

Interim report

JANUARY – JUNE 2016

22 July 2016



April - June 2016

- Net sales amounted to SEK 1 235 million (868), an increase of 42 %
- EBITDA increased by 54 % and amounted to SEK 240 million (156) giving an EBITDA margin of 19.4 % (17.9)
- Operating profit (EBIT) amounted to SEK 150 million (98)
- Profit after tax amounted to SEK 84 million (69) giving a net margin of 6.8 % (7.9)
- Earnings per share amounted to SEK 1.67 (1.50), after dilution 1.67 (1.50)
- Cash flow from operating activities was SEK 139.1 million (52.8)
- Rights issue of SEK 805 million was completed in June.
- Acquisitions of operations in India, Sweden and US was completed

27%

Increase in Net sales

SEK 376

EBITDA

17%

EBITDA margin

January - June 2016

- Net sales amounted to SEK 2 208 million (1 742), an increase of 27 %
- EBITDA increased by 20 % and amounted to SEK 376 million (314) giving an EBITDA margin of 17.0 % (18.0)
- Operating profit (EBIT) amounted to SEK 218 million (198)
- Profit after tax amounted to SEK 108 million (189: last year included a financial capital gain of SEK 46.6 million), giving a net margin of 4.9 % (10.9)
- Earnings per share amounted to SEK 2.14 (4.22), after dilution 2.13 (4.22)
- Cash flow from operating activities was SEK 78.6 million (201)
- Net debt to Equity was 0.4 (0.4)

| Key figures | | | | | | | | |
|--------------------------------------|-----------|------|--------|-----------|-------|--------|----------|-------|
| | Apr - Jun | | change | Jan - Jun | | change | Jul 15 | |
| SEK million | 2016 | 2015 | in % | 2016 | 2015 | in % | - Jun 16 | 2015 |
| Net sales | 1 235 | 868 | 42.2 | 2 208 | 1 742 | 26.8 | 3 856 | 3 389 |
| Net sales (CER) ^{1/} | 1 239 | 856 | 42.6 | 2 216 | 1 709 | 27.3 | | 3 344 |
| EBITDA ^{1/} | 240 | 156 | 54.0 | 376 | 314 | 19.9 | 572 | 510 |
| EBIT ^{1/} | 150 | 98 | 61.3 | 218 | 198 | 14.4 | 303 | 274 |
| EBITDA margin (%) ^{1/} | 19.4 | 17.9 | | 17.0 | 18.0 | | 14.8 | 15.0 |
| Earnings per share | 1.67 | 1.50 | 23.3 | 2.14 | 4.22 | -45.2 | 5.94 | 4.72 |
| Return on equity (%) ^{1/} | | | | 3.5 | 11.4 | | | 8.8 |
| Equity per share (SEK) ^{1/} | | | | 91.9 | 59.3 | | | 59.2 |
| Equity ratio (%) ^{1/} | | | | 51.1 | 49.7 | | | 48.1 |
| Net debt ^{1/} | | | | 1 807 | 1 001 | | | 1 183 |
| Net debt to Equity ^{1/} | | | | 0.4 | 0.4 | | | 0.4 |
| Net debt to EBITDA ^{1/} | | | | 3.2 | 2.0 | | | 2.3 |

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

Thomas Eldered, CEO:

"With a sales increase of 42 percent we recorded all-time high sales for the quarter. For the first time we had sales in excess of SEK 1 billion, and this even without the SEK 231 million contribution from recent acquisitions. Sales growth during the quarter, excluding acquisitions was 16 percent in local currencies. Sales of the volatile tender product Thyrosafe and from the new contract in Kaysersberg, France as well as phasing of revenues from the first quarter contributed significantly to the sales increase. A packaging-only contract, discontinued in Q3 2015, lower reference prices in Portugal and lower sales in the UK of certain high-margin own products had a negative impact.

EBITDA for the quarter increased 54 percent to SEK 240 million and EBITDA-margin increased sequentially to 19.4 percent, the highest quarterly margin ever for Recipharm. Excluding acquisitions, completed during the last twelve months, EBITDA still reached an all-time high for a quarter. In addition to the sales growth, a price adjustment related to the first quarter this year had a positive impact on EBITDA. Implementation of the cost and efficiency program in Swedish operations started to impact EBITDA positively somewhat ahead of plan.

We continued to take important steps to strengthen Recipharm and to support achievement of our long-term targets. Completed acquisitions during the quarter of Indian Nitin Lifesciences Ltd, Swedish Kemwell AB and US Cirrus Pharmaceuticals Inc together with Italian Mitim Srl, acquired in February, performed according to our expectations and integration activities progressed in-line with plan. Together with the acquisition of Kemwell's pharmaceutical business in India, with expected authority approvals in Q4 this year, we have now strengthened our synergistic business model and will align development and manufacturing services globally. Our high-performing European operations, highly efficient Indian capabilities and US bridgehead, providing access to our network for small and midsize US customers, is creating a leading global setup providing valuable solutions to our customers. We continue to make expansion investments in the Sterile Liquids segment, in particular to meet the strong demand we see for our lyophilisation services and blow-fill-seal technology.

As expected we comply with our EBITDA-margin and Net debt to Equity targets. Going forward I expect our growth-driving strategies, including executing on further acquisition opportunities, to continue to deliver. The markets we operate in remain competitive but at the same time providing both growth and many opportunities. With our global reach and attractive value proposition to our customers I'm confident that we will reach our long term growth targets set to 2020. We were pleased with the support showed by our shareholders in the recently completed rights issue and we are very well placed to continue to explore the opportunities we see in the market."

The company invites investors, analysts and media to a telephone conference with a web presentation (in English) on 22 July 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 3,500 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 is approximately SEK 5 billion and the Company operates development and manufacturing facilities in France, Germany, India, Israel, Italy, Portugal, Spain, Sweden, the UK and the US and is headquartered in Jordbro, Sweden. The Recipharm B-share (RECI B) is listed on Nasdaq Stockholm.

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

Revenues

Net sales

| Net sales per segment | | | | | |
|--|----------------|--------------|----------------|----------------|----------------|
| SEK million | Apr – Jun | | Jan - Jun | | Full year |
| | 2016 | 2015 | 2016 | 2015 | 2015 |
| Manufacturing Services Sterile Liquids (MS-SL) | 515.3 | 258.2 | 883.2 | 491.5 | 956.8 |
| Manufacturing Services Solids & Others (MS-SO) | 561.4 | 467.0 | 1 023.8 | 928.6 | 1 832.5 |
| Development & Technology (D&T) | 222.4 | 189.0 | 403.6 | 409.1 | 767.4 |
| Eliminations and others | -64.2 | -45.6 | -102.8 | -87.5 | -167.2 |
| Total | 1 234.9 | 868.5 | 2 207.8 | 1 741.7 | 3 389.4 |

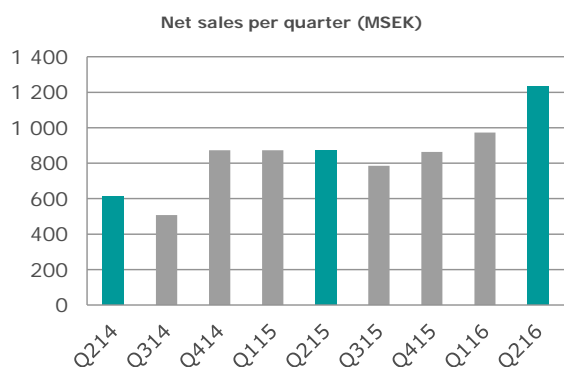
April - June 2016

Net sales increased by SEK 366.4 million and amounted to SEK 1 234.9 million (868.5), an increase of 42 percent. Adjusted for currency translation effect of SEK -3.7 million (12.9), the sales increased by 43 percent. The acquisitions (OT Chemistry AB, Mitim Srl, Nitin Lifesciences Ltd, Kemwell AB and Cirrus Pharmaceuticals Inc) contributed SEK 230.7 million to the increase. The sales, excluding the acquisitions and currency effect, increased SEK 140.4, equal to 16 percent. The increase is mainly related to sales from the new contract in Kaysersberg, of SEK 108.1 million, and higher sales of Thyrosafe, the tender product.

