Recipharm
good for business

Interim report

JANUARY – MARCH 2016

28 April 2016

11%
Increase in Net sales

SEK 136m
EBITDA

14%
EBITDA margin

January - March 2016

- Net sales amounted to SEK 973 million (873), an increase of 11%
- EBITDA amounted to SEK 136 million (158) giving an EBITDA margin of 14.0% (18.1)
- Operating profit (EBIT) amounted to SEK 69 million (100)
- Profit after tax amounted to SEK 25 million (121), where last year included SEK 46.6 million non-recurring financial gain
- Earnings per share amounted to SEK 0.52 (2.74), after dilution 0.52 (2.74). Adjusted EBITDA, excluding the SEK 46.6 million non-recurring financial gain, amounted to SEK 0.52 (1.68).
- Cash flow from operating activities was SEK -60 million (148)
- Net debt to EBITDA was 3.1 (2.1)

Key figures

SEK million	Jan - Mar 2016	Jan - Mar 2015	change in %	Apr 15 - Mar 16	2015
Net sales	973	873	11.4	3 489	3 389
Net sales (constant FX rates)	978		12.0		3 344
EBITDA	136	158	-13.7	488	510
EBIT	69	100	-31.4	243	274
EBITDA margin (%)	14.0	18.1		14.0	15.0
Earnings per share	0.52	2.74		2.55	4.72
Return on equity (%)	4.0	13.1			8.8
Equity per share (SEK)	64.1	59.3			59.2
Equity to assets (%)	40.8	49.9			48.1
Net debt	1 510	937			1 183
Net debt to Equity	0.5	0.3			0.4
Net debt to EBITDA	3.1	2.1			2.3

Thomas Eldered, CEO:

"Sales developed overall in-line with our expectations during the quarter, with reported sales growth compared to the first quarter 2015 of 12 per cent in local currencies. Acquisitions completed during the last twelve months performed as planned and represented approximately 50% of the growth. An important contributor to growth was sales under the new outsourcing contract in Kaysersberg which more than compensated lower sales of Thyrosafe and other high margin sales in the Development & Technology segment. We saw continued strong demand for our lyophilisation services while we saw lower demand for liquid injectables.

EBITDA-margin increased sequentially from 12.7 per cent to 14.0 per cent in the quarter. While we faced decreased demand of a few high margin products and the profit impact of less Thyrosafe sales in D&T the margin developed particularly favourably in the segment Manufacturing Services Solids & Others. The improved margin in this segment was due to several non-recurring items, but was also negatively affected by a phasing of revenue into later quarters. We started to implement the Cost and Efficiency program in Sweden but the impact during the quarter was not material and most of the savings will be achieved during the second half of the year. In the Manufacturing Services Sterile Liquids segment business from the new contract in Kaysersberg contributed according to our expectations. It compensated the from third quarter 2015 discontinued packaging-only contract and a negative non-recurring inventory revaluation.

The year has started with an intensive acquisition activity, and we have taken several important steps in the implementation of our strategic growth plan. We are thereby further strengthening our synergistic business model by aligning development and manufacturing globally. When these acquisitions are completed we will have a global setup with a leading asset base in Europe, an excellent capability in India and a bridgehead providing improved access to US based customers. We are growing the company in-line with our recently established overall financial objectives. Although we have more hard work ahead of us, I am confident these targets will be achieved and we are on our way to become a global leader in our industry.

Going forward we expect to see continued sequential increases in EBITDA-margin and significant growth from announced acquisitions. The markets we operate in remain challenging, but I am convinced that we will benefit from the global reach and our competitive value proposition to customers. There are tremendous opportunities in our new global structure and we are determined to explore these."

The company invites investors, analysts and media to a telephone conference with a web presentation (in English) on 28 April 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 2,900 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 600 different products to customers ranging from Big Pharma to smaller research- and development companies. Recipharm's turnover (LTM) was approximately SEK 3.5 billion and the Company operates development and manufacturing facilities in France, Germany, India, Israel, Italy, Portugal, Spain, Sweden and the UK 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			
	Jan – Mar		Full year
SEK million	2016	2015	2015
Manufacturing Services Sterile Liquids (MS-SL)	367.8	233.3	956,8
Manufacturing Services Solids & Others (MS-SO)	462.4	461.7	1 832.5
Development & Technology (D&T)	181.2	220.1	767.4
Eliminations and others	-38.6	-41.9	-167.2
Total	**972.9**	**873.2**	**3 389.4**

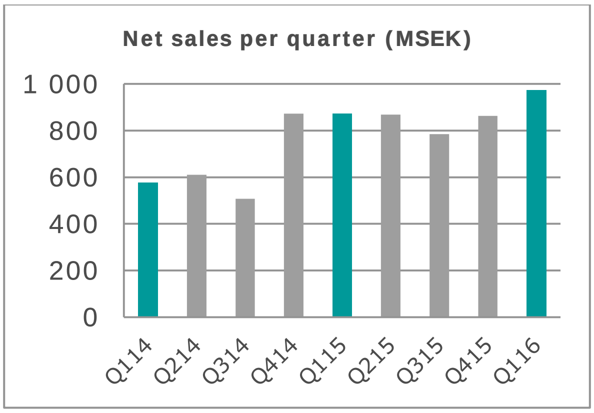
January - March 2016

Net sales increased by SEK 99.7 million and amounted to SEK 972.9 million, an increase of 11 per cent. Adjusted for currency translation effect of SEK -5.0 million, the sales increased by 12 per cent. The acquisitions (OT Chemistry and Mitim) generated SEK 50.9 million. The sales, excluding the acquisitions and currency effect, increased SEK 54.7, equal to 6 per cent. The increase is mainly related to the sales from the new contract in the Kaysersberg facility of SEK 91.3 million. Sterile Liquids and Solids & Others generated similar sales as last year excluding the impact of the acquisitions and the new contract in Kaysersberg, while D&T generated less sales due to SEK 23 million less Thyrosafe sales and lower sales for a few high-margin products in the UK market. There is also an impact of less working days this quarter compared to last year.

