
### July-September 2014

- Net sales amounted to SEK 508 million (505), an increase of 0.5% compared to same quarter last year (-3.2% in fixed FX-rates)
- EBITDA decreased by 24.4% compared to same quarter last year and amounted to SEK 51 million (68)
- Operating profit (EBIT) amounted to SEK 25 million (44), giving an operating margin of 5.0% (8.6)
- Profit after tax amounted to SEK 8 million (27), giving a net margin of 1.6% (5.4)
- Earnings per share amounted to SEK 0.22 (1.07), after dilution SEK 0.22 kr (1.03)

**9.3 %**
Increase in Net sales

**252 MSEK**
EBITDA

**10.4 %**
Operating margin

### January-September 2014

- Net sales amounted to SEK 1 696 million (1 552), an increase of 9.3% compared to same period last year (6.3% in fixed FX rates)
- EBITDA increased by 24.2% compared to same period last year and amounted to SEK 252 million (203)
- Operating profit (EBIT) amounted to SEK 177 million (134), giving an operating margin of 10.4% (8.6)
- Profit after tax amounted to SEK 111 million (83), giving a net margin of 6.5% (5.3)
- Earnings per share amounted to SEK 3.37 (3.26), after dilution SEK 3.37 (3.11)
- Cash flow from operating activities was SEK 168 million (83)
- Net debt to Equity was -0.3 (0.7)

**Key figures**

| | Jul - Sep | | Change | Jan - Sep | | Change | Oct 13 | FY |
|---|---|---|---|---|---|---|---|---|
| **SEK million** | **2014** | **2013** | **in %** | **2014** | **2013** | **in %** | **-Sep 14** | **2013** |
| Net sales | 507,6 | 504,8 | 0,5 | 1 696,4 | 1 551,8 | 9,3 | 2 269,2 | 2 124,6 |
| Net sales (constant FX rates) | 488,7 | | -3,2 | 1 649,0 | | 6,3 | | |
| EBITDA | 51,1 | 67,6 | -24,4 | 251,9 | 202,8 | 24,2 | 332,1 | 283,0 |
| EBIT | 25,3 | 43,6 | -42,0 | 176,8 | 133,6 | 32,3 | 231,3 | 188,1 |
| EBIT margin (%) | 5,0 | 8,6 | | 10,4 | 8,6 | | 10,9 | 8,9 |
| Earnings per share | 0,22 | 1,07 | | 3,37 | 3,26 | | 3,81 | 3,72 |
| Non-recurring items | 0,0 | 0,1 | | 0,0 | 2,3 | | 4,2 | 6,5 |
| Return on equity (%) | | | | 10,8 | 26,1 | | 10,8 | 14,5 |
| Return on operating capital (%) | | | | 19,4 | 15,4 | | 19,4 | 17,2 |
| Equity to assets (%) | | | | 59,5 | 18,6 | | 59,5 | 37,6 |
| Net debt | | | | -412,6 | 443,5 | | -412,6 | 409,8 |
| 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:**

"Overall, Recipharm's business was relatively stable in the third quarter. Sales continued at a high level, operating profit was affected by certain one-time and phasing effects and operating cash flow was much stronger than the previous year.

Sales were the highest for a third quarter ever, benefitting from favourable currency effects and solid activity and demand in most operating companies. Sales in Development & Technology continued to increase, although as expected at a slower pace than earlier in the year. Technical issues, supply shortage of some components as well as effects from the discontinued French distribution business, offset this. These issues together with phasing effects from the previous two quarters contributed to a lower than planned manufacturing output impacting our results. Throughout the quarter we also had unusually high corporate activity from evaluating acquisition opportunities including due diligences, resulting in increased external costs.

Operating cash flow for the quarter, at SEK 75 million (last year SEK 23 million), was strong as working capital was reduced.

The acquisition of the Italian Corvette Pharmaceutical Services Group, from the 1st of October, provides access to highly interesting markets including Italy and a number of emerging markets, many of which are new to Recipharm. It increases our capacity and capability in lyophilisation and Corvette will significantly contribute to Recipharm's intellectual property backed business.

We will continue to develop Recipharm towards our long-term objectives and in line with our strategic growth agenda, by a combination of investing in our current business and further acquisitions and long-term partnerships, like the recently announced collaboration with Isofol Medical. The new SEK 1 500 million credit facility combined with the authorisation for the Board to issue new shares in relation to acquisitions further strengthen the capability to grow the business in this direction".

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 7 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.