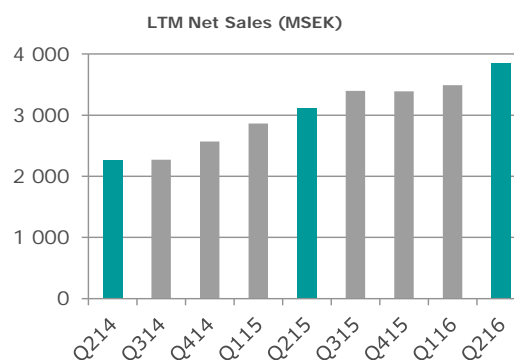
Sales for MS-SL increased by SEK 257.1 million to SEK 515.3 million, an increase of 100 percent, adjusted for currency translation effect of SEK -1.1 million, the sales increased by 100 percent. The acquisitions (Mitim and Nitin) contributed SEK 159.5 million. Sales, excluding acquisitions and currency effect, increased SEK 98.7 equal to 39.0 percent. The new contract in Kaysersberg generated SEK 108.1 million. Sales were negatively affected by the discontinued (from Q3 2015) packaging-only contract for a Big Pharma customer, with sales Q2 2015 of SEK 15.1 million.

MS-SO increased sales by SEK 94.4 million to SEK 561.4 million, adjusted for currency translation effect of SEK -3.7 million, the sales increased by 21 percent. The acquisitions (Mitim and Kemwell) contributed SEK 61.4 million or 13 percent to the sales increase. Sales, excluding acquisitions and currency effect, increased SEK 36.7. Sales increased mainly due to the price increases (of which SEK 10.6 million was related to Q1 and agreed during Q2) and increased production of Thyrosafe.

D&T increased sales by SEK 33.4 million to SEK 222.4 million, an increase of 18 percent. The translation currency effect was small. The acquisitions (OT Chemistry and Cirrus) contributed SEK 8.9 million to the increase. The increase in sales was mainly due to SEK 30 million higher sales of Thyrosafe which more than balanced the lower sales in the UK market for certain products and some price decreases due to reference pricing system in the Portuguese market.



Q2 2016 has the highest sales in a quarter ever.



LTM sales end of June 2016 of SEK 3 856 million, highest ever.

January - June 2016

Net sales increased by SEK 466.1 million and amounted to SEK 2 207.8 million, an increase of 27 percent, adjusted for currency translation effect of SEK -8.7 million versus last year, the sales increased by 27 percent. The acquisitions, during the last 12 months, generated SEK 280.4 million to the increase.

Total sales of the large tender product amounted to SEK 45.3 million (37.7). We see a continuous improvement in the sales coming from new projects, both in manufacturing and development services, which had positive impact on the sales versus last year.

Other operating revenue

April - June 2016

Other operating revenue amounted to SEK 37.6 million (30.6) mainly consisting of a royalty income of SEK 13.8 million (10.8), pass-through costs of SEK 4.7 million (4.5) and exchange gains on operating receivables and liabilities of SEK 5.3 million (4.2).

January - June 2016

Other operating revenue amounted to SEK 71.0 million (58.9) mainly consisting of a royalty income of SEK 27.5 million (22.7), pass-through costs of SEK 15.0 million (9.7) and of exchange gains on operating receivables and liabilities of SEK 5.7 million (13.6).

Profit

EBITDA

April - June 2016

EBITDA amounted to SEK 240.0 million (155.9), an increase of 54 percent. Acquisitions generated SEK 31.8 million of the increase, acquisition costs amounted to SEK 2.4 million and a retroactive price adjustment related to Q1 2016 contributed SEK 10.6 million. Excluding these items EBITDA increased SEK 44.1 million, mainly due to the new contract in Kaysersberg and increased EBITDA from solids. The EBITDA margin to sales was 19.4 percent (17.9).

RAW MATERIALS AND CONSUMABLES

Raw materials and consumables amounted to SEK 341.9 million (229.7). 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 27.7 percent is higher than last year's 26.4 percent, 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 275.8 million (201.7). The increase is related to higher sales and acquisitions. Overall, the Other external costs ratio to sales of 22.3 percent is lower than last year of 23.2 percent mainly due to some positive influence from the Kaysersberg contract, lower commission costs in the D&T segment and a generally positive cost containment for our Manufacturing Solids segment and D&T development services.

EMPLOYEE BENEFITS EXPENSE

Employee benefits expense amounted to SEK 394.5 million (298.8). The increase is mainly related to higher manufacturing sales and acquisitions. Overall, the Employee cost ratio to sales of 31.9 percent is lower than last year of 34.4 percent mainly due to differences in cost structure in the newly acquired operations in India and Italy, but also a positive effect from the restructuring program in Sweden.

| EBITDA per segment | | | | | |
|-------------------------|--------------|--------------|--------------|--------------|--------------|
| SEK million | Apr – Jun | | Jan - Jun | | Full year |
| | 2016 | 2015 | 2016 | 2015 | 2015 |
| MS-SL | 122.1 | 62.8 | 191.1 | 128.8 | 220.7 |
| MS-SO | 95.1 | 48.7 | 154.5 | 77.8 | 117.4 |
| D&T | 45.6 | 58.5 | 73.9 | 128.1 | 222.1 |
| Eliminations and others | -22.7 | -14.2 | -43.1 | -20.9 | -50.5 |
| Total | 240.0 | 155.9 | 376.4 | 313.8 | 509.8 |

April - June 2016

EBITDA for MS-SL increased by SEK 59.3 million to SEK 122.1 million (62.8), equivalent to an EBITDA margin of 23.7 percent (24.3). Acquisitions (Nitin and Mitim) contributed SEK 25.4 million. The currency translation effect was small. EBITDA, excluding acquisitions, increased 33.9 million. The contract in the Kaysersberg operations contributed well in line with expectations while EBITDA was negatively affected by the discontinued (from Q3 2015) packaging-only contract for a Big Pharma customer.

EBITDA for MS-SO increased by SEK 46.4 million to SEK 95.1 million (48.7), equivalent to an EBITDA margin of 16.9 percent (10.4). Acquisitions contributed SEK 12.4 million. The currency translation effect was small. The increase is mainly due to increased production of Thyrosafe, increased contribution from new products and price adjustment related to Q1 2016 of SEK 10.6 million. The cost and efficiency improvement in Swedish operations has started to contribute positively to EBITDA with a few SEK million.

EBITDA for D&T decreased by SEK 12.3 million to SEK 45.6 million (58.5), equivalent to an EBITDA margin of 20.5 percent (30.9). The acquisitions generated SEK -5.9 million of the decrease, mainly due to the reduced sales of API related services. There is also this quarter lower sales of a few high-margin products in the UK market, including a negative product mix effect, partly balanced by the increased sales of Thyrosafe. Some negative effects are also due to price decreases in the Portuguese market and weak GBP currency for our product sales in the UK.

