no. 74-3061963		100%		
Recipharm Venture Fund AB	Stockholm	400,000	0.4	0.4
Corp. id. no. 556666-2697		100%		
Recipharm Karlskoga AB	Karlskoga	100,000	0.1	0.1
Corp. id. no. 556662-4366		100%		
Recipharm Karlskoga FastighetsAB	Stockholm	100,000	0.1	0.1
Corp. id. no. 556657-8315		100%		
Recipharm Höganäs AB	Höganäs	100,000	3.0	3.0
Corp. id. no. 556666-2606		100%		
Recipharm Participation S.A.S	France	370	0.3	0.3
Corp. id. no. 498 592 757 000 13		100%		
Recipharm Holdings Ltd.	Great Britain	1,000,000	13.2	13.2
Corp.id.no 8174911		100%		
Recipharm AG	Switzerland	3,000	–	–
Corp. id. no. CH-270.3.010.655-3		100%		
RM 2959 Vermögensverwaltungs GmbH	Germany	25,000	0.3	0.3
HRB 182 656		100%		
RPH Iberia AB	Stockholm	50,000	0.1	0.1
Corp. id. no. 556805-3234		100%		
Recipharm Pharmaceutical Development AB	Stockholm	50,000	0.1	0.1
Corp. id. no. 556825-0095		100%		
RPH Pharmaceuticals AB	Stockholm	1,000	0.1	0.1
Corp. id. no. 556731-7226		100%		
Recipharm Strängnäs Fastighets AB	Strängnäs	50,000	0.1	0.1
Corp.id.no. 556885-6842		100%		
Recipharm Italia S.p.A.	Milan	4,937,566	916.0	–
Corp.id.no. 06258250965		100%		
Lusomedicamenta S.A.	Lisbon	1,600,000	1,042.7	–
Corp.id.no. 507150473		100%		
Recipharm Pessac S.A.S.	Pessac	1,000	1.1	–
Corp.id.no. 807 679 386		100%		
			1,978.5	**18.8**

Note 42 RECEIVABLES FROM AND LIABILITIES TO PARENT COMPANY

Specification of income from shares in subsidiaries

PARENT COMPANY	2014-12-31	2013-12-31
Impairment of shares in subsidiaries	-27.0	-30.0
Impairment of receivables from subsidiaries	–	-1.8
Received dividends	28.5	24.1
Gain on liquidation of subsidiaries	0.5	0.1
	2.0	**-7.6**

PARENT COMPANY	2014-12-31	2013-12-31
Accounts receivables parent company	–	0.6
	–	**0.6**
Accounts payable parent company	–	0.1
	–	**0.1**

Note 43 RECEIVABLES FROM AND LIABILITIES TO GROUP COMPANIES

PARENT COMPANY	2014-12-31	2013-12-31
Loan, non-current part Recipharm Stockholm AB	29.0	57.0
Loan, non-current part Recipharm Höganäs AB	2.8	15.6
Loan, non-current part Recipharm Karlskoga AB	–	5.7
Loan, non-current part Recipharm Strängnäs AB	14.7	17.6
Loan, non-current part RPH Pharmaceuticals AB	89.3	177.0
Loan, non-current part RPH Iberia AB	30.3	32.3
Loan, non-current part Recipharm Pharmaceutical Development AB	–	2.5
Loan, non-current part Recipharm Verwaltung GmbH	271.2	286.2
Loan, non-current part Wasserburger Arzneimittelwerk GmbH	80.9	–
Loan, non-current part Recipharm Pessac .A.S.	114.2	–
Loan, non-current part Recipharm Parets S.L.	38.6	22.8
Loan, non-current part Recipharm Italia S.p.A.	161.9	–
Loan, non-current part Recipharm Ltd	90.7	77.7
Loan, non-current part Recipharm Properties Ltd	19.0	17.9
	942.5	**712.3**

Loan in SEK are subject to interest corresponding to Stibor 6M + 4%
Loan in EUR are subject to interest corresponding to Euribor 6M + 4%
Loan in GBP are subject to interest corresponding to RBS + 4%