Information about the conference can be found on the company website: www.recipharm.com

**About Recipharm**

Recipharm is a leading CDMO (Contract Development and Manufacturing Organisation) in the pharmaceutical industry based in Sweden employing some 1,750 employees. Recipharm offers manufacturing services of pharmaceuticals in various dosage forms, production of clinical trial material including API and pharmaceutical product development. Recipharm manufactures more than 250 different products to customers ranging from Big Pharma to smaller research- and development companies. Recipharm's turnover is approximately SEK 2.6 billion and the Company operates development and manufacturing facilities in Sweden, France, the UK, Germany, Spain and Italy 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

## Income

### Net sales

| **Net sales per segment** | | | | | |
|---|---|---|---|---|---|
| | **Jul - Sep** | | **Jan – Sep** | | **Full year** |
| **SEK million** | **2014** | **2013** | **2014** | **2013** | **2013** |
| Manufacturing Services Sweden (MFG-SE) | 187,8 | 204,9 | 675,7 | 644,3 | 901,8 |
| Manufacturing Services Europe (MFG-EU) | 274,7 | 270,9 | 883,6 | 840,5 | 1 120,0 |
| Development & Technology (D&T) | 66,1 | 47,7 | 217,5 | 120,9 | 174,8 |
| Eliminations and others | -21,0 | -18,2 | -80,4 | -53,8 | -71,9 |
| **Total** | **507,6** | **504,8** | **1 696,4** | **1 551,8** | **2 124,6** |

#### July-September 2014

The third quarter is normally the weakest quarter during the year as the number of working days is much fewer than the other quarters. Net sales increased by SEK 2.8 million and amounted to SEK 507.6 million, an increase of 0.5 percent, adjusted for currency effects the sales decreases with -3.2 percent. The sales previous year were very strong and the sales this quarter is still on a high level in spite of certain one-time effects. The high sales are due to continued strong growth for our product rights within D&T, which partly balance the loss of distribution revenues in France.

Sales for MFG-SE decreased by SEK 17.1 million to SEK 187.8 million, a decrease of 8.3 percent. The decrease was mainly due to relatively strong sales in most companies last year and also negative impact of the extra activities in relation to a new production line in Höganäs, which is fully operational in Q4.

MFG-EU increased sales by SEK 3.8 million to SEK 274.7 million, representing an increase of 1.4 percent. The increase consisted of a positive currency effect of SEK 18.3 million and increased sales for new projects, which in total balance the lower revenues (SEK 7.3 million) resulting from the reduced distribution services in France and less sales in most of the companies in the segment. Last year quarterly sales were also strong in this segment.

D&T increased sales by SEK 18.4 million to SEK 66.1 million, an increase of 38.6 percent. The main reason for this increase is increase sales of our Product rights.

#### January-September 2014

Net sales increased by SEK 144.6 million and amounted to SEK 1,696.4 million, an increase of 9.3 percent. The improvement compared to the previous year was largely due to strong growth for our product rights in D&T, a positive currency effect of SEK 46 million, increased sales from new projects in manufacturing and retroactive price increases for 2013. Sales were higher than last year in all segments.

### Other operating revenue

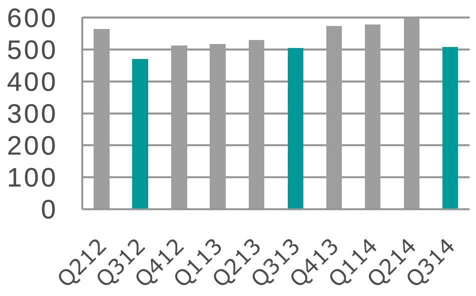
#### July-September 2014

Other operating income amounted to SEK 9.7 million (2.4) mainly consisting of exchange gains on operating receivables and liabilities.

#### January-September 2014

Other operating income amounted to SEK 22.2 million (20.1) mainly consisting of reinvoicing of expenses and exchange gains on operating receivables and liabilities.

**Net sales per quarter (MSEK)**



## Profit

### Operating profit

July-September 2014

Operating profit (EBIT) amounted to SEK 25.3 million (43.6), a decrease of 42.0 percent. The main reason for the decrease was higher external costs, mainly related to increased number of projects and start-up activities for new production lines. The currency effect on operating profit is negligible.

RAW MATERIALS AND CONSUMABLES

Raw materials and consumables amounted to SEK 149.6 million (153.2), relatively similar to last year's ratio to sales excluding exchange rate effects.

OTHER EXTERNAL COSTS

Other external costs amounted to SEK 131.4 million (113.1). The increase is mainly related to exchange rate effects, ca SEK 5 million, increased commission for our product rights, ca SEK 5 million, more use of temporary staff from agencies and costs related to projects, like due diligence activities for potential acquisition projects.