January - June 2016

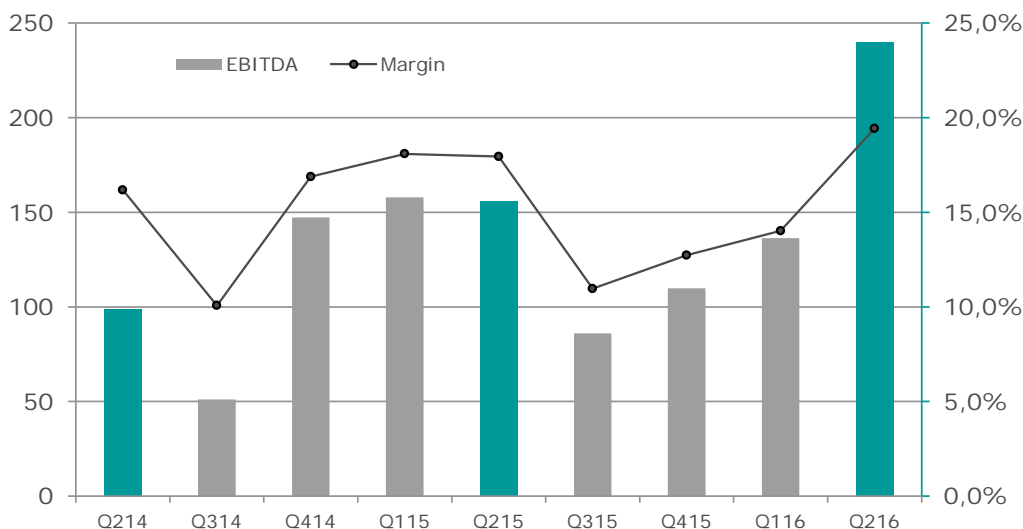
EBITDA amounted to SEK 376.4 million (313.8), an increase of 20 percent, which is equivalent to an EBITDA margin of 17.0 percent (18.0). Excluding acquisition costs of SEK 11.0 million, EBITDA amounted to SEK 387.4 million. There was positive growth in the manufacturing segments, mainly related to the increased EBITDA generated from the acquisitions and the new contract Kaysersberg operations. D&T is lower this year due to very favourable market conditions last year.

EBITDA for MS-SL increased by SEK 62.3 million to SEK 191.1 million (128.8), equivalent to an EBITDA margin of 21.6 percent (26.2). The decrease in margin is mainly related to the discontinued (was discontinued from Q3 2015) packaging only contract for a Big Pharma customer. The business, except for that contract, performed in line with last year.

EBITDA for MS-SO increased by SEK 76.7 million to SEK 154.5 million (77.8), equivalent to an EBITDA margin of 15.1 percent (8.4). The increase is mainly due to contribution from acquisitions of SEK 14.5 million, price adjustments and more production of Thyrosafe (internal sales to D&T).

EBITDA for D&T decreased by SEK 54.2 million to SEK 73.9 million (128.1), equivalent to an EBITDA margin of 18.3 percent (31.3). The decrease is mainly related to SEK -10.0 million from acquisitions and lower sales of a few high margin products.

EBITDA (SEK million) and EBITDA margin per quarter



Highest EBITDA margin a single quarter and significant sequential increase in EBITDA margin from Q3 2015.

April – June 2016

Depreciation, amortisation and impairment

Depreciation and amortisation amounted to SEK 90.5 million (57.9), of which SEK 47.1 million (28.7) is depreciation and SEK 43.5 million (29.1) is amortisation of intangible assets. The increase in depreciation is mainly due to Kaysersberg operations of SEK 4.7 (-) million and to the new acquisitions of SEK 12.8 million (-). The increase in amortisation is mainly due to the new acquisitions of SEK 13.3 million (-).

Part of the total amount of SEK 26.2 million (23.2) is non tax deductible amortisation related to the intangible assets in acquisition of Corvette, Lusomedicamenta, Mitim and Wasserburg.

Financial items

Interest income and similar revenues amounted to SEK 0.7 million (-0.9) of which SEK 1.9 million (-) was financial investment capital gain and SEK -1.4 million (-1.8) was translation differences. Interest expenses and similar costs amounted to SEK 18.7 million (5.0) of which SEK 11.3 million (4.9) was interest related to bank loans, SEK 0.5 million (-0.7) was loss from fair value valuation of derivative, SEK 4.4 million (0.3) was translation differences and SEK 2.6 million (0.5) was other financial expenses.

Income tax

The income tax amounted to SEK 47.7 million (23.4), as taxable profit was higher than last year. The effective tax rate was 34.1 (25.4) due to a relatively higher share of profits from subsidiaries with high tax rates and local taxes on dividend.

Profit after tax

Profit after tax amounted to SEK 83.7 million (68.7), an increase of SEK 15.0 million which is mainly related to the increase in operating profit.

January – June 2016

Depreciation, amortisation and impairment

Depreciation and amortisation amounted to SEK 158.0 million (115.4), of which SEK 83.2 million (57.5) is depreciation and SEK 74.8 million (58.0) is amortisation of intangible assets. The increase in depreciation is mainly due to Kaysersberg operations of SEK 9.4 (-) million and to the new acquisitions of SEK 15.5 million (-). The increase in amortisation is mainly due to the new acquisitions of SEK 14.5 million (-).

Part of the total amount of SEK 50.4 million (46.5) is non tax deductible amortisation related to the intangible assets in Corvette, Lusomedicamenta, Mitim and Wasserburg.

Financial items

Interest income and similar revenues amounted to SEK 2.9 million (75.0) of which SEK 1.9 million (-) was financial investment capital gain and SEK 0.9 million (27.6) was translation differences. Interest expenses and similar costs amounted to SEK 43.1 million (12.8) of which SEK 18,8 million (10.9) was interest related to bank loans, SEK 1.6 million (0.0) was loss from fair value valuation of derivative, SEK 18.2 million (0.9) was translation differences and SEK 4.5 million (1.0) was other financial expenses. Last year included SEK 46.6 million gain from disposal of shares in Flamel Technologies S.A.

Income tax

The income tax amounted to SEK 69.7 million (71.1) as taxable profit was lower than last year. The effective tax rate was 37.3 (27.3) mainly due to adjustment in 2015 current tax in a few operating companies and a relatively higher share of profits from subsidiaries with higher tax rates.

Profit after tax

Profit after tax amounted to SEK 108.5 million (189.5), a decrease of SEK 81.0 million which is mainly related to the impact of the non-recurring financial gain of SEK 46.6 million last year, increased financial costs and taxes.

Acquisitions

The acquisitions completed during the last 12 months are OT Chemistry AB (15 June 2015) in Sweden, Mitim Srl (24 February 2016) in Italy, Nitin Lifesciences Ltd (11 April 2016) in India, Cirrus Pharmaceuticals Inc in the US and Kemwell AB in Sweden (23 May 2016).

The acquisitions contributed SEK 232.3 million (2.5) and SEK 30.6 million (-1.2) in EBITDA during the quarter. EBITDA from the manufacturing operations was positive while it was negative from the acquisitions of development services.

OT Chemistry generated 2015 SEK 16.5 million in sales and SEK -5.7 million in EBITDA. Mitim estimated 2015 sales were SEK 452.9 million and EBITDA was SEK 82.1 million. Nitin estimated 2015 sales were SEK 390.7 million and EBITDA was SEK 95.3 million. The estimated 2015 sales for the acquisitions of Kemwell AB and Cirrus Pharmaceuticals Inc were SEK 462.5 million and EBITDA was SEK 42.8 million. The assumptions of the estimated sales and EBITDA from the 2016 acquisitions are based on IFRS and presented in more depth in the prospectus of the rights issue.

There is a cost reduction program decided in Kemwell, which is part of the anticipated synergies from the acquisition, where SEK 83.3 million related to estimated losses until end 2017, has been accounted for in the balance sheet per acquisition date. SEK 0.7 million has been released during the quarter.

