Recipharm
good for business

Invitation to subscribe for shares in Recipharm AB (publ)

PLEASE NOTE THAT THE SUBSCRIPTION RIGHTS ARE EXPECTED TO HAVE AN ECONOMIC VALUE

In order to retain the value of the Subscription Rights, the holder must either:
- exercise the Subscription Rights to subscribe for new Shares no later than 7 June 2016; or
- sell the Subscription Rights not to be exercised for subscription no later than 2 June 2016.

Note that it is also possible to apply for subscription of new Shares without Subscription Rights. Note also that shareholders with nominee-registered holdings subscribe for new Shares through their respective nominees.

Joint Lead Managers

DNB MARKETS

Handelsbanken Capital Markets

Swedbank

IMPORTANT INFORMATION

In this Prospectus, "Recipharm", "the Company" or "the Group" refer to, depending on the context, Recipharm AB (publ), the Group in which the Company is the parent company or a subsidiary of the Group.

"Joint Lead Managers" refers to DBN Markets, a part of DNB Bank ASA , filial i Sverige ("DNB"), Handelsbanken Capital Markets, part of Svenska Handelsbanken AB (publ) ("Handelsbanken") and Swedbank AB (publ) ("Swedbank"). See the section "Definitions and Glossary" for definitions of other terms in this Prospectus.

Information for investors

This prospectus (the "Prospectus") has been prepared in accordance with the rules set out in the Financial Instruments Trading Act (1991:980), Directive 2003/71/EC of the European Parliament and of the Council (the "Prospectus Directive"), and Regulation (EC) no. 809/2004 of the European Commission.

Swedish law governs the Prospectus and the offering pursuant to the Prospectus (the "Offering"). Disputes arising from the Prospectus, the Offering and related legal matters shall be settled exclusively by the Swedish courts. The English version of this Prospectus is a translation. If there are any discrepancies between the Swedish version and the English translation, the Swedish version shall take precedence.

No action has been taken, or will be taken, by Recipharm to allow a public offering in any country other than Sweden. Neither subscription rights in the Offering (the "Subscription Rights"), paid-up subscribed shares ("BTA") or new shares subscribed for in the Offering ("Shares") ("Securities") have been, or will be, registered under the United States Securities Act of 1933, as amended ("Securities Act"). Securities may not be offered or sold, directly or indirectly, in or into the United States or to persons residing there, except pursuant to an applicable exemption from the registration requirements of the Securities Act. Moreover, the Offering is not made to persons resident in Australia, Hong Kong, Japan, Canada, New Zealand or South Africa, or to persons whose participation would require additional prospectuses, registration or other measures than those imposed by Swedish law. The Prospectus may not be distributed in any country or any jurisdiction where the distribution or the Offering would require such measures or would be in conflict with the applicable regulation of each such jurisdiction. Application for subscription of shares in violation of the restrictions above may be void. Persons who receive copies of the Prospectus are required to inform themselves about, and comply with, such restrictions. Any failure to comply with the restrictions described may result in a violation of securities regulations.

In the member states of the European economic area which have implemented the Prospectus Directive – with the exception of Sweden – the Offering may be made only on condition that it does not lead to requirements for drawing up of prospectuses in such countries in accordance with Article 3 of the Prospectus Directive.

An investment in Securities involves certain risks; see the "Risk Factors" section. When investors make an investment decision, they must rely on their own assessment of Recipharm and the Offering, including applicable facts and risks. Investors may only rely on the information contained in this Prospectus and any possible supplements to this Prospectus. Prior to making an investment decision, potential investors should engage their own professional advisers and carefully evaluate and consider their investment decision. No person is authorised to provide any information or make any statements other than those made in this Prospectus. Should such information or statements nevertheless be made, they should not be considered to have been approved by Recipharm, and the Company is not responsible and assumes no liability for such information or statements. Neither the publication of this Prospectus nor any transaction made in respect of the Offering shall under any circumstances imply that the information contained herein is accurate or applicable at any time other than on the date of publication of this Prospectus, or that there have been no changes in the Company's business since this date. If significant changes to the information in this Prospectus occur, such changes will be announced in accordance with the provisions on supplements to a prospectus under the Swedish Financial Instruments Trading Act.

No warranty, either expressed or implied, is provided by the Joint Lead Managers regarding the accuracy or completeness of the information contained in this Prospectus, and nothing in this Prospectus is to be regarded as a promise or guarantee of the Joint Lead Managers, whether it relates to the past or the future.

As a condition for subscribing for new Shares pursuant to the Offering, each subscriber will be deemed to have made, or, in some cases, be required to make, certain representations and warranties which will be relied upon by Recipharm, its financial advisers and other advisors; please refer to the section "Selling and transfer restrictions". Recipharm reserves the right, at its discretion, to disregard any subscription application that it or its financial advisers or other advisors believes may give rise to a breach or violation of any law, rule or regulation.

Certain amounts presented in the Prospectus have been rounded off, and consequently the numbers in certain tables do not necessarily correspond exactly to the total amounts. Unless otherwise specified, "SEK" or "krona" refers to the official currency in Sweden. All financial amounts are expressed in the Swedish krona ("SEK") unless otherwise indicated. "SEK T" means thousands of krona, and the abbreviation "SEK M" means millions of krona "USD", "GBP", "EUR" and "INR" refer to US dollars, British pounds, euros and Indian Rupee respectively.

Information for investors in the United States

No Securities have been, or will be, registered under the Securities Act or the securities legislation in any other state in the United States and may therefore not be offered or sold, directly or indirectly, in or into the United States, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with applicable securities legislation in the relevant state in the United States. In the United States, Securities will only be offered pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act to a limited number of existing shareholders who: (i) are deemed to be qualified institutional buyers as defined in Rule 144A under the Securities Act and (ii) have signed and sent an investor letter of intent to Recipharm. The Securities are being offered and sold outside the United States in compliance with Regulation S under the Securities Act.

Presentation of historical financial information

Unless otherwise indicated, the financial information presented in this Prospectus was extracted from the Company's consolidated financial statements. Recipharm's audited consolidated financial statements for the 2013, 2014 and 2015 financial years, as well as the non-audited interim report for January–March 2016, prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU, are implemented by directive and constitute part of this Prospectus. To make the information easily accessible to the reader, certain financial and other figures presented in the Prospectus have been rounded off. Consequently, the numbers in certain columns do not exactly correspond to the total amount specified. Besides the Company's audited financial statements for the 2013, 2014 and 2015 financial years, and the pro forma financial statements on pages 83 – 87, no information in this Prospectus has been reviewed or audited by the Company's auditors.

Forward-looking statements

This Prospectus contains certain forward-looking statements that reflect Recipharm's current views or expectations with respect to future events as well as financial and operational performance. The words "intend", "estimate", "expect", "may", "plan", "anticipate" or other expressions regarding indications or forecasts of future developments or trends that are not based on historical facts constitute forward-looking information. Although Recipharm believes that these statements are based on reasonable assumptions and expectations, Recipharm cannot guarantee that such forward-looking statements will be realised. Forward-looking information is inherently associated with both known and unknown risks and uncertainties since it depends on future events and circumstances. Forward-looking information does not constitute a guarantee of future results or performance, and the outcome may differ materially from what is set out in the forward-looking information.

Factors that could cause Recipharm's future results or performance to differ from what is expressed in the forward-looking statements include, but are not limited to, those described in the section "Risk Factors". Forward-looking information in this Prospectus applies only to the date of the publication of the Prospectus. Recipharm undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or similar circumstances, other than as required by law.

Industry and market information

This Prospectus contains market information and industry forecasts from third parties, including information regarding the size of the markets in which the Group operates. Although Recipharm considers that these sources are reliable and the information has been reproduced properly in the Prospectus, Recipharm has not independently verified the information, which is why its accuracy and completeness cannot be guaranteed. As far as Recipharm is aware and can confirm through comparison with other information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. Some of the information and statements in the Prospectus relating to the industry in which the Company's business is conducted as well as Recipharm's position in relation to its competitors are not based on published statistics or information from independent third parties, but rather reflect Recipharm's best estimates based on information obtained from industry and business organisations and other contacts. Although Recipharm is of the view that its internal analyses are reliable, these have not been verified by any independent source and Recipharm cannot guarantee their accuracy.

CONTENTS

THE OFFERING IN BRIEF

Preferential rights

Each existing Class A share in Recipharm entitles to one (1) Class A Subscription Right, and each existing Class B share entitles to one (1) Class B Subscription Right. Five (5) Class A and Class B Subscription Rights entitle the holder to subscribe for one (1) new respective Share (primary preferential right). Shares that have not been subscribed for with primary preferential rights shall be offered to all shareholders for subscription (subsidiary preferential right). In addition, investors are offered the opportunity to subscribe for excess shares.

Subscription price

82 SEK per Share

IMPORTANT DATES

The record date for the right to participate in the Rights Issue:	23 May 2016
Subscription period:	25 May – 7 June 2016
Trading in B Subscription Rights:	25 May – 2 June 2016
Trading in BTA Class B:	25 May – 10 June 2016
Announcement of outcome:	on or about 13 June 2016

ISIN CODES

Class A Shares	SE0002834689
Class B Shares	SE0005757267
Class A Subscription Rights	SE0008374623
BTA Class A	SE0008374631
Class B Subscription Rights	SE0008374656
BTA Class B	SE0008374664

TICKER

Class B Shares	RECI B
Class B Subscription Rights	RECI TR B
BTA Class B	RECI BTA B

FINANCIAL CALENDAR

Interim report, Jan–June 2016	22 July 2016
Interim report, Jan–Sept 2016	3 November 2016

SUMMARY

This summary contains specific disclosure requirements arranged into "items". The items are numbered in the sections A-E (A.1-E.7). This summary contains all the elements required to be included in a summary for the relevant type of security and issuer. However, since certain items are not applicable for all types of prospectuses, there may be gaps in the numbering sequence of the items. Although the inclusion of an item may be required in this type of prospectus summary, the equivalent information may not always be available. In such cases, the information has been replaced by a brief description of the element along with the statement "not applicable".

Section A – Introduction and warnings		
A.1	**Introduction and warnings**	This summary should be read as an introduction to the Prospectus. Any decision to invest in Recipharm should be based on an assessment of the Prospectus in its entirety by the investor, including documents incorporated by reference and any supplements to the Prospectus. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor may, under the national legislation of the member states, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Under civil law, only those individuals who have produced the summary, including translations thereof, may be enjoined, but only if the summary is misleading, incorrect or inconsistent with the other parts of the Prospectus or if it does not, together with other parts of the Prospectus, provide key information to help investors when considering whether to invest in Recipharm.
A.2	**Consent for use of the Prospectus**	Not applicable. Recipharm does not consent to the use of the Prospectus by financial intermediaries for subsequent trading or final placement of the Securities.

Avsnitt B – Emittent och eventuell garantigivare		
B.1	**Registered name of the Company**	Recipharm AB (publ), corporate registration number 556498-8425.
B.2	**Registered office and legal form**	Recipharm is a Swedish public limited liability company with its registered office in Sweden (Stockholm County, Haninge Municipality). The Company's corporate form is regulated by the Swedish Companies Act.
B.3	**Description of the Issuer's operations**	Recipharm conducts manufacturing and development services on behalf of other pharmaceutical companies. The manufacturing operations mainly comprise the production of various forms of pharmaceuticals. The products manufactured by Recipharm on behalf of its customers are primarily mature products that are not protected by patents. The Company's development services include the production of material for clinical trials and the development of production methods. As of 31 March 2016 Recipharm manufactured approximately 500 different products and delivered these products to more than 330 customers. Recipharm generally does not manufacture any active ingredients; normally such are supplied by the customer or purchased by Recipharm together with other raw materials and packaging materials.

B.4a **Description of industry trends**

The global pharmaceutical industry is affected by a variety of factors, such as demographic growth, new treatment methods through technological advances, increased access to healthcare, policy initiatives, regulatory changes, economic development and more. Taken together, these factors have contributed to volume growth that has been higher than growth measured at market value, resulting from increased consumption of pharmaceuticals with larger percentages of generic drugs and greater price pressure.

The pharmaceutical industry's ongoing structural transformation, driven by shrinking portfolios of patent-protected drugs and higher productivity in research and development, means an increased need for improved cost efficiency. As a result, pharmaceutical companies are turning to outsourcing solutions. The complexity of the pharmaceutical industry's processes is driving market players to increasingly look to CDMO companies[1] for solutions, thus driving the growth of the CDMO market.

In the future, Big Pharma[2] is also expected to increasingly engage contract manufacturers for the production of newer, patented products.

B.5 **Group**

Recipharm AB (publ) is the parent company in the Group, which comprises 38 directly and indirectly owned subsidiaries and two branches, one in the UK and one in Norway.

B.6 **Individuals required to notify their interest in the Company, major shareholders and control of the Company**

The lowest threshold for reporting duty (so called "Flagging") in Sweden is 5 percent of the total number of shares or votes. The table below illustrates the largest five shareholders in Recipharm as of 30 April 2016 and subsequent changes known to the Company.

Lars Backsell owns approximately 12.9 percent of the capital and about 38.7 percent of the voting rights in Recipharm through a wholly owned company. Thomas Eldered owns approximately 20.6 percent of the capital and about 41.1 percent of the voting rights in Recipharm through a wholly owned company. Hence, Recipharm is controlled by Lars Backsell and Thomas Eldered.

	Number of shares			Percentage held	
Owner	**Series A**	**Series B**	**Total number of shares**	**Capital, %**	**Votes, %**
Thomas Eldered	6,342,858	3,858,690	10,201,548	20.6%	41.1%
Lars Backsell	6,342,858	33,717	6,376,575	12.9%	38.7%
Lannebo Fonder		6,494,393	6,494,393	13.1%	4.0%
Första AP-Fonden		3,220,953	3,220,953	6.5%	2.0%
Fjärde AP-Fonden		2,832,790	2,832,790	5.7%	1.7%

Other than as set out in the above table, Recipharm is not aware of any shareholders which as a result of their shareholding in Recipharm are required to disclose their holdings in Recipharm.

[1] Contract Development and Manufacturing Organisation
[2] Large corporations which are often active in the whole value chain including development, manufacturing, marketing and sales.

B.7 Selected historical financial information

Recipharm's financial performance for the financial years 2013, 2014 and 2015 and for the period 1 January–31 March 2016 and the comparative period 1 January–31 March 2015 is presented below which has been prepared according to IFRS, as adopted by EU. The financial information for the 2013, 2014 and 2015 financial years is taken from the 2013, 2014 and 2015 annual reports, which have been audited, while the information for the period January-March 2015 and 2016 is taken from the unaudited interim report for the period January-March 2016 and is incorporated into the Prospectus by reference. Certain financial information and other information presented in the Prospectus have been rounded to make it easily accessible to the reader. Consequently the figures in certain columns do not exactly add up to the total amount specified.

Condensed consolidated income statement

SEK millions	Jan-Mar 2016 *Unaudited*	Jan-Mar 2015 *Unaudited*	2015 *Audited*	2014 *Audited*	2013 *Audited*
Net sales	972.9	873.2	3,389.4	2,569.3	2,124.6
Other	33.4	28.3	118.7	43.0	36.7
Total operating income	**1,006.2**	**901.5**	**3,508.1**	**2,612.3**	**2,161.3**
Raw materials and consumables	–264.5	–231.6	–958.8	–703.9	–580.7
Other external costs	–227.8	–195.6	–799.7	–588.7	–468.6
Employee benefits expense	–359.1	–299.2	–1,176.1	–888.6	–806.6
Depreciation, amortisation and impairment of assets	–67.5	–57.6	–235.6	–127.2	–94.9
Other operating expenses	–17.7	–17.1	–62.8	–32.0	–22.5
Profit/loss in associated entities	–0.6	-	–1.0	0.1	-
Operating profit	**68.9**	**100.4**	**274.2**	**272.1**	**188.1**
Net financial items	–22.0	68.1	35.4	-56.1	–20.9
Profit before tax	**46.9**	**168.5**	**309.6**	**216.1**	**167.1**
Tax on profit for the period	–22.1	–47.6	–94.6	–55.9	–72.7
Profit for the period	**24.8**	**120.8**	**215.1**	**160.2**	**94.4**
OTHER COMPREHENSIVE INCOME					
Exchange gains/losses on translation of foreign operations	14.8	-71.5	-96.1	65.2	14.5
Fair market value of financial instruments	0.2	–37.1	–39.9	42.1	-
Deferred taxes on items which may be reclassified to profit or loss	0.0	8.2	8.8	–9.3	-
Total items that will not be reclassified to profit or loss	–4.2	–0.8	6.6	–24.9	–2.3
Comprehensive income for the period	**35.6**	**19.6**	**94.5**	**233.4**	**106.6**

Condensed consolidated balance sheet

SEK millions	31/03/2016 *Unaudited*	31/03/2015 *Unaudited*	31/12/2015 *Audited*	31/12/2014 *Audited*	31/12/2013 *Audited*
ASSETS					
Non-current assets					
Intangible assets	2,712.8	2,362.0	2,271.2	2,469.2	362.2
Property, plant and equipment	1,610.9	1,056.9	1,446.3	1,051.9	451.9
Other non-current assets	167.6	112.6	153.4	93.4	56.4
Total non-current assets	**4,491.3**	**3,531.5**	**3,870.9**	**3,614.6**	**870.5**
Current assets					
Inventories	733.6	583.3	641.8	590.8	413.1
Trade receivables	677.8	534.9	467.0	528.2	237.2
Tax receivables	39.9	39.2	52.7	36.8	34.1
Other receivables	98.5	71.6	59.5	33.9	14.5
Short-term investments	-	-	-	137.3	-
Prepaid expenses and accrued income	90.7	70.2	70.6	57.5	50.9
Total current assets	**1,640.5**	**1,229.2**	**1,291.6**	**1,384.6**	**749.8**
Cash and cash equivalents	1,628.0	607.3	534.2	404.5	190.2
Total assets	**7,759.9**	**5,438.0**	**5,696.7**	**5,403.7**	**1,810.5**
EQUITY AND LIABILITIES					
Equity	3,179.5	2,711.0	2,740.5	2,131.3	680.8
Non-current liabilities	3,753.5	2,079.8	2,260.9	2,136.4	533.3
Current liabilities	826.8	647.2	695.3	1,136.1	596.4
Total equity and liabilities	**7,759.9**	**5,438.0**	**5,696.7**	**5,403.7**	**1,810.5**

B.7 **Selected historical financial information, continued**

Condensed consolidated cash flow statement

SEK millions	Jan-Mar 2016 *Unaudited*	Jan-Mar 2015 *Unaudited*	2015 *Audited*	2014 *Audited*	2013 *Audited*
Cash flow from operating activities	–60.5	148.4	428.8	254.2	179.6
Cash flow from investing activities	–553.2	55.3	–420.5	–1,456.8	–104.1
Cash flow from financing activities	1,727.1	4.7	132.9	1,405.4	–59.9
Total cash flow for the year	**1,113.5**	**208.4**	**141.1**	**202.8**	**15.6**
Cash and cash equivalents at beginning of period	534.2	404.5	404.5	190.2	179.2
Exchange differences	–19.7	-5.6	–11.5	11.5	–4.6
Cash and cash equivalents at end of period	1,628.0	607.3	534.2	404.5	190.2

Segment information

SEK millions	Jan-Mar 2016 *Unaudited*	Jan-Mar 2015 *Unaudited*	2015 *Audited*	2014 *Audited*	2013 *Audited*
Net sales					
Manufacturing Services – Sterile Liquids	367.9	233.3	956.8	713.1	556.7
External sales	362.1	231.9	941.6	707.2	549.4
Internal sales	5.8	1.4	15.2	5.9	7.3
Manufacturing Services – Solids & Others	462.4	461.7	1,832.5	1,578.1	1,467.0
External sales	432.4	421.6	1,690.7	1,463.9	1,403.2
Internal sales	30.0	40.1	141.8	114.2	63.8
Development & Technology	181.2	220.1	767.4	399.0	174.8
External sales	178.4	219.7	757.1	398.1	171.5
Internal sales	2.8	0.4	10.3	0.9	3.3
Eliminations and other	-38.6	-41.9	-167.2	-121.0	-73.9
Total	**972.9**	**873.2**	**3,389.4**	**2,569.3**	**2,124.6**
EBITDA					
Manufacturing Services – Sterile Liquids	69.0	66.0	220.7	157.7	140.2
Manufacturing Services – Solids & Others	59.5	29.2	117.4	199.0	145.9
Development & Technology	28.3	69.6	222.1	100.7	33.4
Other	–20.4	–6.7	–50.3	–58.1	–36.5
Total	**136.4**	**158.0**	**509.9**	**399.3**	**283.0**

B.7 **Selected historical financial information, continued**

Key figures

The table below includes certain key financial figures that are not defined according to IFRS, such as "EBITDA", "EBITDA margin" and "EBIT margin". The Company believes these non-IFRS key financial figures provide a better understanding of the Company's economic trends. These financial figures have not, unless stated otherwise, been audited and should not be evaluated on a stand-alone basis nor as an alternative to key financial performance figures calculated in accordance with IFRS. Furthermore, these key financial figures, as the Company has defined them, have not been compared to other key financial figures with similar names used by other companies. The reasoning behind this is that the aforementioned key financial figures are not always defined in the same way and other companies can calculate these figures in a different fashion than the Company.

SEK millions	Jan-Mar 2016 *Unaudited*	Jan-Mar 2015 *Unaudited*	2015 *Audited*	2014 *Audited*	2013 *Audited*
KEY FIGURES DIRECTLY FROM ACCOUNTS					
Net sales	972.9	873.2	3,389.4	2,569.3	2,124.6
Operating profit (EBIT)	68.9	100.4	274.2	272.1	188.1
Profit before tax	46.1	168.5	309.6	216.1	167.1
Profit for the period	24.8	120.8	215.1	160.2	94.4
Basic earnings per share (SEK)	0.52	2.74	4.72	4.63	3.72
Diluted earnings per share (SEK)	0.52	2.74	4.72	4.13	3.66
Average number of basic shares (millions)	48.2	44.1	45.6	34.6	25.4
Average number of diluted shares (millions)	48.2	44.1	45.7	39.7	26.1
Dividend per share	-	-	1.50	1.25	0
OTHER KEY RATIOS					
EBITDA	136.4	158.0	509.8	399.3	283.0
EBITDA margin (%)	14.0	18.1	15.0	15.5	13.3
EBIT margin (%)	7.1	11.5	8.1	10.6	8.9
Net debt	1,510.2	937.3	1,182.9	1,163.7	409.8
Net debt/equity ratio	0.47	0.35	0.43	0.55	0.60
Operating capital	4,689.6	3,648.3	3,923.4	3,295.0	1,090.6
Return on operating capital (%)	5.8	12.3	7.6	12.4	17.6
Return on equity (%)	4.0	13.1	8.8	11.4	14.5
Equity/assets ratio (%)	40.8	49.9	48.1	39.4	37.6
Interest coverage ratio (%)	2.93	22.3	11.7	4.3	7.0
Share price (end of period)	152.0	183.0	126.5	134.5	-
Average number of employees	2,335	2,058	2,019	1,564	1,521

During the period 1 January – 31 March 2016 net sales increased by SEK 99.7 million compared to the period 1 January – 31 March 2015 and amounted to SEK 972.9 million, an increase of 11 percent. Adjusted for currency effects of SEK -5.0 million, the increase was 12 percent. The acquisitions of OT Chemistry AB (presently Recipharm OT Chemistry AB) and Mitim S.r.l. contributed SEK 51 million. The sales, excluding acquisitions and currency effects, increased by SEK 55 million corresponding to 6 percent. Profit after tax amounted to SEK 24.8 million for the first quarter of 2016, a decrease of SEK 96.0 million from SEK 120.8 million in the comparative period, which was primarily related to the non-recurring financial capital gain of SEK 46.6 million from the preceding year, lower operating profit and increased financial expenses. The Company's equity amounted to SEK 3,179.5 million on 31 March 2016, compared to SEK 2,711.0 million on 31 March 2015, an increase of SEK 468.5 million. In addition to earnings and currency effects the increase was primarily due to a directed new issue completed in January 2016 amounting to MSEK 271.5, an issue in kind amounting to MSEK 130.3 in connection with the acquisition of Mitim S.r.l. in Italy on 24 February 2016.

