

October - December 2014

- Net sales amounted to SEK 873 million (573), an increase of 52% compared to same quarter last year (48% in fixed FX-rates)
- EBITDA increased by 84% compared to same quarter last year and amounted to SEK 147 million (80)
- Operating profit (EBIT) amounted to SEK 95 million (54), giving an operating margin of 10.9% (9.5)
- Profit after tax amounted to SEK 49 million (12), giving a net margin of 5.6% (2.0)
- Earnings per share amounted to SEK 1.24 (0.46), after dilution 1.18 (0.46)
- 2014 acquisitions generated SEK 255.5 million in sales and 58.4 in EBIT excluding acquisition costs.

January - December 2014

- Net sales amounted to SEK 2 569 million (2 125), an increase of 21% compared to last year (18% in fixed FX rates)
- EBITDA increased by 41% compared to last year and amounted to SEK 399 million (283)
- Operating profit (EBIT) amounted to SEK 272 million (188), giving an operating margin of 10.6% (8.9)
- Profit after tax amounted to SEK 160 million (94), giving a net margin of 6.2% (4.4)
- Earnings per share amounted to SEK 4.63 (3.72), after dilution 4.13 (3.66)
- Cash flow from operating activities was SEK 254 million (180)
- Net debt to Equity was 0.5 (0.6)
- Proposed share dividend is SEK 1.25 per share

21%

Increase in Net sales

399 MSEK

EBITDA

10.6%

Operating margin

Key figures						
SEK million	Oct – Dec		Change in %	Jan – Dec		Change in %
	2014	2013		2014	2013	
Net sales	872.9	572.8	52.4	2 569.3	2 124.6	20.9
Net sales (constant FX rates)	846.1		47.7	2 496.8		17.5
EBITDA	147.4	80.2	83.9	399.3	283.0	41.1
EBIT	95.3	54.5	75.0	272.1	188.1	44.7
EBIT margin (%)	10.9	9.5		10.6	8.9	
Earnings per share	1.24	0.46		4.63	3.72	
Non-recurring items	16.6	4.2		19.2	6.5	
Return on equity (%)				11.4	14.5	
Return on operating capital (%)				12.4	17.6	
Equity to assets (%)				39.4	37.6	
Net debt				1 163.7	409.9	
Net debt to Equity				0.5	0.6	
Net debt to EBITDA				2.9	1.4	

Thomas Eldered, CEO:

“Sales in the fourth quarter were at the highest level ever for an individual quarter, even without acquisitions. The positive organic growth seen previously in the year has continued, with Recipharm thus delivering a very strong year. Our twentieth year after we founded the company in 1995 has been full of corporate activities and Recipharm is now ideally positioned to continue towards our vision and long term objectives.

During the fourth quarter we completed three important acquisitions, in Italy, Portugal and France. Combined, these acquisitions provide access to highly interesting new markets, increases technical capabilities in high demand, significantly add to our intellectual property backed business and add a number of high potential customers. Integration into the Recipharm group is progressing according to plan and still ongoing, but we already see significant additional opportunities to explore. The acquisitions have contributed well in line with plan so far, increasing group revenue by 45% and EBITDA by 82% in the fourth quarter. We have financed these acquisitions mostly with bank financing and equity. We are comfortable with the current Net debt to EBITDA level of 2.9 and it will be reduced when the whole year EBITDA effect from the acquisitions is realized.

The Development & Technology segment performed exceptionally well, benefiting from currency tailwinds, strong demand and certain favorable non-recurring items. Manufacturing Services, excluding acquisitions, showed weaker performance throughout the year, due to several non-recurring items as well as a discontinued distribution business. The strategically important lyophilisation capacity expansion project in Germany continued according to plan with production scheduled to begin towards the end of 2016. During the fourth quarter a major customer served notice of termination of a manufacturing contract for a range of beta-lactam products. The concerned production site in Strängnäs will continue operation also beyond this withdrawal, however at less capacity.

In the short term we expect limited organic growth and margins will be under some pressure with impact from discontinued businesses and less of favorable one-off items. We see however a positive development both in sales from new projects and in the number of quotations we offer. Following the increased share of IP backed business we foresee an increase in seasonal variation, with a relatively stronger fourth quarter and a somewhat weaker first quarter going forward. An important new regulatory requirement for pharmaceutical manufacturers is demands for traceability of single retail packages (“serialization”). We are well positioned for this and have already introduced this for some markets. We expect to invest a total of around SEK 150 million during the next three years in order to comply with these new regulations. The cost for this is expected to be covered by our customers.

