

## Interim report January-June 2014



### "Further strong growth in sales and profits"

#### April-June 2014

- Net sales amounted to SEK 611 million (530), an increase of 15.4% compared to same quarter last year (12.2% in fixed FX-rates)
- EBITDA increased by 31,3% compared to same quarter last year and amounted to SEK 99 million (75)
- Operating profit (EBIT) amounted to SEK 74 million (52), giving an operating margin of 12.1% (9.9)
- Profit after tax amounted to SEK 48 million (36), giving a net margin of 7.9% (6.7)
- Earnings per share amounted to SEK 1.33 (1.40), after dilution SEK 1.33 kr (1.35)

#### January-June 2014

- Net sales amounted to SEK 1 189 million (1 047), an increase of 13,5% compared to same period last year (10.7% in fixed FX rates)
- EBITDA increased by 48.5% compared to same period last year and amounted to SEK 201 million (135)
- Operating profit (EBIT) amounted to SEK 151 million (90), giving an operating margin of 12.7% (8.6)
- Profit after tax amounted to SEK 103 million (56), giving a net margin of 8.7% (5.3)
- Earnings per share amounted to SEK 3.34 (2.19), after dilution SEK 3.34 (2.11)
- Cash flow from operating activities was SEK 92 million (60)
- Net debt to Equity was -0.3 (0.7)

**13,5%**

Increase in Net sales

**201 Mkr**

EBITDA

**12,7%**

Operating margin

Key figures (SEK million)	Apr - Jun			Jan - Jun			July 13 -Jun 14	FY 2013
	2014	2013	Change in %	2014	2013	Change in %		
Net sales	611	530	15,4%	1 189	1 047	13,5%	2 206	2 125
Net sales (constant FX rates)	594		12,2%	1 159		10,7%		
EBITDA	99	75	31,3%	201	135	48,5%	349	283
EBIT	74	52	40,4%	151	90	68,3%	250	188
EBIT margin (%)	12,1	9,9		12,7	8,6		11,3	8,9
Earnings per share	1,33	1,40		3,34	2,19		3,92	3,72
Non-recurring items	0,0	0,1		0,0	2,3		6,4	6,5
Return on equity (%)				12,6	21,5		12,6	14,5
Return on operating capital (%)				20,8	15,4		20,8	17,2
Equity to assets (%)				62,1	18,6		62,1	37,6
Net debt				-405	443		-405	410
Net debt to Equity				-0,3	0,7		-0,3	0,6
Net debt to EBITDA				-1,2	1,7		-1,2	1,4

**Thomas Eldered, CEO:**

"The positive growth seen in the first quarter has continued, with sales in the second quarter at the highest level ever for an individual quarter.

Recipharm has thus delivered a very strong first half of the year.

Operating profit for the second quarter increased by 40 percent compared with the same period last year, to SEK 74 million, and the operating margin increased from 9.9 percent to 12.1 percent. The return on operating capital remained at a high level. The underlying business is performing well and is the main driver for the improvement in earnings during the quarter. Non-recurring items and phasing effects also contributed to the improvement in earnings. Growth was close to our long-term target, despite the fact that no acquisitions have yet been made. All the segments reported improvements and as in the first quarter, progress in Development & Technology was particularly good. In total, the quarter's results show that we are continuing to deliver successfully in line with our overall growth strategy.

These good results combined with the company's strong balance sheet leave us very well positioned to boost this positive growth through profitable acquisitions and outsourcing transactions with major pharmaceutical companies. During the period we analyzed and evaluated a number of interesting potential acquisitions that could expand our customer base as well as providing geographical expansion and new technologies. We expect this to result in acquisition activities. This will further enhance our opportunities to grow and to provide our customers with solutions that add value.

Keeping up the pace in the business operations will remain important. The positive first half and our financial strength place us in a good position to step up the pace at which the company grows in line with our goals."

Due to the publication of the interim report the company invites investors, analysts and media to a telephone conference with a web presentation (in English) on August 14th at 10:00 am CET where CEO Thomas Eldered and CFO Björn Westberg will present and comment on the interim report and answer questions.