GROUP	2014-12-31	2013-12-31
Recivables from Group companies	12.8	10.2
Current component of non current recevables from Group companies	41.3	–
Accrued interest, Group companies	5.1	3.2
Other current receivables from Group companies	77.2	7.2
Receivables cash-pool	178.7	133.5
Total current receivables from Group companies	**315.2**	**154.1**
Accounts payable	0.9	0.7
Other liabilities	43.1	33.3
Total other liabilities	**44.0**	**34.0**

Note 44 UNTAXED RESERVES

PARENT COMPANY	2014-12-31	2013-12-31
Accumulated accelerated depreciation intangible assets	1.0	2.8
	1.0	**2.8**

Note 45 SHARE OF PROFIT IN PARTICIPATIONS

GROUP	2014-12-31	2013-12-31
Share of profit joint venture SVS Portugal	0.1	–
	0.1	–

BOARD SIGNATURES

The undersigned hereby assure that the consolidated accounts and annual report were prepared as per International Financial Reporting Standards (IFRS) as adopted by the EU, and generally accepted accounting priciples, 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 adminstration 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 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 7 May 2015.

Stockholm, 12 April 2015

Lars Backsell
Chairman

Anders G Carlberg

Marianne Dicander Alexandersson

Olle Christenson

Tony Sandell

Göran Pettersson

Thomas Eldered
CEO

Joan Traynor

Our audit report is issued 2015-04-12
Ernst & Young AB

Michael Forss
Authorised public accountant

AUDITOR'S REPORT

Translation from the Swedish original

To the annual meeting of the shareholders of Recipharm AB
Corporate identity number 556498-8425

Report on the annual accounts and consolidated accounts
We have audited the annual accounts and consolidated accounts of Recipharm AB (publ) for the financial year 2014. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 37-82.

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 these 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 the Annual Accounts Act, 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
Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we 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.

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

Opinions
In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2014 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. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We 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 our audit of the annual accounts and consolidated accounts, we have also audited 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 (publ) for the financial year 2014.

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
Our 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 our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we 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. We 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.

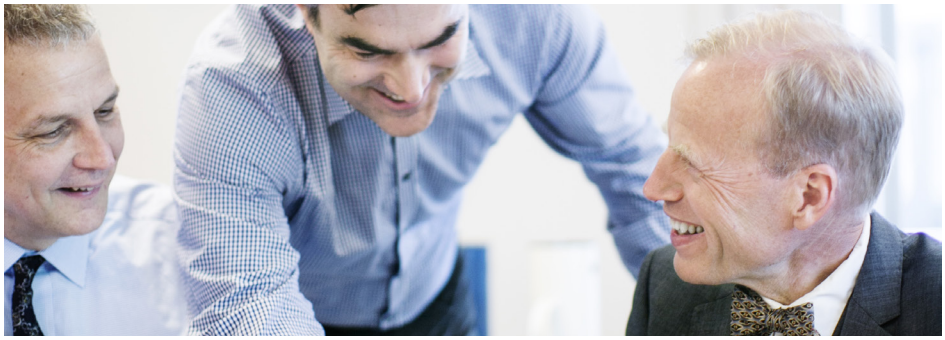
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions
We 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, April 12, 2015

Michael Forss
Authorized Public Accountant

GROUP MANAGEMENT



THOMAS ELDERED (A)
(Born 1960)
Position: Chief Executive Officer For more details see the section "Board of Directors".

KENTH BERG (B)
(Born 1959)
Position: Vice President Business Management
Employed since: 1997
Education: Market economist EFL, Lund University, 1989
Experience: Senior management Recipharm
Other assignments: Board member of Inpac i Lund AB, Several Board assignments within the Group.
Previous assignments in the past five years: Board member of Recipharm Strängnäs AB.
Shareholding: 0 shares, 8,000 convertibles that upon conversion entitle the holder to 17,416 shares of series B.