Going forward, acquisitions will continue to be an important growth driver and we see several highly interesting opportunities to pursue during the coming year, in particular in new geographies. However, organic growth driven by a pipeline of projects from Development & Technology will play an increasingly important role. We will therefore increase significantly our investments in strategic collaboration, technology development as well as product development. In addition we will continue to invest in manufacturing capabilities where we see high demand. In combination with exploring promising opportunities following completed acquisitions, we expect important contributions to organic growth from these investments in the mid- to long term”

The company invites investors, analysts and media to a telephone conference with a web presentation (in English) on 19 February 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 CDMO (Contract Development and Manufacturing Organisation) in the pharmaceutical industry employing some 2,200 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 400 different products to customers ranging from Big Pharma to smaller research- and development companies. Recipharm's turnover is approximately SEK 3.3 billion and the Company operates development and manufacturing facilities in Sweden, France, the UK, Germany, Spain, Italy and Portugal 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				
SEK million	Oct - Dec		Jan - Dec	
	2014	2013	2014	2013
Manufacturing Services Sweden (MFG-SE)	280.7	257.5	956.4	901.8
Manufacturing Services Europe (MFG-EU)	456.0	279.5	1 339.6	1 120.0
Development & Technology (D&T)	181.6	53.9	399.1	174.8
Eliminations and others	-45.5	-18.0	-125.8	-71.9
Total	872.9	572.8	2 569.3	2 124.6

October-December 2014

The sales were strong even without including the effect from the acquisitions. Net sales increased by SEK 300.1 million and amounted to SEK 872.9 million, an increase of 52 percent, adjusted for currency effect of SEK 26.8 million, the sales increased by 48 percent. The acquisitions made in Q4 2014, contributed SEK 255.5 million or 45 percent to the sales increase. The sales, excluding acquisitions and currency effect, increased SEK 17.7 million giving an increase by 3.1 percent. The sales previous year were strong and the sales this quarter were also on a high level. The high sales are due to continued strong sales of Thyrosafe and increased sales from new projects which more than balance the loss of distribution revenues of SEK 7.3 million in France.

Sales for MFG-SE increased by SEK 23.2 million to SEK 280.7 million, an increase of 9 percent. The increase was mainly due to an increase in internal sales of Thyrosafe. The new production line in Höganäs also became fully operational in Q4.

MFG-EU increased sales by SEK 176.5 million to SEK 456.0 million, representing an increase of 63 percent. The increase consisted of sales from the Q4 acquisitions of SEK 155.1 million, a positive currency effect of SEK 25.0 million and increased sales for new projects, which balance the lower revenues (SEK 7.3 million) resulting from the reduced distribution services in France. Last year quarterly sales were also strong in this segment.

D&T increased sales by SEK 127.7 million to SEK 181.6 million, an increase of 237 percent. The main reasons for this increase are sales from the Q4 acquisitions of SEK 100.4 million and increased sales of Thyrosafe.

January-December 2014

Net sales increased by SEK 444.7 million and amounted to SEK 2,569.3 million, an increase of 21 percent, of which 5% organic growth. The improvement compared to the previous year was largely due to the Q4 acquisitions generating SEK 256 million additional sales. The increase also includes a positive currency effect of SEK 72 million, increased sales from our product rights in D&T, especially Thyrosafe which generated sales of SEK 91.2 million (1.4). There are also increased sales compared to last year from new projects in manufacturing and retroactive price increases for 2013.

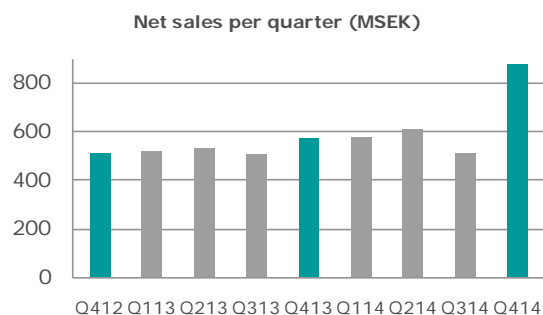
Other operating revenue

October-December 2014

Other operating revenue amounted to SEK 20.8 million (16.6) mainly consisting of exchange gains on operating receivables and liabilities.

January-December 2014

Other operating revenue amounted to SEK 43.0 million (36.7) mainly consisting of re-invoicing of expenses and exchange gains on operating receivables and liabilities.



Profit

Operating profit

October-December 2014

Operating profit (EBIT) amounted to SEK 95.3 million (54.5), a increase of 75 percent. The main reason for the increase was the operating profit of SEK 41.8 million generated from the acquisitions. The currency effect on operating profit is SEK 3.6 million. Excluding acquisitions and currency effect, the operating profit decreased SEK 4.4 million. The main reasons for this decrease, in spite of higher sales, are negative product mix effect in the material cost and increase of temporary staff from agencies in the Swedish manufacturing sites.

RAW MATERIALS AND CONSUMABLES

Raw materials and consumables amounted to SEK 243.4 million (149.6). The increase is mainly related to the acquisitions, SEK 73.8 million and exchange rate effects, circa SEK 6 million. There is also an increase related to the product mix, where more products with higher material ratio have been produced compared to last year.

OTHER EXTERNAL COSTS

Other external costs amounted to SEK 209.3 million (121.7). The increase is mainly related to the acquisitions, 62 SEK million of which ca SEK 16 million are specific acquisition cost. In addition there are also exchange rate effects, ca SEK 7 million, increased commission for our product rights, circa SEK 3 million and more use of temporary staff from agencies mainly due to the upgrade project of the ERP system in the Swedish sites.