Information about the conference can be found on the company website: [www.recipharm.com](http://www.recipharm.com)

**About Recipharm**

Recipharm is a leading CDMO (Contract Development and Manufacturing Organisation) in the pharmaceutical industry based in Sweden employing some 1,500 employees. Recipharm offers manufacturing services of pharmaceuticals in various dosage forms, production of clinical trial material and pharmaceutical product development. Recipharm currently manufactures more than 200 different products to both Big Pharma and smaller research- and development companies. Recipharm's turnover is approximately SEK 2.1 billion and the Company operates development and manufacturing facilities in Sweden, France, the UK, Germany and Spain and is headquartered in Jordbro, Sweden. The Recipharm B-share (RECI B) is listed on Nasdaq OMX Stockholm

For more information on Recipharm and our services, please visit [www.recipharm.com](http://www.recipharm.com)

## Income

### Net sales

Net sales per segment SEK million	Apr - Jun		Jan - Jun		Full year
	2014	2013	2014	2013	2013
Manufacturing Sweden (MFG-SE)	243,1	214,2	487,9	439,9	901,8
Manufacturing Europe (MFG-EU)	310,7	291,5	609,0	569,5	1 120,0
Development & Technology (D&T)	99,4	39,8	151,4	73,3	174,8
Eliminations and others	-42,3	-15,9	-59,5	-35,6	-71,9
<b>Total</b>	<b>610,9</b>	<b>529,6</b>	<b>1 188,8</b>	<b>1 047,0</b>	<b>2 124,6</b>

#### April – June 2014

Net sales increased by SEK 81.3 million and amounted to SEK 610.9 million, an increase of 15.4 percent. The improvement compared to the previous year was related to a positive currency effect, strong growth for some established products among our major customers and a strong increase in sales of our own products, including a large order for Thyrosafe.

Sales for MFG-SE increased by SEK 28.9 million to SEK 243.1 million, an increase of 13.5 percent. The improvement was mainly due to continued strong demand for some established products from one of our major customers and to the manufacture of Thyrosafe (see comments on D&T below). The increase for established products was partly due to a weaker quarter in 2013, which was negatively affected by some adaptation because of materials problems.

MFG-EU increased sales by SEK 19.2 million to SEK 310.7 million, representing an increase of 6.6 percent. The increase consisted of a positive currency effect of SEK 17.7 million, increased sales to one of our biggest customers, and new projects and products that more than compensated for the lower revenues (SEK 7.3 million) resulting from the reduced distribution services in France.

D&T increased sales by SEK 59.6 million to SEK 99.4 million, an increase of 149.9 percent. Most of this increase was due to a couple of large orders for Thyrosafe, with sales in the quarter reaching SEK 46 million, and to continued positive growth for our product rights as we continued to regain market share.

Eliminations and others increased, mainly as a result of increased internal sales of Thyrosafe and other products within D&T.

#### January – June 2014

Net sales increased by SEK 141.8 million and amounted to SEK 1,188.8 million, an increase of 13.5 percent. The improvement compared to the previous year was largely due to a positive currency effect, strong growth for some established products, higher sales from new projects, retroactive price increases for 2013 and above all strong growth for our product rights in D&T. Sales were higher than the previous year in all segments.

### Other operating income

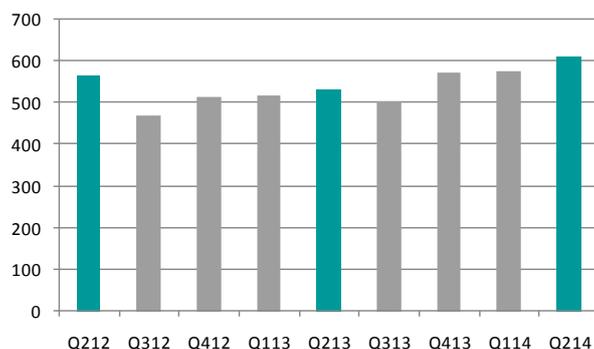
#### April-June 2014

Other operating income amounted to SEK 5.3 million (9.9) mainly consisting of exchange gains on operating receivables and liabilities.