KJELL JOHANSSON (C)
(Born 1956)
Position: Executive Vice President, Chief Operation Officer
Employed since: 2011
Education: M.Sc. in Chemical Engineering, Lund Institute of Technology, B.Sc., Stockholm University 1987
Experience: Management consultant 2008-2011, VP Global Supply Chain 2004-2008, VP manufacturing 1989-2004, AstraZeneca
Other assignments: Several Board assignments within the Group, Board member of CCS Healthcare Holding AB and CCS Healthcare Nordic AB. Owner and Chairman of the Board of Castanie AB. Foreign companies: board member of NovoNordisk Pharmaplan Engineering, 2013.
Previous assignments in the past five years: Chairman of the Board of Biotechvalley AB, board member of CCS Healthcare AB, and external Chief Executive Officer of Recipharm Stockholm AB.
Shareholding: 37,192 shares of series B

MAGNUS RENCK (D)
(Born 1953)
Position: Vice President Operations Development
Employed since: 2006
Education: Engineering degree, 1977
Experience: Member of senior management, Apoteket, 1999–2006.
Other assignments: Several Board assignments within the Group.
Previous assignments in the past five years: Chairman of the Board of Recipharm Höganäs AB and Recipharm Strängnäs AB, as well as board member of Recipharm Höganäs AB and Recipharm Strängnäs AB.
Shareholding: 17,414 shares of series B

BJÖRN WESTBERG (E)
(Born 1962)
Position: Executive Vice President, Chief Financial Officer
Employed since: 2007
Education: M.Sc. in Engineering, Industrial Economics, Linköping Institute of Technology, 1988
Experience: CFO, Jeeves Information System AB, 2001-2006; Finance Director, North Europe, AstraZeneca, 1999-2001, Controller Astra Japan 1996-1999. Various finance positions at Astra 1989-1996
Other assignments: Board member and Chief Executive Officer of BTB Consult Aktiebolag, deputy board member of CONEQ Control Equipment Aktiebolag, and partner in WEBE Design Handelsbolag. In addition, several different assignments as board member and deputy board member of companies in the Group.
Previous assignments in the past five years: Board member of Cobra Biologics AB, as well as deputy board member of Cobra Biologics AB.
Shareholding: 25,191 shares of series B.

MARK QUICK (F)
(Born 1966)
Position: Executive Vice President, Corporate Development
Employed since: 2006
Education: B.Sc. (Hons) in Industrial Studies, Nottingham Trent University, 1988, MBA, Open University, 2005
Experience: Head of Business Development, Celltech Manufacturing Services, 2000–2006
Other assignments: Board member of several companies in the Group.
Previous assignments in the past five years: –
Shareholding: 17,526 shares of series B

CARL-JOHAN SPAK (G)
(Born 1956)
Position: Executive Vice President, Development & Technology
Employed since: 2009, previously employed by the Group 1995–2007
Education: Dentist, Karolinska Institutet, 1980, PhD, Karolinska Institutet, 1984
Experience: Director Nordic Region, Country Manager Sweden, Meda AB, 2007–2008; Chief Executive Officer Recip AB and Recip Läkemedel AB, 2005–2007; Executive management, Recip AB, 1995–2005
Other assignments: Chairman of the Board of Cobra Biologics Matfors AB, Cobra Biopharma Matfors AB, board member of Empros Pharma AB, board member of Symcel Sweden AB, Cobra Biologics Holding AB, Cobra Biomanufacturing EBT Ltd, Cobra Biologics Holdings Ltd, Cobra Biologics Ltd and KAHR Medical Ltd as well as deputy board member in Cormorant Pharmaceuticals AB. In addition, several different assignments as Chairman of the Board and board member of companies in the Group.
Previous assignments in the past five years: Chief executive officer of Empros Pharma AB, board member of Cobra Biologics AB, chief executive officer and deputy board member of Recip AB
Shareholding: 17,449 shares of series B

JONAS LEJONTAND (H)
(Born 1978)
Position: Vice President, Human Resources
Employed since: 1999
Education: B.Sc. in human resources management, Uppsala University, 2004
Experience: Senior management Recipharm
Other assignments: Board member of companies within the Group
Previous assignments in the past five years: –
Shareholding: 1,892 shares of series B