EMPLOYEE BENEFITS EXPENSE

Employee benefits expense amounted to SEK 278.2 million (232.4). The increase is mainly related to the acquisitions, 51.9 SEK million, currency effect of circa SEK 8 million and some increase in salary costs related to annual salary increases. The ratio to sales has decreased as there is some reductions in number of employees, partly related to the increase in temporary staff from agencies, see external costs above, and a cost of SEK 18 million in France and the UK for redundancies booked in 2013.

DEPRECIATION, AMORTISATION AND IMPAIRMENT

Depreciation and amortization amounted to SEK 52.0 million (25.7). The increase is mainly related to the acquisitions, SEK 24.5 million, of which SEK 14.6 are amortization related to intangible assets in Corvette and Lusomedicamenta at Group level. There is also some increase compared to last year due to increased level of investments compared to the year before in some manufacturing sites.

EBIT per segment				
SEK million	Oct - Dec		Full year	
	2014	2013	2014	2013
Manufacturing Services Sweden (MFG-SE)	19.7	27.7	75.1	65.4
Manufacturing Services Europe (MFG-EU)	67.1	36.0	181.7	144.8
Development & Technology (D&T)	23.8	9.2	74.1	17.6
Eliminations and others	-15.3	-18.5	-58.7	-39.7
Total	95.3	54.5	272.1	188.1

October-December 2014

Operating profit for MFG-SE decreased by SEK 8.0 million to SEK 19.7 million, equivalent to an operating margin of 7.0 percent (10.7), in spite of increased sales during the quarter. The decrease is mainly due to product mix effect and project costs for an upgrade of the ERP system in the Swedish sites, which is finalized during Q1 2015.

Operating profit for MFG-EU increased by SEK 31.1 million to SEK 67.1 million, equivalent to an operating margin of 14.7 percent (12.9). The increase in is mainly due to the effect from Q4 acquisitions amounting to SEK 35.5 million (excluding acquisition costs of circa SEK 2 million), a currency effect of ca SEK 3 million and acquisition costs. Excluding acquisitions, the business performed well even if not as good as the strong Q4 previous year, but balanced most of the lost distribution revenues of SEK 7.3 million in France with an increase in sales from new projects.

Operating profit for D&T increased by SEK 14.6 million to SEK 23.8 million, equivalent to an operating margin of 13.1 percent (17.1). The Q4 acquisitions generated SEK 22.9 million (excluding acquisition costs of circa SEK 8 million). The other business, pre-acquisitions, performed in line with the strong Q4 last year.

January-December 2014

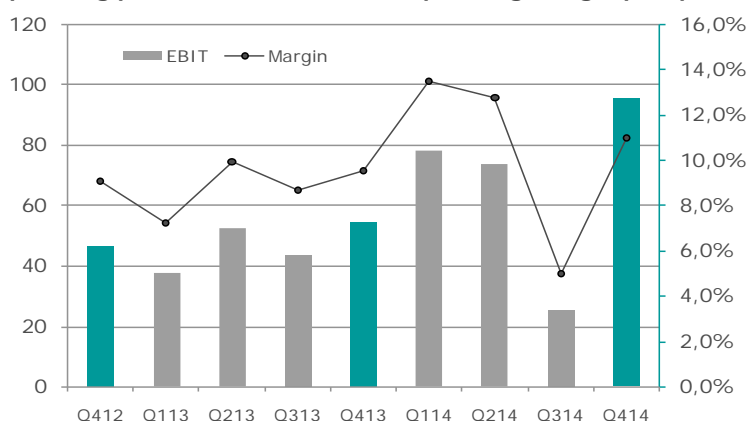
Operating profit (EBIT) amounted to SEK 272.1 million (188.1), an increase of 45 percent, which is equivalent to an operating margin of 10.6 percent (8.9). There was positive growth in all segments, mainly related to the increased sales and productivity improvements.

Operating profit for MFG-SE increased by SEK 9.7 million to SEK 75.1 million, equivalent to an operating margin of 8.2 percent (5.8). The improvement is mainly related to the sales increase and productivity improvements.

Operating profit for MFG-EU increased by SEK 36.9 million to SEK 181.7 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 56.5 million to SEK 74.0 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



Financial items

October-December 2014

Interest income and similar revenues amounted to SEK 0.9 million (1.3) of which SEK 0.2 million (0.1) was interest income. Interest expenses and similar costs amounted to SEK -41.5 million (8,9) of which SEK 3.3 million (4.8) was bank loan interest, SEK 17.2 million (-1.5) was translation differences on external loans and SEK 17.9 million (0.0) was loss from revaluation of the convertible bond. The interest rate is more favorable as a result of the new loan facility signed in Q3.

January-December 2014

Interest income and similar revenues amounted to SEK 9.3 million (6.8) of which SEK 2.3 million (0.5) was interest income. Interest expenses and similar costs amounted to SEK -65.4 million (-27.7) of which SEK 14.3 million (19.4) was bank loan interest, SEK 22.2 was translation differences on external loans, SEK 17.9 million was loss from revaluation of the convertible bond and SEK 6.0 million, mainly arrangement costs in relation to the new loan facility.

