

Interim report January-March 2014

May 8 2014

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**Strongest first quarter ever, both in terms of sales and profit**


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- Net sales amounted to SEK 578 million (517) an increase of 11,7 % (9,4% in constant FX-rates)
- EBITDA increased by 70,2% and amounted to SEK 102 million (60).
- Operating profit amounted to SEK 78 million (38), giving an operating margin of 13,5% (7,2)
- Profit after tax amounted to SEK 55 million (20), giving a net margin of 9,5% (3,9)
- Earnings per share amounted to SEK 2,16 (0,79), earnings per share after dilution was SEK 2,05 (0,76)
- Cash flow from operating activities was SEK 57 million (-23)

**Thomas Eldered, CEO:**

“Recipharm had a very strong start to the year with record sales, operating profit and operating margins, as well as a good cash flow. Return on operating capital improved and we reached our goal with a good margin. Although non-recurring events and phasing effects during the period constituted almost half of the increased results, the underlying business also developed very well. All reporting segments are showing improved profits, and progress in Development & Technology was particularly good. The results of the steps we have taken to strengthen our sales and business development functions are now clearly evident in the Group’s sales. We succeeded in achieving growth that exceeded the growth in the underlying European pharmaceuticals market, despite the fact that we did not implement any acquisitions or other similar transactions during the period.

After the end of the quarter Recipharm was successfully floated on NASDAQ OMX Stockholm. In connection with the listing, Recipharm issued new shares and as a result the company’s capital base and financial position are very good. We are now in a strong position to build on an already positive trend through profitable acquisitions and outsourcing transactions with large pharmaceutical companies. All this means that we will be able to further improve and geographically expand our potential to develop and deliver solutions that add value for our customers.

It gives me great pleasure to welcome all of our new shareholders. The first quarter has been very strong and we are now well-positioned to develop the company in line with our goals.”

Key figures	Jan - Mar		Change in percent	Apr2013 -Mar2014	Full year 2013
	2014	2013			
Net sales, SEK million	578	517	11,7	2 185	2 125
Net sales (constant FX rates), SEK million	566		9,4		
EBITDA, SEK million	102	60	70,2	325	283
EBIT, SEK million	78	38	107,4	228	188
EBIT margin, %	13,5	7,2		10,5	8,9
Earnings per share, SEK	2,16	0,79		5,1	3,72
Non-recurring items, SEK million	0,0	0,1		6,4	6,5
Return on equity, %	18,7	19,3		11,2	14,5
Return on operating capital, %	20,7	16,5		20,3	17,2
Equity to assets, %	39,2	37,3		39,2	37,6
Net debt, SEK million	391	438		391	410
Net debt to Equity	0,5	0,7		0,5	0,6
Net debt to EBITDA	1,2	1,6		1,2	1,4

## Income

### Net sales

Net sales increased by SEK 60.5 million and amounted to SEK 577.9 million, an increase of 11.7 percent. The increase compared to the previous year is related to the fact that the corresponding quarter the previous year was weaker than normal in a full-year perspective, and to a positive currency effect, strong growth for some established products among our major customers, retroactive price increases for 2013, and strong growth for our product rights in D&T. Sales were higher than the previous year in all segments.

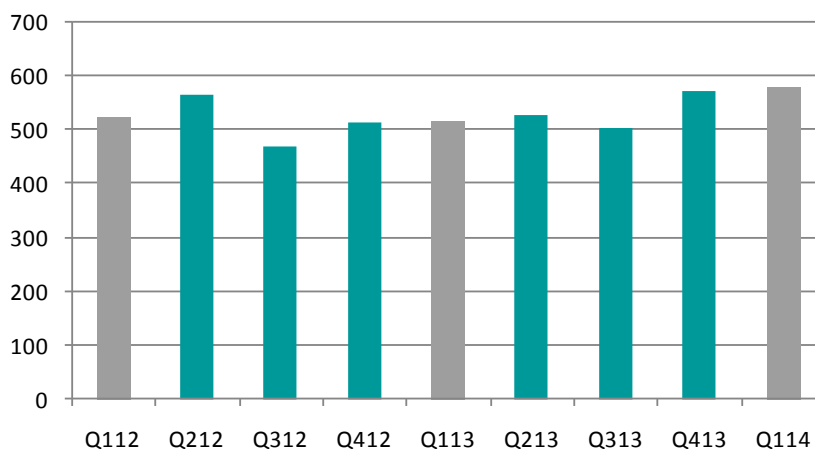
Net sales per segment SEK million	Jan - Mar		Full year
	2014	2013	2013
Manufacturing Sweden (MFG-SE)	244,9	225,7	901,8
Manufacturing Europe (MFG-EU)	298,2	278,0	1 120,0
Development & Technology (D&T)	52,0	33,5	174,8
Eliminations and others	-17,2	-19,7	-71,9
<b>Total</b>	<b>577,9</b>	<b>517,4</b>	<b>2 124,6</b>

