

Interim report

JANUARY – SEPTEMBER 2016

10 November 2016



July - September 2016

- Net sales amounted to SEK 1 138 million (785), an increase of 45%
- EBITDA increased by 67% and amounted to SEK 144 million (86) giving an EBITDA margin of 12.6% (11.0)
- Operating profit (EBIT) amounted to SEK 44 million (27)
- Profit after tax amounted to SEK 12 million (0), giving a net margin of 1% (0)
- Earnings per share amounted to SEK 0.14 (-0.01), after dilution 0.14 (-0.01)

32%

Increase in Net sales

SEK 520m

EBITDA

15.6%

EBITDA margin

January - September 2016

- Net sales amounted to SEK 3 346 million (2 526), an increase of 32%
- EBITDA increased by 28% and amounted to SEK 520 million (400) giving an EBITDA margin of 15.6% (15.8)
- Operating profit (EBIT) amounted to SEK 263 million (226)
- Profit after tax amounted to SEK 121 million (189), giving a net margin of 3.5% (7.5). Last year included a financial investment capital gain of SEK 46.6 million
- Earnings per share amounted to SEK 2.13 (4.17), after dilution 2.13 (4.17)
- Cash flow from operating activities was SEK 336 million (281)
- Net debt to EBITDA was 3.0 (2.0)

Key figures

SEK million	Jul - Sep		change in %	Jan - Sep		change in %	Oct 15	
	2016	2015		2016	2015		- Sep 16	2015
Net sales	1 138	785	45.0	3 346	2 526	32.4	4 209	3 389
Net sales (CER) ^{1/}	1 136		44.7	3 352		32.7		
EBITDA ^{1/}	144	86	67.2	520	400	30.1	630	510
EBIT ^{1/}	44	27	62.3	263	226	16.4	311	274
EBITDA margin (%) ^{1/}	12.6	11.0		15.6	15.8		15.0	15.0
Earnings per share	0.14	-0.01		2.13	4.17		3.15	4.72
Return on equity (%) ^{1/}				3.8	10.9		3.8	8.8
Equity per share (SEK) ^{1/}				70.9	59.3			59.2
Equity ratio (%) ^{1/}				52.7	50.2			48.1
Net debt ^{1/}				1 867	1 089			1 183
Net debt to Equity ^{1/}				0.4	0.4			0.4
Net debt to EBITDA ^{1/}				3.0	2.0			2.3

^{1/} APM: Alternative Performance Measures, see financial definitions after note 5

Thomas Eldered, CEO:

"Sales, even excluding acquisitions, was the highest ever for a third quarter. Net sales increased 45 per cent. Excluding acquisitions the growth was 5.9 per cent. An important contributor to growth was sales under the new contract in Kaysersberg with strong demand for blow-fill-seal technology. In general, demand continued to be strong in our Sterile Liquids segment and in the Indian market we saw significant underlying volume growth.

As expected for a third quarter, EBITDA-margin decreased sequentially but increased to 12.6 per cent compared to 11.0 per cent the same period last year. Still, EBITDA was negatively affected by several items, of which many were non-recurring. This was partially offset by a positive contribution from the cost and efficiency program in Swedish operations. In the further implementation of the program we are anticipating delays and we will review various options for continued improvement

Considering that operations during the third quarter are affected by holiday and maintenance shut-downs in most of our European network I'm pleased to report continued very strong operating cash flow at SEK 180 million (81).

We continue to make capacity expansion investments in the Sterile Liquids segment. During the quarter we initiated important expansion projects in blow-fill-seal capacity in France and lyophilisation capacity in Italy, in addition to the already on-going significant expansion in Germany. We expect these projects to generate material future growth. Our implementation of serialisation capability is progressing according to plan and we are well positioned to benefit from these new regulations.

Acquisitions completed earlier in the year performed well and in-line with our plans. I'm particularly pleased to note that there have been minimal supply disruptions to customers during these sometimes challenging transitions. Integration activities are ongoing in the new companies in India, Italy, Sweden and the USA. Many activities have been satisfactorily completed and we expect all planned integration activities to be fully implemented during the first half of 2017. We expect approval during the fourth quarter from the Indian authorities of the previously announced acquisition of Kemwell's Indian pharmaceutical business with closing beginning 2017.

We now have global reach and a highly attractive value proposition to our customers combined with a solid financial position. Going forward we will continue to implement our growth-driving strategies, including executing on further acquisition and business development opportunities. We are very well on track to reach our overall financial and growth targets"

The company invites investors, analysts and media to a telephone conference with a web presentation (in English) on 10 November at 10.00 am CET where CEO Thomas Eldered and CFO Björn Westberg will present and comment on the interim report and answer questions. More information at www.recipharm.com

About Recipharm

Recipharm is a leading Contract Development and Manufacturing Organisation (CDMO) (in the pharmaceutical industry employing around 3,500 employees. Recipharm offers manufacturing services of pharmaceuticals in various dosage forms, production of clinical trial material and APIs, and pharmaceutical product development. Recipharm manufactures several hundred different products to customers ranging from big pharma to smaller research and development companies. Recipharm's turnover is approximately SEK 5.0 billion and the Company operates development and manufacturing facilities in France, Germany, India, Israel, Italy, Portugal, Spain, Sweden, the UK and the US and is headquartered in Jordbro, Sweden. The Recipharm B-share (RECI B) is listed on Nasdaq Stockholm.

For more information on Recipharm and our services, please visit www.recipharm.com

Revenues

Net sales

Net sales per segment		Jul – Sep		Jan - Sep		Full year
SEK million		2016	2015	2016	2015	2015
Manufacturing Services Sterile Liquids (MS-SL)		499.0	249.3	1 382.1	740.8	956.8
Manufacturing Services Solids & Others (MS-SO)		507.7	390.2	1 531.5	1 318.9	1 832.5
Development & Technology (D&T)		161.3	175.2	564.9	584.2	767.4
Eliminations and others		-30.1	-29.9	-132.8	-117.4	-167.2
Total		1 138.0	784.8	3 345.8	2 526.5	3 389.4

July - September 2016

Net sales increased by SEK 353.2 million and amounted to SEK 1 138 million, an increase of 45 percent. Adjusted for currency translation effect of SEK 2.2 million the sales increased by 45 percent. The acquisitions made in Q1 and Q2 2016 contributed SEK 306.8 million or 39 percent to the sales increase. Sales of the volatile tender product Thyrosafe amounted to SEK 0.1 million (0.5). The sales, excluding acquisitions, Thyrosafe and the currency effect above, increased SEK 44.6 million. The increase is mainly related to sales from the new contract in Kaysersberg, of SEK 96.8 million, which more than balance the reduced sales in D&T. The third quarter is normally weak compared to other quarters in a year due to holiday production shutdowns.

Sales for Sterile Liquids increased by SEK 249.7 million to SEK 499.0 million, an increase of 100 percent. The translation currency effect was SEK 3.1 million. The acquisitions contributed SEK 183.1 million or 73 percent to the sales increase. The Indian market continues having a strong development, although some short term impact of the recently announced new tax schemes. The sales, excluding acquisitions and translation currency effect, increased SEK 63.5 million equal to 27 percent. The new contract in Kaysersberg contributed SEK 96.8 million to the increase offsetting lower sales mainly due to some temporary starting material effects.

Solids and Others increased sales by SEK 117.5 million to SEK 507.7 million, an increase of 30 percent. The currency translation effect was SEK -3.7 million. The acquisitions contributed SEK 115.1 million or 29 percent to the sales increase. The sales, excluding acquisitions and currency effect, increased SEK 6.1 million equal to 2 percent compared with the sales the third quarter last year.