Profit after tax

October-December 2014

Profit after tax amounted to SEK 49.1 million (11.7), an increase of SEK 37.4 million which is mainly related to the increase in operating profit and reduced tax rate mainly due to accumulated tax losses in previous years in Sweden.

January-December 2014

Profit after tax amounted to SEK 160.3 million (94.4), an increase of SEK 65.9 million which is related to the improved operating profit. The effective tax rate of 25.9 percent is less than last year 43.5 percent. The main reason for this is the lower tax in Q4 as mentioned above, and the high tax Q4 2013, as the effect of the tax litigation case was taken then.

Acquisitions

During the fourth quarter Recipharm acquired three businesses. Corvette Pharmaceutical Group (“Corvette”) in Italy was acquired as of 1 October, Lusomedicamenta in Portugal as of 1 November and the Pessac operations from Flamel Technologies SA (“Flamel”) was acquired as of 1 December.

Corvette, with 305 employees (FTEs), was valued at an enterprise value of EUR 120 million and an EV/EBITDA multiple of 8.0, based on 2013 pro forma numbers. The purchase price was SEK 998 million, of which circa 50 percent was paid in cash and 50 percent in a convertible bond issue. The convertible bond was fully converted in February 2015.

Lusomedicamenta, with 203 employees (FTEs), was valued at an enterprise value of EUR 112 million and an EV/EBITDA multiple of 8.8, based on 2013 pro forma numbers. The purchase price was SEK 1,039 million, of which circa 60 percent was paid in cash and 40 percent in a new share issue.

Recipharm Pessac, former a part of Flamel, with 118 employees (FTEs), was an asset deal including the ongoing operations. The business, including working capital, was bought at a price of EUR 10.6 million (SEK 101.8 million). Recipharm also acquired shares in Flamel, who is listed at Nasdaq in the US, representing circa 2.3 percent of the shares in Flamel at a price of EUR 10.5 million (SEK 100.8 million).

The P&L impact 2014 of the completed acquisitions are presented below.

P&L impact completed acquisitions						
	Net Sales		EBIT		EBITDA	
SEK million	Oct-Dec	Oct-Dec	Jan-Dec	Oct-Dec	Jan-Dec	
Corvette Pharmaceuticals (IT)	149.1	30.2	30.2	44.2	44.2	
Lusomedicamenta (PT)	94.3	25.7	25.7	35.8	35.8	
Pessac (FR)	12.1	2.5	2.5	2.9	2.9	
Acquisition costs		-16.6	-19.2	-16.6	-19.2	
Total	255.5	41.8	39.2	66.3	63.7	

In addition to the acquisition costs of SEK 19.2 million, there are also costs related to the convertible bond issue part of the Corvette acquisition and the issue of shares related to the Lusomedicamenta acquisition, which are booked as equity, amounting to SEK 4.8 million in total. Group amortizations, related to group intangible assets part of the acquisitions, amounts to SEK 6.4 million for Corvette and 7.3 million for Lusomedicamenta for both the quarter and the full year period, as the acquisitions were all done in Q4.

Further acquisition details are presented in note 4.

Cash flow

Cash flow	Full year	
	2014	2013
SEK million		
Cash flow from operating activities before changes in working capital	320.8	218.1
Cash flow from changes in working capital	-66.6	-38.5
Cash flow from investing activities	-1 456.8	-104.1
Cash flow from financing activities	1 405.3	-59.9
Total cash flow	202.7	15.6

Cash flow from operating activities increased, mainly related to the strong operating profit during the period.

Changes in working capital was SEK -66.6 million. The fourth quarter increased the cash flow from working capital by SEK 45 million, mainly due to the increased profit but negatively affected by higher level of account receivables as the invoicing level was high in December.

Cash flow from investing activities was much higher than in the previous period, mainly due to the payments for the acquisitions (net of cash) of SEK 1062.7 million, the capacity investment in Wasserburg of SEK 72.8 million and the financial investments of shares in Flamel Technologies and Isofol of SEK 105.3 million. There is also a higher level of investment in capacity in some sites and a final purchase consideration for the operations in Fontaine (acquired in 2009) of SEK 17.9 was paid.

The financing activities are also on a much higher level than the year before due to the 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 combined net proceeds of SEK 776.9 million. A new loan was signed in September mainly to make the cash payments related to acquisitions. The previous loan facility was repaid in conjunction with the new loan facility.

Financing and returns

Key figures financing and return	Full year	
	2014	2013
Return on operating capital (%)	12.4	17.6
Net debt to EBITDA	2.9	1.4
Equity to assets	39.4	37.6

The return on operating capital decreased from the previous year of 17.6 percent down to 12.4 percent as a result of the increase in operating capital from the acquisitions made in Q4. The target of 15 percent or more is therefore not achieved and will likely not be for a few years forward.

The net debt to EBITDA was -0.3 end of September 2014, but is now 2.9. The increase is mainly due to the increase of net debt during Q4 to finance acquisitions. Also, the effect on EBITDA is also rather small as the EBITDA impact from the acquisitions includes only 1, 2 or 3 months of generated result from these acquisitions. The interest bearing debt at 31 December 2014 amounts to SEK 1,540.7 million of which SEK 1,453.6 million is used of the SEK 1.5 billion loan facility.