In 2015 net sales increased by SEK 820.1 million to SEK 3,389.4 million for the full year, compared to SEK 2,569.3 million during 2014, an increase of 31.9 percent. Currency effects affected net sales by SEK 45 million. The full-year effect of acquisitions made at the end of 2014 was SEK 869 million. The comprehensive income for 2015 decreased by SEK 139.1 million to SEK 94.5 million, compared with SEK 233.4 million in 2014. Comprehensive income as a percentage of net sales was 2.8 percent, corresponding to a reduction of 6.3 percentage points from 2014. Net profit for the year amounted to SEK 215 million in 2015, compared with SEK 160 million in 2014, an increase of SEK 55 million. The increase was mainly due to the conversion of convertible bonds that were issued as partial payment for the acquisition of Corvette Pharmaceutical Services Group, Italy, on 1 October 2014.

In 2014 net sales were SEK 2,569.3 million, compared with SEK 2,124.4 million in 2013, an increase of SEK 445.2 million and 20.9 percent. The increase was largely due to acquisitions in Italy, Portugal and France in the fourth quarter. Taking into account the above factors, comprehensive income for the period was SEK 233.4 million in 2014, compared with SEK 106.6 million in 2013, an increase of SEK 126.8 million and 118.9 percent. Comprehensive income as a percentage of net sales was 9.1 percent, corresponding to an increase of 4.1 percentage points from 2013. Net profit for the year amounted to SEK 160.2 million, compared with SEK 94.4 million 2013, an increase of SEK 65.8 million. The Company's equity amounted to SEK 2,131.3 million on 31 December 2014, compared to SEK 680.8 million on 31 December 2013, an increase of SEK 1,450.5 million. The increase was mainly due to the new issue of shares in connection with the initial public offering amounting to MSEK 777.6, a conversion of convertible bonds to the employees amounting to SEK 38.3 million, and a new issue amounting to MSEK 400.2 million in connection with the acquisition of Lusomedicamenta Sociedade Técnica Farmacêutica on 1 November 2014.

B.8 Pro forma financial statements

In connection with the planned acquisition of Kemwell's operations in Sweden, the US and India, the Board of Directors has resolved, based on the authorisation from the Extraordinary General Meeting, to issue shares as part of a preferential rights issue. Recipharm has recently implemented additional acquisitions, in part the acquisition on 24 February 2016 of Mitim S.r.l. in Italy and in part the acquisition on 11 April 2016 of Nitin Lifesciences Ltd. in India. To give a clearer account of the Group, after the acquisitions, a pro forma analysis has been conducted. The pro forma financial statements describe a hypothetical situation and have been prepared for illustrative purposes and thus are not intended to describe Recipharm's actual financial position or earnings. The pro forma financial statements are not representative of Recipharm's future financial position or earnings. Investors are urged not to rely on the pro forma financial statements. The acquisition of Kemwell Biopharma Private Ltd's operations in India is not included in the pro forma below.

Financial Statements

The pro forma financial statements are shown below.

Pro forma income statement 2015

SEK millions	Recipharm	Mitim	Nitin	Kemwell Sweden & USA	Total
Net sales	3,389.4	452.9	390.7	462.5	4,695.5
Other operating income	118.7	20.4	5.6	14.9	159.5
Total operating incomes	**3,508.1**	**473.3**	**396.2**	**477.4**	**4,855.0**
Raw materials and consumables	-958.8	-210.4	-255.2	-115.0	-1,539.3
Other external costs	-799.7	-87.0	-28.4	-129.9	-1,045.0
Employee benefits expense	-1,176.1	-92.5	-17.5	-189.5	-1,475.6
Depreciation/amortisation and impairment of assets	-235.6	-44.3	-45.4	-45.3	-370.6
Other operating expenses	-62.8	-1.2	–	-0.2	-64.2
Share in associated company profits	-1.0	–	–	–	-1.0
Operating profit/loss	**274.2**	**37.8**	**49.9**	**-2.5**	**359.4**
Net financial items	35.4	-10.3	-11.1	-4.0	10.1
Profit/loss before tax	**309.6**	**27.6**	**38.8**	**-6.4**	**369.4**
Tax on profit/loss for the year	-94.6	-10.0	-7.6	-2.5	-114.7
Profit/loss for the year	**215.1**	**17.6**	**31.2**	**-9.0**	**254.7**

The following adjustments to the balance sheet were made as per 31 December 2015.

Pro forma balance sheet Dec 31 2015

SEK millions	Recipharm	Mitim	Nitin	Kemwell Sweden & USA	Total
ASSETS					
Intangible assets	2,271.2	442.1	833.5	590.4	4,137.1
Property. plant and equipment	1,446.3	152.2	90.6	98.2	1,787.3
Other non-current assets	153.4	0.0	0.6	1.1	155.1
Total non-current assets	**3,870.9**	**594.3**	**924.7**	**689.6**	**6,079.6**
Inventories	641.8	61.2	38.7	73.6	815.4
Trade receivables	467.0	115.3	49.0	36.8	668.1
Tax receivables		0.1	–	0.2	0.3
Other receivables	112.2	33.6	7.1	0.8	153.7
Current investments	–	–	–	–	–
Prepaid expenses and accrued income	70.6	9.4	0.3	4.3	84.6
Total current assets	**1,291.6**	**219.7**	**95.0**	**115.8**	**1,722.0**
Cash in hand and at bank	534.2	-46.9	26.8	-154.1	360.0
TOTAL ASSETS	**5,696.7**	**767.1**	**1,046.5**	**651.3**	**8,161.6**
EQUITY AND LIABILITIES					
Equity	2,740.5	–	42.4	429.6	3,212.5
Non-current liabilities	2,260.9	639.9	954.2	145.8	4,000.9
Current liabilities	695.3	127.2	49.9	75.8	948.1
TOTAL EQUITY AND LIABILITIES	**5,696.7**	**767.1**	**1,046.5**	**651.3**	**8,161.6**

B.8 Pro forma financial statements, continued

Details regarding pro forma adjustments per acquisition are presented below.

Pro forma income statement 2015

	Mitim				Nitin				Kemwell Sweden & USA			
SEK million	Italian GAAP	IFRS adjust-ments	Other adjust-ments	Total	Indian GAAP	IFRS adjust-ments	Other adjust-ments	Total	Swedish GAAP and US GAAP	IFRS adjust-ments	Other adjust-ments	Total
Net sales	448.2	4.7[1]	–	452.9	390.4	–	0.3[7]	390.7	462.5	–	–	462.5
Other operating income	25.1	-4.7[1]	–	20.4	8.1	–	-2.5[7,8]	5.6	14.9	–	–	14.9
Total operating income	**473.3**	**0.0**	**0.0**	**473.3**	**398.5**	**0.0**	**-2.2**	**396.3**	**477.4**	**0.0**	**0.0**	**477.4**
Raw materials and consumables	-210.4	–	–	-210.4	-255.2	–	–	-255.2	-115.0	–	–[15]	-115.0
Other external costs	-85.2	–	-1.8[5]	-87.0	-24.6	–	-3.8[9]	-28.4	-126.0	–	3.9[12,14]	-129.9
Employee benefits expense	-92.5	–	–	-92.5	-17.5	–	–	-17.5	-194.1	–	4.6[12,15]	-189.5
Depreciation/ amortisation and impairment of assets	-31.5	0.9[2]	-13.7[5]	-44.3	-17.9	–	-27.5[9]	-45.4	-33.9	2.0[10]	-13.3[13,14]	-45.3
Other operating expenses	-1.2	–	–	-1.2	–	–	–	–	-0.2	–	–	-0.2
Share in associated company profits	–	–	–	–	–	–	–	–	–	–	–	–
Operating profit/loss	**52.4**	**0.9**	**-15.5**	**37.8**	**83.3**	**0.0**	**-33.5**	**49.9**	**8.2**	**2.0**	**-12.7**	**-2.5**
Net financial items	-2.6	–	-7.6[5]	-10.3	0.0	–	-11.1[8,9]	-11.1	-11.1	26.0[11]	-18.9[13,16]	-4.0
Profit/loss before tax	**49.8**	**0.9**	**-23.1**	**27.6**	**83.3**	**–**	**-44.5**	**38.8**	**-2.9**	**28.0**	**-31.5**	**-6.4**
Tax on profit/loss for the year	-16.1	-0.2[2]	6.3[5]	-10.0	-17.8	-1.0[6]	11.2[9]	-7.6	-0.5	-6.4[10,11]	4.3[14]	-2.5
Profit/loss for the year	**33.7**	**0.6**	**-16.8**	**17.6**	**65.5**	**-1.0**	**-33.4**	**31.2[7]**	**-3.3**	**21.6**	**-27.2**	**-9.0**

Mitim

[1] Adjustments relate to reclassification of revenue from other operating income to net sales as per the Recipharm Group's definition of revenues.

[2] Reversal of straight line depreciation of goodwill (SEK 0.9 million). Tax effect (SEK 0.2 million) calculated based on estimated tax rate of 34 percent.

[3] Improvement costs of leased property (SEK 2.0 million), accounted for as an intangible asset according to Italian GAAP and as a tangible asset according to IFRS.

[4] Loan from previous owner (SEK 46.9 million) repaid by Recipharm in connection with the acquisition, adjusted against cash and cash equivalents.

[5] Acquisition elimination, in the absence of a completed PPA the allocation of surplus values have been estimated, 50 percent allocated to intangible assets with a predetermined depreciation schedule (SEK 183.5 million) with deferred tax liability estimated based on the local tax rate (36 percent and SEK 62.4 million) and the remaining balance allocated to intangible assets without a predetermined depreciation schedule (goodwill, SEK 245.9 million). Depreciation for the year of surplus values (SEK 13.7 million) has been estimated based on an economic lifetime of 15 years. The acquisition has been financed through a loan (SEK 496.8 million) with an annual interest cost estimated at SEK 7.5 million. As the loan has been drawn from an existing loan facility, the current interest rate of 1.5 percent on the existing loan facility has been applied. Acquisition costs amount to SEK 1.8 million. Tax effects on interest costs of SEK 1.6 million have been estimated based on the parent company's tax rate.

Nitin

[6] IFRS adjustment relates to deferred tax assigned to tangible assets.

[7] Pro forma adjustment relates to reclassification of revenue from performed development services from other operating income to net sales in accordance with Recipharm's definition of revenue, SEK 0.3 million.

[8] Pro forma adjustment relates to reclassification of interest income from other operating income to net financial items, SEK 2.1 million.

[9] Acquisition elimination, in the absence of a completed PPA the allocation of surplus values have been estimated, 50 percent allocated to intangible assets with a predetermined depreciation schedule (SEK 362.4 million) with deferred tax liability estimated based on local tax rate (30 percent and SEK 108.7 million) while the remaining balance allocated to intangible assets without a predetermined depreciation schedule (goodwill, SEK 471.1 million). Depreciation for the year on surplus values (SEK 27.5 million) has been estimated based on an economic lifetime of 15 years. The acquisition has been financed with debt (SEK 845.5 million) with an annual interest cost estimated at SEK 12.7 million. As the loan has been drawn from an existing loan facility, the current interest rate of 1.5 percent on the existing loan facility has been applied. Acquisition costs amount to SEK 3.8 million. Tax effects on interest costs of SEK 2.8 million have been estimated based on the parent company's tax rate. The acquisition includes 74 percent of the shares outstanding in Nitin Lifesciences Ltd., thus creating a minority shareholding for the acquisition. Profit for the period related to holdings without controlling interest amounts to SEK 16.8 million and has been calculated on the profit for the period according to local accounting principles and IFRS adjustment. Equity related to holdings without controlling interests amounts to SEK 42.4 million. Holdings without controlling interests are not valued at real value.

Kemwell Sweden and US

[10] Reversal of straight line depreciation of goodwill (SEK 2.0 million). Tax effect (SEK 0.7 million) calculated based on estimated tax rate for Kemwell US of 36 percent.

[11] IFRS adjustment relating to reclassification of accelerated depreciation of tangible assets, in the income statement of SEK 26 million (deferred tax effect of SEK 5.7 million) and in the balance sheet SEK 54 million.

[12] Costs relating to personnel expenses which, after acquisitions, will be billed to a third party, SEK 0.9 million adjusted from other operating expenses and SEK 4.6 million from employee benefit expenses.

[13] Reclassification of prepaid revenue in Kemwell SE, attributable to investments in tangible assets, accounted for according to local GAAP as financial income (SEK 3.5 million), is adjusted to meet depreciation expenses. Remaining provisions are reclassified (SEK 12.1 million from non-current liabilities, SEK 0.8 million from current liabilities) and reduces the value of tangible assets (SEK 12.9 million).

[14] Acquisition elimination, in the absence of a completed PPA the allocation of surplus values have been estimated, 50 percent allocated to intangible assets with a predetermined depreciation schedule (SEK 279.7 million) with deferred tax liability estimated based on local tax rate (22 percent and 36 percent, in total SEK 71.7 million) while the remaining balance allocated to intangible assets without a predetermined depreciation schedule (goodwill, SEK 350.9 million). Depreciation for the year on surplus values (SEK 16.8 million) has been estimated based on an economic lifetime of 15 years. The acquisition has been financed through the issuance of shares (SEK 429.6 million) and with existing cash (SEK 163.4 million). Acquisition costs amount to SEK 4.9 million.

[15] 2015 accounts include non-recurring costs of SEK 14.0 million, whereof SEK 7 million in scrap costs and SEK 5 million in personnel costs.

[16] Reversal of a debt item accounted for in Kemwell USA's local accounts related to an earn out which was accounted for in connection with the previous owner's acquisition of the company, SEK 15.3 million.

B.8 Pro forma financial statements, continued

Details regarding pro forma adjustments per acquisition are presented below.

Pro forma balance sheet Dec 31 2015

	Mitim				Nitin				Kemwell Sweden & USA			
SEK millions	Italian GAAP	IFRS adjust-ments	Other adjust-ments	Total	Indian GAAP	IFRS adjust-ments	Other adjust-ments	Total	Swedish GAAP and US GAAP	IFRS adjust-ments	Other adjust-ments	Total
ASSETS												
Intangible assets	14.6	-2.0[3]	429.5[5]	442.1	–	–	833.5[9]	833.5	19.7	–	570.7[14]	590.4
Property, plant and equipment	150.2	2.0[3]	–	152.2	90.6	–	–	90.6	111.1	–	-12.9[13]	98.2
Other non-current assets	–	–	–	–	0.6	–	–	0.6	1.1	–	–	1.1
Total non-current assets	**164.8**	**0.0**	**429.5**	**594.3**	**91.2**	**0.0**	**833.5**	**924.7**	**131.9**	**0.0**	**557.8**	**689.6**
Inventories	61.2	–	–	61.2	38.7	–	–	38.7	73.6	–	–	73.6
Trade receivables	115.3	–	–	115.3	49.0	–	–	49.0	36.8	–	–	36.8
Tax receivables	0.1	–	–	0.1	–	–	–	–	0.2	–	–	0.2
Other receivables	33.6	–	–	33.6	7.1	–	–	7.1	0.8	–	–	0.8
Current investments	–	–	–	–	–	–	–	–	–	–	–	–
Prepaid expenses and accrued income	9.4	–	–	9.4	0.3	–	–	0.3	4.3	–	–	4.3
Total current assets	**219.7**	**0.0**	**0.0**	**219.7**	**95.0**	**0.0**	**0.0**	**95.0**	**115.8**	**0.0**	**0.0**	**115.8**
Cash in hand and at bank	–	–	-46.9[5]	-46.9	26.8	–	–	26.8	9.3	–	-163.4[14]	-154.1
TOTAL ASSETS	**384.5**	**0.0**	**382.6**	**767.1**	**213.0**	**0.0**	**833.5**	**1,046.5**	**257.0**	**0.0**	**394.3**	**651.3**
EQUITY AND LIABILITIES												
Equity	129.8	–	-129.8[5]	–	163.1	–	-120.7[9]	42.4	33.6	54.0[11]	342.1[14]	429.6
Non-current liabilities	127.6	–	512.3[5]	639.9	–	–	954.2[9]	954.2	146.8	-54.0[11]	53.1[13]	145.8
Current liabilities	127.1	–	–	127.2	49.9	–	–	49.9	76.6	–	-0.8[13]	75.8
Total equity and liabilities	**384.5**	**0.0**	**382.6**	**767.1**	**213.0**	**0.0**	**833.5**	**1,046.5**	**257.0**	**0.0**	**394.3**	**651.3**

Mitim

[1] Adjustments relate to reclassification of revenue from other operating income to net sales as per the Recipharm Group's definition of revenues.

[2] Reversal of straight line depreciation of goodwill (SEK 0.9 million). Tax effect (SEK 0.2 million) calculated based on estimated tax rate of 34 percent.

[3] Improvement costs of leased property (SEK 2.0 million), accounted for as an intangible asset according to Italian GAAP and as a tangible asset according to IFRS.

[4] Loan from previous owner (SEK 46.9 million) repaid by Recipharm in connection with the acquisition, adjusted against cash and cash equivalents.

[5] Acquisition elimination, in the absence of a completed PPA the allocation of surplus values have been estimated, 50 percent allocated to intangible assets with a predetermined depreciation schedule (SEK 183.5 million) with deferred tax liability estimated based on the local tax rate (36 percent and SEK 62.4 million) and the remaining balance allocated to intangible assets without a predetermined depreciation schedule (goodwill, SEK 245.9 million). Depreciation for the year of surplus values (SEK 13.7 million) has been estimated based on an economic lifetime of 15 years. The acquisition has been financed through a loan (SEK 496.8 million) with an annual interest cost estimated at SEK 7.5 million. As the loan has been drawn from an existing loan facility, the current interest rate of 1.5 percent on the existing loan facility has been applied. Acquisition costs amount to SEK 1.8 million. Tax effects on interest costs of SEK 1.6 million have been estimated based on the parent company's tax rate.

Nitin

[6] IFRS adjustment relates to deferred tax assigned to tangible assets.

[7] Pro forma adjustment relates to reclassification of revenue from performed development services from other operating income to net sales in accordance with Recipharm's definition of revenue, SEK 0.3 million.

[8] Pro forma adjustment relates to reclassification of interest income from other operating income to net financial items, SEK 2.1 million.

[9] Acquisition elimination, in the absence of a completed PPA the allocation of surplus values have been estimated, 50 percent allocated to intangible assets with a predetermined depreciation schedule (SEK 362.4 million) with deferred tax liability estimated based on local tax rate (30 percent and SEK 108.7 million) while the remaining balance allocated to intangible assets without a predetermined depreciation schedule (goodwill, SEK 471.1 million). Depreciation for the year on surplus values (SEK 27.5 million) has been estimated based on an economic lifetime of 15 years. The acquisition has been financed with debt (SEK 845.5 million) with an annual interest cost estimated at SEK 12.7 million. As the loan has been drawn from an existing loan facility, the current interest rate of 1.5 percent on the existing loan facility has been applied. Acquisition costs amount to SEK 3.8 million. Tax effects on interest costs of SEK 2.8 million have been estimated based on the parent company's tax rate. The acquisition includes 74 percent of the shares outstanding in Nitin, thus creating a minority shareholding for the acquisition. Profit for the period related to holdings without controlling interest amounts to SEK 16.8 million and has been calculated on the profit for the period according to local accounting principles and IFRS adjustment. Equity related to holdings without controlling interests amounts to SEK 42.4 million. Holdings without controlling interests are not valued at real value.

Kemwell Sweden and US

[10] Reversal of straight line depreciation of goodwill (SEK 2.0 million). Tax effect (SEK 0.7 million) calculated based on estimated tax rate for Kemwell US of 36 percent.

[11] IFRS adjustment relating to reclassification of accelerated depreciation of tangible assets, in the income statement of SEK 26 million (deferred tax effect of SEK 5.7 million) and in the balance sheet SEK 54 million.

[12] Costs relating to personnel expenses which, after acquisitions, will be billed to a third party, SEK 0.9 million adjusted from other operating expenses and SEK 4.6 million from employee benefit expenses.

[13] Reclassification of prepaid revenue in Kemwell SE, attributable to investments in tangible assets, accounted for according to local GAAP as financial income (SEK 3.5 million), is adjusted to meet depreciation expenses. Remaining provisions are reclassified (SEK 12.1 million from non-current liabilities, SEK 0.8 million from current liabilities) and reduces the value of tangible assets (SEK 12.9 million).

[14] Acquisition elimination, in the absence of a completed PPA the allocation of surplus values have been estimated, 50 percent allocated to intangible assets with a predetermined depreciation schedule (SEK 279.7 million) with deferred tax liability estimated based on local tax rate (22 percent and 36 percent, in total SEK 71.7 million) while the remaining balance allocated to intangible assets without a predetermined depreciation schedule (goodwill, SEK 350.9 million). Depreciation for the year on surplus values (SEK 16.8 million) has been estimated based on an economic lifetime of 15 years. The acquisition has been financed through the issuance of shares (SEK 429.6 million) and with existing cash (SEK 163.4 million). Acquisition costs amount to SEK 4.9 million.

[15] 2015 accounts include non-recurring costs of SEK 14.0 million, whereof SEK 7 million in scrap costs and SEK 5 million in personnel costs.

[16] Reversal of a debt item accounted for in Kemwell USA's local accounts related to an earn out which was accounted for in connection with the previous owner's acquisition of the company, SEK 15.3 million.

B.9	**Earnings forecast**	Not applicable. Recipharm does not submit earnings forecasts.
B.10	**Remarks in the audit report**	Not applicable. No remarks have been submitted.
B.11	**Insufficient working capital**	Recipharm believes that its existing working capital is insufficient to meet its needs during the coming twelve month period given its current credit facilities. On 18 April 2016, Recipharm announced that it had entered into two separate agreements to acquire pharmaceutical CDMO-businesses from Kemwell. The first acquisition, comprising Cirrus Pharmaceuticals Inc. with operations in the US and Kemwel AB with operations in Sweden, is expected to be finalised during the second quarter of 2016. The acquisition is subject to review by the Swedish Competition Authority and to third-party confirmation regarding certain undertakings. The condition concerning review by the Swedish Competition Authority has been fulfilled. As at the date of this Prospectus, the condition relating to third-party confirmation of certain undertakings has not yet been fulfilled. If this condition has not been met by 30 June 2016, or such later date agreed by the parties, the acquisition agreement will lapse entailing that the acquisition of Kemwell AB and Cirrus Pharmaceuticals Inc. will not take place. Recipharm however has the right to waive the relevant condition and to thereby procure that the acquisitions are made. The second acquisition, comprising Kemwell Biopharma Private Ltd's pharmaceutical operation in India, is conditional on governmental approval and expected to close before the end of the year. The acquisition of Cirrus Pharmaceuticals Inc. and Kemwell AB is financed with available funds, existing credit facilities, as well as an issue in kind of Class B shares in Recipharm corresponding to a value of USD 55 million (SEK 453 million[1]), to the sellers of shares in Kemwell AB (the "Payment In-Kind Share Issue"). The acquisition of Kemwell Biopharma Private Ltd's pharmaceutical operations in India is financed with available funds, existing credit facilities, a directed share issue of approximately SEK 51 million (the "Directed Share Issue") to the sellers of Kemwell AB, as well as the Offering according to this Prospectus, which is expected to raise approximately SEK 793 million after transaction costs to the Company. If the Offering is not successful, the available credit facilities and cash flow from operating activities will not be sufficient to provide the Company with the cash and cash equivalents required to pay the purchase consideration of approximately USD 120 million (corresponding to approximately SEK 988[1] million) for the acquisition of the operations in India according to the above when it falls due for payment, which the Company expects to occur before the end of 2016. If the Offering does not raise additional financing for the Company, the Company expects its financing requirement at year-end 2016 to amount to approximately SEK 750 million. Recipharm's two main shareholders, Flerie Participation AB, which is controlled by Recipharm's CEO, Thomas Eldered and Cajelo Invest AB, which is controlled by Recipharm's Chairman of the Board, Lars Backsell, who control 20.6 and 12.9 percent of the shares capital, respectively, and 41.1 and 38.7 percent of the votes, respectively, have committed to subscribe for their respective pro rata shares of the Offering. The sellers of Kemwell AB, Kemfin Holdings Private Ltd and the Minority Seller, have undertaken to subscribe for class B shares in Recipharm pursuant to the Directed Share Issue. These subscription undertakings have been signed, but have not been guaranteed by a bank or another external party. Recipharm's assessment is that the Offering of approximately SEK 805 million before issue expenses, combined with the Company's cash flow from operating activities and the proceeds from the Directed Share Issue, will give the Company sufficient working capital to cover its requirements for the coming 12 months. In the event that the Offering is not successfully executed, the Company will consider alternative solutions to ensure the Company's long-term financing, such as renegotiating its current bank financing, raising bond loans, issuing convertibles or conducting additional new share issues, with or without preferential rights for the Company's shareholders.