The transaction costs for completed or announced acquisitions amounted to SEK 2.4 million during the quarter and SEK 11.0 million during the period.

Cash flow

| Cash flow (CF) | | | | | |
|--|---------------|--------------|--------------|--------------|--------------|
| SEK million | Apr – Jun | | Jan - Jun | | Full year |
| | 2016 | 2015 | 2016 | 2015 | 2015 |
| CF operating activities before changes in WC | 157.9 | 93.7 | 271.4 | 234.0 | 375.6 |
| CF from changes in working capital (WC) | -18.8 | -41.0 | -192.8 | -32.9 | 53.1 |
| CF from investing activities | -1 102.0 | -59.5 | -1 655.2 | -4.2 | -420.5 |
| CF from financing activities | 116.2 | -60.1 | 1 843.3 | -55.4 | 132.9 |
| Total | -846.7 | -66.8 | 266.7 | 141.4 | 141.1 |

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

Changes in working capital was reduced with SEK -18.8 million mainly due to reduction in inventories and accounts receivables.

Cash flow from investing activities was SEK -1 102 (-60) of which SEK -1 014 million (5) was related to acquisition of Nitin and Kemwells operations in Sweden and US and SEK -85 million (-60) was investments in property, plant and equipment.

The financing activities generated SEK 116 million (-60), mainly due to new share issues of SEK 856 million (805 in the rights issue and 51 as a direct issue in relation to US and SE acquisitions from Kemwell) and changes in borrowings from bank of SEK -677 million (-3).

Financing and return

| Key figures financing and return | | | |
|----------------------------------|-----------|------|-----------|
| | Jan – Jun | | Full year |
| | 2016 | 2015 | 2015 |
| Return on operating capital (%) | 5.8 | 13.0 | 7.6 |
| Return on equity | 3.5 | 11.4 | 8.8 |
| Net debt to EBITDA | 3.2 | 2.0 | 2.3 |
| Net debt to equity | 0.4 | 0.4 | 0.4 |
| Equity to assets | 51.1 | 49.7 | 48.1 |

The return on operating capital decreased to 5.7 percent from 7.6 end of last year. The decrease versus last year is, mainly due to increased operating capital from the acquisitions and only a few months of EBITDA. The improvement compared to Q1 2016 is related to increased EBITDA, mainly from the acquisitions and the new contract in Wasserburg.

Return on equity decreased from 11.4 end of last year to 3.5 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 but even more from the equity issue of SEK 805 million in June 2016.

The net debt to EBITDA ratio increased to 3.2 from 2.3 end of last year. The increase is mainly due to additional debt financing in relation to the acquisitions, although partly balanced with the June rights issue.

Net debt to equity was same as last year. The new financial target Net debt to equity should not exceed 0.8.

The equity to assets ratio is about the same as last year, the decrease due to the increase of assets from completed acquisitions is balanced with the equity coming from the rights issue.

Parent Company

Recipharm AB (publ) includes functions that provide services to the operating companies. The parent company's net sales were SEK 56.1 million (42.9) and operating result was SEK -37.0 million (-24.8) for the period. Investments amounted to SEK 7.0 million (11.8).

Employees

The number of employees (equivalent to full-time positions "FTE") during the period was 2 638 (2 058), of which 260 FTEs are in Kaysersberg and 125 FTEs are resulting from the Mitim acquisition (from 24 February), 111 FTEs from the Nitin acquisition (from 11 April), 69 FTEs from Kemwell AB and 14 FTEs from Cirrus Pharmaceuticals (both from 23 May 2016). Note that the FTE per 30 June is higher for the acquisitions, as this FTE measure is an average for the period. Total number of employees (FTEs per 30 juni 2016) is approximately 3 500.

Significant events during the quarter

Recipharm completed the acquisition of 74% of Nitin Lifesciences Ltd, located in northern India having around 450 employees, on 11 April 2016. The announcement of the acquisition agreement was made 20 October 2015. 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 Kemwell AB in Sweden and Cirrus Pharmaceuticals Inc in the US and one of Kemwell's pharmaceutical business in India, Dagny Pharma Private Ltd. The Swedish operation is located in Uppsala and the US operation in North Carolina, employing around 300 employees in total. The acquisition of the business in Sweden and the US was completed 23 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 around SEK 1.7 billion (SEK 1,675 million), of which USD 55 million was paid through a share issue, generating 3,159,572 number of B shares. The estimated combined 2015 sales were SEK 745 million and EBITDA was SEK 108 million. For more information related to these acquisitions we refer to the press releases.

Recipharm announced 17 May that the Board of Directors of Recipharm resolved on a rights issue. Recipharm announced 13 June that Recipharm's rights issue was fully subscribed. The rights issue provides Recipharm with proceeds of SEK 805 million before deduction of issue costs. The subscription period for the rights issue ended on 7 June 2016. In the rights issue, 2,537,142 new class A shares and 7,273,924 new class B shares, were subscribed. For more information related to the rights issue we refer to the press releases.

Significant events after period end

Recipharm announced 5 July the decision to invest EUR 18 million in additional BFS capacity (Blow-Fill-Seal) in the existing facility in Kaisersberg France. The investment is due to increased demand in certain markets and is expected to be completed beginning of 2018.

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 30 June 2016 | | |
|---|-------------|-----------|
| Shareholder | Capital (%) | Votes (%) |
| Flerie Participation AB ^{1/} | 19.4 | 40.3 |
| Lannebo fonder | 12.3 | 3.9 |
| Cajelo Invest AB ^{1/} | 12.1 | 38.0 |
| Första AP-fonden | 6.1 | 1.9 |
| Kemfin Holdings | 6.0 | 1.9 |
| Fjärde AP-fonden | 5.5 | 1.7 |

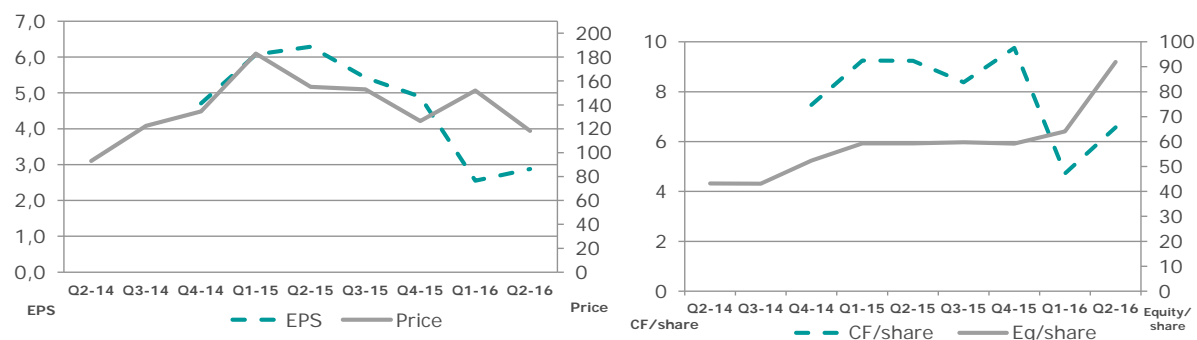
The number of shareholders were 4,773 and foreign shareholders hold 15.0 percent of the share capital and 4.7 percent of the votes

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

| | Jan – Jun | | Full year |
|-----------------------------|-----------|--------|-----------|
| | 2016 | 2015 | 2015 |
| Share price (end of period) | 118.25 | 155.00 | 126.50 |
| Earnings per share (EPS) | 2.31 | 4.22 | 4.72 |
| Equity per share | 91.9 | 59.3 | 59.2 |
| Cash flow per share | 6.57 | 9.24 | 9.76 |

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

To the left below, a graph Share price (Price) development per quarter (closing price at quarter end) and earnings per share (12M) is presented. To the right below, a graph Equity per share (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 share-based incentive program aimed at the employees. In order to participate in the program, the participants must use their own funds to acquire during the first year class B shares in Recipharm ("Savings Shares") for the Nasdaq Stockholm market price. 550 employees, which was approximately 1/3 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 11.5 million (estimation based on share price SEK 118.25 at 30 June 2016) during a three year period and the number of new shares may amount to approximately 120 000. The latter assumes full allocation of the performance shares as well.