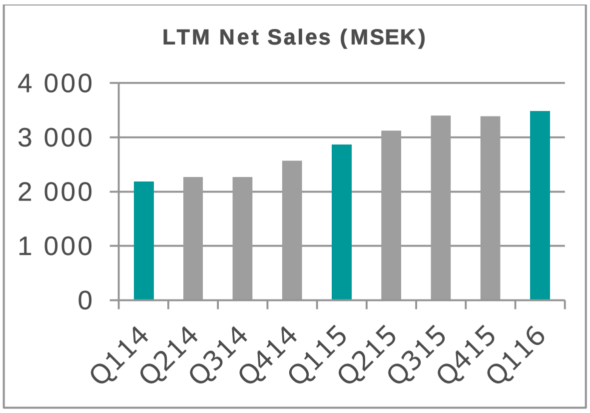
Sales for MS-SL increased by SEK 134.5 million to SEK 367.8 million, an increase of 58 per cent, adjusted for currency translation effect of SEK -2.0 million, the sales increased by 59 per cent. The acquisitions contributed SEK 35.1 million and the new contract in the Kaysersberg facility in France contributed SEK 91.3 million. Sales, excluding acquisitions and currency effect, increased SEK 99.4 equal to 43 per cent of which the new contract in Kaysersberg generated 39 per cent. The negative effect from the discontinued packaging-only contract in France, with sales Q1 2015 of SEK 17.3 million, was more than balanced with higher sales in some of the other operating companies, mainly related to increased sales from new projects.

MS-SO increased sales by SEK 0.7 million to SEK 462.4 million, adjusted for currency translation effect of SEK -2.9 million, the sales increased by 1 per cent. The acquisitions contributed SEK 7.8 million or 2 per cent to the sales increase. The sales, excluding acquisitions and currency effect, decreased SEK 4.2 million. Sales was reduced in the Swedish operations, mainly due to terminated less profitable products and less internal sales (to D&T) for the production of Thyrosafe. The reduced sales were partly balanced by increased sales of products to new customers.

D&T decreased sales by SEK 38.9 million to SEK 181.2 million, a decrease of 18 per cent. The currency effect was small. The acquisitions generated SEK 8.0 million. The reduction in sales is mainly due to SEK 23 million lower sales of Thyrosafe and lower sales for a few high-margin products in the UK market.



Q1 2016 has the highest sales in a quarter ever.



LTM sales end of March 2016 of SEK 3 489 million, highest ever.

Other operating revenue

January - March 2016

Other operating revenue amounted to SEK 33.4 million (28.3) mainly consisting of a royalty income of SEK 13.7 million (11.9), pass-through costs of SEK 10.3 million (5.2) and exchange gains on operating receivables and liabilities.

Profit

EBITDA

January - March 2016

EBITDA amounted to SEK 136.4 million (158.0), a decrease of 14 per cent. The EBITDA margin to sales was 14.0 per cent (18.1). The main reasons for the decrease are lower sales and negative product mix effect in D&T and increased costs related to high level of acquisition and due diligence activities, amounting to SEK 11 million. The overall currency effect on EBITDA was small. There is a significant sequential increase from Q3 2015 to Q1 2016 mainly due to the improvement in Solids & Others and the contribution from the Kaysersberg operations.

RAW MATERIALS AND CONSUMABLES

Raw materials and consumables amounted to SEK 264.5 million (231.6). The increase is mainly related to the higher manufacturing sales and acquisitions. The currency translation effect was small. Overall, the Material cost ratio to sales of 27.2 per cent is higher than last year's 26.5 per cent, mainly due to a higher share of materials from acquisitions and to an unfavorable product mix change for our own products.

OTHER EXTERNAL COSTS

Other external costs amounted to SEK 227.8 million (195.6). The increase is related to higher sales and acquisitions. Overall, the Other external costs ratio to sales of 23.4 per cent is higher than last year of 22.4 per cent mainly due to increased costs for acquisitions and due diligence activities in the parent company.

EMPLOYEE BENEFITS EXPENSE

Employee benefits expense amounted to SEK 359.1 million (299.2). The increase is mainly related to higher manufacturing sales and acquisitions. Overall, the Employee cost ratio to sales of 36.9 per cent is higher than last year of 34.3 per cent mainly due to the decrease in sales for D&T products, where personnel costs are lower than in the rest of the group.