#### January-June 2014

Other operating income amounted to SEK 12.5 million (17.7) mainly consisting of re-invoicing of expenses and exchange gains on operating receivables and liabilities.

Net sales per quarter (MSEK)



## Profit

### Operating profit

#### April-June 2014

Operating profit (EBIT) amounted to SEK 73.7 million (52.5), an increase of 40.4 percent. There was positive growth in all segments, mainly relating to the increased sales overall for the Group and a more profitable product mix in D&T. The currency effect on operating profit is negligible.

#### RAW MATERIALS AND CONSUMABLES

Raw materials and consumables amounted to SEK 163.7 million (133.6). The increase is somewhat greater than the increase in sales, mainly because a large part of the built up stock that had a positive effect on material costs in the first quarter has now been sold in the second quarter.

#### OTHER EXTERNAL COSTS

Other external costs amounted to SEK 128.8 million (120.1). The increase is small in relation to the increase in sales, mainly due to benefits of scale in D&T and efficiency improvements in production.

#### EMPLOYEE BENEFITS EXPENSE

Employee benefits expense amounted to SEK 218.4 million (204.3). The increase is mainly caused by exchange rate effects and by the increase in salary costs related to salary increases and recruitments in certain departments, including the sales force.

#### DEPRECIATION, AMORTISATION AND IMPAIRMENT

Depreciation, amortisation and impairment amounted to SEK 25.2 million (22.8). The increase is mainly due to depreciation of the investments made in 2013

EBIT per segment SEK million	Apr - Jun		Jan - Jun		Full Year
	2014	2013	2014	2013	2013
Manufacturing Services Sweden (MFG-SE)	20,3	18,1	54,9	32,2	65,4
Manufacturing Services Europe (MFG-EU)	50,8	43,6	97,1	79,5	144,8
Development & Technology (D&T)	21,0	2,7	35,2	-0,5	17,6
Eliminations and others	-18,4	-12,0	-35,7	-21,2	-39,7
<b>Total</b>	<b>73,7</b>	<b>52,5</b>	<b>151,5</b>	<b>90,0</b>	<b>188,1</b>

Operating profit for MFG-SE increased by SEK 2.2 million to SEK 20.3 million, equivalent to an operating margin of 8.3 percent (8.5). The improvement is mainly due to increased sales, with the orders for Thyrosafe having had a particularly positive effect. This more than offset the start-up costs of the new line in Höganäs and the lower production volumes in one unit which resulted from a supplier's materials supply problems.

Operating profit for MFG-EU increased by SEK 7.2 million to SEK 50.8 million, equivalent to an operating margin of 16.4 percent (15.0). The increase is mainly due to increased sales of existing products and increased sales related to new projects and products. Reduced revenue from the distribution operations in France had a negative effect on the operating profit.

Operating profit for D&T increased by SEK 18.3 million to SEK 21.0 million, equivalent to an operating margin of 21.1 percent (6.8). The increase is mainly due to increased sales of products, including Thyrosafe, combined with a favourable product mix for sales of our own product rights.