D&T decreased sales by SEK 13.9 million to SEK 161.3 million, a decrease of 8 percent. The acquisitions contributed SEK 8.6 million, the volatile tender product Thyrosafe amounted to SEK 0.1 million (0.5), and the currency translation effect was SEK 1.2 million. The sales, excluding acquisitions, Thyrosafe and currency translation effect, decreased SEK 22.5 million, mainly due to lower sales in the UK market. It is now a more competitive situation compared to a favorable situation most of last year due to supply issues among competition. A large part of the contracted sales in the UK market is in GBP, also affecting the sales negatively.

January - September 2016

Net sales increased by SEK 819.3 million and amounted to SEK 3 345.8 million, an increase of 32 percent, adjusted for currency translation effect of SEK -6.5 million versus last year the sales increased by 32 percent. The acquisitions made during the last 12 months generated SEK 589.6 million.

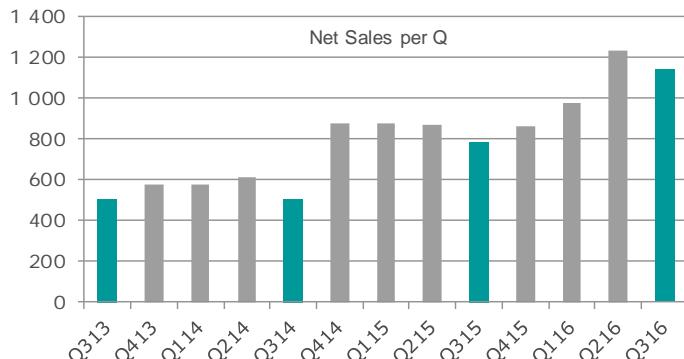
The three largest customers accounted for 31 percent of the total sales, compared with 32 percent same period last year. The large customers also hold a large number of products split in different contracts. Total sales of the large tender product Thyrosafe amounted to SEK 45.4 million (38.2).

The sales, excluded effects from acquisitions (589.6), currency translation (-6.5) and Thyrosafe (7.2), increased by SEK 229.0 million, mainly due to sales from new projects, including the new contract in Kaysersberg (296.1), more than well balancing the reduced sales (excl acquisitions) in D&T (27.7) and the effect of the discontinued packaging contract in France (32.5).

Other operating revenue

July - September 2016

Other operating revenue amounted to SEK 37.5 million (17.6), mainly consisting of a royalty income of SEK 14.4 million (14.6), pass-through costs of SEK 7.0 million (-1.6) and exchange gains on operating receivables and liabilities of SEK -1.9 million (1.8).



January - September 2016

Other operating revenue amounted to SEK 108.5 million (76.5) mainly consisting of a royalty income of SEK 41.9 million (37.3), pass-through costs of SEK 22.0 million (8.2) and of exchange gains on operating receivables and liabilities of SEK 3.8 million (15.4).

Profit

EBITDA

July - September 2016

EBITDA amounted to SEK 143.9 million (86.1), an increase of 67 percent. The EBITDA margin to sales increased from 11.0 to 12.6 percent. Acquisitions, during the last 12 months, generated SEK 53.7 million. Excluding acquisitions, EBITDA increased SEK 4.1 million.

RAW MATERIALS AND CONSUMABLES

Raw materials and consumables amounted to SEK 407.0 million (258.5). The increase is mainly related to the acquisitions, SEK 146.0 million. The currency effect is negligible. Overall, the material cost ratio to sales has increased to 35.8 percent (32.9). The ratio increases due to higher relative share of material cost from recent acquisitions.

OTHER EXTERNAL COSTS

Other external costs amounted to SEK 247.5 million (191.1). The increase is mainly related to the acquisitions, SEK 49.8 million and a currency translation effect of SEK 1.6 million versus last year. The ratio to sales 21.7 percent (24.4) decreases mainly due to a lower ratio to sales from the acquisitions and partly lower expenses for temporary workers from agencies.

EMPLOYEE BENEFITS EXPENSE

Employee benefits expense amounted to SEK 360.4 million (252.9). The increase is mainly related to the acquisitions, SEK 57.7 million, a currency translation effect of SEK 2.2 million and the annual increase in salaries. The ratio of employee expenses to sales decreased to 31.7 percent (32.2) mainly due to different cost structure in some of the acquisitions compared to group average.

SEK million	Jul – Sep		Jan – Sep		Full year
	2016	2015	2016	2015	2015
MS-SL	86.5	43.2	277.6	172.0	220.7
MS-SO	25.7	0.3	180.3	78.1	117.4
D&T	36.4	48.6	110.3	176.7	222.1
Eliminations and others	-4.8	-6.1	-47.9	-26.9	-50.5
Total	143.9	86.1	520.3	399.9	509.8

July - September 2016

EBITDA for Sterile Liquids increased by SEK 43.3 million to SEK 86.5 million, equivalent to an EBITDA margin of 17.3 percent (17.3). The acquisitions contributed SEK 38.0 million and the currency translation effect was SEK 0.7 million versus last year. EBITDA, excluding acquisitions, increased SEK 4.6 million mainly due to the new contract in Kaysersberg offsetting lower sales in some other operating companies and increased costs related to start-up preparations in Wasserburg.

EBITDA for Solids and Others increased by SEK 25.4 million to SEK 25.7 million, equivalent to an EBITDA margin of 5.1 percent (0.1). The acquisitions contributed SEK 18.1 million and the currency translation effect was SEK 1.1 million. The increase, excluding acquisitions and currency translation effect, amounted to SEK 8.7 million versus last year and is mainly due to the improvement programs in the Swedish operations.

EBITDA for D&T decreased by SEK 12.2 million to SEK 36.4 million, equivalent to an EBITDA margin of 22.6 percent (27.7). The acquisitions generated SEK -2.4 million and the currency translation effect was negligible. EBITDA, excluding acquisitions, decreased by SEK 9.8 million versus last year. EBITDA was affected by reduced product sales in the UK market.

January - September 2016

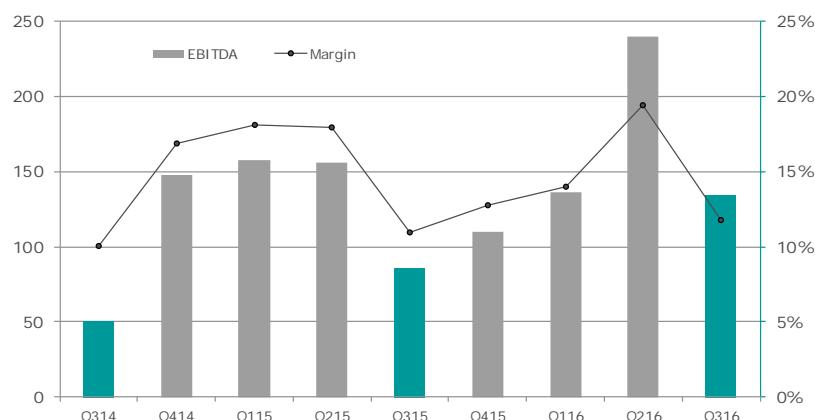
EBITDA amounted to SEK 520.3 million (399.9), an increase of 28 percent, which is equivalent to an EBITDA margin of 15.5 percent (15.8). The currency translation effect was SEK 0.9 million. There was positive growth in both manufacturing segments, mainly related to the increased EBITDA generated from the acquisitions and the new contract in Kaysersberg. D&T generated less EBITDA due to weaker sales and impact from the product mix.

EBITDA for Sterile Liquids increased by SEK 105.6 million to SEK 277.6 million, equivalent to an EBITDA margin of 20.1 percent (23.2). The translation currency effect was negligible. The increase is mainly due to acquisitions (SEK 70.0 million) and the new contract in Kaysersberg, which more than balance the negative impact of the highly profitable packaging contract in France (discontinued mid 2015).