EMPLOYEE BENEFITS EXPENSE

Employee benefits expense amounted to SEK 180.0 million (169.9). The increase is small as there is some reductions in number of employees, partly related to the increase in temporary staff from agencies, see external costs above. Increases are mainly related to exchange rate effects and the increase in salary costs related to annual salary increases.

DEPRECIATION, AMORTISATION AND IMPAIRMENT

Depreciation and amortization amounted to SEK 25.8 million (24.0). The increase is mainly due to depreciation of the investments made in 2013.

**EBIT per segment**

| | Jul - Sep | | Jan – Sep | | Full Year |
|---|---|---|---|---|---|
| **SEK million** | **2014** | **2013** | **2014** | **2013** | **2013** |
| Manufacturing Services Sweden (MFG-SE) | 0,5 | 5,5 | 55,4 | 37,7 | 65,4 |
| Manufacturing Services Europe (MFG-EU) | 17,5 | 29,4 | 114,6 | 108,9 | 144,8 |
| Development & Technology (D&T) | 15,1 | 8,9 | 50,3 | 8,3 | 17,6 |
| Eliminations and others | -7,8 | -0,2 | -43,5 | -21,3 | -39,7 |
| **Total** | **25,3** | **43,6** | **176,8** | **133,6** | **188,1** |

Operating profit for MFG-SE decreased by SEK 5.0 million to SEK 0.5 million, equivalent to an operating margin of 0.3 percent (2.7). The decrease is mainly due to the decrease in sales and start-up costs for a new line in Höganäs and lower production volumes in one unit which resulted from a supplier's materials supply problems.

Operating profit for MFG-EU decreased by SEK 11.9 million to SEK 17.5 million, equivalent to an operating margin of 6.4 percent (10.8). The decrease is mainly due to the loss of most of the distribution operations in France and an inventory valuation effect in one company, where the stock levels have been reduced for finished goods. There is also some negative effect on the product mix versus last year.

Operating profit for D&T increased by SEK 6.2 million to SEK 15.1 million, equivalent to an operating margin of 22.9 percent (18.6). The increase is mainly due to the increased sales of our own product rights.

The main reason to the deteriorating results in eliminations and others is increased costs in the Parent company, especially the increased activities related to Corvette and due diligence activities for other projects.

January-September 2014

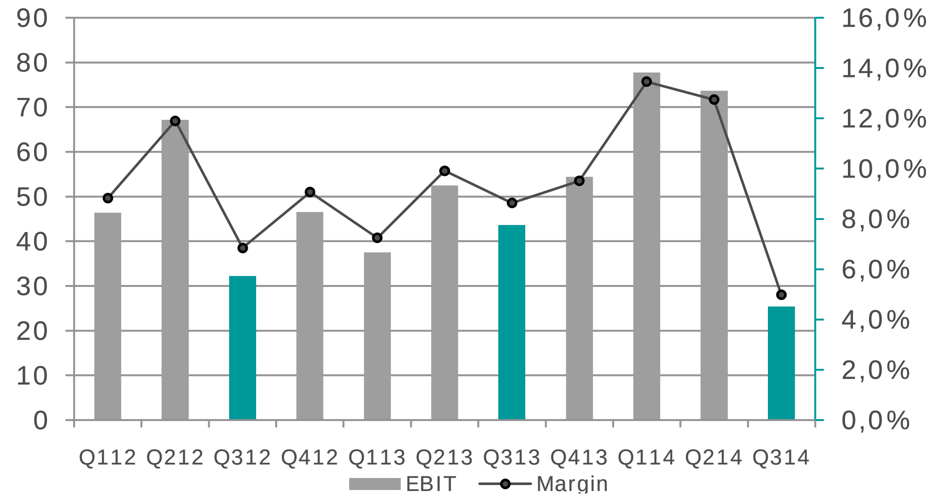
Operating profit (EBIT) amounted to SEK 176.8 million (133.6), an increase of 32.3 percent, which is equivalent to an operating margin of 10.4 percent (8.6). There was positive growth in all segments, mainly related to the increased sales and productivity improvements.

Operating profit for MFG-SE increased by SEK 17.7 million to SEK 55.4 million, equivalent to an operating margin of 8.2 percent (5.8). The improvement is mainly related to the increase in sales and to productivity improvements.

Operating profit for MFG-EU increased by SEK 5.7 million to SEK 114.6 million, equivalent to an operating margin of 13.0 percent (13.0). The increase is mainly due to a retroactive price increase amounting to nearly SEK 6 million, 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 42.0 million to SEK 50.3 million, equivalent to an operating margin of 23.1 percent (6.9). The increase is mainly due to increased sales, particularly the orders for Thyrosafe, combined with a sales increase and favourable product mix for sales of our own product rights.