BOARD OF DIRECTORS

1. LARS BACKSELL
(Born 1952)
Position: Chairman of the Board, elected to the board in 1994. Chairman of the Remuneration Committee and member of the Audit Committee.
Education: B.Sc.,Stockholm School of Economics, 1978 and AMP Insead, France,1989.
Experience: Chief Executive Officer of Recip AB, 1995–2007; Business Area Manager OTC, Pharmacia AB, 1991–1994; Sales Director, Coloplast A/S Denmark, 1986–1991; Chief Executive Officer of Coloplast AB, 1981-1985; Controller Hovås Invest AB (Vätterledenkoncernen) 1978–1980.
Other assignments: Chairman of the Board of Backsell Eldered Holding AB and board member of B&E Participation AB, BioInvent international AB, B&E Invest AB, Rohirrim AB, Cajelo AB and Cajelo Invest AB, deputy board member in Recipharm fastigheter AB as well as member of Kungliga Ingengörsvetenskaps akedemin (IVA) and chairman of the board of Entreprenörskapsforum.
Previous assignments the past five years: Chairman of the Board of IVA's Näringslivsråd (Business Community Council), Board member of Aros Growth Capital AB, Lund University BioScience AB, PROBI Aktiebolag and Skärmare Drifts AB as well as board assignments within companies in the Group.
Holding: 6 342 858 shares of series A, 33 717 shares of series B.

Lars Backsell is not independent in relation to the Company and its management and is not independent in relation to major shareholders.

2. MARIANNE DICANDER ALEXANDERSSON
(born 1959)
Position: Board member since 2014.
Education: M.Sc. in Chemical Engineering, Chalmers Institute of Technology, Göteborg, 1983.
Experience: Former Chief Executive Officer of Global Health Partners AB and the Sixth Swedish National Pension Fund (Sjätte AP-fonden), Vice Chief Executive Officer Apoteket AB, Chief Executive Officer Kronans Droghandel and experience from quality management and marketing from several industry sectors such as the automotive industry, the plastics and chemicals industry as well as medicine and health care logistics.
Other assignments: Board member and CEO of MDA Management AB, incoming Chairman of Sahlgrenska Science Park, incoming member of the representative assembly of Skandia, member of TLV's insights council (Tand och läkemedelsförmånsverket) and member of the Royal Swedish Academy of Engineering Sciences (IVA) as well as board member and chairman of the Audit Committee in Enzymatica AB
Previous assignments in the past five years: Board member of Mölnlycke Healthcare AB and other companies within Mölnlycke Group. Board member of Castellum AB, Chalmers University of Technology, Confederation of Swedish Enterprise (Svenskt Näringsliv) and Bariatric and Diabetes Center Ajman AB as well as in Apoteksakademin.
Shareholding: 4000 shares of series B

Marianne Dicander Alexandersson is independent in relation to the Company and its management and is independent in relation to major shareholders.

3. ANDERS G. CARLBERG
(born 1943)
Position: Board member since 1995. Chairman of the Audit Committee.
Education: MBA, Lund University, 1968.
Experience: President and CEO, Axel Johnson International AB 1993–2008, previously President and CEO, Nobel industries and JS Saba, as well as Vice President, SSAB
Other assignments: Chairman of the board of Herenco Aktiebolag and Gränges AB, AxFast AB, Beijer-Alma AB, SWECO AB (publ), Investmentaktiebolaget Latour, Erik Penser Aktiebolag with more as well as the owner of the sole proprietorship Närlunda Säteri.
Previous assignments in the past five years: Chairman of the Board of AxIndustries Aktiebolag and Höganäs Aktiebolag, as well as board member of Martin & Servera Aktiebolag, Emballator AB, Sapa Profiles Holding AB, Axel Johnson Aktiebolag SäkI AB and Latour Förvaltning AB, Mekonomen Aktiebolag and SSAB, as well as partner in Fairway Handelsbolag.
Holding: 55 990 shares of series B

Anders G. Carlberg is independent in relation to the Company and its management and is independent in relation to major shareholders.

