ANNUAL REPORT 2015

Recipharm
good for business

BECOMING A GLOBAL LEADER

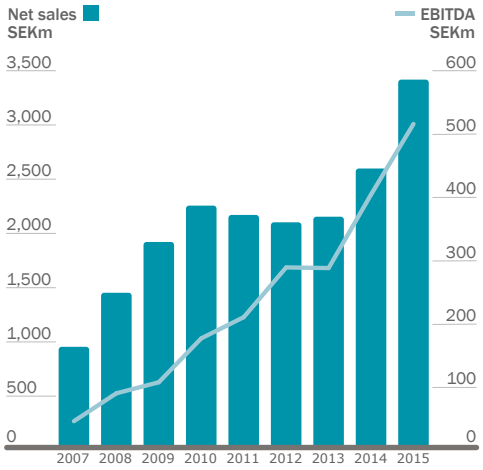
WE ARE RECIPHARM

We are Europe's leading pharmaceutical contract development and manufacturing organisation (CDMO) and a frontrunner in our business sector. A company founded in Sweden in the mid 1990s – our steady success is built on decades of know-how.

Recipharm delivers a range of services that are in demand by today's pharmaceutical companies, large and small. Our comprehensive offering spans all stages from early drug development through manufacturing. This provides our customers with the power to specify their needs and the control to customise what they want.

Through our growing and expanding network of facilities and partnerships, Recipharm is broadening global access to local markets across Europe into the US, Asian subcontinent and Africa.

EBITDA AND NET SALES



CONTENT

A CDMO LEADING THE WAY

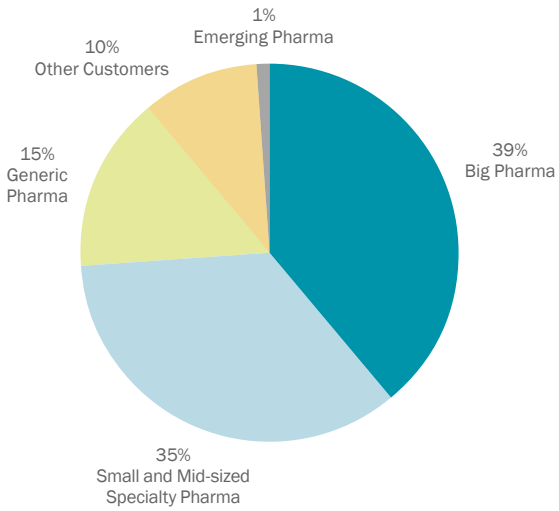
The acronym CDMO is short for contract development and manufacturing organisation. CDMOs are third-party service providers to the pharmaceutical industry. They offer and deliver a range of services that span a very broad spectrum within drug development, production and supply.

CDMOs are not pharmaceutical companies in the traditional sense. Instead, pharma companies of all sizes turn to suppliers like Recipharm to outsource one or several stages of the pharmaceutical development and the commercial production of a pharmacutical drug.

The stages a drug passes – from its discovery to becoming available to a patient – are complex, demanding and strictly regulated. Depending on a customer's needs, the services offered by a CDMO can start and finish anywhere along the lifecycle of a drug.

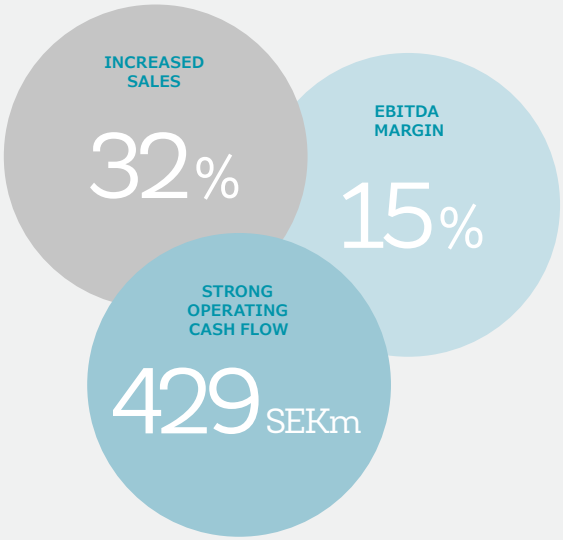
Pharmaceutical companies increasingly rely on the outsourcing services of CDMOs. This lets them devote attention to their core areas of expertise which makes good business sense.

CUSTOMER SEGMENTS AS SHARE OF SALES



YEAR IN BRIEF

	2015	2014
Net sales	3,389.4	2,569.3
Operating profit	274.2	272.1
EBITDA	509.8	399.3
Net profit	218.5	160.2
Sales growth	31.9%	20.9%
EBITDA margin	15.0%	15.5%
Operating margin	8.1%	10.6%
Dividend per share	1.50	1.25
Net debt to equity	0.4	0.5
Earning per share	4.79	4.63
Employees	2,019	1,564



2015 – CORPORATE ACTIVITIES

June
Acquisition of OT Chemistry in Uppsala strengthening D&T service offering with pre-clinical development services.

July
Investment of SEK 8 million in Pharmanest to support the development of Pharmanest's lead drug candidate SHACT.

August
Agreement with RedHill Biopharma for the manufacturing of their leading, late-stage patented drug candidate, RHB-105.

October
Announcement of entry into Emerging markets through the agreement to acquire a majority stake in Nitin LifeSciences.

December
Long-term agreement with Alcon including the take-over of a blow fill seal facility.

WHAT WE DO

Recipharm's business is easy to understand: We provide tailor-made pharmaceutical services that meet the individual outsourcing needs of our customers, the pharmaceutical companies. Recipharm's full service offering helps customers take their pharmaceutical products from early development through manufacturing. Our customers decide how much or little in the lifecycle of their pharmaceutical product they want to contract to us.

Recipharm's expertise lies primarily within our two business areas: Manufacturing Services and Development & Technology. Manufacturing Services provide customers with the commercial supply of a wide range of formulations, and we report this in two separate segments: Sterile Liquids and Solids & Others. Development & Technology offers pharmaceutical development services based on several different technologies, as well as access to various proprietary technologies and intellectual property.

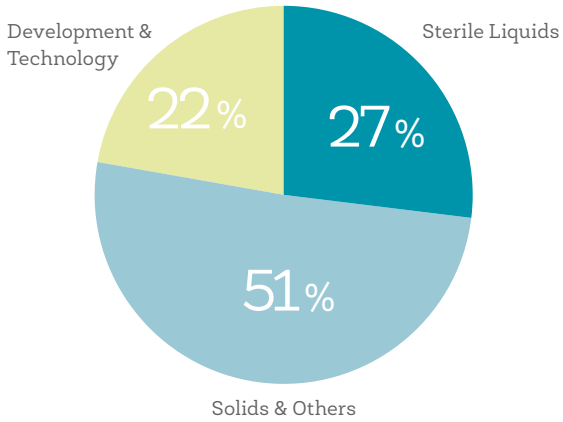
Development & Technology

- Pre-clinical chemistry
- Bioanalysis
- API Development
- Pre-formulation
- Formulation development
- Stability studies
- Manufacturing of clinical trial materials

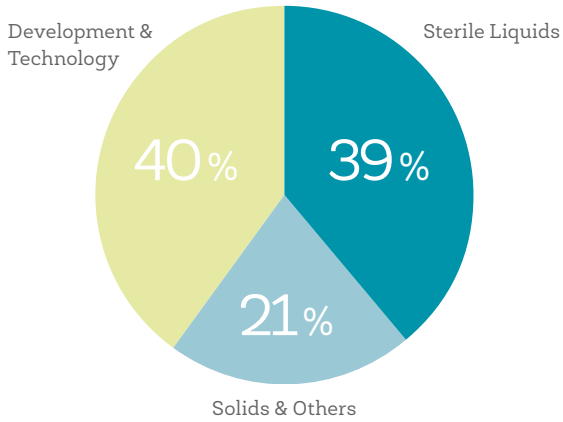
Manufacturing services

- Purchasing of starting materials
- API Manufacturing
- Manufacturing of semi-finished or finished products
- Packaging

SALES SPLIT PER SEGMENT 2015



EBITDA PER SEGMENT 2015



OUR WAY OF DOING BUSINESS

The Recipharm model is designed for success. Our decentralised organisation promotes entrepreneurship with stand-alone operating companies guided by central management.

Our model is based on a decentralised approach benefitting from local flexibility and decision making whilst putting the customers first.

1

Local adaptability
Stand-alone operating companies with their own strong management teams which promote local decisions, flexibility and local sales.

2

Consistency & continuity
Close interaction between our development and manufacturing facilities provide a smooth and efficient transfer from development to commercial production.

3

Strong corporate leadership
Group central management ensures strategic alignment and development as well as financing, marketing and sales.

4

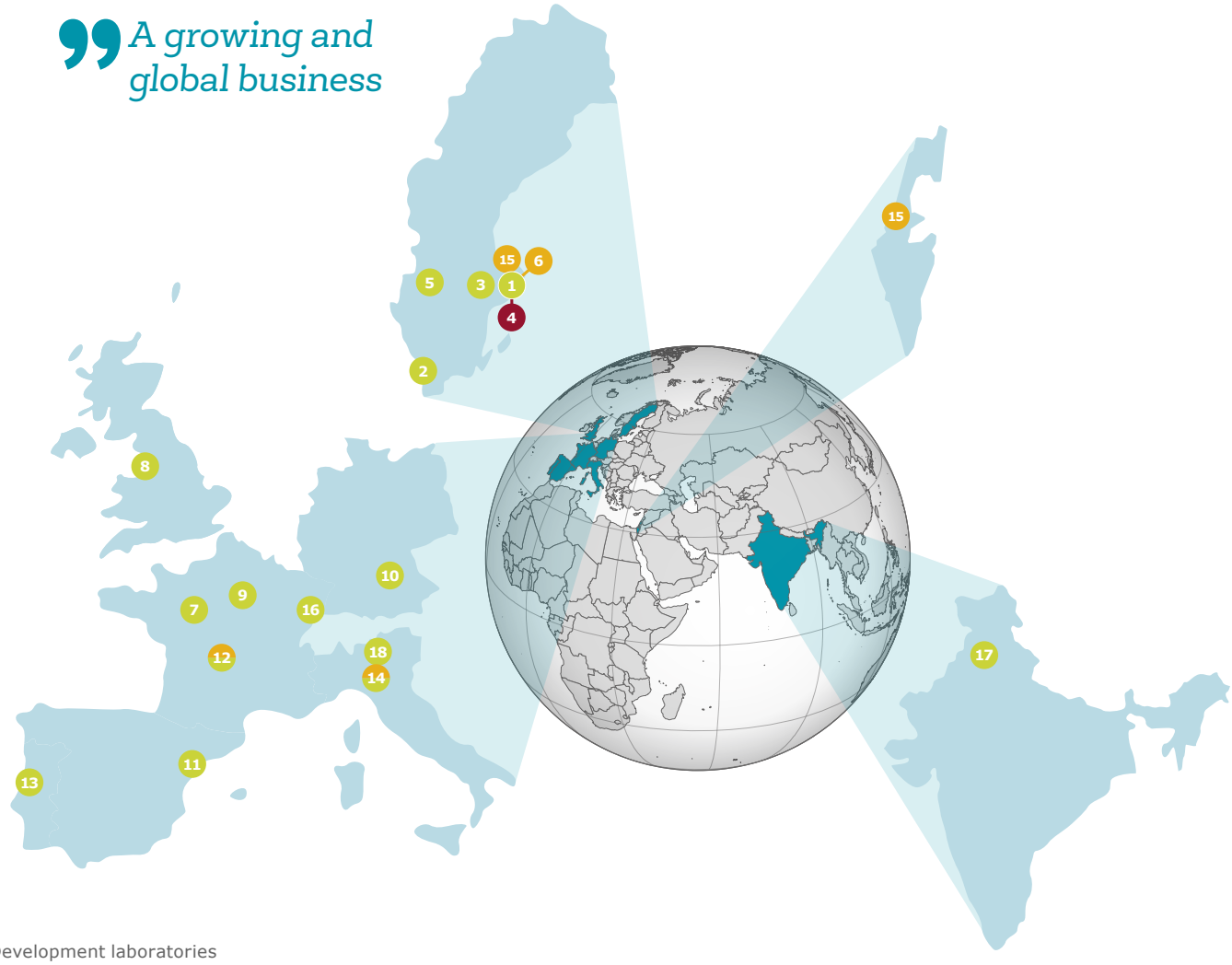
Customer focus
Our customers meet one Recipharm with one single brand.

A GLOBAL PLAYER IN A GROWING MARKET

Recipharm is Europe's leading contract development and manufacturing organisation (CDMO). Established in Sweden in 1995, our global geographic footprint covers Asia and beyond into developing markets. Under the Recipharm brand, we unite 22 sites in 15 stand alone operating companies in nine countries.

CDMO services are in growing demand. Simultaneously, the pharma companies fuelling the CDMO market growth are supporting its consolidation. Pharma companies are demanding more services from their preferred provider. When added to our long-term expertise in managing complexity, the global reach of Recipharm puts us out front. Recipharm aims to be tomorrow's global CDMO leader.

A growing and global business



- Development laboratories
- Manufacturing facilities
- HQ

1995
Stockholm, Sweden 1

1998
Höganäs, Sweden 2

2002
Strängnäs, Sweden 3

2003
Jordbro, Sweden 4

2004
Karlskoga, Sweden 5

2007
Solna, Sweden 6
Monts, France 7
Ashton, UK 8

2009
Fontaine, France 9

2010
Wasserburg, Germany 10
Parets, Spain 11

2014
Pessac, France 12
Lisbon: Queluz and Odilevas, Portugal 13
Milan: Paderno Dugnano, Masate and Lainate, Italy 14

2015
Uppsala, Sweden 15
Ness Ziona, Israel 15
Kayserberg, France 16

2016
Karnal & Paonta Sahib, India 17
Brescia, Italy 18

NEW VENTURES OF INITIATIVE TOWARDS GLOBAL LEADERSHIP

As Recipharm moved into a third decade as a contract development and manufacturing company, we took significant steps in 2015 to extend our global footprint beyond our solid European base. Our decision to establish a platform in the emerging markets and the prospects for growth that brings means new opportunities to increase value for our customers and shareholders alike.

Following our success to date, I am delighted to recap our most noteworthy achievements in 2015. We integrated new operations and successfully completed a number of acquisitions. We also created an organisation in line with this growth by expanding our Group management and further developing our successful model for acquisition integration. Not least, we continued to build on and sustain the momentum we had established from last year's IPO.

Net sales increased by SEK 820 million and amounted to SEK 3 389 million, an increase of 32 per cent. EBITDA amounted to SEK 510, an increase of 28 per cent compared to last year, which is equivalent to an EBITDA margin of 15 per cent. It is clear that Recipharm now benefits directly from a coveted position of higher visibility and better recognition in the industry. Driven by a highly competitive strategy, we are continuing to build on a winning platform that has positioned Recipharm solidly as tomorrow's global leader in the CDMO industry.

MOMENTUM FROM OUR PUBLIC LISTING

The close of 2015 rounded off our first complete year as a publicly traded company. After our entry into a new era of financial transparency and strength, we continued to reap the benefits that we initially experienced immediately following the IPO in 2014. The year demonstrated that our initial projections as a listed company have already been converted into long-term value. The most significant advantage of our listing on the NASDAQ is the heightened visibility we now enjoy in our industry – not least among interested investors in our market. It is clear that the Recipharm brand is gaining value.

In addition to the increased confidence from our existing customers, in 2015 we attracted and received more business proposals from potential customers and partners than ever before in our 21-year history. Our publicly-traded status also bolstered our financial strength giving us the resources to complete significant acquisitions, a core requirement of our strategic growth plan and fundamental as consolidation of the industry continues.

CHALLENGES IN A CONSOLIDATING MARKET

This current climate of consolidation largely presents opportunities for Recipharm, but also certain challenges. Issues our customers face can and do trickle down to us. In some sectors, for example, we have seen our customers reduce both their own volumes and staff. Unfortunately, we were forced to take some difficult decisions during the year and implemented a cost and efficiency programme in Sweden. This is now well underway and we are working with our affected employees to minimise the impact of this. The effects on our financial performance are already showing positively in our results.

NEW FINANCIAL OBJECTIVES

In order to more realistically reflect the future as we see it, we have decided to revise our financial objectives. These I believe more accurately reflect the potential for consolidation opportunities and the competitive landscape. The new objectives are to reach sales of at least SEK 8 billion by 2020, to have an EBITDA margin of at least 16 per cent and to have a net debt to equity ratio less than 0.8. Our objective that 30-50 per cent of profit after tax should be distributed as dividend to shareholders remains unchanged.

> *With our first steps into emerging markets, we are now starting to develop our global geographic footprint.*

AN ENDURING BUSINESS MODEL

The increased visibility in our industry also provides us with an excellent opportunity to emphasise the unique quality we possess at Recipharm – an enduring record in an industry with longevity. I am fortunate to have personally witnessed Recipharm's development from the start.

Our track record in this relatively young industry sets us apart amongst our competitors. We are increasingly aware of the importance of consolidation as a route to sustainable growth. Our long history demonstrates that we have the right model and know-how to do more than just acquire subsidiaries. We rapidly and efficiently integrate new facilities and businesses into tangible benefits for our customers. This is one of the keys to a rate of growth we know is vital to keep us in our leading position.

We possess one of the features our existing and new customers value most – staying power. Customers can count on us being here for another two decades and beyond.

ORGANISED FOR GROWTH

The CDMO industry is growing and our decentralised model builds on a strong belief in entrepreneurship whereby we promote local leadership to capitalise on local knowledge. Our flexibility and adaptation to local conditions provides the right platform to respond quickly to customer requests. Our corporate organisation is in line with our growth targets.

In 2015, we expanded Group management including new positions for quality management and Group strategy. We also increased our business development teams to ensure we captured more of the growth potential.

EXPANDING OUR GLOBAL FOOTPRINT

Our geographic expansion is marked by acquisitions in Europe as well as India. With our first steps into emerging markets, we are now starting to develop our global geographic footprint.

Our acquisition of OnTarget Chemistry in Uppsala, Sweden extends our offering into preclinical development services. We also expect the synthesis capabilities we acquired with the company to be of great value for our drug substance business in Paderno Dugnano in Italy.

At year-end, we finalised a long-term manufacturing agreement with Alcon, a Novartis company. We took over their facility located in Kaysersberg, France, with the niche technology of blow fill seal. We are certain that the demand for this specialty technology will grow and it is an important addition to our expanding portfolio.

Strategically, our most significant acquisition is a majority stake in the Indian CMO, Nitin Lifesciences Ltd. This rather unique combination will fundamentally increase the range of our offering to the market. We will be positioned to offer a local, low-cost, high-quality supply to emerging markets, specifically in sterile injectables. Nitin creates the platform to enter other high growth developing market regions. With the closing of the Indian acquisition we anticipate to reach our previous growth objective to double sales years ahead of plan.

ENVISIONING OUR TOMORROW

Recipharm's immediate and future strategic vision is solidly grounded. We have a strong management in place, financial strength from our public listing and industry visibility. Best of all, Recipharm offers an expanding capacity to our existing and potential customers who expect no less of us than we expect ourselves. But most important of all, we recognise our motivated and highly knowledgeable co-workers in all of our subsidaries as the backbone of our achievements.

I hope that this account of the past year and our perspectives on the future reflect the optimism that my team and I feel when considering Recipharm's potential in the years ahead. 2015 was a great leap forward for Recipharm. I want to sincerely thank each Recipharm employee for their support and commitment, for doing a truly outstanding job and for their continued support towards making Recipharm into a world-leading CDMO.

Thomas Eldered, CEO

OUTSOURCING TREND BOOSTS CDMO DEMAND

On-going transformations in the pharmaceutical industry are motivating pharma companies to turn to outsourcing services. These transformations include increased regulation, pricing pressures and the expiration of valuable patents.

PROVIDING OPTIONS TO THE PHARMACEUTICAL INDUSTRY

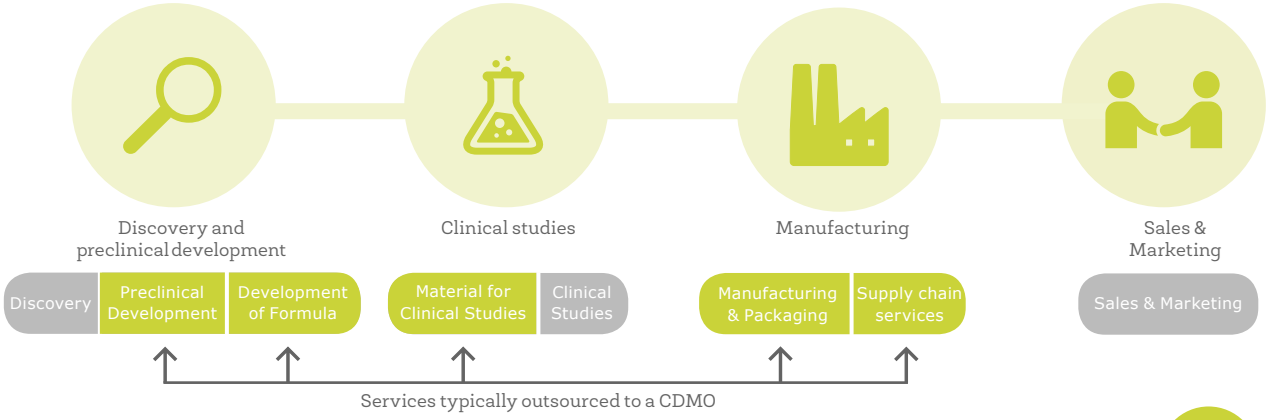
Recipharm, like other CDMOs, provides the pharmaceutical industry and its customers with the comprehensive services they require. These range from drug development through manufacturing.

CDMOs support pharmaceutical companies with a diverse service offering and can manage a product's transition from a laboratory environment to full-scale commercialisation. Outsourcing enables a company to focus on their core business. This potentially reduces costs and accelerates their time-to-market.

The complexity of modernisation in the pharmaceutical industry is driving all pharma companies to use oursourcing solutions. The result is a growing CDMO market.

Demand grows for diverse CDMO services

Each CDMO customer is unique. They vary in size, capabilites and geographical reach. Big Pharma aim to hold thier proprietary knowledge and use CDMOs for increased flexibility while Small & Mid-sized Specialty Pharma companies need access to specific know-how that they do not hold in-house. Meanwhile, virtual companies simply need access to development and manufacturing capacity.



An extensive service offering allows CDMOs to support pharmaceutical companies with managing a product's transition from a laboratory environment to full-scale commercialisation.

Services offered by Recipharm

All pharmaceutical companies, whatever their offering or geographic location, are increasingly influenced by changes in the global pharmaceutical industry. These include increased access to healthcare, technological advances and political influences.

The pharmaceutical industry's increased reliance on CDMO services is expected to grow. In 2014, the contract dose manufacturing, excluding Active Pharmaceutical Ingredients "API" (drug substance), was estimated at USD 16.8 billion, a 6 per cent increase from 2013 (PharmSource 2015).

The global pharmaceutical contract manufacturing market was worth USD 58 billion in 2014 (including API) and is projected to reach USD 84 billion in 2020, at a compound annual growth rate of 6.4 per cent for the forecasted period. API holds the highest market share while final dosage form is estimated to be the top growing segment during the forecasted period. North America, in particular United States, leads the contract manufacturing market followed by Europe. The European pharmaceutical contract manufacturing market was valued at USD 12.9 billion in 2014 and is estimated to reach USD 21.9 billion by 2020, growing at a CAGR of 9.2 per cent. India is estimated to be the fastest growing contract manufacturing market owing to its cost competitive and quality manufacturing capabilities (Mordor Intelligence 2015).

CDMOs meet customer demands

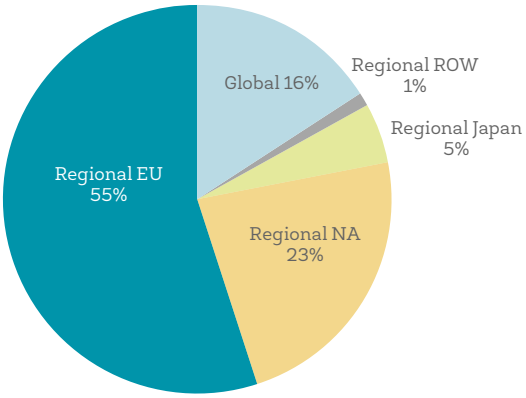
Cost saving is a common reason for partnering with a CDMO. This can be achieved through improved manufacturing and development flexibility as well as the rationalisation of supply and sourcing.

But it is not purely about cost. Beyond costs, a successful research and scale-up process requires expert partners, especially for smaller companies. Customers can be virtual pharmaceutical companies that hold intellectual property rights but need operational services, or generic drug distributors and biotech companies, both of which normally outsource development and manufacturing services. These are ideal target customers for CDMOs.

Shift in areas of expertise

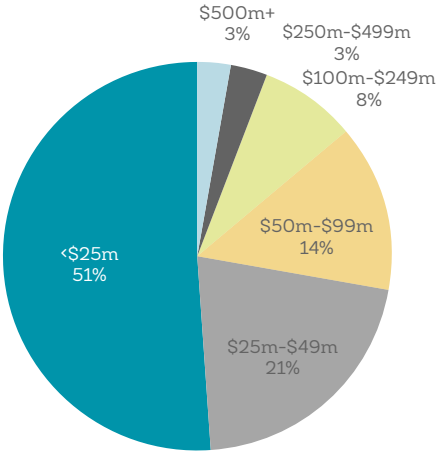
Outsourcing allows pharmaceutical companies to refocus their resources and concentrate on core business areas such as R&D and product concept development. In addition to cost effective alternatives, the pharmaceutical industry is demanding services that require specialised expertise. The result is a shift to CDMOs like Recipharm.

This shift is motivating pharmaceutical companies to engage CDMOs to a larger extent. The decision is necessary for certain projects, in which the pharmaceutical companies lack the necessary knowledge and technology. Rapid technological advances can also accelerate this shift since a CDMO, through its focused operations, is better equipped to assimilate, develop and master the new technology.



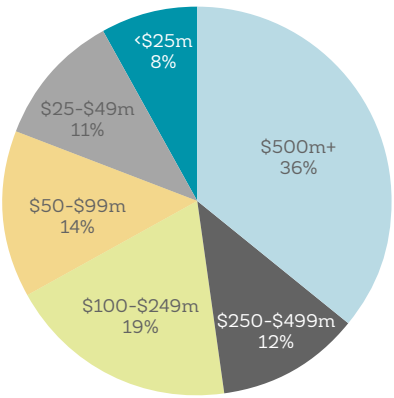
Source: PharmSource Trend Report 2015

Of the 219 largest CDMOs, 34 are considered global, i.e. their manufacturing and/or business development activities span multiple regions. Most CDMOs focus on serving their immediate regional market.



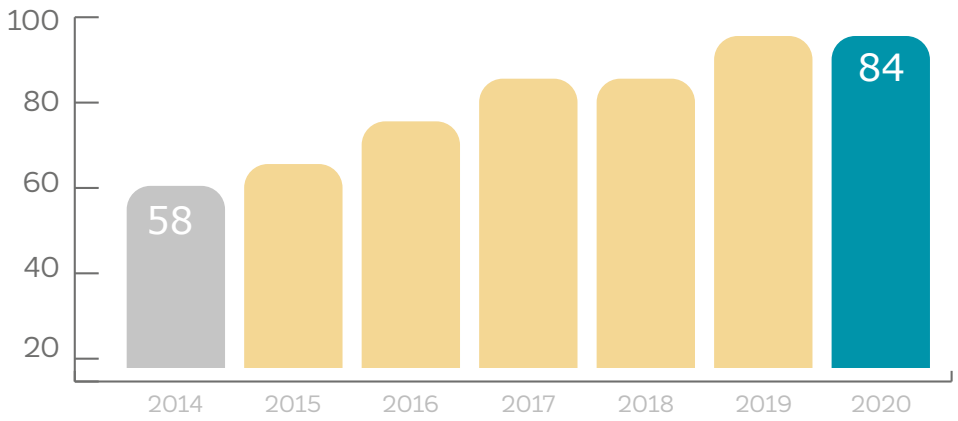
Source: PharmSource Trend Report 2015

32 CDMOs have revenues in excess of USD 100 million. They represent 15 per cent of all CDMOs. 72 per cent of all CDMOs have revenues of less than USD 50 million.



Source: PharmSource Trend Report 2015

The 32 CDMOs with revenues of USD 100 million or more account for 67 per cent of CDMO industry revenues, although they represent just 15 per cent of all CDMOs. In contrast, CDMOs with revenues under USD 50 million account for 72 per cent of all CDMOs, but just 19 per cent of industry revenues.



The global CDMO market was valued at USD 58bn in 2014 and is projected to reach USD 84bn in 2020. (Mordor Intelligence, August 2015)

CONSOLIDATION OF THE MARKET CONTINUES

More than 1,000 CDMOs and CMOs crowd the market. The 32 CDMOs with revenues of USD 100 million or more account for 67 per cent of the CDMO industry revenues, although they represent just 15 per cent of all CDMOs. In contrast, CDMOs with revenues under USD 50 million account for 71 per cent of all CDMOs, but just 19 per cent of industry revenues. (PharmSource TrendReport, 2015).

The maturing CDMO industry has entered a phase of consolidation. The market has already seen numerous mergers and acquisitions in recent years. The key driver: the desire of contract manufacturers to provide integrated service offerings across the entire pharmaceutical development cycle from discovery to commercialisation (APIs and formulated drug products) and lifecycle management.

Acquisitions grant access to new markets and technologies

Acquisitions are an effective way to gain access to new markets in emerging regions or niche segments. They benefit both small and large companies in the CDMO market. As an example, larger CDMOs can expand their geographic footprint through acquisitions, while smaller CDMOs can gain access to substantial resources and technological know-how through acquisitions.

Acquisitions directly and significantly facilitate increasing our number of pharmaceutical manufacturing contracts.

MARKET GROWTH IN THE CDMO INDUSTRY

Pharma Industry Growth

- Innovation and new drug development
- Ageing popluations
- Higher incidence of lifestyle and chronic ailments
- Emerging market demand increase
- Increasing health awareness

Increasing outsourcing trend – mature product

- Pharma company manufacturing footprint rationalisation
- Increasing prevalence of outsourcing particularly by Big Pharma
- Asset-backed manufacturing agreements
- Greater focus on core business

Increasing outsourcing trend – Small & Mid-sized speciality pharma

- Greater depence on CDMOs as they lack development and manufacturing resources
- Innovative virtual models with limited infrastructure

WHAT CHARACTERISES THE CDMO MARKET? INTERVIEW WITH MARK QUICK, EVP CORPORATE DEVELOPMENT

What are the current trends in outsourcing and how does Recipharm keep in step with them?

The most significant development in the CDMO market is the trend towards consolidation. There are frankly too many CMO and CDMOs out there who cannot compete in the long term. In order to survive in the future they will need to invest and many simply can't afford to do this on the contracts they operate with. Serialisation is a case in point and many of these companies will either disappear or be acquired.

What do Recipharm see as advantages to consolidating?

Acquisitions and partnerships provide a solid way to grow. They can also deliver additional technologies to the offering complete with fully functioning facilities in strategic locations.

What are some examples of services a CDMO like Recipharm can supply a pharmaceutical company?

There are many complex and demanding stages a drug goes through from its discovery to becoming available to a patient. Depending on their needs, a customer can use a CDMO at virtually all stages in the lifecycle of a drug. CDMOs can support a pharmaceutical company with drug substance development and manufacturing, stability studies, pre-formulation, manufacturing and packaging the products in different forms and even supply chain management.

Can you provide an example of the benefits of partnering with a CDMO like Recipharm?

Companies outsource for a variety of reasons. Sometimes it is because they simply do not have the resources or desire to invest in the services they require. Some companies are seeking to focus on their core competences so they don't have the headache of managing a complex supply chain. Then there are others (typically big pharma customers) who want to streamline their manufacturing operations.

Do all traditional pharmaceutical companies contract CDMOs?

Pharmaceutical companies, whether big, mid-sized or small, are increasingly relying on CDMOs for a variety of services. One of the reasons for this is to reduce complexity and by definition the more services you can get from the same provider the easier it will be to manage.

A ROBUST STRATEGY FOR THE FUTURE

We have entered an era of tremendous change in the pharmaceutical industry. With it comes an unprecedented wave of scientific innovations and discoveries, mounting price pressures and a shift towards rising local demand in emerging markets.

MANAGING COMPLEX SUPPLY CHAINS

There is an accelerated complexity that has established itself in the pharmaceutical industry. It is critical to keep pace with scientific progress in an increasingly demanding regulatory framework. This drives existing and new customers to outsource pharmaceutical services to CDMOs like Recipharm, while they refocus their resources on their core activities.

In order to capture this growth potential, we have set out Recipharm's clear strategic objectives and targets.

We intend to achieve our long-term objectives and our financial targets guided by four primary pathways – highly developed expertise in innovative technologies; significant forecasted growth in emerging markets; a customer-centric tradition of streamlining operations and an established track record of successful acquisitions during an era of consolidation. All of these allow us to generate growth and profitable returns – a clear route to a strong company.

Strategically on course

At Recipharm, we anticipate a future strong performance grounded by doing what we do best – managing complexity for our customers. The execution of our strategy will secure the achievement of our objectives and financial targets.