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




**Profit after tax**

July-September 2014

Profit after tax amounted to SEK 8.3 million (27.2), a decrease of SEK 18.9 million which was related to the decrease in the operating profit and relatively high tax, mainly related to tax in France on distributed profits in Q3.

January-September 2014

Profit after tax amounted to SEK 111.1 million (82.7), an increase of SEK 28.4 million which is related to the improved operating profit. The effective tax rate of 31.1 percent is similar to last year 30.2 percent. The ongoing depreciation of the customer contracts (following the acquisition in Wasserburg) which is only reported at Group level (SEK 15.8 million during the period) is not tax deductible, which therefore increases the effective tax rate some.

## Cash flow and financing

| Cash flow | | | |
|---|---|---|---|
| | Jan - Sep | | Full year |
| SEK million | 2014 | 2013 | 2013 |
| Cash flow from operating activities before changes in working capital | 159,5 | 135,7 | 218,1 |
| Cash flow from changes in working capital | 8,2 | -52,6 | -38,5 |
| Cash flow from investing activities | -150,2 | -58,0 | -104,1 |
| Cash flow from financing activities | 768,1 | -32,8 | -59,9 |
| **Total cash flow** | **786,0** | **-7,6** | **15,6** |

Cash flow from operating activities increased, mainly related to the strong operating profit during the period. Changes in working capital was much better than previous year as the change in inventories and receivables was more favorable compared to last year. Cash flow from investing activities was higher than in the previous period, principally due to the final earnout payment for Fontaine's operations amounting to SEK 17.9 million and the capacity investment in Wasserburg. The capacity investment in Wasserburg constitutes circa SEK 55 million of a total of around SEK 112.2 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.

Additional loan was taken at the end of the period to prepare for the payment 1st of October related to the acquisition of Corvette Group. The previous loan facility was repaid in conjunction with the new loan facility.

## Financing and returns

| Key figures financing and return | | | |
|---|---|---|---|
| | Sep 30 | | Full Year |
| | 2014 | 2013 | 2013 |
| Return on operating capital (%) | 19,4 | 15,4 | 17,2 |
| Net debt to EBITDA | -1,2 | 1,7 | 1,4 |
| Equity to assets | 59,5 | 18,6 | 37,6 |

The return on operating capital exceeded the target of a minimum of 15 percent and amounts to 19 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 Stockholm.

The equity to assets ratio was also substantially strengthened mainly due to the new share issue, the conversion of shares from the convertible bond programme and the strong nine months profits.

Recipharm entered in September a new five-year SEK 1 500 million loan facility with three of the largest banks in Scandinavia. This revolving credit facility will serve as an additional resource to facilitate future expansion plans set in place for the business. This replaced the previous credit facility of SEK 604 million.

## Parent Company

Recipharm AB (publ) includes functions that provide services to the operating companies. The Parent Company's net sales were SEK 55.1 million (55.2) and operating loss was SEK -22.7 million (-22.8). Investments amounted to SEK 1.7 million (1.0).

## Employees

The number of employees (equivalent to full-time positions) during the period was 1 473 (1 483).

## Events after closing – Acquisition of Corvette Group

Recipharm announced 1 October the closing of the acquisition of Corvette Group. The estimated equity value was EUR 100 million (SEK 910 million) based on an Enterprise Value of EUR 120 million and financial debt of EUR 20 million. The purchase consideration was paid as 50 percent in cash, EUR 50 million, and 50 percent in an issued convertible bond. The duration of the convertible bond is one year and there is a lock up of the shares, if converted, until March 30 2015. The conversion price was set at SEK 91.10, based on the average trading price of the 10 trading days before the signing, 19 August.

The value of Corvette Group in Recipharm AB is estimated to a value of approximately SEK 1 000 million. Final value is determined after the finalisation of the Corvette Group financial closure at 30 September 2014. The difference between the estimated equity value above and the value of Corvette Group in Recipharm AB is due to the IFRS valuation principles. The main reason behind this higher value is the share price increase from the date of signing to the date of closing.

The Corvette Group's reported net sales 2013 amounted to EUR 57.7 million and an EBITDA of EUR 15.5 million.

## Shares and share related programs

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

A convertible bond was issued in relation to the acquisition of Corvette Group. The duration of the convertible bond is one year from October 1 2014. If fully converted, it will generate 5 030 549 new shares representing 11.9 percent of the share capital.

The extra Annual Shareholders meeting held 11 September authorized the Board to issue shares in relation to future acquisitions until the next ordinary Shareholders meeting. The Board may issue 10 percent more B shares in relation to the current total number of issued shares.