EBITDA per segment

	Jan - Mar		Full year
SEK million	**2016**	**2015**	**2015**
MS-SL	69.0	66.0	220.7
MS-SO	59.5	29.2	117.4
D&T	28.3	69.6	222.1
Eliminations and others	-20.4	-6.7	-50.5
Total	**136.4**	**158.0**	**509.8**

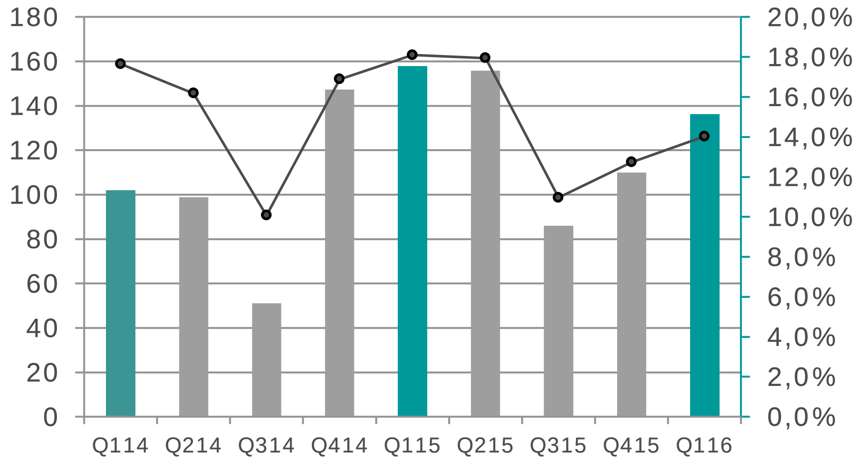
January - March 2016

EBITDA for MS-SL increased by SEK 3.0 million to SEK 69.0 million, equivalent to an EBITDA margin of 18.8 per cent (28.3). The acquisitions contributed SEK 4.3 million. The currency translation effect was small. EBITDA, excluding the acquisitions, decreased 1.3 million. The contract in the Kaysersberg operations contributed according to expectations while EBITDA was negatively affected by an inventory effect and the discontinued (from Q3 2015) packaging-only contract in France.

EBITDA for MS-SO increased by SEK 30.3 million to SEK 59.5 million, equivalent to an EBITDA margin of 12.9 per cent (6.3). The acquisitions contributed SEK 1.5 million. The currency translation effect was small. The increase is mainly due to a positive, inventory effect and lower non-recurring costs compared to last year.

EBITDA for D&T decreased by SEK 41.3 million to SEK 28.3 million, equivalent to an EBITDA margin of 15.6 per cent (31.6). The acquisitions generated SEK -3.9 million, partly due to the expansion of development services in Israel. The main reasons for the reduction are lower sales of a few high-margin products in the UK market and a negative product mix effect.

EBITDA (SEK million) and EBITDA margin per quarter



Significant sequential increase in EBITDA margin from Q3 2015.

Depreciation, amortisation and impairment

January - March 2016
Depreciation and amortisation amounted to SEK 67.5 million (57.6). The increase is mainly related to the acquisitions and initial investments in the Kaysersberg operations. Note that the PPA (Purchase Price Allocation) of the Mitim acquisition is ongoing and the numbers in this interim report are preliminary.

Financial items

January - March 2016
Interest income and similar revenues amounted to SEK 2.3 million (75.9) of which SEK 2.2 million (29.3) was translation differences. Interest expenses and similar costs amounted to SEK -24.3 million (-7.9) of which SEK –6.6 million (-3.6) was interest related to bank loans, SEK –0.8 million (-2.4) was other interest expenses, SEK –1.1 million (-0.7) was loss from fair value valuation of derivative, SEK -13.8 million (0.0) was translation differences and SEK –1.9 million (-0.4) was other financial expenses. Last year included SEK 46.6 million gain from disposal of shares in Flamel Technologies S.A.

Income tax

January - March 2016
The income tax amounted to SEK 22.1 million (47.6) as taxable profit was much lower than last year. The effective tax rate was 47.1 (28.3) due to adjustment in 2015 current tax in a few operating companies.

Profit after tax

January - March 2016
Profit after tax amounted to SEK 24.8 million (120.8), a decrease of SEK 96.0 million which is mainly related to the impact of the non-recurring financial gain of SEK 46.6 million last year, the reduced operating profit of SEK 31.5 million and increased financial costs.

Acquisitions

The acquisitions completed during the last 12 months are OT Chemistry AB (15 June 2015) and Mitim Srl (24 February 2016). OnTarget Chemistry generated 2015 SEK 16.5 million in sales and SEK -5.7 million in EBITDA. Mitim estimated 2015 (based on local GAAP) sales were EUR 47.9 million (SEK 448 million) and EBITDA was EUR 9.0 million (SEK 84 million).

The acquisitions contributed with SEK 50.9 million and SEK 4.3 million in EBITDA during the quarter. EBITDA was negative in OT Chemistry partly due to the establishment of development services in Israel.

Recipharm completed on 11 April 2016 the acquisition of a 74 per cent majority stake in Indian company Nitin Lifesciences Ltd. Nitin had estimated 2015 (based on local GAAP) sales of INR 2 970 million (SEK 391 million) and EBITDA of INR 721 million (SEK 95 million).

Recipharm announced 18 April 2016 agreements to acquire Indian company Kemwell's Swedish and US business with expected closing in May and Kemwell's pharmaceutical business in India, with expected closing in Q4 2016. The Swedish acquisition requires approval from the Swedish competition authorities and the Indian acquisition requires approval from the Indian FIPB (Foreign Investment Board). These businesses had estimated combined 2015 sales of approximately SEK 745 million and EBITDA was approximately SEK 108 million.

The transaction costs for completed or announced acquisitions amounted to SEK 11 million during the quarter.

Cash flow

Cash flow			
	Jan – Mar		Full year
SEK million	2016	2015	2015
Cash flow from operating activities before changes in working capital	113.6	140.3	375.6
Cash flow from changes in working capital	-174.0	8.1	53.1
Cash flow from investing activities	-553.2	55.3	-420.5
Cash flow from financing activities	1 727.1	4.7	132.9
Total cash flow	**1 113.5**	**208.4**	**141.1**

Cash flow from operating activities decreased, mainly related to the decrease in operating profit.