OUR STRATEGIC PATHWAYS

SUPPLYING INNOVATIVE EXPERTISE

We fulfil and surpass the expectations of our customers. Two significant factors explain how Recipharm consistently achieves this: extensive pharmaceutical know-how gathered during our long history and a deliberate plan to develop and incorporate highly-specialised technologies into our full service offering. This provides Recipharm with a competitive advantage.

We are committed to enhancing our skills and capabilities to develop our infrastructure so we provide a wider array of products and more integrated services – all this to make the development and supply chain of our customers more efficient and competitive. Through this commitment we have earned our reputation as a strong and ethical company.

STREAMLINING OPERATIONS

At every step, we strive to optimise resources and maximise efficiency. To achieve this, we apply lean methods throughout the Recipharm organisation. Our diligent commitment to streamlining operations means we supply first-rate services that offer good value for money. Most importantly, we can respond rapidly to our customers' shifting needs as we add manufacturing and development facilities to the Recipharm Group.

CAPTURING EMERGING GROWTH

The pharmaceutical industry is seeing sharp growth in emerging markets. It is estimated that two-thirds of global medicine doses – also set to rise by 24 per cent – will be consumed in these emerging regions by 2020. This transfer of demand has created a challenge for our customers and their supply chains.

To meet the future needs of our customers, our new Indian acquisition provides access to low-cost, high-quality manufacturing on the subcontinent. This strategic move presents a unique opportunity for Recipharm to gain widespread recognition.

CONSOLIDATING THE CDMO INDUSTRY

We have completed more than 15 successful company acquisitions and asset-backed manufacturing partnerships. This proven track record establishes our expertise and aptitude to participate in and influence the consolidation of the CDMO sector.

The current consolidation trend provides outstanding opportunities for Recipharm to advance and complement our product and service offering. Targets include competitors and pharmaceutical companies who want to outsource manufacturing and at the same time decide to transfer the manufacturing assets – a so called asset backed manufacturing partnership.

OUR VISION & MISSON

To be acknowedged as the best-in-class provider of contract develoment and manufacturing solutions to the pharmaceutical industry by our customers, employees and other stakeholders.

To offer expertise and facilities in the development, production and supply of pharmaceuticals to demanding customers for global use.

OUR STRATEGIC TARGETS

OUR OBJECTIVES:

- To be a world-leading supplier of CDMO services
- To be the first choice of our target customers
- To maintain a solid financial performance

OUR FINANCIAL TARGETS:

1. Annual sales should exceed SEK 8 Bn by 2020
2. EBITDA margin should be higher than 16 %
3. Net debt to equity should be less than 0.8
4. A dividend return of 30-50 per cent profit after tax

STRATEGIC PATHWAYS

1. Supplying innovative expertise
2. Capturing emerging growth
3. Consolidating the CDMO industry
4. Streamlining operations

OUR STRATEGIC FOCUS AREAS

OUR VALUE PROPOSITION

- Pharmaceutical expertise
- Manage complexity
- Full service offering
- Risk control
- Good value for money

MANUFACTURING SERVICES

- Sterile Liquids
- Solids & Others

DEVELOPMENT & TECHNOLOGY

CREATING VALUE DELIVERS GROWTH

Recipharm maintains a determined ambition to grow. Entering our third decade, our established growth model leverages acquisitions to add innovative products and services to our offering as well as to extend our geographic reach.

Our growth model is supported by three key pillars – the Recipharm Value Proposition to put our customers first; identifying and adding specialised pharmaceutical technologies to position Recipharm as experts and our path to becoming a global supplier.

Sizing up our future
Growth is critical to a secure future in the CDMO industry. Our customers are growing and consolidating their suppliers. As a result, our strategy is aligned with the expectations of our customers.

1

OUR VALUE PROPOSITION ATTRACTS CUSTOMERS

At Recipharm, we steadily grow our business in two ways – developing our relationships with new and existing customers and enlarging the range of capapbilites and services we offer.

Our value proposition expedites our ability to build on existing relationships by providing new projects, products and services to our customers. We can do it in a greater number of regions throughout the world.

As a global supplier with a wide range of services we regularly acquire new customers who seek our array of services. Often, new customers are included within the framework of an acquisition.

2

WE BUILD INNOVATIVE CAPABILITIES

We regularly increase our capacity by adding specialised capabilities. This builds our expert knowledge in cutting-edge pharmaceutical technologies. At the same time, we continue to strengthen our capabilities in developing and manufacturing essential, highly technically produced medicines.

We are further developing innovative delivery technologies. This includes new Recipharm products that we will license to pharmaceutical companies with a supply agreement while retaining intellectual property rights.

3

STEPPING INTO THE ROLE OF GLOBAL SUPPLIER

We are aware that many of our customers intend to be active in all regions of the world. To meet their needs, Recipharm aims to be recognised as a global supplier. This means Recipharm supplying goods and services to territories throughout the world from locations where customers need their supply to originate. As a global supplier, Recipharm fulfills local regulatory and economic requirements.

As a recognised global supplier, Recipharm will benefit from the anticipated demand of pharmaceuticals in emerging markets and enjoy unique visibility on the market. To this end, we have acquired a company in India. This step enables us to supply customers in this exciting territory and creates an emerging market sourcing option at competitive costs.

Beyond Europe and emerging markets, we are exploring opportunities in other regions, including North America, that show increasing volume demand and superior technical requirements.

GROWING OUR CUSTOMER BASE

Recipharm strives to be the leading provider in the CDMO industry. We aim to achieve this by offering an extensive array of solutions, optimising our innovative technological expertise and exploiting our proven capability in pharmaceutical development and manufacturing.

Industry-wide client list
The size, scale and CDMO solutions for every customer vary and span the breadth of the pharmaceutical industry. Recipharm's market offering is designed to meet across-the-board requirements from Big Pharma and small companies alike. Recipharm's customers are located mainly in Europe but their products are supplied globally.

Big Pharma is a significant source of Recipharm's sales. These customers often partner with us for manufacturing projects with high volumes and demanding product maintenance requirements. Big Pharma is increasingly interested in solutions where Recipharm takes full responsibility.

Considerable growth potential exists in our existing customer base from small and mid-sized companies. These include niche specialty pharma and virtual companies that often lack the full range of skills and in-house capacity that Recipharm can provide. Such customers benefit the most from Recipharm's full service concept. Additionally, we intend to gain comprehensive projects by our capacity for early entry into the development process.

Loyal and expanding customer base
With today's more than 200 customers, Recipharm's customer base continues to grow. We are continually diversifying our range of dosage forms, technologies and local manufacturing options. This allows Recipharm to expand within our existing customer base, while also generating new business.

Business-oriented customers understand how vital it is to carefully choose a reliable supplier. High transfer costs and the complexity of regulatory compliance lead many customers to take the safe option of Recipharm.

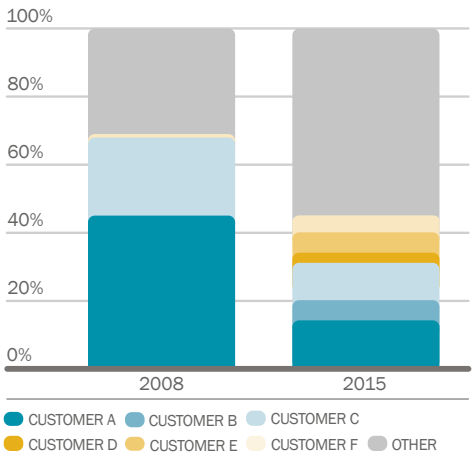
Our customers value Recipharm's focus and the way we prioritise long-term relationships. They also value our capacity to provide comprehensive full-service solutions to efficiently manage their specific requirements.

Diversified customer base
In 2015, Recipharm added new customers to its base and expanded existing contracts. This has provided many good opportunities for cross selling between the manufacturing facilities and new customers.

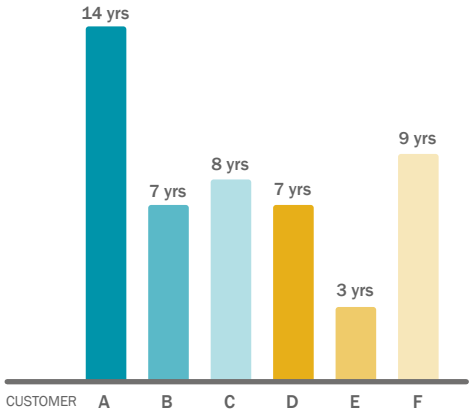
Our most significant acquisition is Nitin Lifesciences in India, which establishes our first foothold in the emerging markets. Other acquisitions include the Alcon facility in Kaysersberg, France with Blow Fill Seal technology and OnTarget Chemistry in Uppsala, Sweden, which adds pre-clinical chemistry services.

In total, the number of clients in the Recipharm directory has more than doubled in 2015.

INCREASED CUSTOMER DIVERSIFICATION



LONG-TERM CUSTOMER RELATIONSHIPS



ACQUISITIONS ACCELERATE GROWTH

Acquisitions are not only expanding Recipharm's geographic footprint but also creating value for our customers and shareholders. We seek out and evaluate acquisition prospects that enhance our competitive position on a constant basis. Ideal targets create value by opening new geographic markets, supplying access to new technologies as well as providing practical entry to the local market and new customer relationships.

Getting it right
We are very clear on what we need to do when we set out to acquire a company or take over a facility via an asset backed manufacturing agreement. During our long history we have established routines to make sure we find the right fit and have the correct experience to successfully secure the best targets.

The greater visibility Recipharm gained after last year's public listing has directly impacted our acquisition process and provided greater access to opportunities. We are more transparent as a publicly-traded company and now have higher visibility. In short – people know us better.

In an era of consolidation, finding the right match is vital for both sides. Our excellent reputation helps us. Recipharm is an attractive partner because of our decentralised organisation model. We empower our companies and facilities to control their own profit and loss responsibilities while simultaneously benefitting from the strength of the Group and the Recipharm global brand.

Financially robust
Our public listing and transparency has also boosted our financial strength. Access to the right financing ensures a competitive edge and makes sure we can access those targets we wish to secure.

Completion of major acquisitions
Recipharm's steady growth remains linked to our core target to add and integrate new acquisitions. In 2015, we expanded our offer through this route into niche technologies and pharmaceutical manufacturing in areas of growing demand. But the acquisition that stands apart is our entry into the Indian market. In 2015, we confirmed that we would be acquiring a majority stake in Nitin Lifesciences Ltd. The move establishes a sound platform in India, a rapidly-growing market, as well as in neighbouring emerging markets.

A vital component of success is a smooth transition with each acquisition. Wherever the geographic location, we know that we can integrate new companies without delay through our well-proven methods and established models. We excel in this practical aspect.

ACQUISITIONS IN 2015

NOTCHING UP NICHE CAPABILITIES

Rounding off the year, Recipharm formalised a long-term supply agreement with Alcon, a Novartis company located in Kaysersberg, France. With the strategic collaboration, we took over the manufacturing of a range of ophthalmology products using Blow Fill Seal technology, further extending the Recipharm services offering in this growing niche.

With the deal, Recipharm acquired Kaysersberg Pharmaceuticals, the manufacturing plant that currently supplies the product range. The facility is expected to boost synergy potential with Recipharm's other three French facilities.

> *We are looking forward to extending our relationship with Alcon and Novartis and I am very pleased that they have made this commitment of a long term manufacturing agreement.*

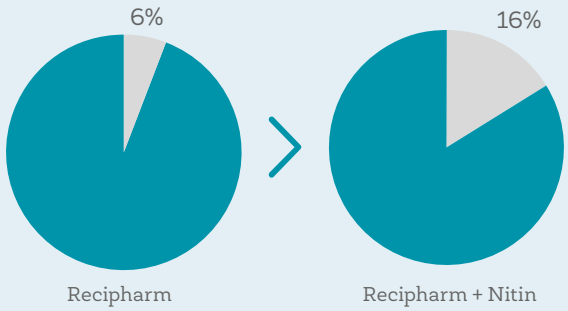
Thomas Eldered, CEO, Recipharm.

EMERGING MARKET PLATFORM

Acquiring the majority stake in the Indian pharmaceutical company Nitin Lifesciences Ltd. lays a solid foundation and bolsters our presence in high-growth developing territories. The deal is in direct line with our strategy to establish a truly global offering including emerging markets. It will provide our multinational customers with excellent exposure and direct entry into the rapidly expanding Indian market.

"The transaction firmly establishes Recipharm's emerging market strategy. Nitin Lifesciences Ltd. can also be used as a platform for entry into other regions." Thomas Eldered, Recipharm AB.

SALES IN EMERGING MARKETS



EXTENDED PRECLINICAL DEVELOPMENT SERVICES OFFERING

OnTarget Chemistry is a fast-growing contract research company (CRO) in Uppsala, Sweden. With the acquisition, the Recipharm Group significantly broadens its pharmaceutical development capabilities and adds preclinical chemistry services – all of which is in line with our strategy. Not least, we are now able to engage much earlier in high-potential customer projects.

Additionally, OnTarget Chemistry's synthesis capabilities are of great value for the GMP development of APIs for Recipharm's drug substance business in Paderno Dugnano in Italy.

BRINGING VALUE TO OUR CUSTOMERS AND SHAREHOLDERS

Recipharm's business model is designed to deliver a customized solution to meet each customer's needs. Making use of our extensive pharmaceutical expertise, full service offering and global footprint leaves our customers to do what they do best. In turn, this creates long-term value for our customers, partners and stakeholders.

OUR VALUE OFFERING

Over many years and through numerous acquisitions, Recipharm has developed comprehensive pharmaceutical expertise and advanced skills to manage complexity. Our customers, the pharmaceutical companies, benefit from our full service offering while controlling risks associated with supply chain management. Recipharm services represent good value for money.

GROWING DEMAND FOR CDMOS

Our market is currently in the midst of significant consolidation. Alongside the efforts to consolidate this fragmented market there is growing demand for strategic outsourcing via CDMOs.

Pharmaceutical companies of all sizes are turning to companies like Recipharm to provide a broader and more complex array of services. They see the advantage of selecting a provider that can manage most if not all of their outsourcing needs.

Our committed strategy to add steadily to our service offering, our financial transparency and our respected reputation ensure that Recipharm will be recognised and chosen as a leading global CDMO by pharmaceutical companies.

1 **Pharmaceutical expertise**

2 **Managing complexity**

3 **Full service offering**

4 **Risk control**

5 **Good value for money**

OUR VALUE PROPOSITION

1. PHARMACEUTICAL EXPERTISE

We offer access to:

- A broad range of technologies including special areas like lyophilisation and Blow Fill Seal Technology (BFS)
- Proprietary technologies
- Efficient technical transfers
- CMC regulatory support

2. MANAGING COMPLEXITY

We simplify and improve efficiency through our:

- Geographic footprint i.e. manufacturing options beyond Europe, e.g India
- Global compliance including the US, Japan and Brazil
- Technical transfer experience and supply chain routines

3. FULL SERVICE OFFERING

We reduce our customers' supplier base by providing:

- Project management
- Supply of drug substance through to finished product
- Drug development through to marketing authorisation
- Product maintenance

4. RISK CONTROL

We manage our customers risk by:

- Delivering on promises
- Maintaining a financially robust company
- Meeting and maintaining quality and compliance standards
- Offering dual sourcing options

5. GOOD VALUE FOR MONEY

We provide excellent value by:

- Driving innovation such as the upcoming serialisation requirements
- Adjusting performance to customer needs

MANUFACTURING SERVICES – MANAGING COMPLEXITY

Recipharm's pan-European manufacturing platform provides customers with access to a wide range of technologies, expertise competencies and services. The aim is to always accommodate a customer's specific needs with a focus on flexibility, quality and service.

Recipharm's comprehensive manufacturing network offers customers choice and flexibility. When a pharmaceutical product moves from development to manufacturing, our consistency and continuity between development and manufacturing facilities assures a quick, efficient transfer. The business area consists of two segments: Sterile Liquids and Solids & Others.

Sterile Liquids
Sterile Liquids covers sterile technologies including liquid vials, lyophilisates and blow fill seal products. This area is currently experiencing increased demand which we believe will continue into the future and generate further new business contracts. We are currently undertaking and planning further investment in our facilities supporting this business segment. Our investment in Wasserburg is running to plan and together with our facility in Milan we are consolidating our leading position in lyophilisation.

Solids & Others
Solids & Others covers our business segment focussed on providing tablets, capsules and semi-solids. We are seeing continued competition in this area but we continue to secure new business contracts. The priority here is to remain competitive with a particular focus on LEAN initiatives and purchasing efficiency as well as providing a high quality products and services.

DEMANDING CUSTOMERS

Our customers place high demands on our ability to manage and coordinate complex projects. As a partner to smaller pharmaceutical companies, Recipharm can manage and coordinate our customers' entire product industrialisation process and provide flexible production during the market launch. Our Big Pharma customers value our partnerships because we can manufacture and, as required, develop mature products efficiently helping to extend a product's lifecycle.

High-quality requirements
Recipharm is committed to maintaining regulatory compliance and delivering high-quality services to our customers. Quality systems based on well-established processes are used throughout the organisation. To guarantee compliance with customer and regulatory authority requirements, Recipharm performs supplier and subcontractor audits. All operating companies are run in accordance with current good manufacturing practices (cGMP).

Full-service support
An important part of Recipharm's integrated solution gives our customers the control to choose their manufacturing service level. To achieve this, we have the capacity for a wide range of ancillary services.

Regulatory services - We have our own team of regulatory experts who specialise in developing documentation packages to support new submissions, re-registrations and other variations for our customers.

Supply chain - We work closely with our customers to optimise all aspects of their operations from sourcing raw materials to market supply. Recipharm can provide purchasing support adapted to each customer's needs thanks to a global network of suppliers and extensive experience in buying a wide range of raw materials. We work together with our suppliers to guarantee continuity of supply and high quality of raw materials.

All Recipharm operating companies produce pharmaceuticals registered with EU authorities. Many also have the necessary accreditation to manufacture products for markets outside of Europe such as the US and Japan. Moving upwards in the value chain, we have implemented advanced online solutions for vendor-managed inventory (VMI), which enables Recipharm to fully administer our customers' stock and distribution.

Active life cycle management - By combining our manufacturing and development expertise, Recipharm offers services to extend the product lifecycle of mature products.

Analytical services
Recipharm's service offering includes stability studies and analytical method development. For customers who import products into the EU, we offer full EU gateway release and testing services.

HIGHLIGHTS 2015

- Our investment in Wasserburg continues on schedule and together with our site in Milan, has strengthened our leadership position in the field of lyophilisation
- High demand for our services generated many new business contracts
- Improved efficiency and higher plant utilisation was achieved

PLANS 2016

- Integration of Kaysersberg in France and Nitin Lifesciences Ltd.in India to the Recipharm Group
- Establish serialisation capabilities and services
- Continued focus on purchasing efficiency and LEAN initiatives

CASE

RECIPHARM SIGNS AGREEMENT WITH REDHILL BIOPHARMA

In August, we announced that we had signed an agreement with the Israeli biopharmaceutical company RedHill Biopharma Ltd to manufacture RedHill's leading late-stage patented drug candidate, RHB-105.

RHB-105 is being developed to treat Helicobacter pylori (H. pylori) bacterial infection, a global market estimated at about $4.8 billion. Recipharm will be responsible for the supply of the remaining clinical trial material and on-going future commercial supply.

This complex project straddles and integrates three of Recipharm's manufacturing facilities making it the first project of its kind within the organisation. The US FDA approved facilities in Fontaine and Pessac will manufacture Omeprazole mini-tablets, whilst in Strangnäs, the final product will be encapsulated and packaged for final release.

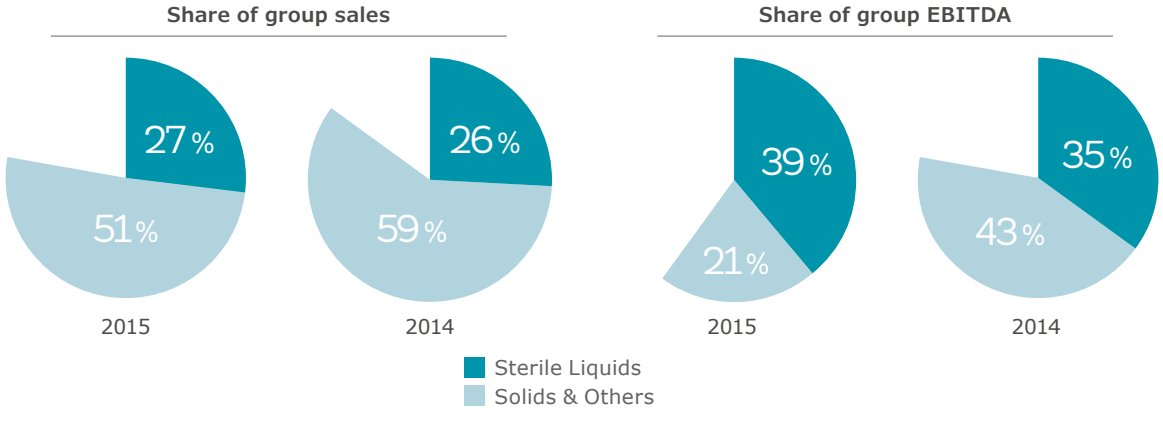
Commercial supply is expected to commence with an initial launch into the US market after regulatory approval by the US FDA. Subsequently, supply to EU markets is anticipated upon EU regulatory approval.

"This is a fantastic example of how Recipharm has been able to offer an integrated solution to solve a complex manufacturing project. We are looking forward to working on this project and supporting a successful clinical trial and launch of RHB-105"

Erik Haeffler, VP Manufacturing Services at Recipharm.

KEY RATIOS

	Sterile Liquids		Solids & Others	
	2015	2014	**2015**	2014
Sales, SEKm	956.8	713.1	1,832.5	1,578.2
EBITDA, SEKm	220.7	157.7	117.4	198.2
EBITDA margin	23.1%	22.1%	6.4%	12.6%
Sales growth	34%		16%	



DEVELOPMENT AND TECHNOLOGY – CREATING A PIPELINE

We supply a wide variety of technical pharmaceutical and development services to our customers. In addition, there is a growing register of patents, technologies and product rights under management by the Recipharm Group. We also support our customers with moving their projects from the development phase to commercial production. Thereby we create a pipeline for our manufacturing business through our development services.

MANAGING THE PHARMACEUTICAL DEVELOPMENT PROCESS

At Recipharm, our full service offering means we can manage a project from development in the laboratory to full-scale commercial manufacturing. We provide chemistry services and we can supply raw materials like APIs and excipients, perform formulation development, develop and validate analytical methods, conduct stability studies, choose the right packaging materials and also provide small-scale manufacturing for clinical trials.

API development capabilities

We provide development of APIs and excipients under non- GMP conditions in Uppsala, Sweden. Furthermore, our modern and well-equipped facility in Italy develops and manufactures APIs. Additionally, we develop new niche generic APIs for the international market for approvals in highly-regulated markets including the US.

GMP pilot facilities

Both in Solna, Sweden and Pessac, France, we maintain GMP pilot plant facilities where we can manufacture solid dose and semi-solid formulations as well as sterile vials.

Technology transfer expertise

The technology transfer of a pharmaceutical project is an important part of Recipharm's development offering. This is the sensitive and comprehensive phase when a project transitions from the laboratory environment to larger scale manufacturing in a different facility. Recipharm also extends its expertise to facilitate and expedite the process when products are transferred from an external supplier to our manufacturing facilities.

BROAD TECHNOLOGY OFFERING

The register of the global Recipharm Group includes patents and technologies. Recipharm also owns the rights to a substantial portfolio of products, where most of these are out-licensed to external parties.

Pharmaceutical development stems from many different technologies. Recipharm has direct access to a diverse range. In 2015, we added to our service offering new patent-protected technologies through collaboration and in-house development. Via the equity investments made in the companies XSpray, Synthonics and LIDDS we have established a very solid platform with collaborative access to new and innovative drug delivery technologies.

The benefits of intellectual property

Recipharm offers customers and partners a large number of proprietary products and an attractive intellectual property (IP) portfolio. This includes technologies, drug delivery methods and drug master files (DMFs). Depending on the type of IP, Recipharm can offer different collaboration opportunities through distribution, supply and license agreements.

Moving forward, we aim to further strengthen our own IP portfolio. A number of product development projects with well-known active pharmaceutical ingredients within niche areas have been initiated. We continuously scrutinise potential product candidates. Selected projects are developed through license and distribution agreements with external partners.

HIGHLIGHTS 2015

- Further integration of our businesses in Portugal and Italy to take full advantage of the added portfolio of product rights and IP
- Strengthening of the sales organisation for development services
- Strong growth in development sales from Recipharm in Solna Sweden
- Acquisition of OnTarget Chemistry in Uppsala, Sweden
- New IP projects started
- Equity investments to support future sales and access to interesting technologies: Synthonics Inc, Pharmanest AB, XSpray Microparticles AB, LIDDS AB

PLAN 2016

- Focus on further high growth of development service sales
- Initiation of new IP projects
- Secure additional tender orders for ThyroSafe®
- Further establishment of Recipharm as a company with a highly competitive line of drug delivery opportunities to aid our customers in their drug development projects

PHARMACEUTICAL DEVELOPMENT OFFERING

A drug substance is an active pharmaceutical ingredient which is developed and produced according to strictly controlled quality conditions, which is known as Good Manufacturing Practice.

A drug product will be developed and formulated in a way that it can fulfil the decided criteria for the future drug to be tested and manufactured for commercial sales.

Before the new drug can be approved and allowed to be commercially sold, it needs to be extensively tested in clinical trials.

OUR LOCATIONS

SOLNA, SWEDEN
Recipharm in Solna offers pharmaceutical development based on our extensive experience in a wide range of formulation types. The facility supports customers through the clinical phases and stability studies, leaving them with a registered product and the possibility to transfer the manufacturing process to one of our manufacturing sites. The facility is licensed for GMP manufacturing of clinical trial supplies.

UPPSALA, SWEDEN
NESS ZIONA, ISRAEL
Recipharm in Uppsala offers pre-clinical chemistry. The laboratories are well equipped and the repertoire includes a complete medicinal chemistry offering. In Uppsala, we run all of the usual synthesis and analysis services as well as GLP bioanalyses for clinical trials. Recipharm in Ness Ziona was started during 2015 with an offering of medicinal chemistry services.

PESSAC, FRANCE
Recipharm in Pessac is a state-of-the-art pharmaceutical development site that provides both production and development services. Recipharm Pessac is specialised in the controlled release of pharmaceuticals both in dry form, such as pellets, and in injectable materials with specific vector products giving sustained and controlled release properties.

PADERNO DUGNANO, ITALY
In Milan, Recipharm can offer its customers custom synthesis of APIs in a GMP environment. The facility can offer its customers services both from a kilo-lab and a pilot plant lab in addition related to analytical development services. The experienced team of chemists possess a deep know-how in designing synthetic routes for a wide variety of pharmaceutical compounds.

ERDOSTEINE
– STRENGTHENING RECIPHARM'S PRODUCT PORTFOLIO

Erdosteine is a molecule discovered by Edmond laboratories in Italy, patented in 1981 and registered in many countries all over the world. Within Recipharm's organisation in Italy there is a dedicated team to manage the Erdosteine business as part of Recipharm's IP portfolio.

The pharmacological profile of Erdosteine is characterized by a unique multifactorial activity, which is muco-modulatory, anti-bacterial, anti-inflammatory and anti-oxidant. Erdosteine has proved its efficacy and safety, both in adults and in children, in more than 60 clinical trials with over 3,000 treated subjects and during more than 10 years' experience in clinical practice worldwide. The business model is based on the sales of APIs and finished forms under license agreements with pharma multinationals or leading local players.

SHARE OF GROUP SALES
22%
2015

SHARE OF GROUP SALES
15%
2014

SHARE OF GROUP EBITDA
40%
2015

SHARE OF GROUP EBITDA
22%
2014

TAKING RESPONSIBILITY

Our commitment to enduring sustainable growth will make Recipharm the best-in-class CDMO. We are equally dedicated to our customers as committed to our employees and the environment, which makes Recipharm successful today and tomorrow.

DECENTRALISED ORGANISATION

Recipharm, Europe's leading CDMO, enjoys a strong reputation as a knowledgeable, trustworthy and ethical partner. We solve our customers' greatest challenges thanks to the talent of our employees and by optimising Recipharm technologies.

Core values

We do this by adhering to the Recipharm core values: professionalism, tenacity, entrepreneurship and reliability. This is an important challenge for Recipharm's management as we grow and become increasingly international. We apply an entrepreneurial approach and manage all operating companies as stand-alone units.

We have established the Recipharm Code of Conduct. It is underpinned by the UN Global Compact's 10 principles, a business framework to ensure our corporate qualities. Recipharm's Code of Conduct addresses the areas of human rights, labour, the environment and anti-corruption. All Recipharm employees sign the Code of Conduct when joining the company. Senior managers receive training on a regular basis on how the Code should be implemented.

A program for autonomy

The Recipharm model, a platform of proactivity and confidence in the individual, is an important way to maintain Recipharm's position as an attractive employer.

Recipharm's manufacturing facilities operate as stand-alone units, but are strategically coordinated by the Recipharm Group. A general manager leads each unit with the authority and responsibility to implement strategies and policies at the local level.

Each stand-alone unit is independent and takes on local responsibility for customer relationships and has the authority to develop and expand existing contracts with customers.

Central functions in the Group support local operating units by encouraging cross selling between units and customers. We also centrally manage the implementation and promotion of knowledge as well as best practices. The Business Management team is responsible for finding new customers or new contracts with existing customers.

Our customers meet a single brand and a standardised customer interface. The Recipharm brand and model are used throughout the company. This means customers who use multiple facilities always experience a unified business culture.

OUR VALUES

ENTREPRENEURSHIP

- We are innovative and creative in finding ways to develop and improve our business.
- We are open to change but respect that it can take time to achieve.
- We have a "can do" attitude and always take on challenges with a mindset that nothing is too difficult.

RELIABILITY

- We create trust by always delivering on promises.
- We deliver with quality and on time.
- We are honest and always follow our code of conduct.

PROFESSIONALISM

- We maintain a high level of competence to deliver a return on investment to our stakeholders.
- We are flexible, service minded and always looking for the best solutions.
- We learn from our mistakes.
- We show respect – to customers, peers, partners and managers.

TENACITY

- We show commitment in everything we do.
- We are committed to reaching our goals.
- We are persistent and we will not give up easily.
- If we encounter an obstacle, we try harder to find a solution.

WHAT DO RECIPHARM'S VALUES MEAN TO YOU?

"For me, Entrepreneurship means being open to changing your way of working - being change-focused. It is important to work efficiency and to have automated working process to support the organisation towards achieving profitable growth."

CHARLOTTE ELIASSON, ACCOUNTANT

"Reliability is important in our work and something that we build up by being open to each other. We believe that this creates trust. There are many steps in the manufacturing chain so you need to keep your part and warn of any disruptions."

PERJOHAN SÄFSTRÖM, DEPARTEMENT MANAGER WAREHOUSE

"Professionalism for me means an opportunity to grow together with Recipharm."

KATJA ZAHAROVA, PARALEGAL

"For me, Tenacity means that you get the job done, despite it initially appearing impossible. That does not necessarily mean working more, but instead working in a smarter way by identifying more efficient solutions."

LEANID LUKSHA, CORPORATE DEVELOPMENT OFFICER

ENTREPRENEURIAL COMPANY

Operating units are dedicated to each customer's specific requirements – this unique culture and service approach delivers results. Our values aim to best meet customer needs, while supporting the Recipharm strategy. Today, Recipharm employs approximately 2,700 people.

Recipharm has grown considerably over its 20 years. Experienced and new employees say they are attracted by the company's entrepreneurial corporate culture and our effort to stay true to our original core values. At Recipharm, the exchange of skills and professional knowledge is similar to working at a small company, but in an international network united under a single brand.

Our values underscore our culture

Flexibility, local adaptation and customer focus are important priorities that influence our corporate structure and culture. We are currently optimising our business by restructuring the portfolio, streamlining the organisation and applying best practice. The streamlined organisation, the Recipharm model, is our cornerstone and aims to preserve and develop the entrepreneurial spirit as we grow and develop.

It is the strength of the entrepreneurial culture that supports Recipharm in delivering world-class pharmaceutical products and in identifying future technologies that will improve drug delivery.

Collaboration creates opportunities
Our collaborative working style emphasises teamwork, trust and tolerance for differing opinions. This willingness to collaborate inspires innovation and increases opportunities for cross selling services. Also, contact with customers at each of the manufacturing facilities assures that we can match their needs with manufacturing capacity at our other facilities. Recipharm can offer diverse products and services with varying degrees of complexity, providing value for customers.

We recognise that our staff – true Recipharm resources – and their respective expertise and talents are among our major assets. We value the accumulated years of industry experience of our employees and encourage networking and knowledge exchange at all levels.

Steering forward
Recipharm is one of Europe's largest contract manufacturers of pharmaceuticals. We have achieved this through our organisational structure based on stand-alone companies where employees feel that they contribute to establishing outstanding service solutions.

We manage sales based on individual customer strategies with key customer responsibilities. The switch from being cost centres to becoming profit centres, which promotes a commercial culture, is one important change for newly acquired production facilities when they are integrated.