4. THOMAS ELDERED
(born 1960)
Position: Board member since 1994 and Chief Executive Officer.
Education: M.Sc. in Industrial and Management Engineering, Linköping Institute of Technology, 1985.
Experience: President and CEO, Recipharm AB 2008– present; Vice President, Recip AB 1995–2007; factory manager, Pharmacia 1990–1995.
Other assignments: Chairman of the board of B&E Participation AB, Cobra Biologics Holding AB, Trimeta LLC, B&E Participation Inc, board member of Flerie Participation AB, Pingvinen Penningplacering Aktiebolag, SwedenBIO Service AB, Sweden Bio, B&E Invest AB, Chromafora AB, Cormorant Pharmaceuticals AB, Zentricity International AB, Flerie Invest AB, Zentricity Holding AB, Kahr Medical Ltd, Provell Pharmaceutical LLC, deputy board member of Symcel Sverige AB and Empros Pharma AB. In addition, several different assignments as Chairman of the Board and board member of companies in the Group.
Previous assignments in the past five years: Chairman of the Board of Empros Pharma AB and Cobra Biologics AB, board member of Backsell Eldered Holding AB, B&E Participation AB and Cobra Biologics AB. In addition, several different assignments as Chairman of the Board, board member or deputy board member within companies for the Group and other assignments, such as membership in the advisory Boards that Recipharm has for all non-Swedish operative companies.
Holding: 6 342 858 shares of series A, 3 858 690 shares of series B.

Thomas Eldered is not independent in relation to the Company and its management and is not independent in relation to major shareholders.

5. GÖRAN PETTERSSON
(born 1945)
Position: Board member since 2000. Member of the Remuneration Committee.
Education: Pharmacist (M. Pharm Sc.) Stockholm 1970, MBA IHM Stockholm 1974
Experience: Assignments in interim management within Investor 2000–2004, Chief Executive Officer Meda AB 1997–1999, management positions within KabiVitrum AB, KabiPharmacia and PharmaciaUpJohn 1987–1997, Astra Group 1970–1987.
Other assignments: Chairman of the board of Pergamum AB, vice chairman of the board of Mobidiag Oy, board member of G Pettersson & Partners AB and of Pfizer Pensionsstiftelse I.
Previous assignments in the past five years: Chairman of the Board of Medivir AB, Axelar AB, Vivoxid Oy and IPSAT Therapies Oy, Lund University Bioscience AB, SpectraCure AB and OxyPharma AB, board member of Swedish Orphan Biovitrum International AB and Swedish Orphan Biovitrum Holding AB.
Holding: 21 505 shares of series B.

Göran Pettersson is independent in relation to the Company and its management and is independent in relation to major shareholders.

6. TONY SANDELL
(born 1943)
Position: Board member since 1995. Member of the Audit Committee.
Education: LL.B, Stockholm University, 1969.
Experience: Attorney. Former member of the Board of the Swedish Bar Association, chairman of DFA, Delegationen för advokatförsäkringar (Delegation for attorney insurance), board member for LES, Licensing Executives Society, member of IBA, International Bar Association.
Other assignments: Chairman of the board of MFEX Mutual Funds Exchange AB, board member of Danfo Holding Aktiebolag, Åre 2007 AB and Tony Sandell AB.
Previous assignments in the past five years: Board member of publisher Natur och Kultur, Swedish Business Development Aktiebolag and Eriks Brand Aktiebolag, auditor for Fjällbergsvind (co-operative association).
Holding: 20 004 shares of series B.

Tony Sandell is independent in relation to the Company and its management and is independent in relation to major shareholders.

7. JOAN TRAYNOR
(born 1959)
Position: Board member since 2014
Education: Management Studies, MBA Open University 1997
Experience: Senior positions within the Azelis group and Chance & Hunt Ltd
Other assignments: Regional Managing Director Azelis SA (UK, Ireland and Americas), Fellow of Institute of Directors, member of Chemical Business Association Council.
Previous assignments in the past five years: Positions within the Azelis group.
Shareholding: 0 shares

Joan Traynor is independent in relation to the Company and its management and is independent in relation to major shareholders.