Section C – Securities

C.1	**Type of securities**	The Offering comprises Class A and Class B shares in Recipharm with the ISIN SE0002834689 and ISIN SE0005757267, respectively.
C.2	**Currency**	The shares are denominated in SEK.

[1] USD/SEK exchange rate of 8.2325.

C.3	**Issued shares**	As of the date of this Prospectus, Recipharm's registered share capital amounts to SEK 24,807,490, distributed as follows: 12,685,716 Class A shares, 36,429,264 Class B shares and 500,000 Class D shares, each with a par value of SEK 0.50.
C.4	**Rights associated with the Securities**	Each Class B share entitles the holder to one (1) vote. Each Class A share entitles the holder to ten (10) votes. All Class B shares that are subject to trading are freely transferable and carry equal rights to the Company's assets, profit, dividends and any surplus in the event of liquidation. The shareholders have preferential rights when it comes to the subscription of new shares, warrants and convertibles, provided that a general meeting of shareholders, or the Board of Directors following authorisation by a general meeting of shareholders, does not decide to conduct a non-cash issue or new issue disapplying the shareholders' preferential rights.
C.5	**Potential limitations on transfer**	Class B shares are freely transferable. Class A shares are subject to a pre-emption clause according to the Company's Articles of Association.
C.6	**Securities trading**	Class B shares are admitted for trading on Nasdaq Stockholm Midcap, under the "RECI B" ticker. Trading in the new Class B shares is expected to start on or about 16 June 2016. Class A shares are not subject to trading and will not be traded on any marketplace.
C.7	**Dividend policy**	Recipharm's dividend policy stipulates that dividends are to be based on the Group's earnings trend, taking into consideration future development opportunities and the financial position. The long-term goal is to distribute 30–50 percent of profit after tax for the preceding financial year.

Section D – Risks

D.1	**Main risks related to Recipharm and the industry**	Ownership of shares is always associated with risk. A number of factors could have a negative impact on the Company's business, earnings and financial position or cause the value of the Company's shares to decline. These risks primarily include: • The risk that Recipharm's business could be impacted negatively by trends in the global pharmaceutical market; if Recipharm fails to adapt to trends in the global pharmaceutical market, this could have a negative impact on Recipharm's business, earnings and financial position. • The risk that Recipharm's business could be impacted negatively by increased competition or a technology shift in the market; if Recipharm is forced to lower its prices due to increased competition, or the Company is unable to compete successfully, this could have a negative impact on Recipharm's business, earnings and financial position. • Dependence on individual customers. If any of Recipharm's key customers were to change suppliers, this would have a negative impact on Recipharm's business, earnings and financial position. • The risk that acquisitions may not be completed successfully and that the financing of acquisitions could render the Company financially exposed, which would have a negative impact on Recipharm's business, earnings and financial position, and the risk that Recipharm may be unable to identify and complete acquisitions, which could have a negative impact on Recipharm's future growth. • The risk that Recipharm's acquisitions could lead to disruptions in its business and a weakened financial position. The completion of an acquisition and integration of a business could result in unforeseen operational difficulties and expenses, including the risk of known or unknown risks associated with acquired businesses not being handled adequately or the risk that the value of acquired assets may need to be impaired. The aforementioned factors could have a material impact on Recipharm's business, earnings and financial position. • The risk that Recipharm's global operations could be affected by economic, political and regulatory risks, which could have a negative impact on Recipharm's future growth. • The risk that Recipharm could incur costs related to product liability and other liability risks associated with the development, manufacture and marketing of products developed or produced by Recipharm, which could have a negative impact on Recipharm's business, earnings and financial position.

D.1	**Main risks related to Recipharm and the industry, continued**	• Failed quality control could adversely impact operations and lead to government agency intervention. If Recipharm is unable to resolve quality and safety problems in the right way and at the right time, this could result in negative publicity and damaged customer confidence, which could have a significant adverse impact on Recipharm's business, earnings and financial position. • The risk of downtime, contamination or disruptions in the production process. If any of the aforementioned risks were to materialise, the consequences could include delays, production shortages, unforeseen costs, damaged customer relationships, compensation to customers for missing or incorrect deliveries, time losses and costs related to investigations, lost revenue and damage to Recipharm's reputation. • The risk that changes to pharmaceutical-related payment systems could adversely affect Recipharm's customers, which could have a material adverse impact on Recipharm's business, earnings and financial position. • Recipharm is highly dependent on the knowledge, experience and dedication of its management, Board and other key individuals. The loss of key individuals and/or failure to attract and retain qualified employees could have a negative impact on Recipharm's business, earnings and financial position. • The risk that failure to comply with existing and future regulatory requirements could have a negative impact on Recipharm's earnings and financial position. The pharmaceutical industry is subject to extensive regulation and non-compliance or failure to maintain, renew and obtain necessary permits and licenses could have a material adverse impact on Recipharm's business, earnings and financial position. • The risk that Recipharm's and/or Recipharm's customers' protection of intellectual property rights could be insufficient or that an infringement could occur, or the risk that Recipharm or its customers could infringe third-party intellectual property rights. If any of the aforementioned risks were to materialise, this could, directly or indirectly, have a material adverse impact on Recipharm's business, earnings and financial position. • Risks related to environmental, health and safety regulation, including the risk that the Company could be subject to sanctions if it is unable to meet the requirements imposed on the Company's operations, which could have a negative impact on Recipharm's business, earnings and financial position. • The risk that Recipharm's IT systems could be subject to cyber attacks and/or data leaks; although Recipharm has taken steps to protect itself against cyber attacks and to protect its IT systems, there are no guarantees that this will prevent IT system breakdowns or other attacks directed at Recipharm's IT systems, which could result in significant negative consequences for Recipharm's reputation, business, earnings or financial position. • The risk that the terms and conditions of Recipharm's financing arrangements could limit its commercial and financial flexibility due to undertakings (covenants) in agreements and other debt related instruments, and the risk that Recipharm could breach the terms and conditions of its loan agreements, which could result in requirements for renegotiation or termination of the loans. If any of the aforementioned risks were to materialise, this could, directly or indirectly, have a material adverse impact on Recipharm's growth, business, earnings and financial position. • The risk that the Company may not gain access to necessary financing. If Recipharm does not gain access to financing on terms acceptable to Recipharm, this could have a negative impact on Recipharm's business, financial position and earnings, specifically including the risk that Recipharm may not be able to implement desirable acquisitions or structural changes.

D.3	**Main risks related to the securities**	Investments in securities are associated with risks. Such risks could cause the price of the Company's shares to decline significantly and investors could lose all or part of the value of their invested capital. The main risks pertaining to Recipharm's securities include: • The risk that the Offering may not be fully subscribed, and the risk that the shareholders who, through subscription commitments, have undertaken to subscribe their pro rata portion in the Offering do not comply with their undertakings. If the Offering is not fully subscribed, or if shareholders who have undertaken to subscribe their pro rata portion or if the parties which have undertaken to subscribe in the Directed Share Issue, do not fulfil their undertakings, this could adversely affect Recipharm's possibility to raise SEK 856 million before transaction costs through the preferential rights issue and the Directed Share Issue. • The risk that sufficiently active and liquid trading in the series B Subscription Rights and series B BTAs may not develop, and the risk that the price of the series B Subscription Rights and series B BTAs could be adversely affected by causes attributable to Recipharm as well as a general decline in the stock market. • The risk that the interests of the Principal Shareholders may conflict with those of the other shareholders, which could have a negative impact on the share price. • The risk that the future sale of shares in the Company could adversely impact the price of the shares, or that future new share issues in the Company could result in the investors being subject to dilution.

Section E – The Offering		
E.1	**Income and expenses pertaining to the Offering**	The Offering is expected to raise a maximum of approximately SEK 805 million for Recipharm before issue expenses. Deductions will be made from the issue proceeds for issue expenses, which are expected to amount to approximately SEK 12 million.
E.2a	**Motives for the Offering**	Recipharm announced on 18 April 2016, that the Company had signed two separate agreements to acquire Kemwell's pharmaceutical CDMO businesses. The first acquisition comprises Cirrus Pharmaceuticals Inc. with operations in the US, with services including development of inhalation, liquid, semi-solid, solid and parenteral products with emphasis on early formulation work as well as development of analytical methods and testing, and Kemwell AB in Sweden, with services primarily including manufacturing of APIs, solids and semi-solid formulations. The sellers are Kemfin Holdings Private Ltd., and in relation to Kemwell AB, the Minority Seller. The acquisition is expected to be finalised during the second quarter of 2016. The second acquisition comprises Kemwell Biopharma Private Ltd's pharmaceutical operations in India. The operations include both development services as well as commercial manufacturing of solid, semi-solid, liquid and topical dose products. The customers are located in India as well as in Europe and the United States. These acquisitions are a step in Recipharm's growth strategy with a focus on emerging markets and establishing a position on the pharmaceutical market in the United States. After completion of the acquisitions, Recipharm will become a global player in services for the pharmaceutical industry. Technology-wise, the acquisition of the Indian business complements the operations in sterile injection solutions in the newly acquired Indian company Nitin Lifesciences Ltd. Recipharm thus reinforces its position on the growing market in India and creates additional opportunities for growth, both on the Indian market and through exports from India to North America and Europe, as well as to emerging markets in Asia and Africa. The purpose of the Offering is that the net proceeds from the Offering of approximately SEK 793 million, together with available funds, existing credit facilities and the proceeds from the Directed Share Issue, will be used to finance the purchase price for the acquisition of Kemwell Biopharma Private Ltd's pharmaceutical operations in India described above. The acquisition of Cirrus Pharmaceuticals Inc. and Kemwell AB will be financed with available funds, existing credit facilities and the Payment In-Kind Share Issue of USD 55 million.

E.3	**Conditions for the Offering**	**General** The issue comprises a maximum of 2,537,143 Class A shares and a maximum of 7,273,924 Class B shares. Any person who on the record date of 23 May 2016 is registered as a shareholder in the share register maintained by Euroclear Sweden AB ("Euroclear") on Recipharm's behalf will have a first priority preferential right to subscribe for new Shares of the same class. For this purpose, persons who are registered as Recipharm shareholders on the record date will receive one (1) Class A Subscription Rights for each Class A Recipharm share held and one (1) Class B Subscription Rights for each Class B Recipharm share held. The Subscription Rights entitle the holder to first priority preferential rights to subscribe for new shares, whereby five (5) Class A and Class B Subscription Rights provide entitlement to subscribe for five (5) new Class A and B Shares, respectively. **Subscription price** The new shares are to be issued at a price of SEK 82 per new share, regardless of share class. No commission will be charged. **Subscription period** The subscription period for new Shares will take place during the period from and including 25 May 2016 until 5:00 p.m. CET on 7 June 2016. The Board of Directors of Recipharm reserves the right to extend the subscription period, in which case such information will be announced in a press release. **Trading in Subscription Rights** Subscription Rights for Class B shares will be traded on Nasdaq Stockholm during the period from and including 25 May 2016 up to and including 2 June 2016. Subscription Rights for Class A will not be traded. **Allotment of shares subscribed for with second priority preferential rights and without preferential rights** Shares not subscribed for with first priority preferential rights will be offered to shareholders who have subscribed for shares on the basis of second priority preferential rights. Shares that are not subscribed for with first priority or second priority preferential rights will be offered to other persons who applied for subscription for shares in the Offering and, if these cannot obtain full allotment, in relation to the number of shares that each person applied for subscription of and, if this is not possible, by drawing of lots. A settlement note will be sent as confirmation of any allotment on or about 13 June 2016. **Settlement date** The estimated settlement date for shares subscribed on the basis of second priority preferential rights and shares subscribed without preferential rights is on or about 16 June 2016.
E.4	**Material and conflicting interests**	DNB, Handelsbanken and Swedbank are Joint Lead Managers of the Offering. The Joint Lead Managers provide financial counselling and other services to Recipharm and the Principal Shareholders in connection with the Offering. The Joint Lead Managers receive predetermined remuneration for their services. DNB, Handelsbanken and Swedbank are also lenders to Recipharm AB. Apart from the aforementioned interests, none of the advisors has any shareholding, or any other financial interests, in Recipharm. The Pricipal Shareholders, which jointly hold 79.8 of the voting rights and 33.4 of the capital of Recipharm, have independently undertaken to subscribe for shares in the Offering, in a combined amount corresponding to subscription payment of SEK 272 million, which is equal to approximately 33.8 percent of the Offering.

E.5	**The Selling Shareholders / Lock-up agreements**	Certain Class B shares in Recipharm are subject to a lock-up period. The most significant lock-up periods are presented below: • In connection with the IPO on 3 April 2014, Lars Backsell and Thomas Eldered undertook not to sell or otherwise transfer their shareholdings in Recipharm during a certain period after the shares were admitted to trading on Nasdaq Stockholm. Lars Backsell's lock-up period of 18 months has expired, while Thomas Eldered's lock-up period of 36 months is still applicable. The restriction on transfer of shares does not include Recipharm shares transferred between Lars Backsell and Thomas Eldered during the lock-up period. • The sellers of Lusomedicamenta Sociedade Técnica Farmacêutica S.A. have undertaken not to sell or otherwise distribute or transfer 1,181,193 Class B Recipharm shares, an undertaking that extends up to and including 13 November 2016. • The seller of Kemwell AB and Cirrus Pharmaceutical Inc., Kemfin Holdings Private Ltd. and the Minority Seller, have undertaken not to sell or other transfer their respective shareholdings in Recipharm during a period of 12 months from the takeover of Kemwell AB and Cirrus Pharmaceutical Inc.
E.6	**Dilution**	Provided that all new Shares are subscribed for in the Offering, the number of shares in the Company will increase from 49,614,980 shares to 59,426,047 shares, corresponding to an increase of approximately 19.8 percent of the shares and approximately 19.9 percent of the votes in the Company. Shareholders not participating in the Offer will be diluted by up to 2,537,143 Class A shares and up to 7,273,924 Class B shares, corresponding to approximately 16.5 percent of the shares and approximately 16.6 percent of the votes in the Company after the Offering.
E.7	**Expenses for the investor**	None. No commission will be charged.

RISK FACTORS

An investment in Recipharm's Securities is associated with risk. Prior to any investment decision, it is important to carefully analyse the risk factors that are considered important to the Company's and its share's future performance. The risk factors considered of importance to Recipharm are described below, without being ranked in a specific order. There are risks both regarding circumstances linked to Recipharm or the industry and those that are of a more general nature as well as risks associated with the Securities and the Offering. Some risks are beyond the Company's control. The presentation below does not purport to be complete and, for natural reasons, all risk factors cannot be predicted or described in detail. Therefore, an overall assessment must also include other information in the Prospectus as well as a general assessment of extraneous factors. The following risks and uncertainty factors can have a significantly adverse effect on Recipharm's business, financial position and/or earnings. They can also cause Recipharm's Securities to decrease in value, which could result in Recipharm shareholders losing all or part of their invested capital. Additional factors which are currently not known to Recipharm, or which are not currently considered to be risks, may also have a corresponding negative impact.

OPERATIONAL AND MARKET RISKS

Recipharm's business is subject to market trends in the global pharmaceutical market

Recipharm's business is influenced by trends in the global pharmaceutical market. Current trends include increased consolidation, which creates larger and financially stronger competitors, increased outsourcing of development and manufacturing services, as well as increasingly cheaper generic products (copies of drugs for which patents have expired). Recipharm's future success depends on the Company's ability to anticipate and adapt to rapidly changing trends. If Recipharm fails to adapt to trends in the global pharmaceutical market, it could have a negative impact on Recipharm's business, earnings and financial position.

Recipharm operates in a highly competitive market, and increased competition or a technology shift in the market may adversely affect its business

Recipharm operates in a fragmented market and competes with both large and small companies in various service categories, segments and geographical markets. The competitive environment varies among Recipharm's different areas of operation. Competition is driven by proprietary technology and know-how, production capacity, continuity of operational performance, quality, price, value and increased demands for faster delivery. Some competitors may have greater financial, research and development, operational and marketing-related capacity than Recipharm. Competition may also increase due to industry consolidation, new business establishments and increased investment from other players in close competition with Recipharm. If Recipharm is forced to cut the prices or if Recipharm fails to adapt to trends in the global pharmaceutical market, it could have a negative impact on Recipharm's business, earnings and financial position.

In addition, Recipharm's offerings may become obsolete or non-competitive insofar as Recipharm's competitors adapt more quickly to new technologies and changes in consumer demand. If Recipharm's competitors develop more effective and/or more affordable products or processes, or manage to commercialise them faster than Recipharm, then Recipharm's business can be adversely affected significantly.

Recipharm's products may be subject to competition and volatile sales

The products Recipharm supplies to its customers could be exposed to increased competition through variations in the number of producers or price, factors that can affect demand from Recipharm's customers. For example, the products that Recipharm manufactures for customers in the pharmaceutical industry can be affected by generic competition, which can result in these products losing their strategic importance to Recipharm's customers. If Recipharm fails to replace lost business in such an event, this can have a significantly negative effect on Recipharm's business, earnings and financial position.

Recipharm sells Thyrosafe, a potassium iodide tablet that is taken in order to protect the thyroid gland in connection with exposure to radiation, for instance in the case of a nuclear accident. Thyrosafe is sold mainly to government agencies and organisations on an irregular basis, because the product is usually held in stock until the end of its shelf life and because customers purchase large volumes through a procurement procedure. Sales of Thyrosafe are volatile, which can have a significant impact on Recipharm's business, earnings and financial position.

Dependent on a limited customer base

A significant part of Recipharm's business comes from a limited number of customers. A loss or reduction of business from those customers could have an adverse effect on Recipharm's business. Although the percentage of Recipharm's sales to major customers has decreased in recent years, a large portion of Recipharm's revenue is attributable to a limited number of customers. Of total

sales in 2015, Recipharm's largest customer accounted for approximately 14 percent, and the three largest customers for approximately 31 percent in total. Recipharm has several contracts with each of its major customers because each facility has its own contract with the customer for products and stock keeping units. Although Recipharm often has long-term and, in the Company's view, good relationships with its customers, customers have previously terminated agreements for various reasons. For example, Meda ended its manufacturing agreement with Recipharm Strängnäs on 31 December 2015. Meda has also announced the termination of its manufacturing agreement with Recipharm Höganäs. While many products show stable and increasing volume growth, other customers have announced that there will be less demand for certain products in the future. Although Recipharm has several long-term agreements with its larger customers, and the process for changing suppliers for the services Recipharm provides is time-consuming and costly, there is no guarantee that Recipharm's customers will continue to use its services or that they will continue to do so to the same extent as in the past. A major customer reduction or termination of Recipharm's services could have a significantly negative effect on Recipharm's business, earnings and financial position.

Recipharm may not be succesful in its acquisition strategy

Recipharm pursues an active acquisition strategy, and strategic acquisitions are expected to remain an essential element of Recipharm's growth. Recipharm acquired Corvette Pharmaceutical Services Group on 1 October 2014, Lusomedicamenta Sociedade Técnica Farmacêutica S.A. on 1 November 2014, the Pessac business from Flamel Technologies SA on 1 December 2014 and OT Chemistry AB (presently Recipharm OT Chemistry AB) on 15 June 2015. In October 2015, Recipharm announced its entry into a contract for the acquisition of a majority stake in Nitin Lifesciences Ltd., an Indian CDMO specialising in injection drugs. Recipharm took over Nitin Lifesciences Ltd. on 11 April 2016. On 21 December 2015, Recipharm announced its entry into a strategic collaboration with Alcon, which is part of Novartis, and which also includes a long-term manufacturing agreement, as well as Recipharm's acquisition of Kaysersberg Pharmaceuticals S.A.S., which owns a manufacturing facility in Kaysersberg, France. On 24 February 2016, Recipharm acquired Italian CDMO Mitim S.r.l.. Recipharm announced on 18 April 2016 that the Company had entered into two separate agreements to acquire pharmaceutical CDMOs from Kemwell. One of the acquisitions comprised Cirrus Pharmaceuticals Inc. with operations in Research Triangle Park, North Carolina, USA, service offering includes the development of inhalation drugs, liquid, solid and semi-solid dosage forms, as well as parenteral products, with the emphasis on early formulation work and development of analytical methods and testing, and Kemwell AB in Sweden which primarily produces API's, solid and semisolid dosage forms. The other acquisition comprises Kemwell Biopharma Private Ltd's pharmaceutical operations in India. The operations include both development services and commercial production of solid, semi-solid, liquid and topical products. The acquisition of Cirrus Pharmaceuticals Inc. and Kemwell AB are expected to be finalised during the second quarter of 2016, subject to the confirmation of certain third party undertakings. As at the date of this Prospectus, the condition relating to third-party confirmation of certain undertakings has not yet been fulfilled. If this condition has not been met by 30 June 2016, or such later date agreed by the parties, the acquisition agreement will lapse entailing that the acquisition of Kemwell AB and Cirrus Pharmaceuticals Inc. will not take place. Recipharm however has the right to waive the relevant condition and to thereby procure that the acquisitions are made. The acquisition of the majority of operations of Kemwell's business is subject to governmental approvals and is expected to be finalised before the end of 2016.

Recipharm continuously explores and enters into discussions with potential acquisition candidates, and the Company anticipates more transactions in the long term. However, there is no guarantee that any acquisitions will take place or that such acquisitions will be successful. Even if the acquisitions are successful, it is not certain that the market will receive the news in a positive way, which is likely to have a significant negative impact on Recipharm's business, earnings and financial position.

Recipharm's goal of expanding in emerging markets greatly depends on the success of acquisitions in these geographies. Should one or more of the new or recently announced acquisitions in India not succeed, it can result in this objective not being met in full or at all.

In the future, Recipharm might be unable to find suitable acquisition candidates or obtain the necessary financing for acquisitions through either the issue of equity or by taking on additional debt on terms acceptable terms to Recipharm. Recipharm may also be exposed to competition from other companies that want to carry out acquisitions in the pharmaceutical sector. Recipharm's ability to acquire companies might also be limited by applicable competition laws and other legislation in the jurisdictions in which the target companies operate. In the event Recipharm is able to carry out acquisitions, it might mean that the Company is forced to use a significant amount of its cash and cash equivalents, take on additional debt and be affected by earlier decisions that may entail losses. In certain circumstances, Recipharm might be unable to complete an acquisition, such as by failing to secure financing.