Changes in working capital was SEK -174 million due to increase in accounts receivables of SEK 127 million, related mainly to increase from the new contract in Kaysersberg, increases in D&T and the operations in Mitim, and increase in inventory of SEK 35 million mainly due to increase in some operating companies.

Cash flow from investing activities was SEK -553 of which SEK -506 million was related to acquisition of Mitim and SEK -39 million was investments in property, plant and equipment. In 2015, cash flow from investing activities was significantly impacted by a divestment of a current financial asset.

The financing activities generated SEK 1 727 million, mainly due to new share issue of SEK 402 million and SEK 1 334 million in new loans part of the SEK 3 billion credit facilities.

Financing and return

Key figures financing and return			
	Jan – Mar		Full year
	2016	2015	2015
Return on operating capital (%)	5.8	12.3	7.6
Return on equity	4.0	13.1	8.8
Net debt to EBITDA	3.1	2.1	2.3
Net debt to equity	0.5	0.3	0.4
Equity to assets	40.8	49.9	48.1

The return on operating capital decreased to 5.8 per cent from 7.6 end of last year, mainly due to increased operating capital from the acquisition of Mitim with only one month of EBITDA and investments.

Return on equity decreased from 8.8 end of last year to 4.0 mainly due to lower net profit as the operating profit was lower, interest cost was higher and last year's first quarter also included a financial gain from a financial investment, combined with increased equity partly due to the acquisitions.

The net debt to EBITDA ratio increased to 3.1 from 2.3 end of last year. The increase is mainly due to additional debt financing in relation to the acquisition of Mitim. There is also some impact of the reduction in 12 months EBITDA compared to the full year of 2015.

Net debt to equity increased to 0.5 from 0.4 end of last year mainly due to additional debt financing in relation to the acquisition of Mitim. The new financial target Net debt to equity should not exceed 0.8.

The equity to assets ratio decreased due to the increase of assets from completed acquisitions and increase in cash and debt in preparation of the payment in April for the Nitin acquisition.

Parent Company

Recipharm AB (publ) includes functions that provide services to the operating companies. The parent company's net sales were SEK 26.8 million (21.4) and operating result was SEK -21.7 million (-8.1). Investments amounted to SEK 1.3 million (0.0).

Employees

The number of employees (equivalent to full-time positions "FTE") during the period was 2 335 (2 058), of which 259 FTEs are in Kaysersberg and 64 FTEs are resulting from the Mitim acquisition, on 24 February (total of 192 FTEs by 31 March).

Significant events during the quarter

Recipharm announced and closed the acquisition of Mitim Srl, located in Brescia, Italy having around 200 employees. The purchase price was SEK 640 million and estimated 2015 (based on local GAAP) sales was approximately EUR 47.9 million (SEK 448 million) and EBITDA was approximately EUR 9.0 million (SEK 84 million. Mitim is consolidated into Group accounts from 24 February. For more information related to this acquisition we refer to the press release.

Recipharm announced in February Recipharm's plan to take a leading position in serialisation (new regulations to facilitate identification of a single pharmaceutical package). Recipharm is already in a leading position in this area, which will likely generate additional sales from new orders in the next few years. Recipharm is investing (during a three-year period) around EUR 40 million (SEK 370 million) in new equipment, which will eventually be borne by the customer. For more information related to this project we refer to the press release.

The Board decided in Q1 2016 on new financial targets. The new targets are to achieve annual sales of more than SEK 8 billion by year 2020, having an EBITDA margin of 16 per cent or more and having a Net debt to Equity equal to or less than 0.8. The dividend target is same as before.

Significant events after period end

Recipharm completed the acquisition of 74% of Nitin Lifesciences Ltd, located in northern India having around 750 employees, on 11 April 2016. The announcement of the acquisition agreement was made 20 October. The main reason for the long time between signing and closing has been the process for the Indian FIPB (Foreign Investment Promotion Board) to approve the transaction. The purchase price was INR 6 713 million (SEK 824 million). The estimated 2015 Sales were approximately INR 2 970 million (SEK 391 million) and EBITDA was INR 721 million (SEK 95 million). For more information related to this acquisition we refer to the press releases.

Recipharm announced 18 April two acquisitions, one of Indian company Kemwell's businesses in Sweden and US and one of Kemwell's pharmaceutical business in India. The Swedish operation is located in Uppsala and the US business in North Carolina, estimated to employ around 300 employees at expected time of closing in May. The Indian business is located in Bangalore, estimated to employ close to 1,400 employees at time of estimated closing later this year. The purchase price for both acquisitions was SEK around 1.7 billion. The estimated combined 2015 sales were SEK 745 million and EBITDA was SEK 108 million. For more information related to this acquisition we refer to the press release. Payment of part of the Swedish acquisition is intended to be in the form of an in-kind payment of Recipharm class B shares. In relation to this announcement, Recipharm announced its intention to execute a rights issue, which is planned for approval at an extra general meeting 10 May. For more information about the extra general meeting we refer to the notice of the meeting.