The Annual General Meeting on 7 May 2015 resolved to issue a new share-based incentive program aimed at the employees. In order to participate in the program, the participants must use their own funds to acquire during the first year class B shares in Recipharm ("Savings Shares") for the Nasdaq Stockholm market price.

553 employees, which was approximately 25 percent 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 20.2 million (estimation based on share price SEK 118.25 at 30 June 2016) during a three year period and the number of new shares may amount to approximately 225 000. The latter assumes full allocation of the performance shares as well.

The Annual General Meeting on 28 April 2016 resolved to issue a new share-based incentive program aimed at the employees. In order to participate in the program, the participants must use their own funds to acquire during the first year class B shares in Recipharm ("Savings Shares") for the Nasdaq Stockholm market price. 553 employees, which was approximately 25 percent 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 21.1 million (estimation based on share price SEK 118.25 at 30 June 2016) during a three year period and the number of new shares may amount to approximately 240 000. The latter assumes full allocation of the performance shares as well.

The administration and purchasing of the shares in these share savings programs is managed using an external provider according predefined principles by the remuneration committee.

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

Financial calendar

| | |
|--|------------------|
| Capital Market Day | 31 August 2016 |
| Interim report January – September 2016 | 10 November 2016 |
| Full year report January – December 2016 | 23 February 2017 |

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

Jordbro, 22 July 2016

| | | |
|----------------------|--------------------------|---------------------------------|
| Thomas Eldered (CEO) | Lars Backsell (Chairman) | Carlos von Bonhorst |
| Anders G Carlberg | Olle Christenson | Marianne Dicander Alexandersson |
| Helena Levander | Wenche Rolfsen | Tony Sandell |

Contact information:

Thomas Eldered, CEO, tel +46 8 602 52 00 Björn Westberg, CFO, tel +46 8 602 46 20

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 | | | | | | |
|--|------|-----------------|---------------|-----------------|-----------------|-----------------|
| SEK million | Note | Apr - Jun | | Jan - Jun | | Full year |
| | | 2016 | 2015 | 2016 | 2015 | 2015 |
| Operating income | | | | | | |
| Net sales | 1 | 1 234.9 | 868.5 | 2 207.8 | 1 741.7 | 3 389.4 |
| Other operating revenue | | 37.6 | 30.6 | 71.0 | 58.9 | 118.7 |
| | | 1 272.6 | 899.1 | 2 278.8 | 1 800.6 | 3 508.1 |
| Operating expenses | | | | | | |
| Raw materials and consumables | | -341.9 | -229.7 | -606.4 | -461.3 | -958.8 |
| Other external costs | | -275.8 | -201.7 | -503.6 | -397.3 | -799.7 |
| Employee benefits expense | | -394.5 | -298.8 | -753.6 | -598.0 | -1 176.1 |
| Depreciation and amortisation | | -90.5 | -57.9 | -158.0 | -115.4 | -235.6 |
| Other operating expenses | | -19.1 | -13.0 | -36.8 | -30.1 | -62.8 |
| Share of profit in participations | | -1.3 | 0.0 | -1.9 | 0.0 | -1.0 |
| | | -1 123.1 | -801.1 | -2 060.4 | -1 602.1 | -3 233.9 |
| Operating profit | | 149.5 | 98.0 | 218.4 | 198.4 | 274.2 |
| Interest income and similar revenues | | 0.7 | -1.0 | 2.9 | 75.0 | 64.4 |
| Interest expenses and similar costs | | -18.7 | -5.0 | -43.1 | -12.8 | -29.0 |
| Net financial income/expense | | -18.1 | -5.9 | -40.1 | 62.1 | 35.4 |
| Profit before tax | | 131.4 | 92.1 | 178.3 | 260.6 | 309.6 |
| Income tax | | -47.7 | -23.4 | -69.7 | -71.1 | -94.6 |
| Profit / loss for the period | | 83.7 | 68.7 | 108.5 | 189.5 | 215.1 |
| Consolidated statement of comprehensive income: | | | | | | |
| | | Apr - Jun | | Jan - Jun | | Full year |
| | | 2016 | 2015 | 2016 | 2015 | 2015 |
| Items that may be reclassified subsequently to profit or loss | | | | | | |
| Translation differences | | 82.0 | -12.9 | 96.8 | -84.4 | -96.1 |
| Gains from fair value valuation of financial instruments | | -3.0 | -5.5 | -2.9 | -42.6 | -39.9 |
| Deferred tax relating to items that may be reclassified | | 0.5 | 1.2 | 0.5 | 9.4 | 8.8 |
| Total | | 79.5 | -17.2 | 94.4 | -117.6 | -127.2 |
| Items that will not be reclassified to profit or loss | | | | | | |
| Actuarial losses on pensions | | -7.7 | -1.1 | -13.6 | -2.3 | 8.9 |
| Deferred tax relating to items that will not be reclassified | | 2.1 | 0.3 | 3.8 | 0.6 | -2.3 |
| Total | | -5.6 | -0.8 | -9.8 | -1.6 | 6.6 |
| Other comprehensive income for the period | | 73.9 | -18.0 | 84.7 | -119.3 | -120.6 |
| Comprehensive income for the period | | 157.6 | 50.7 | 193.2 | 70.2 | 94.5 |
| Net profit distributed to: | | | | | | |
| Parent company´s shareholders | | 83.1 | 68.7 | 107.9 | 189.5 | 215.1 |
| Non-controlling interest | | 0.7 | - | 0.7 | - | -0.2 |
| | | 83.7 | 68.7 | 108.5 | 189.5 | 215.1 |
| Group comprehensive income distributed to: | | | | | | |
| Parent company´s shareholders | | 150.7 | 50.7 | 186.3 | 70.2 | 94.5 |
| Non-controlling interest | | 6.9 | - | 6.9 | - | 0.0 |
| | | 157.6 | 50.7 | 193.2 | 70.2 | 94.5 |