The equity to assets ratio was also strengthened compared to last year mainly due to the new share issues in relation to the IPO and the acquisition of Lusomedicamenta and the strong full year profit.

Parent Company

Recipharm AB (publ) includes functions that provide services to the operating companies. The parent company's net sales were SEK 77.4 million (73.9) and operating loss was SEK -33.4 million (-36.3). Investments amounted to SEK 1.7 million (2.0).

Employees

The number of employees (equivalent to full-time positions "FTE") during the period was 1 564 (1 521), of which 93 FTEs comes from the acquisitions. On a full year basis, including the full year effect from the acquisitions, the total number of FTEs are 1 997 in the Recipharm group.

Events after closing

The sellers of Corvette was partially paid in convertible bonds. They have in February 2015 converted all their convertible bonds into new shares of serie B.

Shares and share related programs

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

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

(% of share capital and votes):	Capital	Votes
Flerie Participation AB ^{1/}	25.1	43.5
Cajelo Invest AB ^{1/}	15.7	41.0
Lannebo fonder	11.5	3.0
Fjärde AP-fonden	5.8	1.5
SHB Fonder	2.4	0.6

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

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

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. It has been fully converted now in February 2015. It was converted to 5 030 543 new shares representing 11 percent of the share capital. The total number of shares as of 31 December amounted to 40 688 875 and now after the full conversion the total number of shares amounts to 45 719 418.

Share dividend, proposal

The Board propose a share dividend of SEK 1.25 per share. This amounts to SEK 57.1 million which equals 35.7 percent of the net profit in line with the share dividend policy, 30-50% of net profit.

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 Recipharm's 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 Recipharm AB (publ)
Per Lundborg, representing Flerie Participation AB and Cajelo Invest AB
Frank Larsson, representing SHB Fonder
Johan Lannebo, representing Lannebo fonder.

Financial calendar

Annual Shareholders meeting 2015	7 May 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

The Annual Shareholders meeting will be held 14.00 7 May at Recipharm's premises at Lagervägen 7, Jordbro south of Stockholm. The Annual report 2014 will be available 12 April 2015 at the Company's head office in Jordbro and website www.recipharm.com.

Jordbro, 19 February 2015

For the Board of Directors of Recipharm AB (publ)

Thomas Elderred, 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)	Not	Oct - Dec		Jan - Dec	
		2014	2013	2014	2013
Operating income					
Net sales	1	872,9	572,8	2 569,3	2 124,6
Other operating revenue		20,8	16,6	43,0	36,7
		893,7	589,5	2 612,3	2 161,3
Operating expenses					
Raw materials and consumables		-243,4	-149,6	-703,9	-580,7
Other external costs		-209,3	-121,7	-588,7	-468,6
Employee benefits expense		-278,2	-232,4	-888,6	-806,6
Depreciation and amortisation		-52,0	-25,7	-127,2	-94,9
Other operating expenses		-15,6	-5,6	-32,0	-22,5
Share of profit in participations	4	0,1	-	0,1	-
		-798,3	-535,0	-2 340,2	-1 973,3
Operating profit		95,3	54,5	272,1	188,1
Interest income and similar revenues		0,9	1,3	9,3	6,8
Interest expenses and similar costs		-41,5	-7,2	-65,4	-27,7
Net financial income/expense		-40,6	-5,9	-56,0	-20,9
Profit before tax		54,7	48,6	216,1	167,1
Current tax		-5,7	-36,9	-55,9	-72,7
Profit / loss for the period		49,1	11,7	160,2	94,4
Consolidated statement of comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Translation differences		57,8	8,6	65,2	14,5
Gains from fair value valuation of financial instruments		42,1	-	42,1	-
Deferred tax relating to items that may be reclassified		-9,3	-	-9,3	-
Total		90,6	8,6	98,0	14,5
Items that will not be reclassified to profit or loss					
Actuarial losses on pensions		-19,2	-0,9	-34,7	-3,0
Deferred tax relating to items that will not be reclassified		5,5	0,1	9,8	0,7
Total		-13,7	-0,8	-24,9	-2,3
Other comprehensive income for the period		76,9	7,8	73,1	12,2
Comprehensive income for the period		126,0	19,5	233,4	106,6
Net profit distributed to:					
Parent company´s shareholders		49,1	11,7	160,2	94,4
		49,1	11,7	160,2	94,4
Group comprehensive income distributed to:					
Parent company´s shareholders		126,0	19,5	233,4	106,6
		126,0	19,5	233,4	106,6

Earnings per share

	Oct - Dec		Jan - Dec	
	2014	2013	2014	2013
Parent company´s shareholders:				
Earnings per share before dilution (SEK)	1,24	0,46	4,63	3,72
Earnings per share after dilution (SEK)	1,18	0,46	4,13	3,66
Profit before dilution (SEK thousand)	49 052	11 676	160 247	94 387
Effect from potential shares (SEK thousand)	3 432	596	3 452	1 047
Profit after dilution (SEK thousand)	52 484	12 272	163 699	95 434
Average number of shares before dilution (thousand)	2	39 510	25 371	34 605
Potential shares (thousand)	2	5 047	1 402	5 051
Average number of shares after dilution (thousand)		44 557	26 774	39 656