Shares, share key financials and share related programs

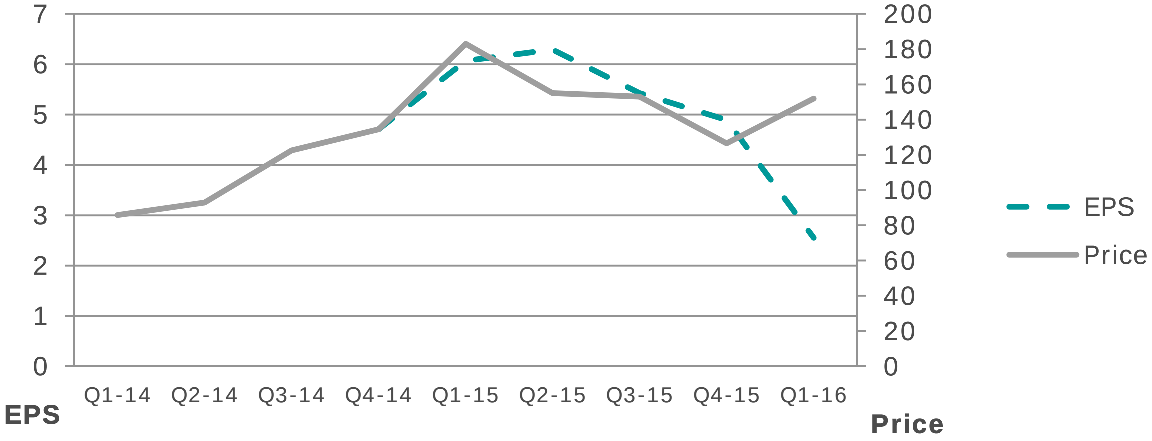
Recipharm's class B shares were first available for trading on Nasdaq Stockholm on 3 April 2014.

The largest shareholders as of 31 March 2016		
Shareholder	**Capital (%)**	**Votes (%)**
Flerie Participation AB [1/]	20.6	41.1
Cajelo Invest AB [1/]	12.9	38.7
Lannebo fonder	12.6	3.8
Första AP-fonden	6.5	2.0
Fjärde AP-fonden	5.6	1.7

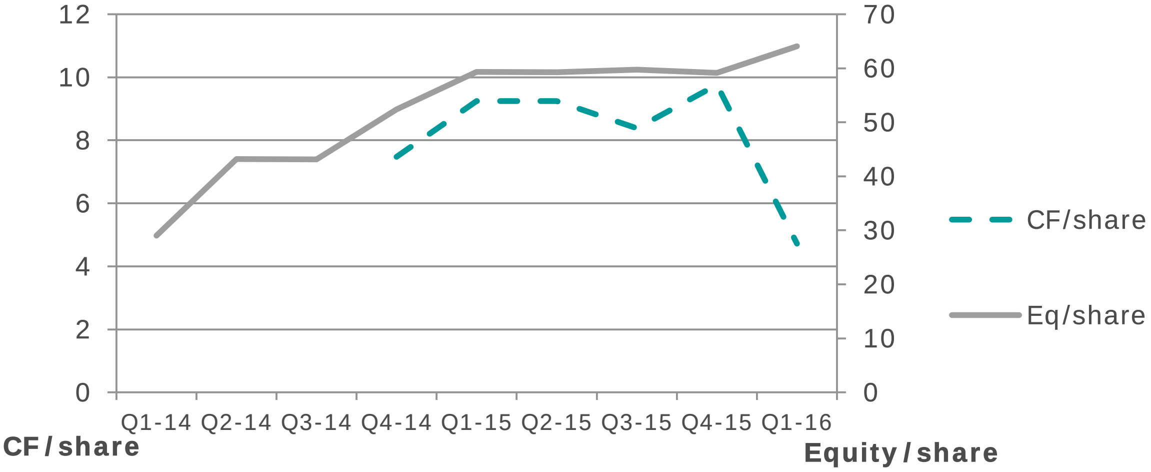
The number of shareholders were 4,526 and foreign shareholders hold 17.6 per cent of the share capital and 5.3 per cent of the votes
[1/] Flerie Participation AB is controlled by CEO Thomas Eldered and Cajelo Invest AB is controlled by Chairman Lars Backsell.

Share key financials			
	Jan – Mar		**Full year**
	2016	**2015**	**2015**
Share price (end of period)	152.00	183.00	126.50
Earnings per share (EPS)	2.55	6.07	4.72
Equity per share	64.1	59.3	59.2
Cash flow per share	4.72	9.25	9.76

Share price (Price) development per quarter (closing price at quarter end) and earnings per share (12M) is presented below (Q1-14 share price is represented by closing price first day of listing, 3 April 2014).



Equity per share (Eq/share) and operating cash flow per share (CF/share) is presented below.



The Annual General Meeting on 10 March 2014 resolved to issue a three year 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 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 10.8 million (estimation based on share price SEK 152.0 at 31 March 2016) during a three year period and the number of new shares may amount to approximately 110 000. The latter assumes full allocation of the performance shares as well.

The Annual General Meeting on 7 May 2015 resolved to issue a new three year 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. 553 employees, which was approximately 25 per cent of the employees, subscribed for the program. For each acquired share, each employee receives a share. Employees being part of top management may also receive up to four additional shares based on Recipharm share performance versus peers. Provided that all fulfill their participation for the full period, the cost is estimated to SEK 17.7 million (estimation based on share price SEK 152.0 at 31 March 2016) during a three year period and the number of new shares may amount to approximately 190 000. The latter assumes full allocation of the performance shares as well.