TALENT MANAGEMENT

Talent management is increasingly important as Recipharm grows, especially when entering new regions. This is why we have established a Talent Management strategy to identify strategic capabilities, positions and specialty areas and employees with the ability and interest to develop their knowledge.

Personal development is vital to Recipharm's future success and we encourage ambitious initiatives from all employees.

PROVIDING ENVIRONMENTALLY-SOUND SERVICES

Environmental best practice has been a pivotal feature during our long history. We are increasing our attention to sustainability issues as we make investment and business choices. For example, we prioritise the management of chemicals, hazardous waste and energy solutions to reduce carbon emissions.

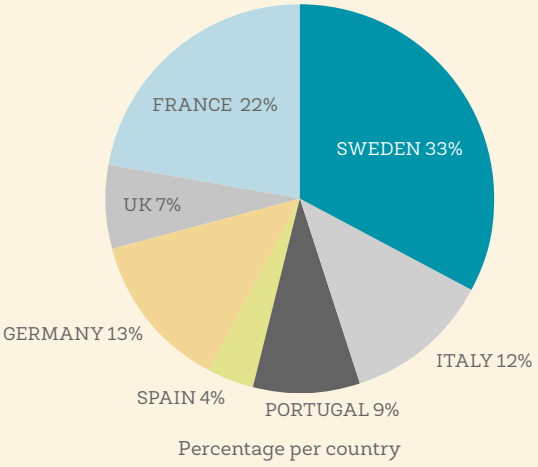
High environmental, health and safety standards
Our sustainability work focuses on providing manufacturing and development services that maintain high environmental, health and safety standards. All facilities have or are working towards ISO 14001 certification and most also hold the OHSAS certificate. The objective is for newly-acquired facilities to be certified within two years of joining the Recipharm Group.

Taking care of our environment
Pharmaceuticals are deliberately manufactured to be biologically active. This creates a risk to plants and animals if they are discharged into the environment. Because of this, it is imperative that we apply the ISO 14001 standards to all drug packaging and processes. Our systematic approach works to minimise risks. Through on-going environmental stewardship, Recipharm can offer customers customised services based on an extensive environmental program.

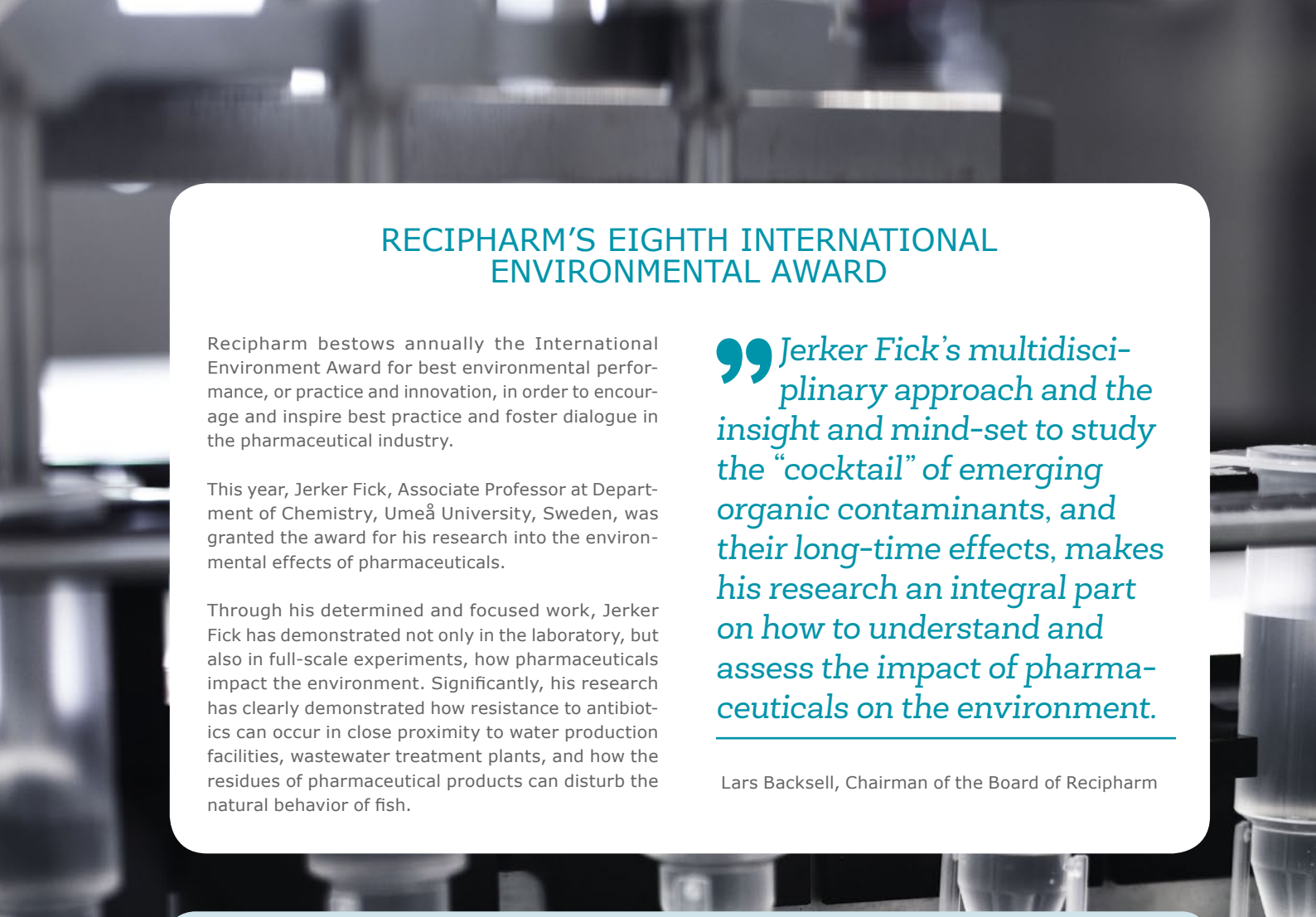
Local initiatives
Recipharm continually endeavours to be a responsible company by offering environmentally-sound pharmaceutical services. In addition to certifications, all operating companies comply with our corporate environmental policy. The policy focuses on the areas of Recipharm's operations that have the biggest environmental impact, which include carbon emissions and management of chemicals, raw materials and waste as well as energy consumption.

Our corporate environmental policy provides a common framework for continued improvements in environmental efficiencies. In addition, the Recipharm model is the platform for local units to drive initiatives based on local requirements while taking local considerations into account. By driving efficiency at the local units, Recipharm ensures that the best solutions are realised as the local teams are in the best position to succeed.

EMPLOYEES 2015



Percentage per country



RECIPHARM'S EIGHTH INTERNATIONAL ENVIRONMENTAL AWARD

Recipharm bestows annually the International Environment Award for best environmental performance, or practice and innovation, in order to encourage and inspire best practice and foster dialogue in the pharmaceutical industry.

This year, Jerker Fick, Associate Professor at Department of Chemistry, Umeå University, Sweden, was granted the award for his research into the environmental effects of pharmaceuticals.

Through his determined and focused work, Jerker Fick has demonstrated not only in the laboratory, but also in full-scale experiments, how pharmaceuticals impact the environment. Significantly, his research has clearly demonstrated how resistance to antibiotics can occur in close proximity to water production facilities, wastewater treatment plants, and how the residues of pharmaceutical products can disturb the natural behavior of fish.

"Jerker Fick's multidisciplinary approach and the insight and mind-set to study the "cocktail" of emerging organic contaminants, and their long-time effects, makes his research an integral part on how to understand and assess the impact of pharmaceuticals on the environment.

Lars Backsell, Chairman of the Board of Recipharm

RECIPHARM'S SUPPLIER CODE OF CONDUCT

Since Recipharm's products and services impact people's lives and health, it is an absolute must that we do business in a responsible and ethical way. To ensure high ethical standards, Recipharm has established a Supplier Code of Conduct that will be implemented during 2016.

Recipharm requires its suppliers to acknowledge and adhere to the principles in the Supplier Code of Conduct. We expect suppliers to cooperate in a transparent way and as appropriate, give access to relevant documentation and premises.

The code is based on six different areas: Ethics, Labour, Health & Safety, Environment, Animal Welfare and Management Systems and Compliance.

ETHICS

Suppliers should conduct their business in an ethical manner and act with integrity.

LABOUR

Suppliers should be committed to uphold the human rights of workers and to treat them with dignity and respect. Recipharm adheres to relevant international standards and conventions and expect suppliers to do the same.

HEALTH AND SAFETY

Suppliers should provide a safe and healthy working environment, including any company-provided living quarters.

ENVIRONMENT

Suppliers should operate in an environmentally-responsible and efficient manner, minimising adverse impact on the environment. Suppliers are encouraged to preserve natural resources, avoid the use of hazardous materials and engage in activities that reuse and recycle. This should also apply for suppliers' own suppliers and contractors.

ANIMAL WELFARE

Animal testing should not be used unless alternatives are not scientifically valid or accepted to regulators. If animal testing is carried out, animals should be treated so that pain and stress are minimised.

MANAGEMENT SYSTEMS AND COMPLIANCE

Suppliers should use management systems to facilitate continual improvement and compliance in line with the expectations of the Supplier Code of Conduct. Suppliers are encouraged to integrate the Supplier Code of Conduct into an existing management system or to introduce an appropriate management system.

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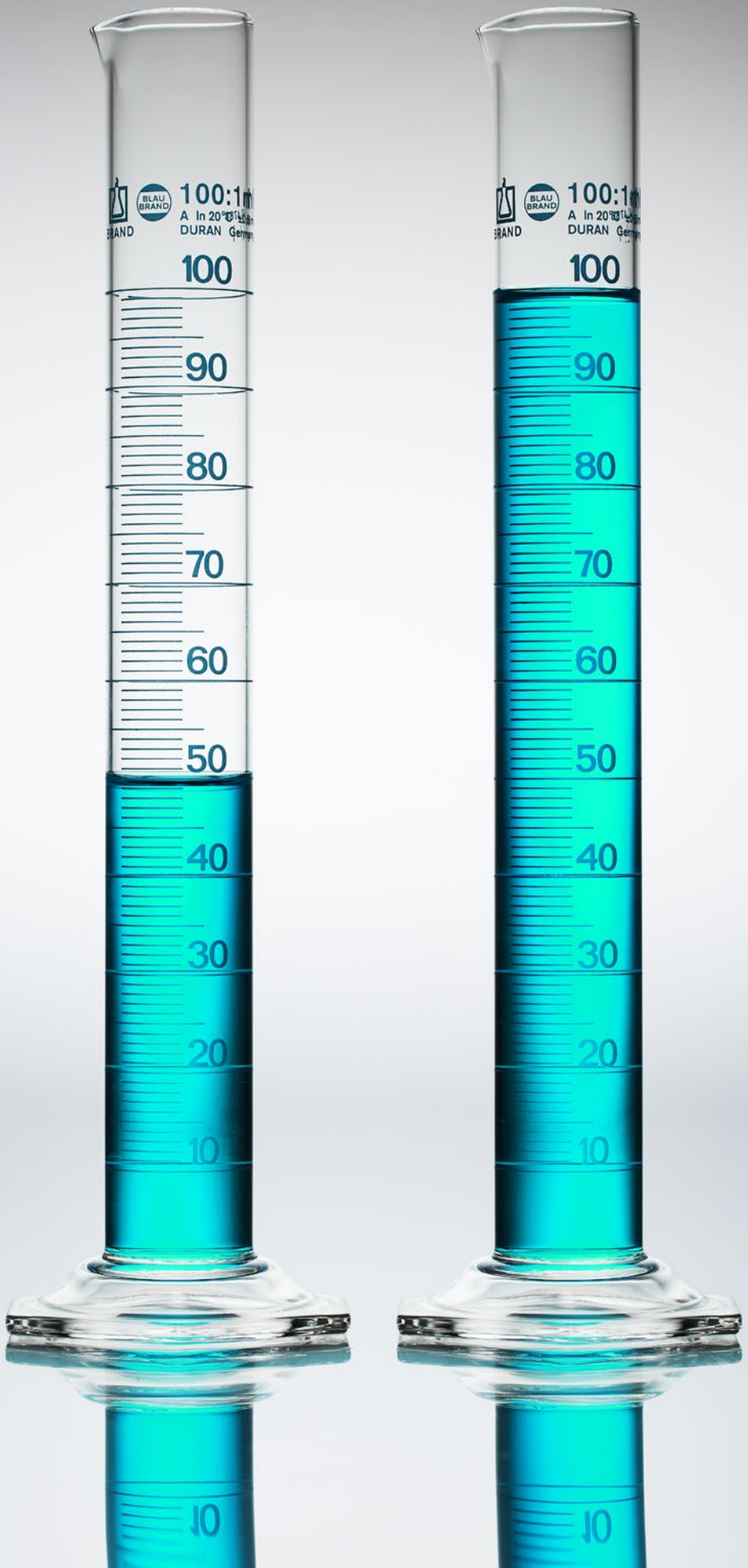


ADMINISTRATION REPORT

The Board of Directors and CEO of Recipharm AB (publ), corporate identification number 556498-8425, with its registered office in Stockholm, Sweden, hereby submit the annual report and consolidated annual accounts for the 2015 financial year. The annual report was approved by the Board of Directors for publication 23 March 2016 and will be presented to the Annual General Meeting for approval on 28 April 2016.

Group business and structure
Recipharm AB (publ) is a listed company at Nasdaq Stockholm. The Parent Company Recipharm AB (publ) includes two branches in England and Norway, in addition to direct subsidiaries. The consolidated annual accounts are prepared by Recipharm AB and its subsidiaries. The reporting currency is SEK.

Recipharm provides pharmaceutical manufacturing services to pharmaceutical companies and provides them with development services and technologies in the drug development phase. Customers vary in size, from large international pharmaceutical companies, to small pharmaceutical or biotech companies. Recipharm changed its reporting and segment structure from 2015. The manufacturing business is now split in the two segments Sterile Liquids and Solids and Others compared to previously Sweden and Europe Others.

Net sales and profit
Consolidated net sales for the financial year reached SEK 3,389 million (2,569). Sales rose in all segments compared with the previous year, mainly due to the full year effect of the Q4 2014 acquisitions. Recipharm acquired a small development company in Uppsala, OT Chemistry AB, during the year, but it had no significant impact on sales nor profit due to its small size.

Other operating income increased with SEK 76 million to SEK 119 million (43). These revenues consist of royalty income, costs being reinvoiced and currency effects on operating receivables and liabilities, and the increase is mainly due to a full year effect of royalty income in Pessac.

For the financial year, operating profit totaled to SEK 274 million (272). It increased mainly as a result of the full year effect from Q4 2014 acquisitions.

The performance per segment varied, where there were strong performance both in the D&T (Development and Technology) segment and the MS-SL (Manufacturing Services Sterile Liquids), while the performance in MS-SO (Manufacturing Services Solids and Others) was weaker in spite of positive contribution from the acquisitions. D&T increased both net sales and operating profit significantly mainly due to the acquisitions and good performance for some of the own products in spite of reduced sales of the volatile tender product Thyrosafe. Manufacturing sales from new products increased, which together with the contributions from the acquisitions are the main drivers behind the performance in MS-SL.

Although there are increased sales from the acquisitions in the MS-SO segment, there is a negative product mix combined with the effect of the discontinued distribution business in Sweden. These factors combined reduced the operating profit in MS-SO and we have by the end of 2015 initiated a cost efficiency program in the Swedish part of MS-SO to be implemented during 2016. Further financial details per segment are presented in note 3.

Consolidated profit after financial items reached SEK 310 million (216) including a significant positive impact from a financial gain of SEK 46.6 related to a financial investment.

Profitability, calculated as the return on operating capital, was 8 percent (12). The decrease of the return on operating capital is mainly due to the full year effect of the acquisitions during the fourth quarter of 2014.

The EBITDA margin to Sales was 15.0 percent (15.5), a decrease due to less production of Thyrosafe, impact of the lost distribution revenues, lower volumes on the French market for certain products, and redundancy costs related to the cost and efficiency program in MS-SO's swedish operations. The long-term target is to maintain an EBITDA margin of more than 16 percent.

The effective tax rate was 31 percent (26), higher than last year due to last year loss carry-forward and unfavorable profit allocation between the countries compared to 2014.

Net sales for the Parent Company amounted to SEK 95 million (77). The net profit amounted to SEK 136 million (42), an improvement of SEK 94 million. 2015 was a normal year, although many activities and costs related to acquisitions, but with a very strong positive effect related to a positive financial net.

Liquidity, financing and cash flow
At 31 December 2015 the Group's cash and cash equivalents were SEK 534 million (404). The unutilised portion of the bank overdraft facility was SEK 1 345 million (46).

The Group's businesses are financed by equity of SEK 2,741 million (2,131) as well as long-term loans of SEK 1,679 million (1,555) and current loans of SEK 38 million (13).

Consolidated cash flow totaled SEK 141 million (203). This figure includes SEK 429 million (254) from operating activities, SEK -421 million (-1,457) from investing activities, and SEK 133 million (1,405) from financing activities. Excluding impact from acquisitions, there is an increase in investments mainly due to the expansion project in Wasserburg.

The Group's equity/assets ratio was 48 percent (39). The net debt/equity ratio for the Group was 0.4 (0.5).

The Parent Company's cash and cash equivalents totalled SEK 139 million (124) at year-end. In addition, the Company can utilize the Group's bank overdraft facility of SEK 1,500 million (1,500), a bank loan facility of SEK 1,500 million (-) of which SEK 1,345 million (46) was unutilized at year-end,

as well as an additional bank credit of SEK 105 million. Cash flow totalled SEK 16 million (-121). For the financial year, cash flow from operating activities totaled SEK -174 million (-41), SEK 67 million (-1,431) from investing activities and SEK 123 million (1 593) from financing activities.

Net debt to EBITDA was 2.3 (2.9), a decrease due to less acqusitions 2015 compared to 2014.

Capital investment
The Group's gross investment in property, plant and equipment during the financial year totaled SEK 356 million (215), excluding business acquisitions. Investments primarily involved replacements, as well as new projects and expansion of capacity, such as current investment to increase capacity for manufacturing of freeze-dried products in Wasserburg which totaled SEK 120 million. Acquisition of intangible assets totaled SEK 23 million (56).

The Parent Company's gross investments in property, plant and equipment amounted toSEK 13 million (9).

Significant events during the year
Management has continuously focused on creating opportunities for growth. That has resulted in announcement of an acquisition in India and a large outsourcing contract from Alcon, part of the Novartis group. Recipharm are acquiring a majority stake (74 percent) in Nitin Lifesciences Ltd, with headquarter in Karnal, India. The announcement was made in October 2016 and Recipharm got the approval from the Indian authorities in January 2016. Closing is planned to April 2016. This acquisition will create a strong platform for growth in the emerging markets also providing Recipharm´s current customers with a high quality supplier opportunity for their products in the Indian market. The implied value for 100 percent of Nitin equates to INR 9,071 million and represents 12.4 times LTM August EBITDA of INR 732 million.

In December 2015, Recipharm and Alcon entered into a long term outsourcing agreement with a concurrent acquisition of a manufacturing site in Kaysersberg, France. This is a long term manufacturing agreement adding annual net sales in excess of EUR 36 million and EBITDA margin well in line with the Group's average. Further information about this Alcon business deal is found in note 4.

A new SEK 1.5 billion term loan was signed in July 2015 with the same three Nordic banks from the previous agreement 2014. The total syndicate bank credit facilities, after this new term loan, amounts to SEK 1.5 billion, split into a 1.5 billion term loan and SEK 1.5 billion revolving check credit facility.

Research and development
Recipharm's research and development (R&D) activities focus on the pharmaceutical development of new products as well as the improvement of existing products and processes to achieve greater efficiency and customer benefit. Many product projects are conducted as assignments for internal and external customers. Costs for the development of products and production processes are mainly expensed as they arise.

The environment
Our vision is for Recipharm to be a shining example with regard to the environment. Environmental efforts are vital to Recipharm and are an integral part of day-to-day work.

Recipharm has resolved for all operating subsidiaries in the Group to obtain ISO 14001 environmental certification. All companies are already there or are working towards certification. Several Recipharm companies are also certified according to OHSAS 18001 for the work environment.

The impact of the Recipharm Group on the external environment results from activities as a pharmaceutical manufacturer. The direct impact consists of air and water emissions from manufacturing processes that involve gas, solvents and effluent containing pharmaceutical residuals. The indirect impact consists of emissions from transport to and from Recipharm's sites and through energy consumption. Every company monitors its environmental impact using its own environmental management system and continuously works to follow up and improve its operations with respect to the environment.

During the year, Recipharm complied with environmental legislation as well as the conditions in all permits. Only Recipharm Stockholm AB has operations requiring a permit according to the Swedish Environmental Code, while other Swedish subsidiaries have operations requiring registration. In the opinion of the Company, there are no environmental liabilities for future decontamination.

Personnel
In 2015, the average number of employees (corresponding to full-time positions) was 2,019 (1,564), a change of 29 percent (3), an increase due to the effect from the acquisitions. Women accounted for 55 percent (57) of personnel. At year end, circa 2 500 full time equivalents are employed in the Group, an increase related to the acquisitions. Please see Note 9 for additional information about personnel.

Recipharm's Swedish business has held AFS 2000:1 and OHSAS 18001 work environment certifications for many years.

At the Annual General Meeting on 10 March 2014 it has been decided to start a share saving program directed to the employees, and another share saving program was decided upon at the Annual General Meeting on 7 May 2015. For more information please see Note 32.

The work of the Board
The work of the Board is described in the corporate governance report.

Outlook
Recipharm's new sales target is to achieve SEK 8 billion or more 2020. Focus for the business will be a combination of growth and efficiency activities. There are good opportunities for growth in both business areas, manufacturing and D&T. Several contracting projects are underway and are expected to sustain sales growth in coming financial years in existing operations. Capacity investment for manufacturing of freeze-dried products in Wasserburg is going to result in further growth from the second half of 2017. Large outsourcing contracts with big pharmaceutical companies are expected to be an important growth factor during coming years. Acquisitions of competitors are also expected to be a major contributor to growth going forward.

Recipharm set a new target to achieve an EBITDA margin of more than 16 percent. In total, operating profit and profitability are expected to improve in the future, especially during 2016 with the whole year effect of the Alcon deal, and the acquisitions of Mitim Srl and Nitin Lifesciences Ltd ("Nitin"). 2017 will benefit both from the full year effect from acquisitions during the year and the Wasserburg expansion project. The latter will generate a full year effect 2018.

Manufacturing of pharmaceuticals is a very regulated industry. Some countries have recently implemented regulations related to traceability of pharmaceuticals to end customer. Most pharma markets will implement this during the coming years. This is positive for Recipharm, as many companies of the Recipharm Group are successful in manufacturing requiring more complexity and advanced production equipment. This will result in investments during the three coming years around SEK 300-400 million. These investments will to the larger extent be borne by the customers.

Events after closing
Recipharm announced on 20 October 2015 the acquisition of a majority share of Nitin Lifesciences Ltd, which is an Indian CMO with a strong presence in injectable manufacturing having around 500 employees. The Indian authorities granted their approval in January 2016. The completion of the acquisition is expected in April 2016. For more information related to this acquisition we refer to the press release.

Recipharm is implementing cost and efficiency programs in the Swedish part of the Business Segment Solids and Others, as there is a need to adapt to lower actual and forecasted volumes of certain products and to capture opportunities for improved efficiency. Regrettably these activities will affect the number of employees, where more than 120 positions are subject to notice, of which 100 are in the greater Stockholm area. The latter was announced 8 October 2015. The effect on the result will, after notice periods, mainly be realized in Q3 and Q4 2016. These programs will improve margins in the Solids and Other segment.

Recipharm completed a directed issue of 2.25 million series-B shares in January 2016, raising proceeds of approximately SEK 276 million, see further details in related press release.

Recipharm announced on 23 February 2016 the acquisition of the Italian company Mitim Srl for EUR 68 million, adding niche technology in injectable beta lactam antibiotics. For more information related to this acquisition we refer to the press release.

Allocation of profit/loss
The following earnings of the parent company are available to the AGM.

Share premium reserve	1,850,496,838
Retained earnings	29,583,304
Profit for the year	135,519,656
Total	**2,015,599,798**

The Board of Directors proposes to the AGM the allocation of earnings is distributed as follows:

Share dividend	73,582,604
Earnings carried forward	1,942,017,195
Total	**2,015,599,798**

The Board is of the opinion that the dividend proposed above is justifiable on both the Company and the Group level with regard to the demands on the Company and the Group equity imposed by the type, scope and risks of the business and with regard to the Company's and the Group financial strength, liquidity and overall position.

Risks

Recipharm has identified the following types of risks:

Market-related risks

Competition	The growing CDMO market is attracting strong suppliers, and the competition may have a negative impact on profit margins. Through continuous improvement of business processes and customer relationships, Recipharm creates value for customers, thereby improving its competitive edge.
Customer dependence	A significant portion of Recipharm's business comes from a limited number of customers. The large customers have several contracts, as each site has its contract with the customer. Contracts are sometimes terminated, by the customer or by Recipharm, for renegotiation of terms. No large contract has been terminated since the start of the Company (21 years ago), only a few small and middle size contracts. Through a strong emphasis on increasing the number of customer relationships, Recipharm decreases its dependence on a small number of customers. During 2013, the three largest customers accounted for 60.6 percent of the Group Sales. During 2015, it is reduced to 31 percent, which will further decrease as an effect of the announced acquisitions 2015.
Customer cost pressure	Many countries are implementing different activities to increase competition and decrease the costs for pharmaceuticals. Recipharm uses normally price adjustment formulas in the contracts, in relation to changes in the manufacturing costs. In the past, price increases have normally fluctuated between zero and inflation.
Dependence on continuous supply	Sales of products for which Recipharm owns product rights account for 12 percent of consolidated sales. A stoppage or disruption in the supply chain would affect sales of these products in the market. In recent times, only one incident that had a significant impact occurred four years ago when sterile production was discontinued in Recipharm´s own factory in Ashton, where a large part of own products are manufactured. However, Recipharm has now recovered much of the lost sales.

Risks related to internal processes

Building and maintaining expertise	In a more competitive market, it is becoming more difficult to attract and retain key competencies. Recipharm has a strong emphasis on leadership training, career planning and creating attractive workplaces. In general, Recipharm has low employee turnover, especially for key persons.
Product Defects	Any significant product defect caused by Recipharm would damage the Company image and customer confidence. All subsidiaries operate in accordance with current good manufacturing practice and with Recipharm's own high quality standards. Every Recipharm facility is inspected periodically by regulatory authorities as well as by Recipharm's own team of regulatory experts.
Acquisition projects	Acquisitions expose the Company to different types of risk: financial, commercial and operational. Before the Board decides to make an acquisition, due diligence in line with the risk entailed by each acquisition, as well as a management team assessment, are always performed. To secure successful integration of newly acquired businesses, Recipharm follows well-established internal procedures.
Dependence on key personnel	Key personnel usually have extensive experience and expertise within fields that are important for Recipharm. It is important to ensure and develop expertise so that Recipharm continues to have the right expertise. Recipharm works with succession planning programs for leading positions to ensure continued access to such expertise.

Financial risks (see also note 41, sensitivity analysis)

Currency risk	Recipharm has relatively little foreign currency exposure on net income. The difference between inflows and outflows by currency is well-balanced in operational activities. Recipharm has therefore chosen not to hedge currency flows against price fluctuations. However, extra exposure may arise in connection with acquisitions or similar. Recipharm usually tries to limit any currency risk associated with acquisitions by financing the acquisition as far as possible in the local currency.
Credit risk	Recipharm only accepts creditworthy counterparts in financial transactions and, when needed, uses a system for managing overdue invoices. Long-term contracts and customers' dependence on their CDMO suppliers are important factors that reduce credit risk. Recipharm has many financially solid customers and few credit losses. The latest example of that is the new 5 year credit facility which was signed during the year. Recipharm has also many customers being financially strong and small bad debt losses.
Interest-rate risk	Operations are partly financed through borrowing. Fluctuations in interest rates directly influence the financial results. Recipharm aims to maintain a balanced loan portfolio of short- and long-term borrowings, with interest rates normally linked to official interbank rates. No specific hedging is done of these.
Liquidity and refinancing risk	External capital exposes Recipharm for some liquidity risks. Refinancing risk is the risk that the company cannot refinance their loans when desired or raise new financing in the market when the need arises. Recipharm has a long term loan facility which is dependent on the achievement on certain covenants. If these covenants are not met the lender may renegotiate or execute an earlier termination. The current loan facility amounts to SEK 3.0billion and is amortized continuously. Detailed description of the loan periods is given in note 41.

Corporate governance 2015

General
Recipharm AB (publ) is a Swedish public limited company with its registered office in Haninge, Sweden. Recipharm's corporate governance is based on the Swedish Companies Act, the company's articles of association, the obligations that accompany listing on the NASDAQ Stockholm, the Swedish Code of Corporate Governance (the "Code") and other applicable laws and regulations. Corporate governance comprises a regulatory and decision making system for managing a company's business in an effective, controlled manner. The aim is to meet the owners' requirements in terms of the return on capital invested. In Sweden, corporate governance has traditionally been regulated by legislation. In addition, the self-regulatory bodies of trade and industry have continually presented various stipulations relating to corporate governance. For detailed information on the Code visit www.bolagsstyrning.se.

Recipharm aims for a high standard through a clear and simple management system and guiding documents. Management, leadership and control of Recipharm is divided between the shareholders at the annual general meeting (the "AGM"), the board of directors, the CEO, and the auditors in accordance with the Swedish Companies Act and the company's articles of association. Increased transparency provides good insight into the company's operations, which contributes to effective control.

Recipharm's application of The Code
Recipharm has applied the Code since the listing on NASDAQ Stockholm on 3 April 2014. The board of directors has chosen not to set up a specific audit function for internal audit because the board of directors does not consider it necessary. The board of directors will evaluate the need to set up a specific audit function annually.

Shareholders
As of 31 December 2015 the share capital amounted to SEK 23,162,628 spread over 46,325,256 shares, each with a quota value of SEK 0.50. There are four series of shares in Recipharm: shares of series A (10 votes per share), shares of series B (1 vote per share), preference shares of series C (1 vote per share) and shares of series D (1 vote per share). In total there are 12,685,716 shares issued shares of series A and 33,139,540 shares of series B and 500,000 shares of series D. The number of shareholders amount to about 4,500.

As of 31 December 2015, shareholders who directly, or indirectly, represent at least 10 percent of the total amount of the votes in the company are: Flerie Participation, approx. 41,9 percent and Cajelo Invest, approx. 39,5 percent. The foreign owners represented 16,1 percent. For more information regarding Recipharm's share and ownership structure, please refer to the Section "The Recipharm Share", on pages 84-85.

Shareholders' meeting and the AGM
Under the Companies Act, the shareholders' meeting is a company's highest decision-making body. The company's AGM adopts the income statement and balance sheet, elects the board of directors and auditors, establishes fees and deals with other matters laid down in legislation or in the Code. At the AGM, the shareholders have the opportunity to ask questions to the management, the board of directors and the auditors. Recipharm's articles of association do not contain any restrictions on how many votes each shareholder may cast at a shareholders' meeting. Neither, do the articles of association contain specific provisions on the appointment and dismissal of directors or amendment of the articles of association.

Authorizations resolved by the shareholders' meetings in 2015
At the Annual General Meeting held on 7 May 2015 it was resolved to grant the board the following authorisations:

- The board was authorized to resolve to issue up to 560,000 shares of series D. The new shares shall, with deviation from the shareholders' preferential rights, be subscribed for by a bank or stock broker at a subscription price corresponding to the quota value.
- Further, the board was authorised to resolve on the repurchase of shares of series D. The repurchase may only be effected through a public offer directed to all holders of shares of series D and shall comprise all outstanding shares of series D. The purpose of the authorizations is to ensure delivery of shares in accordance of Recipharm's share saving plan.
- The board was authorised to, in connection with acquisitions of companies, on one or several occasions during the period until the next AGM, with or without deviation from the shareholders' preferential rights, against cash payment, for payment in kind or by way of set-off, decide on an issue of new shares and/or convertible bonds that involve the issue of or conversion to a maximum of 4,570,000 shares of series B.

The minutes and other documents from the above general meeting are available on Recipharm's website www.recipharm.com.

AGM 2016
The 2016 AGM will be held at 13.00 on Thursday 28 April 2016 on the company's premises at Lagervägen 7 in Jordbro.

Nomination committee
Recipharm's 2015 AGM resolved that the Recipharm nomination committee shall consist of four members – one representative for each of the three largest shareholders in terms of votes on the last banking day of September wishing to appoint a member of the nomination committee and the chairman of the board. The three largest shareholders in terms of votes refer in this instruction to the three largest shareholders in terms of votes registered and grouped by Euroclear Sweden AB as of the last banking day of September.

The composition of the committee shall be announced at least six months ahead of the AGM. The nomination committee represents the company's shareholders and is responsible for preparing and presenting proposals to the AGM regarding chairman of the board, the board of directors, fees to be paid to the chairman of the board and other board members and remuneration for committee work, election of and fees to auditors and deputy auditors (where applicable) for decisions on principles for the structure of the nomination committee as well as for the chairman of the AGM.