Sales for MFG-SE increased by SEK 19.2 million, an increase of 8.5 percent. This is mainly due to increased demand for a few established products for a couple of our larger customers. Part of this increase is related to one of our largest customer's stock build-up.

MFG-EU increased by SEK 20.2 million, equivalent to an increase of 7.3 percent. The increase consists of a positive currency effect of around SEK 11 million, and just under SEK 6 million for a retroactive price increase for 2013. Other increases are mainly attributable to increased sales to our biggest customers and new projects and products which more than compensated for the lower revenues (SEK 7 million) for the distribution operation in France. The latter was the result of the major customer of one of the units in France coordinating its European distribution.

D&T sales increased by SEK 18.5 million, an increase of 55.5 percent. Most of this increase consists of positive growth for our product rights of around SEK 14 million as we continue to regain our market share after the effects of the closure of our sterile facilities in Ashton UK in 2011. The increase also includes around SEK 5 million related to a competitor's temporary delivery problems. The development services operations account for the remainder of the increase related to several customers and projects.

### Net sales per quarter (SEK million)



### Other operating income

Other operating income amounted to SEK 7.2 million (7.8), mainly re-invoicing of expenses and foreign exchange gains on operating receivables and liabilities.

## Profit

### Operating profit

The operating profit (EBIT) amounted to SEK 77.8 million (37.5), an increase of 110.9 percent. There was positive growth in all segments, mainly relating to the increased sales overall for the Group, a more profitable product mix in D&T and a retroactive price increase relating to 2013. The currency effect on operating profit is negligible.

#### *Raw materials and consumables*

Other operating income amounted to SEK 147.2 million (144.3). The increase is small in relation to the increase in sales, mainly due to a more favourable product mix among our own products, increased inventory levels for products with high value-add and the fact that development services sales increased by around SEK 4 million, of which the material portion is marginal compared to contract production income.

#### *Other external costs*

Other external costs amounted to SEK 119.2 million (113.7). The increase in external costs is small in relation to the increase in sales and is mainly due to productivity improvements and benefits of scale in D&T.

#### *Employee benefits expense*

Employee benefits expense amounted to SEK 212.0 million (200.1). The increase is mainly caused by salary increases, but also includes recruitments in certain departments, above all in the parent company where additions to the sales force constitute the single largest increase.

#### *Depreciation, amortisation and impairment*

Depreciation, amortisation and impairment amounted to SEK 24.2 million (22.4). The increase is mainly due to depreciation of the investments made in 2013.