8. OLLE CHRISTENSON
(born 1956)
Position: Board member/Employee representative
Elected: 1995
Education: –
Experience: –
Other assignments: –
Previous assignments in the past five years: Deputy board member of Q Information Aktiebolag.
Shareholding: 2122 shares of series B.

9. LENNART QUIST
(born 1958)
Position: Deputy board member/Employee representative
Elected: 2014
Education: –
Experience: –
Other assignments: Board member/employee representative in several companies within the Group
Previous assignments in the past five years: –
Shareholding: 1767 shares of series B.

THE RECIPHARM SHARE 2014

The Recipharm B-share has been listed on NASDAQ Stockholm since April 2014. Recipharm is included in the Mid Cap segment and is classed as a company in the Healthcare sector. Recipharm had a market value of 5 472 million at the end of 2014. Recipharm's B-share price was 134.5 SEK as of 31 December 2014. The Stockholm Stock Exchange had a positive development of approximately 16 percent in 2014. The Recipharm B-share peaked at SEK 138.25 SEK on 27 November, while the lowest price of SEK 84 was listed on 22 April.

Share capital and number of shares
The share capital at the end of the year was 20.3 SEK million distributed on 40,688,875 shares, of which 12,685,716 are not publicly listed A-shares and 28,003,159 B-shares. A class A-share has ten votes per share and class B-shares carry one vote per share. Par value per share is EUR 0.50.

The share's turnover
During 2014 a total of 26.6 million shares were traded at a value of SEK 2,637.1 million. This represents a turnover velocity for share stock of 0.7 last year. An average of 246 trades in Recipharm B-shares was executed every day.

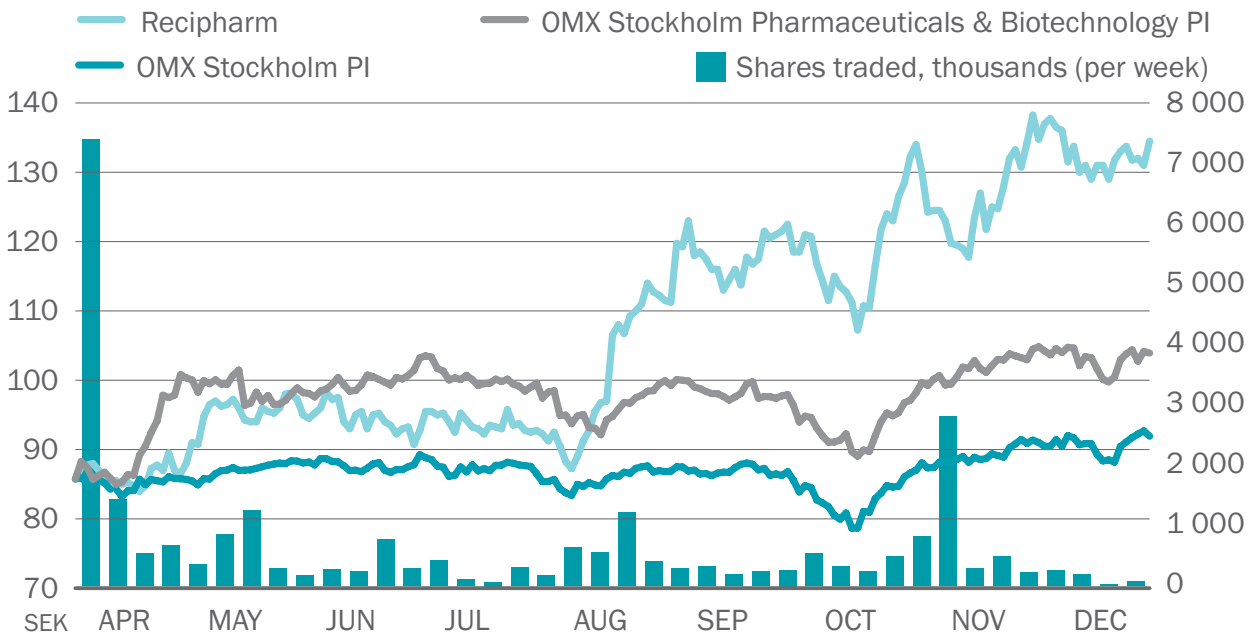
Dividend and dividend policy
Recipharm's long-term dividend policy means that the dividend shall correspond to 30-50% of profit after taxes. For the business year 2014, the Board proposes a dividend of SEK 1.25 per share, amounting to SEK 57.1 million equivalent to 35.7 percent of the net profit.