Recipharm's acquisitions may lead to disruptions in the business and a weakened financial position

The completion of an acquisition and integration of a business can lead to unforeseen operational difficulties and expenses. Each transaction that Recipharm identifies and implements successfully involves a number of risks that are both operational and company specific; for example, the Company may find that the price paid for the acquired company exceeds its value, that the acquisition candidate has hidden liabilities, or that the costs of the acquisition exceed earlier estimates. Any due diligence the Company performs may not be sufficient to identify all potential risks and problems that could ulti-

mately be materialised. Potential additional risks include the acquisitions taking up too much of management's time and resources, which in turn leads to reduced time and resources for operating Recipharm's current business, an integration process that is more time and cost consuming than anticipated, or loss of customers or employees. In addition, Recipharm might fail to realise anticipated synergies or reach the goals of the transaction. Recipharm might also be unable to maintain uniform standards, controls, procedures and policies, which can lead to operational inefficiencies or problems with quality or regulatory compliance. Acquisitions can fail, reduce Recipharm's cash and have a significantly negative effect on Recipharm's business, earnings and financial position.

Even if Recipharm's acquisitions are completed successfully, each acquisition involves a number of risks. In connection with an acquisition, unknown risks at the time can be materialised and/or subsequent integration measures can fail. Recipharm's due diligence may have failed to identify the underlying problems, such as those related to accounting, regulatory, manufacturing and environmental regulatory compliance, consumer and supplier relationships, taxation and employment relationships. The ownership changes that an acquisition brings can give counterparties of the acquired companies a right to wholly or partly terminate essential agreements for the businesses Recipharm acquires. The financial statements and other financial information in respect of acquired companies and businesses that have been available to the Company might be unaudited and prepared in accordance with accounting policies other than those the Company normally applies. An audit of such information can reveal significant discrepancies which could require restatement, reclassification or other changes. In addition, adaptation and conversion of these reports to IFRS can result in restatement, reclassification or other changes. The financial statements and other financial information relating to the acquired companies or businesses may be impossible to compare with the corresponding information from Recipharm. There is also a risk that Recipharm would be forced to make write-downs of goodwill attributable to the acquired companies.

Through acquisitions, Recipharm can expand into new geographical markets. Such acquisitions are subject to uncertainty because Recipharm has not previously been active in those commercial, political and social environments. The Indian pharmaceutical manufacturing industry has recently come under increased scrutiny. For example, several Indian pharmaceutical manufacturers has been scrutinised by American and European authorities, and although the Company has no reason to believe that recently acquired businesses have been operated in breach of the relevant requirements, there is no guarantee that this has been the case or that it will continue to be the case. In addition, unforeseen circumstances can occur which could negatively affect Recipharm's ability to operate in the new market.

If Recipharm fails to manage growth, its business can be adversely affected

Recipharm's growth has occasionaly placed great demands on management and on its operational and financial infrastructure. Recipharm's existing control, management, accounting and information systems can prove insufficient for continued growth, and additional investments in these areas may therefore be necessary. If Recipharm proves incapable of controlling or sustaining continued growth in an efficient manner, this can have a negative impact on Recipharm's business, earnings and financial position.

Recipharm's global operations are affected by economic, political and regulatory risks

Recipharm operates and sells products in several regions around the world, including Europe, Asia, the United States, Africa and Latin America. Recipharm is affected by the risks associated with business activities globally and under foreign jurisdictions and territorial laws, regulations and practices. These risks include regulatory risks arising from local regulations, updated exchange control regulations and other government measures, increased complexity in the work environment and regulation, availability of raw materials, changes in taxation, export restrictions, pricing restrictions, economic and political instability, disputes between countries, reduced or insufficient protection for intellectual property rights as well as the disruption or destruction of operations in key geographical regions, including war, terrorism, riots, civil insurrection or social unrest. The failure to comply to, or substantial changes to, laws and regulations affecting Recipharm's global activities could have an adverse effect on Recipharm's business, earnings and financial position.

Recipharm is exposed to risks related to product liability and other liability for damages

Recipharm is subject to significant product liability and other liability risks associated with the development, manufacture and marketing of products developed or produced by Recipharm. Recipharm may be named as a defendant in legal proceedings regarding product liability, in which charges can be brought alleging that Recipharm's products have caused or could cause injury or threat of injury to customers. Such legal proceedings may be costly to defend and can result in reduced sales, extensive obligations and could take up much of management's time, attention and resources in ways that have a negative impact on the Company's operations. Although Recipharm has comprehensive product liability insurance protection, such protection may be insufficient to cover all potential claims and losses. Even demands without merit could expose Recipharm to negative publicity, and Recipharm can incur high costs for legal services. Notwithstanding the final outcome, such claims and legal proceedings could have a significantly negative effect on Recipharm's business, earnings and financial position.

Failed quality control can adversely affect operations and lead to government agency intervention

Recipharm's success depends on the quality of its products. Quality control plays an important role in identifying and satisfying customer requirements, preventing defects, improving products and services, and ensuring that products are safe and effective. Although Recipharm has implemented a quality system as regards the design, formulation, development, manufacture, packaging, sterilisation, management, distribution and labelling of products, Recipharm's success depends on its ability to maintain and continuously improve these systems. If a quality or safety problem were to occur, it might result in negative inspection reports, warning letters, product recall, confiscation, monetary penalties, decisions on interim production or distribution stops, denied product licences, restrictions, or the withdrawal of existing authorisations and licences. If Recipharm is unable to resolve quality and safety problems in an effective and a timely manner, this can lead to negative publicity and damaged customer confidence, which could have substantial negative effects on Recipharm's business, earnings and financial position.

Recipharm requires that third-party suppliers comply with the Company's quality standards. Some of the raw materials used in Recipharm's production are derived from human or animal origin, which requires rigid control for preventing the introduction of pathogens or other contaminants. The failure of third parties to deliver compatible raw materials or products can result in delays, disruptions or other quality-related issues that can have a negative impact on Recipharm's business.

Recipharm's earnings from production depend on purchases

The purchase of raw materials, such as chemicals and other ingredients required for drug manufacture, make up a large part of Recipharm's total costs. Recipharm has so far been successful in limiting price increases from suppliers and has to a large extent, where the price has been increased, been able to pass the additional cost on to its customers, but there is a risk that future changes in commodity prices could have significant negative effects on Recipharm's business, earnings and financial position.

Recipharm manufactures products at 21 manufacturing facilities. The Company acquires components and materials from many suppliers in various countries. Recipharm strives to build long-term relationships with its suppliers. For certain components and materials, Recipharm is dependent on one or a few suppliers. Recipharm's short-term ability to manufacture products to meet demand can be affected by interference caused by natural disasters, international supply disruptions, the presence of pandemics, geopolitical situations, termination of supplier agreements or other events. In addition, Recipharm depends on supplier performance meeting the contractual requirements relating to volume, quality and delivery schedules. Incorrect, delayed or failed deliveries can disrupt Recipharm's production process. Due to the regulatory requirements applicable to its activities, Recipharm might be unable to quickly establish replacement sources for components and materials. A reduction or disruption in the supply chain, or an inability to establish replacement sources in a timely manner, can have a negative impact on Recipharm's capability to cost-effectively produce its products without delay and could have significant negative effects on Recipharm's business, earnings and financial position.

If Recipharm experiences manufacturing difficulties, its business may be adversely affected

Recipharm's production consists of a chain of processes in which downtime and disruptions (including contamination) can have negative consequences for Recipharm's ability to manufacture products in sufficient volumes to meet demand. From time to time, problems arise related to the operation of the plants, in production and in product delivery due to a variety of reasons, including equipment failure, contamination, non-compliance with regulations and procedures, problems with raw materials and environmental factors, as well as injury or loss of production due to fire, flood or similar causes. Such problems can affect batch production, which can lead to scrapping of products or the shutdown of production. If Recipharm fails to identify and remedy production problems, this can also lead to quality or safety problems. If any of these risks materialise, the consequences can include delays, production shortages, unforeseen costs, damaged customer relationships, compensation to customers for missing or incorrect deliveries, time and costs related to investigations, lost revenue and damage to Recipharm's reputation.

Recipharm may not be able to achieve some or all of the expected benefits of its cost and efficiency program

In the fourth quarter of 2015, Recipharm adopted a cost and efficiency program. As part of the program, Recipharm aims to reduce its headcount by 100 employees, achieve costs savings of more than SEK 60 million, with full effect from the start of 2017, and gain efficiencies from streamlining the product range and terminating less profitable contracts. Recipharm may not be able to achieve the cost savings and benefits that it initially anticipated when it launched the program. As a result of the cost and efficiency program, there may also be some inefficiencies during the transition period. If Recipharm fails to achieve some or all of the benefits of its cost and efficiency program, it could have an adverse effect on Recipharm's business, results of operations and financial position.

Recipharm is dependent on key personnel

Recipharm is highly dependent on the knowledge, experience and dedication of its management, Board and other key individuals. Recipharm has entered into employment agreements with key individuals that reflect current market terms. Recipharm views its entire staff as an essential asset and therefore attaches great importance to maintaining a good personnel policy and actively engaging in succession management for senior executives. Despite this, there is no guarantee that

Recipharm will be able to retain these key individuals or that Recipharm will be able to recruit new qualified staff in the future. Recipharm's ability to recruit and retain such key individuals depends on several factors, including recruitment of competitors, salary and compensation benefits, workplace location, work environment and economic conditions in the industry. Loss of key individuals, combined with a failure to attract and retain qualified staff, could have a significantly negative effect on Recipharm's business, earnings and financial position. This risk makes its presence felt particularly in businesses that are recently acquired but not yet integrated, whose key individuals play an especially important role for Recipharm.

Dependence on reimbursement schemes and healthcare programmes

The products that Recipharm manufactures are sold in a large number of geographical markets. Some of the products that Recipharm manufactures are partly dependent on reimbursement from government agencies and healthcare programmes, or rely on reimbursement from insurance companies and other private payers. The pursuit of healthcare-related cost management continues to put pressure on the pricing of products globally. Governments around the world are using a variety of mechanisms in order to control healthcare expenditures, such as price controls, establishment of governmental procurement agencies, product formularies (lists of recommended and authorised products) and competitive tenders. In addition, austerity measures and other forms of action from foreign governments and authorities may limit, reduce or eliminate compensation payments for the products that Recipharm manufactures as well as negatively affect pricing flexibility and demand for the product in question. Changes, for example with regard to national subsidies, prescription regulations, and distribution and replacement terms and conditions, can have a major impact on the different areas of application and individual markets. As a result of these and other measures, including future reforms that cannot be foreseen, reimbursement may be unavailable or insufficient, resulting in the inability of Recipharm's customers to sell their products on competitive terms. If the products of Recipharm's customers would be affected by such measures, their respective markets could suffer significant negative impacts, which could have significant negative effects on Recipharm's business, earnings and financial position.

Failure to comply with existing and future regulatory requirements can negatively affect Recipharm's earnings and financial position

The pharmaceutical industry is subject to extensive regulation. Recipharm is subject to various local, state, federal, foreign and transnational laws and regulations, and in the future a change in these laws and regulations could affect Recipharm negatively. Recipharm is particularly exposed to regulations relating to product manufacturing and drug safety. Recipharm's subsidiaries might have to register permits and licences with various government agencies and ensure their compliance. These agencies include among others US FDA, EMA and state agencies as well as business-specific accreditation bodies depending on the type of operation and distribution, manufacturing and marketing. If Recipharm or its customers fail to comply with these regulatory requirements, it could result in warning letters, product recalls, or seizures, monetary penalties, interim production and sales stops, restrictions on Recipharm's business activities, civil and penal sanctions, or withdrawal of existing or denial of pending approvals including approvals for products and plants. In addition, such failures can lead to product liability or contractual liability relating to customers, including claims based on loss and injuries attributable to active pharmaceutical ingredients, which can be considerable. Also, each new product that is classified as a pharmaceutical product is subject to lengthy and rigorous clinical testing and other costly, time-consuming procedures prescribed by regulatory bodies.

Although Recipharm believes that it complies, in all essential respects, with applicable laws and regulations, there is no guarantee that regulatory bodies and courts of jurisdiction would reach the same conclusion. In addition, there is no guarantee that Recipharm will be able to maintain and renew existing permits, licences or other approvals, or that it will be able to obtain future permits, licences or other approvals required for business operation. Non-compliance or failure to maintain, renew and obtain necessary permits and licences could have significant negative effects on Recipharm's business, earnings and financial position.

Recipharm and its customers are dependent on patents, copyrights, trade secrets and other intellectual property rights, but the protection they provide may be insufficient

Recipharm's assets consist of intellectual property rights to some extent, and in the future intellectual property rights may account for a growing part of Recipharm's total assets. Recipharm's success depends in part on its ability to maintain and enforce patents and patent licences. Recipharm cannot guarantee that current patent applications will result in issued patents, that patents issued or licenced will not be circumvented or challenged, or that third-party intellectual property rights will not prevent the marketing of Recipharm's products.

The patent position for a pharmaceutical company is often uncertain and involves complex legal and factual questions. Significant litigation concerning patents and products is pervasive in Recipharm's industry. Patent claims can include challenging the coverage and validity of Recipharm's patents as well as charges relating to patent infringement in competitors' or third-party rights. A loss in such legal proceedings can lead to the loss of patent protection or the ability to commercialise products, which can result in substantial loss of sales or otherwise significantly affect performance. Recipharm also depends on trademarks, copyrights, trade secrets and know-how in relation to the development, maintenance and strengthening of its position in the market. Third parties can be aware of, find out or independently develop corresponding information and technology, or obtain access to Recipharm's trade secrets or reveal its trade secrets to the public. Misappropriation or any other loss of Recipharm's intellectual property rights might have an

adverse effect on the Company's position in the market and result in extensive litigation costs for Recipharm.

In addition, several of Recipharm's pharmaceutical customers rely on patents to protect their products from generic competition. Because incentives exist in some countries for generic pharmaceutical companies to challenge these patents, pharmaceutical companies are under ongoing threat of a challenge to their patents. If Recipharm's customers' patents were to be successfully challenged and as a result subjected to generic competition, the market for Recipharm's customers' products could be significantly adversely affected, which could have an adverse effect on Recipharm's business, results of operations and financial position.

Recipharm's customers and their customers can infringe third-party intellectual property rights

Although Recipharm does not believe its products in any material respect infringe on other parties' rights and that meritous defences would exist with respect to any claim to the contrary, there is no guarantee that Recipharm would not be found to infringe the rights of others. There has been extensive litigation in the pharmaceutical industry with respect to the production, use and sale of the products that are the subject of conflicting patent rights. Regardless of the merits or resolution of the case, each claim that Recipharm's products or processes infringe on rights (including claims arising from the contractual obligation to hold Recipharm's customers harmless) can be costly and take up management's and the technical staff's attention and resources in ways that have a negative impact on the Company's business. Due to the complex technical problems and the inherent uncertainty surrounding intellectual property litigation, Recipharm can suffer setbacks in such litigation. If such a dispute results in a negative outcome, Recipharm might be required to pay substantial sums in damages; end the production, use or sale of the infringing product or process; spend significant sums on the development of non-invasive technology; licence the technology from a third party claiming infringement, whose licence may not be available on commercially reasonable terms or may not be available at all; or lose the opportunity to licence its technology to others or collect royalty payments based on the successful protection and enforcement of intellectual property rights in relation to others. In addition, the products of Recipharm's customers can be subject to allegations of intellectual property infringement, which could adversely affect Recipharm's business if the customers' products cease to be manufactured or must cease using the infringing technology. The above could affect Recipharm's ability to compete and have significant adverse affects on its business, earnings and financial position.

Recipharm is subject to environmental, health and safety regulation which can increase costs and restrict business in the future

Pharmaceutical production involves the use of chemicals that may be harmful to the environment. Pharmaceutical products belong to a group of chemicals that are designed to be biologically active. Any emissions can cause serious damage to humans, animals and plants. Primary production is production that involves active and passive ingredients that can potentially harm the environment. Recipharm's business involves secondary production, in which the products from primary producers are converted into finished products. Secondary production utilises less dangerous chemicals, mainly solvents and alcohol. Recipharm's direct impact on the environment is through atmospheric emissions and wastewater.

Recipharm is subject to many regulations relating to the environment, health and safety in the jurisdictions in which the Company operates its own production facilities. These laws and regulations govern atmospheric emissions, water discharges, production, storage, handling and transportation of drugs and other hazardous substances, soil and groundwater pollution, and employee health and safety. In the future, new or stricter rules might be imposed and enforcement of such rules might require Recipharm to make substantial investments. If Recipharm fails to comply with environmental, health and safety regulations, it could result in the restriction or suspension of production, financial penalties, civil or criminal penalties, or other future liabilities in excess of Recipharm's reserves. Recipharm is also subject to laws and regulations regarding the disposal and handling of raw materials and non-compliant products, the handling of regulated materials that are included in its products, and the handling of waste products. In addition, compliance regarding current environmental and safety requirements can limit Recipharm's potential to expand its facilities, require it to purchase costly or burden the Company with costs or modifications related to the production process. If new or previously unknown contamination is discovered at controls systems Recipharm's facilities or third-party facilities (including Recipharm's previous sites), and the authorities order the Company to take corrective measures regarding the contaminants or they apply for an injunction regarding other matters for which Recipharm is responsible, then Recipharm might be forced to take action, such as remediating any contaminated land. Such measures could have a negative effect on Recipharm's business, earnings or financial position.

Changes in tax laws or exposure to additional tax liabilities may negatively affect Recipharm's earnings

Recipharm operates in many different countries and believes that it complies with applicable tax legislation with respect to operations in Sweden and abroad. From time to time, various legislative initiatives may be proposed which can adversely affect Recipharm's tax position. In addition, Swedish and international tax regulations are extremely complex and subject to different interpretations. There is no guarantee that Recipharm's tax position will not be challenged by the tax authorities or that the Company will be successful in such an event. A decision by a Swedish or foreign tax authority might alter Recipharm's previous or future tax position, which might have a negative effect on Recipharm's business, earnings or financial position.

Recipharm's increased dependence on technology and infrastructure brings additional risks, especially the risk of cyber attacks and data leaks

Recipharm increasingly relies on technology and infrastructure. These systems are potentially vulnerable to risks like failure or disruptions due to fire, power outages, system failures or access by an unauthorised party. An employee's possible failure to comply with the data policy can result in the risk of unauthorised access to Recipharm's data systems or the loss of data in the system. The expanded use and development of technology, especially in cloud-based services, increases the risk for the unintended transfer or deliberate destruction of confidential information stored in Recipharm's systems or on non-encrypted portable storage devices. Recipharm also risks experiencing business interruptions, theft of confidential information or damage to its reputation as a result of industrial espionage, malicious code or other types of cyber attacks. Such attacks against Recipharm can furthermore lead to data leaks, either internally or externally. Although Recipharm has invested in the protection of information, technical systems and infrastructure, there is no guarantee that this will prevent significant system breakdowns or other attacks directed at Recipharm's systems, which can have significant negative effects on Recipharm's reputation, business, earnings or financial position.

Fluctuations in foreign exchange rates and interest rates might have a material adverse effect on Recipharm's earnings

Recipharm operates in several countries within Europe through which revenue and expenses are generated in different currencies, mainly in GBP and EUR. As a consequence of the acquisition of Nitin Lifesciences Ltd. in India and the planned acquisition of Cirrus Pharmaceuticals Inc. in the US as well as Kemwell Biopharma Private Ltd's pharmaceutical operations in India, Recipharm will generate revenue and expenses in additional currencies, including the INR and USD. Recipharm strives to minimise its foreign currency risk by matching revenues and expenses in the same currency. If Recipharm is unable to match revenues and expenses in the same currency, it will face exposure to risks in foreign exchange rates, which could affect the Company's financial results negatively. In addition, Recipharm also faces exposure to currency conversion risk when the foreign subsidiaries' assets and liabilities are converted into SEK.

Recipharm is also exposed to changes in interest rates, and its ability to access money and capital markets can be hampered if the conditions in these markets are adversely affected. Recipharm's business is partly financed through interest-bearing liabilities. On 31 March 2016, Recipharm's interest-bearing liabilities totalled approximately SEK 3,138 million. An interest rate increase that could result in a greater amount of cash flow than in the past must be taken into account for the payment of interest and thus can negatively affect Recipharm's business, earnings and financial position.

Recipharm currently has no hedging to manage foreign currency and interest rate risks or interest rate risk on its main credit facilities. If Recipharm chooses to make use of hedging in the future, it is not certain that such measures can manage these risks successfully, which might affect Recipharm's business, earnings and financial position.

Terms and conditions of financing arrangements can limit Recipharm's commercial and financial flexibility

Recipharm aims to have a loan portfolio with a balanced mix of long-term and short-term loans, including interest rates that are tied to the official interbank rates. Recipharm has both negative and positive covenants in its long-term and revolving credit facilities and other debt related instruments. The long-term credit facility according to a loan agreement with a bank syndicate consisting of DNB, Handelsbanken and Swedbank requires Recipharm to meet requirements for net debt/EBITDA, cash flow/(amortisations plus interest), interest coverage ratio and net debt/equity capital. Further, the approval from the banks, which is required in relation to the acquisition of Cirrus Pharmaceuticals Inc, Kemwell's Pharmaceutical Division in India and Kemwell AB, is subject to that Recipharm raises not less than SEK 600 million in a rights issue no later than 30 June 2016.

Recipharm's ability to meet the requirements under the loan agreement can be affected by circumstances beyond its control, and there is no guarantee that Recipharm will be able to meet these requirements. Recipharm has limited ability to quickly limit its costs because the Company has a high fixed cost base. An event of default or another breach of the terms of the loan, could result in renegotiation of or termination of the loans. If the long-term loan agreement is terminated, it could have significant adverse effects on Recipharm's business, earnings and financial position. In addition, such an event could have a negative effect on Recipharm's ability to obtain new financing on acceptable terms.

Risks associated with future financing requirements

The possibility that additional financing for Recipharm will be required, for example in connection with acquisitions, investments, marketing efforts, and investments in research and development, cannot be excluded. If Recipharm does not gain access to financing on terms acceptable to Recipharm, it could negatively affect Recipharm's business, financial position and earnings, including the possibility that Recipharm may not be able to implement planned or desirable acquisitions or structural changes.

RISKS RELATED TO THE SHARES AND OFFERING

Risks related to the shares

Risk and risk-taking are an inevitable part of share ownership. Since an equity investment can both increase and decrease in value, it is not guaranteed that an investor will fully recover the invested capital. The price of Recipharm's Class B shares might fall below the subscription price in the Offering. Those who choose to subscribe for new shares in the Offering could then incur a loss on the sale of such shares. The share price trend depends on a number of factors, some of which are company specific while others are related to the stock market in general. Such factors may also increase the volatility of the share price. It is impossible for Recipharm to control all the factors that could affect its share price, which is why careful consideration should be given before every decision to invest in new Shares.

The Offering and the Directed Share Issue are not guaranteed and the subscription commitments are not secured

The Offering of approximately SEK 805 million is not guaranteed, but Recipharm's two Principal Shareholders, Flerie Participation AB, which is controlled by Recipharm's CEO, Thomas Eldered who have a participating interest of 20.6 per cent of the share capital, as well as Cajelo Invest AB, which is controlled by Recipharm's Chairman of the Board, Lars Backsell who has a participating interest of 12.9 per cent of the share capital, have through subscription commitments undertaken to subscribe for new Shares in the Offering, which overall represents a subscription settlement of SEK 272 million.

The sellers of Kemwell AB, Kemfin Holdings Private Ltd. and the Minority Seller, have undertaken to subscribe for class B Recipharm shares as part of a directed share issue of class B shares totalling approximately SEK 51 million.