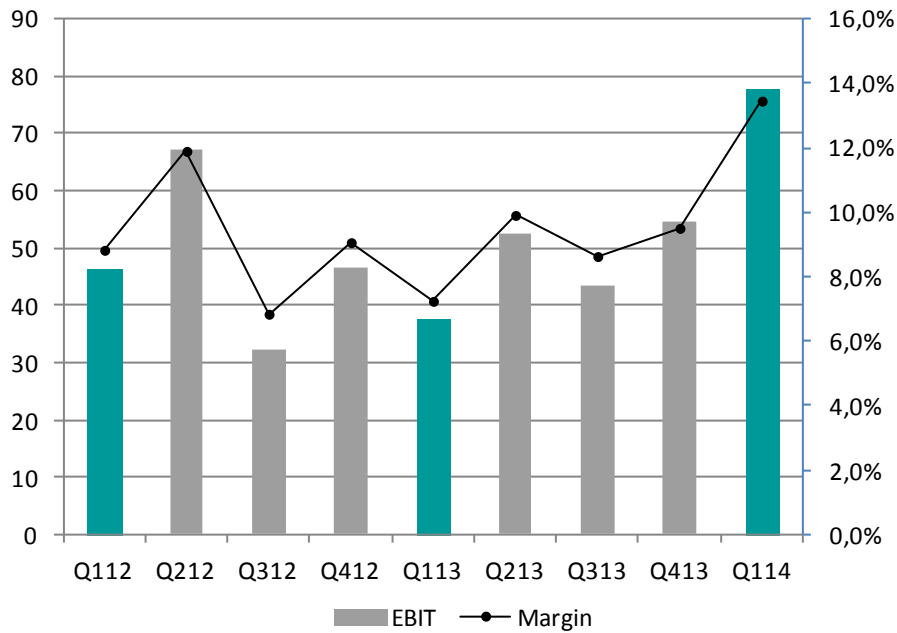
EBIT per segment SEK million	Jan - Mar		Full Year
	2014	2013	2013
Manufacturing Services Sweden (MFG-SE)	34,6	14,0	65,4
Manufacturing Services Europe (MFG-EU)	46,3	35,8	144,8
Development & Technology (D&T)	14,2	-3,2	17,6
Eliminations and others	-17,3	-9,2	-39,8
<b>Total</b>	<b>77,8</b>	<b>37,5</b>	<b>188,0</b>

Operating profit for MFG-SE increased by SEK 20.6 million, equivalent to an increase of 14.1 percent (6.2). The improvement is mainly related to increased sales, phasing effect of approximately SEK 12 million of increased inventory levels for products with high value-add as well as productivity improvements.

Operating profit for MFG-EU increased by SEK 10.5 million, equivalent to an increase of 15.5 percent (12.9). The increase is mainly the result of a retroactive price increase of just under SEK 6 million and increased sales relating to new projects and products. The improvement in operating profit more than compensates for the decline in profits related to the lower income from the distribution operation in France.

Profits for D&T increased by SEK 17.4 million, equivalent to an operating margin increase of 27.3 percent (-9.5). The increase is mainly due to increased sales in combination with a favourable product mix for sales of our own product rights.

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



**Profit after tax**

Profit after tax amounted to SEK 54.7 million (20.0), an increase of SEK 34.7 million which is related to the improved operating profit. The effective tax rate is lower than the previous year as a larger portion of the profit during this period was generated in Sweden where the tax rate is lower than for most of the countries for the MFG-EU segment.

## Cash flow and financing

### Cash flow

Cash flow SEK million	Jan - Mar		Full year
	2014	2013	2013
Cash flow from operating activities before changes in working capital	94,1	44,2	218,1
Cash flow from changes in working capital	-37,0	-66,7	-38,5
Cash flow from investing activities	-36,5	-16,6	-104,1
Cash flow from financing activities	-6,0	19,9	-59,9
<b>Total cash flow</b>	<b>14,5</b>	<b>-19,2</b>	<b>15,6</b>

Cash flow from operating activities increased, mainly due to a strong operating profit in Q1. Changes in working capital are lower than the previous year despite increased sales, mainly due to slightly more favourable credit periods for Recipharm. The cash flow from investing activities was higher than the previous quarter, mainly due to receipt of the final earnout payment for Fontaine's operations amounting to SEK 17.9 million. The capacity investment in Wasserburg constitutes around SEK 6 million of a total of around SEK 17 million for investments in tangible fixed assets during the quarter.

### Financing and returns

	31-mar-14	31-mar-13	FY 2013
Return on operating capital	20,7	16,5	17,2
Net debt to EBITDA	1,2	1,6	1,4
Equity to assets	39,2	37,3	37,6

Return on capital employed exceeds the target of a minimum of 15 percent and amounts to 21 percent (16). The increase is due to improved profits, especially in Q1 2014. The net debt to EBITDA ratio further improved from an already low level. The equity/assets ratio was further strengthened due to profits moving to equity.