#### January – June 2014

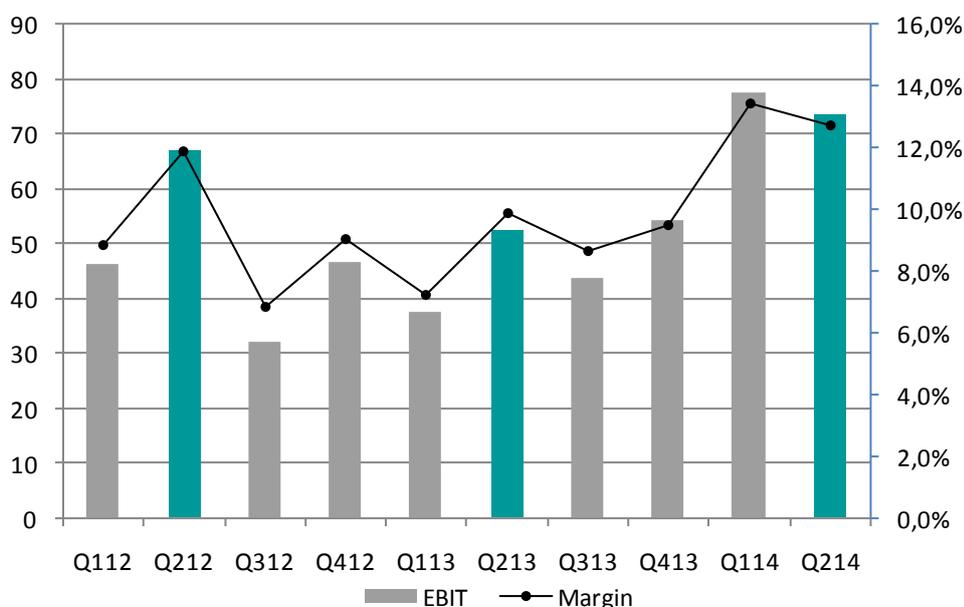
Operating profit (EBIT) amounted to SEK 151.5 million (90.0), an increase of 68.3 percent, which is equivalent to an operating margin of 12.7 percent (8.6). There was positive growth in all segments, mainly related to the increased sales and productivity improvements.

Operating profit for MFG-SE increased by SEK 22.7 million to SEK 54.9 million, equivalent to an operating margin of 11.2 percent (7.3). The improvement is mainly related to the increase in sales and to productivity improvements.

Operating profit for MFG-EU increased by SEK 17.6 million to SEK 97.1 million, equivalent to an operating margin of 15.9 percent (14.0). The increase is mainly due to a retroactive price increase amounting to nearly SEK 6 million and to increased sales related to new projects and products, while lower distribution revenues from France had a negative effect.

Operating profit for D&T increased by SEK 35.7 million to SEK 35.2 million, equivalent to an operating margin of 23.2 percent (-0.7). The increase is mainly due to increased sales, particularly the orders for Thyrosafe, combined with a favourable product mix for sales of our own product rights.

#### Operating profit (SEK million) and operating margin per quarter



#### Profit after tax

##### April – June 2014

Profit after tax amounted to SEK 48.1 million (35.5), an increase of SEK 12.6 million which was related to the improved operating profit.

##### January – June 2014

Profit after tax amounted to SEK 102.8 million (55.5), an increase of SEK 47.3 million which is related to the improved operating profit. The effective tax rate is lower than the previous year since a larger portion of the profit during this period was generated in Sweden, where the tax rate is lower than for most of the countries in the MFG-EU segment. The ongoing impairment of the customer contracts (following the acquisition in Wasserburg) which is only reported at Group level (SEK 10.4 million during the period) is not tax deductible, which therefore increases the effective tax rate somewhat.

## Cash flow and financing

### Cash flow

Cash flow SEK million	Jan - Jun		Full year
	2014	2013	2013
Cash flow from operating activities before changes in working capital	134,3	103,6	218,1
Cash flow from changes in working capital	-42,0	-43,8	-38,5
Cash flow from investing activities	-78,2	-36,0	-104,1
Cash flow from financing activities	630,2	-21,8	-59,9
<b>Total cash flow</b>	<b>644,3</b>	<b>2,0</b>	<b>15,6</b>

Cash flow from operating activities increased, mainly related to the strong operating profit during the period. Cash flow from investing activities was higher than in the previous period, principally due to receipt of the final earnout payment for Fontaine's operations amounting to SEK 17.9 million. The capacity investment in Wasserburg constitutes around SEK 31 million of a total of around SEK 52 million for investments in tangible fixed assets during the period.

The new share issue in conjunction with the company's listing on 3 April and the conversion of shares from the 5-year convertible bond programme generated net proceeds of SEK 776.9 million, the new share issue contributing SEK 814.6 million and the conversion SEK 38.3 million, from which issue costs of SEK 37.0 million were deducted. In conjunction with this the liability relating to the convertible bonds was eliminated in its entirety at SEK 39.2 million.