EBITDA for Solids and Others increased by SEK 102.2 million to SEK 180.3 million, equivalent to an EBITDA margin of 11.8 percent (5.9), of which the acquisitions generated SEK 30.0 million. The currency effect was SEK 1.2 million. EBITDA increase is also due to price increases and effect of efficiency programs.

EBITDA for D&T decreased by SEK 66.4 million to SEK 110.3 million, equivalent to an EBITDA margin of 19.5 percent (30.2). The currency translation effect was negligible. The decrease is mainly related to reduced product sales in the UK market.

EBITDA (SEK million) and EBITDA margin per quarter



July - September 2016

Depreciation, amortisation and impairment

Depreciation and amortisation amounted to SEK 99.6 million (58.7), of which SEK 48.3 million (29.6) is depreciation and SEK 51.3 million (29.1) is amortisation of intangible assets. The increase in depreciation is mainly due to Kaysersberg operations of SEK 5.0 (-) million and to the new acquisitions of SEK 13.7 million (-). The increase in amortisation is mainly due to the new acquisitions of SEK 15.0 million (-).

Part of the total amount, SEK 32.4 million (23.5), is non tax deductible amortisation related to the intangible assets in acquisition of Corvette, Lusomedicamenta, Wasserburg and Mitim.

Financial items

Interest income and similar revenues amounted to SEK 0.2 million (-14.0) of which SEK 0.5 million (0.1) was interest income, SEK -0.3 million (-13.5) was translation differences and SEK 0.0 million (-0.6) was gain from fair value valuation of derivative. Interest expenses and similar costs amounted to SEK -22.3 million (-7.7) of which SEK -12.1 million (-6.0) was interest expenses, SEK -7.9 million (0.5) was translation differences and SEK -2.3 million (-2.2) was other interest expenses.

Income tax

The income tax amounted to SEK 10.2 million (6.0).

Profit after tax

Profit after tax amounted to SEK 12.1 million (-0.4), an increase of SEK 12.5 million which is mainly related to the increase in operating profit.

January - September 2016

Depreciation, amortisation and impairment

Depreciation and amortisation amounted to SEK 257.6 million (174.2), of which SEK 126.1 million (87.1) is amortisation of intangible assets. The increase in depreciation is mainly due to Kaysersberg operations of SEK 14.4 (-) million and to the new acquisitions of SEK 29.2 million (-). The increase in amortisation is mainly due to the new acquisitions of SEK 29.5 million (-).

Part of the total amount, SEK 82.8 million (70.0), is non tax deductible amortisation related to the intangible assets in Corvette, Lusomedicamenta, Wasserburg and Mitim.

Financial items

Interest income and similar revenues amounted to SEK 3.2 million (60.9) of which SEK 0.7 million (0.2) was interest income, SEK 1.9 million (46.6) was financial investment capital gain, SEK 0.6 million (14.0) was translation differences and SEK 0.0 million (0.2) was gain from fair value valuation of derivative. Interest expenses and similar costs amounted to SEK -65.3 million (-20.5) of which SEK -30.9 million (-17.0) was interest expenses, SEK -26.1 million (-0.4) was translation differences, SEK 6.8 million (-3.1) was other financial expenses, and -1.5 million (0.1) was loss from fair value valuation of derivative. Last year included a capital gain of SEK 46.6 million from the sale of shares in Flamel Technologies S.A.

Income tax

The income tax amounted to SEK 79.9 million (77.1). The effective tax rate was 39.8 (29.0) mainly due to adjustment this year of 2015 current tax in a few operating companies and a relatively higher relative share of profits from subsidiaries with higher tax rates.

Profit after tax

Profit after tax amounted to SEK 120.6 million (189.1), a decrease of SEK 68.5 million which is mainly related to last year's one-time capital gain of SEK 46.6 million and increased financial expenses and taxes.

Acquisitions

The acquisitions completed during the last 12 months are Mitim Srl (24 February 2016) in Italy, Nitin Lifesciences Ltd (11 April 2016) in India, Cirrus Pharmaceuticals Inc in the US and Kemwell AB in Sweden (23 May 2016).

These acquisitions contributed SEK 306.8 million in Net Sales and SEK 53.7 million in EBITDA during the quarter. EBITDA from the manufacturing operations was positive while it was negative (-2.4) from the acquisitions of development services.

Mitim estimated 2015 sales were SEK 452.9 million and EBITDA was SEK 82.1 million. Nitin estimated 2015 sales were SEK 390.7 million and EBITDA was SEK 95.3 million. The estimated 2015 sales for the acquisitions

of Kemwell AB and Cirrus Pharmaceuticals Inc were SEK 462.5 million and EBITDA was SEK 42.8 million. The assumptions of the estimated sales and EBITDA from the 2016 acquisitions are based on IFRS and presented in more depth in the prospectus of the rights issue.

There was a cost reduction program decided in Kemwell Uppsala. A provision was made before the acquisition covering the estimated costs for part of the business. At acquisition date, SEK 64.4 million remained in the balance sheet for this estimated cost. During the quarter, SEK 10.4 MSEK was released and SEK 16.0 MSEK during the period, all with EBITDA impact.

The external transaction costs for completed or announced acquisitions amounted to SEK 1.5 million during the quarter and SEK 12.5 million during the period.

Cash flow

Cash flow					
SEK million	Jul – Sep		Jan - Sep		Full year
	2016	2015	2016	2015	2015
CF operating activities before changes in WC	65.3	47.7	336.7	281.6	375.6
CF from changes in working capital (WC)	114.8	33.0	-78.0	0.1	53.1
CF from investing activities	-187.3	-143.8	-1 842.6	-147.9	-420.5
CF from financing activities	-245.8	12.3	1 597.5	-43.2	132.9
Total	-253.1	-50.8	13.6	90.7	141.1

Cash flow from operating activities increased, mainly related to the EBITDA increase.

Changes in working capital was SEK 114.8 million (33.0) mainly due to reduction in inventories and accounts receivables.

Cash flow from investing activities was SEK -187.3 (- 143.8) of which SEK -180.4 million (-130.8) was investments in property, plant and equipment. The increase is mainly due to capacity investments in Wasserburg (new freeze drying and packaging capacity) and in Kaysersberg (BFS capacity).

Cash flow from financing activities was SEK -245.8 million (12.3), mainly due to repayment of borrowings.

Financing and return

	Key figures financing and return		
	Jan – Sep		Full year
	2016	2015	2015
Return on operating capital (%)	5.8	12.7	7.6
Return on equity	3.8	10,9	8.8
Net debt to EBITDA	3.0	2.0	2.3
Net debt to equity	0.4	0.4	0.4
Equity to assets	52.7	50.2	48.1

The return on operating capital decreased from 7.6 to 5.8 percent as a result of the increase in operating capital from the acquisitions made in the first half of 2016.

Return on equity increased to 3.8 from 3.5 in Q2 but decreased from 8.8 at the end of last year. The decrease was mainly due to lower operating income and higher interest expenses, but also to last year's first quarter included financial gains from financing activities, combined with increased equity as a result of acquisitions and above all a new issue of SEK 805 million in June, 2016.

The net debt to EBITDA ratio has increased from 2.3 at year end 2015 to 3.0. The increase is mainly due to the increase of net debt from executed acquisitions and no full year EBITDA effect of this years acquisitions. The interest bearing debt at 30 September 2016 amounts to SEK 2 433.0 million of which SEK 2 221.1 million was used of the SEK 3 billion loan facilities. For the acquisitions, made during the first half of 2016, is not the full year- EBITDA included, which affect the key figure negatively.

Net debt in relation to equity was the same as the last year. The new financial target for ratio between net debt and equity, that should not be exceeded, was set at 0.8.

The equity to assets ratio was also strengthened compared to December last year mainly due to the increase in profit and the increase of equity. The equity increased during the second quarter 2016 as a preferential rights issue of SEK 805 million was issued.