As of 31 March 2014, the costs invoiced in 2014 relating to the stock exchange listing amount to SEK 6.8 million and are entered as prepaid expenses. SEK 0.7 million of this amount has been paid, SEK 1.4 million is entered as accounts payable and SEK 4.6 as an accrued liability.

## Parent Company

Recipharm AB (publ) includes functions that provide services to the operating companies. The Parent Company's net sales were SEK 18.3 million (18.0) and operating profit was SEK -5.6 million (-10.3). Investments amounted to SEK 0.5 million (0.2).

## Board of Directors and employees

The number of employees (equivalent to full-time positions) during the period was 1,469 (1,464). Two new members, Joan Traynor and Marianne Dicander Alexandersson, joined the Board of Directors during the quarter.

## Shares and share-related programmes

The Annual General Meeting on 17 February 2009 resolved to issue a convertible bond programme for the board members and employees. Convertible bonds were subscribed for in an amount of SEK 39.2 million. The conversion period was 6 March 2014 – 5 April 2014. The percentage converted was 97.8 percent, making 1,374,407 new shares equivalent to a dilution of 3.8 percent. The total number of shares after the conversion is 37,188,875.

The Annual General Meeting on 10 March 2014 resolved to issue a share-based incentive programme aimed at the employees. In order to participate in the programme, the participants must use their own funds to acquire class B shares in Recipharm ("Savings Shares") for the NASDAQ OMX Stockholm market price. Participants retaining the Savings Shares for a period of around three years and who are also employed by the Group during that period will, after the end of the period, receive one share per Savings Share in Recipharm AB (publ) free of charge. Senior executives are also entitled to 2–4 Performance Shares according to the same model. There are limits on the number of Savings Shares linked to the employee's basic salary. The total maximum cost (upon full subscription) for this programme is around SEK 30 million distributed over the programme's duration of 3 years, representing a dilution of 1.3 percent of the share capital.

The Annual General Meeting on 10 March 2014 also decided on a 1:2 share split.

*The number of shareholders is 5,270 and the largest shareholders as of 11 April 2014 are the following (% of share capital):*

B&E Participation AB <sup>1)</sup>	46.0
Lannebo fonder	5.6
Fjärde AP-fonden	3.6
SHB Fonder	2.4
Enter Fonder	2.1

Foreign shareholders hold 17.8 percent of the share capital

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

## Significant events after the end of the period

Recipharm's B shares were available for trading on NASDAQ OMX Stockholm on 3 April. The initial price was SEK 78 per share and the number of new shares in the issue amounted to 10,443,037. In total, new shares were issued for a value of SEK 786 million. The issue costs are estimated at SEK 40.4 million, of which SEK 6.5 million was expensed in 2013.

## Financial information 2014

Interim report, April-June

Interim report, July-September

August 14, 2014

November 7, 2014

Jordbro May 8, 2014

For Recipharm AB (publ) board

Thomas Eldered, CEO

Recipharm AB (publ)

(corp.id.no. 556498-8425)

### Contact information:

Thomas Eldered, CEO, tel +46 8 602 52 00

Björn Westberg, CFO, tel +46 8 602 46 20

A presentation of the interim report is held on May 8, at 10:00 CET, for more information please visit [www.recipharm.com/en/investors](http://www.recipharm.com/en/investors)

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.