After the new share issue the overdraft facilities were reduced by SEK 125.7 million and SEK 20.9 million of other interest-bearing debt was repaid in accordance with the original plan.

### Financing and returns

Key figures financing and return	June 30		FY
	2014	2013	2013
Return on operating capital	20,8	15,4	17,2
Net debt to EBITDA	-1,2	1,7	1,4
Equity to assets	62,1	18,6	37,6

The return on operating capital exceeded the target of a minimum of 15 percent and amounts to 21 percent (15). The increase was due to improved profits in the period.

The net debt to EBITDA ratio improved significantly from an already low level, mainly due to the new share issue in early April in conjunction with listing on NASDAQ OMX Stockholm.

The equity/assets ratio was also substantially strengthened as a result of the new share issue, the conversion of shares from the convertible bond programme and the strong half-year profits.

### Parent Company

Recipharm AB (publ) includes functions that provide services to the operating companies. The Parent Company's net sales were SEK 37.0 million (36.8) and operating profit was SEK -16.2 million (-22.1). Investments amounted to SEK 1.6 million (0.3).

### Employees

The number of employees (equivalent to full-time positions) during the period was 1,479 (1,467).

### Shares and share related programmes

The Annual General Meeting on 10 March 2014 resolved to issue a share-based incentive programme aimed at the employees. In order to participate in the programme, the participants must use their own funds to acquire class B shares in Recipharm ("Savings Shares") for the NASDAQ OMX Stockholm market price. The total maximum cost (upon full subscription) for this programme is around SEK 30 million distributed over the programme's duration of 3 years, representing a dilution of 1.3 percent of the share capital.

*The number of shareholders is 4,411 and the largest shareholders as of 30 June 2014 are as follows:  
(% of share capital and votes):*

	Capital	Votes
B&E Participation AB <sup>1/</sup>	44.6	86.4
Lannebo fonder	8.8	2.2
Fjärde AP-fonden	3.5	0.9
SHB Fonder	3.4	0.8
Enter Fonder	2.1	0.5

Foreign shareholders hold 14.7 percent of the share capital and 3.6 percent of the votes

<sup>1/</sup> The company is owned by Thomas Eldered and Lars Backsell.

Recipharm's class B shares were first available for trading on NASDAQ OMX 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, 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.

### Financial calendar

Interim report January-September:	7 November 2014
Year-end-report 2014:	19 February 2015

Jordbro, 14 August 2014

For the Board of Directors of Recipharm AB (publ)

Thomas Eldered, CEO

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*This report is prepared in Swedish and thereafter translated into English. Should any differences occur between the Swedish and the English version, the Swedish version shall prevail. This report has been reviewed by the company's auditors.*