**The number of shareholders is 4,362 and the largest shareholders as of 30 September 2014 are as follows:**

| (% of share capital and votes): | Capital | Votes |
|---|---|---|
| B&E Participation AB [1/] | 44.6 | 86.4 |
| Lannebo fonder | 9.8 | 2.4 |
| SHB Fonder | 3.9 | 1.0 |
| Fjärde AP-fonden | 3.5 | 0.9 |
| Enter Fonder | 2.1 | 0.5 |

Foreign shareholders hold 15.4 percent of the share capital and 3.8 percent of the votes

[1/] The company is owned by Thomas Eldered and Lars Backsell. In October the shares were split to the owners separate companies.

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.

## Nomination committee

The members of the nomination committee are elected based on the principles decided at the Annual Shareholders meeting 10 March 2014. These principles are described in Recipharms home page. The nomination committee will present their proposal to the next Annual Shareholders meeting, 7 May 2015.
The members in the nomination committee are:
Lars Backsell, Chairman
Per Lundborg representing B&E Participation AB
Frank Larsson representing SHB Fonder
Johan Lannebo representing Lannebo fonder.

## Financial calender

| | |
|---|---|
| Full Year report 2014: | 19 February 2015 |
| Interim report January – March 2015 | 7 May 2015 |
| Interim report January – June 2015 | 23 July 2015 |
| Interim report January – September 2015 | 5 November 2015 |
| Annual Shareholders meeting | 7 May 2015 |

The Annual Shareholders meeting will be held in Stockholm. The Annual report 2014 will be available in April 2015.

Jordbro, 7 November 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 not been reviewed by the company's auditors.*

## Financial statements

**Consolidated statement of profit and loss**

| (SEK million) | Note | Jul - Sep 2014 | Jul - Sep 2013 | Jan - Sep 2014 | Jan - Sep 2013 | Full year 2013 |
|---|---|---|---|---|---|---|
| **Operating Income** | | | | | | |
| Net sales | 1 | 507,6 | 504,8 | 1 696,4 | 1 551,8 | 2 124,6 |
| Other operating revenue | | 9,7 | 2,4 | 22,2 | 20,1 | 36,7 |
| | | **517,2** | **507,2** | **1 718,6** | **1 571,9** | **2 161,3** |
| **Operating expenses** | | | | | | |
| Raw materials and consumables | | -149,6 | -153,2 | -460,5 | -431,1 | -580,7 |
| Other external costs | | -131,4 | -113,1 | -379,4 | -346,9 | -468,6 |
| Employee benefits expense | | -180,0 | -169,9 | -610,4 | -574,2 | -806,6 |
| Depreciation and amortisation | | -25,8 | -24,0 | -75,1 | -69,2 | -94,9 |
| Other operating expenses | | -5,2 | -3,4 | -16,4 | -16,9 | -22,5 |
| | | **-491,9** | **-463,6** | **-1 541,8** | **-1 438,3** | **-1 973,2** |
| **Operating profit** | | **25,3** | **43,6** | **176,8** | **133,6** | **188,1** |
| Interest income and similar revenues | | 2,8 | 0,0 | 8,4 | 7,1 | 6,8 |
| Interest expenses and similar costs | | -11,2 | -6,3 | -23,9 | -22,2 | -27,7 |
| **Net financial income/expense** | | **-8,4** | **-6,3** | **-15,5** | **-15,1** | **-20,9** |
| **Profit before tax** | | **16,9** | **37,3** | **161,3** | **118,5** | **167,1** |
| Current tax | | -8,6 | -10,1 | -50,2 | -35,8 | -72,7 |
| **Profit / loss for the period** | | **8,3** | **27,2** | **111,1** | **82,7** | **94,4** |

**Consolidated statement of comprehensive income**

| (SEK million) | Note | Jul - Sep 2014 | Jul - Sep 2013 | Jan - Sep 2014 | Jan - Sep 2013 | Full year 2013 |
|---|---|---|---|---|---|---|
| **Items that may be reclassified subsequently to profit or loss** | | | | | | |
| Translation differences | | -2,0 | -3,0 | 7,4 | 5,9 | 14,5 |
| **Total** | | **-2,0** | **-3,0** | **7,4** | **5,9** | **14,5** |
| **Items that will not be reclassified to profit or loss** | | | | | | |
| Actuarial losses on pensions | | -11,8 | -0,7 | -15,5 | -2,1 | -3,0 |
| Deferred tax relating to items that will not be reclassified | | 3,3 | 0,2 | 4,3 | 0,6 | 0,7 |
| **Total** | | **-8,4** | **-0,5** | **-11,1** | **-1,5** | **-2,3** |
| **Other comprehensive income for the period** | | **-10,5** | **-3,5** | **-3,8** | **4,4** | **12,2** |
| **Comprehensive income for the period** | | **-2,2** | **23,7** | **107,3** | **87,1** | **106,6** |
| **Net profit distributed to:** | | | | | | |
| Parent company´s shareholders | | 8,3 | 27,2 | 111,1 | 82,7 | 94,4 |
| | | **8,3** | **27,2** | **111,1** | **82,7** | **94,4** |
| **Group comprehensive income distributed to:** | | | | | | |
| Parent company´s shareholders | | -2,2 | 23,7 | 107,3 | 87,1 | 106,6 |
| | | **-2,2** | **23,7** | **107,3** | **87,1** | **106,6** |