Earnings per share

| | Note | Apr - Jun | | Jan - Jun | | Full year |
|---|------|-----------|--------|-----------|---------|-----------|
| | | 2016 | 2015 | 2016 | 2015 | 2015 |
| Parent company's shareholders: | | | | | | |
| Earnings per share before dilution (SEK) | | 1.67 | 1.50 | 2.14 | 4.22 | 4.72 |
| Earnings per share after dilution (SEK) | | 1.67 | 1.50 | 2.13 | 4.22 | 4.72 |
| Profit before dilution (SEK thousand) | | 83 073 | 68 662 | 107 887 | 189 504 | 215 056 |
| Effect from potential shares (SEK thousand) | | - | - | - | 1 001 | 1 001 |
| Profit after dilution (SEK thousand) | | 83 073 | 68 662 | 107 887 | 190 505 | 215 056 |
| Average number of shares before dilution (thousand) | 2 | 49 615 | 45 735 | 50 497 | 44 899 | 45 606 |
| Potential shares (thousand) | 2 | 10 | -4 | 93 | 47 | 74 |
| Average number of shares after dilution (thousand) | | 49 625 | 45 730 | 50 590 | 44 946 | 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 shareholders | Non-Contr. Interest | Total equity |
|---|---------------|-----------------------|---------------|------------------------------------|---|---------------------|----------------|
| Equity at 1 January 2015 | 20.4 | 1 723.5 | -8.3 | 395.7 | 2 131.3 | | 2 131.3 |
| Profit January-December 2015 | | | | 215.1 | 215.1 | 0.2 | 215.3 |
| Other comprehensive income | | | -127.2 | 6.6 | -120.6 | | -120.6 |
| Transactions with owners: | | | | | | | |
| New share issue | 2.8 | 564.0 | | | 566.8 | | 566.8 |
| Share-based incentive program | | | | 5.0 | 5.0 | | 5.0 |
| Dividend | | | | -57.1 | -57.1 | | -57.1 |
| Equity at 31 December 2015 | 23.2 | 2 287.5 | -135.5 | 565.3 | 2 740.3 | 0.2 | 2 740.5 |
| Profit for the period 2016 | | | | 107.9 | 107.9 | 0.7 | 108.5 |
| Other comprehensive income | | | 87.5 | -9.8 | 77.7 | 6.9 | 84.7 |
| Non-controlling interest from acquisition of Nitin Lifesciences | | | | | | 290.6 | |
| Transactions with owners: | | | | | | | |
| New share issue | 8.4 | 1 694.7 | | | 1 703.1 | | 1 703.1 |
| Share-based incentive program | | | | 5.0 | 5.0 | | 5.0 |
| Dividend | | | | -73.6 | -73.6 | | -73.6 |
| Equity at 30 June 2016 | 31.6 | 3 982.2 | -48.0 | 594.9 | 4 560.5 | 298.4 | 4 858.9 |

Consolidated statement of financial position

| SEK million | Note | Jun 30 | | Dec 31 |
|---|------|----------------|----------------|----------------|
| | | 2016 | 2015 | 2015 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Product rights | | 273.3 | 277.5 | 280.6 |
| Goodwill | 3 | 2 282.4 | 894.2 | 886.3 |
| Customer contracts | | 1 944.6 | 990.6 | 940.2 |
| Other intangible assets | | 172.1 | 171.2 | 164.2 |
| Property, plant and equipment | | 1 819.4 | 1 083.0 | 1 446.3 |
| Other non-current assets | | 177.5 | 125.7 | 153.4 |
| Total non-current assets | | 6 669.3 | 3 542.0 | 3 870.9 |
| Current assets | | | | |
| Inventories | | 916.7 | 628.8 | 641.8 |
| Accounts receivable | | 818.4 | 558.3 | 467.0 |
| Other receivables | | 175.9 | 124.2 | 112.2 |
| Prepaid expenses and accrued income | | 111.2 | 66.5 | 70.6 |
| Cash and cash equivalents | | 825.8 | 539.6 | 534.2 |
| Total current assets | | 2 847.9 | 1 917.4 | 1 825.8 |
| TOTAL ASSETS | | 9 517.3 | 5 459.5 | 5 696.7 |
| SHAREHOLDERS EQUITY AND LIABILITIES | | | | |
| Share capital | | 31.6 | 22.9 | 23.2 |
| Other paid-in capital | | 3 982.2 | 2 287.8 | 2 287.5 |
| Reserves | | -48.0 | -126.0 | -153.6 |
| Retained earnings (including net profit) | | 594.9 | 528.7 | 583.5 |
| Equity attributable to Parent Company shareholders | | 4 560.5 | 2 713.4 | 2 740.3 |
| Equity attributable to Non-Controlling interest | | 298.4 | 0.0 | 0.2 |
| Total equity | | 4 858.9 | 2 713.4 | 2 740.5 |
| Non-current liabilities | | | | |
| Interest-bearing liabilities | | 2 582.9 | 1 517.8 | 1 678.6 |
| Provisions | | 311.6 | 169.8 | 210.5 |
| Deferred tax liability | | 655.7 | 361.5 | 358.6 |
| Other non-current liabilities | | 13.6 | 11.9 | 13.2 |
| Total non-current liabilities | | 3 563.9 | 2 060.9 | 2 260.9 |
| Current liabilities | | | | |
| Interest-bearing liabilities | | 16.0 | 4.1 | 22.7 |
| Overdraft facility | | 33.7 | 19.1 | 15.8 |
| Account payable | | 409.2 | 237.6 | 234.9 |
| Tax liabilities | | 113.6 | 74.7 | 37.2 |
| Other liabilities | | 112.4 | 56.8 | 53.8 |
| Accrued expenses and prepaid income | | 409.5 | 292.8 | 331.1 |
| Total current liabilities | | 1 094.4 | 685.2 | 695.3 |
| TOTAL EQUITY AND LIABILITIES | | 9 517.3 | 5 459.5 | 5 696.7 |
| Pledged assets | | 24.7 | 0.2 | 7.7 |
| Contingent liabilities | | 2 525.3 | 1 538.7 | 1 705.3 |

Consolidated cash flow statement

| SEK million | Note | Apr – Jun | | Jan – Jun | | Full year |
|--|------|-----------------|--------------|-----------------|--------------|---------------|
| | | 2016 | 2015 | 2016 | 2015 | 2015 |
| Operating activities | | | | | | |
| Profit before tax | | 131.4 | 92.1 | 178.3 | 260.6 | 309.6 |
| Adjustments for items not affecting cash | | | | | | |
| - Depreciation, amortisation and impairment of assets | | 90.6 | 57.8 | 158.0 | 115.4 | 235.6 |
| - Changes in provisions | | -9.2 | -0.7 | 4.7 | 2.2 | 2.4 |
| - Gains from disposal of short-term investment | | -0.6 | 0.0 | -0.6 | -46.6 | -47.4 |
| - Share of earnings of associated companies | | 1.2 | 0.0 | 1.8 | 0.0 | 0.9 |
| - Other | | -9.6 | -5.9 | 6.6 | -30.3 | -12.8 |
| | | 203.8 | 143.4 | 348.8 | 301.3 | 488.4 |
| Income taxes paid | | -45.9 | -49.7 | -77.3 | -67.4 | -112.8 |
| Operating cash flow before changes in working capital | | 157.9 | 93.7 | 271.4 | 234.0 | 375.6 |
| <i>Cash flow from changes in working capital</i> | | | | | | |
| Change in inventories | | -47.6 | -45.1 | -82.2 | -44.5 | -6.9 |
| Change in operating receivables | | -35.4 | -6.9 | -162.7 | -46.5 | 53.1 |
| Change in operating liabilities | | 64.2 | 11.0 | 52.1 | 58.1 | 6.9 |
| Operating cash flow | | 139.1 | 52.8 | 78.6 | 201.1 | 428.8 |
| <i>Investing activities</i> | | | | | | |
| Acquisition of property, plant and equipment | | -84.6 | -60.2 | -123.9 | -113.2 | -356.5 |
| Disposal of property, plant and equipment | | 0.0 | 0.0 | 0.0 | 0.0 | 0.5 |
| Acquisition of intangible assets | | -0.6 | 0.0 | -8.8 | -5.7 | -23.5 |
| Disposal of intangible assets | | 0.0 | 0.0 | 0.0 | 0.0 | 0.3 |
| Acquisition of subsidiaries/operations, net of cash acquired | | -1 014.1 | 4.6 | -1 520.0 | -7.6 | -131.0 |
| Acquisition of financial assets | | -5.5 | -4.4 | -5.5 | -21.6 | -54.3 |
| Disposal of short-term investment | | 2.8 | 0.1 | 3.0 | 143.9 | 143.9 |
| Cash flow from investing activities | | -1 102.0 | -59.5 | -1 655.2 | -4.2 | -420.5 |
| <i>Financing activities</i> | | | | | | |
| Dividend paid to Parent Company shareholders | | -73.5 | -57.1 | -73.6 | -57.1 | -57.1 |
| New share issue | | 856.4 | 0.0 | 1 258.7 | 0.0 | 0.0 |
| Change in overdraft facility | | 10.2 | 5.7 | 17.9 | 17.5 | 10.7 |
| Loans raised | | -15.3 | 0.0 | 1 319.1 | 0.0 | 332.9 |
| Repayment of borrowings | | -661.6 | -8.6 | -678.9 | -15.8 | -153.5 |
| Cash flow from financing activities | | 116.2 | -60.1 | 1 843.3 | -55.4 | 132.9 |
| Total cash flow for the period | | -846.7 | -66.8 | 266.7 | 141.4 | 141.1 |
| Cash and cash equivalents at beginning of period | | 1 628.0 | 607.1 | 534.2 | 404.5 | 404.5 |
| Translation difference on cash and cash equivalents | | 44.6 | -0.8 | 24.9 | -6.4 | -11.5 |
| Cash and cash equivalents at end of period | | 825.8 | 539.6 | 825.8 | 539.6 | 534.2 |
| Interest received | | 0.1 | 0.1 | 0.2 | 0.2 | 0.4 |
| Interest paid | | -8.8 | -4.1 | -13.6 | -6.7 | -16.6 |