The subscription commitments are not secured by a bank guarantee, deposit or other security. Under these circumstances, Recipharm cannot guarantee that the Preferential Rights Issue is fully subscribed, that the Principal Shareholders, and Kemfin Holdings Private Ltd. and the Minority Seller, meet their subscription commitments and, therefore, neither that the expected proceeds of totally approximately SEK 856 million will be received by the Company.

Shareholders with significant influence

Recipharm has different classes of shares. Each Class A share carries entitlement to ten (10) votes while each Class B and Class D share carries entitlement to one (1) vote. All Class A shares are held by Flerie Participation AB, which is controlled by Recipharm's CEO, Thomas Eldered, and Cajelo Invest AB, which is controlled by Recipharm's Chairman of the Board, Lars Backsell. Given that the Offering is fully subscribed and that the Principal Shareholders subscribe for Shares in accordance with their subscription commitments, Flerie Participation AB will have holdings corresponding to 20,6 per cent of the share capital and 41,1 per cent of the votes in Recipharm, and Cajelo Invest AB will have holdings corresponding to 12,9 per cent of the share capital and 38.8 per cent of the votes. The Principal Shareholders may increase their respective holdings in Recipharm in the event that the Offering is not fully subscribed. Thus, the Principal Shareholders will, even after the Offering, exercise significant influence over the Company on matters that are subject to approval by the shareholders. There is a risk that Flerie Participation AB's and Cajelo Invest AB's interests in doing so might be different from other shareholders' interests.

Trading in Subscription Rights and BTAs

Subscription Rights of Class B shares and BTA Bs will be traded on Nasdaq Stockholm. There can be no guarantee that active trading in the Subscription Rights of Class B shares and the BTA Bs will develop, that adequate liquidity will be available or that the Class B shares Subscription Rights can be disposed of. If active trading develops, the price of the Subscription Rights of Class B shares and the BTA Bs will, among other things, depend on the price trend for Recipharm's Class B shares and may be subject to greater volatility than that of the said shares. The price of Recipharm's Class B shares might fall below the subscription price in the Offering as a result of causes attributable to Recipharm as well as a general decline in the stock market.

Dilution

Share capital and voting rights in Recipharm will be diluted for shareholders who, wholly or partially, choose not to exercise their preferential right to subscribe for New Shares since the total number of Shares and votes in the Company will increase when the new shares are issued.

Future sales of large blocks of shares and new issues

Significant sales of shares made by major shareholders, as well as a general market expectation that additional sales will be carried out, can negatively affect Recipharm's share price. Furthermore, additional issues of shares would lead to a dilution of ownership for shareholders who for some reason cannot participate in such an issue or choose not to exercise their right to subscribe for shares. The same applies if an issue is directed to people other than shareholders.

INVITATION TO SUBSCRIBE FOR SHARES IN RECIPHARM

Recipharm announced on 18 April 2016, that the Company had signed two separate agreements to acquire Kemwell's pharmaceutical CDMO businesses. As a part of the financing of these acquisitions, the Board of Directors resolved on 16 May 2016, based on the authorisation from the Extraordinary General Meeting on 10 May 2016, to increase the Company's share capital through a share issue with preferential rights for existing shareholders in Recipharm.

The resolution to issue shares will increase the Company's share capital by no more than SEK 4,905,533.50, from SEK 24,807,490 to no more than SEK 29,713,023.50, through the issuance of no more than 9,811,067 new Shares, of which no more than 2,537,143 new Class A Shares and no more than 7,273,924 new Class B Shares. The Company's shareholders have first priority preferential right to subscribe for new Shares in Recipharm in proportion to the number of shares held on the record date. The record date for determining who is entitled to participate in the Offering is 23 May 2016. For each existing Class A share held on the record date one (1) Class A Subscription Right is obtained, and for each existing Class B share, one (1) Class B Subscription Right is obtained. The Subscription Rights entitle the holder to subscribe for new Shares with first priority preferential right, in which case five (5) Class A and Class B Subscription Rights, respectively, entitle the holder to subscribe for one (1) new Class A and Class B Shares, respectively. Shares that are not subscribed for by shareholders entitled to subscribe pursuant to first priority preferential right shall, regardless of share class, be offered to all shareholders for subscription (second priority preferential right).[1] In connection with transfer of a Subscription Right (first priority preferential right), the second priority preferential right is also transferred to the new holder of the Subscription Right. In addition, investors will be invited to submit their interest in subscribing for new Shares without first or second priority preferential right (without preferential right). Subscription of new shares shall take place during the period from and including 25 May 2016 up to and including 7 June 2016 or the later date as determined by the Board of Directors and otherwise in accordance with the instructions contained in the section "Terms, Conditions and Instructions".

The subscription price has been set to SEK 82 per Share, regardless of share class, which means that the Offering, if fully subscribed, will provide Recipharm with total proceeds of approximately SEK 805 million before issuing costs.[2] The new Shares shall have the same rights as the existing Class A and Class B shares in the Company.

SUBSCRIPTION UNDERTAKINGS AND INTENTIONS TO SUBSCRIBE[3]

Recipharm's Principal Shareholders, Flerie Participation AB, which is controlled by Recipharm's CEO Thomas Eldered, and Cajelo Invest AB, which is controlled by Recipharm's Chairman Lars Backsell, who control 20.6 and 12.9 percent of the share capital, respectively, and 41.1 and 38.7 percent of the votes, respectively, have committed to subscribe for their respective pro rata shares in the Offering.

In addition, Lannebo Fonder, Första AP-fonden and Fjärde AP-fonden, who together control 25.3 percent of the share capital and 7.7 percent of the votes, have indicated their intention to subscribe for their respective pro rata shares in the Offering.[4]

Thus, existing shareholders in Recipharm, controlling 58.7 percent of the share capital and 87.5 percent of the votes have committed or indicated their intentions to subscribe for their respective pro rata shares in the Offering.

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Recipharm's shareholders are hereby invited to, with preferential right, subscribe for new Shares in Recipharm in accordance with the terms and conditions set out in this Prospectus.

Jordbro, 19 May 2016
Recipharm AB (publ)
The Board of Directors

[1] For more information, see the section "Terms, Conditions and Instructions".
[2] Issuing costs are estimated at about SEK 12 million. After deducting issue costs, the Company is estimated to raise approximately SEK 793 million.
[3] For more information, see the section "Legal Considerations and Supplementary Information".
[4] The subscription commitments are not secured. See also the heading "Risks Related to the Share and Offering" under "Risk Factors" as well as the heading "Subscription Undertakings and Intentions to Subscribe" under "Legal Considerations and Supplementary Information".

BACKGROUND AND REASONS

Recipharm announced on 18 April 2016, that the Company had signed two separate agreements to acquire Kemwell's pharmaceutical CDMO businesses. The first acquisition comprises Cirrus Pharmaceuticals Inc. with operations in the US, with services including development of inhalation, liquid, semi-solid, solid and parenteral products with emphasis on early formulation work as well as development of analytical methods and testing, and Kemwell AB in Sweden, with services primarily including manufacturing of APIs, solids and semi-solid formulations. The sellers are Kemfin Holdings Private Ltd., and as regards Kemwell AB, the Minority Seller. The acquisition is expected to be finalised during the second quarter of 2016. The acquisition is subject to review by the Swedish Competition Authority and confirmation from a third party regarding certain commitments. The condition concerning review by the Swedish Competition Authority has been fulfilled. As at the date of this Prospectus, the condition relating to third-party confirmation of certain undertakings has not yet been fulfilled. If this condition has not been met by 30 June 2016, or such later date agreed by the parties, the acquisition agreement will lapse entailing that the acquisition of Kemwell AB and Cirrus Pharmaceuticals Inc. will not take place. Recipharm however has the right to waive the relevant condition and to thereby procure that the acquisitions are made. The acquisition price for the operations in the US and Sweden amount to approximately USD 85 million (approximately SEK 698 million)[1] on a cash and debt free basis, of which USD 55 million (approximately SEK 453 million)[1] will be paid through newly issued Class B shares through an issue in-kind to the sellers of Kemwell AB (the "Payment In-Kind Share Issue" – please refer to section "Legal considerations and Supplementary Information" – "Significant agreements – Acquisition agreements"). The second acquisition comprises Kemwell Biopharma Private Ltd's pharmaceutical operations in India. The operations include both development services as well as commercial manufacturing of solid, semi-solid, liquid and topical dose products. The customers are located in India as well as in Europe and the United States. The seller is the founding Bagaria family and parties related to the family.[2] The acquisition price for the Indian business amounts to USD 120 million (SEK 988 million)[3], on a cash and debt free basis, and is to be paid in cash. The transaction is subject to governmental approvals, including approval from the Indian Foreign Investment Promotion Board, FIPB, and is expected to close before year end 2016.

These acquisitions are a step in Recipharm's growth strategy with a focus on emerging markets and establishing a position on the pharmaceutical market in the United States. After completion of the acquisitions, Recipharm will become a global player in services for the pharmaceutical industry. Technology-wise, the acquisition of the Indian business complements the operations in sterile injection solutions in the newly acquired Indian company Nitin Lifesciences Ltd. Recipharm thus reinforces its position on the growing market in India and creates additional opportunities for growth, both on the Indian market and through exports from India to North America and Europe, as well as to emerging markets in Asia and Africa. Recipharm has experienced strong interest from its customers in Europe to support their efforts in strengthening their presence on the Indian market. The new acquisition in India brings additional opportunities for growth through these customers. For a long time, the Company has also been searching for businesses in the United States which can strengthen its potential to expand its customer base in this large and important market. With the acquisition of Cirrus Pharmaceuticals Inc., which is active in both preclinical and pharmaceutical development, a first foothold is created which the Company believes enables this. The development projects carried out by Cirrus Pharmaceuticals Inc. will be effectively channeled to the Company's manufacturing facilities in India or Europe when they enter the commercial phase. After the acquisitions, the Company will have reach into the important markets in Europe, the United States and India, and the Company's customer offering is expected to be even more attractive to international pharmaceutical companies. In addition, there are not insignificant synergies and cost savings in Sweden and in India, where the Company already has operations.

In conjunction with the announcement of the acquisitions on 18 April 2016, the Company announced that the Board of Directors intended to submit a proposal for authorisation from an Extra General Meeting to carry out, a rights issue of approximately SEK 850 million for the purpose of financing the acquisitions of Kemwell Biopharma Private Ltd's pharmaceutical business in India as described above and to carry out an issue in kind of Recipharm B shares to the sellers of Kemwell AB, that is, the Swedish operations. An Extra General Meeting on 10 May 2016 gave the Board of Directors authorisation to carry out the rights issue and the issue in kind. In conjunction with the Extraordinary General Meeting, the Board of Directors was also authorized, in such case that the shares in the issue in kind will not be registered before the record date of the rights issue, to carry out a directed share issue to the sellers of Kemwell AB. Given that the closing of the acquisition of Kemwell AB will not be finalised in time for the shares from the Payment In-Kind Share Issue to be registered prior to the record date for the rights issue, the Board of Directors has decided to reduce the proceeds from the rights issue from approximately SEK 850 million to approximately SEK 805 million, if fully subscribed and before transaction costs, and to instead carry out a directed share issue of approximately SEK 51 million, paid in cash, to the sellers of Kemwell AB[4] at the same subscription price per share as in the rights issue and as if they had subscribed for their pro

[1] USD/SEK exchange rate of 8.2325.
[2] The Bagaria family and Kemfin Holdings Private Ltd are related.
[3] USD/SEK exchange rate of 8.2325.
[4] Kemfin Holdings Private Ltd and the Minority Seller.

rata shares of a preferential rights issue in a total amount of approximately SEK 856 million (the "Directed Share Issue" – please refer to section "Legal considerations and supplementary information" – "Subscription undertakings and intentions to subscribe".

On 17 May 2016, Recipharm announced the Offering of approximately SEK 805 million and the terms of the Offering.

Recipharm's two Principal Shareholders, Flerie Participation AB, which is controlled by Recipharm's CEO Thomas Eldered, and Cajelo Invest AB, which is controlled by Recipharm's Chairman Lars Backsell, who control 20.6 and 12.9 per cent of the share capital, respectively, and 41.1 and 38.7 per cent of the votes, respectively, have committed to subscribe for their respective pro rata shares in the Offering. In addition, Lannebo Fonder, Första AP-fonden and Fjärde AP-fonden, who together control 25.3 per cent of the share capital and 7.7 per cent of the votes, have indicated their intention to subscribe for their respective pro rata shares in the Offering. The sellers of Kemwell AB, Kemfin Holdings Private Ltd and the Minority seller, have undertaken to subscribe for Class B Recipharm shares as part of the Directed Share Issue. Provided that the Offering is fully subscribed, the total issue proceeds will amount to approximately SEK 805 million. Recipharm's issuing costs, including remuneration of advisers and other transaction costs, is expected to amount to approximately SEK 12 million.

The purpose of the Offering is that the net proceeds from the Offering of approximately SEK 793 million, together with available funds, existing credit facilities and the proceeds from the Directed Share Issue, will be used to finance the purchase price for the acquisition of Kemwell Biopharma Private Ltd's pharmaceutical operations in India described above. The acquisition of Cirrus Pharmaceuticals Inc. and Kemwell AB will be financed with available funds, existing credit facilities and the Payment In-Kind Share Issue in the amount of USD 55 million.

Recipharm's Board of Directors is responsible for the contents of this Prospectus. The Board[5] hereby gives its assurance that it has taken all reasonable measures to ensure that, to its knowledge, the information contained in this Prospectus complies with actual circumstances and that no information has been omitted that could affect its content.

Jordbro 19 May 2016
Recipharm AB (publ)
The Board of Directors

[5] At the Annual General Meeting on 28 April 2016, Helena Levander and Wenche Rolfsen were elected as new Board members. Helena Levander and Wenche Rolfsen did not participate in the preparation of the Prospectus, and the above declaration does not therefore apply to these newly elected members.

TERMS, CONDITIONS AND INSTRUCTIONS

PREFERENTIAL RIGHT AND SUBSCRIPTION RIGHTS

Those who, on the record date 23 May 2016, are registered as shareholders in the share register maintained by Euroclear Sweden AB ("Euroclear") on Recipharm's behalf are entitled, with first priority preferential right, to subscribe for new Shares of the same class. Shares that are not subscribed for by shareholders entitled to subscribe pursuant to first priority preferential right shall, regardless of share class, be offered to all shareholders for subscription (second priority preferential right). In addition, investors will be invited to submit their interest in subscribing for new Shares without first or second priority preferential right (without preferential right).

For this purpose, those who on the record date 23 May 2016, are registered as shareholders in Recipharm, will receive one (1) Class A Subscription Right for each Class A Recipharm share held and one (1) Class B Subscription Right for each Class B Recipharm share held. The Subscription Rights entitle the holder to subscribe for new Shares with first priority preferential right, in which case five (5) Subscription Rights of Class A and Class B respectively, entitle the holder to subscribe for one (1) new Share of Class A and Class B, respectively. At transfer of Subscription Rights, both the first and second priority preferential rights are transferred to the new holder of the Subscription Rights.

Provided that the Offering is fully subscribed, the number of shares in the Company will increase from 49,614,980 shares to 59,426,047 shares, corresponding to an increase of approximately 19.8 percent of the shares and approximately 19.9 percent of the votes in the Company. Shareholders not participating in the Offer will be diluted by up to 2,537,143 Class A shares and up to 7,273,924 Class B shares, corresponding to approximately 16.5 percent of the shares and approximately 16.6 percent of the votes in the Company after the Offering.

ISSUE PRICE

The new Shares are issued at a price of SEK 82 per new Share, regardless of share class. No commission will be charged.

RECORD DATE

The record date at Euroclear for determining who are entitled to receive Subscription Rights in the Offering is 23 May 2016. Shares of Recipharm will be traded exclusive the right to receive Subscription Rights from and including 20 May 2016. The last day for trading in Recipharm shares including the right to recieve Subscription Rights is 19 May 2016.

SUBSCRIPTION PERIOD

Subscription for new Shares will take place during the period from and including 25 May 2016 up to and including 7 June 2016 at 5.00 p.m. (CET). The Board of Directors of Recipharm reserves the right to extend the subscription period, which when applicable, will be announced through a press release.

ISSUE STATEMENTS

Directly registered shareholders

Shareholders, who on the record date are registered in the share register maintained by Euroclear on Recipharm's behalf will receive the Prospectus and a pre-printed issue statement with an attached payment notice. The pre-printed issue statement shows, inter alia, the number of Subscription Rights received and the total number of new Shares that may be subscribed for with Subscription Rights. Those who are registered in the special register of pledge holders and trustees maintained in connection with the share register will not receive any issue statement but will be noticed separately. No securities statement (Sw. VP-avi) will be sent out regarding the registration of Subscription Rights on the shareholders' securities accounts.

Nominee-registered holdings

Shareholders in Recipharm whose holdings on the record date are nominee registered with a bank or nominee will not receive a pre-printed issue statement from Euroclear. Subscription and payment for nominee registered shareholders shall be made in accordance with instructions from the respective bank or nominee or, if the holding is registered with multiple nominees, from each one of these.

Shareholders resident in certain ineligible jurisdictions

The allotment of Subscription Rights and the issue of new Shares by exercise of Subscription Rights to persons who are resident in countries other than Sweden could be affected by securities legislation in such countries; see section "Information for Investors". Consequently, shareholders whose existing shares are directly registered in a securities account (Sw. VP-konto) and whose registered address is in Australia, Hong Kong, Japan, Canada, New Zealand, South Africa and the US will not receive the Prospectus. Nor will they receive any Subscription Rights on their respective securities accounts. Subscription Rights that would have been delivered to such shareholders will be sold, and the sale proceeds, less deduction for costs, will be paid to such shareholders. Amounts of less than SEK 100 will, however, not be paid out.

Trading in Subscription Rights

Subscription Rights of Class B will be traded on Nasdaq Stockholm during the period from and including 25 May 2016 up to and including 2 June 2016 under the symbol RECI TR B. Banks and other securities institutions with the required authorisation can provide broker-

age services for the purchase and sale of Subscription Rights. Unexercised Subscription Rights must be sold in order not to lapse without value. Subscription Rights of Class A will not be traded. The ISIN code for Class B Subscription Rights is SE0008374656.

SUBSCRIPTION AND PAYMENT OF SHARES WITH FIRST PRIORITY PREFERENTIAL RIGHT

Subscription of shares with first priority preferential right

Subscription of new Shares through exercise of Subscription Rights shall be made by simultaneous cash payment during the period from and including 25 May 2016 up to and including 7 June 2016 at 5.00 p.m. CET. After expiration of the subscription period, unexercised Subscription Rights will be void and without value. Unexercised Subscription Rights will be deregistered from the respective shareholders' securities accounts without notification from Euroclear. In order not to lose the value of the Subscription Rights, the shareholder must either:

- exercise the received Subscription Rights and subscribe for new Shares no later than 7 June 2016, which is the last day of the subscription period; or
- sell the received Subscription Rights that have not been exercised for subscription of new Shares no later than 2 June 2016, which is the last day for trading in Subscription Rights.

The Board of Directors of Recipharm reserves the right to extend the subscription period and the payment period. Subscription of new Shares through the exercise of Subscription Rights is irrevocable, and the shareholder may not withdraw or modify a subscription for new Shares.

Shareholders with directly registered holdings resident in Sweden[1]

Subscription for new Shares with first priority preferential rights through exercise of Subscription Rights shall be made by means of simultaneous cash payment and is binding. Subscription and payment are done either by using the pre-printed bankgiro form or the appropriate application form with simultaneous payment using one of the following options:

- **Bankgiro form** - In the case that all Subscription Rights received on the record date are exercised for subscription of shares, the pre-printed bankgiro form from Euroclear shall be used as the basis for application for subscription by means of payment. The special application form should therefore not be used. No additions or changes may be made to the pre-printed text on the bankgiro form.

- **Application form** - In the case that Subscription Rights have been acquired or sold, or if, for any other reason, the number of Subscription Rights to be exercised differs from the number stated on the pre-printed issue statement, a special application form shall be used as the basis for subscription by means of payment. Payment shall be made at the same time as the application is made at any Swedish bank branch office with the required authorization, in accordance with the instructions on the application form. Such an application form can be obtained from any of Handelsbanken's branch offices in Sweden. The pre-printed bankgiro form should, in such case, not be used.

Information to shareholders with directly registered holdings not resident in Sweden[1]

Shareholders in Recipharm residing outside of Sweden and who are not subject to the restrictions described in the section "Shareholders resident in certain ineligible jurisdictions" and who wish to participate in the issue shall use the distributed application form when subscribing. Upon submission of the application form to the address specified below, payment shall be made in Swedish krona (SEK) to the bank account specified below:

Handelsbanken Capital Markets, Emission
SE 106 70 Stockholm, Sweden
Bank account: 6028 973 562 838
IBAN number: SE77 6000 0000 0009 7356 2838
SWIFT: HANDSESS

Upon payment, the subscriber's name and address as well as securities account (Sw. VP-konto) number or payment identity as stated on the issue statement must be stated. The application form and payment must be received by Handelsbanken Capital Markets no later than 5.00 p.m. CET on 7 June 2016. Application forms for shareholders who reside abroad can be obtained from DNB's website www.dnb.no/emisjoner Handelsbanken's website www.handelsbanken.se/investeringserbjudande, Swedbank's website www.swedbank.se/prospekt as well as from Recipharm's website https://www.recipharm.com/investor-relations/rights-issue-2016.

Shareholders with nominee-registered holdings

For shareholders whose holdings are registered with a bank or nominee, subscription for new Shares on the basis of first priority preferential right shall be made to the respective nominee and in accordance with the instructions from such nominee or if applicable, nominees.

Paid subscribed shares (BTAs)

Registration of shares subscribed for with first priority preferential right by means of payment will be registered with Euroclear as soon as this can be done, which normally means up to two banking days after payment. After that, the subscriber will receive a securities notification confirming the registration of the BTAs in the subscriber's securities account (Sw. VP-konto). After the issue has been registered with the Swedish Companies

[1] Note that directly registered customers who reside outside Sweden and have access to a Swedish internet bank can use the pre-printed payment form for subscription and payment

Registration Office, which is expected to take place on or about 14 June 2016, the BTAs will be converted to new Shares, without notification from Euroclear. The new Shares are expected to be available in each securities account (Sw. VP-konto) on or about 16 June 2016. Shareholders with nominee-registered holdings receive BTAs and information in accordance with procedures of each nominee.

The ISIN code for Class B BTA is SE0008374664.

Trading in paid subscibed shares BTAs

Trading in Class B BTA is expected to take place on Nasdaq Stockholm during the period from and including 25 May 2016 up to and including 10 June 2016 under the symbol RECI BTA B. Class A BTA will not be subject to any organized trading on a regulated market place. Banks and other securities institutions with required licenses will provide brokerage services for purchase and sale of Class B BTA. The ISIN code for Class B BTA is SE0008374664.

Subscription for shares on the basis of second priority preferential right and without preferential right

Subscription of shares on the basis of second priority preferential right and without preferential right will take place during the same time period as the application for subscription of shares on the basis of first priority preferential right, i.e. from and including 25 May 2016 and to and including 7 June 2016. The application to subscribe for shares on the basis of second priority preferential right and without preferential right shall be made using the application form "Subscription for shares with second priority preferential right and without subscription rights" which is to be completed, signed, and then mailed or delivered to Handelsbanken Capital Markets, Emission, to the address stated on the application form. Application forms can be obtained at any Handelsbanken branch office or downloaded from Handelsbanken's website www.handelsbanken.se/investeringserbjudande. An application form can also be downloaded from the Company's website https://www.recipharm.com/investor-relations/rights-issue-2016, DNB's website www.dnb.no/emisjoner and Swedbank's website www.swedbank.se/prospekt. The application form in its original must be received by Handelsbanken Capital Markets, Emission, no later than 5.00 p.m. CET on 7 June 2016.