Parent Company

Recipharm AB (publ) includes Group management and functions that provide services to the business. The parent company's net sales were SEK 82.9 million (65.1) and operating result was SEK -42.7 million (-32.5) during the period. Investments amounted to SEK 17.2 million (11.8), mainly due to serialisation project.

Employees

The number of employees (equivalent to full-time positions "FTE") during the period was 2 838 (2 051), of which 575 FTEs come from the acquisitions. Note that the FTE as of September 30 is higher in acquired companies since the period FTE'S measure is an average for the period.

Significant events after period end

Recipharm completed an issue of senior unsecured convertible bonds amounting to SEK 1 billion. The bonds may be converted into new Class B shares of the company. Recipharm intends to use the net proceeds from the Offering to take advantage of current market conditions to fund external growth opportunities whilst diversifying its sources of funding. The Bonds will carry a coupon of 2.75% per annum, payable in arrears on 6 April and 6 October each year, with the first interest payment date being 6 April 2017. The conversion price is set at 181.955 which represent a 30% premium over the volume-weighted average price of the Recipharm Class B share on Nasdaq Stockholm between launch and pricing of the Offering 29 September 2016. Settlement and delivery of the Bonds was executed 6 October 2016. The transaction costs, including advisor fees and other costs, was less than SEK 20 million. For more information related to this acquisition, we refer to the related press releases from September 29th. The transaction will be included in Q4, 2016 financial numbers.

Shares and share related programs

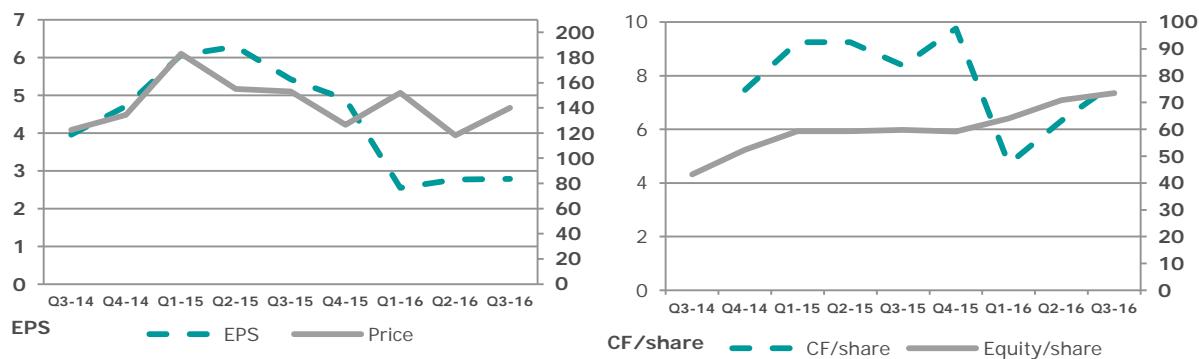
Recipharm's class B shares were first available for trading on Nasdaq Stockholm on 3 April 2014.

The largest shareholders as of 30 September 2016		
Shareholder	Capital (%)	Votes (%)
Flerie Participation AB ^{1/}	19.4	40.3
Lannebo fonder	12.2	3.8
Cajelo Invest AB ^{1/}	12.1	38.0
Första AP-fonden	6.1	1.9
Kemfin Holdings	6.0	1.9
Fjärde AP-fonden	5.4	1.7

The number of shareholders were 5,048 and foreign shareholders hold 18.3 percent of the share capital and 5.8 percent of the votes

^{1/} Flerie Participation AB is controlled by CEO Thomas Eldered and Cajelo Invest AB is controlled by Chairman Lars Backsell.

To the left below, a graph Share price (Price) development per quarter (closing price at quarter end) and earnings per share (12M) is presented. To the right below, a graph Equity per share (Equity/share) and operating cash flow per share (CF/share) is presented below.



Share key financials			
	Jan – Sep		Full year
	2016	2015	2015
Share price (end of period)	140.00	153.00	126.50
Earnings per share (EPS)	2.13	4.17	4.72
Equity per share	70.9	59.3	59.2
Cash flow per share	7.52	8.38	9.76

Note that a Rights issue was completed during the second quarter affecting the share price as subscription price was lower than current share price.

There are three share-based incentive programs ongoing, which are described below. In order to participate in the program, the participants must use their own funds to acquire during the first year class B shares in Recipharm ("Savings Shares") for the Nasdaq Stockholm market price. For each acquired share, each employee receives a share. There are also performance shares for top management, which is based on Recipharm share performance versus peers. The administration and purchasing of the shares in these share savings programs is managed using an external provider according predefined principles by the remuneration committee. Further information on these programs are described at www.recipharm.com (share section, part of investor page).

The Annual General Meeting on 10 March 2014 resolved to issue a share-based incentive program aimed at the employees. 550 employees, which was 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 11.8 million (estimation based on share price SEK 140.00 at 30 September 2016) during a three year period and the number of new shares may amount to approximately 120 000. The latter assumes full allocation of performance shares as well.

The Annual General Meeting on 7 May 2015 resolved to issue a new share-based incentive program aimed at the employees. 553 employees, which was approximately 25 percent of the employees, subscribed for the program. Provided that all fulfill their participation for the full period, the cost is estimated to SEK 20.0 million (estimation based on share price SEK 140.00 at 30 September 2016) during a three year period and the number of new shares may amount to approximately 225 000. The latter assumes full allocation of performance shares as well.

The Annual General Meeting on 28 April 2016 resolved to issue a new share-based incentive program aimed at the employees. 553 employees, which was approximately 25 percent of the employees, subscribed for the program. Provided that all fulfill their participation for the full period, the cost is estimated to SEK 14.0 million (estimation based on share price SEK 140.00 at 30 September 2016) during a three year period and the number of new shares may amount to approximately 190 000. The latter assumes full allocation of performance shares as well.

The number of shares amounts to 63 217 532 end of September 2016, see number per share type and changes during the period in note 2.

Nomination committee

The members of the nomination committee are elected based on the principles decided at the Annual Shareholders meeting 28 April 2016. These principles are described in Recipharm's home page. The Committee's task is to present proposals at the upcoming annual general meeting that is intended to take place on 10 May 2017.

The members in the nomination committee are:

Axel Calissendorff, Chairman nomination committee, representing Flerie Participation AB
Lars Backsell, Chairman of the Board
Johan Lannebo representing Lannebo fonder
Ossian Ekdahl representing 1:a AP fonden

Financial calendar

Interim report January – December 2016	23 February 2017
Interim report January – March 2017	27 April 2017
Interim report January – June 2017	25 July 2017
Interim report January – September 2017	9 November 2017
Annual General meeting	10 May 2017
Annual Report 2016	April 2017

The undersigned Board members assure that this Interim report provides a true and fair view of the development of the Group's and Parent Company's operations, position and performance as well as describing material risks and uncertainties faced by the companies being part of the Group.

Jordbro, 10 November 2016

Thomas Eldered (CEO)

Lars Backsell (Chairman)

Carlos von Bonhorst

Anders G. Carlberg

Olle Christenson

Marianne Dicander Alexandersson

Helena Levander

Wenche Rolfsen

Tony Sandell

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The information in this interim report is what Recipharm AB (publ) is required to disclose under Swedish Securities Act. It was released at 07.45 (CET) on 10 November 2016. This interim report, and other financial information about Recipharm AB (publ) is available at www.recipharm.com. 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.