## About Recipharm

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

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

<b>Consolidated statement of profit and loss and other operating income (SEK million)</b>		<b>Jan - Mar</b>		<b>Full year</b>
	<b>Note</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
<b>Operating Income</b>				
Net sales	1	577,9	517,4	2 124,6
Other operating revenue		7,2	7,8	36,7
		<b>585,1</b>	<b>525,2</b>	<b>2 161,3</b>
<b>Operating expenses</b>				
Raw materials and consumables		-147,2	-144,3	-580,7
Other external costs		-119,2	-113,7	-468,6
Employee benefits expense		-212,0	-200,1	-806,6
Depreciation and amortisation		-24,2	-22,4	-94,9
Other operating expenses		-4,8	-7,2	-22,5
		<b>-507,4</b>	<b>-487,7</b>	<b>-1 973,2</b>
<b>Operating profit</b>				
		<b>77,8</b>	<b>37,5</b>	<b>188,1</b>
Interest income and similar revenues		0,4	2,1	6,8
Interest expenses and similar costs		-6,6	-9,9	-27,7
<b>Net financial income/expense</b>				
		<b>-6,1</b>	<b>-7,8</b>	<b>-20,9</b>
<b>Profit before tax</b>				
		<b>71,6</b>	<b>29,7</b>	<b>167,1</b>
Current tax		-16,9	-9,7	-72,7
<b>Profit / loss for the period</b>				
		<b>54,7</b>	<b>20,0</b>	<b>94,4</b>
<b>Other Comprehensive Income:</b>				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Translation differences		0,9	-3,1	14,5
<b>Total items that will be reclassified subsequently to profit or loss</b>				
		<b>0,9</b>	<b>-3,1</b>	<b>14,5</b>
<b>Items that will not be reclassified to profit or loss</b>				
Actuarial losses on pensions		-1,1	-0,7	-3,0
Deferred tax relating to items that will not be reclassified		0,3	0,2	0,7
<b>Total items that will not be reclassified subsequently to profit or loss</b>				
		<b>-0,8</b>	<b>-0,6</b>	<b>-2,3</b>
<b>Other comprehensive income for the period</b>				
		<b>0,1</b>	<b>-3,7</b>	<b>12,2</b>
<b>Total comprehensive income for the period</b>				
		<b>54,8</b>	<b>16,3</b>	<b>106,6</b>
<b>Net profit distributed to:</b>				
Parent company's shareholders		54,7	20,0	94,4
		<b>54,7</b>	<b>20,0</b>	<b>94,4</b>
<b>Group comprehensive income distributed to:</b>				
Parent company's shareholders		54,8	16,3	106,6
		<b>54,8</b>	<b>16,3</b>	<b>106,6</b>
<b>Earnings per share</b>		<b>Jan - Mar</b>		<b>Full year</b>
		<b>2014</b>	<b>2013</b>	<b>2013</b>
Earnings per share before dilution (SEK)		2,16	0,79	3,72
Earnings per share after dilution (SEK)		2,05	0,76	3,56
Profit before dilution (tSEK)		54 696	19 984	94 387
Effect from potential shares (tSEK)		229	346	1 047
Profit after dilution (tSEK)		54 925	20 330	95 434
Average number of shares before dilution (thousand)	2	25 371	25 371	25 371
Potential shares (thousand)	2	1 402	1 402	1 402
Average number of shares after dilution (thousand)		26 774	26 774	26 774



<b>Consolidated statement of financial position</b>	<b>31 Mar</b>	<b>31 Mar</b>	<b>31 Dec</b>
<b>SEK million</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Product rights	133,5	148,1	136,8
Goodwill	78,2	72,9	78,2
Other intangible assets	142,7	142,5	147,2
Property, plant and equipment	454,7	405,7	451,9
Other non-current assets	56,3	33,7	56,4
<b>Total non-current assets</b>	<b>865,5</b>	<b>802,9</b>	<b>870,5</b>
<b>Current assets</b>			
Inventories	421,9	403,7	413,1
Accounts receivable	303,6	277,0	237,2
Other receivables	28,8	36,2	48,6
Prepaid expenses and accrued income	53,3	38,3	50,9
Cash and cash equivalents	205,2	159,9	190,2
<b>Total current assets</b>	<b>1 012,8</b>	<b>915,1</b>	<b>940,0</b>
<b>TOTAL ASSETS</b>	<b>1 878,3</b>	<b>1 718,0</b>	<b>1 810,5</b>
<b>SHAREHOLDERS EQUITY AND LIABILITIES</b>			
Share capital	12,7	12,7	12,7
Other paid-in capital	515,2	515,2	515,2
Reserves	-106,3	-114,4	-106,4
Retained earnings (including net profit)	314,1	228,0	259,5
<b>Equity attributable to Parent Company shareholders</b>	<b>735,6</b>	<b>641,4</b>	<b>680,8</b>
<b>Total equity</b>	<b>735,6</b>	<b>641,4</b>	<b>680,8</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	350,7	409,2	359,1
Provisions	114,5	76,4	114,9
Deferred tax liabilities	56,2	59,2	59,3
<b>Total non-current liabilities</b>	<b>521,4</b>	<b>544,9</b>	<b>533,3</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	80,9	21,8	80,8
Bank overdraft	164,6	166,4	160,2
Accounts payable	121,6	114,2	112,6
Tax liabilities	43,3	7,5	40,8
Other liabilities	29,6	64,4	44,1
Accrued expenses and prepaid income	181,3	157,4	158,0
<b>Total current liabilities</b>	<b>621,3</b>	<b>531,7</b>	<b>596,4</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 878,3</b>	<b>1 718,0</b>	<b>1 810,5</b>
Pledged assets	604,7	450,7	542,0
Contingent liabilities	24,5	11,3	25,0