**Earnings per share**

| | | Jul - Sep 2014 | Jul - Sep 2013 | Jan - Sep 2014 | Jan - Sep 2013 | Full year 2013 |
|---|---|---|---|---|---|---|
| **Parent company's shareholders:** | | | | | | |
| Earnings per share before dilution (SEK) | | 0,22 | 1,07 | 3,37 | 3,26 | 3,72 |
| Earnings per share after dilution (SEK) | | 0,22 | 1,03 | 3,37 | 3,11 | 3,56 |
| Profit before dilution (SEK thousand) | | 8 330 | 27 238 | 111 126 | 82 742 | 94 387 |
| Effect from potential shares (SEK thousand) | | 0 | 234 | 20 | 451 | 1 047 |
| Profit after dilution (SEK thousand) | | 8 330 | 27 472 | 111 146 | 83 193 | 95 434 |
| Average number of shares before dilution (thousand) | 2 | 37 189 | 25 371 | 32 952 | 25 371 | 25 371 |
| Potential shares (thousand) | 2 | 4 | 1 402 | 4 | 1 402 | 1 402 |
| Average number of shares after dilution (thousand) | | 37 193 | 26 774 | 32 956 | 26 774 | 26 774 |

| Consolidated statement of financial position | | | | |
|---|---|---|---|---|
| SEK million | Note | Sep 30 2014 | Sep 30 2013 | 31 Dec 2013 |
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Product rights | | 127,4 | 141,4 | 136,8 |
| Goodwill | | 80,3 | 75,8 | 78,2 |
| Other intangible assets | | 141,8 | 144,2 | 147,2 |
| Property, plant and equipment | | 532,1 | 423,4 | 451,9 |
| Other non-current assets | | 61,3 | 35,2 | 56,4 |
| **Total non-current assets** | | **942,9** | **820,0** | **870,5** |
| **Current assets** | | | | |
| Inventories | | 415,6 | 413,1 | 413,1 |
| Accounts receivable | | 270,8 | 257,6 | 237,2 |
| Other receivables | | 32,1 | 54,4 | 48,6 |
| Prepaid expenses and accrued income | | 50,0 | 45,5 | 50,9 |
| Cash and cash equivalents | | 983,4 | 174,6 | 190,2 |
| **Total current assets** | | **1 752,0** | **945,2** | **940,0** |
| **TOTAL ASSETS** | | **2 694,9** | **1 765,3** | **1 810,5** |
| **SHAREHOLDERS EQUITY AND LIABILITIES** | | | | |
| Share capital | | 18,6 | 12,7 | 12,7 |
| Other paid-in capital | | 1 325,2 | 515,2 | 515,2 |
| Reserves | | -110,2 | -111,2 | -106,4 |
| Retained earnings (including net profit) | | 370,9 | 244,9 | 259,5 |
| **Total equity** | | **1 604,5** | **661,5** | **680,8** |
| **Non-current liabilities** | | | | |
| Interest-bearing liabilities | | 570,8 | 357,0 | 359,1 |
| Provisions | | 127,5 | 89,5 | 114,9 |
| Deferred tax liability | | 54,6 | 56,0 | 59,3 |
| Other non-current liabilities | | 14,2 | - | - |
| **Total non-current liabilities** | | **767,0** | **502,4** | **533,3** |
| **Current liabilities** | | | | |
| Interest-bearing liabilities | | 0,0 | 80,6 | 80,8 |
| Bank overdraft | | 0,0 | 175,5 | 160,2 |
| Accounts payable | | 116,2 | 122,2 | 112,6 |
| Tax liabilities | | 10,0 | 5,5 | 40,8 |
| Other liabilities | | 27,7 | 48,1 | 44,1 |
| Accrued expenses and prepaid income | | 169,5 | 169,4 | 158,0 |
| **Total current liabilities** | | **323,3** | **601,3** | **596,4** |
| **TOTAL EQUITY AND LIABILITIES** | | **2 694,9** | **1 765,3** | **1 810,5** |
| | | | | |
| Pledged assets | | 97,3 | 506,3 | 542,0 |
| Contingent liabilities | | 570,8 | 10,9 | 25,0 |