Financial statements

Consolidated statement of profit and loss					
SEK million	Jul – Sep		Jan - Sep		Full year
	2016	2015	2016	2015	2015
Operating income					
Net sales	1 1138.0	784.8	3 345.8	2 526.5	3 389.4
Other operating revenue	37.5	17.6	108.5	76.5	118.7
	1 175.5	802.4	3 454.3	2 603.0	3 508.1
Operating expenses					
Raw materials and consumables	-407.0	-258.5	-1 013.5	-719.8	-958.8
Other external costs	-247.5	-191.1	-751.1	-588.4	-799.7
Employee benefits expense	-360.4	-252.9	-1 114.1	-850.9	-1 176.1
Depreciation and amortisation	-99.6	-58.7	-257.6	-174.2	-235.6
Other operating expenses	-15.8	-13.6	-52.7	-43.7	-62.8
Share of result in participations	-0.8	-0.4	-2.7	-0.4	-1.0
	-1 131.1	-775.1	-3 191.6	-2 377.3	-3 233.9
Operating profit					
Interest income and similar revenues	0.2	-14.0	3.2	61.0	64.4
Interest expenses and similar costs	-22.3	-7.7	-65.3	-20.5	-29.0
Net financial income/expense	-22.1	-21.7	-62.2	40.4	35.4
Profit before tax					
Income tax	-10.2	-6.0	-79.9	-77.1	-94.6
Profit for the period	12.1	-0.4	120.6	189.1	215.1
Consolidated statement of comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Items that may be reclassified subsequently to profit or loss	Jul - Sep 2016	Jul - Sep 2015	Jan - Sep 2016	Jan - Sep 2015	Full year 2015
Translation differences	102.4	52.0	199.2	-32.4	-96.1
Gains/losses from fair value valuation of financial instruments	0.3	1.0	-2.5	-41.6	-39.9
Deferred tax relating to items that may be reclassified	-0.1	-2.1	0.4	7.2	8.8
Total	102.7	50.9	197.1	-66.7	-127.2
Items that will not be reclassified to profit or loss					
Actuarial gains/losses on pensions	-19.0	4.3	-32.6	2.0	8.9
Deferred tax relating to items that will not be reclassified	5.3	-1.2	9.1	-0.6	-2.3
Total	-13.8	3.1	-23.5	1.4	6.6
Other comprehensive income for the period					
Comprehensive income for the period	88.9	54.0	173.6	-65.3	-120.6
Net profit distributed to:					
Parent company´s shareholders	9.0	-0.3	116.9	189.2	215.1
Non-controlling interest	3.1	-0.1	3.7	-0.1	-0.2
	12.1	-0.4	120.6	189.1	215.1
Group comprehensive income distributed to:					
Parent company´s shareholders	87.9	53.5	274.2	123.8	94.5
Non-controlling interest	13.1	0.0	20.1	0.0	0.0
	101.0	53.5	294.3	123.8	94.5

Earnings per share

Note	Jul - Sep		Jan - Sep		Full year	
	2016	2015	2016	2015	2015	2015
Parent company´s shareholders:						
Earnings per share before dilution (SEK)	0.14	-0.01	2.13	4.17	4.72	
Earnings per share after dilution (SEK)	0.14	-0.01	2.13	4.17	4.72	
Profit before dilution (SEK thousand)	9 011	-422	116 897	189 081	215 056	
Effect from potential shares (SEK thousand)	0.0	-	0.0	1 001	1 001	
Profit after dilution (SEK thousand)	9 011	-422	116 897	190 082	215 056	
Average number of shares before dilution (thousand)	2	63 218	46 264	54 768	45 364	45 606
Potential shares (thousand)	2	-21	63	154	110	74
Average number of shares after dilution (thousand)		63 196	46 327	54 922	45 474	45 680

Consolidated statement of changes in equity

SEK million	Share capital	Other paid-in capital	Reserves	Retained earnings incl. Net profit	Equity attr. to parent company share-holders	Non-Contr. Interest	Total equity
Equity at 1 January 2015	20.4	1 723.5	-8.3	395.7	2 131.3		2 131.3
Profit January-December 2015				215.1	215.1	0.2	215.3
Other comprehensive income			-127.2	6.6	-120.6		-120.6
Transactions with owners:							
New share issue	2.8	564.0			566.8		566.8
Share-based incentive program				5.0	5.0		5.0
Dividend				-57.1	-57.1		-57.1
Equity at 31 December 2015	23.2	2 287.5	-135.5	565.3	2 740.3	0.2	2 740.5
Profit for the period 2016				116.9	116.9	3.7	120.5
Other comprehensive income			180.8	-23.5	157.3	16.3	173.6
Non-controlling interest from acquisition of Nitin Lifesciences						290.6	290.6
Transactions with owners:							
New share issue	8.4	1 693.0			1 701.4		1 701.4
Share-based incentive program				7.4	7.4		7.4
Dividend				-73.6	-73.6		-73.6
Equity at 30 September 2016	31.6	3 980.5	45.3	592.5	4 649.6	310.9	4 960.5

Consolidated statement of financial position, condensed

SEK million	Note	Sep 30		Dec 31		
		2016	2015	2015	2015	
ASSETS						
Non-current assets						
Product rights		281.0	274.5	280.6		
Goodwill	3	2 219.6	912.8	886.3		
Customer contracts		2 079.8	990.1	940.2		
Other intangible assets		174.1	175.1	164.2		
Property, plant and equipment		1 980.2	1 202.7	1 446.3		
Financial non-current assets		199.2	137.4	153.4		
Total non-current assets		6 933.9	3 692.6	3 870.9		
Current assets						
Inventories		883.5	612.9	641.8		
Accounts receivable		730.6	497.5	467.0		
Other receivables		214.5	142.0	112.2		
Prepaid expenses and accrued income		86.7	76.8	70.6		
Cash and cash equivalents		565.9	493.6	534.2		
Total currents assets		2 481.3	1 822.9	1 825.8		
TOTAL ASSETS		9 415.2	5 515.4	5 696.7		
SHAREHOLDERS EQUITY AND LIABILITIES						
Share capital		31.6	23.2	23.2		
Other paid-in capital		3 980.5	2 287.5	2 287.5		
Reserves		45.3	-75.1	-153.6		
Retained earnings (including net profit)		592.5	532.6	583.5		
Equity attributable to Parent Company shareholders		4 649.6	2 768.2	2 740.3		
Equity attributable to Non-Controlling interest		310.9	-0.1	0.2		
Total equity		4 960.5	2 768.1	2 740.5		
Non-current liabilities						
Interest-bearing liabilities		1 669.7	1 567.1	1 678.6		
Provisions		329.2	169.8	210.5		
Deferred tax liability		717.4	361.7	358.6		
Other non-current liabilities		13.1	11.6	13.2		
Total non-current liabilities		2 729.4	2 110.1	2 260.9		
Current liabilities						
Interest-bearing liabilities		740.5	1.9	22.7		
Overdraft facility		22.8	13.3	15.8		
Account payable		401.3	205.5	234.9		
Tax liabilities		112.7	80.7	37.2		
Other liabilities		79.2	58.4	53.8		
Accrued expenses and prepaid income		368.8	277.5	331.1		
Total current liabilities		1 725.3	637.2	695.3		
TOTAL EQUITY AND LIABILITIES		9 415.2	5 515.4	5 696.7		
Pledged assets		19.2	7.7	7.7		
Contingent liabilities		2 320.9	1 590.7	1 705.3		