<b>Consolidated statement of financial position</b>		<b>Jun 30</b>	<b>Jun 30</b>	<b>31 Dec</b>
<b>SEK million</b>	<b>Note</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Product rights		130,7	144,8	136,8
Goodwill		80,4	76,6	78,2
Other intangible assets		145,1	143,9	147,2
Property, plant and equipment		486,7	425,4	451,9
Other non-current assets		44,2	31,5	56,4
<b>Total non-current assets</b>		<b>887,1</b>	<b>822,2</b>	<b>870,5</b>
<b>Current assets</b>				
Inventories		427,8	433,7	413,1
Accounts receivable		344,0	255,8	237,2
Other receivables		51,7	36,6	48,6
Prepaid expenses and accrued income		38,5	41,9	50,9
Cash and cash equivalents		838,2	181,1	190,2
<b>Total current assets</b>		<b>1 700,3</b>	<b>949,1</b>	<b>940,0</b>
<b>TOTAL ASSETS</b>		<b>2 587,4</b>	<b>1 771,2</b>	<b>1 810,5</b>
<b>SHAREHOLDERS EQUITY AND LIABILITIES</b>				
Share capital		18,6	12,7	12,7
Other paid-in capital		1 325,2	515,2	515,2
Reserves		-99,6	-101,9	-106,4
Retained earnings (including net profit)		362,3	211,6	259,5
<b>Equity attributable to Parent Company shareholders</b>		<b>1 606,3</b>	<b>637,6</b>	<b>680,8</b>
<b>Total equity</b>		<b>1 606,3</b>	<b>637,6</b>	<b>680,8</b>
<b>Non-current liabilities</b>				
Interest-bearing liabilities		356,8	376,5	359,1
Provisions		118,1	89,4	114,9
Deferred tax liability		56,6	58,0	59,3
Other non-current liabilities		14,2	-	-
<b>Total non-current liabilities</b>		<b>545,7</b>	<b>523,9</b>	<b>533,3</b>
<b>Current liabilities</b>				
Interest-bearing liabilities		41,7	70,5	80,8
Bank overdraft		34,5	177,5	160,2
Accounts payable		136,0	122,9	112,6
Tax liabilities		13,7	6,9	40,8
Other liabilities		27,7	47,8	44,1
Accrued expenses and prepaid income		181,9	184,2	158,0
<b>Total current liabilities</b>		<b>435,5</b>	<b>609,7</b>	<b>596,4</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2 587,4</b>	<b>1 771,2</b>	<b>1 810,5</b>
Pledged assets		594,1	480,6	542,0
Contingent liabilities		24,0	11,1	25,0

Consolidated cash flow statement SEK million	Jan - Jun		Full year
	2014	2013	2013
<b>Operating activities</b>			
Profit before tax	144,4	81,2	167,1
<i>Adjustments for items not affecting cash</i>			
- Depreciation, amortisation and impairment of assets	49,3	45,2	94,9
- Changes in provisions	-0,1	0,0	22,7
- Other	0,5	8,4	10,3
	<b>194,1</b>	<b>134,8</b>	<b>295,0</b>
Income taxes paid	-59,8	-31,2	-76,9
<b>Cash flow from operating activities before changes in working capital</b>	<b>134,3</b>	<b>103,6</b>	<b>218,1</b>
<i>Cash flow from changes in working capital:</i>			
Change in inventories	-8,0	-42,5	-15,0
Change in operating receivables	-91,4	-36,7	-19,3
Change in operating liabilities	57,4	35,4	-4,2
<b>Cash flow from operating activities</b>	<b>92,3</b>	<b>59,8</b>	<b>179,6</b>
<i>Investing activities</i>			
Acquisition of property, plant and equipment	-52,2	-34,8	-82,4
Disposal of property, plant and equipment	0,2	-	0,7
Acquisition of intangible assets	-8,3	-1,2	-14,7
Purchase consideration payable, subsidiaries	-17,9	-	-
Acquisition of financial assets	-	-	-7,7
<b>Cash flow from investing activities</b>	<b>-78,2</b>	<b>-36,0</b>	<b>-104,1</b>
<i>Financing activities</i>			
Dividend paid to Parent Company shareholders	-	-50,7	-50,7
New share issue	777,7	-	-
Redemption convertible bonds	-0,8	-	-
Change in bank overdraft	-125,7	29,9	12,7
Repayment of borrowings	-20,9	-0,9	-21,8
<b>Cash flow from financing activities</b>	<b>630,2</b>	<b>-21,8</b>	<b>-59,9</b>
<b>Total cash flow for the period</b>	<b>644,3</b>	<b>2,0</b>	<b>15,6</b>
Cash and cash equivalents at beginning of period	190,2	179,2	179,2
Translation difference on cash and cash equivalents	3,7	-0,2	-4,6
<b>Cash and cash equivalents at end of period</b>	<b>838,2</b>	<b>181,1</b>	<b>190,2</b>
Interest received	0,0	0,5	0,6
Interest paid	-8,0	-9,5	-20,1