Owner structure
At the end of 2014 Recipharm had 4 351 shareholders, where the Swedish shareholders accounted to 82.2 percent of the capital and 95.3 percent of the votes.

The Recipharm A-shares are owned by Flerie Participation AB and Cajelo Invest AB, where the companies are owned by the founders, who are also the Chairman and CEO of Recipharm.

Shareholder information
Recipharm provides information for shareholders and the public through several channels. Information published in the form of annual reports, interim reports and press releases are regularly posted on www.recipharm.com. Presentation material from presentations of interim reports for journalists and analysts are also available for download. The website is the main channel for the Annual Report, for which reason the report is not sent to shareholders unless specifically requested.

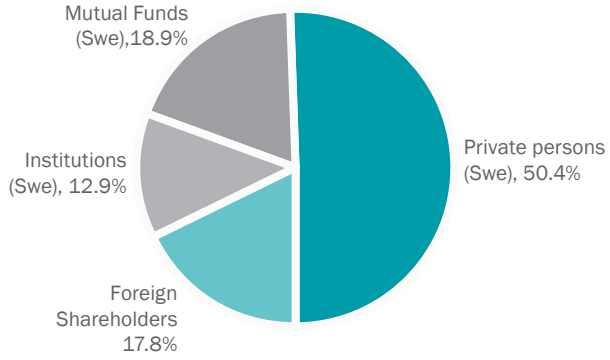
SHARE DEVELOPMENT AND TURNOVER 2014 04 03 - 2014 12 30



SHARE ACTIVITY 2014

Date	Share activity	A shares	B shares	TOTAL
Jan 1, 2014	Opening balance, number of shares	12 685 715	0	12 685 715
Feb 28, 2014	Reclassification	-6 342 857	6 342 857	0
Mar 10, 2014	Split 2:1	6 342 858	6 342 857	12 685 715
Apr 02, 2014	Conversion from convertible bond programme	0	42 150	42 150
Apr 02, 2014	New issue of shares in relattion to IPO	0	6 618 065	6 618 065
Apr 08, 2014	New issue of shares in relattion to IPO	0	3 824 973	3 824 973
Apr 29, 2014	Conversion from convertible bond programme	0	1 332 257	1 332 257
Nov 13, 2014	New Issue of shares in relation to acquisition of Lusomedicamenta	0	3 500 000	3 500 000
Dec 31, 2014	Closing balance, number of shares	12 685 716	28 003 159	40 688 875

DIVISION INTO TYPE OF OWNERSHIP 2014-12-30



DISTRIBUTION OF SHARES 2014-12-30

Antal aktier	Antal aktieägare	Aktier	Aktier (%)
1-500	3157	563 042,00	1,3
501-1000	448	382 062,00	0,9
1001-5000	507	1 123 424,00	2,7
5001-10000	76	595 513,00	1,5
10001-50000	99	2 208 605,00	5,5
50001-	64	35 816 229,00	88,1

THE 10 LARGEST SHAREHOLDERS, CAP

Date	Cap- %	Vote- %
Flerie Participation AB	25.1	43.5
Cajelo Invest AB	15.7	41.0
Lannebo fonder	11.5	3.0
Fjärde AP-fonden	5.8	1.5
SHB fonder	2.4	0.6
Fondita fonder	1.8	0.5
Första AP-fonden	1.7	0.5
SEB fonder	1.7	0.4
Enter fonder	1.7	0.4
SEB-stiftelsen	1.4	0.4

NOTICE TO ATTEND THE ANNUAL GENERAL MEETING OF RECIPHARM AB (PUBL)

The shareholders in Recipharm AB (publ), reg. no. 556498-8425, are hereby invited to attend the annual general meeting ("AGM") to be held on 7 May 2015 at 2.00 pm at the company's premises at Lagervägen 7 in Jordbro, Sweden.