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	625,0
Profit for the year 2013				94,4	94,4
Divident				-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				160,2	160,2
Transactions with owners:					
New share issue	7,7	1 208,4			1 216,1
Share-based incentive program				0,9	0,9
Other comprehensive income			98,0	-24,9	73,1
Equity at 31 December 2014	20,3	1 723,5	-8,4	395,7	2 131,3

Consolidated statement of financial position

SEK million	Note	Dec 31 2014	Dec 31 2013
ASSETS			
Non-current assets			
Product rights		290,3	136,8
Goodwill	4	936,2	78,2
Other intangible assets	4	1 242,8	147,2
Property, plant and equipment		1 051,9	451,9
Other non-current assets		93,4	56,4
Total non-current assets		3 614,6	870,5
Current assets			
Inventories		590,8	413,1
Accounts receivable		528,2	237,2
Short-term investments	4	137,3	-
Other receivables		70,7	48,6
Prepaid expenses and accrued income		57,5	50,9
Cash and cash equivalents		404,5	190,2
Total currents assets		1 781,9	940,0
TOTAL ASSETS		5 403,7	1 810,5
SHAREHOLDERS EQUITY AND LIABILITIES			
Share capital		20,3	12,7
Other paid-in capital		1 723,5	515,2
Reserves		-10,0	-106,4
Retained earnings (including net profit)		397,4	259,5
Total equity		2 131,3	680,8
Non-current liabilities			
Interest-bearing liabilities		1 555,0	359,1
Provisions		172,9	114,9
Deferred tax liability		395,0	59,3
Other non-current liabilities		13,5	-
Total non-current liabilities		2 136,4	533,3
Current liabilities			
Interest-bearing liabilities		8,4	80,8
Bank overdraft		4,8	160,2
Account payable		236,6	112,6
Tax liabilities		25,3	40,8
Other liabilities	4	621,3	44,1
Accrued expenses and prepaid income		239,7	158,0
Total current liabilities		1 136,1	596,4
TOTAL EQUITY AND LIABILITIES		5 403,7	1 810,5
Pledged assets		14,9	542,0
Contingent liabilities		472,4	25,0

Consolidated cash flow statement

SEK million	Note	Jan - Dec	
		2014	2013
Operating activities			
Profit before tax		216,1	167,1
Adjustments for items not affecting cash			
- Depreciation, amortisation and impairment of assets		127,2	94,9
- Changes in provisions		14,8	22,7
- Other		42,3	10,3
		400,4	295,0
Income taxes paid		-79,5	-76,9
Operating cash flow before changes in working capital		320,8	218,1
<i>Cash flow from changes in working capital:</i>			
Change in inventories		20,9	-15,0
Change in operating receivables		-86,8	-19,3
Change in operating liabilities		-0,7	-4,2
Operating cash flow		254,2	179,6
<i>Investing activities</i>			
Acquisition of property, plant and equipment		-182,3	-82,4
Disposal of property, plant and equipment		2,1	0,7
Acquisition of intangible assets		-89,5	-14,7
Acquisition of subsidiaries/operations, net of cash acquired	4	-1 062,7	0,0
Purchase consideration payable, subsidiaries		-17,9	-
Acquisition of financial assets		-106,5	-7,7
Cash flow from investing activities		-1 456,8	-104,1
<i>Financing activities</i>			
Dividend paid to Parent Company shareholders		-	-50,7
New share issue		777,7	-
Redemption convertible bonds		-0,8	-
Change in bank overdraft		-160,2	12,7
Loans raised		1 402,1	-
Repayment of borrowings		-613,4	-21,8
Cash flow from financing activities		1 405,3	-59,9
Total cash flow for the period		202,7	15,6
Cash and cash equivalents at beginning of period		190,2	179,2
Translation difference on cash and cash equivalents		11,5	-4,6
Cash and cash equivalents at end of period		404,5	190,2
Interest received		2,4	0,6
Interest paid		-14,3	-20,1

Parent company statement of profit and loss

SEK million	Oct - Dec		Jan - Dec	
	2014	2013	2014	2013
Operating Income				
Net sales	22,2	18,7	77,4	73,9
Other operating revenue	0,1	0,8	0,9	2,0
	22,3	19,6	78,2	75,9
Operating expenses				
Other external costs	-15,4	-17,4	-50,0	-55,9
Employee benefits expense	-16,1	-14,7	-56,2	-51,0
Depreciation and amortisation	-1,3	-0,7	-5,1	-3,3
Other operating expenses	-0,1	-0,1	-0,3	-1,9
	-33,0	-33,0	-111,6	-112,1
Operating profit/loss	-10,6	-13,4	-33,4	-36,3
Financial items	35,1	-24,1	73,3	12,1
Profit/loss after financial items	24,4	-37,6	39,9	-24,2
Appropriations and tax	-14,0	-35,5	-8,2	-35,5
Profit / loss for the period	10,4	-73,1	31,6	-59,7