The nomination committee ahead of the AGM comprises Axel Calissendorff (Flerie Participation AB/Cajelo Invest AB), Johan Lannebo (Lannebo fonder), Ossian Ekdahl (First National Pension Fund) and Lars Backsell (chairman of the board). Axel Calissendorff was appointed as chairman of the nomination committee. All shareholders have been given opportunity to contact the nomination committee with proposals, e.g. for board members, for further evaluation within the context of the nomination committee's work. As a basis for its appraisal of the composition of the board the nomination committee had access to the appraisal carried out by the board and was also given opportunity to meet the members of the board individually. Based on this appraisal and the opportunity to take into account suggestions for new board members, the nomination committee draws up a proposal for a new board which is made public in conjunction with the invitation to the 2016 AGM. The AGM appoints auditors annually. When auditors are to be elected the audit committee (which comprises Anders G. Carlberg, chairman, Tony Sandell and Lars Backsell) assists the nomination committee with producing a proposal. The current auditor, Ernst & Young AB, was first elected at the AGM in 2004.

The Board of Directors

The Board's responsibilities and duties

At the constituent board meeting the board decides on the rules of procedure and way of work for the board, any other bodies that the board may establish and the CEO as well as the framework for financial reporting, instructions and policies regarding functions and powers.

Composition of the Board

According to the company articles of association, the board shall have at minimum three members and maximum eight members with no AGM-appointed deputies. The board has one employee representative with one deputy director. Coming from different backgrounds and with a broad pool of experience, the directors have the knowledge required to perform their board duties, including issues relating to strategy, executive management and structural development. Individual directors also provide valuable assistance to management in facilitating contacts with key clients and on issues relating to politics, economics, accounting and finance, law, organization and marketing. Age, mainly education, work experience, mainly assignments, election year and holdings of Recipharm shares of the board members is presented on pages 82-83.

Division of work

At the board meeting 4 February 2014 the board decided to establish an audit committee and a remuneration committee.

Chairman of the Board

The chairman of the board is responsible for leading the work of the board and for the board meeting its commitments in accordance with the Swedish Companies Act and the work plan established by the board for its work. Continual contact with the CEO shall ensure that the chairman of the board monitors the company's development and ensures that the board receives the information required in order to be able to meet its commitments. The chairman of the board shall also represent the company in matters concerned with ownership. The chairman of the board does not participate in the operational work in the company. He is neither included in the company management. Lars Backsell has been chairman of the board since 2007.

Board fees

The 2015 AGM established that the fees will amount to SEK 1,760,000 in total, of which SEK 400,000 will be paid to the chairman and SEK 200,000 will be paid to each of the other directors who are not employees of the company. The AGM also resolved that a fee of SEK 50,000 will be paid to the chairman of the audit committee and SEK 30,000 each to the other members. A fee of SEK 30,000 will be paid to the chairman of the remuneration committee and SEK 20,000 to the other member.

The work of the Board in 2015

In 2015 the board held 16 meetings, including a statutory meeting following the AGM on 7 may 2015. The minutes of these meetings represent documentation of decisions taken.

The regular board meetings are prepared jointly by the chairman of the board and the CEO of the company. Ahead of each board meeting the board receives written material as a basis for discussions and decisions that will be dealt with. One or more members of the executive management take part in the board meetings in order to report on matters within their specific areas. At every regular board meeting an update is given on the business situation and financial monitoring. Other matters dealt with during the year include the economic trend, competence needs, organisation and acquisitions. These reports

BOARD MEMBER	Independent in relation to company and management	Independent in relation to large shareholders	Presence at board meetings	Presence in the remuneration committee	Presence in the audit committee
Lars Backsell	No	No	15/16	2/2	7/7
Marianne Dicander Alexandersson	Yes	Yes	14/16		
Anders G. Carlberg	Yes	Yes	12/16		7/7
Thomas Eldered	No	No	16/16		
Göran Pettersson	Yes	Yes	14/16	2/2	
Tony Sandell	Yes	Yes	14/16		7/7
Joan Traynor	Yes	Yes	9/16		
Carlos von Bonhorst[1)]	Yes	Yes	10/11		
Olle Christensson	Yes	Yes	16/16		

1) Carlos von Bonhorst was elected 7 May 2015.

are compiled by the CEO and the Chief Financial Officer. The company's auditor was present at the meeting at which the year-end financial statements were discussed. This gave the board of directors and the auditor the opportunity to discuss the business accounting and audit.

Audit committee

The audit committee of 2015 was constituted by Anders G Carlberg (Chairman), Tony Sandell and Lars Backsell. The board considers that the requirement that at least one member shall be independent and have competence in accounting or auditing is met. The committee has held seven meetings in 2015. They have also held meetings with the auditor. Matters that have been taken under 2015 includes review of risk analyses, internal financial reporting, review of results by AGM elected auditors audit of the operations, impairment tests, financing structure and matters concerning internal control.

Remuneration committee

The board meeting on 4 February 2014 resolved to establish a remuneration committee. The board has appointed Lars Backsell as the Chairman of the committee and Göran Pettersson as a member. The remuneration committee has met four times during 2015. Matters that have been processed during 2015 include incentive programs for senior executives and an evaluation of the CEO's performance during the year and the establishment of a compensation package for the CEO.

Assessment of the Board's work

In accordance with what is laid down in the board's rules of procedure, the board continually assesses its work through open discussions in the board and through an annual board appraisal taking the form of a survey. The results of the annual board appraisal are submitted to the nomination committee. The nomination committee has also had individual meetings with board members in order to ask questions regarding the board work.

Auditors

The company's auditor, Ernst & Young AB, was first elected on the AGM in 2004. The current period runs until the end of the AGM 2015. Michael Forss is the responsible auditor. During the year the auditor has, in addition to auditing the financial statements for the company, also reviewed the interim report for the third quarter. As described in the section "The work of the board in 2014", the auditor has also met the board at the board meeting treating the full year results. For information regarding remuneration to auditor, please refer to note 8 on page 59.

Internal control over financial reporting

Internal control over financial reporting is based on the control environment established by the board and executive management. Control environment refers to – among other things – the values and the culture that exist within Recipharm, but also the organizational structure, responsibilities and powers defined and communicated to everyone concerned within the company. It also includes components such as the competence and experience of the company's employees and a number of governing documents such as policies and manuals. The internal control over financial reporting is to ensure that internal and external reporting is accurate and relevant, that it is established in accordance with law and applicable accounting standards and other requirements for reporting.

The board of Recipharm is responsible for the existence of effective systems for monitoring and controlling the company's operations, including risk management, and that the company complies with laws and regulations that apply to its activities. The board of Recipharm is also responsible for the company's internal control over financial reporting. Furthermore, the internal control over financial reporting is for example focused on ensuring an effective and reliable processing of invoices to customers, customer credit, foreign exchange and investment. The company carries out annual internal and external quality audits. The board annually evaluates the need to establish a specific internal audit function.

Control environment

The board of Recipharm has established rules of procedure which are resolved upon annually at the constituted board meeting and forms the basis of the work of the board and for effective management of the risks to which the business is exposed. The board annually updates and establishes the board's rules of procedure, CEO instructions and authorization arrangement.

The framework for Recipharm's internal control system consists of the company's Global Policy, which addresses for example goals, management philosophy, the board's working methods, responsibilities and authority, quality and environment and the company's other policies. Recipharm's policies and other governing documents are considered to constitute the foundation of a well-functioning internal control.

Information and communication

Information on Recipharm's steering documents such as policies, guidelines and routines is provided to the persons concerned. Significant policies and guidelines are updated as needed, but at least annually, and communicated to the staff concerned. Financial reporting issues are also discussed at meetings at which the Group's financial officers meet. For external communication Recipharm follows its established policies.

Monitoring

Within Recipharm the income statement and balance sheet are monitored along with certain key ratios, at both Group and segment level. In addition to the financial reporting, a follow-up of the internal control work and risk inventory is made. The board receives updates of the financial outcome of the Group.

Disclosure of information to the stock market

In accordance with the commitments incumbent upon Recipharm as a listed company, Recipharm provides the stock market with information on the Group's financial position and development. The information is provided in the form of interim reports and an annual report, which are published in Swedish and English. In addition to financial information, Recipharm also issues press releases of news and events and also gives presentations for shareholders, financial analysts and investors both in Sweden and abroad. The information published is also made available on the company's website, www.recipharm.com.

Resolution in respect of guidelines for remuneration of senior executives

At the Annual General Meeting on 7 May 2015, it was resolved to adapt the following guidelines for remuneration and other terms of employment for senior executives.

These guidelines for remuneration of senior executives include salary and other terms for the CEO and other senior executives in Recipharm. Other senior executives are those who, together with the CEO, constitute the Group management as well as the CEO/managing director or equivalent in subsidiaries.

Recipharms' opinion is that remuneration shall be paid according to competitive terms, which enables senior executives to be recruited and retained. Remuneration of senior executives may consist of basic salary, pension, other benefits and share-based incentive programs. The remuneration of the CEO and other senior executives shall be based on factors such as duties, expertise, experience, position and performance. Furthermore, the relationship between basic salary and variable remuneration shall be proportionate to employees' responsibilities and duties. The variable remuneration shall be linked to predetermined criteria designed to promote the company's creation of value in the long-term. The remuneration shall not discriminate on grounds of gender, ethnic background, national origin, age, disability or other irrelevant factors.

In addition to salary, the CEO and other senior executives are generally entitled to an annual bonus of up to 40 percent of the base salary, annual pension equivalent to up to 35 percent of annual salary, sick pay equivalent to 75–90 percent of the monthly salary during the first 3-6 months of a period of sickness. The CEO and other senior executives generally have the right to health insurance and company car as well as other benefits in accordance with local practice. When possible, the pension arrangements shall be in accordance with current collective agreements. In addition to the bonus, approved share or share-price related incentive programs may be added.

Regarding senior executives, provided that collective bargain agreements do not state otherwise, the employee and the employer have a mutual notice period of up to six months. In addition to salary during the notice period, severance pay of up to six months of salary may occur.

Senior executives residing outside Sweden may receive other remuneration or benefits that are competitive in the country of their residence, preferably equivalent to those of other senior executives residing in Sweden.

The board members are paid directors fees set by the shareholders' meeting. Board members elected by the shareholders' meeting shall, in specific cases, receive a fee for services within their respective areas of expertise, which do not constitute work of the board. These services shall be remunerated according to market terms, and be approved by the board.

Deviation from the guidelines
The Board of Directors shall be entitled to deviate from the guidelines in individual cases if there are special reasons for doing so.

The Board of Directors' proposal for guidelines to apply until the next Annual General Meeting
The Board of Directors' proposal to be presented at the Annual General Meeting 2016 is that the current guidelines for remuneration and other terms of employment for senior executives shall remain unchanged.

Five year summary

	2015	2014	2013	2012	2011
Profit & Loss summary (SEK million)					
Net turnover	3,389.4	2,569.3	2,124.6	2,073.0	2,141.0
EBITDA (EBIT before depreciation & amortization)	509.8	399.3	283.0	284.0	205.3
Operating profit (EBIT)	274.2	272.1	188.1	192.3	101.2
Financial income	64.4	9.3	6.8	3.2	4.4
Financial expense	-29.0	-65.4	-27.7	-28.1	-30.1
Profit before tax	309.6	216.1	167.1	167.4	0.5
Net profit/loss for the year	215.1	160.2	94.4	130.1	-46.1
Balance sheet summary (SEK million)					
Non-current assets	3,870.9	3,614.6	870.5	813.1	867.7
Cash and cash equivalents	534.2	404.5	190.2	179.2	144.2
Total assets	5,696.7	5,403.7	1,810.5	1,692.9	1,727.2
Equity	2,740.5	2,131.3	680.8	625.1	514.1
Interest-bearing liabilities	1,717.1	1,568.2	600.0	598.8	645.9
Non-interest-bearing liabilities [1/]	1,239.1	1,704.2	529.7	469.0	567.2
Operating capital [2/]	3,923.4	3,295.0	1,090.6	1,051.5	1,027.3
Net debt [3/]	1,182.9	1,163.7	409.8	419.6	501.7
Cash Flow (CF) summary (SEK million)					
CF from operating activities	428.8	254.2	179.6	123.7	123.1
CF from investing activities	-420.5	-1,456.8	-104.1	-54.7	-142.9
CF from financing activities	132.9	-1,405.4	-59.9	-34.1	-113.2
Total cash flow	141.1	202.8	15.6	34.9	-133.0
Share information (thousand) Adjusted for split 2014					
Average no of shares basic	45,606	34,605	25,371	25,371	24,503
Average no of shares, diluted	45,680	39,656	26,073	26,025	25,156
No of shares at year-end	46,325	40,689	25,371	25,371	25,371
Key measures					
Operating margin [4/]	8.1%	10.6%	8.9%	9.3%	4.7%
Return on equity [5/]	8.8%	11.4%	14.5%	22.8%	-8.0%
Return on operating capital [6/]	7.6%	12.4%	17.6%	18.5%	9.0%
Interest coverage ratio [7/]	11.7	4.3	7.0	7.0	3.5
Net debt/Ebitda	2.3	2.9	1.4	1.5	2.4
Debt/equity ratio [8/]	0.63	0.74	0.88	0.96	1.26
Net debt/equity ratio [9/]	0.43	0.55	0.60	0.67	0.98
Equity/assets ratio	48.1%	39.4%	37.6%	36.9%	29.8%
Earnings per share [10/]	4.72	4.63	3.72	5.13	-1.88
Earnings per share after dilution [11/]	4.72	4.13	3.66	4.93	-1.88
Equity per share [12/]	59.16	52.38	26.83	24.64	20.26

Note	Comment
1/ Non-interest-bearing liabilities	Include deferred tax
2/ Operating capital	Net debt plus equity
3/ Net debt	Interest-bearing liabilities minus cash and cash equivalents
4/ Operating margin	Operating profit divided by net sales
5/ Return on equity	Net profit/loss divided by average equity
6/ Return on operating capital	Operating profit divided by average operating capital
7/ Interest coverage ratio	Operating profit plus financial revenues divided by financial costs
8/ Debt/equity ratio	Interest-bearing liabilities divided by equity
9/ Net debt/equity ratio	Net debt divided by equity
10/ Earnings per share	Net profit divided by yearly average no of shares
11/ Earnings per share after dilution	Net profit divided by no of yearly average shares after dilution
12/ Equity per share	Equity divided by no of shares at year end

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

SEK million	Note	2015	2014
Operating income			
Net sales	2, 3	3,389.4	2,569.3
Other operating income	6, 45	118.7	43.0
		3,508.1	**2,612.3**
Operating expenses			
Raw materials and consumables	7	-958.8	-703.9
Other external costs	2, 8	-799.7	-588.7
Employee benefits expense	9	-1,176.1	-888.6
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	10	-235.6	-127.2
Other operating expenses	11	-62.8	-32.0
Share of result in participations	45	-1.0	0.1
Operating profit for continuing operations	3	**274.2**	**272.1**
Interest income and similar revenues	12	64.4	9.3
Interest expenses and similar costs	13	-29.0	-65.4
Net financial income/expense		**35.4**	**-56.1**
Profit before tax		**309.6**	**216.1**
Current tax	14	-94.6	-55.9
Profit for the year		**215.1**	**160.2**
OTHER COMPREHENSIVE INCOME:			
Items that may be reclassified subsequently to profit or loss			
Translation differences		-96.1	65.2
Gains from fair value valuation of financial instruments		-39.9	42.1
Deferred tax relating to items that may be reclassified		8.8	-9.3
Total items that may be reclassified subsequently to profit or loss		**-127.2**	**98.0**
Items that will not be reclassified to profit or loss			
Actuarial losses on pensions		8.9	-34.7
Deferred tax relating to items that will not be reclassified		-2.3	9.8
Total items that will not be reclassified to profit or loss		**6.6**	**-24.9**
Total other comprehensive income		**-120.6**	**73.1**
Comprehensive income for the year		**94.5**	**233.4**
Profit for the year attributable to:			
Parent Company shareholders		215.3	160.2
Non-controlling interest		-0.2	–
		215.1	**160.2**
Comprehensive income for the year attributable to:			
Parent Company shareholders		94.5	233.4
Non-controlling interest		–	–
		94.5	**233.4**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK million	Note	2015-12-31	2014-12-31
ASSETS			
Non-current assets			
Intangible non-current assets			
Product rights	16	280.6	290.3
Goodwill	17	886.3	936.2
Customer contracts	17	940.2	1,065.9
Corporate brands	17	116.0	120.8
Software	18	31.6	16.9
Investment in progress intangible assets	19	16.5	39.1
		2,271.2	**2,469.2**
Property, plant and equipment			
Land and buildings	20	447.8	418.5
Leasehold improvements	21	12.0	11.9
Plant and machinery	22	486.2	377.0
Equipment, tools, fixtures and fittings	23	135.0	97.6
Construction in progress	24	365.3	146.9
		1,446.3	**1,051.9**
Financial non-current assets			
Participations in associated companies and joint venture	25	9.5	0.1
Other investments held as non-current assets	25	92.5	46.3
Deferred tax asset	14	51.4	47.1
		153.4	**93.4**
Total non-current assets		**3,870.9**	**3,614.6**
Current assets			
Inventories	26	641.8	590.8
Accounts receivable	27	467.0	528.2
Current investments	28	–	137.3
Tax asset		52.7	36.8
Other receivables	29	59.5	33.9
Prepaid expenses and accrued income	30	70.6	57.5
		1,291.6	**1,384.6**
Cash and cash equivalents	31	534.2	404.5
Total current assets		**1,825.8**	**1,789.1**
TOTAL ASSETS		**5,696.7**	**5,403.7**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, CONT.

SEK million	Note	2015-12-31	2014-12-31
EQUITY	32		
Share capital		23.2	20.3
Other paid-in capital		2,287.5	1,723.5
Reserves		-135.6	-10.0
Profit brought forward		565.3	397.4
Equity attributable to Parent Company shareholders		**2,740.3**	**2,131.3**
Equity attributable to Non-Controlling interest		0.2	–
TOTAL EQUITY		**2,740.5**	**2,131.3**
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities	41	1,678.6	1,555.0
Provision for pensions	33	207.6	164.4
Other provisions	34	2.9	8.5
Deferred tax liability	14	358.6	395.0
Other non-current liabilites	35	13.2	13.5
		2,260.9	**2,136.4**
Current liabilities			
Interest-bearing liabilities	41	22.7	8.4
Overdraft facility	41	15.8	4.8
Accounts payable	36	234.9	236.6
Tax liabilities		37.2	25.3
Other liabilities	37	53.8	621.3
Accrued expenses and prepaid income	38	331.1	239.7
		695.3	**1,136.1**
TOTAL LIABILITIES		**2,956.2**	**3,272.5**
TOTAL EQUITY AND LIABILITIES		**5,696.7**	**5,403.7**
Pledged assets	39	7.7	14.9
Contingent liabilities	40	1,705.3	1,582.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK million	Share capital	Additional paid-in capital	Reserves	Retained earnings incl. profit/loss for the year	Equity attributable to Parent company shareholders	Non-Controlling Interest	Total Equity
Equity at 31 December 2013	**12.7**	**515.2**	**-106.4**	**259.5**	**680.8**		**680.8**
Profit/loss 2014				160.2	160.2		160.2
Other comprehensive income 2014			98.0	-24.9	73.1		73.1
Total comprehensive income 2014			**98.0**	**135.3**	**233.3**		**233.3**
Transactions with owners:							
New share issue	7.7	1,208.4			1,216.1		1,216.1
Share-based incentive program				0.9	0.9		0.9
Equity at 31 December 2014	**20.4**	**1,723.5**	**-8.3**	**395.7**	**2,131.3**		**2,131.3**
Profit/loss 2015				215.3	215.1	0.2	215.3
Other comprehensive income 2015			-127.2	6.6	-120.6		-120.6
Total comprehensive income 2015			**-127.2**	**221.9**	**94.5**	**0.2**	**94.7**
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**	**-135.6**	**565.3**	**2,740.3**	**0.2**	**2,740.5**

CONSOLIDATED CASH FLOW STATEMENT

SEK million	Note	2015	2014
OPERATING ACTIVITIES			
Profit before tax		309.6	216.1
Adjustments for items not affecting cash		178.7	184.3
Income taxes paid		-112.8	-79.5
Cash flow from operating activities before changes in working capital		**375.6**	**320.8**
Cash flow from changes in working capital			
Change in inventories		-6.9	20.9
Change in operating receivables		53.1	-86.8
Change in operating liabilities		6.9	-0.7
Cash flow from operating activities		**428.8**	**254.2**
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	20-24	-356.5	-215.5
Disposal of property, plant and equipment	20-24	0.5	2.1
Acquistion of intangible assets	16-19	-23.5	-56.3
Disposal of intangible assets	16-19	0.3	–
Acquisition of subsidiaries/operations, net of cash acquired	4	-131.0	-1,062.7
Purchase consideration payable, subsidiary		–	-17.9
Acquisition of financial assets		-54.3	-106.5
Divestment of financial assets		143.9	–
Cash flow from investing acivities		**-420.5**	**-1,456.8**
FINANCING ACTIVITIES			
Dividend paid to Parent Company shareholders		-57.1	–
New share issue	32	–	777.7
Redemption convertible bonds	32	–	-0.8
Change in overdraft facility	41	10.7	-160.2
Loans raised	41	332.9	1,402.1
Repayment of borrowings	41	-153.5	-613.4
Cash flow from financing activities		**132.9**	**1,405.4**
Total cash flow for the year		**141.1**	**202.8**
Cash and cash equivalents at beginning of year		404.5	190.2
Translation difference on cash and cash equivalents		-11.5	11.5
Cash and cash equivalents at end of year		**534.2**	**404.5**
Interest received		0.4	2.4
Interest paid		-16.6	-14.3
Adjustments for items not affecting cash flow			
Depreciation, amortisation and impairment of assets		235.6	127.2
Gain/loss on sale of of non-current assets		–	-0.6
Provisions for pensions and similar obligations		2.4	14.8
Gains from disposal of financial assets		-47.4	–
Unrealised translation difference		-12.8	42.9
Share of earnings of associated companies		0.9	–
		178.7	**184.3**

PARENT COMPANY INCOME STATEMENT

SEK million	Note	2015	2014
Operating income			
Net sales	2	94.8	77.4
Other operating income	6	0.8	0.9
		95.7	**78.2**
Operating expenses			
Other external costs	2, 8	-76.9	-50.0
Employee benefits expense	9	-66.8	-56.2
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	10	-5.6	-5.1
Other operating expenses	11	-2.3	-0.3
		-151.6	**-111.6**
Operating profit/loss		**-55.9**	**-33.4**
Profit/loss on financial items			
Profit/loss on participations in Group companies	42	58.2	2.0
Interest income from Group companies	12	41.6	37.4
Other interest income and similar revenues	12	151.7	126.0
Interest expense to Group companies	13	–	-0.6
Other interest expenses and similar costs	13	-60.2	-91.5
		191.4	**73.3**
Profit/loss after financial income and expenses		**135.5**	**39.9**
Appropriations			
Change in accelerated depreciation and amortisation	44	–	1.8
Profit/loss before tax		**135.5**	**41.6**
Current tax	14	–	–
Profit/loss for the year		**135.5**	**41.6**
OTHER COMPREHENSIVE INCOME:			
Items that may be reclassified subsequently to profit or loss			
Translation difference		0.4	-2.2
Comprehensive income/loss for the year		**135.9**	**39.4**

PARENT COMPANY BALANCE SHEET

SEK million	Note	2015-12-31	2014-12-31
ASSETS			
Non-current assets			
Intangible non-current assets			
Product rights	16	–	0.6
Software	18	17.8	9.2
Investment in progress intangible assets	19	–	1.0
		17.8	**10.7**
Property, plant and equipment			
Equipment, tools, fixtures and fittings	23	0.2	0.3
Construction in progress	24	0.8	–
		0.9	**0.3**
Financial non-current assets			
Participations in Group companies	42	1,975.9	1,979.3
Participations in associated companies and joint venture	25	2.5	–
Receivables from Group companies	43	1,096.2	942.5
Other securities held as non-current assets	25	0.2	0.2
		3,074.8	**2,922.0**
Total non-current assets		**3,093.6**	**2,933.1**
Current assets			
Accounts receivable	27	0.0	0.2
Current investments	28	–	97.3
Receivables from group companies	43	459.6	315.2
Tax assets		3.0	2.2
Other receivables	29	13.9	0.4
Prepaid expenses and accrued income	30	8.2	5.5
		484.7	**420.9**
Cash and cash equivalents	31	139.4	123.6
Total current assets		**624.0**	**544.5**
TOTAL ASSETS		**3,717.6**	**3,477.6**

PARENT COMPANY BALANCE SHEET, CONT.

SEK million	Note	2015-12-31	2014-12-31
SHAREHOLDERS EQUITY AND LIABILITIES	32		
Equity			
Share capital		23.2	20.3
Restricted reserves		2.0	2.0
		25.2	**22.3**
Non-restricted equity			
Share premium reserve		1,845.6	1,385.4
Profit or loss brought forward		34.4	44.5
Profit for the period		135.5	41.6
		2,015.6	**1,471.5**
TOTAL SHAREHOLDERS EQUITY		**2,040.8**	**1,493.9**
Untaxed reserves			
Accumulated accelerated depreciation	44	1.0	1.0
		1.0	**1.0**
Non-current liabilities			
Interest bearing liabilities	41	1,585.0	1,447.9
Other non-current liabilities	35	0.4	–
		1,585.5	**1,447.9**
Current liabilities			
Accounts payable	36	7.0	6.1
Liabilities to Group companies	43	59.5	44.0
Other liabilities	37	0.9	468.7
Accrued expenses and prepaid income	38	23.0	16.0
		90.3	**534.9**
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		**3,717.6**	**3,477.6**
Pledged securities	39	–	14.7
Contingent liabilities	40	1,705.3	1,582.9

STATEMENT OF CHANGES IN EQUITY, PARENT COMPANY

SEK million	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Profit/Loss for the year	Total equity
Equity at 31 December 2013	**12.7**	**2.0**	**177.1**	**104.8**	**-59.1**	**237.5**
Allocation of profit/loss				-59.1	59.1	
Profit/loss 2014					41.6	41.6
Other comprehensive income 2014				-2.2		-2.2
Transactions with owners						
New share issue	7.7		1,208.4			1,216.1
Share-based incentive program				0.9		0.9
Equity at 31 December 2014	**20.4**	**2.0**	**1,385.4**	**44.5**	**41.6**	**1,493.9**
Allocation of profit/loss				41.6	-41.6	
Profit/loss 2015					135.5	135.5
Other comprehensive income 2015				0.4		0.4
Transactions with owners						
New share issue	2.8		460.2			463.0
Share-based incentive program				5.1		5.1
Dividend				-57.1		-57.1
Equity at 31 December 2015	**23.2**	**2.0**	**1,845.6**	**34.4**	**135.5**	**2,040.8**

PARENT COMPANY CASH FLOW STATEMENT

SEK million	Note	2015	2014
OPERATING ACTIVITIES			
Profit before tax		135.5	39.9
Adjustments for items not affecting cash		-181.9	-28.7
Income taxes paid		–	-28.9
Cash flow from operating activities before changes in working capital		**-46.4**	**-17.7**
Cash flow from changes in working capital:			
Change in operating receivables		-99.9	-41.8
Change in operating liabilities		-27.7	18.9
Cash flow from operating activities		**-173.9**	**-40.6**
INVESTING ACTIVITIES			
Acquisition of subsidiaries/associated companies	4	-7.5	-1,087.3
Loans to subsidiaries, new loans	43	-406.2	-380.6
Loans to subsidiaries, repayments		212.3	142.4
Dividends received		101.0	–
Group contribution, received		72.5	–
Group contribution, paid		-27.0	–
Shareholders' contribution, paid		-8.7	–
Acquisition of non-current assets	20-24	-13.3	-8.6
Acquisition of financial assets	4	–	-97.3
Divestment of financial assets		143.9	–
Cash flow from investing acivities		**67.0**	**-1,431.3**
FINANCING ACTIVITIES			
New share issue		–	777.7
Dividend, paid	32	-57.0	–
Change in overdraft facility	41	–	-160.2
Loans raised	41	313.9	1,402.4
Repayment of borrowings	41	-134.3	-426.7
Cash flow from financing activities		**122.7**	**1,593.1**
Total cash flow for the year		**15.8**	**121.2**
Cash and cash equivalents at beginning of year		123.7	2.4
Translation difference in cash and cash equivalents		–	0.1
Cash and cash equivalents at end of year		**139.4**	**123.7**
Interest received		41.0	35.3
Interest paid		-14.3	-12.6
Adjustments for items not affecting cash			
Depreciation, amortisation and impairment of assets		5.6	5.1
Impairment of shares in subsidiaries		63.3	27.0
Gains from disposal of financial assets		-46.6	–
Unrealised translation difference		-20.5	13.0
Dividend, received		-157.3	–
Group contribution received, net		-27.6	-72.5
Other items not affecting cash flow		1.3	-1.3
		-181.9	**-28.7**

CONTENTS NOTES

NOTES

(Recipharm AB, corp id. No. 556498-8425)

Recipharm AB (publ.) and its subsidiaries (together, the "Group") manufacture pharmaceuticals and perform contract development services for pharmaceutical companies. The Group has production plants in Europe. The Parent Company is a public limited liability company registered in Sweden and headquartered in Jordbro, Sweden. The address of the head office is Lagervägen 7, SE-136 50 Jordbro.

The Annual Report has been approved by the Board of Directors for publication on 23 March 2016 and will be presented to the Annual General Meeting for approval on 28 April 2016.

NOTE 1. ACCOUNTING POLICIES

The consolidated accounts were prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) valid 31 December 2015 and endorsed by the European Commission for application within the European Union (EU). Recommendation RFR 1 Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board, was also applied. All of the above standards were applied consistently to the year presented for comparison in the annual report.

Basis for preparation of the Report

The Annual Report was prepared taking into account historical acquisition values except for financial instruments that are valued at fair value or amortized cost.

Assets and liabilities are classified as current assets or current liabilities when settled within twelve months from closing day. Cash and cash equivalents are reported as current assets. Other assets are reported as non-current assets and other liabilities as non-current liabilities.

Preparing reports in compliance with IFRS requires the use of some important estimates for accounting purposes. In addition, management must make certain assessments when applying the Group's accounting policies. Those areas entailing a high degree of assessment, that are complex or that are areas in which assumptions and estimates are material to the consolidated accounts are specified under "Accounting judgements and critical estimates and assessments" in this Note.

New standards and interpretations

IFRSs that came into force in 2015 and are approved by the EU

None of the amendments or interpretations of existing standards that are to be applied from annual reporting periods beginning on 1 January 2015 had a material effect on the Group's or the parent company's financial statements.

IFRSs that have not yet entered into force or been approved by the EU and that have not been adopted early by the Group.

A number of new or amended IFRSs have not yet entered into force and have not been adopted early for the preparation of the financial statements for the Group and the parent company. The IFRSs that may affect the Group's and the parent company's financial statements are described below. No other new standards, amended standards or IFRIC interpretations that had been published as at 31 December 2015 are expected to have an effect on the Group's and the parent company's financial statements.

The following new standards, amendments and revisions to existing standards had been published by the balance-sheet date of 31 December 2015.

- IFRS 9 Financial Instruments (expected to be approved by the EU in the first half of 2016)
- IFRS 15 Revenue from Contracts with Customers (expected to be approved by the EU in the first quarter of 2016)
- IFRS 16 Leases (no date set for EU approval)
- IAS 19 Employee Benefits – amended (approved by the EU)
- Annual improvements 2010-2012 (approved by the EU)
- Annual improvements 2012-2014 (approved by the EU)
- IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – amendment (no date set for EU approval)

IFRS 9 Financial instruments. This standard refers to the recognition of financial assets and liabilities and replaces IAS 39 Financial Instruments. Similar to IAS 39, financial assets are divided into different classifications – those measured at amortised cost and those measured at fair value. IFRS 9 introduces different classifications than those found in IAS 39. IFRS 9 also introduces a new expected loss impairment model for financial assets. One of the aims of the new model is to recognise credit losses earlier than under IAS 39. For financial liabilities, IFRS 9 largely corresponds to IAS 39. The standard enters into force on 1 January 2018, but has not yet been approved by the EU. There is also no decision on when the standard will be applied by the Group and parent company. An investigation will commence during the year to assess how the standard will affect the Group's and the parent company's financial statements.

IFRS 15 Revenue from Contracts with Customers. IFRS 15 replaces all previously issued standards and interpretations that address revenue with a single model for revenue recognition. The standard is based on the principle that revenue is to be recognised when promised goods or services have been transferred to customers, meaning when control is passed to the customer, either over time or at a point in time. IFRS 15 enters into force for annual reporting periods beginning on or after 1 January 2018. The EU has not yet approved the standard and there is no decision on when or how the standard will be applied. An investigation will commence during the year to assess how the standard will affect the Group's and the parent company's financial statements.

IFRS 16 Leases. IFRS 16 will replace IAS 17 in January 2019. There is currently no information on when the EU will approve the standard, which is why no decision has been made on when or how the standard will be applied. An evaluation of the effects of the standard has not yet commenced.

IAS 19 Employee Benefits – amendment. The amendment relates to reporting of employee or third-party contributions to defined benefit plans. The change introduces a difference in the recognition of the contribution depending on whether it is dependent or not on the number of years of service. The amendment clarifies in which period contributions from employees or third parties will reduce pension expenses for defined benefit pension plans. The amendment enters into force for annual reporting periods beginning on or after 1 February 2015, but is not expected to affect the financial statements for the Group to any material extent.