<b>Consolidated statement of changes in equity</b>					
<b>SEK million</b>	<b>Share capital</b>	<b>Other paid-in capital</b>	<b>Reserves</b>	<b>Profit brought forward</b>	<b>Total equity</b>
<b>Equity at 1 January 2013</b>	<b>12,7</b>	<b>515,2</b>	<b>-118,6</b>	<b>215,8</b>	<b>625,1</b>
Profit for the year 2013				94,4	<b>94,4</b>
Dividend				-50,7	<b>-50,7</b>
Other comprehensive income			12,2		<b>12,2</b>
<b>Equity at 31 December 2013</b>	<b>12,7</b>	<b>515,2</b>	<b>-106,4</b>	<b>259,5</b>	<b>680,8</b>
Profit for the period 2014				102,8	<b>102,8</b>
Transactions with owners:					
New share issue	5,9	810,0			<b>815,9</b>
Other comprehensive income			6,8		<b>6,8</b>
<b>Equity at 30 June 2014</b>	<b>18,6</b>	<b>1 325,2</b>	<b>-99,6</b>	<b>362,3</b>	<b>1 606,3</b>

<b>Parent company statement of profit and loss</b>					
<b>SEK million</b>	<b>Apr - Jun</b>		<b>Jan - Jun</b>		<b>Full year</b>
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
<b>Operating Income</b>					
Net sales	18,7	18,8	37,0	36,8	73,9
Other operating revenue	0,3	1,1	0,6	1,1	2,0
	<b>19,0</b>	<b>19,8</b>	<b>37,7</b>	<b>37,8</b>	<b>75,9</b>
<b>Operating expenses</b>					
Other external costs	-13,6	-16,3	-22,9	-30,7	-55,9
Employee benefits expense	-14,7	-13,0	-28,4	-25,9	-51,0
Depreciation and amortisation	-1,3	-0,8	-2,5	-1,7	-3,3
Other operating expenses	-0,1	-1,5	-0,1	-1,7	-1,9
<b>Operating profit/loss</b>	<b>-10,7</b>	<b>-11,8</b>	<b>-16,2</b>	<b>-22,1</b>	<b>-36,3</b>
Financial items	35,3	34,0	38,4	38,7	12,1
<b>Profit/loss after financial items</b>	<b>24,6</b>	<b>22,2</b>	<b>22,2</b>	<b>16,6</b>	<b>-24,2</b>
Appropriations and tax	1,1	0,0	4,2	0,0	-35,5
<b>Profit / loss for the period</b>	<b>25,7</b>	<b>22,2</b>	<b>26,4</b>	<b>16,6</b>	<b>-59,7</b>

<b>Parent company statement of financial position</b>			
<b>SEK million</b>	<b>Jun 30</b>	<b>Jun 30</b>	<b>31 Dec</b>
	<b>2014</b>	<b>2013</b>	<b>2013</b>
<b>ASSETS</b>			
Non-current assets	673,5	756,4	739,0
Current assets	870,7	178,8	161,9
<b>TOTAL ASSETS</b>	<b>1 544,2</b>	<b>935,2</b>	<b>900,9</b>
<b>SHAREHOLDERS EQUITY AND LIABILITIES</b>			
Equity	1 078,1	284,0	237,5
Liabilities	466,1	651,2	663,4
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 544,2</b>	<b>935,2</b>	<b>900,9</b>

## Accounting principles, risks, definitions and notes

### Accounting principles

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) which have been approved by the European Commission for application within the EU. This interim report was prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The Parent Company applies the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR2, Accounting for Legal Entities.

The accounting principles and calculations in this report are the same as those used for the 2013 Annual Report. New or amended standards or interpretations of standards effective as of 1 January 2014 have had no impact on Recipharm's income statement, statement of financial position, cash flow or statement of changes in equity.

### Significant risks and uncertainties

The most significant risks over the next 12 months will be the following:

Of the Group's total income, around 65 percent is in currencies other than SEK. Normally income and expenses balance each other out, but significant fluctuations in exchange rates may impact profits.

A more detailed description of risk is provided in the 2013 Annual Report.

### Definitions

Definitions of key ratios and similar items are presented in the most recent Annual Report (2013). Amounts are in SEK million unless otherwise indicated.