The application form may be sent by mail to the address on the application form or may be handed in at any of Handelsbanken's branch offices. Only one application form per person or firm will be considered. In the event that more than one application form is sent, only the most recently dated form will be considered. Application forms for less than 100 shares will not be considered. Incomplete or incorrectly completed application forms may be disregarded.

Shareholders with nominee-registered holdings

For shareholders whose holdings are nominee registered with a bank or nominee, subscription for new Shares on the basis of second priority preferential right shall be made to the respective nominee and in accordance with the instructions from such nominee or if applicable, nominees.

Allotment of shares subscribed for with second priority preferential right and without preferential right

Shares not subscribed for with first priority preferential right will be offered to shareholders who subscribed for shares with second priority preferential right. If the offered shares are not sufficient to cover for subscription with second priority preferential right, the shares shall be allotted to the subscribers in relation to the number of shares subscribed for by first priority preferential rights and, if this is not possible, by drawing lots. Shares that are not subscribed for with first or second priority preferential right will be offered to others who have applied for subscription of shares in the Offering and, in the event that they cannot obtain full allotment, in relation to the number of shares that each person has applied for subscription and, if this is not possible, by drawing lots.

A settlement note will be sent as confirmation of any allotment on or about 13 June 2016, and is to be paid in accordance with the relevant instructions. A confirmation is only sent to persons who have been allotted shares. The estimated settlement date for shares subscribed on the basis of second priority preferential right and without preferential right is around 16 June 2016. If payment is not made in time, the shares can be allotted to others. In the event that the sale price is less than the subscription price in connection with such a transfer, the persons who were initially allotted the shares are responsible for paying the entire or part of the difference. After payment of the subscribed and allotted shares and when the shares have been registered with the Swedish Companies Registration Office (Sw. Bolagsverket), a securities notification (Sw. VP-avi) will be sent from Euroclear confirming the registration of the subscribed and allotted shares in the subscriber's securities account.

Listing of the new Shares

Recipharm's Class B shares are freely transferable and listed for trading on Nasdaq Stockholm under the ticker RECI B. Following the registration of the new Shares by the Swedish Companies Registration Office, the new Class B Shares will also be traded on Nasdaq Stockholm. Registration with the Swedish Companies Registration Office of the new Shares subscribed for with first priority preferential right is expected to occur on or about 14 June 2016. Trading in the new Class B Shares is expected to begin on or about 16 June 2016, provided that registration has taken place. The new Shares subscribed for with second priority preferential right and without preferential right are expected to be registered with the Swedish Companies Registration Office on or about 21 June 2016, and the shares are expected to be registered on each securities account on or about 22 June 2016 as well as begin trading on or about 22 June 2016, provided

that registration has taken place. The new Class A Shares will not be listed and are subject to a post-purchase sale clause in accordance with the articles of association.

Right to dividend
The new Shares entitle the holder to dividends for the first time on the record date for dividend that occurs immediately following that the shares have been recorded in the share register maintained by Euroclear and the Offering has been registered with the Swedish Companies Registration Office.

Conditions for completion of the Offering
The Board of Directors of Recipharm does not have the right to suspend, revoke or temporarily withdraw the Offering to subscribe for shares in Recipharm in accordance with the terms and conditions in this Prospectus. The Board of Directors of Recipharm is entitled to extend, one or several times, the period during which subscription and payment can be made. Notification of the extension of the subscription period, if any, will be announced through a press release.

Announcement of the outcome of the Offering
The outcome of the Offering will be published in a press release from Recipharm, which is expected to take place on or about 13 June 2016.

Other information
In the event that a subscriber paid a too large amount for issued shares, Recipharm will arrange for a refund of the excess amount. Incomplete or incorrectly completed application forms may be rejected. If the subscription payment is made too late, is inadequate or is incorrectly paid, the application for subscription may be disregarded or the subscription may take place at a lower amount. In such case, the subscription payment not used will be refunded. Only one application form may be submitted. If several application forms of the same category are submitted, only the application form most recently received by Handelsbanken will be considered. Payments received late in amounts less than SEK 100 will only be refunded upon request. The fact that Handelsbanken is the issuing agent does not in itself mean that Handelsbanken regards the party registering in the Offering as a customer of Handelsbanken. Handelsbanken's receipt and processing of application forms does not result in any client relationship between investors in the Offering and Handelsbanken. The subscriber is only considered as a customer of Handelsbanken for the investment if Handelsbanken has advised the subscriber regarding the Offering or has contacted the subscriber individually regarding the Offering. The consequence of Handelsbanken not viewing the subscriber of the Offering as a client is that the rules regarding protection of investors under the Securities Markets Act (2007:528) will not be applied to the investment. This means, inter alia, that neither the so-called client classification nor the suitability assessment will be applicable regarding the investment. The subscriber is thus solely responsible for having sufficient experience and knowledge to understand the risks involved with the investment.

Information on processing of personal data
Those who subscribe for shares in the Offering will provide certain information to Handelsbanken. Personal data provided to Handelsbanken will be processed in computer systems to the extent necessary in order to provide services and administer client engagements. Also personal data that is collected from other parties than the client in question may be processed. It may also be the case that personal data is processed in computer systems of corporations or organisations with which Handelsbanken co-operates. Information regarding the processing of personal data is provided by Handelsbanken's branch offices, which also accept requests for correction of personal data. Address information may be collected by Handelsbanken through an automatic data run by Euroclear.

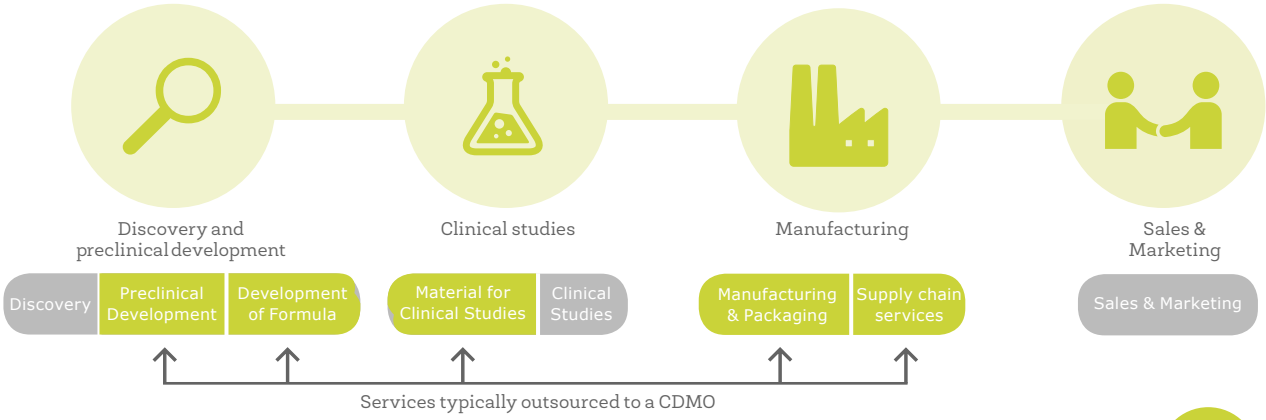
MARKET OVERVIEW

The following is an outline of the market in which Recipharm operates. Some information has been obtained from third-party sources, and Recipharm has cited this information correctly in the Prospectus. Even if the Company considers these sources to be trustworthy, no independent verification has been performed and thus neither the accuracy nor the completeness of the information can be guaranteed. As far as the Company is aware and can ascertain by comparison with other information published by such sources, no information has been omitted that could render the reproduced information inaccurate or misleading. Where no specific source is stated, the future assessments and estimates presented in this section are based on Recipharm's current best assessment under the current circumstances.

The market for outsourcing services to the pharmaceutical industry consists of two different types of service providers: companies that supply contract manufacturing, known internationally as Contract Manufacturing Organisations ("CMO"), and companies that offer both manufacturing and related development services, known internationally as Contract Development and Manufacturing Organisations ("CDMO"). Together, CMOs and CDMOs are a relatively small part of the global pharmaceutical industry. But at the same time, the market for outsourcing services is growing faster than the pharmaceutical industry as a whole and are expected to do so in the future.

The early market for outsourcing services in the pharmaceutical industry was focused mainly on manufacturing of inputs to medicines such as Active Pharmaceutical Ingredients, ("API"), and other important intermediate, referred to as primary production. With time, the outsourcing players expanded their service offering and is responsible for major parts of the value chain, including formulation, dosage, packaging, quality assurance, product maintenance and regulatory support and logistics services for the pharmaceutical industry, so-called secondary production (dosage manufacturing). Potential customers for outsourcing players vary in size and are found in all parts of the pharmaceutical industry.

Processes and services in the production and development on the CDMO market



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

The customers ranges from major pharmaceutical companies ("Big Pharma") to smaller biotech and generic companies in which the driving forces to use an outsourcing provider varies depending on customer type. For example, Big Pharma increasingly use various outsourcing services in order to focus on their core business and achieve a more flexible and efficient cost structure. The incentives to use an outsourcing provider for the smaller biotech and generic companies are mainly to avoid large investment and access to specialist expertise.

OUTSOURCING IN THE PHARMACEUTICAL INDUSTRY

Outsourcing in the pharmaceutical industry generally differs from outsourcing in other industries. The product lifecycle for drugs is long – it can extend over several decades – which means that customer relationships are long-term and generally characterized by mutal interests. In addition, both the pharmaceutical industry and the CDMO market are strictly regulated by local and international agencies, and licences for drug production are unique to each facility and often specific to each product. Changes in production processes, such as relocating the production of individual products from one production facility to another, are therefore associated with extensive regulatory processes requiring new regulatory approvals for manufacturing, which could mean production interruptions and uncertainties. Consequently, changing contract manufacturers is less common and considered only when obvious cost and quality gains are expected to be achieved.

THE CDMO MARKET

CDMO market size and projected growth

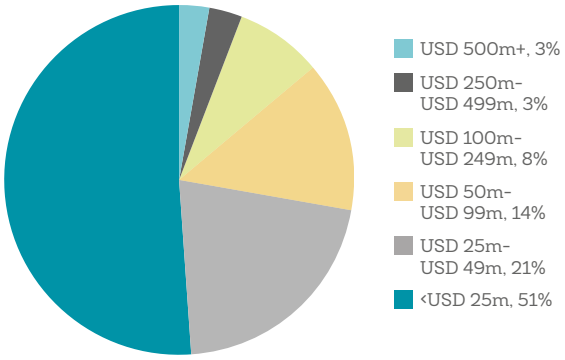
In 2015, sales in the global pharmaceutical market totalled more than USD 1 trillion, with a projected average growth rate of 4–7 per cent annually over the next five years, according to pharmaceutical information firm IMS Health.[1] The pharmaceutical industry's increased use of CDMO services, driven by structural changes in the industry, results in higher expected growth in the CDMO market as compared with the underlying pharmaceutical industry.

According to the market research and consulting firm Mordor Intelligence, the total market for manufacturing and development services, including primary production, was valued at USD 58 billion in 2014[2].Mordor estimates that the market will reach USD 84 billion by 2020, which corresponds to an average annual growth rate of 6.4 per cent for the forecast period. The market share for primary production is currently larger than the share for secondary production, but secondary production is assumed to have faster growth during the forecast period exceeding an average annual growth rate of 10 per cent[2].

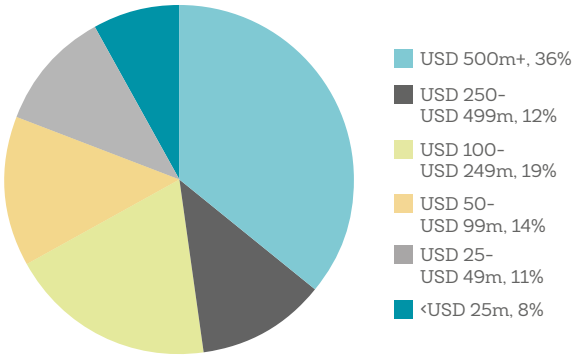
According to PharmSource, in 2014 the global market for CDMO services, excluding primary production, was valued at USD 16.8 billion, an increase of 6.0 per cent from 2013. Of this, 5.4 per cent was organic growth, which means new customer contracts and/or increased production volumes for products under existing contracts.[3]

[1] Global Medicines Use in 2020, Outlook and Implications (IMS Institute for Healthcare Informatics, November 2015)
[2] Global Pharmaceutical CMO Market (Mordor Intelligence, 2015)
[3] Contract Dose Manufacturing Industry by the Numbers: Composition, Size, Market Share, Profitability and Outlook – 2015 Edition (PharmSource, September 2015)

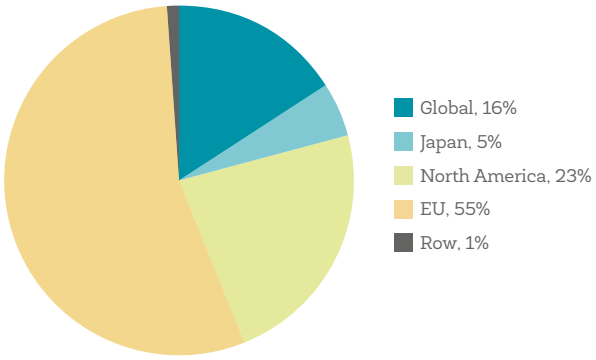
Distribution of Dose CMOs by Revenue (Number of CMOs)[1]



Dose CMO Industry Market Shares by Company size[1]



Geographic Reach of CMO Universe[1]



CDMO market players

The market players consist of CMOs and CDMOs. Some of these players have their own drug portfolios and can therefore, in a sense, also be considered to be pharmaceutical companies. One category of players has chosen to specialise in individual therapy areas, dosage forms or production methods, while others offer a wide range of advanced manufacturing and development services. The market for CMOs and CDMOs is fragmented, and is estimated to consist of more than 1,000 CMOs and CDMOs globally including more than 300 in Europe and the United States[2]. Most of these are smaller companies with specialised services operating within a limited geographical area.

Geographical coverage

According to Mordor Intelligence, North America, and the United States in particular, is a CDMO market leader with a 41 per cent market share in 2014[3].

The North American market is projected to have an average growth rate of 3.7 per cent annually to 2020. The European market was valued at 12.9 billion USD in 2014 and calculated to amount to 21.9 billion USD in 2020, representing an expected average annual growth of 9.2 percent[4]. Both markets will, in absolute terms, remain the largest for several years to come.

Emerging markets are estimated to account for the fastest future growth, within both the underlying pharmaceutical market and the CDMO market. According to IBEF, India is the world's largest producer of generic drugs, and its pharmaceutical industry is estimated to grow by an average annual growth rate of 15.9 per cent between 2015 and 2020. India's pharmaceutical sector accounted for 2.4 per cent of the global pharmaceutical market's value and for 10 per cent of the volume in 2015. The cost of production in India is 60 per cent lower than in the United States and 50 per cent lower than in Europe, according to IBEF[5].

GROWTH FACTORS IN THE CDMO MARKET

Recipharm's customers are affected by developments in the global pharmaceutical industry. The trends and the developments that have taken place in the industry have largely served as a basis for the Company's strategy, and will continue to do so.

[1] Contract Dose Manufacturing Industry by the Numbers: Composition, Size, Market Share, Profitability and Outlook – 2015 Edition (PharmSource, September 2015) – study based on 219 leading CDMOs
[2] According to a compilation and analysis carried out by an international strategy consulting firm, for Recipharm's behalf, based on market reports from Frost & Sullivan, BCC and Business Insight (2013)
[3] Global Pharmaceutical CMO Market (Mordor Intelligence, 2015)
[4] Europe Pharmaceutical CMO Market (Mordor Intelligence, 2015)
[5] Indian pharmaceutical industry analysis presentation (IBEF, January 2016)

Growth in the global pharmaceutical industry

The global pharmaceutical industry is affected by a variety of factors, such as demographic trends, new treatment methods through technological advances, increased access to health care, policy initiatives, regulatory changes, economic development and more. Together, these factors have contributed to growth in terms of volume that has been higher than the market value, through increased drug consumption with larger percentages of generic drugs and greater price pressure.[1]

The main sources of growth in the global pharmaceutical market are a growing population and an increased prosperity that gives the population greater access to medical treatment and medicines. On the major markets, the United States and Europe, growth is driven by an ageing population with an increasing life expectancy and a growing GDP. However, the largest percentage of projected global growth comes from emerging economies, including China and India, where the standard of living and cost of health care are rising as the economies matures.[1]

Strategic utilisation of outsourcing solutions

According to PharmSource, CMOs and CDMOs account for about one-third of the direct costs for the manufacture of drugs,[2] such as material, human resources and processing costs. Growth in the CDMO market, in terms of both sales and production volumes, is expected to mainly come from pharmaceutical companies' increasing use of outsourcing services rather than underlying volume growth in the products already produced by contract manufacturers.

The pharmaceutical industry's ongoing structural transformation due to shrinking portfolios of proprietary drugs and lower productivity in research and development means an increased need for improved cost efficiency. As a result, pharmaceutical companies turn to outsourcing to a greater extent. The complexity in the pharmaceutical industry drives market players more and more to look to CDMOs for solutions, thus driving the growth of the CDMO market.

A CDMO player possesses expertise in specific development and manufacturing areas, which increases the incentives for pharmaceutical companies to make use of a CDMO. Because of the greater opportunities for a CDMO to differentiate itself through expertise and its capacity to manage development processes, a CDMO is better able to meet price pressures compared with pure CMOs. Furthermore, by providing both manufacturing and related development services, a CDMO has the chance to seize a larger share of the value chain of pharmaceutical companies' outsourcing.

Big Pharma outsources mature products for increased cost-effectiveness

Most of the products that Big Pharma currently outsources are mature products whose patent protection has expired and whose volume growth is low but stable and relatively predictable. Furthermore, the profitability of the CMO and CDMO players for such products is expected to be stable since pricing for outsourcing services, as opposed to the drugs themselves, has historically been affected only marginally when patents have expired.

The following drivers are propelling Big Pharma to increasingly turn to the CDMO industry:

- Shrinking portfolios of proprietary drugs as a result of patent expirations;
- Lower productivity in the pharmaceutical companies' research and development operations;
- More extensive and time-consuming regulatory processes for the approval of new drugs, which has led to shorter periods for when an approved and commercialised drug is covered by patents on the market;
- Policy initiatives that aim to reduce society's drug costs; and
- An increasing need to improve the cost-effectiveness of the pharmaceutical companies' business and to achieve more flexible cost structures.

Going forward, Big Pharma is expected to move production even of the newer patented products to contract manufacturers to a greater extent.

Small and medium-sized pharmaceutical companies look for skills and capacity

Outsourcing has long been an important strategy for smaller companies in the pharmaceutical industry that have chosen not to retain the necessary capacity or skills, or that have not had the resources to do so. Over time, CDMO players have developed their service offerings in order to offer the partnership and support needed. The following drivers have contributed to the emergence of outsourcing solutions for small and medium-sized pharmaceutical companies:

- Access to specialist expertise and integrated development and manufacturing skills;
- The ability to avoid high costs and investments related to developing the necessary manufacturing skills, capacity and new technologies;
- An increased focus on core business activities, such as research and development and marketing;
- The ability to more quickly take products to market by leveraging existing expertise and existing infrastructure for manufacturing;

[1] Global Outlook for Medicines Through 2018 (IMS Institute for Healthcare Informatics, November 2014)
[2] Contract Dose Manufacturing Industry by the Numbers: Composition, Size, Market Share, Profitability and Outlook – 2015 Edition (PharmSource, September 2015)

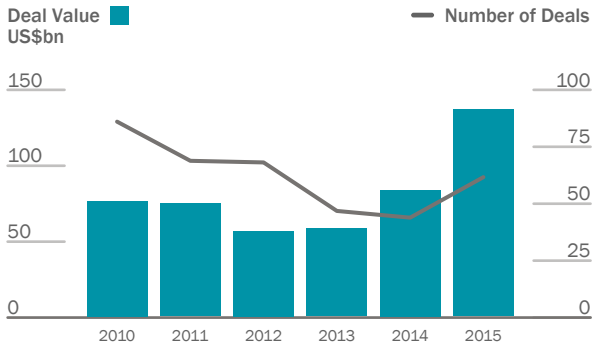
- Lower unit costs that are deemed achievable through a CDMO's strict focus on manufacturing and development services as well as the opportunity to concentrate production volumes from multiple pharmaceutical companies in order to achieve a higher level of capacity utilisation.

CDMO MARKET TRENDS

Continued consolidation in the customer chain

The pharmaceutical industry has undergone consolidation over the last 20 years, and this consolidation is expected to continue. The year 2015 saw a spike in both the value and the volume of transactions between pharmaceutical companies. The total value increased by 63 per cent compared with 2014, according to PharmaVentures.[1]

Pharmaceutical M&A activity[1]



In conjunction with acquisitions or mergers, pharmaceutical companies may outsource production or close down certain production facilities. This means increased business opportunities for a CDMO, which can take over production agreements with or without the associated production facilities. Many examples of this on-going strategic realignment exist in which Big Pharma has found alternative forms of ownership for its production facilities on a global basis.

- Since 2010 Novartis International AG has sold, restructured or closed a total of 24 production facilities, and during 2016 plans to centralise the organisation of the hundreds of remaining facilities with a view to achieving more efficient production planning[2].
- F. Hoffman – La Roche Ltd. announced at the end of 2015 that it plans to restructure its organisation, and will dispose of an additional four facilities between 2016 and 2021[3].
- Pfizer Inc. announced in 2013 that it planned to close eight facilities after the merger with Wyeth in 2009[4],and it is likely that the company will announce additional closings during 2016[5].

As a result of an ongoing outsourcing trend, there is good potential for a CDMO to enter into additional manufacturing agreements and possibly take over production facilities from Big Pharma.

Consolidation in the CDMO industry

Even the maturing CDMO industry has entered a consolidation phase, and so the market has experienced many mergers and acquisitions in recent years. Structural changes take place continuously, and the CDMO market remains highly fragmented. There are currently over 1,000 CDMOs on the market[6]. The 32 CDMOs that have revenues of USD 100 million or more account for 67 per cent of CDMO industry revenue. The CDMOs with revenues of less than USD 50 million account for 71 per cent of all CDMOs[7].

Pharmaceutical companies are consolidating their supplier mix

As the CDMO market consolidates, pharmaceutical companies are taking a fresh look at their supplier mix. Many companies are planning a more rational sourcing that reduces the number of suppliers to a few carefully selected CMOs and CDMOs. Pharmaceutical companies are looking for strategic partnerships as a way to simplify their own supply chain and thereby reduce the number of CMOs and CDMOs they do business with.

Acquisitions provide access to new markets and technologies

Acquisitions are an effective way to access new markets in growth regions and niche markets or product segments. The acquisitions benefit both small and large companies in the CDMO market. For example, larger CDMOs can expand their geographical reach by acquiring smaller companies, while smaller CDMOs can gain access to significant resources and technological know-how through an acquisition.

[1] Trends in the CMO Landscape (PharmaVentures, March 2016)
[2] Novartis International AG, 2015 (Fourth quarter report, 2015)
[3] F. Hoffman – La Roche Ltd, 2015 (Press release November 2015)
[4] Pfizer Inc., 2013 (Appendix A, 2013 Financial Report)
[5] Pfizer Inc., 2015 (Appendix A, 2015 Financial Report)
[6] Trends in the CMO Landscape (PharmaVentures, March 2016)
[7] Contract Dose Manufacturing Industry by the Numbers: Composition, Size, Market Share, Profitability and Outlook – 2015 Edition (PharmSource, September 2015) – Study based on 219 leading CDMOs

Competence creep

Alongside cost-effective alternatives, the pharmaceutical industry is requesting services that require specialised expertise. The result is a shift to CDMOs and their advanced expertise and full-service offerings. This shift justifies the pharmaceutical companies' outsourcing to CDMOs. Rapid technological advances can also speed up the shift because a CDMO, through its focused expertise and business activities, is in a better position to integrate, develop and master the new technology.