The notice to attend the AGM has been published in the Swedish Gazette (Sw. Post- och Inrikes Tidningar) on 9 April 2015 and is also available at the Company's website, www.recipharm.com.

Notification to attend etc.
Shareholders who wish to attend the AGM must: be recorded in the share register kept by Euroclear Sweden AB no later than on Thursday 30 April 2015; and notify the company of their intention to attend the AGM at the latest by Monday 4 May 2015.

Notification to participate in the AGM must be in writing via the booking form available on the company's website www.recipharm.com or by e-mail to AGM2015@recipharm.com. Notification can also be made by telephone at +46-8-602 44 76. The notification shall state name, personal identification number/ company registration number, address, telephone number and number of shares held; and in case proxy will be used, the full name of the attorney in fact.

In order to be entitled to participate in the meeting, shareholders who hold their shares through nominees (Sw. förvaltare) must request a temporary registration of the shares in their own name, with Euroclear Sweden AB. Shareholders who wishes to obtain such registration must contact the nominee regarding this well in advance of 30 April 2015.

Documentation etc.
The complete notice to attend the AGM, proxy forms for shareholders who wants to participate by proxy and other documentation related to the AGM is available at the company's website, www.recipharm.com, and will be sent free of charge to shareholders who so request and provide their postal address. Such request can be sent via email or by mail at the addresses set out above.

Jordbro, April 2015

RECIPHARM AB (PUBL)

The Board of Directors

ADDRESSES

SWEDEN

RECIPHARM AB (PUBL)
CEO Thomas Eldered
Lagervägen 7
SE- 136 50 Jordbro
Sweden

RECIPHARM PHARMACEUTICAL DEVELOPMENT AB
General Manager Maria Lundberg
Gårdsvägen 10 A
SE-169 70 Solna
Sweden

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

RECIPHARM STOCKHOLM AB
General Manager Heléne Fehrm
Bränningsvägen 12
SE-120 54 Årsta
Sweden

RECIPHARM STRÄNGNÄS AB
General Manager Staffan Widengren
Mariefredsvägen 35
SE-645 41 Strängnäs
Sweden

RECIPHARM HÖGANÄS AB
General Manager Lena Berdén
Sporthallsvägen 6
SE-263 34 Höganäs
Sweden

RECIPHARM KARLSKOGA AB
General Manager Ingela Palmqvist
Box 410
SE-691 27 Karlskoga
Sweden

EUROPE

RECIPHARM LTD
General Manager Steve Dimmock
Vale of Bardsley
Ashton-under-Lyne
Lancashire
GB-OL7 9RR
England

RECIPHARM MONTS SAS
General Manager Michel Saudemon
18 rue de Montbazon
FR-37260 Monts
France

RECIPHARM FONTAINE SAS
General Manager Stéphane Guisado
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FR-21121 Fontaine-lès-Dijon
France

RECIPHARM PARETS SLU
General Manager Jesús Gómez
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ES-08150 Parets del Vallès
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WASSERBURGER ARZNEIMITTELWERK GMBH
General Manager Armin Dallüge
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D-83512 Wasserburg
Germany

RECIPHARM ITALIA S.P.A
General Manager Giorgio Bruno
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LUSOMEDICAMENTA SOCIEDADE TÉCNICA FARMACÉUTICA S.A
General Manager Antonio Barros Ferreria
Estrada Consiglieri Pedroso, 69/B
Queluz de Baixo
2730-055 Barcarena
Portugal

RECIPHARM PESSAC SAS
General Manager Stéphane Guisado
Rue Archimede
33600 Pessac
France

USA

RECIPHARM, INC
General Manager Jim Small
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1801 Horsehoe Pike, Suite 1
Honey Brook, PA 19344
USA

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PHOTO: MARTIN BRUNN TOBY MAUDSLEY, JULIANNA WIKLUND, LINDA MYK, LIESELOTTE VAN DER MEIJS
PRINT: PIPELINE

Recipharm
good for business