## Notes

### Note 1 Transactions with related parties

Recipharm AB (publ) and Recipharm Ltd have provided administrative services for the following related companies:

Prokarium Ltd for a value of SEK 0.0 million (0.1).

B&E Participation AB for a value of 0.1 million (1.0).

Recipharm Pharmaceutical Development AB provided development services to Empros Pharma AB for a value of 0.5 million (0.0).

Recipharm AB (publ) has paid 0.0 million (0.2) as other external costs to B&E Participation AB.

### Note 2 Number of shares and potential shares

In relation to the Recipharm IPO April 3rd at NASDAQ OMX Stockholm, 10 433 038 new shares of serie B was issued.

In relation to the convertible bond programme, from 2009, 1 374 407 new B shares was issued. After the new issue and the conversion from the convertible bond programme, the number of shares is 37 188 175, of which 12 685 716 shares of serie A and 24 503 159 of serie B.

<b>Note 3 Segment analysis</b>										
<b>(SEK million)</b>										
	<b>Jan - Jun 2014</b>					<b>Jan - Jun 2013</b>				
	<b>MFG-SE</b>	<b>MFG-EU</b>	<b>D&amp;T</b>	<b>Other</b>	<b>Total</b>	<b>MFG-SE</b>	<b>MFG-EU</b>	<b>D&amp;T</b>	<b>Other</b>	<b>Total</b>
Net sales, external	456,3	582,5	150,1	0,0	1 188,8	435,2	540,1	71,5	0,4	1 047,0
Net sales, internal	31,7	26,4	1,4	37,0	96,5	4,7	29,4	1,8	37,6	73,5
EBITDA	64,7	127,0	44,6	-35,4	200,8	40,3	107,7	6,6	-19,4	135,2
Depreciations	9,8	29,9	9,5	0,2	49,3	8,1	28,2	7,1	1,7	45,2
Impairments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EBIT	54,9	97,1	35,2	-35,7	151,5	32,2	79,5	-0,5	-21,2	90,0
Non current assets	92,2	616,8	159,5	18,7	887,1	82,5	560,0	159,0	20,7	822,2
Total assets	458,9	1 195,1	347,4	586,0	2 587,4	429,3	1 079,6	252,5	9,8	1 771,2
Goodwill	0,0	80,4	0,0	0,0	80,4	0,0	76,6	0,0	0,0	76,6
<b>Net sales major customers</b>										
	<b>Segment</b>		<b>Jan - Jun 2014</b>						<b>Jan - Jun 2013</b>	
Customer X	MFG/D&T		297,4						246,8	
Customer Y	MFG/D&T		183,4						203,4	
Customer Z	MFG		170,0						181,2	
Other customers	MFG/D&T		538,1						415,6	
<b>Total</b>			<b>1 188,8</b>						<b>1 047,0</b>	
<b>Geographical area</b>										
	<b>Net sales Jan - Jun</b>				<b>Fixed assets</b>					
	<b>2014</b>		<b>2013</b>		<b>Jun30 2014</b>		<b>Jun30 2013</b>			
Sweden	606,3		507,0		270,4		262,2			
Other	582,5		540,1		616,8		560,0			
<b>Total</b>	<b>1 188,8</b>		<b>1 047,0</b>		<b>887,1</b>		<b>822,2</b>			

The MFG-SE and MFG-EU segments core business is manufacture drugs on behalf of the product owners, pharmaceutical companies. The MFG-SE segment includes the units in Sweden and MFG-EU the units in other Europe. Development and Technology (D&T) segment primarily includes development services to pharmaceutical companies and development and sales through distributors of own products. The segment reporting is based on the structure the management follow the business.

## **THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL**

### **Review report**

Recipharm AB (publ), corporate identity number 556498-8425

### **Introduction**

We have reviewed the condensed interim report for Recipharm AB as at June 30, 2016 and for the six months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### **Scope of review**

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material aspects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm August 12, 2014

Ernst & Young AB

Michael Forss  
Authorized Public Accountant