Consolidated cash flow statement

SEK million	Note	Jul – Sep		Jan – Sep		Full year 2015
		2016	2015	2016	2015	
Operating activities						
Profit before tax		22.3	5.6	200.5	266.1	309.6
Adjustments for items not affecting cash						
- Depreciation, amortization and impairment of assets		99.6	58.7	257.6	174.2	235.6
- Changes in provisions		-11.3	-3.4	-6.5	-1.2	2.4
- Gains from disposal of short-term investment		-1.1	-	-1.7	-46.6	-47.4
- Share of earnings of associated companies		0.7	0.4	2.5	0.4	0.9
- Other		22.5	27.6	29.1	-2.7	-12.8
		132.7	88.9	481.5	390.2	488.4
Income taxes paid		-67.4	-41.3	-144.8	-108.6	-112.8
Operating cash flow before changes in working capital		65.3	47.7	336.7	281.6	375.6
<i>Cash flow from changes in working capital</i>						
Change in inventories		44.2	23.3	-38.0	-21.2	-6.9
Change in operating receivables		119.2	64.3	-43.6	17.8	53.1
Change in operating liabilities		-48.5	-54.6	3.6	3.5	6.9
Operating cash flow		180.1	80.7	258.7	281.7	428.8
<i>Investing activities</i>						
Acquisition of property, plant and equipment		-180.4	-130.8	-304.3	-244.0	-356.5
Disposal of property, plant and equipment		3.8	-	3.8	0.0	0.5
Acquisition of intangible assets		-5.5	-4.5	-14.3	-10.2	-23.5
Disposal of intangible assets		-	-	-	-7.6	0.3
Acquisition of subsidiaries/operations, net of cash acquired		-	-	-1 520.0	-	-131.0
Acquisition of financial assets		-6.3	-8.5	-11.8	-30.1	-54.3
Disposal of short-term investment		1.1	-	4.1	143.9	143.9
Cash flow from investing activities		-187.3	-143.8	-1 842.6	-147.9	-420.5
<i>Financing activities</i>						
Dividend paid to Parent Company shareholders		-	-	-73.6	-57.1	-57.1
New share issue		-	-	1 258.7	-	0.0
Change in overdraft facility		-10.9	-7.8	7.0	9.7	10.7
Loans raised		10.0	158.6	1 329.2	158.6	332.9
Repayment of borrowings		-245.0	-138.5	-923.8	-154.3	-153.5
Cash flow from financing activities		-245.8	12.3	1 597.5	-43.2	132.9
Total cash flow for the period		-253.1	-50.8	13.6	90.7	141.1
Cash and cash equivalents at beginning of period		825.8	539.6	534.2	404.5	404.5
Translation difference on cash and cash equivalents		-6.8	4.8	18.1	-1.6	-11.5
Cash and cash equivalents at end of period		565.9	493.6	565.9	493.6	534.2
Interest received		0.5	0.0	0.7	0.2	0.4
Interest paid		-10.9	-4.1	-24.6	-10.8	-16.6

**Parent company statement of profit and loss,
condensed**

SEK million	Jul – Sep		Jan – Sep		Full year
	2016	2015	2016	2015	2015
Operating Income					
Net sales	26.8	22.1	82.9	65.1	94.8
Other operating revenue	2.7	0.2	3.4	0.6	0.8
	29.5	22.4	86.4	65.7	95.7
Operating expenses					
Other external costs	-15.7	-14.4	-66.3	-46.3	-76.9
Employee benefits expense	-17.5	-14.2	-57.2	-47.4	-66.8
Depreciation and amortisation	-1.3	-1.3	-4.0	-4.3	-5.6
Other operating expenses	-0.6	-0.2	-1.6	-0.2	-2.3
	-35.2	-30.1	-129.1	-98.2	-151.6
Operating profit/loss	-5.7	-7.7	-42.7	-32.5	-55.9
Financial items	-8.5	22.1	96.1	161.1	191.4
Profit/loss after financial items	-14.2	14.4	53.3	128.7	135.5
Appropriations and tax	0.9	6.5	11.2	2.9	-
Profit/loss for the period	-13.3	20.9	64.6	131.6	135.5

Parent company statement of comprehensive income

SEK million	Jul – Sep		Jan – Sep		Full year
	2016	2015	2016	2015	2015
Items that may be reclassified subsequently to profit or loss					
Translation differences	-0.7	1.1	-2.5	-0.5	0.4
Other comprehensive income for the period	-0.7	1.1	-2.5	-0.5	0.4
Total comprehensive income for the period	-14.0	22.1	62.1	131.1	135.9

**Parent company statement of financial position,
condensed**

SEK million	Sep 30		Dec 31
	2016	2015	2015
ASSETS			
Non-current assets			
Intangible assets	13.9	17.4	17.8
Property, plant and equipment	27.8	0.2	0.9
Financial non-current assets	5 219.7	2 892.3	3 074.8
Current assets	732.0	659.9	624.0
TOTAL ASSETS	5 993.3	3 569.8	3 717.6
SHAREHOLDERS EQUITY AND LIABILITIES			
Equity	3 743.2	2 034.2	2 040.8
Liabilities	2 250.1	1 535.5	1 676.8
TOTAL EQUITY AND LIABILITIES	5 993.3	3 569.8	3 717.6

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 2015 Annual Report. New or amended standards or interpretations of standards effective as of 1 January 2016 have not had any significant impact on Recipharm's financial statements.

Significant risks and uncertainties

The most significant risks over the next 12 months will be the following:
Of the Group's total income, around 70 percent is in currencies other than SEK. Normally income and expenses balance each other, but significant fluctuations in exchange rates may impact profits.

A more detailed description of risks is provided in the 2015 Annual Report.

Note 1 Transactions with related parties

Related parties

B&E Participation AB	Indirect ownership by Lars Backsell and Thomas Eldered
Empros Pharma AB	Indirect majority owner Thomas Eldered
Inject Pharma AB	Joint venture, member of the board Carl-Johan Spak
Pharmanest AB	Associated company, board member Carl-Johan Spak
SVS Portugal	Joint Venture

Operating agreements with related parties

Recipharm Pharmaceutical Development AB exchanges development services with Empros Pharma AB. Pharmanest AB and Inject Pharma AB. Recipharm Karlskoga AB provides development services to Pharmanest AB. Lusomedicamenta S.A exchanges development services with SVS Portugal. Inject Pharma AB provides development services to RPH Pharmaceuticals AB.

Related party transactions

Operating income	Type of service	Jan - Sep 2016	Jan - Sep 2015	Full year 2015
B&E Participation AB	Administrative services	-	0.1	0.1
Empros Pharma AB	Development services	4.7	2.0	3.8
Pharmanest AB	Development services	2.4	0.1	1.0
Inject Pharma AB	Development services	1.5	0.1	0.6
SVS Portugal	Development services	1.3	0.1	0.1

Operating expenses	Type of service	Jan - Sep 2016	Jan - Sep 2015	Full year 2015
SVS Portugal	Development services	0.1	1.0	1.7
Inject Pharma AB	Development services	0.0	-	0.0

Note 2 Number of shares and potential shares

	A-shares	B-shares	D-shares	Total
Number of shares as of 31 December 2015	12 685 716	33 139 540	500 000	46 325 256
New share issue		2 250 000		2 250 000
New share issue, related to Mitim S.r.l. acquisition		1 039 724		1 039 724
Issue in kind, acquisition of Kemwell		3 159 572		3 159 572
New share issue		631 914		631 914
New share issue	2 537 142	7 273 924		9 811 066
Number of shares as of 30 Sept 2016	15 222 858	47 494 674	500 000	63 217 532

Potential shares, 153 868 (109 831), are related to Recipharm's share-based incentive program.

The Annual General Meeting on 28 April 2016 resolved on a dividend of SEK 1.50 per share. The dividend was paid in May.

Note 3 Business combinations

Mitim Srl

On 24 February 2016 Recipharm acquired all shares in the Italian contract manufacturing company Mitim S.r.l. The company is located in Brescia, near Recipharm's current operations in northern Italy. The product portfolio includes beta lactams in dry sterile powder for injectable solutions, tablets and oral suspensions. Other products include injectable sterile solutions, oral solids and liquids as well as semi-solids. The manufacturing site has five production lines and the company completed a significant investment in a new state-of-the-art production line for injectable beta lactams in March 2015. Mitim has approximately 200 employees. The acquisition adds important technology in the filling of injectable beta lactams with sales targeting the US and European markets.