Parent company statement of financial position

SEK million	Dec 31	Dec 31
	2014	2013
ASSETS		
Non-current assets	3 036,3	739,0
Current assets	447,2	161,9
TOTAL ASSETS	3 483,5	900,9
SHAREHOLDERS EQUITY AND LIABILITIES		
Equity	1 483,9	237,5
Liabilities	1 999,7	663,4
TOTAL EQUITY AND LIABILITIES	3 483,5	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 70 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 figures:

EBITDA	Earnings before interest, taxes, depreciation and amortization
Earnings per share (EPS)	Net result divided by average number of shares before dilution
Non-recurring items	Cost related to the IPO process and costs for completed acquisitions
Return on Equity	Net result divided by equity (average of starting and closing balance of period)
Operating capital (average)	Net debt plus equity (average of starting and closing balance of period)
Return on Operating Capital	Operating profit divided by average operating capital
Net debt	Interest-bearing debt minus cash

Amounts are in SEK million unless otherwise indicated.

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 (1.6).

Prokarium Ltd for a value of SEK 0.0m (0.5).

Recipharm AB (publ) has paid 0.0 million (0.4) as other external costs to B&E Participation AB.

Recipharm Pharmaceutical Development AB provided development services to Empros Pharma AB of SEK 1.4m (0.0).

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 were issued in relation to the convertible bond programme, from 2009, 1 374 407 new B shares were issued. As part of the purchase consideration for the acquisition of Lusomedicamenta 3 500 000 new shares were issued. After the new issues and the conversion from the convertible bond programme, the number of shares is 40 688 875, of which 12 685 716 shares of serie A and 28 003 159 of serie B. Potential shares are related to the convertible bond from the acquisition of Corvette and Recipharm's share-based incentive program.

Note 3 Segment analysis

(SEK million)	Jan - Dec 2014					Jan - Dec 2013				
	MFG-SE	MFG-EU	D&T	Other	Total	MFG-SE	MFG-EU	D&T	Other	Total
Net sales, external	895,8	1 275,3	398,2	0,0	2 569,3	892,1	1 060,5	171,5	0,5	2 124,6
Net sales, internal	60,6	64,2	0,9	-125,8	0,0	9,7	59,5	3,3	73,4	145,9
EBITDA	95,2	261,5	100,7	-57,9	399,3	82,0	204,1	33,3	-36,5	283,0
Depreciations	20,1	79,8	26,6	0,7	127,2	16,6	59,3	14,5	3,2	93,6
Impairments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	1,2	0,0	1,2
EBIT	75,1	181,7	74,1	-58,7	272,1	65,4	144,8	17,6	-39,7	188,1
Non current assets	97,0	2 876,6	487,2	153,8	3 614,6	102,8	589,3	152,9	25,3	870,5
Total assets	454,7	3 716,4	811,6	421,0	5 403,7	436,6	1 050,6	287,9	35,5	1 810,5
Goodwill	0,0	821,2	114,9	0,0	936,2	0,0	78,2	0,0	0,0	78,2

Net sales major customers 9

	Segment	Jan - Dec 2014	Jan - Dec 2013
Customer X	MFG/D&T	566,4	519,0
Customer Y	MFG/D&T	384,2	417,9
Customer Z	MFG	325,2	351,1
Other customers	MFG/D&T	1 293,4	836,6
Total		2 569,3	2 124,6

Geographical area

	Net sales Jan - Dec		Fixed assets	
	2014	2013	Dec31 2014	Dec31 2013
Sweden	1 168,7	1 062,7	412,7	281,1
Other	1 400,6	1 061,9	3 201,9	589,4
Total	2 569,3	2 124,6	3 614,6	870,5

The MFG-SE and MFG-EU segments core business is to manufacture pharmaceuticals on behalf of pharmaceutical companies. The MFG-SE segment includes the units in Sweden and MFG-EU the units in other Europe.

Development and Technology (D&T) segment primarily includes development services to pharmaceutical companies and development and sales through distributors of own products. The segment reporting is based on the structure the management follow the business.

Note 4 Acquisition of subsidiaries and net assets

Corvette Pharmaceutical Services Group

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

Total purchase consideration was SEK 997.9m, of which SEK 455.2m was paid in cash and SEK 542.7m by issuing a convertible bond.

Acquisition costs amount to SEK 5.5m and is reported as Other external costs. The consolidated statement of profit and loss for the period includes net sales of SEK 149.1m and operating profit of SEK 25.1 Mkr attributable to Corvette. Full year sales, including time before the acquisition, is estimated to be around SEK 554m and EBITDA around SEK 128m

Net assets in the acquired company were:	Carrying amount	Fair value adjustment	Fair value in the Group
Intangible assets 1)	20,9	484,5	505,4
Property, plant and equipment	204,9		204,9
Other non-current assets	10,9		10,9
Accounts receivable and other operating assets	222,0		222,0
Cash and cash equivalents	77,9		77,9
Deferred tax liability	5,5	164,4	169,9
Provisions	16,4		16,4
Interest-bearing liabilities	267,2		267,2
Accounts payable and other operating liabilities	128,0		128,0
Net identifiable assets and liabilities	119,6	320,1	439,7
Group goodwill 2)		558,2	558,2
Purchase consideration			997,9

1) Intangible assets consist of Customer contracts/relations SEK 299.6m, Product rights SEK 111.1m and corporate brands SEK 73.8m.