The so-called competence creep means new customers for CDMOs as they enter into new product portfolio agreements for the manufacture and/or development of products that were previously managed by the pharmaceutical companies. And with this capability, a CDMO generally takes over the former production facility. In this strategic market shift, the CDMOs fills an increasingly important role in the value chain and can take over more complex processes within manufacturing and development services. The trend of pharmaceutical companies' restricting their business to certain core operations can be accelerated further as a result of the rapid development of new production technologies and innovative products that require new, technologically advanced manufacturing methods.

More primary production in low-cost countries

Globalisation increasingly affects the market for outsourcing services in the pharmaceutical industry. Companies based in emerging markets and in low-cost countries have established themselves within primary production with some success in the more mature Western markets, where they can offer additional cost savings for customers in the pharmaceutical industry. When production is moved to low-cost countries, the biggest gains can be made in highly labour-intensive scenarios or in the production of simpler drugs with large production volumes. Service providers in low-cost countries are playing a bigger role in the outsourcing of primary manufacturing services, where the Asian outsourcing market is expected to grow significantly faster than the outsourcing market globally.

New regulatory requirements for increased traceability of drugs

Through the European Parliament and the Council Directive 2011/62/EU, rules have been introduced to prevent counterfeit drugs from entering the legal supply chain. Under the directive, primarily prescription drugs will require security details that enable verification of the legitimacy, traceability and identification of every single package throughout the distribution chain, known as serialisation.

Serialisation not only makes it more difficult to introduce counterfeit drugs to the market; it also strengthens patient security. The method essentially involves the printing of bar codes on every single pharmaceutical package, which makes it possible to register data on the product's origin, useful life and batch number. The methodology recommended by several stakeholders in Europe in order to comply with the new EU directives is what is known as "end-to-end verification". This means that the product is checked in and out of the supply chain in each country via an online e-verification process. Checking in of the product is managed by the manufacturer in connection with the product being entered into the goods supply chain and checking out occurs by the pharmacy in connection with the product being served to a patient. The manufacturer is responsible for ensuring that identification codes are stored in a data base before the product is released to the supply chain.

In Recipharm's opinion, implementation of the directive will require considerable investments in the industry and could lead to increased consolidation, primarily in respect of the packaging of drugs, since CDMOs and CMOs that cannot supply serialised products may need to outsource the packaging of drugs to other operators. Since the Company assesses that 85 per cent of its production will require serialisation, the Company intends to invest approximately EUR 40 million over the next three years to ensure that there are high-quality solutions for the serialisation processes. Recipharm already supplies serialised products to countries such as Turkey, Korea and China, and has also established a global steering committee to ensure that there is an adaptable solution for enabling complete regulatory compliance in all markets.

BUSINESS DESCRIPTION

OVERVIEW

Recipharm is a leading European CDMO company in the pharmaceutical industry. Recipharm was established in Sweden in the mid-1990s, and the Company's positive development builds on decades of expertise. Recipharm offers a wide range of services that are highly in demand by today's pharmaceutical companies, big and small. Recipharm's extensive offering covers all stages of pharmaceutical development, from early-stage pharmaceutical development to manufacturing, giving its customers the opportunity to specify their needs and manage the process so that they get the final product they are looking for. Aided by the Company's growing network of its own facilities and synergies from various partnerships, Recipharm broadens client access to markets throughout Europe, North America, Asia and Africa.

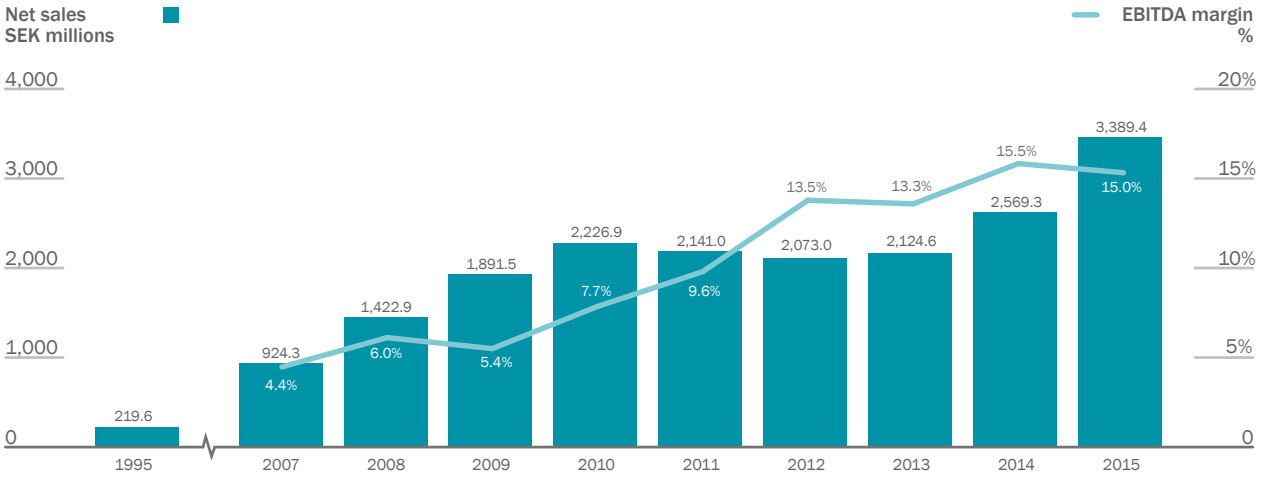
Recipharm provides customised services that meet the outsourcing requirements of its customers – the pharmaceutical companies. Recipharm's comprehensive offering helps customers take their pharmaceutical products from early development to actual production, and can also include distribution.

Recipharm operates through three business segments: Manufacturing Services – Sterile Liquids ("Sterile Liquids"), Manufacturing Services – Solids & Others ("Solids & Others") and Development & Technology ("D&T"). The segments within Manufacturing Services provide customers with access to a wide range of technologies, expertise and services. The segment Development & Technology offers a wide range of drug development services as well as access to a number of product rights and unique technologies.

Since its founding in 1995, Recipharm has grown continuously by entering into new long-term production agreements, often with the takeover of production facilities, as well as through acquisitions. In addition to increased sales, this has led to a diversification of the Company's customer base, a broadening of the service offering and increased geographical presence.

The Company has at the date of the Prospectus 22 facilities, mainly for manufacturing, but also for development services, with resources to handle most drug dosage forms. Sales in 2015 amounted to SEK 3,389.4 million and operating profit amounted to SEK 274.2 million, corresponding to an operating margin of 8.1 percent. As per March 31, 2016 the Company had about 2,900 employees.

Recipharm's financial development 1995-2015



Source: Recipharm (audited figures)

RECIPHARM'S DEVELOPMENT

Recipharm is established (1995)

In 1995, Pharmacia AB took the strategic decision to focus its tablet production to a few facilities. As a consequence, Pharmacia AB's tablet facility in Årsta outside Stockholm would be phased out and production moved to Italy. Lars Backsell, former head of Pharmacia's self-care medication, and Thomas Eldered, former plant manager at the Årsta facility, were both involved in Pharmacia AB's reorganisation and together saw an opportunity in acquiring the Årsta facility instead of seeing it closed down. Lars Backsell and Thomas Eldered acquired the tablet facility and founded the company Recip. In addition to the facility, a portfolio of about 20 smaller pharmaceutical products was included as well as a five-year agreement on continued production for Pharmacia in the acquisition. The new company retained both the facility's management and other staff, and continued production with 140 employees and annual sales of approximately SEK 220 million of which SEK 40 million was from its own products.

Strategies are developed (1996-2007)

In 1998, Recip won packaging contracts for two major Nordic pharmaceutical companies, marking the beginning of its development as a CDMO. By 1999, Recip had established two parallel business operations. One was a marketing company with a portfolio of its own products (containing just over 40 products), and the other was contract and manufacturing services which acted as a partner to players in the pharmaceutical industry.
In 2001, the Recipharm brand was established for the contract manufacturing portion of Recip's business. With an increased focus on the CDMO market, the Company signed several new production agreements with new customers, and in some cases took over production facilities up to 2007, which meant greater capacity, new advanced technologies and dosage forms as well as a growing network of customers.

In 2007, Recip decided to focus entirely on contract manufacturing and hence sold all rights to the Company's own products, together with the brand name Recip, to Meda AB. The CDMO business within Recipharm became the Company's new core business, and the Company's position as a purely CDMO business was established.

Recipharm's development

1995
Stockholm, Sweden

1998
Höganäs, Sweden

2002
Strängnäs, Sweden

2003
Jordbro, Sweden

2004
Karlskoga, Sweden

2007
Solna, Sweden
Monts, France
Ashton, United Kingdom

2009
Fontaine, France

2010
Wasserburg, Germany
Parets, Spain

2014
Pessac, France
Lisbon: Queluz och Odivelas, Portugal
Milan; Paderno Dugnano, Masate och Lainate, Italy

2015
Uppsala, Sweden
Ness Ziona, Israel
Kayserberg, France

2016
Karnal & Paonta Sahib, India
Brescia, Italy

Expansion in Europe and broadening of the offering (2007-2010)

As part of Recipharm's increased focus on outsourcing services, in 2007 the Company signed a comprehensive production agreement in which it took over a facility for injection solutions in Monts, France and acquired a facility in Ashton, England with the production of several dosage forms. That same year, the Company also invested in a new development centre in Sweden. The year 2008 saw the additional expansion of the service offering when Recipharm took over a smaller lyophilisation plant in Basel, Switzerland. In 2009, Recipharm entered into a production agreement in which the Company took over a facility for tablet and capsule production in Fontaine, France, and a majority stake was acquired in one of AstraZeneca PLC's biotech laboratories in Södertälje, Sweden. In December 2009, Recipharm acquired a portfolio of products from UCB S.A. in Belgium containing product rights for a number of mature products. A majority of the products were manufactured by Recipharm in Ashton, England even before the acquisition. In January 2010, Recipharm's lyophilisation capacity was strengthened through the acquisition of a production facility in Wasserburg, Germany. In the beginning of 2010, the Company acquired a production facility for developing biologics in Keele, England. In October 2010, the Company entered into a production agreement with Abbott Laboratories and thus took over a production facility in Parets, Spain. Recipharm thereby broadened its product range with oral solutions.

Consolidation and streamlining of operations (2011-2013)

Followed by the acquisitions made between 2007 and 2010, Recipharm chose to focus on optimising the business by restructuring its portfolio, streamlining the organisation and disseminating best practice. In 2011, the unprofitable operations for the manufacture of APIs for biologics were sold off, with sales of plants in Södertälje, Sweden and Keele, England. In 2010, both businesses had sales totalling SEK 69.7 million. In addition, the production unit for sterile solutions was discontinued in Ashton, England as well as the small-scale lyophilisation business in Basel, Switzerland. Recipharm continued its efficiency measures during 2012–2013. These measures brought a significant improvement in operating margin and return on capital employed.

Developing into a global CDMO (2014-2016)

Recipharm believes that there are advantages to having broad geographical coverage together with a broad service offering. It creates better conditions for a complete offering and brings synergies in sales and other efficiencies. Recipharm was listed on Nasdaq Stockholm on April 3, 2014, creating better conditions for growth through acquisitions. Since the listing, Recipharm has completed the acquisition of operations in France, India, Italy, Portugal, Sweden and the United States. In February 2016, Recipharm adopted a new target to achieve sales exceeding SEK 8 billion by 2020. Recipharm's growth strategy involves establishing operations outside Europe and focusing primarily on the largest pharmaceutical markets as well as those markets with the highest growth.

Recipharm has in 2016 established a business in India, with the acquisition of Nitin Lifesciences Ltd enabling the Company's customers to have access to high quality and cost-effective production and direct sales on the Indian market. On April 18, 2016 the Company also announced the acquisition of parts of Kemwell Biopharma Private Ltd's pharmaceutical operations in India, further expanding the Company's production capacity in India, with complementary technology to the acquisition of Nitin Lifesciences Ltd. The acquisition will, subject to regulatory approval is obtained, imply a sharp widening of Recipharm's capabilities and expertise in India with production approved by the US FDA and the EU. Following the acquisitions, the Company is expected to have sales in emerging markets exceeding SEK 800 million[1]. In 2016, Recipharm will also expanded to the United States, the world's largest pharmaceutical market, through the planned acquisition of Kemwell's operations in the US and in Sweden, which establish Recipharm as a global CDMO.

[1] Preliminary figure including the already announced acquisition of the majority share in the Indian company Nitin Lifesciences Ltd.

STRENGTHS AND COMPETITIVE ADVANTAGES

Leading European CDMO

Recipharm has established itself as one of Europe's largest contract manufacturers of pharmaceuticals and in 2015, the Company was one of the ten largest contract manufacturers in the world[1]. With production across large parts of Europe, the Company operates in close proximity to customers and can deliver products and services with short lead times. Recipharm offers customers a broad range of services, with high quality, from early development phase to full-scale production, adapted to the regulatory requirements on a global market.

With its strong position on the European market, Recipharm is well positioned to take advantage of a growing pharmaceutical market and a continued and expected outsourcing trend. Recipharm has high delivery reliability and is a financially viable supplier, which makes the Company an attractive partner for long-term collaborations. Furthermore, Recipharm's broad service offering is an important aspect for many customers since the Company can be both a development and a manufacturing partner which in addition can offer logistics solutions such as inventory management and distribution.

Recipharm's successful growth strategy, primarily based on acquisitions and strategic production agreements, has been a contributing factor to Recipharm's strong market position.

Global presence and offering

Recipharm offers services to pharmaceutical companies in all regulated pharmaceutical markets. Many of the products manufactured in Europe are distributed also to markets in South and North America, Asia, Australia and Africa. Access to customers on the largest markets and those with the highest growth has sharply increased after the acquisitions made in recent years, where the recently completed acquisition in India as well as the recently announced agreement to acquire the majority of Kemwell's Swedish, US and Indian operations are particularly important.

Recipharm believes that the establishment of operations in India provides the Company a unique position, as only a few of its competitors have direct presence in India, and since the competitors' Indian operations primarily focus on manufacturing of active ingredients and not on dose manufacturing and development services, as Recipharm does. The establishment in India also creates commercial synergies through up-selling opportunities, partly through a cost efficient offering for the Company's existing customers in Europe and partly through direct access to emerging markets, dominated by growing sales directly to the fast-growing pharma market in India. Several of Recipharm's European customers are looking for suppliers in India with high quality and delivery reliability, which they find in Recipharm as the acquisitions add US FDA and EU approved cost effective manufacturing options. There is also strong potential to export pharmaceuticals from India to other countries in Asia and Africa.

The planned acquisition of the development business in the United States adds operational presence on one of the world's largest pharmaceutical markets, a strong technology base and is expected to create better opportunities for new relationships with North American pharmaceutical companies, in particular with small and medium-sized companies, which often look for outsourcing services within the development process.

Attractive, unique value proposition

Recipharm's value proposition to current and future customers is based on the following added values: Pharmaceutical expertise, Managing complexity, Full service offering, Risk control and Added value for the customers. Within the framework of this value proposition, Recipharm offer its customers access to specialist as well as proprietary technologies to a degree that, in the Company's assessment, many competitors lack. The Company has unique possibilities to simplify customers' geographical expansion with manufacturing capabilities outside of Europe, now also on the Indian market, which few other CDMOs can. Since Recipharm has a full service offering, customers need only one supplier for all their dose manufacturing.

Unlike many of its competitors, the Company has for a long time been transparent regarding its financial status, which is appreciated by customers. Recipharm believes that customers perceive the Company to be a financially stable partner, which creates a sense of security for customers in a fragmented and consolidating market.

Synergies between development and production

Early in the development of a new product, the customer must plan for future commercial production. Customers who have entrusted their development projects to Recipharm often prefer to also have the Company manage production of the finished product. The customer can thus obtain a smooth transition between development and production, which can simplify the process for so called "tech transfer". A development project in any of the Company's development units can therefore drive growth within the production of Sterile Liquids and Solids & Others. It is also an advantage to manufacture newly developed and commercialized products since these products are usually patented, and the Company can normally achieve better margins for such products. Conversely, manufacturing collaborations can generate new projects within the business segment Development & Technology.

The announced, but not yet completed, acquisition of Kemwell's US development operations and the planned acquisition of Kemwell's Indian operations further strengthens Recipharm's synergistic business model by aligning US and Indian development and technology operations with the manufacturing capabilities in India and Europe.

[1] CMO Industry Update, Interphex 2016, (PharmSource April, 2016).

Streamlining in manufacturing

Recipharm has a large number of facilities which creates opportunities for synergies, both within administrative functions and in purchasing, marketing and sales. The large number of facilities, with partly similar types of production, also creates potential to optimise the geographical allocation of production for certain products, for example during new product launches.

To streamline production activities, all the operating companies within manufacturing work with various types of efficiency programmes. At the end of 2015, the Company announced a major efficiency programme within the Swedish part of the manufacturing segment Solids & Others in order to adapt the business to projected future volume using a more efficient structure and staffing. The programme is expected to yield estimated cost savings of more than SEK 60 million, and the cost of implementing the programme totals approximately SEK 15 million.

In addition, the integration of the planned acquisition of Kemwell AB's Swedish operations in Uppsala into Recipharm's existing Swedish operations is expected to, in addition, result in significant cost savings and synergies, particularly driven by asset rationalisation and savings in general within administration activities. These are expected to yield more than SEK 25 million per annum when fully realized, which is expected during the fourth quarter of 2017.

Long-standing customer relationships provide stable cash flow generation

The industry's long product cycles combined with the high costs and long lead times, often more than two years, associated with changing suppliers, mean that Recipharm has good visibility of business with regard to sales. Over the years the Company has established strong, long-term customer relationships, and only a few contracts have been terminated.

In 2008, the three largest customers accounted for 80 percent of sales. The corresponding figure for 2015 was 31 percent. The dependence on the largest customers has thus declined significantly. During the same period, a trend has emerged towards an increasing number of Recipharm's customers ordering a larger variety of products, which has further contributed to stability in invoicing.

Experienced Group management and Board

Recipharm's Group management team consists of the CEO, CFO and an additional nine persons, with responsibility for acquisitions and strategic collaborations, marketing, business development and sales, strategy and global integration, operation development, quality management, development and technology coordination, CSR and human resources. In addition management team members make up the various operating company subsidiaries boards or similar. Several members of the Board of Directors and the Group management team have worked at the Company since the 1990s. The Board and Group management team includes people with previous experience from leading positions in listed companies. Lars Backsell, today Chairman of Recipharm, and Thomas Eldered, CEO, started the company in 1995 and have since taken the company from net sales of SEK 220 million in 1995 to nearly SEK 3,400 million in 2015 with good profitability.

The Company's Board and Group management has successfully completed numerous acquisitions and entered into strategic production agreements, and has also identified the need for and implemented cost-efficiency programmes. The Company has also phased out a few unprofitable operations over the years in order to create conditions for profitable growth. The results of management's actions are clearly illustrated by the Company's strong growth and profit margin improvement since 2010.

During 2015, the Company has also strengthened the Group management team in order to execute the Company's growth strategies.

Strong financial structure

Recipharm has stable cash flows, in large part because the pharmaceutical industry is relatively insensitive to business cycles. A major part (more than 90%) of the product portfolio that is manufactured is not under patent and therefore not subject to large volatility. For some customers the production is based on detailed orders, for other customers Recipharm plan production according to the customer's inventory levels and forecast. Along with the long-standing customer relationships described above, this provides stable volumes and thus stable cash flows from operating activities.

The CDMO sector's customers are placing more specific and more extensive demands on the financial viability and strength of their suppliers. Thus, Recipharm's strong financial position and status as a listed company in a regulated, transparent market is a key competetive advantage. Recipharm has an established history of financing acquisitions with both equity and debt financing, and the Company intends to follow a similar financing strategy in the future. In addition Recipharm has, as a listed company, access to the capital markets. Recipharm believes that this, together with good banking relationships, long-term owners and strong internal cash flow generation, makes the Company well positioned to consolidate its strong position in the CDMO market and over time execute additional acquisitions.

VISION, TARGETS AND STRATEGY

Vision

Recipharm's vision is to be acknowledged as the best-in-class provider of contract development and manufacturing solutions to the pharmaceutical industry by its customers, employees and other stakeholders.

Mission

Recipharm's mission is to offer expertise and facilities in the development, production and supply of pharmaceuticals to demanding customers for global use.

Targets

Recipharm's overall goal is to be a world-leading supplier of CDMO services. The Company aims to be the first choice for its target customers and to maintain a solid financial performance.

When Recipharm released its 2015 year-end report, it announced updated financial targets after having achieved ahead of time its target of doubling revenue within five years, as communicated in conjunction with the initial public offering in April 2014. The new financial targets are the following:

- Annual sales should exceed SEK 8 billion by 2020
- EBITDA margin should be higher than 16 percent
- Net debt to equity should be less than 0.8
- The dividend should amount to 30–50 per cent of profit after tax

Growth model

Recipharm's customers within the pharmaceutical sector are growing and are simultaneously seeking to consolidate their supplier base to comprise fewer players who can offer a full range of highly specialized services on a global basis. In light of this, Recipharm believes that continued growth and broadening of its offering and geographical presence are key factors for fortifying and strengthening the Company's competitiveness in the CDMO industry while maintaining strong profitability. Recipharm's growth model is customer centric and builds on the following elements:

- An attractive value proposition (see the "Business Model" section),
- Continuous broadening of the Company's range of innovative technologies and know-how to meet customer needs, and
- Establishing and expanding in all important regions and countries worldwide where Recipharm's current and potential customers are active.

Strategy

Recipharm's strategy for achieving its goals is based on four pillars, described in more detail below.

Create added value for customers by providing broad and innovative expertise

Recipharm strives to meet and exceed customer expectations. The Company has long and broad experience in pharmaceutical development and manufacturing services, which has created an extensive know-how and a strong position from which the Company can continue to deliver the highest level of services that meet quality and compliance requirements in all key pharmaceutical markets, and to manage technically highly complex projects. At the same time, Recipharm has continuously expanded its service offering with production capacity within established technologies as well as several advanced niche competences such as freeze-drying of products for injection solutions and so-called Blow-Fill-Seal technology for ophthalmic drugs. Overall this gives the Company the ability to perform assignments throughout the value chain, from early development and manufacturing to unique packaging and distribution solutions. Recipharm believes that this provides a unique opportunity to retain and increase sales from existing customers as well as create new customer relationships.

Recipharm intends to continue its work to strengthen its competence as well as its technology offering and production capacity to be able to produce an ever broader range of products and deliver a more unique and integrated service offering, which in turn will help its customers become more efficient and competitive in their processes and on the market. For example, Recipharm recently announced a technology investment initiative for drug traceability which positions the Company to meet the customers' regulatory requirements with a high-value service that at the same time creates a major competitive advantage for Recipharm. In addition, the announced acquisition of Kemwell's US operations adds a wider range of services for development of inhalation, liquid, semi-solid, solid and parenteral products with emphasis on early formulation work, development of analytical methods and testing as well as capacity for manufacturing of clinical trial material. The planned acquisition of Kemwell's acquisition in Uppsala will add further capacity and know-how within API manufacturing as well as global regulatory knowledge through production for, and export to over 60 markets. The acquisition of Kemwell's pharmaceutical operations in India, which is yet to be completed, will provide Recipharm's customers access to for instance low-cost development services, including generics development for the US market, and a wider range of manufacturing services as well as US FDA and EU approved manufacturing abilities. These added technologies and expertises further strengthen the offering of development services and allows for the continued penetration of new customer groups.

To ensure that Recipharm's strong customer offering is promoted effectively towards individuals in a decision-making positions at existing as well as prospective customers, the Company intends to continue to actively engage in business development. A sales organisation with a local presence in Europe and the United States is in place. In recent years, the sales organisation has been strengthened through additional employees and through Recipharm's enhanced focus on key account management and a uniform customer service.