Parent company statement of profit and loss

| SEK million | Apr - Jun | | Jan - Jun | | Full year |
|--|--------------|--------------|--------------|--------------|---------------|
| | 2016 | 2015 | 2016 | 2015 | 2015 |
| Operating Income | | | | | |
| Net sales | 29.4 | 21.5 | 56.1 | 42.9 | 94.8 |
| Other operating revenue | 0.2 | 0.2 | 0.7 | 0.4 | 0.8 |
| | 29.6 | 21.7 | 56.8 | 43.3 | 95.7 |
| Operating expenses | | | | | |
| Other external costs | -22.7 | -18.5 | -50.5 | -31.9 | -76.9 |
| Employee benefits expense | -21.0 | -18.1 | -39.7 | -33.2 | -66.8 |
| Depreciation and amortisation | -1.3 | -1.7 | -2.7 | -3.0 | -5.6 |
| Other operating expenses | 0.0 | -0.1 | -1.0 | 0.0 | -2.3 |
| | -45.0 | -38.4 | -93.9 | -68.1 | -151.6 |
| Operating profit/loss | -15.4 | -16.7 | -37.0 | -24.8 | -55.9 |
| Financial items | 98.3 | 61.4 | 104.6 | 139.0 | 191.4 |
| Profit/loss after financial items | 83.0 | 44.7 | 67.6 | 114.2 | 135.5 |
| Appropriations and tax | 3.6 | 11.7 | 10.4 | -3.6 | - |
| Profit/loss for the period | 86.6 | 56.4 | 77.9 | 110.6 | 135.5 |

Parent company statement of comprehensive income

| SEK million | Apr - Jun | | Jan - Jun | | Full year |
|--|-------------|-------------|-------------|--------------|--------------|
| | 2016 | 2015 | 2016 | 2015 | 2015 |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Translation differences | -0.3 | -0.2 | -1.8 | 1.2 | 0.4 |
| Other comprehensive income for the period | -0.3 | -0.2 | -1.8 | 1.2 | 0.4 |
| Total comprehensive income for the period | 86.2 | 56.2 | 76.1 | 111.8 | 135.9 |

Parent company statement of financial position

| SEK million | Jun 30 | | Dec 31 |
|--|----------------|----------------|----------------|
| | 2016 | 2015 | 2015 |
| ASSETS | | | |
| Intangible assets | 15.2 | 18.6 | 17.8 |
| Property, plant and equipment | 8.2 | 0.2 | 0.9 |
| Financial non-current assets | 5 179.5 | 2 838.4 | 3 074.8 |
| Current assets | 1 057.1 | 655.7 | 624.0 |
| TOTAL ASSETS | 6 260.0 | 3 513.0 | 3 717.6 |
| SHAREHOLDERS EQUITY AND LIABILITIES | | | |
| Equity | 3 755.1 | 1 998.8 | 2 040.8 |
| Liabilities | 2 504.9 | 1 514.2 | 1 676.8 |
| TOTAL SHAREHOLDERS EQUITY AND LIABILITIES | 6 260.0 | 3 513.0 | 3 717.6 |

Accounting principles, risks, definitions and notes

Accounting principles

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

The accounting principles and calculations in this report are the same as those used for the 2015 Annual Report. New or amended standards or interpretations of standards effective as of 1 January 2016 have not had any significant impact on Recipharm's financial statements.

Significant risks and uncertainties

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

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

Note 1 Transactions with related parties

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

Operating agreements with related parties

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

Related party transactions

| <i>Operating income</i> | <i>Type of service</i> | Jan - Jun 2016 | Jan - Jun 2015 | Full year 2015 |
|-------------------------|-------------------------|-------------------|-------------------|-------------------|
| B&E Participation AB | Administrative services | 0.1 | 0.1 | 0.1 |
| Empros Pharma AB | Development services | 3.3 | 1.1 | 3.8 |
| Pharmanest AB | Development services | 1.8 | 0.0 | 1.0 |
| Inject Pharma AB | Development services | 1.1 | 0.0 | 0.6 |
| SVS Portugal | Development services | 0.1 | 0.1 | 0.1 |

| <i>Operating expenses</i> | <i>Type of service</i> | Jan - Jun 2016 | Jan - Jun 2015 | Full year 2015 |
|---------------------------|------------------------|-------------------|-------------------|-------------------|
| SVS Portugal | Development services | 1.0 | 0.7 | 1.7 |
| Inject Pharma AB | Development services | 0.1 | 0.0 | 0.0 |

Note 2 Number of shares and potential shares

| | A-shares | B-shares | D-shares | Total |
|--|-------------------|-------------------|----------------|-------------------|
| Number of shares as of 31 December 2015 | 12 685 716 | 33 139 540 | 500 000 | 46 325 526 |
| 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 |
| Issue in kind, acquisition of Kemwell | | 3 159 572 | | 3 159 572 |
| New share issue | | 631 914 | | 631 914 |
| New share issue | 2 537 142 | 7 273 924 | | 9 811 066 |
| Number of shares as of 30 Jun 2016 | 15 222 858 | 47 494 674 | 500 000 | 63 217 532 |

Potential shares, 93 497 (47 328), are related to Recipharm's share-based incentive program.

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

Note 3 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 250 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 42.5 million, which would have represented an increase of more than 12 percent of Recipharm's total 2015 revenues. The acquisition will be a positive contribution to both EBITDA margin and earnings per share from Q2 2016.

The purchase price 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 3.0 million and is reported as Other external costs. The consolidated statement of profit and loss for the period includes net sales of SEK 136.2 million and operating profit of SEK 4.7 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, paid in cash. Transaction costs amount to SEK 5.3 million of which 2.5 reported in the period and 2.8 in 2015. Transaction costs are reported as Other external costs. The consolidated statement of profit and loss for the period includes net sales of SEK 78.7 million and operating profit of SEK 3.9 million attributable to Nitin Lifesciences.

| Assets and liabilities in the acquired company were | Carrying amount | Fair value Adjustment 1) | Fair Value in the group |
|---|-----------------|--------------------------|-------------------------|
| Intangible assets | 0.0 | 498.4 | 498.4 |
| Property, plant and equipment | 83.8 | | 83.8 |
| Financial assets | 0.8 | | 0.8 |
| Accounts receivable and other operating assets | 71.1 | | 71.1 |
| Cash and cash equivalents | 6.2 | | 6.2 |
| Equity attributable to Non-Controlling interest | 0.0 | 294.8 | 294.8 |
| Deferred tax liability | 0.0 | 149.5 | 149.5 |

| | | | |
|--|--------------|--------------|--------------|
| Provisions | 0.0 | | 0.0 |
| Accounts payable and other operating liabilities | 44.1 | | 44.1 |
| Net identifiable assets and liabilities | 117.8 | 54.0 | 171.9 |
| Group goodwill 1) | | 651.9 | 651.9 |
| Purchase consideration | | | 823.8 |

1) The purchase price allocation has not been finalized and consequently the fair value adjustment presented above is preliminary. Fair value adjustments to intangible assets as well as goodwill include a share attributable to non-controlling interest.