Annual improvements 2010-2012. The Group is affected by the amendment to IFRS 8 Operating Segments, which will be applied from 1 January 2016.

Annual improvements 2012-2014. The Group is affected by the amendment to IFRS 34 Interim Financial Reporting, which will be applied from 1 January 2016. The amendment entails requirements for the disclosure of information elsewhere in the financial statements (notes).

IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – amendment.

Amendments to IFRS 10 and IAS 28 clarify how a parent company is to recognise a transaction whereby control of a subsidiary that does not contain a business is lost on the basis of a sale to an associated company or joint venture to be recognised in accordance with the equity method. It is not known when the amendment will enter into force and the Group has not evaluated the effects of this amendment.

Reporting in the Parent Company

The Parent Company prepared its annual report as per the Swedish Annual Accounts Act and Recommendation RFR 2 issued by the Swedish Financial Reporting Board. Consequently, in its annual report for the legal entity, the Parent Company applies all IFRS and interpretations endorsed by the EU as far as possible within the framework of the Annual Accounts Act and with due regard to the connection between accounting and taxation. The Parent Company and the Group apply the same accounting policies, as described in this Note. When the Parent Company's accounting policy deviates from the Group's, it is described below:

Note 1 Continued

Anticipated dividends
Anticipated dividends from subsidiaries are recognized if the Parent Company has the sole right to determine the size of the dividend and the Parent Company has determined this before publishing its financial statements.

Group and shareholders' contributions
Group and shareholder contributions are recognized in accordance with RFR 2 Accounting for Legal Entities. Group contributions received by the Parent Company from a subsidiary are recognized as dividends. Group contributions made by the Parent Company to a subsidiary are recognized as a capital injection to the subsidiary. Group contributions made between Group companies with the aim of minimising the Group's taxes are recognised as a reduction or increase in non-restricted equity. Group contributions made are normally a tax-deductible expense, and Group contributions received are normally taxable income. Shareholders' contributions paid are recognised by the Parent Company as an increase in "Participations in Group companies". Impairment testing of the shares is required in such cases, particularly if the contribution is intended to cover a loss. This test adheres to normal rules for measuring the asset's value. Shareholders' contributions received are recognised by the recipient in non-restricted equity. However, if the shareholders' contribution has been paid in conjunction with a new share issue and the contribution constitutes a prerequisite for the shares being fully subscribed at an advantageously low price, the contribution shall be allocated to the share premium reserve.

Untaxed reserves
The parent company recognizes untaxed reserves in the form of accelerated depreciation of tangible assets. Because of the relationship between accounting and taxation, the deferred tax on untaxed reserves is recognized as part of the untaxed reserves.

Holdings in Group companies
The Parent Company reports all holdings in Group companies at acquisition value after deductions for any accumulated write-downs.

Current investments
The parent company reports current investments which are listed shares. The parent company does not apply fair value valuation principle, instead current investments are reported at acquisition value.

Leasing as a lessee
The parent company classifies all leases as operating leases.

Consolidated accounts

The consolidated accounts comprise the Parent Company Recipharm AB and those companies in which Recipharm AB at year-end directly or indirectly controlled more than 50 percent of the total voting rights or in some other way had a controlling influence. The consolidated annual accounts were prepared in compliance with IAS 27 and IFRS 10 on consolidated accounts and using acquisition accounting. A subsidiary is included in the consolidated accounts from the date on which the controlling influence is transferred to the Group until the date on which the controlling influence ceases.

The cost of an acquisition consists of the fair value of the assets provided as consideration, equity instruments issued and liabilities incurred and assumed at the date of transfer. The surplus, consisting of the difference between the acquisition cost and the fair value of the Group's interest in acquired identifiable net assets, is recognised as goodwill. If the acquisition cost is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Costs associated with acquisitions are recognised in the period in which they arise.

A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets of the arrangement. An associated company is a company in which the owner company has a significant influence, meaning a direct or indirect holding of at least 20 per cent of the votes. Holdings in joint ventures and associated companies are recognized using the equity method. The respective holding is initially recognized at cost. Subsequently, the carrying amount of the investment is increased or decreased with the Group's share of the arrangement's or associated company's results after the acquisition date. The Group's share of the results from joint ventures and associated companies is included in the consolidated operating result.

All intra-group transactions, that is, income, expenses, receivables, liabilities and unrealised gains, as well as Group contributions, have been eliminated. Where necessary, the accounting policies of a subsidiary have been adjusted to ensure consistent reporting within the Group.

Segment reporting

Operating segments are reported in a way that matches the internal reporting submitted to the highest executive decision-maker. The highest executive decision-maker is the function responsible for allocating resources and assessing the results of the operating segments. In this context, the Group has identified the Group's CEO and Group management as the highest executive decision-maker. The segments are Manufacturing Solids & Others, Manufacturing Steriles, Development & Technology and Other. The manufacturing segments essentially consist of contract manufacturing of pharmaceuticals. The Development & Technology segment provides services to pharmaceutical companies in the drug development phase for new pharmaceuticals. Each operating company is placed in one of the aforementioned segments based on type of business. Net sales, earnings and assets are totaled based on type of business. Liabilities are not allocated by segment.

Translation of foreign currencies

Functional currency and reporting currency
Items included in the financial reports for the different units in the Group are measured in the currency used in the business environment in which each company primarily operates (functional currency). The Swedish krona (SEK) is used in the consolidated accounts as well as in the Parent Company's accounts. SEK is the Parent Company's functional and reporting currency.

Transactions and balance items
Transactions in foreign currency are translated into the functional currency at the exchange rates prevailing on the transaction date. Foreign exchange gains and losses resulting from the payment of such transactions or in the translation of monetary assets and liabilities in foreign currencies at the closing rate of exchange are recognised in the income statement.

Group companies
The earnings and financial position of foreign subsidiaries that have a different functional currency are translated into the Group's reporting currency as follows.

i) assets, liabilities and equity are converted to the closing rate.
ii) revenues and expenses are converted to the average exchange rate, and
iii) all exchange rate differences that occur are to be reported as a separate part of in other comprehensive income.

Tangible fixed assets

Property, plant and equipment are recognised at acquisition cost, less accumulated depreciation during the estimated useful life, and less any impairment losses. Straight-line depreciation applies to all property, plant and equipment as follows.

Land and buildings	25–40 years
Leasehold improvements	8–20 years
Machinery and equipment	3–15 years

The residual value and useful life of assets are tested at the end of each reporting period and adjusted as necessary.

An asset's carrying amount is restated at its recoverable amount if the asset's carrying amount exceeds its assessed recoverable amount. Gains and losses on the disposal of property, plant and equipment are determined by comparing the proceeds of the disposals with the carrying amounts and are recognised in the income statement.

Borrowing costs directly attributable to the purchase, design or production of an asset that takes a considerable amount of time to complete for use or sale are capitalised as part of the acquisition cost of the asset. At the end of the reporting period, the capitalized borrowing costs amounted to SEK 0,2 million.

Intangible assets
Intangible assets are recognised at acquisition cost, less accumulated amortisation during the estimated useful life, and less any impairment losses. Straight-line amortisation applies to all intangible assets from the time the asset is put into service as follows.

Product rights	8–20 years
Customer contracts	15 years
Patents and other intellectual property rights	5–15 years

For corporate brands, the economic life is assessed as indefinite. Any indication of impairment results in an assessment of the asset's carrying amount.

If an asset's carrying amount exceeds its estimated recoverable amount, the asset is written-down at its recoverable amount. Gains and losses on the disposal of intangible assets are determined by comparing the proceeds of the disposal and the carrying amounts and are recognised in the income statement.

Development costs
Expenditure for development activities is capitalised if it is probable that the costs incurred for development will lead to future economic benefits in the form of an intangible asset. In all other cases, costs are expensed in the periods in which they occur. No major development projects for own account are underway.

Goodwill
Goodwill is the amount by which the acquisition value exceeds the fair value of the Group's portion of the acquired subsidiary's identifiable net assets at the time of acquisition. Goodwill on the acquisition of subsidiaries is recognised as an intangible asset. Goodwill is tested annually in order to identify any impairment requirements and is recognised at acquisition value reduced by accumulated impairment. Impairment recognised on goodwill is never reversed. Profit or loss following the disposal of a unit includes the residual carrying amount of the goodwill related to the unit. Goodwill is allocated to cash-generating units when testing for impairment.

This allocation takes place between the cash-generating entities or groups of cash-generating entities, determined according to the Group's operating segments, that are expected to benefit from the business combination in which the goodwill item arose.

Financial instruments
Financial instruments recognised on the balance sheet include, on the assets side, cash and cash equivalents, financial receivables, accounts receivable and loan receivables. The liabilities side includes accounts payable and borrowings.

Recognition in and derecognition from the statement of financial position
A financial asset or financial liability is recognised in the statement of financial position when the company becomes party to the contractual conditions of the instrument. An account receivable is recognised in the statement of financial position when the invoice has been sent. A liability is recognised when the counterparty has performed a service or supplied a product and there is a contractual obligation to pay, even if the invoice has not yet been received. Accounts payable are recognised when the invoice is received.

A financial asset is removed from the statement of financial position when the rights in the contract are realised, expire or the company loses control of them. The same applies to components of a financial asset. A financial liability is removed from the statement of financial position when the commitment in the contract has been fulfilled or is otherwise extinguished. The same applies to components of a financial liability.

A financial asset and a financial liability are only offset and recognised at a net amount in the statement of financial position when a legal right allows the amounts to be to offset and there is an intention to settle the items with a net amount or simultaneously realise the asset and settle the liability.

Acquisitions and disposals of financial assets are recognised at the transaction date, which is the date on which the company undertakes to acquire or dispose of the asset.

Classification and measurement
Financial assets and liabilities are classified in different categories for subsequent recognition and measurement as per the principles that apply to each category. The instruments are categorised according to the purpose of the holding. Management determines the category of each instrument upon initial recognition.

Financial assets and liabilities measured at fair value through profit or loss
Consist of financial assets and liabilities held for trading as well as those that were initially assigned by management to the category measured at fair value through profit or loss. A financial asset or liability is classified as held-for-trading if it is:
- acquired mainly for the purpose of being sold or repurchased in the short term,
- included in a portfolio of identified financial instruments managed together and for which there is a recent pattern of short-term profit-taking or
- a derivative classified as held-for-trading except when used for hedge accounting.

Assets in this category are measured on an ongoing basis at fair value with changes in value recognised in the income statement.

Borrowings and accounts receivable
Consist of accounts receivable, other current receivables and other non-current receivables. The majority of the Group's financial instruments refer to accounts receivable attributable to deliveries of goods. Accounts receivable are recognised initially at fair value and subsequently at amortised cost less provisions for impairment, if any. An account receivable is recognised on the balance sheet when the invoice has been sent. A provision is made for impairment of accounts receivable when there is objective evidence and other indicators that the Group will not be able to obtain the entire amount due based on the original terms of the receivable. The size of profit-taking equals the difference between the asset's carrying amount and its estimated fair value.

Financial assets available-for-sale
Financial assets available-for-sale consists of short-term investments. Financial assets available-for-sale are recognized, at acquisition, at fair value plus transaction costs; subsequently the asset is recognized at fair value. Unrealised gains and losses arising from the on-going revaluation to fair value are recognized in Other comprehensive income. On the sale of financial assets available-for-sale, the accumulated fair value adjustments are recognized in the income statement as a financial income or expense.

Other investments held as non-current assets
Other investments held as non-current assets include endowment insurance, investments in shares as well as deposits. Profit or loss from revaluation is reported as other comprehensive income.

Current investments
Current investments included an investment in listed shares, which was made in conjunction with the acquisition of assets from Flamel Technologies. The investment was initially reported at acquisition cost. At year-end 2014 the investment was valued at fair value and the unrealised profit was reported as other comprehensive income. During 2015 the shares were sold.

Cash and cash equivalents and investments in securities
Cash and cash equivalents include cash and investments in securities with maturities shorter than three months and minimal value risk as well as bank balances, excluding the unutilised portion of the Group's bank overdraft facility. "Investments in securities" refers to other investments maturing in less than one year. Cash, cash equivalents and investments in securities are measured at fair value, and changes in value are recognised in the income statement. The utilised portion of the bank overdraft facility is recognised on the balance sheet among current liabilities.

Non-current liabilities to credit institutions
Non-current liabilities to credit institutions consist partly of loans from credit institutions with due dates more than 12 months from the balance

date. Non-current liabilities to credit institutions are valued to their accrued acquisition value.

Accounts payable
Accounts payable are recognised initially at their nominal amounts and subsequently at amortised cost, which is normally regarded as equivalent to the nominal amounts because their maturity is usually short. Accounts payable are recognised when the invoice is received.

Current liabilities to credit institutions
Current liabilities to credit institutions consist of the current part of non-current loans from credit institutions and convertible bonds with a term of less than 12 months. Convertible bonds are recognised in the Group in accordance with IAS 32, as a liability component (net of transaction costs) and an equity component. The liability component earns interest at a market rate according to the effective interest method, which is recognised in the income statement. Convertible bonds are recognised in the Parent Company at nominal value.

Other financial liabilities
Financial liabilities are recognised initially at accrued value, net after transaction costs. Borrowings are measured subsequently at amortised cost. Any difference between the (net) amount received and the replacement value is recognised in the income statement distributed over the period of the loan, using the effective interest method. This is calculated so that a constant effective interest rate is achieved throughout the period of the loan.

Inventories
Inventories are recognised at the lower of acquisition cost and net realisable value. The acquisition cost is determined as a weighted average value of the products acquired. The acquisition cost consists of raw materials, direct labour, shipping and other direct costs as well as indirect production costs. Net realisable value is the estimated selling price, less applicable variable selling costs.

Equity
Equity is allocated to various classes such as share capital, other paid-in capital, reserves and balanced profits, including earnings for the year. The change in equity can refer in part to all the income and expenses for the year, that is, transactions that have increased or reduced equity through the statement of comprehensive income. Transaction costs that may be directly attributed to issues of new shares or options are recognised net after tax in shareholders' equity as a deduction from the issue proceeds.

Employee benefits
Short-term employee benefits
Short-term benefits to employees are posted in the period in which they are earned.

Remuneration after termination of employment
The Parent Company and the Swedish subsidiaries primarily have defined-contribution occupational pension plans. The Parent Company has a defined-benefit pension solution, but it is not significant to the amount. The foreign subsidiaries in Germany, France and Italy have defined-benefit pension plans.

Defined contribution plans
Pension plans in which a company's commitments are limited to the fees the company has undertaken to pay are classified as defined-contribution plans. In such cases, the size of an employee's pension depends on the fees the company has paid into the pension plan or to an insurance company and the capital return on those fees. Consequently the employee bears the actuarial risk and investment risk. The company's commitments concerning fees paid to defined-contribution plans are recognised as a cost in the income statement at the same rate as they are earned by the employees performing services for the company during a period.

Defined benefit plans
The Group's net commitments for defined-benefit plans are calculated separately for each plan by estimating the future benefit that each employee has earned through employment both in the current period and previous periods; this benefit is discounted to its present value. The discount rate is the market interest rate on first-class corporate bonds with a maturity corresponding to the Group's pension commitments. The calculation is performed by a qualified actuary using the projected unit credit method. In addition, the fair value of any plan assets is calculated as of the end of the reporting period. When establishing the current value of the obligation and the fair value of plan assets, actuarial profits and losses may arise. These arise either as a result of the actual outcome deviating from previously made assumptions or by those assumptions changing. Actuarial profits and losses that occur during the calculation of the Group's obligations for various plans are recognised in other comprehensive income during the period in which they occur. The carrying amounts of pensions and similar commitments recognised on the balance sheet correspond to the present value of those commitments at the end of the reporting period, less deductions for the fair value of any plan assets. If the calculation results in a net asset for the Group, the carrying amount of the asset is limited to the net present value of future refunds from the plan or reduced future contributions to the plan. When the payments in a plan improve, the proportion of the increased payments attributable to the service of employees during previous periods is recognised as a staff cost in the income statement distributed on a straight-line basis over the average period until the payments are fully earned. If the payments are fully earned, a cost is recognised immediately. Net interest calculated on management assets and pension liabilities is recognised as a financial cost or revenue.

Termination benefits
Termination benefits are paid when an employee is given notice before the normal retirement date or when an employee voluntarily resigns in exchange for such benefits. The Group recognises severance pay when demonstrably committed either to giving employees notice based on a formal plan with no possibility of reversal or to paying termination benefits as a result of an offer made to encourage voluntary resignations.

Provisions
Provisions are recognised when the Group has or can be regarded as having a commitment as a result of past events and it is probable that payments will be required to fulfil the commitment. An additional prerequisite is that the amount to be paid can be estimated reliably. No provisions are made for future operating losses.

Contingent liabilities
A contingent liability is recognised whenever there is a possible obligation arising from past events and whose existence is confirmed only by one or more uncertain future events, or there is an obligation not recognised as a liability or provision because it is not clear that resources will be disbursed.

Revenue recognition
Revenue in the Group arises from sales of goods and services, with customers principally consisting of international pharmaceutical companies. Revenue includes the fair value of goods and services sold excluding value-added tax and discounts and, in the Group, after elimination of intercompany sales. Most service sales are made to customers to whom Recipharm also sells goods. Revenue is recognised as follows:

Sale of goods
Revenue is recognised in conjunction with delivery, when the risk and ownership are also transferred to the buyer. This means after internal analysis, approval and delivery from inventory.

Sale of services
Sales of services are recognised as revenue in the period in which they are performed.

Other revenue
Other revenue consists of exchange rate differences that occur during the revaluation of operative assets and liabilities, and reduced profits from the sale of fixed assets.

Interest income
Interest is recognised as revenue using the effective interest method.

Dividend income
Dividend income is recognised when the right to receive payment is established.

Tax
Total tax consists of current tax and deferred tax. Taxes are recognised in the income statement except when the underlying transaction is recognised in other comprehensive income, whereby the related tax effect is recognised in other comprehensive income. Current tax is tax to be paid or refunded for the current year. Adjustments to current tax attributable to prior periods also belong here. Deferred tax is calculated using the balance sheet method starting with the temporary differences between the recognised and taxable values of assets and liabilities. The amounts are computed based on how the temporary differences are expected to be evened out, while applying the tax rates and tax rules in effect or announced at the end of the reporting period. Deferred tax assets in deductible temporary differences and tax loss carry-forwards are recognised only to the extent it is likely that they will lead to reduced tax payments in the future.

Leasing as lessee
Financial leases, that largely transfer to the company all risks and benefits regarding the leased asset that are associated with ownership, are recognised as an asset in the consolidated balance sheet starting from the date the agreement is entered into. The asset is then measured at the object's fair value or at the present value of the minimum lease payments for the lease term, whichever is lower. Transfers of lease payments are divided into financial costs and reductions (amortisation) of the financial liability in such a way as to achieve a constant interest rate on the stated liability. The financial costs are charged to income. Assets associated with financial leases are depreciated over the estimated useful life or the duration of the lease, whichever is shorter.

Leasing contracts in which all risks and benefits associated with ownership essentially accrue to the lessor are classified as operating leases. Fees for operating leases are recognised as costs in the income statement and distributed on a straight-line basis over the term of the contract.

The Parent Company classifies all leases as operating leases.

Share-based payments
In 2014 and 2015, Recipharm invited its employees to participate in two different share-based incentive programmes under which employees use their own money to acquire shares at market price. Each of these programmes has a three-year term and the programme participants receive one saving share for each share acquired. Senior executives also receive performance shares based on outcomes compared with result targets. The cost of the fair value of the assets on allotment date is distributed over the vesting period and is recognised as employee benefits expense against equity. The fair value of the share is the market price on the allotment date adjusted for the discounted value of future share dividends that are not paid to the employee. At every reporting period, Recipharm reviews its assessment of the number of shares that are expected to be vested based on non-market-related vesting conditions. When the original estimates are changed, Recipharm recognises the change in profit or loss with the corresponding adjustment in equity. In addition, the Group establishes provisions for the social security contributions that are expected to be paid. These are expensed in profit or loss over the vesting period. The provisions are regularly tested to ensure that they correspond to the fair value of the shares on the balance-sheet date

Dividend
The dividend to Parent Company shareholders is recognised as a liability in the consolidated balance sheet in the period when the dividend is approved by Parent Company shareholders.

Earnings per share
Earnings per share is calculated as Profit for the year attributable to Parent Company shareholders divided by average number of shares for the period. When calculating earnings per share after dilution the average number of shares is adjusted with total number of potential shares, and profit for the year attributable to Parent Company shareholders is adjusted with interest expenses attributable to potential shares.

Cash flow statements
Cash flow statements are prepared using the indirect method. Recognised cash flow comprises transactions that include disbursements and receipts.

In addition to cash and bank balances, cash and cash equivalents consists of current investments in securities that, on the one hand, are exposed to an insignificant risk of changes in value and, on the other:
- are traded on an open market for known amounts, and
- have an original term of less than three months.

Accounting judgements and critical estimates and assessments
In preparing the annual accounts, the Board of Directors and Company management makes accounting estimates and assumptions that affect the carrying amounts at the end of the reporting period of assets and liabilities as well as of contingent liabilities. Recognised revenues and costs are also affected by these estimates and assessments. Accounting estimates and assessments are evaluated on an ongoing basis, based on past experience and other factors, including expectations of future events deemed reasonable under prevailing circumstances. Actual outcomes may deviate from these accounting estimates. Company management and the Board have discussed the development, choices and disclosures regarding the Group's critical accounting policies and estimates.

Critical judgements in applying the Group's accounting policies
Acquisitions
In connection with acquisitions, Recipharm makes an assessment of whether the acquisition is to be regarded as a business combination, as defined in IFRS 3 Business Combinations, or an acquisition of an asset. In a business combination all identifiable assets and liabilities are accounted for at fair value. Differences between the acquisition cost and the fair value of the identifiable assets and liabilities will be recognized as goodwill. When a transaction is defined as the acquisition of an asset, individual assets and associated liabilities are identified and recognized. The purchase price is allocated to the individual assets and liabilities based on their respective fair values as of the acquisition date. The acquisition of an asset does not give rise to goodwill.

Critical estimates and assessments
Impairment test of goodwill, customer contracts and corporate brands
Every year, the Group conducts an impairment test of goodwill, customer contracts and corporate brands in accordance with the description in Note 17. The recoverable amount for cash-generating units has been agreed based on their utility value. In order to estimate utility value, certain estimates and assessments have been carried out.

Defined benefit pension plans
Provisions and costs for defined-benefit pension plans depend on assumptions made in conjunction with actuarial calculations. Actuarial assumptions include assessments of and assumptions for the discount rate, expected yield on plan assets, expected development for inflation, salary increases, employee turnover, fatalities, etc. The discount rate is the market interest rate on first-class corporate bonds with a maturity cor-responding to the Group's pension commitments. Expected yield on management assets is based on historical yield on non-current assets. Inflation assumptions are based on analyses of external market data. The salary increase assumptions are based on anticipated salary increase trends. Employee turnover is based on historical figures for employee turnover within each subsidiary. Mortality assumptions are based on official statistics. The Group's defined benefit pension plans come from subsidiaries in Germany, France and Italy. Further information regarding defined benefit pension plans is outlined in Note 33.

Product rights
Valuation of product rights includes certain assumptions. These assumptions are in respect of expected future sales revenues, costs and margins for each product. The assumptions also include the discount rate and the lifespan of products. The depreciation periods used by the Recipharm Group for product rights are between 8 and 20 years. As of 31 December 2015, the value of the Group's product rights amounted to SEK 280.6 million (2014: SEK 290.3 million).

Provisions
Provisions for severance pay include estimates of the number of employees and the length of time over which severance pay will be paid. Provisions for restructuring include an assessment of the costs of restructuring measures and the termination of an estimated number of services at an assessed average cost.

Deferred tax

In the preparation of the financial statements Recipharm estimates income tax for each of the taxing jurisdictions in which Recipharm operates as well as any deferred taxes based on temporary differences. Deferred tax assets which primarily relate to tax loss carry-forwards and temporary differences, are recognized if future taxable income is expected to allow for the recovery of those tax assets. Further information regarding tax is outlined in Note 14.

NOTE 2 NET SALES

Distribution of net sales

GROUP	2015	2014
Pharmaceutical manufacturing	2,629.4	2,073.7
Product sales	514.3	338.2
Service sales	245.7	157.4
	3,389.4	**2,569.3**

Related party transactions

PARENT COMPANY AND GROUP

RELATED COMPANY	RELATED PARTY RELATIONSHIP
B&E Participation AB	Indirect majority owners 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, member of the board Carl-Johan Spak
SVS Portugal	Joint venture

Operating agreements with related parties

2015

During the year Recipharm Pharmaceutical Development AB and Recipharm Pessac SAS have provided development services to Empros Pharma AB.

During the year Recipharm Pharmaceutical Development AB has provided development services to Pharmanest AB and Inject Pharma AB.

During the year Recipharm Karlskoga AB has provided development services to Pharmanest AB.

During the year Lusomedicamenta S.A has provided development services to SVS Portugal and purchased development services from SVS Portugal.

Other related party transactions

2015

During the year Recipharm AB (publ) has provided administrative services to B&E Participation AB.

Related party transactions

	TYPE OF SERVICE	PARENT COMPANY 2015	PARENT COMPANY 2014	GROUP 2015	GROUP 2014
Operating income					
B&E Participation AB	Administrative services	0.1	0.1	0.1	0.1
Empros Pharma AB	Development services	–	–	3.8	1.4
Pharmanest AB	Development services	–	–	1.0	–
Inject Pharma AB	Development services	–	–	0.6	–
SVS Portugal	Development services	–	–	0.1	–
Operating expenses					
SVS Portugal	Development services	–	–	1.7	–
Accounts receivable					
B&E Participation AB	Administrative services	–	0.2	–	0.2
Empros Pharma AB	Development services	–	–	0.7	–
Inject Pharma AB	Development services	–	–	0.1	–
SVS Portugal	Development services	–	–	0.1	–
Accounts payable					
SVS Portugal	Development services	–	–	1.9	–

Purchase and sales within the Group

PARENT COMPANY	2015	2014
Sales to Group companies	92.5	75.1
Purchases from Group companies	-17.5	-8.9

"Sales to Group companies" mainly consist of services from Group functions and development services in conjunction with customer projects.

NOTE 3 SEGMENT REPORTING

As of the first quarter 2015, a revised segment reporting has been implemented that better reflects a large Group. As previously, Manufacturing services is reported in two segments, but based on technology instead of geography: Manufacturing Service Sterile Liquids and Manufacturing Services Solids and Others, respectively.

	2015				
	MFG-SL	MFG-SO	D&T	Other	Total
External sales	941.6	1,690.7	757.1	0.0	**3,389.4**
Internal sales	15.2	141.8	10.3	-167.2	**–**
Operating profit before depreciation and amortisation	220.7	117.4	222.1	-50.3	**509.9**
Depreciation and amortisation	89.0	88.2	52.9	5.5	**235.6**
Operating profit/loss	131.7	29.2	169.2	-55.8	**274.2**
Goodwill	394.7	165.1	326.5	0.0	**886.3**
Capital expenditure	291.3	106.1	35.3	15.1	**447.8**
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**

	2014				
	MFG-SL	MFG-SO	D&T	Other	Total
External sales	707.2	1,463.9	398.1	0.0	**2,569.3**
Internal sales	5.9	114.2	0.9	-121.0	**–**
Operating profit before depreciation and amortisation	157.7	199.0	100.7	-58.1	**399.3**
Depreciation and amortisation	53.5	46.4	26.6	0.7	**127.2**
Operating profit/loss	104.5	152.3	74.1	-58.7	**272.1**
Goodwill	411.1	189.5	335.6	–	**936.2**
Capital expenditure	143.6	81.5	10.0	9.9	**245.0**
Non-current assets	1,239.9	1,105.1	1,250.5	19.2	**3,614.6**
Total assets	1,697.0	1,805.5	1,456.1	445.2	**5,403.7**

Segment reporting according to previous years segment

	2014				
	MFG-SE	MFG-EU	D&T	Other	Total
External sales	895.8	1,275.3	398.1	0.0	**2,569.3**
Internal sales	60.6	64.2	0.9	-125.8	**–**
Operating profit before depreciation and amortisation	95.2	261.5	100.7	-58.1	**399.3**
Depreciation and amortisation	20.1	79.8	26.6	0.7	**127.2**
Operating profit/loss	75.1	181.7	74.1	-58.7	**272.1**
Goodwill	–	821.2	114.9	–	**936.2**
Capital expenditure	28.8	196.4	10.0	9.9	**245.0**
Non-current assets	97.0	2,876.6	487.2	153.8	**3,614.6**
Total assets	454.7	3,716.4	811.6	421.0	**5,403.7**

Below is a reconciliation of changes from the new segment classification:

Reconciliation of changes between segments

	2014 segments			2015 segments				2014	2015		2014	2015	
	Mfg-SE	Mfg-EU	Total MFG	MFG-SL	MFG-SO	Total MFG	*Change*	D&T	D&T	*Change*	Other	Other	*Change*
External sales	895.8	1,275.3	**2,171.1**	707.2	1,463.9	**2,171.1**	–	398.1	398.1	–	0.0	0.0	–
Internal sales	60.6	64.2	**124.9**	5.9	114.2	**120.1**	-4.8	0.9	0.9	–	-125.8	-121.0	4.8
Operating profit before depreciation and amortisation	95.2	261.5	**356.7**	157.7	199.0	**356.7**	–	100.7	100.7	–	-58.1	-58.1	–
Depreciation and amortisation	20.1	79.8	**99.9**	53.5	46.4	**99.9**	–	26.6	26.6	–	0.7	0.7	–
Operating profit/loss	75.1	181.7	**256.7**	104.5	152.3	**256.7**	–	74.1	74.1	–	-58.7	-58.7	–
Goodwill	–	821.2	**821.2**	411.1	189.5	**600.6**	-220.6	114.9	335.6	220.6	–	–	–
Capital expenditure	28.8	196.4	**225.1**	143.6	81.5	**225.1**	–	10.0	10.0	–	9.9	9.9	–
Non-current assets	97.0	2,876.6	**2,973.6**	1,239.9	1,105.1	**2,344.9**	-628.7	487.2	1,250.5	763.2	153.8	19.2	-134.6
Total assets	454.7	3,716.4	**4,171.1**	1,697.0	1,805.5	**3,502.5**	-668.6	811.6	1,456.1	644.4	421.0	445.2	24.2

In conjunction with the change of the segmentation basis, goodwill was redistributed based on future forecast earnings. Accordingly, a percentage of goodwill and other surplus values from acquisitions in 2014 was transferred from the manufacturing segments to Development & Technology. To a certain extent, the changed segmentation basis has impacted eliminations of internal sales, which explains the transfer of internal sales between the manufacturing segments and Other (which also includes eliminations). The change relating to non-current assets and total assets between Development & Technology and Other concerns a late reclassification in the balance sheet that was not reflected in the segment note.

Net sales to major customers

	2015	2014
Customer X	481.2	566.4
Customer Z	362.5	384.2
Customer Y	–	325.2
Customer W	212.6	–
Other customers	2,333.1	1,293.4
Total	**3,389.4**	**2,569.2**

Products that in previous periods belonged to Customer Y have been sold to another pharmaceutical company and are during 2015 in our sales records reported to the purchaser of these specific products. As Customer Y therefore is not among top three customers, that sales information is no longer provided. Customer W is now the third largest customer after this change.

Net sales and fixed assets, Geographical area

	Net sales		Non-current assets	
	2015	2014	2015	2014
Sweden	1,096.5	1,168.7	257.3	412.7
Other	2,292.9	1,400.6	3,613.6	3,201.9
	3,389.4	**2,569.3**	**3,870.9**	**3,614.6**

The MFG-SL and MFG-SO segments core business is to manufacture pharmaceuticals on behalf of pharmaceutical companies. The MFG-SL segment includes the units that produces sterile liquids including lyophilisation MFG-SO that produces solid dose, semi solid, non sterile liquids and other. Development and Technology (D&T) segment primarily includes development services to pharmaceutical companies and sales through distributors of own products. The segment reporting is based on the structure the management follow the business.

NOTE 4 ACQUISITION OF SUBSIDIARIES

OnTarget Chemistry AB

Recipharm acquired all shares in the company belonging to OnTarget Chemistry AB on 15 June 2015. The company, based in Uppsala, Sweden, is active in synthesis and analytical services for the pharmaceutical segment and had just over 30 employees at the time of acquisition. Growth has been high, and the company has a broad international customer base among innovative biotech companies, as well as customers in the Big Pharma sector. The acquisition will expand the Group's capacity in pharmaceutical development, as well as the customer base and provide a certain geographic expansion. At the time of acquisition, OnTarget Chemistry AB had recently started a subsidiary in Israel, which gives Recipharm the opportunity to develop in a very attractive and expansive market. The acquisition means that Recipharm reaches customers in an earlier stage of the pharmaceutical development process than before, with the potential to drive projects within the Group. Moreover, the synthesis capacity has a value for the GMP development of APIs in one of the Group's Italian subsidiaries.

Total purchase consideration was SEK 15.1 million, of which SEK 7.6 million was paid in cash and SEK 7.6 million by issuing 45,838 new shares in Recipharm AB (publ).