Financial calender

Annual Shareholders meeting 2016	28 April 2016
Extra shareholders meeting	10 May 2016
Interim report January – June 2016	22 July 2016
Capital Market Day	31 August 2016 (changed)
Interim report January – September 2016	3 November 2016

Jordbro, 28 April 2016

Thomas Eldered on behalf of Board of Directors of Recipharm AB (publ)

Contact information:

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This report is prepared in Swedish and 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				
		Jan - Mar		Full year
SEK million	Note	2016	2015	2015
Operating income				
Net sales	1	972.9	873.2	3 389.4
Other operating revenue		33.4	28.3	118.7
		1 006.2	**901.5**	**3 508.1**
Operating expenses				
Raw materials and consumables		-264.5	-231.6	-958.8
Other external costs		-227.8	-195.6	-799.7
Employee benefits expense		-359.1	-299.2	-1 176.1
Depreciation and amortisation		-67.5	-57.6	-235.6
Other operating expenses		-17.7	-17.1	-62.8
Share of profit in participations		-0.6	0.0	-1.0
		-937.3	**-801.1**	**-3 233.9**
Operating profit		**68.9**	**100.4**	**274.2**
Interest income and similar revenues		2.3	75.9	64.4
Interest expenses and similar costs		-24.3	-7.9	-29.0
Net financial income/expense		**-22.0**	**68.1**	**35.4**
Profit before tax		**46.9**	**168.5**	**309.6**
Current tax		-22.1	-47.6	-94.6
Profit / loss for the period		**24.8**	**120.8**	**215.1**

Consolidated statement of comprehensive income:			
	Jan - Mar		Full year
Items that may be reclassified subsequently to profit or loss	2016	2015	2015
Translation differences	14.8	-71.5	-96.1
Gains from fair value valuation of financial instruments	0.2	-37.1	-39.9
Deferred tax relating to items that may be reclassified	0.0	8.2	8.8
Total	**14.9**	**-100.4**	**-127.2**
Items that will not be reclassified to profit or loss			
Actuarial losses on pensions	-5.9	-1.2	8.9
Deferred tax relating to items that will not be reclassified	1.7	0.3	-2.3
Total	**-4.2**	**-0.8**	**6.6**
Other comprehensive income for the period	**10.8**	**-101.3**	**-120.6**
Comprehensive income for the period	**35.6**	**19.6**	**94.5**
Net profit distributed to:			
Parent company´s shareholders	24.9	120.8	215.3
Non-controlling interest	-0.1	-	-0.2
	24.8	**120.8**	**215.1**
Group comprehensive income distributed to:			
Parent company´s shareholders	35.6	19.6	94.5
Non-controlling interest	0.0	-	0.0
	35.6	**19.6**	**94.5**

Earnings per share

	Note	Jan - Mar 2016	Jan - Mar 2015	Full year 2015
Parent company´s shareholders:				
Earnings per share before dilution (SEK)		0.52	2.74	4.72
Earnings per share after dilution (SEK)		0.52	2.74	4.72
Profit before dilution (SEK thousand)		24 814	120 842	215 056
Effect from potential shares (SEK thousand)		0	1 001	1 001
Profit after dilution (SEK thousand)		24 814	121 843	216 057
Average number of shares before dilution (thousand)	2	48 159	44 069	45 606
Potential shares (thousand)	2	9	52	74
Average number of shares after dilution (thousand)		48 169	44 121	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				24.9	**24.9**	**-0,1**	**24.8**
Other comprehensive income			14.9	-4.2	**10.8**		**10.8**
Transactions with owners:							
New share issue	1.6	400.2			**401.8**		**401.8**
Share-based incentive program				1.6	**1.6**		**1.6**
Equity at 31 March 2016	**24.8**	**2 687.7**	**-120.6**	**587.6**	**3 179.5**	**0.1**	**3 179.6**

Recipharm good for business

Consolidated statement of financial position

SEK million	Note	March 31 2016	March 31 2015	Dec 31 2015
ASSETS				
Non-current assets				
Product rights		276.4	280.9	280.6
Goodwill	3	1 155.9	887.7	886.3
Customer contracts		1 112.2	1 019.1	940.2
Other intangible assets		168.2	174.3	164.2
Property, plant and equipment		1 610.9	1 056.9	1 446.3
Other non-current assets		167.6	112.6	153.4
Total non-current assets		**4 491.3**	**3 531.5**	**3 870.9**
Current assets				
Inventories		733.6	583.3	641.8
Accounts receivable		677.8	534.9	467.0
Other receivables		138.4	110.8	112.2
Prepaid expenses and accrued income		90.7	70.2	70.6
Cash and cash equivalents		1 628.0	607.3	534.2
Total currents assets		**3 268.5**	**1 906.5**	**1 825.8**
TOTAL ASSETS		**7 759.9**	**5 438.0**	**5 696.7**
SHAREHOLDERS EQUITY AND LIABILITIES				
Share capital		24.8	22.9	23.2
Other paid-in capital		2 687.7	2 280.2	2 287.5
Reserves		-120.6	-108.8	-153.6
Retained earnings (including net profit)		587.6	516.8	583.5
Equity attributable to Parent Company shareholders		**3 179.5**	**2 711.0**	**2 740.3**
Equity attributable to Non-Controlling interest		**0.1**	-	**0.2**
Total equity		**3 179.6**	**2 711.0**	**2 740.5**
Non-current liabilities				
Interest-bearing liabilities		3 094.6	1 525.1	1 678.6
Provisions		231.8	171.7	210.5
Deferred tax liability		414.0	370.9	358.6
Other non-current liabilities		13.0	12.1	13.2
Total non-current liabilities		**3 753.5**	**2 079.8**	**2 260.9**
Current liabilities				
Interest-bearing liabilities		20.1	7.6	22.7
Overdraft facility		23.5	11.9	15.8
Account payable		299.9	223.4	234.9
Tax liabilities		45.6	65.2	37.2
Other liabilities		63.8	58.8	53.8
Accrued expenses and prepaid income		374.1	280.3	331.1
Total current liabilities		**826.8**	**647.2**	**695.3**
TOTAL EQUITY AND LIABILITIES		**7 759.9**	**5 438.0**	**5 696.7**
Pledged assets		7.7	0.2	7.7
Contingent liabilities		3 053.1	1 551.6	1 705.3