2) The value of goodwill represent the combined value of new customer relations, IP and synergies and the value of competence and experience among the employees.

Lusomedicament a Sociedade Técnica Farmacêutica S.A.

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

Total purchase consideration was SEK 1 038.9m, of which SEK 621.6m was paid in cash and SEK 404.9m by issuing 3.5 million new shares in Recipharm AB (publ). Additional purchase consideration amounting to SEK 12,4m will be paid in 2015 and is reported as Other current liabilities in the Statement of financial position.

Acquisition costs amount to SEK 3.8m and is reported as Other external costs. Costs attributable to the issuing of new shares amount to SEK 4.8m and is reported in Equity. The Consolidated statement of profit and loss for the period includes net sales of SEK 94.3m and operating profit of SEK 29.7m attributable to Lusomedicamenta. Full year sales, including time before the acquisition, is estimated to be around SEK 470m and EBITDA around SEK 120m.

Net assets in the acquired company were:	Carrying amount	Fair value adjustment	Fair value in the Group
Intangible assets 1)	0,2	730,7	730,9
Property, plant and equipment	107,0		107,0
Accounts receivable and other operating assets	180,9		180,9
Cash and cash equivalents	38,6		38,6
Deferred tax liability	0,0	175,4	175,4
Provisions	0,0		0,0
Interest-bearing liabilities	29,4		29,4
Accounts payable and other operating liabilities	118,5		118,5
Net identifiable assets and liabilities	178,8	555,3	734,1
Group goodwill 2)		304,8	304,8
Purchase consideration			1038,9

1) Intangible assets consist of Customer contracts/relations SEK 640.2m, Product rights SEK 47.6m and Trademarks 42.9m.

2) The value of goodwill represent the combined value of new customer relations, IP and synergies and the value of competence and experience among the employees.

Recipharm Pessac

Recipharm Pessac SAS was formed in October 2014, SEK 0.9 million in cash was paid for the shares. On December 1, 2014 the company acquired a business for development services from Flamel Technologies SA. Customer contracts and other operative contracts was transferred to Recipharm Pessac SAS. This acquisition will generate a strengthened offering of development services, partially in terms of a broader service offering and partially in terms of a proximity to existing and potential customers in south Europe.

Total purchase consideration was SEK 101,5m, all of which was paid in cash. In connection to the acquisition of the net assets Recipharm AB (publ) purchased shares in Flamel Technologies S.A. (the selling company). The shares are reported as current assets in the Statement of financial position. At closing, its fair value is estimated to SEK 137.3m

Net assets acquired were:	Carrying amount	Fair value adjustment	Fair value in the Group
Property, plant and equipment	98,9		98,9
Inventories	8,0		8,0
Provisions	5,1		5,1
Other operating liabilities	0,2		0,2
Net identifiable assets and liabilities	101,5	0,0	101,5
Group goodwill		0,0	0,0
Purchase consideration			101,5

Acquisition costs amounted to SEK 7.7m of which SEK 5.3m is reported as Other operating costs and SEK 2.4m as Other external costs. The Consolidated statement of profit and loss for the period includes net sales of SEK 12.0m and operating loss of SEK -5.4m attributable to Recipharm Pessac. As this business was one part of the larger Flamel business, it has not been possible with reasonable efforts to estimate the full year sales and result for the acquired business as it includes 11 months where it was one part of Flamel with no separate financial reporting.

Note 5 Financial assets and liabilities

	Fair value		Carrying amount	
	2014-12-31	2013-12-31	2014-12-31	2013-12-31
Financial assets				
Other securities held as non-current assets	46,4	22,4	46,4	22,4
Short-term investments	137,3	–	137,3	–
Other receivables	33,9	14,5	33,9	14,5
Cash and cash equivalent, bank balances	404,5	190,2	404,5	190,2
	622,2	227,1	622,2	227,1
Financial liabilities				
Interest-bearing liabilities, non current portion*	1 555,0	362,1	1 549,3	359,0
Interest-bearing liabilities, current portion	13,2	241,0	13,2	241,0
Other liabilities	621,3	44,1	621,3	44,1
	2 189,5	647,2	2 183,8	644,1

*Interest bearing liabilities, current component refers to that portion of non-current liabilities that will be repaid during 2014 (2013) as well as to the unutilised portion of the group account facility. The liability related to the convertible bonds at December 31, 2013 (SEK 39,0m) is part of short term interest bearing debts. The liability at December 31, 2014 related to the convertible bond from the acquisition of Corvette (SEK 564,5m), is part of Other liabilities. Short-term investments are recognized at level 1. Fair value measurement is based on quoted prices on an active market. 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.