Mitim had estimated revenues in 2015 of SEK 452.9 million, which would have represented an increase of more than 13 percent of Recipharm's total 2015 revenues. The acquisition will be a positive contribution to both EBITDA margin and earnings per share from Q2 2016.

The purchase price totaled EUR 68 million, of which EUR 54 million was paid in cash and EUR 14 through a new issue of 1.039.724 shares in Recipharm AB (publ). The shares are subject to a lock-up of 12 months.

Transaction costs amount to SEK 4.8 million and is reported as Other external costs. The consolidated statement of profit and loss for the period includes net sales of SEK 238.7 million and operating profit of SEK 4.0 million attributable to Mitim S.r.l.

Assets and liabilities in the acquired company were	Carrying amount	Fair value Adjustment 1)	Fair Value in the group
Intangible assets	15.3	324.8	340.1
Property, plant and equipment	152.3		152.3
Accounts receivable and other operating assets	208.8		208.8
Cash and cash equivalents	17.7		17.7
Deferred tax liability	1.0	110.1	111.1
Interest-bearing liabilities	124.2		124.2
Provisions	9.5		9.5
Accounts payable and other operating liabilities	123.7		123.7
Net identifiable assets and liabilities	135.5	214.7	350.2
Group goodwill		157.4	157.4
Purchase consideration			507.7

1) Intangible assets consist of customer contracts, SEK 324.8 million. The recognized value of goodwill represents the combined value of synergies, employee competence and experience.

Nitin Lifesciences

Recipharm announced on 11 April the completion of the acquisition of 74% of the shares in Nitin Lifesciences Limited ("Nitin"), an Indian sterile injection CMO, currently owned by the Sobi family. Nitin is a rapidly growing company with a strong presence in injectable manufacturing. Established in 1994, Nitin has emerged as one of the largest small volume parenteral manufacturers in India and is engaged in contract manufacturing to major Indian and international pharmaceutical companies. Nitin's headquarter is situated in Karnal in northern India, with three modern facilities and around 500 employees.

The company specializes in manufacturing liquid ampoules, liquid vials, sterile dry powder (beta lactam and non-beta lactam), multidose eye/ear drops and lyophilized vials covering more than 200 formulations across various therapeutic areas including antibiotics, anti-malarial, NSAIDs, anti-inflammatory and local anesthetics. It brings a high quality customer base including a growing number of multinational Big Pharma customers supplying the Indian domestic market.

The combined entity will have enhanced scale, reach and profitability. Nitin had 2015 net sales of approximately SEK 391 million, corresponding to 12% of Recipharm's 2015 total net sales. The EBITDA-margin 2015 was approximately 24%. The acquisition significantly bolsters presence in high growth developing territories and the deal firmly establishes Recipharm's emerging market strategy. It also provides excellent exposure and direct entry into the rapidly expanding Indian market.

The total purchase price was INR 6 721 million, corresponding to approximately SEK 824 million, paid in cash. Transaction costs amount to SEK 5.5 million of which 2.7 reported in the period and 2.8 in 2015. Transaction costs are reported as Other external costs. The consolidated statement of profit and loss for the period includes net sales of SEK 176.9 million and operating profit of SEK 20.7 million attributable to Nitin Lifesciences.

Assets and liabilities in the acquired company were	Carrying amount	Fair value Adjustment 1)	Fair Value in the group
Intangible assets	0.0	498.4	498.4
Property, plant and equipment	83.8		83.8
Financial assets	0.8		0.8
Accounts receivable and other operating assets	71.1		71.1
Cash and cash equivalents	6.2		6.2

Equity attributable to Non-Controlling interest	0.0	290.6	290.6
Deferred tax liability	0.0	149.5	149.5
Provisions	0.0		0.0
Other operating liabilities	44.2		44.2
Net identifiable assets and liabilities	117.7	58.2	176.0
Group goodwill 1)		647.8	647.8
Purchase consideration			823.8

1) The purchase price allocation has not been finalized and consequently the fair value adjustment presented above is preliminary. Fair value adjustment consists of customer contracts. Fair value adjustments to intangible assets as well as goodwill include a share attributable to non-controlling interest. The recognized value of goodwill represents the combined value of synergies, employee competence and experience.

Kemwell

On 18 April Recipharm announced the signing of two separate agreements to acquire Kemwell's pharmaceutical CDMO-businesses. The first acquisition, comprising US and Swedish operations was completed on 23 May. The second, comprising operations in India, is conditional on governmental approvals and expected to close in beginning of 2017.

The US development business is located in North Carolina and employs around 50 people. There are about 120 customers and services include development of inhalation. Liquid, semi-solid, solid and parenteral products with emphasis on early formulation work as well as development of analytical methods and testing. Recently, the business has also commissioned a GMP suite allowing for expansion into manufacturing of clinical trial material. The services are provided either on a stand-alone basis or as a more comprehensive pharmaceutical product development program.

The Swedish business is located in Uppsala and employs around 210 people. It consists of two production units including a fully integrated primary and secondary manufacturing facility dedicated to a limited number of products, based on the same API and supplied essentially to one Big Pharma customer. There is also a small general pharmaceutical manufacturing unit. Manufacturing services offering include APIs, solids and semi-solid formulations. More than 95 percent of the Swedish production is exported to over 60 countries including the US and Japan.

For the 12-month period ending on 31 December 2015, the US and Swedish business reported revenues of SEK 462 million and adjusted EBITDA of SEK 43 million. Cost savings and synergies are expected to yield more than SEK 25 million per annum when fully realized, expected in Q4 2017. These cost saving and synergies will be driven by asset rationalization and savings in general within administration activities. The non-recurring costs for implementation are expected to amount to approximately SEK 7 million.

The purchase price for the Swedish and US business totaled SEK 658.9 million of which SEK 200.6 million was paid in cash and SEK 458.3 was paid through an issue in kind of 3.159.572 shares in Recipharm AB (publ). The shares are subject to a lock-up of 12 months. Transaction costs amount to SEK 4.5 million of which 4.0 reported in the period and 0.5 in 2015. Transaction costs are reported as Other External Costs. The consolidated statement of profit and loss includes net sales of SEK 160.0 million and operating profit of SEK 15.3 million attributable to the Kemwell acquisition.

The Indian business was founded by Subhash Bagaria. The acquired Indian business is expected to employ around 1.400 people at closing of the acquisition, and comprises both development services as well as commercial manufacturing of solid, semi-solid, liquid and topical dose products, with customer relations spanning decades. The solid dosage plant was commissioned in 2008 and has approvals from US FDA and EU amongst many other regulatory bodies. The oral liquids production plant was commissioned in 2011 and is specialized in automated high throughput large volume manufacturing, mainly for the Indian subcontinent. The development business is a rapidly growing business with a comprehensive service offering including formulation development, small scale manufacturing for clinical trials and a large analytical service business.

For the 12-month period ending on 31 December 2015, the Indian business generated revenues of approximately INR 2.160 million (SEK 284 million) and EBITDA of INR 358 million (SEK 47 million). The project pipeline and the development business are expected to generate significant growth and margin expansion in the coming year. For additional information related to this acquisition we refer to the press release.

Assets and liabilities in the acquired company were	Carrying amount	Fair value Adjustment 1)	Fair Value in the group
Intangible assets	30.2	325.1	355.3
Property, plant and equipment	56.2		56.2
Financial assets	0.2		0.2
Accounts receivable and other operating assets	135.9		135.9
Cash and cash equivalents	28.0		28.0
Deferred tax liability	8.8	84.6	93.4
Interest-bearing liabilities	81.1		81.1
Provisions	69.8		69.8
Accounts payable and other operating liabilities	81.5		81.5
Net identifiable assets and liabilities	9.3	240.5	249.6
Group goodwill 1)		409.1	409.1
Purchase consideration			658.7

1) The purchase price allocation has not been finalized and consequently the fair value adjustment presented above is preliminary. Fair value adjustment consists of customer contracts. The recognized value of goodwill represents the combined value of synergies, competence and experience.