Consolidated cash flow statement

SEK million	Note	Jan - Mar 2016	Jan - Mar 2015	Full year 2015
Operating activities				
Profit before tax		46.9	168.5	309.6
Adjustments for items not affecting cash				
- Depreciation, amortisation and impairement of assets		67.5	57.6	235.6
- Changes in provisions		13.9	2.9	2.4
- Gains from disposal of short-term investment		-	-46.6	-47.4
- Share of earnings of associated companies		0.6	-	0.9
- Other		16.2	-24.4	-12.8
		145.0	**158.0**	**488.4**
Income taxes paid		-31.5	-17.7	-112.8
Operating cash flow before changes in working capital		**113.6**	**140.3**	**375.6**
Cash flow from changes in working capital:				
Change in inventories		-34.6	0.6	-6.9
Change in operating receivables		-127.3	-39.6	53.1
Change in operating liabilities		-12.1	47.1	6.9
Operating cash flow		**-60.5**	**148.4**	**428.8**
Investing activities				
Acquisition of property, plant and equipment		-39.3	-53.0	-356.5
Disposal of property, plant and equipment		0.0	-	0.5
Acquisition of intangible assets		-8.2	-5.7	-23.5
Disposal of intangible assets		-	-	0.3
Acquisition of subsidiaries/operations, net of cash acquired		-505.9	-12.2	-131.0
Acquisition of financial assets		0.0	-17.8	-54.3
Disposal of short-term investment		0.2	143.9	143.9
Cash flow from investing activities		**-553.2**	**55.3**	**-420.5**
Financing activities				
Dividend paid to Parent Company shareholders		-	-	-57.1
New share issue		402.4	-	-
Change in overdraft facility		7.7	11.9	10.7
Loans raised		1 334.4	-	332.9
Repayment of borrowings		-17.3	-7.2	-153.5
Cash flow from financing activities		**1 727.1**	**4.7**	**132.9**
Total cash flow for the period		**1 113.5**	**208.4**	**141.1**
Cash and cash equivalents at beginning of period		534.2	404.5	404.5
Translation difference on cash and cash equivalents		-19.7	-5.6	-11.5
Cash and cash equivalents at end of period		**1 628.0**	**607.3**	**534.2**
Interest received		0.1	0.1	0.4
Interest paid		-4.8	-2.6	-16.6

Parent company statement of profit and loss

SEK million	Jan - Mar 2016	Jan - Mar 2015	Full year 2015
Operating Income			
Net sales	26.8	21.4	94.8
Other operating revenue	0.5	0.2	0.8
	27.2	**21.6**	**95.7**
Operating expenses			
Other external costs	-27.8	-13.4	-76.9
Employee benefits expense	-18.7	-15.1	-66.8
Depreciation and amortisation	-1.3	-1.3	-5.6
Other operating expenses	-1.0	-0.1	-2.3
	-48.9	**-29.8**	**-151.5**
Operating profit/loss	**-21.7**	**-8.1**	**-55.9**
Financial items	6.3	77.6	191.4
Profit/loss after financial items	**-15.4**	**69.5**	**135.5**
Appropriations and tax	6.7	-15.3	0.0
Profit/loss for the period	**-8.6**	**54.2**	**135.5**

Parent company statement of comprehensive income

SEK million	Jan - Mar 2016	Jan - Mar 2015	Full year 2015
Items that may be reclassified subsequently to profit or loss			
Translation differences	-1.4	1.4	0.4
Other comprehensive income for the period	**-1.4**	**1.4**	**0.4**
Total comprehensive income for the period	**-10.0**	**55.6**	**135.9**

Parent company statement of financial position

SEK million	Mar 31 2016	Mar 31 2015	Dec 31 2015
ASSETS			
Intangible assets	16.5	9.5	17.8
Property, plant and equipment	2.2	0.2	0.9
Financial non-current assets	4 502.4	2 890.2	3 074.8
Current assets	897.7	614.9	624.0
TOTAL ASSETS	**5 418.8**	**3 514.8**	**3 717.6**
SHAREHOLDERS EQUITY AND LIABILITIES			
Equity	2 436.9	2 002.1	2 040.8
Liabilities	2 981.8	1 512.8	1 676.8
TOTAL EQUITY AND LIABILITIES	**5 418.8**	**3 514.8**	**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 per cent 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	Majority ownership Thomas Eldered. Board member Carl-Johan Spak
Inject Pharma AB	Joint Venture, board member Carl-Johan Spak
Pharmanest AB	Associated company, board member Carl-Johan Spak
SVS Portugal	Joint Venture

Related party transactions

Operating income	*Type of service*	*Jan-Mar 2016*	*Jan-Mar 2015*	*Jan-Dec 2015*
B&E Participation AB	Administrative services	-	-	0.1
Empros Pharma AB	Development services	0.6	0.5	3.8
Pharmanest AB	Development services	0.6	-	1.0
Inject Pharma AB	Development services	0.6	-	0.6

Operating expenses	*Type of service*	*Jan-Mar 2016*	*Jan-Mar 2015*	*Jan-Dec 2015*
SVS Portugal	Development services	0.5	0.1	1.7

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**	**46 325 526**
New share issue		2 250 000		2 250 000
New share issue, related to Mitim S.r.l. acquisition		1 039 724		1 039 274
Number of shares as of 31 March 2016	**12 685 716**	**36 429 264**	**500 000**	**49 614 980**

Potential shares 9 416 (73 991), are related to Recipharm's share-based incentive program.