Acquisition costs amount to SEK 0.7 million and is reported as Other external costs. The consolidated statement of profit and loss for the period includes net sales of SEK 16.5 million and operating profit of SEK -5.7 million attributable to OnTarget Chemistry.

ASSETS AND LIABILITIES IN THE ACQUIRED COMPANY WERE:	Carrying amount	Fair value adjustment	Fair value in the Group
Property, plant and equipment	0.6		0.6
Other non-current assets	0.1		0.1
Accounts receivable and other operating assets	12.7		12.7
Cash and cash equivalents	0.0		0.0
Deferred tax liability	0.1		0.1
Interest-bearing liabilities	7.7		7.7
Accounts payable and other operating liabilities	3.7		3.7
Net identifiable assets and liabilities	**2.0**		**2.0**
Group goodwill[1)]		**13.1**	**13.1**
Purchase consideration			**15.1**

1) The value of goodwill represents the combined value of synergies and competence and experience among the employees.

Adjustment of purchase consideration - Lusomedicamenta Sociedade Técnica Farmacêutica S.A.

Final calculations performed during the first quarter resulted in a decrease of the purchase consideration by EUR 2.8 million. The purchase consideration adjustment is reported as a decrease in Goodwill. Below is a reconciliation of the changes in Goodwill attributable to Lusomedicamenta during the period.

Changes in Goodwill during the period

	Fair value
Goodwill as of 31 December 2014	**288.8**
Adjustment of purchase consideration	-25.9
Translation differences	-11.1
Goodwill as of 31 December 2015	**251.8**

Kaysersberg Pharmaceuticals S.A.S

On 31 December Recipharm acquired 100% of the shares in Kaysersberg Pharmaceutcals S.A.S, situated in Alsace, France. The company is specialised in production of opthalmic products using the so called Blow Fill Seal/Form Fill Seal-technology. In connection to this acquisition Recipharm signed a long-term manufacturing agreement with Alcon, a Novartis company, with an annual sales in excess of EUR 36 million and a EBITDA-margin well in line with the Group's average. The acquisition also provides potential synergy with Recipharm's three other French facilities.

Total purchase consideration was SEK 139.1 million of which SEK 123.3 million was paid at acquisition date and SEK 15.8 million was paid in January.

Acquisition costs amount to SEK 1.3 million and is reported as Other external costs (SEK 1.1 million) and Other operating costs (SEK 0.2 million). The final balance sheet at acquisition date will be settled on 29 February, and consequently the numbers as presented below may be subject to changes.

ASSETS AND LIABILITIES IN THE ACQUIRED COMPANY WERE:	Carrying amount	Fair value adjustment	Fair value in the Group
Intangible assets	0.1		0.1
Property, plant and equipment	200.0		200.0
Financial assets	13.1		13.1
Inventories	37.8		37.8
Accounts receivable and other operating assets	10.4		10.4
Cash and cash equivalents	0.0		0.0
Provisions	48.7		48.7
Accounts payable and other operating liabilities	73.7		73.7
Net identifiable assets and liabilities	**139.1**		**139.1**
Group goodwill		**0.0**	**0.0**
Purchase consideration			**139.1**

Mitim S.r.l

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 beta lactams 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 pro forma revenues in 2015 of EUR 42.5 million, which would have represented an increase of almost 12 percent on Recipharm's total 2015 revenues. The acquisition will be a positive contribution to both EBITDA margin and earnings per share from Q2, 2016. Transaction costs of approximately SEK 4 million will be charged to Q1 results.

The purchase price totalled EUR 68 million, of which EUR 54 million was paid in cash and EUR 14 million through a new issue of 1,039,724 shares in Recipharm AB (publ). The shares are subject to a lock-up of 12 months.

The task of preparing business combination accounting in accordance with IFRS and a division of the acquisition price allocated to acquired assets and liabilities is underway and is, at the time of the signing of this annual report, as yet unfinished.

NOTE 5 INFORMATION ABOUT SUBSIDIARIES

The consolidated financial statements of Recipharm Group include:

		% equity interest	
NAME	PRINCIPAL ACTIVITIES	2015-12-31	2014-12-31
Sweden			
OnTarget Chemistry AB	Development services	100%	0%
Recipharm Höganäs AB	Manufacturing	100%	100%
Recipharm Karlskoga AB	Manufacturing	100%	100%
Recipharm Karlskoga Fastighets AB	Manufacturing	100%	100%
Recipharm Pharmaceutical Development AB	Development services	100%	100%
Recipharm Stockholm AB	Manufacturing	100%	100%
Recipharm Strängnäs AB	Manufacturing	100%	100%
Recipharm Strängnäs Fastighets AB	Manufacturing	100%	100%
Recipharm Venture Fund AB	Development services	100%	100%
RPH Iberia AB	Manufacturing	100%	100%
RPH Pharmaceuticals AB	IP	100%	100%
France			
Kaysersberg Pharmaceuticals S.A.S	Manufacturing	100%	0%
Recipharm Fontaine S.A.S.	Manufacturing	100%	100%
Recipharm Monts S.A.S.	Manufacturing	100%	100%
Recipharm Participations S.A.S.	Manufacturing	100%	100%
Recipharm Pessac S.A.S.	Development services	100%	100%
Germany			
Recipharm Verwaltungs GmbH	Manufacturing	100%	100%
Wasserburger Arzneimittelwerk GmbH	Manufacturing	100%	100%
Great Britain			
Recipharm Holdings Ltd	Manufacturing	100%	100%
Recipharm Ltd	Manufacturing	100%	100%
Recipharm Properties Ltd	Manufacturing	100%	100%
Israel			
OnTarget Chemistry Israel Ltd	Development services	85%	0%
Italy			
Biologici Italia Laboratories S.r.l.	Manufacturing	100%	100%
Edmond Pharma S.r.l.	IP	100%	100%
LIO Immobiliare S.r.l.	Manufacturing	100%	100%
Liosintex S.r.l.	Manufacturing	100%	100%
Pharmnew S.r.l	Manufacturing	100%	100%
Recipharm Italia S.p.A.	Manufacturing	100%	100%
Netherlands			
Recipharm Participation B.V.	Manufacturing	100%	0%
Portugal			
Davi II Farmacêutica S.A.	Development services	100%	100%
Lusomedicamenta S.A.	Manufacturing	100%	100%
Spain			
Recipharm Parets SL	Manufacturing	100%	100%
Switzerland			
Recipharm AG (dormant)	Development services	100%	100%
USA			
Recipharm Inc.	IP	100%	100%

Entity with significant influence over the Group
Flerie Creations AB holds 22.0% of the shares and 41.9% of the votes in Recipharm AB (publ), Cajelo Invest AB holds 13.8% of the shares and 39.5% of the votes in Recipharm AB (publ).

Associate
The Group has a 25% interest in Pharmanest AB (0%).

Joint venture in which Recipharm Group is a joint venturer
Recipharm Group has a 50% interest in companies SVS Portugal (2014 50%) and Inject Pharma AB (2014 0%). No additional information is provided regarding these joint ventures since they are insignificant for the reporting company.

NOTE 6 OTHER OPERATING INCOME

GROUP	2015	2014
Foreign exchange gains on operating receivables and liabilities	20.2	5.0
Capital gains on sale of intangible assets and property, plant and equipment	2.6	0.8
Insurance compensation	0.5	1.3
Reversal of bad debt	0.0	–
Reinvoicing of expenses, packaging and scrap material	17.5	19.2
Received refund of previously paid expenses	3.8	2.6
Additional purchase consideration	0.2	–
Royalties	59.6	4.5
Investment grants	1.2	0.8
Discounts	-0.3	0.1
Rental income	0.1	0.1
Reversed provisions	2.9	1.7
Varius contributions	0.2	–
Contribution to R&D projects	2.1	–
Share of result in joint venture SVS Portugal	0.1	0.1
Other income	8.2	7.0
	118.7	**43.0**

PARENT COMPANY	2015	2014
Foreign exchange gains on operating receivables and liabilities	0.4	0.6
Capital gains on sale of intangible assets and property, plant and equipment	0.1	–
Revenue from parent company	0.3	0.2
Other income	–	0.1
	0.8	**0.9**

NOTE 7 RAW MATERIALS AND CONSUMABLES

GROUP	2015	2014
Purchase cost for used inventory	941.9	702.2
Write-down on inventory	48.4	9.6
Reversed write-down on inventory	-31.5	-7.9
	958.8	**703.9**

NOTE 8 OTHER EXTERNAL COSTS

GROUP	2015	2014
Costs of premises	46.0	45.1
Property costs	41.1	30.0
Rental fixed assets	6.9	5.0
Energy costs	78.0	60.4
Expendable equipment and consumable supplies	105.6	71.0
Repairs and maintenance	101.8	77.4
Transport costs	21.9	11.3
Travel costs	14.3	10.0
Advertising and PR	14.9	8.8
Royalty	25.0	0.6
Other costs of sales	3.9	20.0
Office costs	20.0	10.3
Corporate insurance and other costs of risk	13.0	8.7
Administration costs	31.1	22.0
Temporary staff	78.4	55.4
Consultant fees	153.3	99.6
Service fees	0.9	0.8
Other costs	43.6	52.5
	799.7	**588.7**

PARENT COMPANY	2015	2014
Costs of premises	3.0	3.0
Property costs	0.0	0.2
Rental fixed assets	0.0	0.0
Energy costs	0.0	0.0
Expendable equipment and consumable supplies	2.5	2.3
Repairs and maintenance	0.3	0.4
Transport costs	0.2	0.0
Travel costs	6.0	4.7
Advertising and PR	5.1	3.6
Royalty	0.1	–
Other costs of sales	0.3	0.5
Office costs	2.8	2.6
Corporate insurance and other costs of risk	4.0	3.1
Administration costs	4.0	3.0
Temporary staff	1.8	0.9
Consultant fees	24.7	15.5
Service fees	0.3	0.3
Other services	14.7	6.1
Other costs	7.2	3.9
	76.9	**50.0**

Lease payments attributable to operating leases

GROUP	2015	2014
Leasing costs for the financial year	53.7	54.7
Estimated payments within 1 year	42.2	56.1
Estimated payments within 2-5 years	171.8	244.0
Estimated payments after 5 years	20.6	60.0

PARENT COMPANY	2015	2014
Leasing costs for the financial year	1.1	1.0
Estimated payments within 1 year	1.1	1.0
Estimated payments within 2-5 years	1.2	4.2
Estimated payments after 5 years	–	5.1

Operating leases mainly relate to rented factory and office premises. No significant new leases have been entered into during the year. The Group has no assets that are sublet.

Fees and remuneration to auditors

GROUP	2015	2014
Ernst & Young		
Audit engagement	3.3	3.5
Audit business outside the audit engagement	0.5	0.3
Tax consulting	0.5	0.2
Other services	0.7	0.2
	4.9	**4.3**
Other statutory auditors		
Audit engagement	0.7	0.5
	0.7	**0.5**

PARENT COMPANY	2015	2014
Ernst & Young		
Audit engagement	1.4	1.5
Audit business outside the audit engagement	0.1	–
Tax consulting	–	–
Other services	0.7	0.2
	2.1	**1.8**

"Audit engagement" refers to the statutory audit, that is, work necessary to produce the auditors' report, as well as audit advice provided in connection with the audit engagement.

NOTE 9 PERSONNEL

GROUP

Average number of employees

Calculation based on hours of attendance paid in relation to normal working hours.

	2015	2014
Sweden		
Women	379	372
Men	280	278
Total	**659**	**650**
France		
Women	234	180
Men	211	163
Total	**445**	**343**
Great Britain		
Women	64	68
Men	78	76
Total	**142**	**144**
Germany		
Women	160	164
Men	94	96
Total	**254**	**260**
Spain		
Women	51	47
Men	39	36
Total	**90**	**83**
Portugal		
Women	85	11
Men	92	12
Total	**177**	**23**
Italy		
Women	135	33
Men	113	28
Total	**248**	**61**
Israel		
Women	2	0
Men	2	0
Total	**4**	**0**
Total		
Women	1,110	875
Men	909	689
Total average number of employees	**2,019**	**1,564**

PARENT COMPANY

Average number of employees

Calculation based on hours of attendance paid in relation to normal working hours.

	2015	2014
Sweden		
Women	24	22
Men	30	21
Total average number of employees	**54**	**43**

Senior management

GROUP	2015	2014
Members of the Board, including CEO	10	8
of whom women	*2*	*2*
Other members of senior management	27	20
of whom women	*4*	*4*

PARENT COMPANY	2015	2014
Members of the Board, including CEO	10	8
of whom women	*2*	*2*
Other members of senior management	11	8
of whom women	–	–

Salaries, other remunerations and social security contributions

GROUP	2015	2014
Board of Directors and CEO		
Salaries	33.7	23.5
Variable remuneration	4.8	4.0
Pension expenses	5.7	4.6
Total	**44.1**	**32.1**
Other employees		
Salaries and remuneration	797.2	603.5
Pension expenses	44.3	27.4
Total	**841.5**	**630.9**
Social security contributions	243.4	183.5
Other employee benefits expense	49.2	43.3
Total Board of Directors, CEO and other employees	**1,178.3**	**889.8**
Of which remuneration to the Board booked as Other external costs	2.2	1.2

No variable remuneration is paid to the Group's CEO. Other senior executives may be paid a bonus of a maximum of two month's salary, based on the outcome of financial targets and achievement of individual goals. The Company and CEO have a mutual period of notice of six months. In the case of termination by the Company, no severance pay is payable.

HOLDINGS OF SHARES, THOUSAND	2015	2014
Chairman, indirect via Cajelo Invest AB	6,376.6	6,376.6
Other members of the board	108.1	105.5
CEO, indirect via Flerie Participation AB	10,201.5	10,201.5
Other management staff	142.5	138.3
	16,828.7	**16,821.9**

PARENT COMPANY	2015	2014
CEO		
Salary Thomas Eldered	2.0	1.0
Variable remuneration	0.0	0.0
Pension expenses	0.3	0.4
Total	**2.3**	**1.4**
Chairman of the Board		
Fixed remuneration Lars Backsell	0.5	0.4
Variable remuneration	–	–
Pension expenses	–	–
Total	**0.5**	**0.4**
Other members of the Board		
Anders G Carlberg	0.3	0.2
Tony Sandell	0.2	0.2
Göran Pettersson	0.2	0.2
Marianne Dicander Alexandersson	0.2	0.2
Joan Traynor	0.2	0.2
Carlos von Bonhorst	0.2	–
Total	**1.3**	**0.9**
Total Board of Directors and CEO		
Salaries and remuneration	3.8	2.3
Pension expenses	0.3	0.4
Total	**4.1**	**2.6**
Other management staff		
Salaries and remuneration	11.2	8.6
Variable remuneration	2.0	1.9
Pension expenses	3.2	2.2
Total	**16.4**	**12.7**
Other employees		
Salaries and remuneration	25.9	23.8
Pension expenses	3.9	3.6
Total	**29.8**	**27.5**
Social security contributions	11.8	10.0
Tax on pension expenses	1.7	1.4
Other employee benefits expense	5.2	3.3
Total Board of Directors, CEO and other employees	**69.0**	**57.4**
Of which remuneration to the Board, reported as Other external costs	2.2	1.2

The company has no pension commitments to the Board of Directors.

NOTE 10 DEPRECIATION, AMORTISATION AND IMPAIRMENT OF PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

GROUP	2015	2014
Product rights	-24.3	-15.6
Customer contracts	-85.1	-33.1
Software	-8.9	-6.5
Buildings and land improvements	-25.7	-13.7
Leasehold improvements	-0.8	-0.7
Plant and machinery	-75.5	-51.0
Equipment, tools, fixtures and fittings	-15.2	-6.6
	-235.6	**-127.2**

The amounts above include impairment of software of 0 (-1.6) of buildings and land improvements of 0.2 (0), of plant and machinery of 0.5 (1) and equipment, tools, fixtures and fittings of 1.9 (-0.6).

PARENT COMPANY	2015	2014
Product rights	0.0	-0.2
Software	-5.4	-4.6
Equipment, tools, fixtures and fittings	-0.1	-0.4
	-5.6	**-5.1**

NOTE 11 OTHER OPERATING EXPENSES

GROUP	2015	2014
Exchange losses on receivables and liabilities in operations	-18.3	-5.7
Loss on sale of property, plant and equipment	-0.2	-0.2
Excise duties	-24.7	-22.8
Other operating expenses	-19.6	-3.3
	-62.8	**-32.0**

PARENT COMPANY	2015	2014
Exchange losses on operating receivables and liabilities in operations	-2.3	-0.3
	-2.3	**-0.3**

NOTE 12 INTEREST INCOME AND SIMILAR REVENUES

GROUP	2015	2014
Interest income, external	0.4	2.4
Exchange rate differences	12.0	1.5
Gains from disposal of financial assets	46.6	–
Other financial income	5.4	5.5
	64.4	**9.3**

PARENT COMPANY	2015	2014
Interest income, external	0.1	2.3
Exchange rate differences	41.5	50.3
Group contribution, received	63.5	72.5
Gains from disposal of financial assets	46.6	–
Other financial income	0.1	0.9
	151.7	**126.0**
Interest income affiliates	**41.6**	**37.4**

NOTE 13 INTEREST EXPENSES AND SIMILAR COSTS

GROUP	2015	2014
Interest expenses, external	-20.3	-21.5
Other financial expenses	-8.6	-20.5
Exchange differences	–	-23.4
	-29.0	**-65.4**

PARENT COMPANY	2015	2014
Interest expense, external	-18.0	-13.0
Other financial expenses	-5.1	-6.0
Exchange rate differences	-37.1	-72.5
	-60.2	**-91.5**
Interest expense affiliates	**–**	**-0.6**

NOTE 14 TAX ON PROFIT FOR THE YEAR

GROUP		2015		2014
Current tax for the period		-109.9		-70.7
Adjustment for tax attributable to prior years		1.2		0.2
Total current tax		**-108.7**		**-70.5**
Deferred tax on temporary differences recognised		14.2		14.6
Total deferred tax		**14.2**		**14.6**
Total tax recognised on profit for the year		**-94.6**		**-55.9**
Deferred tax recognised in other comprehensive income		**6.5**		**0.5**
Reconciliation of total effective tax				
Net profit before tax		309.6		216.1
Tax at the rate valid for the Parent Company	22.0%	-68.1	22.0%	-47.5
Effect of different tax rates in foreign subsidiaries		-29.8		-22.4
Tax effect of non-deductible expenses		-10.9		-12.9
Tax effect on non-taxable income		13.5		11.3
Increase in tax loss carry-forwards without capitalisation as deferred tax asset		-4.8		-0.6
Utilisation of loss carry-forwards previously not capitalised		4.9		16.0
Tax attributable to prior years		1.2		0.0
Effect of changes in tax rates or tax regulations		-0.4		0.1
Total effective tax	**30.5%**	**-94.6**	**25.9%**	**-55.9**

PARENT COMPANY		2015		2014
Current tax in profit for the year		–		–
Adjustment for tax attributable to prior years		–		–
Total current tax		**–**		**–**
Deferred tax on temporary differences recognised		–		–
Total deferred tax		**–**		**–**
Total tax expense recognised		**–**		**–**
Reconciliation of total effective tax				
Net profit before tax		135.5		41.6
Tax at the rate valid for the Parent company	22.0%	-29.8	22.0%	-9.2
Tax effect of non-deductible expenses		-14.0		-0.1
Tax effect on non-taxable income		34.6		6.3
Tax attributable to prior years		–		–
Increase in tax loss carry-forwards without capitalisation of deferred tax asset		–		–
Utilisation of loss carry-forwards previously not capitalised		9.2		3.0
Total effective tax	**0.0%**	**–**	**0.0%**	**–**

Deferred tax

GROUP	2015-12-31	2014-12-31
Specification to deferred tax assets/-liabilities		
Tangible fixed assets	4.3	5.1
Taxable deficit	1.4	4.0
Accounts receivable	0.2	0.2
Inventories	1.4	2.0
Pension liabilities	35.7	23.6
Interest-bearing liabilities	0.0	3.9
Accrued expenses	8.5	8.2
Total deferred tax assets	**51.4**	**47.1**
Tangible fixed assets	13.8	16.9
Customer contracts	273.0	304.6
Product rights	46.4	51.2
Financial assets	0.5	–
Current investments	–	8.8
Untaxed reserves	24.2	13.2
Interest-bearing liabilities	0.0	0.1
Pension liability	0.7	0.1
Total deferred tax liabilities	**358.6**	**395.0**
Deferred tax assets/-liabilities, net	**-307.2**	**-347.9**

CHANGES OF DEFERRED TAX IN TEMPORARY DIFFERENCES AND TAX DEFICIT	2015	2014
Opening balance	-347.9	-31.9
Recorded within net profit for the period	14.2	14.6
Allocated directly to equity	6.5	0.5
Acquisition of subsidiaries	13.1	-315.0
Translation differences	6.9	-16.1
Closing balance	**-307.2**	**-347.9**

Tax losses for which no deferred tax asset is reported amount to SEK 16.5 million (-). There are no due date for these tax losses.

NOTE 15 EARNINGS PER SHARE

Before dilution

Earnings per share before dilution is calculated by dividing the profit attributable to Parent Company shareholders with a weighted average number of ordinary shares outstanding during the period.

	2015	2014
Profit attributable to Parent Company shareholders before dilution (SEK thousand)	215,056	160,247
Weighed average number of ordinary shares outstanding (thousand)	45,606	34,605
Earnings per share before dilution (SEK thousand)	4.72	4.63

After dilution

To calculate earnings per share after dilution, the weighed average number of ordinary shares outstanding is adjusted for the dilution effect of all potential ordinary shares.

	2015	2014
Profit attributable to Parent Company shareholders (SEK thousand)	215,056	160,247
Earnings effect, potential shares (SEK thousand)	1,001	3,452
Profit attributable to Parent Company shareholders after dilution (SEK thousand)	216,057	163,699
Weighed average number of ordinary shares outstanding (thousand)	45,606	34,605
Potential shares (attributable to share-savings programme)	74	5,051
Weighed average number of ordinary shares for calculating earnings per share after dilution (thousand)	45,680	39,656
Earnings per share after dilution (SEK thousand)	4.72	4.13

NOTE 16 PRODUCT RIGHTS

GROUP	2015-12-31	2014-12-31
Opening acquisition cost	362.9	193.3
Purchases	5.0	1.1
Acquired in connection with business combinations	–	162.1
Reclassifications	15.5	–
Sales/ Disposals	–	-0.1
Translation differences	-7.5	6.5
Closing accumulated acquisition cost	**376.0**	**362.9**
Opening amortisation according to plan	-72.6	-56.5
Amortisation for the year according to plan	-24.3	-15.6
Impairment	–	–
Sales/ Disposals	–	0.0
Translation differences	1.6	-0.5
Closing accumulated amortisation	**-95.4**	**-72.6**
Carrying amount	**280.6**	**290.3**

PARENT COMPANY	2015-12-31	2014-12-31
Opening acquisition cost	0.8	0.2
Purchases	0.2	0.6
Reclassifications	-0.8	–
Closing accumulated acquisition cost	**0.2**	**0.8**
Opening amortisation according to plan	-0.2	-0.1
Amortisation for the year according to plan	–	-0.2
Closing accumulated amortisation	**-0.2**	**-0.2**
Carrying amount	**–**	**0.6**

NOTE 17 GOODWILL, CUSTOMER CONTRACTS AND CORPORATE BRANDS

Goodwill

Goodwill has arisen in conjunction with the acquisition of Wasserburg in 2010 (Germany), the acquisition of Corvette and Lusomedicamenta in 2014 (Italy and Portugal) and, to a minor degree, in 2015 with the acquisition of OnTarget Chemistry AB (Sweden). In addition, there are intangible assets with undefined amortisation periods in the form of corporate brands, which arose in 2014 in conjunction with the acquisition of Corvette (Italy) and Lusomedicamenta (Portugal). Otherwise, the Group has no intangible assets that are not systematically amortised.

GROUP	2015-12-31	2014-12-31
Opening acquisition cost	936.2	78.2
Acquired in connection with business combinations	13.1	823.2
Adjustment of purchase consideration – Lusomedicamenta Sociedade Técnica Farmacêutica S.A.	-25.9	–
Translation difference	-37.1	34.8
Closing accumulated acquisition cost	**886.3**	**936.2**
Carrying amount	**886.3**	**936.2**

Impairment testing of goodwill

GOODWILL PER SEGMENT	2015-12-31	2014-12-31
Manufacturing Services Sterile Liquids	394.7	411.1
Manufacturing Services Solids & Others	165.1	189.5
Development and Technology	326.5	335.6
	886.3	**936.2**

Impairment testing consists of comparing the carrying amount before test with a recoverable amount that is calculated by determine the the value in use based on financial forecasts. The financial forecasts are based on budgets for coming years adopted by Group management and the Board of Directors. For subsequent years (up to the fifth year), the person responsible for the particular business prepares financial forecasts that are approved by the CEO. An estimated growth rate for the markets is used for subsequent years. In conjunction with these forecasts, the person responsible for the business also assesses how the market is developing. The financial forecasts serve as a foundation for cash flow forecasts, which are discounted using an before tax discount rate. The latter consists of a weighted average return on equity and cost of loans. The return on equity is based on a riskfree interest rate (10-year government bonds in EUR or SEK) plus a risk premium. The cost of the loan cosnsists of an estimated interest margin based on the Parent Company´s borrowings and conditions in the credit market.

The Group carried out is annual impairment test at 31 December 2014. The cash generating unit consists of the two companies that constitutes the business in Wasserburg following the acquisition. In general, management sees continued stable development and a healthy growth rate. The discount rate is estimated at 9.3 percent (8.3) and the annual growth rate after five years is estimated at 2 percent per annum. As a result of this test, Group management found no need for impairment as the value in use is equal to or greater than the carrying amount. A sensitivity analysis was also performed, in which the discount rate was increased by one percentage point, the gross margin was decreased by one percentage point, and the growth rate was decreased with one percentage point. This caused no change in the conclusion.

Customer contracts

GROUP	2015-12-31	2014-12-31
Opening acquisition cost	1,187.2	208.1
Acquired in connection with business combinations	–	939.8
Translation difference	-47.5	39.3
Closing accumulated acquisition cost	**1,139.8**	**1,187.2**
Opening amortisation according to plan	-121.3	-81.6
Amortisation for the year according to plan	-85.1	-33.1
Translation difference	6.9	-6.7
Closing accumulated amortisation	**-199.5**	**-121.3**
Carrying amount	**940.2**	**1,065.9**

Corporate brands

GROUP	2015-12-31	2014-12-31
Opening acquisition cost	120.8	–
Acquired in connection with business combinations	–	116.7
Translation difference	-4.8	4.2
Closing accumulated acquisition cost	**116.0**	**120.8**
Carrying amount	**116.0**	**120.8**

NOTE 18 SOFTWARE

GROUP	2015-12-31	2014-12-31
Opening acquisition cost	42.5	30.4
Purchases	23.4	11.2
Acquired in connection with business combinations	0.1	2.3
Reclassifications	0.6	5.3
Impairment	–	-1.6
Sales/ Disposals	9.1	-7.1
Translation difference	-2.0	2.0
Closing accumulated acquisition cost	**73.7**	**42.5**
Opening amortisation according to plan	-25.5	-17.3
Sales/ Disposals	-9.4	1.6
Amortisation for the year according to plan	-8.9	-8.3
Translation difference	1.7	-1.5
Closing accumulated amortisation	**-42.1**	**-25.5**
Carrying amount	**31.6**	**16.9**

PARENT COMPANY	2015-12-31	2014-12-31
Opening acquisition cost	23.9	12.9
Purchases	14.3	8.8
Reclassifications	–	2.2
Closing accumulated acquisition cost	**38.1**	**23.9**
Opening amortisation according to plan	-14.7	-8.6
Amortisation for the year according to plan	-5.4	-6.1
Closing accumulated amortisation	**-20.2**	**-14.7**
Carrying amount	**17.8**	**9.2**

NOTE 19 INVESTMENT IN PROGRESS INTANGIBLE ASSETS

GROUP	2015-12-31	2014-12-31
Opening acquisition cost	39.1	7.6
Purchases	9.7	17.2
Acquired in connection with business combinations	–	16.0
Reclassifications	-31.7	-2.4
Impairment	–	–
Translation difference	-0.6	0.8
	16.5	**39.1**

Impairment tests carried out do not indicate a need for impairment.

PARENT COMPANY	2015-12-31	2014-12-31
Opening acquisition cost	1.0	2.4
Purchases	–	1.0
Impairment	-1.0	-2.4
	0.0	**1.0**

NOTE 20 LAND AND BUILDINGS

GROUP	2015-12-31	2014-12-31
Opening acquisition cost	589.1	282.4
Purchases	14.0	20.5
Acquired in connection with business combinations	53.3	255.0
Reclassifications	34.4	2.9
Sales/ Disposals	-0.4	-0.3
Translation difference	-20.6	28.6
Closing accumulated acquisition cost	**669.8**	**589.1**
Opening depreciation according to plan	-170.6	-161.5
Depreciation for the year according to plan	-25.7	-13.7
Impairment	0.0	-0.3
Reclassifications	-34.0	16.2
Translation difference	8.1	-11.3
Closing accumulated depreciation	**-222.0**	**-170.6**
Carrying amount	**447.8**	**418.5**
Of which carrying amount on Land	85.1	59.2

Finance leases

GROUP	2015-12-31	2014-12-31
Carrying amount	67.5	73.0

RECONCILIATION BETWEEN GROSS INVESTMENT AND THE PRESENT VALUE OF MINIMUM LEASE PAYMENTS:	Gross investment	Present value
Estimated payments within 1 year	4.2	4.2
Estimated payments within 2-5 years	16.8	16.0
Estimated payments after 5 years	46.5	38.1
Total future payments for non terminable sublease object:		**58.3**

Financial lease refers to the production facility in Masate, Italy, in which the subsidiary Biologici operates. There are no contingent rents in the profit for the period. There are no material restrictions in the lease agreement.

NOTE 21 LEASEHOLD IMPROVEMENTS

GROUP	2015-12-31	2014-12-31
Opening acquisition cost	25.6	24.1
Purchases	0.9	1.4
Acquired in connection with business combinations	0.2	–
Reclassifications	-8.6	0.1
Translation difference	0.0	–
Closing accumulated acquisition cost	**18.0**	**25.6**
Opening depreciation according to plan	-13.6	-12.9
Sales/ Disposals	-0.1	–
Depreciation for the year according to plan	-1.0	–
Impairment	0.2	–
Reclassifications	8.6	-0.7
Closing accumulated depreciation	**-6.0**	**-13.6**
Carrying amount	**12.0**	**11.9**

PARENT COMPANY	2015-12-31	2014-12-31
Opening acquisition cost	8.6	8.6
Reclassifications	-8.6	–
Closing accumulated acquisition cost	**–**	**8.6**
Opening depreciation according to plan	-8.6	-8.6
Reclassifications	8.6	–
Depreciation for the year according to plan	–	–
Closing accumulated depreciation	**–**	**-8.6**
Carrying amount	**–**	**–**

NOTE 22 PLANT AND MACHINERY

GROUP	2015-12-31	2014-12-31
Opening acquisition cost	930.8	672.9
Purchases	73.7	40.0
Acquired in connection with business combinations	148.1	134.3
Reclassifications	70.6	32.0
Sales/ Disposals	-3.7	–
Impairment	–	-1.2
Translation difference	-30.0	52.7
Closing accumulated acquisition cost	**1,189.6**	**930.8**
Opening depreciation according to plan	-553.7	-466.5
Sales/ Disposals	3.7	0.7
Depreciation for the year according to plan	-76.1	-53.0
Impairment	0.5	2.2
Reclassifications	-97.5	2.3
Translation difference	19.7	-39.4
Closing accumulated depreciation	**-703.4**	**-553.7**
Carrying amount	**486.2**	**377.1**

Finance leases

GROUP	2015-12-31	2014-12-31
Carrying amount	32.0	33.0

RECONCILIATION BETWEEN GROSS INVESTMENT AND THE PRESENT VALUE OF MINIMUM LEASE PAYMENTS:	Gross investment	Present value
Estimated payments within 1 year	12.3	11.3
Estimated payments within 2-5 years	24.2	20.7
Estimated payments after 5 years	–	–
Total future payments for non terminable sublease object:		**–**

Financial lease refers to some production equipment taken over from previous owners of Recipharm Pessac S.A.S. There are no contingent rents in the profit for the period. There are no material restrictions in the lease agreement.