Note 4 Segment analysis

SEK million	Jan - Sep 2016					Jan - Sep 2015				
	MS-SL	MS-SO	D&T	Other	Total	MS-SL	MS-SO	D&T	Other	Total
Net sales, external	1 368.5	1 425.4	551.9	0.0	3 345.8	732.4	1 211.0	583.1	0.0	2 526.5
Net sales, internal	13.7	106.1	13.1	-132.8	0.0	8.4	107.9	1.1	-117.4	0.0
EBITDA	277.6	180.3	110.3	-47.9	520.3	172.0	78.1	176.7	-27.0	399.9
Depreciations	129.4	78.0	46.3	3.9	257.6	66.7	64.9	41.7	0.9	174.2
EBIT	148.2	102.3	64.0	-51.8	262.7	105.3	13.2	135.1	-27.9	225.7
Non-current assets	3 673.3	1 695.2	1 504.3	61.0	6 933.9	884.6	1 349.7	1 431.5	26.8	3 692.6
Total assets	4 723.2	2 755.5	1 726.3	210.2	9 415.2	1 537.5	1 768.7	1 764.1	445.2	5 515.4
Goodwill	1 262.8	461.6	495.2	0.0	2 219.6	138.6	396.7	377.6	0.0	912.8
Capital exp.	224.2	106.8	43.7	17.1	391.9	185.4	42.2	15.7	10.9	254.2

SEK million

	Jan - Dec 2015				
	MS-SL	MS-SO	D&T	Other	Total
Net sales, external	941.6	1 690.7	757.1	-	3 389.4
Net sales, internal	15.2	141.8	10.3	-167.2	-
EBITDA	220.7	117.4	222.1	-50.3	509.9
Depreciations	89.0	88.2	52.9	5.5	235.6
EBIT	131.7	29.2	169.2	-55.8	274.2
Non-current assets	920.8	1 420.7	1 510.3	19.1	3 870.9
Total assets	1 706.1	1 879.9	1 665.5	445.2	5 696.7
Goodwill	394.7	165.1	326.5	-	886.3
Capital exp.	291.3	106.1	35.3	15.1	447.8

Net sales, large customers

	Jan - Sep			Full year	
	2016		2015		2015
	Customer X	389.8	377.9		481.2
Customer V	391.7	0.0			0.0
Customer Z	0.0	267.6			362.5
Customer Y	0.0	162.0			0.0
Customer W	251.1	0.0			212.6
Other customers	2 313.2	1 719.0			2 333.1
Total	3 345.8	2 526.5			3 389.4

Geographical area

	Net sales			Fixed assets		
	Jan-Sep 2016	Jan-Sep 2015	Jan-Dec 2015	Sep 30 2016	Sep 30 2015	Dec 31 2015
Sweden	955.5	799.7	1 096.5	349.8	257.3	257.3
Other	2 390.3	1 726.8	2 292.9	6 584.1	3 435.3	3 613.6
Total	3 345.8	2 526.5	3 389.4	6 933.9	3 692.6	3 870.9

The MS-SL and MS-SO segments core business is to manufacture pharmaceuticals on behalf of pharmaceutical companies.

The MS-SL segment includes the units producing sterile liquids. These units are: Wasserburg, Monts and some parts of the Units in Portugal and Italy. The MS-SO segment includes the units producing solid, semi-solids and other dosage forms excluding sterile liquids. These units are all the manufacturing units in Sweden, Ashton, Paret, Fontaine and some parts of the units in Portugal and Italy. The Development and Technology (D&T) segment primarily includes development services to Pharmaceutical companies and sales of products based on own product rights, mainly through external distributors.

The segment reporting is based on the structure which management control and monitor the business.

Note 5 Financial assets and liabilities

	2016-09-30		2015-09-30		2015-12-31	
	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount
Financial assets						
Available-for-sales financial assets						
Other securities held as non-current assets	114.4	114.4	81.5	81.5	102.0	102.0
Loans and receivables						
Other receivables	28.1	28.1	60.0	60.0	38.4	38.4
Cash and cash equivalents	565.9	565.9	493.6	493.6	534.2	534.2
	708.4	708.4	635.2	635.2	674.6	674.6
Financial liabilities						
Other financial liabilities						
Interest-bearing liabilities, non-current portion	1 672.1	1 661.7	1 571.3	1 560.8	1 682.4	1 672.5
Derivative	8.0	8.0	6.3	6.3	6.1	6.1
Interest-bearing liabilities, current portion*	763.3	763.3	15.2	15.2	38.4	38.4
Other liabilities	44.2	44.2	58.4	58.4	29.0	29.0
	2 487.5	2 477.1	1 651.1	1 640.6	1 755.9	1 746.0

* Interest bearing liabilities, current portion refers to the part of non-current liabilities that will be repaid within a twelve month period as well as to the unutilized portion of the group overdraft facility. Two loans of SEK 714 million will be amortized in Q4, 2016.

Derivatives are recognized 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 actual market discount rate. Valuation is at level 3, based on the assumption that credit margin is the same as when the loan was issued.

Glossary

CDMO	Contract, Development and Manufacturing Organisation
CER	Constant Exchange Rate
CMO	Contract Manufacturing Organisation
FIPB	Indian Foreign Investment Promotion Board
LTM	Latest Twelve (12) Months

Financial definitions

Definitions of key figures:

Earnings per share (EPS) Net result divided by average number of shares before dilution

APM

Cash flow per share	Operating cash flow (12M) divided by average No of shares (12M)
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EBITDA margin	EBITDA in relation to Net Sales
Equity per share	Equity attributable to parent company divided by number of shares (end of period)
Equity ratio	Total Equity divided by total assets
Net debt	Interest-bearing debt minus cash and cash equivalents
Net debt to Equity	Net debt divided by Equity
Net debt to EBITDA	Net debt divided by EBITDA (LTM)
Net Sales (CER)	Net sales using CER same as comparable period for existing business
Operating capital (average)	Net debt plus equity (average of starting and closing balance of period)
Return on Equity	Net result (12M) divided by equity (average of period starting and closing balance)
Return on Operating Capital	Operating profit (12M) divided by average operating capital

Amounts are in SEK million unless otherwise stated.

Recipharm uses alternative performance measures, APM, to make the financial report more understandable for both external analysis and comparison and also for internal performance assessment. APM are measures not defined in the IFRS financial statements. The following APMs (see definitions above) are used:

Cash flow per share gives an indication of value, how much each share generates in cash.

EBIT shows the operational performance, including depreciation and amortization

EBITDA shows the operational performance, also used in combination with other data for valuation purposes

EBITDA margin shows relative operational performance in relation to Net sales

Equity per share shows the equity generated to shareholders per share

Equity ratio shows the ratio how much of total assets are financed by equity

Net debt is calculated to show the net of interest bearing liabilities and cash

Net debt to Equity is an indication of financial strength, comparing net debt to equity

Net debt to EBITDA shows leverage and debt risk level.

Net Sales (CER) shows Net sales without currency impact, in many cases a better indication when comparing

Return on Equity shows the return on shareholders capital

Return on operating capital shows the return independent of financial assets and financing

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

Review report

Recipharm AB corporate identity number 556498-8425

Introduction

We have reviewed the condensed interim report for Recipharm AB as at September 30, 2016 and for the nine 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 respects, 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,

Ernst & Young AB

Jennifer Rock-Baley
Authorized Public Accountant