<b>Consolidated cash flow statement</b>		<b>Jan - Mar</b>		<b>Full year</b>
<b>SEK million</b>		<b>2014</b>	<b>2013</b>	<b>2013</b>
<b>Operating activities</b>				
Profit before tax		71,6	29,7	167,1
<i>Adjustments for items not affecting cash</i>				
- Depreciation, amortisation and impairment of assets		24,2	22,4	94,9
- Changes in provisions		-1,5	0,0	22,7
- Other		2,2	-0,4	10,3
		<b>96,5</b>	<b>51,7</b>	<b>295,0</b>
Income taxes paid		-2,4	-7,5	-76,9
<b>Cash flow from operating activities before changes in working capital</b>				
		<b>94,1</b>	<b>44,2</b>	<b>218,1</b>
<i>Cash flow from changes in working capital:</i>				
Change in inventories		-8,4	-12,5	-15,0
Change in operating receivables		-61,8	-62,7	-19,3
Change in operating liabilities		33,2	8,5	-4,2
<b>Cash flow from operating activities</b>				
		<b>57,0</b>	<b>-22,5</b>	<b>179,6</b>
<i>Investing activities</i>				
Acquisition of property, plant and equipment		-16,6	-16,3	-82,4
Disposal of property, plant and equipment		0,2	-0,3	0,7
Acquisition of intangible assets		-2,1	0,0	-14,7
Purchase consideration payable, subsidiaries		-17,9	0,0	0,0
Acquisition of financial assets		0,0	0,0	-7,7
<b>Cash flow from investing activities</b>				
		<b>-36,5</b>	<b>-16,6</b>	<b>-104,1</b>
<i>Financing activities</i>				
Dividend paid to Parent Company shareholders		0,0	0,0	-50,7
Change in bank overdraft		4,4	20,3	12,7
Repayment of borrowings		-10,4	-0,4	-21,8
<b>Cash flow from financing activities</b>				
		<b>-6,0</b>	<b>19,9</b>	<b>-59,9</b>
<b>Total cash flow for the period</b>				
		<b>14,5</b>	<b>-19,2</b>	<b>15,6</b>
Cash and cash equivalents at beginning of period		190,2	179,2	179,2
Translation difference on cash and cash equivalents		0,5	-0,2	-4,6
<b>Cash and cash equivalents at end of period</b>				
		<b>205,2</b>	<b>159,9</b>	<b>190,2</b>
Interest received		0,0	0,3	0,6
Interest paid		-4,5	-5,2	-20,1