NOTE 23 EQUIPMENT, TOOLS, FIXTURES AND FITTINGS

GROUP	2015-12-31	2014-12-31
Opening acquisition cost	216.8	134.5
Purchases	51.0	15.4
Acquired in connection with business combinations	6.2	43.4
Reclassifications	200.4	1.5
Sales/ Disposals	-5.1	-1.0
Impairment	–	-0.6
Translation difference	-17.3	23.6
Closing accumulated acquisition cost	**452.0**	**216.8**
Opening depreciation according to plan	-119.1	-93.7
Sales/ Disposals	5.1	-1.0
Depreciation for the year according to plan	-17.1	-11.3
Impairment	1.9	4.6
Reclassifications	-200.3	2.0
Translation difference	12.4	-19.8
Closing accumulated depreciation	**-317.0**	**-119.1**
Carrying amount	**135.0**	**97.6**
Book value of assets under financial leases	0.1	2.0

PARENT COMPANY	2015-12-31	2014-12-31
Opening acquisition cost	16.3	16.3
Purchases	–	–
Reclassifications	-3.6	–
Sales/Disposals	-0.5	–
Closing accumulated acquisition cost	**12.3**	**16.3**
Opening depreciation according to plan	-16.0	-15.6
Sales/ Disposals	0.4	–
Depreciation for the year according to plan	-0.2	-0.4
Impairment	0.1	–
Reclassifications	**3.6**	**–**
Closing accumulated depreciation	**-12.1**	**-16.0**
Carrying amount	**0.2**	**0.3**

NOTE 24 CONSTRUCTION IN PROGRESS

GROUP	2015-12-31	2014-12-31
Opening acquisition cost	146.9	72.8
Purchases	217.0	138.1
Acquired in connection with business combinations	26.3	0.9
Reclassifications	-17.8	-68.9
Translation difference	-7.1	3.9
	365.3	**146.9**

PARENT COMPANY	2015-12-31	2014-12-31
Opening acquisition cost	–	–
Purchases	0.8	–
Closing accumulated acquisition cost	**0.8**	**–**

Borrowing costs have been capitalised and constitute 0.2 SEK million of carrying amount for construction in progress. Interest rate used is 0.9%.

NOTE 25 OTHER INVESTMENTS HELD AS FIXED ASSETS

GROUP	2015-12-31	2014-12-31
Endowment insurance	37.8	30.9
Shares, listed	2.3	3.0
Share joint venture	2.6	0.1
Participations in associated companies	7.2	–
Other equities	38.9	9.0
Deposits	13.3	3.4
	102.0	**46.4**

PARENT COMPANY	2015-12-31	2014-12-31
Endowment insurance	0.1	0.1
Other equities	0.1	0.1
Share joint venture and participations in associated companies	2.5	0.1
	2.7	**0.2**

Investments in listed shares are recognized at level 1. Fair value measurement is based on quoted prices on an active market. Reported holdings in other equities are measured in level III at cost, since no official market prices are available. Endowment insurance is attributable to the German defined-benefit pension plan.

Carrying amount of the patricipations in joint venture Inject Pharma Sweden AB (Reg. No. 559002-1464) amounted to SEK 2.4 million (0) and in SVS Portugal (Sociedade de servicos de engenharia de industria farmaceutica LDA, reg. nr 507613155) to SEK 0,2 million (0.1). Carrying amount of the patricipations in associated company Pharmanest AB (Reg. No. 556785-1158) amounted to SEK 7.2 million (0).

NOTE 26 INVENTORIES

GROUP	2015-12-31	2014-12-31
Raw material and consumables	322.4	255.3
Products in process	141.6	130.7
Finished goods and goods for resale	220.8	204.8
	684.8	**590.8**
Write-down / obsolescence reserve:		
Raw material and consumables	-18.4	-14.6
Products in process	-13.4	-18.4
Finished goods and goods for resale	-11.2	-10.1
	-43.0	**-43.1**
Inventories recognised at net realisable value	154.5	71.4

NOTE 27 ACCOUNTS RECEIVABLE

GROUP	2015-12-31	2014-12-31
Accounts receivable, gross before bad debt provisions	474.4	534.2
Bad debt provisions at beginning of year	-5.8	-5.8
Impairment for the year	-1.9	-0.8
Reversal of unutilised reserve	0.3	0.6
Accounts receivable, net after bad debt provision	**467.0**	**528.2**
Accounts receivables in SEK	116.0	137.4
Accounts receivables in EUR	287.4	324.2
Accounts receivables in GBP	54.9	55.1
Accounts receivables in USD	8.5	10.7
Accounts receivables other currency	0.2	0.9
	467.0	**528.2**
Account receivables by age		
< 3 months	355.6	504.4
3–6 months	4.2	13.1
> 6 months	13.8	16.7
	373.7	**534.2**

The Group had no received collateral for outstanding accounts receivable.

PARENT COMPANY	2015-12-31	2014-12-31
Accounts receivables	–	0.2
Bad debt provision	–	–
	–	**0.2**

NOTE 28 CURRENT INVESTMENTS

GROUP	2015-12-31	2014-12-31
Shares Flamel Technologies S.A.	–	137.3
	–	**137.3**

PARENT COMPANY	2015-12-31	2014-12-31
Shares Flamel Technologies S.A.	–	97.3
	–	**97.3**

Short-term investments are recognized at level 1. Fair value measurement is based on quoted prices on an active market.

NOTE 29 OTHER RECEIVABLES

GROUP	2015-12-31	2014-12-31
Receivables from employees	0.7	0.4
VAT receivables	21.2	25.0
Expected payments from customer/supplier	10.9	0.3
Adjustment purchase price	13.9	–
Expected tax refund	9.5	–
Other receivables	3.3	8.2
	59.5	**33.9**

PARENT COMPANY	2015-12-31	2014-12-31
VAT receivables	–	0.3
Expected payments from customer/supplier	13.9	–
Other receivables	–	0.1
	13.9	**0.4**

NOTE 30 PREPAID EXPENSES AND ACCRUED INCOME

GROUP	2015-12-31	2014-12-31
Prepaid rent	10.4	9.7
Prepaid annual fees	7.6	6.3
Prepaid insurance premiums	6.0	4.5
Accrued income	36.3	25.6
Prepaid taxes	0.6	0.0
Prepaid live insurance	0.1	0.4
Maintenance fees	2.3	0.3
Bonus	0.4	2.9
Prepaid life insurance	0.4	–
Prepaid IT licenses	2.1	–
Prepaid consulting fees	0.7	0.4
Prepaid registration fees	0.2	–
Other prepaid expenses	3.4	7.3
	70.6	**57.5**

PARENT COMPANY	2015-12-31	2014-12-31
Prepaid insurance premiums	2.9	1.4
Accrued income	0.1	–
Maintenance fees	1.8	–
Prepaid pensions	0.4	–
Prepaid IT licenses	2.1	–
Prepaid consulting fees	0.6	–
Other prepaid expenses	0.4	4.1
	8.2	**5.5**

NOTE 31 CASH AND CASH EQUIVALENTS

GROUP	2015-12-31	2014-12-31
Bank balances	534.2	404.5

PARENT COMPANY	2015-12-31	2014-12-31
Bank balances	139.4	123.6

NOTE 32 EQUITY

GROUP

NUMBER OF ISSUED SHARES (THOUSAND)	2015-12-31	2014-12-31
Ordinary shares, of each 0.5 SEK	46,325,256	40,688,875

NUMBER OF SHARES, CHANGE IN THE YEAR	A-shares	B-shares	D-shares	Total
Number of shares as of 31 December 2014	12,685,716	28,003,159		40,688,875
New share issue, convertible bond related to Corvette acquisition		5,030,543		5,030,543
New share issue, acquisition of OT Chemistry AB		45,838		45,838
New share issue, share-based incentive program		60,000	500,000	560,000
Number of shares as of 31 December 2015	**12,685,716**	**33,139,540**	**500,000**	**46,325,256**

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

(% OF SHARE CAPITAL AND VOTES):	Share capital	Votes
Flerie Participation AB [1)]	22.0	41.9
Cajelo Invest AB [1)]	13.8	39.5
Lannebo Fonder	14.0	4.1
Första AP-fonden	7.0	2.0
Fjärde AP-fonden	5.9	1.7

1) The previous ownership by B&E Participation AB (controlled by Thomas Eldered and Lars Backsell) was in October 2014 changed to the owners separate companies. Flerie Participation AB is controlled by CEO Thomas Eldered and Cajelo Invest AB is controlled by Chairman Lars Backsell.

The number of shareholders were 4,469 and foreign shareholders hold 16.1 percent of the share capital and 4.7 percent of the votes.

Share-based incentive program

The Annual General Meetings on 10 March 2014 resolved to issue a three year share-based incentive program aimed at the employees. In order to participate in the program, the participants must use their own funds to acquire class B shares in Recipharm ("Savings Shares") at the Nasdaq Stockholm market price. 550 employees, which is 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 fulfil their participation for the full period 2014 – 2017, the cost is estimated to over SEK 10 million (estimation based on share price SEK 126.50 at 31 December 2015) during a three-year period and the number of new shares may amount to approximately 110,000. The latter assumes full allocation of the performance shares as well. Costs for the share-saving programme amount to SEK 3.3 million (1.4) for the financial year, of which social security contributions make up SEK 0.7 million (0.5).

The Annual General Meeting on 7 May 2015 resolved to issue a new three year share-based incentive program with the same terms and conditions as the one issued the year before. 553 employees, which was approximately 25 percent of the employees, subscribed for the new program. Provided that all fulfil their participation for the full period 2015 – 2018, the cost is estimated to SEK 18.7 million (estimation based on share price SEK 126.50 at 31 December 2015) during a three-year period and the number of new shares may amount to approximately 200,000. The latter assumes full allocation of the performance shares as well. Costs for the share-saving programme amount to SEK 3.2 million (-) for the financial year, of which social security contributions make up SEK 0.7 million (-).

	Share-based incentive programs		
	2014–2017	2015–2018	Total
Number of saving-shares at beginning of year	21,252	–	21,252
Number of purchased saving shares	40,101	20,384	60,485
Number of matured saving shares	-89	–	-89
Number of saving shares at end of year	61,264	20,384	81,648

Convertible bond

A convertible bond was issued in relation to the acquisition of Corvette Group. The duration of the convertible bond was one year from October 1 2014. It was fully converted in February 2015 into 5,030,543 new class B-shares representing 11.9 percent of the share capital.

Dividends

The Group's dividend policy stipulates that dividend should be based upon the Group's profit-development, taking into consideration future development opportunities and the financial position. Our long-term goal is a stable development for dividends, amounting to 30-50 percent of profit after tax for the previous year.

The board of directors have proposed to the 2016 Annual General Meeting a dividend of SEK 1.50 per share (1.25 in 2015). This corresponds to SEK 73.6 million which equals 34.2 percent of the net profit.

Capital management
According to Board policy, the Group´s financial objective is to have a solid financial position to help retain the trust of investors, lenders and the market, and also to serve as a foundation for continued satisfactory growth. Investments should only be in financial securities and similar with minimum or no risk.

	2015-12-31	2014-12-31
Financial liabilities	1,717.0	1,568.2
Less liquid funds	-534.2	-404.5
Net debt	**1,182.9**	**1,163.7**
Total equity	**2,740.5**	**2,131.3**
Net debt/equity ratio: (Net debt/Total equity)	0.43	0.55

The change in net debt is mainly due to new loans related to acquisitions during the year.

Neither the Parent company nor any of the subsidiaries have any external capital demands.

Parent company's equity
Reconciliation of opening and closing balance for the Parent company's equity components are accounted above in a separate statement of changes equity, after the balance sheet of the Parent company.

NOTE 33 PROVISION FOR PENSIONS

GROUP

Defined benefit pension plans occur in the subsidiaries in Germany, France and Italy.

	2015-12-31 Defined net obligation/net asset	2014-12-31 Defined net obligation/net asset
Germany	126.9	129.4
France	65.4	18.8
Italy	15.3	16.1
Carrying amount	**207.6**	**164.4**

	Italy		France		Germany	
	2015-12-31	2014-12-31	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Opening balance	16.1	–	18.8	9.6	129.4	85.3
Acquired in connection with business combinations	–	14.9	48.7	5.1	–	–
Current period service costs	0.6	0.6	1.2	0.9	7.4	4.6
Interest costs	0.2	0.1	0.3	0.3	3.0	3.3
Revaluation of the defined net obligation/net asset:						
Return on plan assets	–	–	–	–	–	0.8
Actuarial gains and losses due to changes in demographic assumpt	1.1	-0.1	2.1	0.2	–	–
Actuarial gains and losses due to changes in financial assumptions	-1.1	0.6	-2.2	2.1	-5.2	30.8
Changes in the effect of limitations of a net asset due to the asset ceiling	–	–	–	–	–	0.1
Service costs related to previous periods	–	–	–	–	–	–
Effect from changes in exchange rates	-0.6	0.7	-0.7	0.9	-5.2	7.2
Payments to the pension plan - from the employer	-1.0	-0.7	–	-0.3	–	-2.6
Payments from the pension plan	–	–	-2.8	–	-2.5	–
Closing balance	**15.3**	**16.1**	**65.4**	**18.8**	**126.9**	**129.4**

	Italy		France		Germany	
ACTUARIAL ASSUMPTIONS:	2015-12-31	2014-12-31	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Average life expectancy after retirement, men and women respectively	19.5/24.8	19.5/24.8	16.4/20.9	16.4/20.9	19.1/23.1	18.9/23.0
Employee turnover rate	3.0%	3.0%	6.3%	7.0%	3.0%	3.0%
Financial assumptions:						
Discount rate	2.0%	2.0%	1.9%	2.0%	2.6%	3.0%
Annual salary increase	1.5%	2.0%	1.8%	2.0%	3.0%	3.0%
Retirement age	65	66	65	65	65 - 67	65 - 67
Length of employment in order to obtain maximum compensation	–	–	30	30	25	25
Tax rate	34.00%	34.00%	33.33%	33.33%	28.08%	28.08%

Germany
The defined benefit plan provides retirement and survivors' pensions. The amount of the granted benefit depends on the number of benefit-entitled years of service as well as on a salary-dependent increment or on the benefit-entitled income respectively. Only a few beneficiaries may recieve additional disability benefits. A smaller portion of the provision relates to a jubilee payments plan which grants employees additional monthly payments on reaching every new 5 years working anniversary.

The beneficiaries' benefit claims are protected by the German Occupational Pensions Plan Act. Hence the company is obliged to adjust pensions in payment to compensate depreciation. The entity is not obliged to fund the defined benefit plan by seperating assets.

The financial risks of the benefit plan are covered by a reinsurance contract for the most part. As this Capital Insurance is not hedged in case of a bankruptcy it is not considered as a plan asset.

France
Benefits are related to a one-time termination pay when the employee retires. There is no mandatory or regulatory framework related to funding of pension plan. It's up to each company to determine if they need or not to save money for future pension payments. Both Recipharm Monts and Recipharm Fontaine have inherited their plan assets from their former owners (Astra Zeneca and Laboratoires Fourniers). Since the take-over by Recipharm, neither of the two companies have cashed-out additional amounts to these external plan assets. Recipharm Pessac, acquired in 2014, received funds from their seller in order to finance payment of future retirement bonus.

Italy
The italian provision covers termination indemnities payable to the employees, for when they leave the company. This deferred compensation is substantially a portion of the employee compensation which is deferred to the date of termination of the employment. In accordance with the Italian severance pay statutes, this deferred compensation is yearly accrued and it is payable immediately upon leaving, regardless of the reason for termination. Advances can be given to the employees under specific circumstances. The provision correspond to the amount that the employee would have been entitled to, less any advances, if the employee had left at the balance sheet date. The yearly cost accrued approximates 1/13th of annual wages and the liability brought forward from prior year is revalued based on a cost of living index, set out by the Government. Since 2007 all employees have to communicate if the accrual has to be paid to an external fund. The fund becomes the only obliged to the payment of the cumulated amount at the retiring date. In that case, the Entity is obliged only for the leaving indemnity cumulated before the employee's choice.

Sweden
Salaried employees are covered by the ITP plan which is collective-based and encompasses employers in a variety of industries. Under the ITP plan, newly employed salaried employees are offered a premium-based solution (ITP 1) negotiated by the Confederation of Swedish Enterprise and the Swedish Federation of Salaried Employees in Industry and Services (PTK). Those already employed retain the older ITP plan (ITP 2). The pension in the ITP 2 plan is a defined-benefit obligation secured via insurance with Alecta. As per UFR 10 (statement issued by the Swedish Financial Reporting Board) this is a multi-employer benefit-based plan. These benefits as per ITP 2 are therefore recognised as a defined-contribution plan. Recipharms share of the total contributions to the plan amounts to 0.0402% (0.0558) and Recipharms share of of the total number of active participants is 0.0544% (0.0548). The expected premiums for 2016 for ITP 2 plans with Alecta amount to SEK 8.9 million (7.9).

DEFINED CONTRIBUTION PLANS	2015	2014
Expenses for defined contribution pension plans	41.4	30.3
	41.4	**30.3**

NOTE 34 OTHER PROVISIONS

GROUP	2015-12-31	2014-12-31
Redundancy pay	0.5	0.6
Complaints	1.3	0.6
Additional purchase consideration payable	–	–
Validations	0.2	0.5
Redundancy pay	–	4.8
Provision for transactions with employees	0.3	0.4
Environmental provision	0.6	0.6
Other provisions	0.2	1.1
	2.9	**8.5**

2015-12-31	Opening balance	New provisions	Acquired in connection with business combinations	Releases (paid)	Reversals, unused amounts	Changes due to discount rate or time effect	Total provision (closing balance)
Redundancy pay	0.6	0.5	–	-0.2	-0.4	0.0	**0.5**
Complaints	0.6	1.2	–	-0.4	-0.1	0.0	**1.3**
Additional purchase consideration payable	–	–	–	–	–	–	**–**
Validation batches	0.5	–	–	–	-0.3	0.0	**0.2**
Restructuring	4.8	–	–	-3.5	-1.2	-0.1	**–**
Provision for transactions with employees	0.4	–	–	-0.1	–	0.0	**0.3**
Environmental provision	0.6	–	–	–	–	0.0	**0.6**
Other provisions	1.1	–	–	0.0	-0.9	0.0	**0.2**
	8.5	**1.7**	**–**	**-4.2**	**-2.9**	**-0.2**	**2.9**

2014-12-31	Opening balance	New provisions	Acquired in connection with business combinations	Releases (paid)	Reversals, unused amounts	Changes due to discount rate or time effect	Total provision (closing balance)
Redundancy pay	8.5	–	–	-2.9	-4.9	–	**0.6**
Complaints	–	–	0.6	–	–	–	**0.6**
Additional purchase consideration payable	6.2	–	–	-0.5	-6.1	0.4	**–**
Validation batches	0.5	–	–	–	–	–	**0.5**
Restructuring	4.8	4.9	–	–	-5.3	0.4	**4.8**
Provision for transactions with employees	–	–	0.4	–	–	–	**0.4**
Environmental provision	–	–	0.6	–	–	–	**0.6**
Other provisions	0.1	–	0.9	–	–	0.1	**1.1**
	20.1	**4.9**	**2.5**	**-3.4**	**-16.3**	**0.8**	**8.5**

NOTE 35 OTHER NON-CURRENT LIABILITIES

GROUP	2015-12-31	2014-12-31
Liability to customer regarding received inventories	10.0	13.5
Social security contribution share-based incentive program	1.8	–
Other non-current liabilities	1.4	–
	13.2	**13.5**

PARENT COMPANY	2015-12-31	2014-12-31
Social security contribution share-based incentive program	0.4	–
	0.4	**–**

NOTE 36 ACCOUNTS PAYABLE

GROUP	2015-12-31	2014-12-31
Accounts payable, SEK	43.3	45.2
Accounts payable, EUR	179.9	162.6
Accounts payable, GBP	7.5	26.4
Accounts payable in other currencies	4.0	2.3
	234.9	**236.6**

PARENT COMPANY	2015-12-31	2014-12-31
Accounts payable, SEK	5.5	6.0
Accounts payable, EUR	0.9	–
Accounts payable, GBP	0.1	0.1
Accounts payable in other currencies	0.4	–
	7.0	**6.1**

NOTE 37 OTHER LIABILITIES

GROUP	2015-12-31	2014-12-31
Liabilities to employees	11.8	5.9
Employee withholding taxes	4.9	11.7
VAT	12.8	16.9
Convertible bond	–	564.5
Purchase consideration payable, subsidiaries	16.3	18.1
Other liabilities	8.0	4.2
	53.8	**621.3**

PARENT COMPANY	2015-12-31	2014-12-31
Employee withholding taxes	1.2	0.8
Convertible bond	–	455.2
Purchase consideration payable, subsidiaries	–	12.4
Other liabilities	-0.4	0.4
	0.9	**468.7**

A convertible bond was issued in relation to the acquisition of Corvette Group. The duration of the convertible bond is one year from October 1 2014. It has been fully converted in February 2015 into 5,030,543 new class B-shares.

NOTE 38 ACCRUED EXPENSES AND PREPAID INCOME

GROUP	2015-12-31	2014-12-31
Holiday pay liability and working reduction	82.3	73.1
Social security contributions	48.5	34.0
Profit sharing and bonuses	55.3	26.8
Other employee benefits expense	8.0	6.7
Restructuring reserve	17.1	1.5
Accrued interest expense	5.3	1.1
Accrued taxes	12.2	8.8
Deferred income	20.7	19.2
Accrued real property expense	3.2	6.8
Accrued financial expense	0.1	7.9
Accrued energy costs	6.9	0.2
Accrued audit fees	1.5	–
Accrued grants	6.3	–
Accrued consulting costs	9.3	0.2
Accrued expenses - other financial costs	6.4	–
Accrued discounts and contributions	11.5	16.1
Accrued insurances fees	0.3	–
Other accrued expense	36.0	37.3
	331.1	**239.7**

Of the restructuring reserve, SEK 15.0 million (-) refers to the cost-saving and streamlining programme within the segment Solids and Others in Sweden that was implemented and which will entail employee cutbacks, primarily in the Stockholm region. The remaining SEK 1.6 million (1.5) is attributable to the restructuring programme in Strängnäs that began in 2014 due to lost manufacturing contracts.

PARENT COMPANY	2015-12-31	2014-12-31
Holiday pay liability and working reduction	5.8	4.6
Social security contributions	0.9	0.8
Profit sharing and bonuses	1.9	1.6
Accrued interest expense	4.6	1.0
Accrued taxes	3.3	1.6
Accrued financial expense	0.1	0.1
Accrued audit fees	0.3	2.2
Accrued consulting fees	3.9	3.0
Other accrued expense	2.1	1.1
	23.0	**16.0**

NOTE 39 PLEDGED ASSETS

	PARENT COMPANY		GROUP	
	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Floating charges	–	–	7.5	–
Guarantee benefiting customer	–	14.7	–	14.7
Guarantee, other	–	–	0.2	0.2
	–	**14.7**	**7.7**	**14.9**

NOTE 40 CONTINGENT LIABILITIES

	PARENT COMPANY		GROUP	
	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Guarantees for Recipharm Stockholm AB, Corp.id.no. 556666-8249	110.4	129.3	110.4	129.3
Guarantees for external funding via bank loan	1,594.9	1,453.6	1,594.9	1,453.6
	1,705.3	**1,582.9**	**1,705.3**	**1,582.9**

NOTE 41 FINANCIAL ASSETS AND LIABILITIES

	Fair value		Carrying amount	
GROUP	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Financial assets				
Available-for-sale financial assets				
Other securities held as non-current assets	102.0	46.4	102.0	46.4
Short-term investments	–	137.3	–	137.3
Loans and receivables	–	–	–	–
Other receivables	38.4	8.9	38.4	8.9
Cash and cash equivalent, bank balances	534.2	404.5	534.2	404.5
	674.6	**597.1**	**674.6**	**597.1**
Financial liabilities				
Other financial liabilities				
Interest-bearing liabilities, non-current component	1,682.4	1,554.2	1,672.5	1,548.4
Derivative[1)]	6.1	6.6	6.1	6.6
Interest-bearing liabilities, current component[2)]	38.4	13.2	38.4	13.2
Other liabilities	29.0	592.5	29.0	592.5
	1,755.9	**2,166.5**	**1,746.0**	**2,160.7**

1) The derivative refers to a collar signed in an Italian subsidiary to minimise the interest rate risk linked to a lease for the associated production facilities.

Nominal amount, EUR million	7.1
Base rate	Euribor 3M
Floor / Cap	1%/5%
Spread	0.67%
Period	through March 2029

2) Interest bearing liabilities, current component refers to the portion of interest-bearing liabilities that will be repaid during 2016 (2015) as well as to the utilised portion of the Group account facility. The liability related to the convertible bond from the acquisition of Corvette of SEK 564.5 million, is from December 31, 2014 included in Other liabilities.

Financial assets and liabilities measured at fair value in the balance sheet, 31 December 2015

	Level 1	Level 2	Level 3	Total
Financial assets				
Other non-current securities	2.3	37.8	61.9	102.0
	2.3	**37.8**	**61.9**	**102.0**
Financial liabilities				
Derivatives	–	6.1	–	6.1
	–	**6.1**	**–**	**6.1**

Financial assets and liabilities measured at fair value in the balance sheet, 31 December 2014

	Level 1	Level 2	Level 3	Total
Financial assets				
Other non-current securities	3.0	30.9	12.6	46.5
Current investments	137.3	–	–	137.3
	140.3	**30.9**	**12.6**	**183.8**
Financial liabilities				
Derivatives	–	6.6	–	6.6
	–	**6.6**	**–**	**6.6**

	Fair value		Carrying amount	
PARENT COMPANY	2015-12-31	2014-12-31	2015-12-31	2014-12-31
Financial assets				
Available-for-sale financial assets				
Other securities held as non-current assets	0.2	0.2	0.2	0.2
Short-term investments	–	137.3	–	97.3
Loans and receivables				
Receivables from Group companies, non-current	1,096.2	942.5	1,096.2	942.5
Receivables from Group companies, current	459.6	309.6	459.6	309.6
Other receivables	13.9	0.1	13.9	0.1
Cash and cash equivalent, bank balances	139.4	123.6	139.4	123.6
	1,709.3	**1,513.5**	**1,709.3**	**1,473.5**
Financial liabilities				
Other financial liabilities				
Interest-bearing liabilities, non-current component	1,585.0	1,447.9	1,585.0	1,447.9
Interest-bearing liabilities, current component[1)]	–	–	–	–
Liabilities to Group companies, current	50.8	44.0	50.8	44.0
Other liabilities	0.3	468.0	0.3	468.0
	1,636.1	**1,959.8**	**1,636.1**	**1,959.8**

1) Interest bearing liabilities, current component refers to that portion of non-current liabilities that will be repaid during 2016 (2015) as well as to the utilised portion of the Group account facility.

The Group's financial liabilities and maturity structure[1)]

2015-12-31	Currency	Nom. Amount	<1 month	>1<3 months	>3<12 months	>1<5years	>5 years	Total
Bank loan[2)]	SEK	200.0	–	0.8	1.6	208.5	–	**210.9**
Bank loan[2)]	EUR	152.7	–	5.2	15.7	1,452.5	–	**1,473.4**
Bank loan	SEK	1.8	–	0.1	1.4	0.5	–	**2.0**
Bank loan	EUR	0.9	–	1.1	2.5	4.7	–	**8.3**
Bank overdraft facility	SEK	0.9	0.9	–		–	–	**0.9**
Bank overdraft facility	EUR	3.2	3.2	–	–	–	–	**3.2**
Derivative	EUR	6.1	–	–	–	–	6.1	**6.1**
Financial leasing	EUR	57.0	0.4	0.7	3.2	29.2	70.6	**104.1**
Total interest-bearing liabilities			**4.5**	**7.9**	**24.4**	**1,695.4**	**76.7**	**1,808.9**
Other liabilities		29.0	29.0	–	–	–	–	**29.0**
Total			**33.5**	**7.9**	**24.4**	**1,695.4**	**76.7**	**1,837.9**

1) The table includes forecasted future nominal interest payment and, consequently does not correspond to the net book value in the balance sheet. In instances where future interest payments are unknown estimates are based upon interest- and currency rates at 31 December 2014.

2) To the bank loans there are two covenants as part of the loan agreement, which are:
Net debt/operating profit before depreciation and amortisation and Interest cover ratio. The ratios for earnings are based on the last twelve months. Recipharm is within the acceptable limits for these covenants. Interest rates are based upon relevant IBOR plus margin. Interest periods vary from 3 to 6 months.

The Group's financial liabilities and maturity structure[1)]

2014-12-31	Currency	Nom. Amount	<1 month	>1<3 months	>3<12 months	>1<5years	>5 years	Total
Bank loan[2)]	GBP	10.0	–	–	1.7	129.5	–	**131.2**
Bank loan[2)]	EUR	20.0	–	–	1.7	198.1	–	**199.8**
Bank loan[2)]	EUR	30.0	–	0.6	1.9	297.2	–	**299.7**
Bank loan[2)]	EUR	40.0	–	0.8	2.2	394.7	–	**397.7**
Bank loan[2)]	EUR	50.0	–	1.0	2.8	493.4	–	**497.1**
Bank loan	EUR	0.1	–	1.2	–	–	–	**1.2**
Bank loan	EUR	0.4	0.6	–	1.8	1.8	–	**4.1**
Bank loan	EUR	0.9	–	0.5	1.6	7.0	–	**9.0**
Bank loan	EUR	0.3	–	–	3.0	–	–	**3.0**
Bank overdraft facility	EUR	0.5	–	4.8	–	–	–	**4.8**
Derivative	EUR	0.7	–	–	–	–	6.6	**6.6**
Financial leasing	EUR	9.7	0.4	0.9	3.6	16.8	86.8	**108.5**
Total interest-bearing liabilities			**1.0**	**9.6**	**20.3**	**1,538.5**	**93.4**	**1,662.8**
Other liabilities		592.5	15.7	12.4	564.5	–	–	**592.5**
Total			**16.7**	**22.0**	**584.8**	**1,538.5**	**93.4**	**2,255.3**

1) To the bank loans and the bank overdraft facility there are three covenants as part of the loan agreement, they are: Net debt/operating profit before depreciation and amortisation, Cash flow/(repayments interest) and Interest cover ratio. The ratios for earnings and cash flow are based on the last twelve months. Recipharm is within the acceptable limits for these covenants. Interest rates are based upon relevant IBOR plus margin. Interest periods varie from to 1, 3 and 6 months.

2) Property loan related to properties in Karlskoga and Strängnäs.

Overdraft facilities

	2015-12-31	2014-12-31
Overdraft facilities amount to:		
Group	1,605.3	1,613.3
Parent company	1,520.0	1,520.0

Sensitivity analysis

The purpose with this analysis is to present risks and effects how changes in interest and currencies affect the companies result and equity.

Interest risk

The table shows the effects on net interest income over the next 12-month period of an interest rate increase of 1 percentage point (100 basis point) given the interest-bearing assets and liabilities at the end of the reporting period.

	2015-12-31	2014-12-31
Total effect on profit/loss before tax	-17.2	-15.7

Currency risk

The table below shows the effect of a 10-percent appreciation in SEK for the financial year considered, all other factors remaining unchanged (such as, interest rates). The table shows only the impact for the currencies with significant currency flows, mainly EUR and GBP. During these financial years, no hedging was done to influence these figures, so that similar figures (with the opposite sign) would be posted in the event of a 10-percent depreciation.

	2015-12-31	2014-12-31
Effect on net profit, subsidiaries outside Sweden	-23.0	-25.7
Other effect on equity, subsidiaries outside Sweden	-16.6	35.4
Effect on net profit, parent company financial items	148.8	141.0
Other effect on equity, parent company	-106.7	-85.1
	2.5	**65.6**

The items listed above are the main items affecting the currency risk on equity. The currency risk linked to accounts payable and receivables is not deemed significant, because a 10% change in the exchange rate of the net flow is minor during the outstanding credit period between invoicing and payment. That currency risk is therefore not included in the table above. Effect on net profit, subsidiaries outside Sweden, includes the effect on operating profit, interest rates and taxes, based on the full year profit. Other effect on equity, subsidiaries outside Sweden, includes the other effect on subsidiaries equity, end of the year. Effect on net profit, parent company financial items, includes the effect on cash and interest bearing debt in foreign currencies, end of the year. Other effect on equity, parent company, includes internal receivables and debts to subsidiaries outside Sweden in foreign currencies, end of the year. The convertible bond debt, 31 Dec 2014, is not included, as it was converted into equity during Q1 2015.

Significant exchange rates applied in the financial statements

		Average exchange rates		Closing day rates	
COUNTRY	Currency	2015	2014	2015-12-31	2014-12-31
EURO	EUR	9.3562	9.0968	9.1350	9.5155
UK	GBP	12.8962	11.2917	12.3785	12.1388
USA	USD	8.4350	6.8577	8.3524	7.8117

NOTE 42 PARTICIPATIONS IN GROUP COMPANIES

PARENT COMPANY

	2015-12-31	2014-12-31
Opening acquisition cost	2,124.9	137.4
Purchase of new shares	15.1	1,959.8
Share-based incentive program	4.0	0.7
Group/Shareholders' contributions to subsidiaries	8.7	–
Group contributions to subsidiaries	35.8	27.0
Liquidation	–	–
Loan conversion into shares	58.3	–
Discontinued operations	–	–
Closing accumulated acquisition cost	**2,246.7**	**2,124.9**
Opening impairment losses	-145.7	-118.7
Impairment for the year	-99.1	-27.0
Adjusted purchase price consideration	-26.1	–
Discontinued operations	–	–
Closing accumulated impairment losses	**-270.9**	**-145.7**
Carrying amount	**1,975.9**	**1,979.3**

During the year, Group contribution was paid to five subsidiaries.

Shareholders' contribution was paid to two subsidiaries to strengthen equity. A subsidiary converted a part of the loan from the parent company into the shares. Impairment of the value of the shares for these companies has been made in the parent company.