## Consolidated cash flow statement

| SEK million | Jan - Sep 2014 | Jan - Sep 2013 | Full year 2013 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before tax | 161,3 | 118,5 | 167,1 |
| Adjustments for items not affecting cash | | | |
| - Depreciation, amortisation and impairment of assets | 75,1 | 69,2 | 94,9 |
| - Changes in provisions | 9,1 | 8,2 | 22,7 |
| - Other | 5,1 | -1,4 | 10,3 |
| | **250,6** | **194,5** | **295,0** |
| Income taxes paid | -90,7 | -58,8 | -76,9 |
| **Operating cash flow before changes in working capital** | **159,9** | **135,7** | **218,1** |
| *Cash flow from changes in working capital:* | | | |
| Change in inventories | 4,8 | -21,2 | -15,0 |
| Change in operating receivables | -21,8 | -47,3 | -19,3 |
| Change in operating liabilities | 25,2 | 16,0 | -4,2 |
| **Operating cash flow** | **168,1** | **83,1** | **179,6** |
| *Investing activities* | | | |
| Acquisition of property, plant and equipment | -112,2 | -48,7 | -82,4 |
| Disposal of property, plant and equipment | - | - | 0,7 |
| Acquisition of intangible assets | -12,0 | -9,3 | -14,7 |
| Purchase consideration payable, subsidiares | -17,9 | - | - |
| Acquisition of financial assets | -8,0 | - | -7,7 |
| **Cash flow from investing activities** | **-150,2** | **-58,0** | **-104,1** |
| *Financing activities* | | | |
| Dividend paid to Parent Company shareholders | - | -50,7 | -50,7 |
| New share issue | 777,7 | - | - |
| Redemption convertible bonds | -0,8 | - | - |
| Change in bank overdraft | -160,2 | 29,3 | 12,7 |
| Loans raised | 576,8 | - | - |
| Repayment of borrowings | -425,4 | -11,3 | -21,8 |
| **Cash flow from financing activities** | **768,1** | **-32,8** | **-59,9** |
| **Total cash flow for the period** | **786,0** | **-7,7** | **15,6** |
| Cash and cash equivalents at beginning of period | 190,2 | 179,2 | 179,2 |
| Translation difference on cash and cash equivalents | 7,2 | 3,0 | -4,6 |
| **Cash and cash equivalents at end of period** | **983,4** | **174,6** | **190,2** |
| Interest received | 0,0 | 0,4 | 0,6 |
| Interest paid | -11,2 | -12,6 | -20,1 |

## Consolidated statement of changes in equity

| SEK million | Share capital | Other paid-in capital | Reserves | Profit brought forward | Total equity |
|---|---|---|---|---|---|
| **Equity at 1 January 2013** | **12,7** | **515,2** | **-118,6** | **215,8** | **625,1** |
| | | | | | |
| Profit for the year 2013 | | | | 94,4 | 94,4 |
| Dividend | | | | -50,7 | -50,7 |
| Other comprehensive income | | | 12,2 | | 12,2 |
| **Equity at 31 December 2013** | **12,7** | **515,2** | **-106,4** | **259,5** | **680,8** |
| | | | | | |
| Profit for the period 2014 | | | | 111,1 | 111,1 |
| Transactions with owners: | | | | | |
| New share issue | 5,9 | 810,0 | | | 815,9 |
| Share savings program | | | | 0,3 | 0,3 |
| Other comprehensive income | | | -3,8 | | -3,8 |
| **Equity at 30 September 2014** | **18,6** | **1 325,2** | **-110,2** | **370,9** | **1 604,5** |

## Parent company statement of profit and loss

| SEK million | Jul - Sep 2014 | Jul - Sep 2013 | Jan - Sep 2014 | Jan - Sep 2013 | Full year 2013 |
|---|---|---|---|---|---|
| **Operating Income** | | | | | |
| Net sales | 18,1 | 18,4 | 55,1 | 55,2 | 73,9 |
| Other operating revenue | 0,1 | 0,1 | 0,8 | 1,2 | 2,0 |
| | **18,2** | **18,5** | **55,9** | **56,3** | **75,9** |
| **Operating expenses** | | | | | |
| Other external costs | -11,7 | -7,9 | -34,6 | -38,5 | -55,9 |
| Employee benefits expense | -11,7 | -10,4 | -40,1 | -36,3 | -51,0 |
| Depreciation and amortisation | -1,3 | -0,8 | -3,8 | -2,5 | -3,3 |
| Other operating expenses | 0,0 | -0,1 | -0,2 | -1,8 | -1,9 |
| | **-24,7** | **-19,2** | **-78,6** | **-79,1** | **-112,1** |
| **Operating profit/loss** | **-6,5** | **-0,7** | **-22,7** | **-22,8** | **-36,3** |
| Financial items | -28,7 | -2,5 | 9,7 | 36,2 | 12,1 |
| **Profit/loss after financial items** | **-35,2** | **-3,2** | **-13,0** | **13,4** | **-24,2** |
| Appropriations and tax | 1,5 | 0,0 | 5,8 | 0,0 | -35,5 |
| **Profit / loss for the period** | **-33,7** | **-3,2** | **-7,3** | **13,4** | **-59,7** |