<b>Consolidated statement of changes in equity</b>					
<b>SEK million</b>	<b>Share capital</b>	<b>Other paid in capital</b>	<b>Reserves</b>	<b>Profit brought forward</b>	<b>Total equity</b>
<b>Equity at 1 January 2013</b>	<b>12,7</b>	<b>515,2</b>	<b>-118,6</b>	<b>215,8</b>	<b>625,1</b>
Profit for the year 2013				94,4	<b>94,4</b>
Dividend				-50,7	<b>-50,7</b>
Other comprehensive income			12,2		<b>12,2</b>
<b>Equity at 31 December 2013</b>	<b>12,7</b>	<b>515,2</b>	<b>-106,4</b>	<b>259,5</b>	<b>680,8</b>
Profit for the period 2014				54,7	<b>54,7</b>
Other comprehensive income			0,1		<b>0,1</b>
<b>Equity at 31 March 2014</b>	<b>12,7</b>	<b>515,2</b>	<b>-106,3</b>	<b>314,1</b>	<b>735,6</b>

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

<b>Parent company statement of financial position</b>	<b>31 Mar</b>	<b>31 Mar</b>	<b>31 Dec</b>
<b>SEK million</b>	<b>2014</b>	<b>2013</b>	<b>2013</b>
<b>ASSETS</b>			
Non-current assets	740,4	735,7	739,0
Current assets	154,3	211,2	161,9
<b>TOTAL ASSETS</b>	<b>894,7</b>	<b>946,9</b>	<b>900,9</b>
<b>SHAREHOLDERS EQUITY AND LIABILITIES</b>			
Equity	237,9	343,1	237,5
Liabilities	656,8	603,8	663,4
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>894,7</b>	<b>946,9</b>	<b>900,9</b>

## Accounting principles, risks, definitions and notes

### Accounting principles

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

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

### Significant risks and uncertainties

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

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

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

## Definitions

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

## Notes

### Note 1 Transactions with related parties

Recipharm AB (publ) and Recipharm Ltd have performed administrative services for the following related companies:  
 Prokarium Ltd for a value of SEK 0.0 million (0.1).  
 Cobra Biologics Ltd for a value of SEK 0.0 million (0.0).

### Note 2 Number of shares and potential shares

On 10 March 2014 a decision was taken to implement a 2:1 share split, after which the number of shares is 25,371,430 and potential shares, 1,402,218. Accordingly, the comparison periods have been adjusted retroactively.

### Note 3 Segment analysis

SEK million	Jan - Mar 2014					Jan - Mar 2013				
	MFG-SE	MFG-EU	D&T	Other	Total	MFG-SE	MFG-EU	D&T	Other	Total
Net sales, external	239,7	286,5	51,6	0,0	577,9	223,6	261,3	32,4	0,1	517,4
Net sales, internal	5,1	11,7	0,4	18,3	35,6	2,1	16,7	1,1	18,4	38,2
EBITDA	39,5	60,9	18,9	-17,2	102,0	18,0	49,8	0,4	-8,3	59,9
Depreciations	4,8	14,6	4,7	0,1	24,2	4,0	14,0	3,6	0,9	22,4
Impairments	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EBIT	34,6	46,3	14,2	-17,3	77,8	14,0	35,8	-3,2	-9,2	37,5
Non current assets	102,6	581,7	163,5	17,7	865,5	82,4	524,0	177,0	19,5	802,9
Total assets	461,6	1 141,3	240,8	34,6	1 878,3	411,7	1 022,3	230,2	53,8	1 718,0
Goodwill	0,0	78,2	0,0	0,0	78,2	0,0	72,9	0,0	0,0	72,9
<b>Net sales major customers</b>		<b>Segment</b>		<b>Jan - Mar 2014</b>						<b>Jan - Mar 2013</b>
Customer X		MFG/D&T		150,0						117,7
Customer Y		MFG/D&T		97,3						102,5
Customer Z		MFG		86,3						89,2
Other customers		MFG/D&T		244,4						208,0
<b>Total</b>				<b>577,9</b>						<b>517,4</b>
				<b>Net sales Jan - Mar</b>						<b>Fixed assets</b>
<b>Geographical area</b>				<b>2014</b>	<b>2013</b>			<b>Mar31 2014</b>		<b>Mar31 2013</b>
Sweden				291,0	256,1			283,8		278,9
Other				286,9	261,4			581,7		524,0
<b>Total</b>				<b>577,9</b>	<b>517,4</b>			<b>865,5</b>		<b>802,9</b>

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