Specifications of participations in subsidiaries directly held by parent company

COMPANY	Corp. id. no.	Registered office	No of participations/	pctg. owned	2015-12-31 Carrying amount	2014-12-31 Carrying amount
Recipharm Stockholm AB	556666-8249	Stockholm	122,849	100%	1.0	0.3
Recipharm Strängnäs AB	556666-8231	Strängnäs	103,081	100%	0.2	0.1
Recipharm Inc	74-3061963	Delaware	1,000	100%	0.9	0.9
Recipharm Venture Fund AB	556666-2697	Stockholm	400,000	100%	0.4	0.4
Recipharm Karlskoga AB	556662-4366	Karlskoga	121,457	100%	0.9	0.2
Recipharm Karlskoga Fastighets AB	556657-8315	Stockholm	100,000	100%	0.1	0.1
Recipharm Höganäs AB	556666-2606	Höganäs	104,030	100%	3.2	3.0
Recipharm Participation SAS	498 592 757 000 13	France	19,386	100%	1.1	0.4
Recipharm Holdings Ltd.	8174911	Great Britain	1,013,485	100%	13.6	13.3
Recipharm AG	CH-270.3.010.655-3	Switzerland	3,000	100%	–	–
RM 2959 Vermögensverwaltungs GmbH	HRB 182 656	Germany	36,856	100%	0.7	0.4
RPH Iberia AB	556805-3234	Stockholm	58,168	100%	0.5	0.2
Recipharm Pharmaceutical Development AB	556825-0095	Stockholm	57,767	100%	0.4	0.1
RPH Pharmaceuticals AB	556731-7226	Stockholm	1,689	100%	0.1	0.1
Recipharm Strängnäs Fastighets AB	556885-6842	Strängnäs	50,000	100%	0.1	0.1
Recipharm Italia S.p.A.	06258250965	Milan	4,945,089	100%	916.2	916.0
Lusomedicamenta S.A.	507150473	Lisbon	1,602,073	100%	1,016.7	1,042.7
Recipharm Pessac S.A.S.	807 679 386	Pessac	4,055	100%	1.2	1.1
OT Chemistry AB	556761-5439	Uppsala	1,256	100%	18.8	–
					1,975.9	**1,979.3**

Specification of income from shares in subsidiaries

PARENT COMPANY	2015-12-31	2014-12-31
Impairment of shares in subsidiaries	-99.1	-27.0
Impairment of receivables from subsidiaries	–	–
Received dividends	157.3	28.5
Gain on liquidation of subsidiaries	–	0.5
	58.2	**2.0**

NOTE 43 RECEIVABLES FROM AND LIABILITIES TO GROUP COMPANIES

PARENT COMPANY	2015-12-31	2014-12-31
Loan, non-current part Recipharm Stockholm AB	15.0	29.0
Loan, non-current part Recipharm Höganäs AB	–	2.8
Loan, non-current part Recipharm Karlskoga AB	–	–
Loan, non-current part Recipharm Strängnäs AB	14.7	14.7
Loan, non-current part RPH Pharmaceuticals AB	–	89.3
Loan, non-current part RPH Iberia AB	26.5	30.3
Loan, non-current part Recipharm Verwaltung GmbH	228.4	271.2
Loan, non-current part Wasserburger Arzneimittelwerk GmbH	287.8	80.9
Loan, non-current part Recipharm Pessac S.A.S.	98.6	114.2
Loan, non-current part Recipharm Parets S.L.	50.7	38.6
Loan, non-current part Recipharm Italia S.p.A.	139.8	161.9
Loan, non-current part Recipharm Ltd	58.5	90.7
Loan, non-current part Recipharm Properties Ltd	12.2	19.0
Loan, non-current part Recipharm Participation S.A.S	155.3	–
Loan, non-current part OT Chemistry AB	8.7	–
	1,096.2	**942.5**

Loan in SEK are subject to interest corresponding to Stibor 6M + 4%
Loan in EUR are subject to interest corresponding to Euribor 6M + 4%
Loan in GBP are subject to interest corresponding to RBS + 4%

	2015-12-31	2014-12-31
Receivables from Group companies	19.1	12.8
Current component of non current receivables from Group companies	16.8	41.3
Accrued interest, Group companies	5.9	5.1
Other current receivables from Group companies	119.3	77.2
Receivables cash-pool	298.5	178.7
Total current receivables from Group companies	**459.6**	**315.2**
Accounts payable	1.2	0.9
Liabilities Cash-pool	12.8	15.3
Other liabilities	45.5	27.8
Total other liabilities	**59.5**	**44.0**

NOTE 44 UNTAXED RESERVES

PARENT COMPANY	2015-12-31	2014-12-31
Accumulated accelerated depreciation intangible assets	1.0	1.0
	1.0	**1.0**

NOTE 45 SHARE OF RESULT IN PARTICIPATIONS

GROUP	2015-12-31	2014-12-31
Share of result joint venture Inject Pharma Sweden AB	-0.2	–
Share of result associated company Pharmanest AB	-0.8	–
	-1.0	**–**
Share of result joint venture SVS Portugal	0.1	0.1
	0.1	**0.1**

The undersigned hereby assure that the consolidated accounts and annual report were prepared as per International Financial Reporting Standards (IFRS) as adopted by the EU, and generally accepted accounting principles, respectively and provide a true and fair view of the development of the Group´s and Parent Company's position and performance, and (ii) the administration 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 uncertainties faced by the companies that are part of the Group. The income statements and balance sheets of the Parent Company and the Group are subject to adoption by the Annual General Meeting on 28 April 2016.

Stockholm, 23 March 2016

Lars Backsell
Chairman

Anders G Carlberg
Board member

Olle Christenson
Board member, employee representative

Marianne Dicander Alexandersson
Board member

Göran Pettersson
Board member

Tony Sandell
Board member

Joan Traynor
Board member

Carlos von Bonhorst
Board member

Thomas Eldered
CEO

Our audit report is issued 2016-03-23.

Ernst & Young AB

Michael Forss
Authorized public accountant

AUDITOR'S REPORT

To the annual meeting of the shareholders of Recipharm AB (publ), corporate identity number 556498-8425

Report on the annual accounts and consolidated accounts
We have audited the annual accounts and consolidated accounts of Recipharm AB (publ) for the year 2015. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 29-78.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the Group.

Report on other legal and regulatory requirements
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Recipharm AB (publ) for the year 2015.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, 23 March 2016
Ernst & Young AB

Michael Forss
Authorized Public Accountant

GROUP MANAGEMENT

THOMAS ELDERED
(Born 1960)
Position: Chief Executive Officer.
For more information see the section "Board of Directors".

KENTH BERG
(Born 1959)
Position: Vice President Business Management.
Employed since: 1997.
Education: Market economist EFL, Lund University, 1989.
Experience: Leading marketing positions at Ivers-Lee and Inpac AB 1988-1997. Senior management Recipharm.
Other assignments: Board member of Inpac i Lund AB. Several Board assignments within the Group.
Previous assignments in the past five years: Board member of Recipharm Strängnäs AB.
Holding: 18,032 shares of series B.

ERIK HAEFFLER
(Born 1967)
Position: Vice President, Manufacturing Services and Head of CSR.
Employed since: 2015.
Education: B.A. in Communication Studies, Stockholm University 1992.
Experience: EVP Supply Chain & Manufacturing 2009–2014, Meda AB; Several senior management positions at Astra and AstraZeneca within Supply Chain and Manufacturing 1992–2009.
Other assignments: Several Board assignments within the Group as chairman and board member. Owner and chairman of the Board of Conveija AB.
Previous assignments in the past five years: –
Holding: 1,000 shares of series B.

KJELL JOHANSSON
(Born 1956)
Position: President, Manufacturing Services Europe.
Employed since: 2011.
Education: M.Sc. in Chemical Engineering, Lund Institute of Technology, B.Sc., Stockholm University 1987.
Experience: Management consultant 2008–2011, VP Global Supply Chain 2004–2008, VP manufacturing 1989–2004, AstraZeneca.
Other assignments: Several Board assignments within the Group, Board member of CCS Healthcare Holding AB and CCS Healthcare Nordic AB. Owner and Chairman of the Board of Castanie AB. Foreign companies: board member of NovoNordisk Pharmaplan Engineering, 2013.
Previous assignments in the past five years: Chairman of the Board of Biotechvalley AB, board member of CCS Healthcare AB, and external Chief Executive Officer of Recipharm Stockholm AB.
Holding: 38,290 shares of series B.

MARK QUICK
(Born 1966)
Position: Executive Vice President, Corporate Development.
Employed since: 2006.
Education: B.Sc. (Hons) in Industrial Studies, Nottingham Trent University, 1988, MBA, Open University, 2005.
Experience: Head of Business Development, Celltech Manufacturing Services, 2000–2006.
Other assignments: Board member of several companies in the Group.
Previous assignments in the past five years: –
Holding: 17,266 shares of series B.

BJÖRN WESTBERG
(Born 1962)
Position: Executive Vice President, Chief Financial Officer.
Employed since: 2007.
Education: M.Sc. in Industrial Engineering and Management, Linköping Institute of Technology, 1988.
Experience: CFO, Jeeves Information System AB, 2001–2006; Finance Director, North Europe, AstraZeneca, 1999–2001, Controller Astra Japan 1996–1999. Various finance positions at Astra 1989–1996.
Other assignments: Board member and Chief Executive Officer of BTB Consult Aktiebolag, deputy board member of CONEQ Control Equipment Aktiebolag. In addition, several different assignments as board member and deputy board member of companies in the Group.
Previous assignments in the past five years: Board member of Cobra Biologics AB.
Holding: 26,073 shares of series B.

JONAS LEJONTAND
(Born 1978)
Position: Vice President, Human Resources.
Employed since: 1999.
Education: B.Sc. in human resources management, Uppsala University, 2004.
Experience: Senior management Recipharm.
Other assignments: Board member of companies within the Group.
Previous assignments in the past five years: –
Holding: 2,516 shares of series B.

CARL-JOHAN SPAK
(Born 1956)
Position: Executive Vice President, Global Technologies.
Employed since: 2009, previously employed by the Group 1995–2007.
Education: PhD, Karolinska Institutet, 1984, DDS, Karolinska Institutet, 1980.
Experience: Director Nordic Region, Country Manager Sweden, Meda AB, 2007–2008; Chief Executive Officer Recip AB and Recip Läkemedel AB, 2005–2007; Executive management, Recip AB, 1997–2005.
Other assignments: Board member of Empros Pharma AB, Symcel Sweden AB, Xspray Microparticles AB, Pharmanest AB, Synthonics Inc, Prokarium Ltd and KAHR Medical Ltd as well as deputy board member in Cormorant Pharmaceuticals AB. Board member within Cobra Biologics. In addition, several different assignments as Chairman of the Board and board member of companies in the Group.
Previous assignments in the past five years: CEO of Empros Pharma AB.
Holding: 18,274 shares of series B.

MAGNUS RENCK
(Born 1953)
Position: Vice President Operations Development.
Employed since: 2006.
Education: Engineering degree, 1977.
Experience: Member of senior management, Apoteket, 1999–2006.
Other assignments: Several Board assignments within the Group, as well as Chairman of the Board of Recipharm Höganäs AB and Recipharm Strängnäs AB.
Previous assignments in the past five years: Board member of Recipharm Höganäs AB and Recipharm Strängnäs AB.
Holding: 18,131 shares of series B.

THOMAS BECK
(Born 1969)
Position: Vice President, Quality Management.
Employed since: 2015.
Education: M.Sc. in Chemical Engineering, Royal Institute of Technology, Accreditation as Qualified Person, Uppsala University.
Experience: Director QA/QC, Qualified Person Recipharm Stockholm 2010–2015, Associate Director QA AstraZeneca R&D 2006–2010, Director QA, AstraZeneca Sweden Operations 2004–2006, Positions in Engineering, Manufacturing and Development at Pharmacia and AstraZeneca 1996–2004.
Other assignments: Chairman of the Board of Swedish Pharmaceutical Society, department of Quality Assurance.
Previous assignments in the past five years: –
Holding: –

JEAN-FRANÇOIS HILAIRE
(Born 1964)
Position: Executive Vice President, Strategy and Global Integration.
Employed since: 2015.
Education: Doctor of Pharmacy, University of Bordeaux, General Management programme at CEDEP (Campus INSEAD, Fontainebleau).
Experience: Director Manufacturing Network Optimization at Abbott, Executive VP at Solvay, GM Germany and Eastern Europe at Laboratoires Fournier.
Other assignments: –
Previous assignments in the past five years: –
Holding: 1,732 shares of series B.

THOMAS ELDERED

CARL-JOHAN SPAK

BJÖRN WESTBERG

THOMAS BECK

JEAN-FRANÇOIS HILAIRE

KENTH BERG

JONAS LEJONTAND

KJELL JOHANSSON

ERIK HAEFFLER

MAGNUS RENCK

MARK QUICK

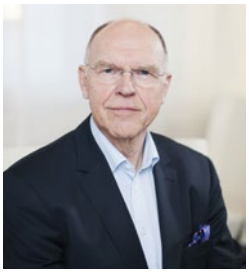
BOARD OF DIRECTORS

LARS BACKSELL
(Born 1952)
Position: Chairman of the Board, elected to the board in 1994. Chairman of the Remuneration Committee and member of the Audit Committee.
Education: B.Sc., Stockholm School of Economics, 1978 and AMP Insead, France, 1989.
Experience: Chief Executive Officer of Recip AB, 1995–2007, Business Area Manager OTC, Pharmacia AB, 1991–1994, Sales Director, Coloplast A/S Denmark, 1986–1991, Chief Executive Officer of Coloplast AB, 1981-1985, Controller Hovås Invest AB (Vätterledenkoncernen) 1978–1980.
Other assignments: Chairman of the Board of Backsell Eldered Holding AB and board member of B&E Participation AB, B&E Invest AB, Rohirrim AB, Cajelo AB and Cajelo Invest AB, deputy board member in Recipharm fastigheter AB as well as member of Kungliga Ingengörsvetenskaps akedemin (IVA) and chairman of the board of Entreprenörskapsforum.
Previous assignments in the past five years: Chairman of the Board of IVA's Näringslivsråd (Business Community Council), Board member of Aros Growth Capital AB, Lund University BioScience AB, PROBI Aktiebolag, BioInvent international AB and Skärmare Drifts AB as well as board assignments within companies in the Group.
Holding: 6,342,858 shares of series A and 33,717 shares of series B.

MARIANNE DICANDER ALEXANDERSSON
(Born 1959)
Position: Board member since 2014.
Education: M.Sc. in Chemical Engineering, Chalmers Institute of Technology, Gothenburg, 1983.
Experience: Former CEO of GHP AB, the Sixth Swedish National Pension Fund (Sjätte AP-fonden), Vice Chief Executive Officer Apoteket AB, CEO Kronans Droghandel AB and experience from quality management and market development from several industry sectors.
Other assignments: Board member and CEO of MDA Management AB, Chairman of Sahlgrenska Science Park, member of the representative assembly of Skandia, member of TLV's insights council (The Dental and Pharmaceutical Benefits Agency), Chairman of the Royal Swedish Academy of Engineering Sciences west section, board member in Camurus AB, board member and member of audit and remuneration committees in West Atlantic AB, board member and chairman of the Audit Committee in Enzymatica AB.
Previous assignments in the past five years: Board member of Mölnlycke Healthcare AB and other companies within Mölnlycke Group. Board member of Castellum AB, Chalmers University of Technology, Confederation of Swedish Enterprise (Svenskt Näringsliv) and Bariatric and Diabetes Center Ajman AB as well as in Apoteksakademin.
Holding: 4,000 shares of series B.

ANDERS G. CARLBERG
(Born 1943)
Position: Board member since 1995. Chairman of the Audit Committee.
Education: MBA, Lund University, 1968.
Experience: President and CEO, Axel Johnson International AB 1993–2008, previously President and CEO, Nobel industries and JS Saba, as well as Vice President, SSAB.
Other assignments: Chairman of the board of Herenco Aktiebolag and Gränges AB, AxFast AB, Beijer-Alma AB, SWECO AB (publ), Investmentaktiebolaget Latour, as well as the owner of the sole proprietorship Närlunda Säteri.
Previous assignments in the past five years: Chairman of the Board of AxIndustries Aktiebolag and Höganäs Aktiebolag, as well as board member of Martin & Servera Aktiebolag, Emballator AB, Sapa Profiles Holding AB, Axel Johnson Aktiebolag SäkI AB and Latour Förvaltning AB, Mekonomen Aktiebolag and SSAB, as well as partner in Fairway Handelsbolag.
Holding: 55,990 shares of series B.

THOMAS ELDERED
(Born 1960)
Position: Chief Executive Officer.
Education: M.Sc. in Industrial and Management Engineering, Linköping Institute of Technology, 1985.
Experience: CEO and Managing Director Recipharm AB 2008 – present; Vice President, Recip AB 1995–2007; factory manager, Pharmacia 1990–1995.
Other assignments: Chairman of the board of Cobra Biologics Holding AB, board member of SwedenBIO Chromafora AB, Cormorant Pharmaceuticals AB, Kahr Medical Ltd, Provell Pharmaceutical LLC, deputy board member of Symcel Sverige AB and Empros Pharma AB. In addition, several different assignments as Chairman of the Board and board member of companies in the Group and other minor private companies.
Previous assignments in the past five years: Chairman of the Board of Empros Pharma AB. In addition, several different assignments as Chairman of the Board, board member or deputy board member within companies for the Group and other assignments.
Holding: 6, 342, 858 shares of series A and 3, 858, 690 shares of series B.



GÖRAN PETTERSSON
(Born 1945)
Position: Board member since 2000. Member of the Remuneration Committee.
Education: Pharmacist (M. Pharm Sc.) Stockholm 1970, MBA IHM Stockholm 1974.
Experience: Assignments in interim management within Investor 2000–2004, Chief Executive Officer Meda AB 1997–1999, management positions within KabiVitrum AB, KabiPharmacia and PharmaciaUpJohn 1987–1997, Astra Group 1970–1987.
Other assignments: Chairman of the board of Pergamum AB, vice chairman of the board of Mobidiag Oy, board member of G Pettersson & Partners AB and of Pfizer Pensionsstiftelse I.
Previous assignments in the past five years: Chairman of the Board of Medivir AB, Axelar AB, Vivoxid Oy and OxyPharma AB, board member of Swedish Orphan Biovitrum International AB and Swedish Orphan Biovitrum Holding AB.
Holding: 21,505 shares of series B.

TONY SANDELL
(Born 1943)
Position: Board member since 1995. Member of the Audit Committee.
Education: LL.B, Stockholm University, 1969.
Experience: Attorney. Former member of the Board of the Swedish Bar Association, chairman of DFA, Delegationen för advokatförsäkringar (Delegation for attorney insurance), board member for LES, Licensing Executives Society, member of IBA, International Bar Association.
Other assignments: Chairman of the board of MFEX Mutual Funds Exchange AB, board member of Tony Sandell AB.
Previous assignments in the past five years: Board member of Danfo Holding Aktiebolag, publisher Natur och Kultur, Swedish Business Development Aktiebolag, Eriks Brand Aktiebolag and Åre 2007 AB, auditor for Fjällbergsvind (co-operative association).
Holding: 20,004 shares of series B.

JOAN TRAYNOR
(Born 1959)
Position: Board member since 2014.
Education: Management Studies, MBA Open University 1997.
Experience: Senior positions within the Azelis group and Chance & Hunt Ltd.
Other assignments: Regional Managing Director Azelis SA (UK, Ireland, Nordics & Americas), Fellow of Institute of Directors, member of Chemical Business Association Council.
Previous assignments in the past five years: Positions within the Azelis group.
Holding: 2,398 shares.

CARLOS VON BONHORST
(Born 1957)
Position: Board member since 2015.
Education: Medical Doctor, Classical University, Lisbon, Portugal (1981).
Experience: Consultant to the board/top management of Portuguese, Swiss and Irish Healthcare companies. Consultant and research programs evaluator in the field of Biomedical and Health Sciences for Governments: Belgium, Walloon, French and Italian. Advisor to International Institutions and NGOs- European Commission, Sweden Bio, ARVO and AAAS (US), EVS (Belgium) in respect to research funding. Expert for the European Commission for the past 20 years in the research fields of Life Sciences, Health, Nanotechnologies and Emerging Technologies. Owner of a technology transfer office. Former Business Development Director, Biofarma (Portugal), former Corporate Development Director, Helsinn, (Switzerland).
Other assignments: Former board member of Pharmaceutical, Chemical and Investment companies in Ireland, Switzerland and Belgium.
Previous assignments in the past five years: Former board member of Pharmaceutical, Chemical and Investment companies in Ireland and Switzerland.
Holding: –

OLLE CHRISTENSON
(Born 1956)
Position: Board member/ Employee representative.
Elected: 1995.
Education: –
Experience: –
Other assignments: –
Previous assignments in the past five years: Deputy board member of Q Information Aktiebolag.
Holding: 2,301 shares of series B.

LENNART QUIST
(Born 1958)
Position: Deputy board member/Employee representative.
Elected: 2014.
Education: –
Experience: –
Other assignments: Board member/employee representative in several companies within the Group.
Previous assignments in the past five years: –
Holding: 1,923 shares of series B.

THE RECIPHARM SHARE 2015

The Recipharm B-share has been listed on NASDAQ Stockholm since April 2014. Recipharm is included in the Mid Cap segment and is classed as a company in the Healthcare sector. Recipharm had a market value of SEK 5 472 million at the end of 2015. Recipharm's B-share price was SEK 126.50 as of 31 December 2015. The Stockholm Stock Exchange had a positive development of approximately 38.5 percent in 2015. The Recipharm B-share peaked at SEK 199.00 on 30 March, while the lowest price of SEK 110.80 in December.

Share capital and number of shares
The share capital at the end of the year was 20.3 SEK million distributed on 46,325,256 shares, of which 12,685,716 are not publicly listed A-shares 33,139,540 B-shares and 500,000 D-shares. D-shares are used for the share savings program and will be converted into B-shares when distributed. A class A-share has ten votes per share and class B-shares carry one vote per share. Par value per share is SEK 0.50. A new issue of shares was completed in January generating additional 2,250,000 B-shares.

The share's turnover
During 2015 a total of 20.7 million shares were traded at a value of SEK 3,132.4 million. This represents a turnover velocity for share stock of 0.6 last year. An average of 294 trades in Recipharm B-shares was executed every day.

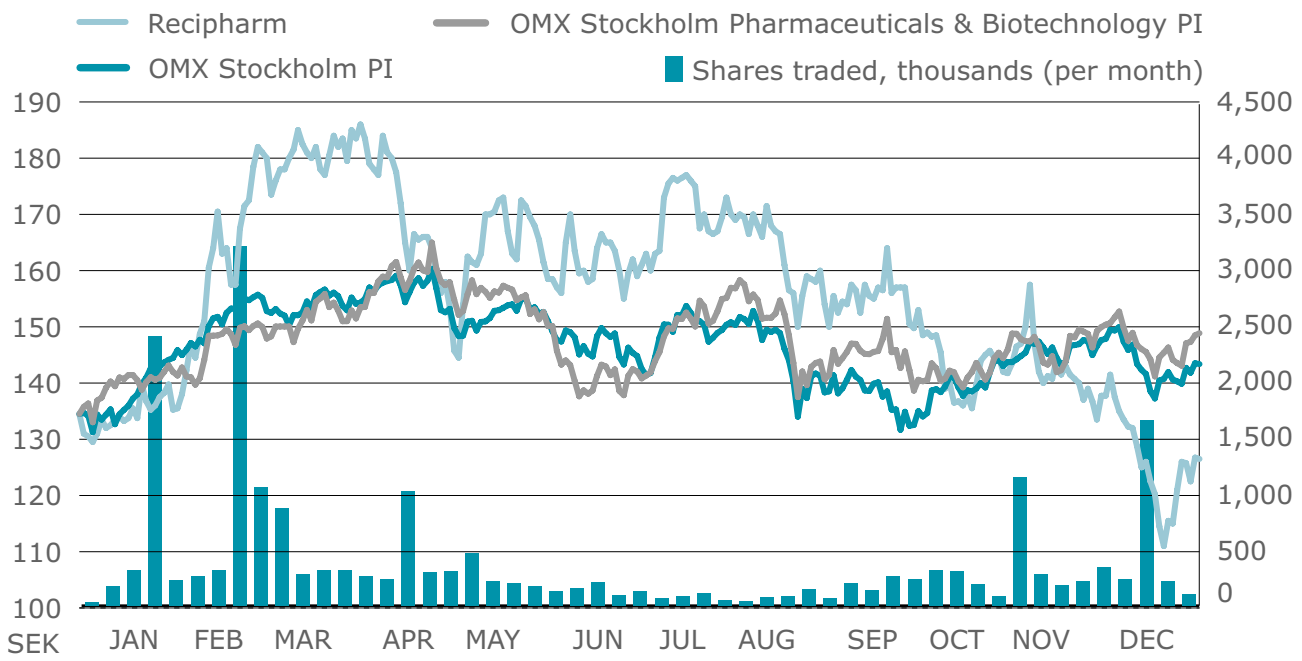
Dividend and dividend policy
Recipharm's long-term dividend policy means that the dividend shall correspond to 30-50 percent of profit after taxes. For the business year 2015, the Board proposes a dividend of SEK 1.50 per share (1.25), amounting to SEK 73.6 million equivalent to 34.2 percent of the net profit.

Owner structure
At the end of 2015 Recipharm had 4 468 shareholders, where the Swedish shareholders accounted to 83.9 percent of the capital and 95.3 percent of the votes.

The Recipharm A-shares are owned by Flerie Participation AB and Cajelo Invest AB, where the companies are owned by the founders, who are also the Chairman and CEO of Recipharm.

Shareholder information
Recipharm provides information for shareholders and the public through several channels. Information published in the form of annual reports, interim reports and press releases are regularly posted on www.recipharm.com. Presentation material from presentations of interim reports for journalists and analysts are also available for download. The website is the main channel for the Annual Report, for which reason the report is not sent to shareholders unless specifically requested.

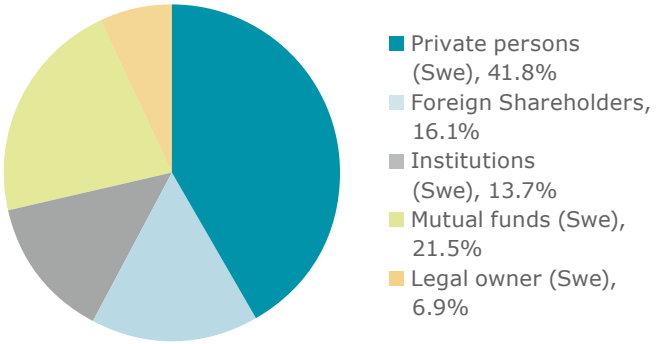
Share development and turnover 2015.01.01–2015.12.30



Share activity 2015

Date	Share activity	A shares	B shares	D shares	TOTAL
Jan 1, 2015	Opening balance, number of shares	12,685,716	28,003,159		40,688,875
Jan 22, 2015	Conversion from convertible bond (from Corvette acquisition)	0	2,114,999		2,114,999
Feb 04, 2015	Conversion from convertible bond (from Corvette acquisition)	0	2,915,544		2,915,544
Jun 15, 2015	New issue of shares (in relation to acquisition OT Chemistry)	0	45,838		45,838
Jul 10, 2015	New issue of shares (in relation to Share savings programme)	0	60,000	500,000	560,000
Dec 31, 2015	Closing balance, number of shares	12,685,716	33,139,540	500,000	46,325,256

DIVISION INTO TYPE OF OWNERSHIP 2015-12-30



DISTRIBUTION OF SHARES 2015-12-30

No. of shares	No. of shareholders	Shares	Shares (%)
1–500	3,298	562,272	1.2
501–1,000	493	409,769	0.9
1,001–5,000	481	1,078,022	2.3
5,001–10,000	55	432,746	0.9
10,001–50,000	89	2,203,832	4.3
50,001–	50	41,838,613	90.3

THE 10 LARGEST SHAREHOLDERS, CAP

Date	Cap- %	Vote- %
Flerie Participation AB	22.0	41.9
Lannebo fonder	14.0	4.1
Cajelo Invest AB	13.8	39.5
Första AP-fonden	7.0	2.0
Fjärde AP-fonden	5.9	1.7
Swedbank Robur fonder	2.2	0.6
SEB-stiftelsen	2.2	0.6
Gladiator fonder	1.6	0.5
Fondita fonder	1.2	0.4
Nordea fonder	1.2	0.3

NOTICE TO ATTEND THE ANNUAL GENERAL MEETING OF RECIPHARM AB (PUBL)

The shareholders in Recipharm AB (publ), reg. no. 556498-8425, are hereby invited to attend the annual general meeting ("AGM") to be held on 28 April 2016 at 1.00 pm at the company's premises at Lagervägen 7 in Jordbro, Sweden.

The notice to attend the AGM has been published in the Swedish Gazette (Sw. Post- och Inrikes Tidningar) on 31 March 2016 and is also available at the Company's website, www.recipharm.com.

Notification to attend etc.
Shareholders who wish to attend the AGM must: be recorded in the share register kept by Euroclear Sweden AB no later than on Friday 22 April 2016; and notify the company of their intention to attend the AGM at the latest by Monday 25 April 2016.

Notification to participate in the AGM must be in writing via the booking form available on the company's website www.recipharm.com or by e-mail to AGM2016@recipharm.com. Notification can also be made by telephone at +46-8-602 44 76. The notification shall state name, personal identification number/company registration number, address, telephone number and number of shares held; and in case proxy will be used, the full name of the attorney in fact.

In order to be entitled to participate in the meeting, shareholders who hold their shares through nominees (Sw. förvaltare) must request a temporary registration of the shares in their own name, with Euroclear Sweden AB. Shareholders who wishes to obtain such registration must contact the nominee regarding this well in advance of 22 April 2016.

Documentation etc.
The complete notice to attend the AGM, proxy forms for shareholders who wants to participate by proxy and other documentation related to the AGM is available at the company's website, www.recipharm.com, and will be sent free of charge to shareholders who so request and provide their postal address. Such request can be sent via email or by mail at the addresses set out above.

Jordbro, 23 March 2016

RECIPHARM AB (publ)

The Board of Directors

GLOSSARY

API – active pharmaceutical ingredient.

Blow Fill Seal technology – a manufacturing technique used to produce liquid-filled containers. The container is formed, filled, and sealed in a continuous process without human intervention, in a sterile enclosed area inside a machine.

CDMO – Contract Development and Manufacturing Organisation/Supplier of development and manufacturing services.

CMC regulatory support – regulatory guidance and support for the development of documents for a product's Chemistry, Manufacturing and Controls (CMC).

CMO – Contract Manufacturing Organisation/Supplier of manufacturing services.

Controlled release – a term meaning that the dosage form (eg. a tablet) is designed to release the active ingredient in a special way, e.g. slowly in order to give an extended effect.

Drug delivery methods – methods applied in order to make sure that the right amount of drug reaches the right organ at the right time.

Drug master file (DMF) – a confidential, detailed document prepared by API manufacturers and submitted to the appropriate regulatory authority in the intended pharmaceutical market. A DMF contains the chemistry, manufacturing and controls of a pharmaceutical component.

Excipients – a substance formulated alongside the active ingredient of a pharmaceutical included for the purpose of e.g long-term stabilization, bulking up solid formulations that contain potent active ingredients or to confer a therapeutic enhancement on the active ingredient in the final dosage form.

Formulation development – The process in which different chemical substances, including the active pharmaceutical ingredient, are combined to a final medical product.

Gateway release – a formal process to be performed within the EU to control certain characteristics of a pharmaceutical product, which has been produced outside the EU, in order to give approval so that it can be sold within the EU.

Good laboratory practise (GLP) – a quality management system for the process and the conditions under which non-clinical safety studies are planned, performed, monitored, recorded, archived and reported.

Bioanalysis – chemical analysis in samples of biological origin e.g blood plasma, faeces or urine.

Good manufacturing practise (GMP) – the practices required in order to conform to the guidelines recommended by agencies that control authorization and licensing for manufacture of drug products, and active pharmaceutical products.

Intellectual property (IP) – within Recipharm a term used for products rights including technologies, drug delivery methods and drug master files. IP is protected by law e.g by patents.

Lyophilisation – freeze drying.

Muco-modulatory – the ability to change the characteristics of mucous secretion in the respiratory airways.

Niche pharma – Pharmceutical companies focused on special areas.

Ophthalmology products – Pharmaceuticals for diseases of the eye.

Pharmacology – is the branch of medicine and biology concerned with the study of drug action and more specifically, it is the study of the interactions that occur between a living organism and chemicals that affect normal or abnormal biochemical function.

Semi-solid formulations – semi-solid dosage formulations of pharmaceuticals. E.g creams and gels.

Solid dose – solid dosage formulations of pharmaceuticals. E.g tablets and capsules.

Stability studies – Studies in order to ensure acceptable quality of a pharmaceutical product during its entire shelf life.

Sustained release – see controlled release, the release is controlled in order to give a sustained effect.

Synthesis services – services relating to the production of large or small amounts of compounds through chemical synthesis.

Vendor managed inventory (VMI) – The supplier/manufacturer is responsible for maintaining their customers' inventory levels to optimise supply chain performance.

Vials – Small containers or glass bottles for storage of pharmaceuticals.

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Recipharm
good for business

NARVA