Kemwell

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

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

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

For the 12-month period ending on 31 December 2015, the US and Swedish business reported revenues of SEK 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 purchase price for the Swedish and US business totaled SEK 658.9 million of which SEK 159.0 million was paid in cash in the period and SEK 41.5 million was paid in July, and SEK 458.3 was paid through an issue in kind of 3,159,572 shares in Recipharm AB (publ). The shares are subject to a lock-up of 12 months. Transaction costs amount to SEK 3.1 million and is reported as Other external costs. The consolidated statement of profit and loss includes net sales of SEK 53.8 million and operating profit of SEK 5.5 million attributable to the Kemwell acquisition.

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

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

| Assets and liabilities in the acquired company were (SE&US business) | Carrying amount | Fair value Adjustment 1) | Fair Value in the group |
|---|------------------------|---------------------------------|--------------------------------|
| Intangible assets | 30.2 | 325.1 | 355.3 |
| Property, plant and equipment | 55.3 | | 55.3 |
| Financial assets | 0.2 | | 0.2 |
| Accounts receivable and other operating assets | 153.3 | | 153.3 |
| Cash and cash equivalents | 15.5 | | 15.5 |
| Deferred tax liability | 8.8 | 84.6 | 93.4 |
| Interest-bearing liabilities | 79.6 | | 79.6 |
| Provisions | 70.0 | | 70.0 |
| Accounts payable and other operating liabilities | 86.9 | | 86.9 |
| Net identifiable assets and liabilities | 9.3 | 240.5 | 249.6 |
| Group goodwill 1) | | 409.1 | 409.1 |
| Purchase consideration | | | 658.7 |

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

Note 4 Segment analysis

| SEK million | Jan - Jun 2016 | | | | | Jan - Jun 2015 | | | | |
|---------------------|----------------|---------|---------|-------|---------|----------------|---------|---------|-------|---------|
| | MS-SL | MS-SO | D&T | Other | Total | MS-SL | MS-SO | D&T | Other | Total |
| Net sales, external | 874.5 | 940.2 | 393.2 | 0.0 | 2 207.8 | 484.7 | 848.7 | 408.3 | 0.0 | 1 741.7 |
| Net sales, internal | 8.7 | 83.6 | 10.5 | 102.8 | - | 6.8 | 79.9 | 0.8 | -87.5 | - |
| EBITDA | 191.1 | 154.5 | 73.9 | -43.1 | 376.4 | 128.8 | 77.8 | 128.1 | -20.9 | 313.8 |
| Depreciations | 77.1 | 48.7 | 29.7 | 2.6 | 158.0 | 43.6 | 43.5 | 27.6 | 0.8 | 115.4 |
| EBIT | 114.0 | 105.8 | 44.2 | -45.7 | 218.4 | 85.2 | 34.4 | 100.5 | -21.6 | 198.4 |
| Non-current assets | 3 255.1 | 1 897.1 | 1 475.2 | 42.0 | 6 669.3 | 1 115.9 | 1 058.9 | 1 339.2 | 28.0 | 3 542.0 |
| Total assets | 4 267.4 | 3 086.4 | 1 683.5 | 479.9 | 9 517.3 | 1 511.2 | 1 769.7 | 1 733.4 | 445.2 | 5 459.5 |
| Goodwill | 1 207.1 | 586.4 | 488.8 | - | 2 282.4 | 330.4 | 186.8 | 376.9 | - | 894.2 |
| Capital exp. | 128.2 | 100.0 | 32.3 | 7.3 | 267.8 | 80.6 | 34.4 | 47.3 | 8.6 | 170.9 |

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 - Jun | | Full year |
|-----------------|----------------|----------------|----------------|
| | 2016 | 2015 | 2015 |
| Customer X | 272.6 | 280.0 | 481.2 |
| Customer V | 263.1 | | |
| Customer Z | 178.3 | 177.4 | 362.5 |
| Customer Y | | 118.7 | |
| Customer W | | | 212.6 |
| Other customers | 1 493.7 | 1 165.5 | 2 333.1 |
| Total | 2 207.8 | 1 741.7 | 3 389.4 |

Geographical area

| | Net sales | | | Fixed assets | | |
|--------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Jan-Jun 2016 | Jan-Jun 2015 | Jan-Dec 2015 | Jun 30 2016 | Jun 30 2015 | Dec 31 2015 |
| Sweden | 618.5 | 569.1 | 1 096.5 | 396.4 | 256.8 | 257.3 |
| Other | 1 589.3 | 1 172.6 | 2 292.9 | 6 272.9 | 3 285.3 | 3 613.6 |
| Total | 2 207.8 | 1 741.7 | 3 389.4 | 6 669.3 | 3 542.0 | 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, India 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, India 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 follows.

Note 5 Financial assets and liabilities

| | 2016-06-30 | | 2015-06-30 | | 2015-12-31 | |
|---|----------------|-----------------|----------------|-----------------|----------------|-----------------|
| | Fair value | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount |
| Financial assets | | | | | | |
| <i>Available-for-sales financial assets</i> | | | | | | |
| Other securities held as non-current assets | 108.3 | 108.3 | 73.4 | 73.4 | 102.0 | 102.0 |
| <i>Loans and receivables</i> | | | | | | |
| Other receivables | 25.3 | 25.3 | 65.1 | 65.1 | 38.4 | 38.4 |
| Cash and cash equivalents | 825.8 | 825.8 | 539.6 | 539.6 | 534.2 | 534.2 |
| | 959.3 | 959.3 | 678.1 | 678.1 | 674.6 | 674.6 |
| Financial liabilities | | | | | | |
| <i>Other financial liabilities</i> | | | | | | |
| Interest-bearing liabilities, non-current portion | 2 586.3 | 2 575.0 | 1 516.4 | 1 511.3 | 1 682.4 | 1 672.5 |
| Derivative | 7.9 | 7.9 | 6.5 | 6.5 | 6.1 | 6.1 |
| Interest-bearing liabilities, current portion* | 49.7 | 49.7 | 23.2 | 23.2 | 38.4 | 38.4 |
| Other liabilities | 83.5 | 83.5 | 56.8 | 56.8 | 29.0 | 29.0 |
| | 2 727.4 | 2 716.1 | 1 602.9 | 1 597.8 | 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 utilized 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 |
| CER | Constant Exchange Rate |
| CMO | Contract Manufacturing Organisation |
| FIPB | Indian Foreign Investment Promotion Board |
| LTM | Latest Twelve (12) Months |

Financial definitions

Definitions of key figures:

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

APM

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

Amounts are in SEK million unless otherwise stated.

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

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

EBIT shows the operational performance, including depreciation and amortization

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

EBITDA margin shows relative operational performance in relation to Net sales

Equity per share shows the equity generated to shareholders per share

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

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

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

Net debt to EBITDA shows leverage and debt risk level.

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

Return on Equity shows the return on shareholders capital

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