Note 3 Acquisition of subsidiaries

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 betalactams 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 EUR 47.9 million, which would have represented an increase of more than 13 per cent 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 totalled 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 1.8 million and is reported as Other external costs. The consolidated statement of profit and loss for the period includes net sales of SEK 43.9 million and operating profit of SEK -0.1 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	186.1	201.4
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	63.3	64.2
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**	**122.8**	**258.3**
Group goodwill 1)		**249.4**	**249.4**
Purchase consideration			**507.7**

1) The purchase price allocation has not been finalized and consequently the fair value adjustment presented above is preliminary.

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 injections CMO, currently owned by the Sobti 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 6 713 million, corresponding to approximately SEK 824 million. For additional information related to this acquisition we refer to the press release.

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, is expected to close during the second quarter 2016, after review by the Swedish Competition Authority, while the second, comprising operations in India, is conditional on governmental approvals and expected to close before year-end. Purchase price is estimated to SEK 1,7 billion and will be financed by already available funds, existing credit facilities, a share issue in kind to the sellers and a proposed share issue of approximately SEK 850 million with preferential rights for existing shareholders.

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 ether 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 per cent 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 461 million and adjusted EBITDA of SEK 61 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 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

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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.

Note 4 Segment analysis

SEK million	Jan - Mar 2016					Jan - Mar 2015				
	MS-SL	MS-SO	D&T	Other	Total	MS-SL	MS-SO	D&T	Other	Total
Net sales, external	362.1	432.4	178.4	-	972.9	231.9	421.6	219.7	-	873.2
Net sales, internal	5.8	30.0	2.8	-38.6	0.0	1.4	40.1	0.4	-41.9	-
EBITDA	69.0	59.5	28.3	-20.4	136.4	66.0	29.2	69.6	-6.7	158.0
Depreciations	30.1	22.2	13.9	1.3	67.5	21.8	20.8	14.8	0.2	57.6
EBIT	38.9	37.3	14.4	-21.7	68.9	44.2	8.4	54.8	-6.9	100.4
Non-current assets	1 539.2	703.0	2 215.5	33.6	4 491.3	1 101.1	889.0	1 524.3	17.0	3 531.5
Total assets	4 245.8	1 969.4	1 082.5	462.2	7 759.9	1 558.2	1 589.5	1 840.9	449.5	5 438.0
Goodwill	532.9	293.1	329.9	-	1 155.9	308.2	136.2	443.3	-	887.7
Capital exp.	20.9	16.4	16.9	1.4	55.6	39.4	15.1	37.7	-	92.2

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 - Mar		Full year
	2016	2015	2015
Customer X	122.3		
Customer Y	121.7	137.3	481.2
Customer Z	85.2	94.4	362.5
Customer U		85.7	212.6
Other customers	643.7	555.8	2 333.1
Total	**972.9**	**873.2**	**3 389.4**

Geographical area

	Net sales			Fixed assets		
	Jan-Mar 2016	Jan-Mar 2015	Jan-Dec 2015	Mar 31 2016	Mar 31 2015	Dec 31 2015
Sweden	255.9	292.4	1 096.5	272.5	246.3	257.3
Other	716.9	580.8	2 292.9	4 218.8	3 285.2	3 613.6
Total	**972.9**	**873.2**	**3 389.4**	**4 491.3**	**3 531.5**	**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, Parets, 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

	2016-03-31		2015-03-31		2015-12-31	
Financial assets	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**
Available-for-sales financial assets						
Other securities held as non-current assets	106.5	106.5	70.1	70.1	102.0	102.0
Loans and receivables						
Other receivables	73.2	73.2	71.6	71.6	38.4	38.4
Cash and cash equivalents	1 628.0	1 628.0	607.3	607.3	534.2	534.2
	1 807.7	**1 807.7**	**749.0**	**749.0**	**674.6**	**674.6**
Financial liabilities						
Other financial liabilities						
Interest-bearing liabilities, non-current portion	3 099.2	3 089.9	1 523.4	1 518.0	1 682.4	1 672.5
Derivative	7.3	7.3	7.1	7.1	6.1	6.1
Interest-bearing liabilities, current portion*	40.9	40.9	19.5	19.5	38.4	38.4
Other liabilities	59.1	59.1	58.8	58.8	29.0	29.0
	3 206.5	**3 197.2**	**1 608.8**	**1 603.4**	**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.

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 and Development Manufacturing Organisation
CMO	Contract Manufacturing Organisation
FIPB	Indian Foreign Investment Promotion Board

Financial definitions

Definitions of key figures:

Cash flow per share	Operating cash flow (12M) divided by average No of shares (12M)
Earnings per share (EPS)	Net result divided by average number of shares before dilution
EBITDA	Earnings before interest, taxes, depreciation and amortization
Equity per share	Equity (end of period) divided by number of shares (end of period)
Net debt	Interest-bearing debt minus cash and cash equivalents
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.