## Parent company statement of financial position

| SEK million | Sep 30 2014 | Sep 30 2013 | 31 Dec 2013 |
|---|---|---|---|
| **ASSETS** | | | |
| Non-current assets | 661,4 | 740,3 | 739,0 |
| Current assets | 1 020,4 | 195,8 | 161,9 |
| **TOTAL ASSETS** | **1 681,9** | **936,1** | **900,9** |
| | | | |
| **SHAREHOLDERS EQUITY AND LIABILITIES** | | | |
| Equity | 1 072,1 | 281,1 | 237,5 |
| Liabilities | 609,8 | 655,1 | 663,4 |
| **TOTAL EQUITY AND LIABILITIES** | **1 681,9** | **936,1** | **900,9** |

## 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:
B&E Participation AB for a value of SEK 0.1m (1.1).
Prokarium Ltd for a value of SEK 0.0 m (0.4).
Recipharm Pharmaceutical Development AB provided development services to Empros Pharma AB of SEK 0.8m (0.0).
Recipharm AB (publ) has paid 0.0 million (0.6) 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 37 188 875, of which 12 685 716 shares of serie A and 24 503 159 of serie B. Potential shares are related to Recipharm's share-based incentive program.

## Note 3 Segment analysis

| (SEK million) | Jan - Sep 2014 | | | | | Jan - Sep 2013 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | MFG-SE | MFG-EU | D&T | Other | Total | MFG-SE | MFG-EU | D&T | Other | Total |
| Net sales, external | 637,0 | 843,6 | 215,8 | 0,0 | 1696,4 | 636,8 | 797,5 | 117,1 | 0,5 | 1551,8 |
| Net sales, internal | 38,7 | 40,0 | 1,8 | 55,1 | 135,6 | 7,5 | 43,0 | 3,8 | 54,7 | 109,1 |
| EBITDA | 70,2 | 160,2 | 64,5 | -43,0 | 251,9 | 49,9 | 152,6 | 19,2 | -18,9 | 202,9 |
| Depreciations | 14,8 | 45,7 | 14,2 | 0,5 | 75,1 | 12,2 | 43,7 | 10,8 | 2,4 | 69,2 |
| Impairments | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| EBIT | 55,4 | 114,6 | 50,3 | -43,5 | 176,8 | 37,7 | 108,9 | 8,3 | -21,3 | 133,6 |
| | | | | | | | | | | |
| Non current assets | 95,9 | 644,3 | 184,5 | 18,2 | 942,9 | 84,3 | 554,0 | 156,3 | 25,5 | 820,0 |
| Total assets | 453,0 | 1146,1 | 312,3 | 783,5 | 2694,9 | 431,9 | 1068,9 | 212,7 | 51,7 | 1765,2 |
| Goodwill | 0,0 | 80,3 | 0,0 | 0,0 | 80,3 | 0,0 | 75,8 | 0,0 | 0,0 | 75,8 |

## Net sales major customers

| | Segment | Jan - Sep 2014 | Jan - Sep 2013 |
|---|---|---|---|
| Customer X | MFG/D&T | 422,9 | 369,8 |
| Customer Y | MFG/D&T | 267,0 | 302,5 |
| Customer Z | MFG | 245,0 | 264,3 |
| Other customers | MFG/D&T | 761,4 | 615,1 |
| **Total** | | **1696,4** | **1551,8** |

## Geographical area

| | Net sales Jan - Sep | | Fixed assets | |
|---|---|---|---|---|
| | 2014 | 2013 | Sep30 2014 | Sep30 2013 |
| Sweden | 828,6 | 754,1 | 298,6 | 266,0 |
| Other | 867,8 | 797,7 | 644,3 | 554,0 |
| **Total** | **1696,4** | **1551,8** | **942,9** | **820,0** |

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 pharmacuetical companies and development and sales through distributors of own products. The segment reporting is based on the structure the management follow the business.