Strengthen presence in emerging markets

As described above, growth markets such as India and China, the so called "pharmerging markets", play a central and growing role in the global pharmaceutical industry; both as increasingly important end markets for drugs as well as attractive locations for drug manufacturing for global end markets, since emerging markets offer attractive cost environment and good access to technically qualified staff. Recipharm therefore has an explicit objective to establish and expand its direct presence in pharmerging markets. The recent acquisition of Nitin Lifesciences Ltd. constituted an important first step in these efforts, and has already generated strong interest from European customers who wish to gain access to the Indian market through the Company's established presence. Going forward, Recipharm intends to focus on delivering the Company's existing offering in India to its customers and to further expand its presence in this market. Key target customer groups include European pharmaceutical companies who have an interest in reaching the Indian end market and other locally regulated markets to which exports from the Company's facilities in India can be delivered, as well as global pharmaceutical companies looking for additional local Indian production capacity.

On April 18, 2016, Recipharm announced the acquisition of Kemwell Biopharma Private Ltd's pharmaceutical operations in India. Provided that the acquisition is approved by the Indian authorities, these operations will further strengthen the company's presence in the Indian market and generate new growth opportunities, in part since the business has a factory with production approved for export to Europe and the United States. The acquisition, also further reinforces Recipharm's opportunities for increasing sales in emerging markets, also directly to the fast-growing Indian market and to emerging markets in Asia and Africa via export from India.

Continue to consolidate the CDMO industry

The global CDMO industry remains fragmented with a large number of small and medium-sized players, often with a specialised service offering and/or geographically limited operations. The customers' desire to consolidate their supplier base makes this type of companies attractive acquisition candidates for larger CDMOs like Recipharm. For Recipharm, this opens up the possibility of gaining access to new technologies and expanded capacity, as well as new customers and markets, through the acquisition of such companies. In addition, synergies on both the cost and revenue side contribute to increased profitability. At the same time, the current outsourcing trend among the major pharmaceutical companies means that the possibilities to secure strategic production agreements, which include takeover of the production facility, continue to be promising. Recipharm's agreement with Alcon, announced and completed during the autumn 2015, illustrates this. These types of agreements often provide a rapid financial contribution, create long-term business relationships and provide expanded production capacity, which can result in up-selling opportunities from Recipharm's customers.

Recipharm has successfully completed more than 15 acquisitions and strategic production agreements since 1998, which the Company believes clearly illustrates its expertise and ability to drive consolidation in the CDMO sector. This expansion has also been carried out with significantly improved profitability.

A structured process for identifying, evaluating, executing and integrating acquisitions (see also the section "Acquisition Model" under "Business Model") has been established to ensure that new acquisitions are contributing to the Company's strategic, operational and financial targets.

During the past year, Recipharm has carried out a number of major transactions including the acquisitions of Nitin Lifesciences Ltd, Mitim S.r.l., the agreement with Alcon and the announced acquisitions of Kemwell's Indian, Swedish and US operations. In the short-term, the Company is expecting a period of integration and focus on generating the synergies and opportunities for up-selling which these acquisitions create. However, going forward Recipharm will seek continued growth through acquisitions and new strategic production agreements.

Continuously streamline the business

Recipharm continuously works to optimise the use of its resources and to maximise efficiency. Frameworks for increased efficiency through streamlining and value creating processes ("Lean") and others, are applied throughout the organisation. An important part of the Company's technical expertise lies in its ability to improve the efficiency of the production facilities by implementing Lean programmes. This contributes to making the Company's customer offering more attractive from a cost perspective and to making its manufacturing processes more robust. It also positions Recipharm well to meet the changing needs and requirements of the Company's customers. Recipharm has clearly demonstrated its ability to implement cost reductions and efficiency programmes when appropriate; the latest such program was initiated in October 2015.

Going forward, Recipharm will continue to focus on efficiency and cost control as an important part of the Company's efforts to secure a strong, competitive business and achieve its established financial targets.

In conjunction with the announced acquisition of Kemwell's Swedish operations, the Company has mapped out clear initiatives for integration with existing Swedish operations by asset rationalization and savings in general within administration activities.

BUSINESS MODEL

Recipharm's business model is to offer customers a full-service concept featuring a combination of development and manufacturing services. The Company is a long-term partner in the pharmaceutical industry and creates added value through effective utilisation of capacity and extensive expertise in pharmaceuticals production. Through Recipharm's experience and knowledge, the Company is able to offer attractive products and production development services.

Outsourcing

Outsourcing means that a contract manufacturer assumes responsibility for the production of one or more products.

One approach is moving the production to Recipharm's own production facilities. This is a relatively time-consuming process that can take several years and be very costly since all steps in the move must be documented and approved by the authorities in the relevant markets. The advantage is that the Company can increase the utilisation rate at existing production facilities and, to a certain extent, make use of shared resources.

An alternative to moving production is maintaining production at the customer's existing production facilities but transferring ownership, staff and legal responsibility to Recipharm. The advantage of such an arrangement is that the purchase price can be held at a symbolic level, only a small investment is required, production can continue without interruption and no time-consuming registrations are required. The last agreement of this kind was made at the end of 2015 for products that use a blow-fill-seal technology, with production facilities in Kaysersberg, France. There are very rarely any agreement restrictions that would prevent Recipharm from entering into production agreements for products from other pharmaceutical companies, so that the production facility in question can be utilised more effectively.

Effective capacity utilisation

Providers of outsourcing services in the pharmaceutical industry typically have higher capacity utilisation than pharmaceutical companies, because the providers can more easily fill the factories with products from multiple customers.

Recipharm believes its has the knowledge and the reputation needed to spark customers' interest in increasing production and in new production at production facilities. The Company works continuously to identify products suitable for contract manufacture, and business proposals can include full responsibility for the entire chain, from current production site to transfer of the product to the Company's own facilities. Several agreements are signed every year in this manner with both existing and new customers. Recipharm can cover the cost of the project and allocate it to the customer over the term of the agreement to facilitate the customer's decision. Accepting new customers in existing production facilities often involves a limited investment for the Company.

Recipharm's value proposition

Negotiating the contract manufacture of pharmaceuticals is an important strategic decision for a pharmaceutical company, whether it regards moving production or turning over current production to an external provider. Changing production sites is a comprehensive process, and production contracts are often drawn up for extended periods of time. Building the trust of a prospective customer makes up an important part of Recipharm's sales efforts.

To continuously build and maintain the trust required for successful collaboration with reputable customers, Recipharm focuses on providing clear added value to new and existing customers alike. The added values Recipharm offers are:

Pharmaceutical expertise
In addition to more traditional knowledge, Recipharm's customers are offered access to special technologies such as lyophilisation and blow-fill-seal technology, access to proprietary technologies, technology transfer and regulatory support for Chemistry, Manufacturing and Control ("CMC").

Managing complexity
Recipharm strives to offer its customers help in managing complex processes such as: geographical distribution, that is production facilities outside Europe and where the Company now can offer manufacturing in India; compliance with international laws and regulations, including in the United States, Japan and Brazil; plans to take the products to market; and plans for transportation and supply chains.

A unique full-service offering
Recipharm is a full-service provider that offers project management, a one-stop-shop from APIs to finished product, a one-stop-shop from drug discovery to market acceptance and through to product maintenance.

Risk controls
As a reliable and financial stable partner customers expect that Recipharm: Keep promises, ensure reliable delivery, and meet and maintain quality and compliance standards. Recipharm can often offer two in-house alternative production options, which contributes to increased delivery reliability.

Added value for the customers
Recipharm offers its customers added value through innovative solutions, problem solving and costeffective solutions tailored to customer needs. There are several examples in which Recipharm together with the customer has reduced the overall cost and reduced lead times. One particular area of focus now is to support Recipharm's customers in adapting their products to future demands for traceability of individual pack level. In this work, Recipharm has a strong position in the market.

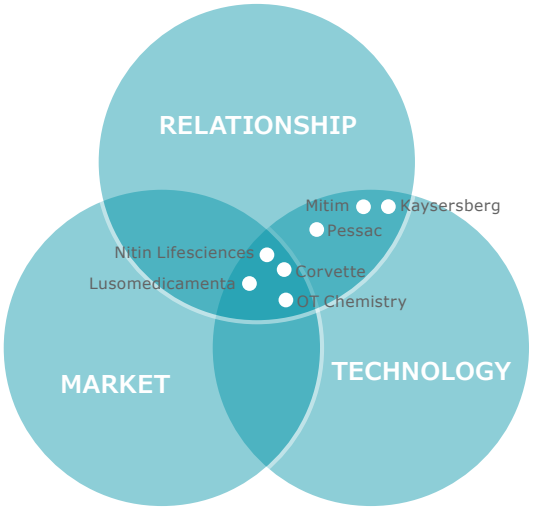
Acquisition Model
Acquisitions are key to Recipharm's growth strategy. Appropriate candidates are sought and evaluated on an ongoing basis. Identification of the candidates is done in various ways, including through various forms of networking, but the company's public visibility is also important, and Recipharm is often contacted by various parties who have knowledge of the Company's acquisition strategy and who knows the potential candidates that might be relevant.

Recipharm uses several criteria to determine if a target company meets the Company's requirements for becoming an acquisition candidate:

- Does the acquisition add a new technology to the Company's offering?
- Will it provide important new customer relationships and cross-sell opportunities within Recipharm's existing business?
- Will the acquisition open up a new market for Recipharm through new geographies?
- Will the acquisition bring any cost synergies?

If one or more of these criteria is met, the company can be interesting to evaluate further. This model for evaluating acquisition candidates is illustrated in the figure below.

Acquisition criteria



One of Recipharm's strengths is being able to rapidly integrate new companies in the Group. This is possible because all companies in the Group are independent operating companies. The integration process is well established and is often carried out in about three months after the company is acquired. During the integration process a workgroup plays an important role. When the integration phase is completed, control is exerted by the internal Board, which consists mainly of members of the Group's executive committee.

The Recipharm Model
The Recipharm model forms the cornerstone of the organisation and aims to maintain and develop the Company's entrepreneurial spirit as it grows and changes. Flexibility, local adaptation and customer focus are key priorities that influence both the corporate structure and management organisation.

All Recipharm's production facilities serve as strategically co-ordinated but operationally independent units. This decentralised model allows new companies to be acquired and production facilities to be taken over while operations can continue with a minimum of production disturbances. Some central functions are implemented, but on the whole the units may continue operating as independent companies. Each unit has a CEO or equivalent who possesses the authority and responsibility to implement strategies and policies. An important change for the production facilities acquired from large pharma-

ceutical companies is the shift from being a cost centre to a profit centre, which drives a greater commercial focus. Performance of the various operating companies is measured primarily on the units' profitability as return on capital employed. Second to profitability, growth is the most important key ratio.

The units have independent responsibility for client relationships and may develop and extend existing agreements with existing customers. However, finding new customers or new contracts for existing customers is done by the Group-wide Business Management function. This function belongs organisationally to the parent company but has employees in all key markets where Recipharm operates. In addition to this there is a central function for sales of development services with representatives in several different countries.

The parent company, Recipharm AB (publ), is responsible for managing the Group as well as for new sales. Group management plays an important role in supporting local units, such as by strengthening the customer base and promoting cross-selling between units and customers. Implementing and transferring best practices between different units is also managed centrally. The parent company also includes a function for quality work, including supplier assessment and the Groups Corporate Social Responsibility work. Other key data is business development, acquisitions and financing for both the Company and individual units.

Recipharm's customers come into contact with a single brand and a unified customer experience. The Recipharm brand is used by all units in the Company, and customers who use several of Recipharm's production facilities experience the same business model and corporate culture. All marketing is done by a central function.

The Company's core values – professionalism, tenacity, entrepreneurship and reliability – align the Company and present an important challenge to executive management as the Company grows and becomes more international. Recipharm's approach is characterised by entrepreneurship and considers all operating companies as independent units. See also the section "Corporate Social Responsibility".

Recipharm has established its Code of Conduct based on the ten principles of the UN Global Compact, a framework that guides our Company's qualities and operations. The 10 principles address areas such as human rights, labour, environment and anti-corruption.

Co-operation between Recipharm's different units

Through close co-operation between Recipharm's different functions, the potential to cross-sell services can be leveraged. The sales organisation, consisting of sales functions at the local level and the Group management level, brings extensive opportunities for cross-selling. Through continuous contact with customers at each production facility, customer requirements can be matched with production capacity at other facilities. Recipharm is an organisation with customer offerings in many different areas and at many different levels of complexity, which enables the Company to deliver significant value-add to the customer. Similarly, it will be possible to foster co-operation with a specific customer in an early development phase so that related manufacturing services can later be offered.

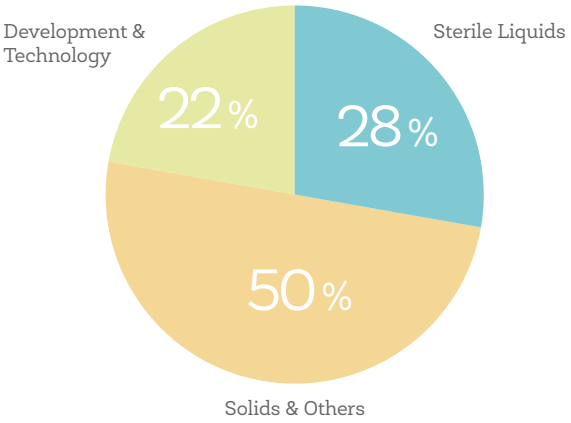
Knowledge transfer between the Company's three business segments, Development & Technology and the two segments within Manufacturing Services, enables it to leverage skills and experience in order to improve development activities and to achieve high efficiency and ensure quality when a drug transitions from the development phase to the production phase.

For many customers who buy manufacturing services, it is important that Recipharm offers development services as it shows that the Company possesses deep and broad pharmaceutical expertise.

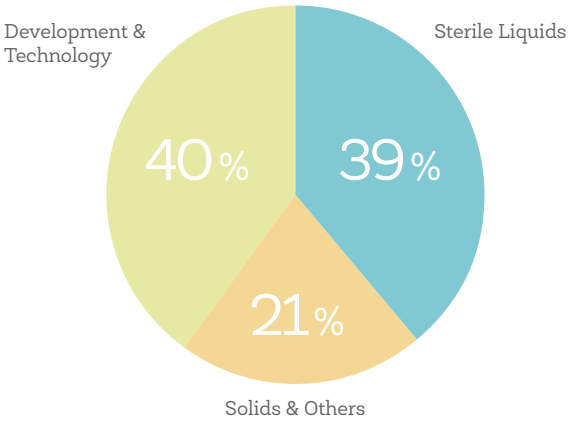
BUSINESS SEGMENTS

Recipharm operates through two business segments within Manufacturing Services and the business segment Development & Technology. Manufacturing Services is in turn divided into the two manufacturing segments Sterile Liquids and Solids & Others. Through both of these business segments, the Company offers a full range of services to help customers take their drugs from the early development stage to production.

Sales split per segment 2015



EBITDA per segment 2015



Source: Recipharm (audited figures)

Manufacturing Services

Through the business segments within Manufacturing Services, Recipharm offers its customers a pan-European and Indian manufacturing platform with access to a wide range of technologies, expertise and services. The Company has broad expertise in development and manufacturing services that includes a large number of drugs in a variety of dosage forms. The Company mainly provides manufacturing for pharmaceutical companies who choose outsourcing, but also offers certain niche API production.

Recipharm's extensive manufacturing network offers customers choice and flexibility. When a pharmaceutical product moves from development to production, Recipharm ensures a quick and effective transition thanks to the Company's expertise in these areas. Recipharm's customers place high demands on the Company's ability to manage and co-ordinate complex projects. As a partner to smaller pharmaceutical companies, Recipharm can manage and co-ordinate the customer's entire process for product industrialisation and offer flexible production during market launches. Among the big pharmaceutical companies, customers value the co-operation with Recipharm because the Company can efficiently manufacture and, as required, develop mature products. In this way, Recipharm helps extend the product lifecycle.

High quality standards

Recipharm constantly aims to deliver high-quality services to its customers. Quality systems based on well-established processes are used throughout the organisation. All operating companies are run in accordance with good manufacturing practice ("GMP"). All manufacturing subsidiaries produce pharmaceuticals that are approved by regulatory agencies in the EU, and several subsidiaries produce pharmaceuticals that have been approved by the FDA in the United States. All facilities are inspected on a regular basis by regulatory agencies. There are some differences in requirements between different national agencies, so processes may need to be adjusted.

Each subsidiary has its own personnel involved in quality issues who are tasked with local implementation of policies and processes. Recipharm's Central Quality Management is responsible for establishing quality policies and overseeing quality and regulatory compliance throughout the Group. To ensure a high level of quality and to meet customer and regulatory requirements, Recipharm regularly inspects suppliers and contractors, as well as monitors and evaluates inspections by central government agencies and the high number of customer inspections at different production facilities.

Custom service levels

An important element of Recipharm's integrated solution is giving customers control over the choice of service level for production. To enable this, the Company offers a wide range of add-on services, including:

- **Regulatory services** – Recipharm has its own team of regulatory experts who specialise in developing documentation packages for submitting applications for approval, re-registrations and other cases on behalf of its customers.
- **Supply chain** – Recipharm works closely with customers to optimise all aspects of their operations, from raw materials to market offering. Recipharm can provide purchasing support tailored to each individual customer's needs, thanks to a global supplier network and extensive experience in purchasing raw materials. The Company works together with its suppliers to

ensure the continuity of supply and raw materials of high quality.
All Recipharm operating companies in Europe produce pharmaceuticals that are registered with EU authorities. Many also have the necessary permits to manufacture products outside Europe, like in the United States and Japan. Further up the value chain, Recipharm has implemented advanced online solutions for vendor-managed inventory ("VMI"), which enables Recipharm to fully manage customer inventory and distribution.

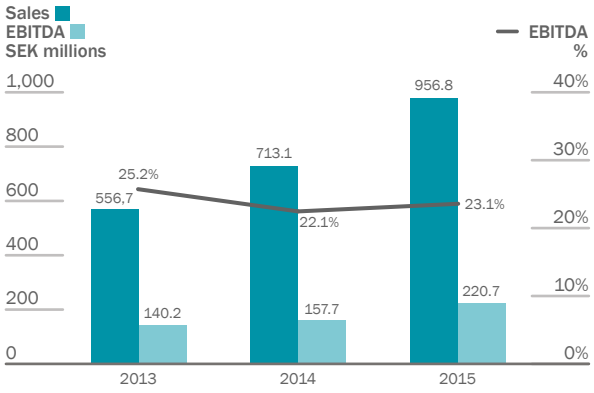
- **Active lifecycle management** – By combining its expertise in manufacturing and development, Recipharm can offer services for extending the product lifecycle of mature products.

Analytical services

Recipharm's service offering also includes stability studies and the development of analytical methods. For customers who import products to the EU, Recipharm offers complete services for EU gateway release and testing.

The products Recipharm manufactures for customers mainly consist of mature products, where the majority are so-called branded generics, meaning that the drugs have the same active ingredients as the originals but are marketed under other brand names. The Company as per March 31 2016 manufactures over 500 different products (over 2,700 SKUs) and delivers these to more than 220 different customers. The business area's customer base includes some of the big global pharma companies as well as several well-known small and medium-sized players.

Manufacturing Services – Sterile Liquids



Source: Recipharm (audited figures)

Sales by the manufacturing segment Sterile Liquids increased from SEK 557 million in 2013 to SEK 957 million in 2015. EBITDA increased from SEK 140 million in 2013 to SEK 221 million in 2015. The EBITDA margin dropped from 25.2 per cent in 2013 to 23.1 per cent in 2015.

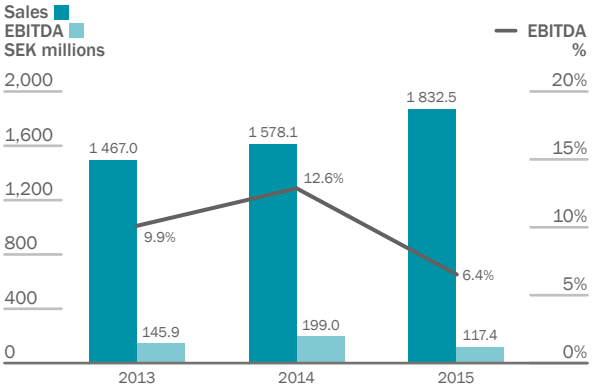
The segment includes sterile technologies such as liquid medicines in vials, lyophilised drugs and products manufactured using blow-fill-seal technology, as well as drugs for eye diseases.

This segment has shown strong performance in recent years, largely driven by increased demand for injectable solutions and lyophilised preparations. Recipharm has therefore chosen to make significant investments in this area to meet the increased demand.

Since its listing on Nasdaq Stockholm in 2014, Recipharm has acquired operations within Sterile Liquids in France, India and Italy, as well as a smaller business (part of the acquisition of Lusomedicamenta) in Portugal.

Recipharm is investing more than SEK 330 million in a new lyophilisation plant in Wasserburg, Germany and therefore judges itself to be the CDMO with the greatest lyophilisation capacity in Europe. Recipharm has invested more than SEK 25 million in new capacity in France and has recently initiated a packaging investment in Wasserburg, Germany in order to offer the entire process of filling, freeze drying and packaging in co-operation with one of the Company's major customers.

Manufacturing Services – Solids & Others

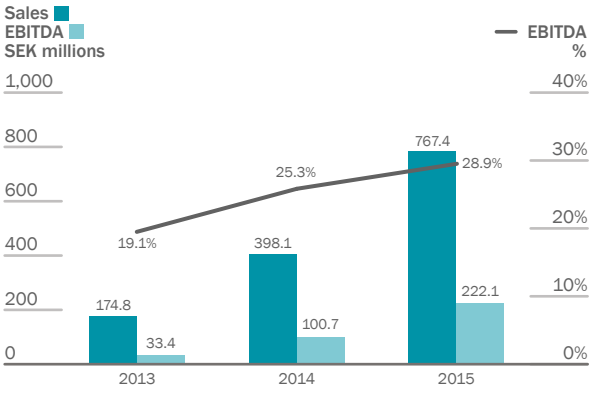


Source: Recipharm (audited figures)

The manufacturing segment Solids & Others is the Company's largest segment in terms of sales. Sales increased from SEK 1,467 million in 2013 to SEK 1,833 million in 2015. EBITDA declined from SEK 146 million in 2013 to SEK 117 million in 2015. The EBITDA margin dropped from 9.9 per cent in 2013 to 6.4 per cent in 2015.

The segment is Recipharm's largest segment and closely reflects the size of the market for CMO/CDMO services. This segment is focused on tablet dosage forms followed by capsules and semi-solids. The segment also includes other dosage forms such as patches, aerosols and others.

The Company believes that competition is generally higher in this segment compared with Sterile Liquids and that competition continues to increase. Recipharm is focused on remaining competitive, with a special focus on Lean initiatives and purchasing efficiency, as well as being able to offer a high-quality product and service. In addition, there are niche combinations of product types and dosage forms that show strong growth and better margins.



Source: Recipharm (audited figures)

Development & Technology

Sales by the Development & Technology business segment increased from SEK 175 million in 2013 to SEK 767 million in 2015. EBITDA increased from SEK 33 million in 2013 to SEK 222 million in 2015. The EBITDA margin rose from 19.1 per cent in 2013 to 28.9 percent in 2015.

Through the Development & Technology business segment, Recipharm provides a comprehensive, full-service offering of technical development services to support customers as they develop early product concepts during the development phase in the laboratory and then progress to completed, approved pharmaceuticals through to full-scale production. By supporting customers in their development efforts, Recipharm aims to be the customer's natural choice as a production partner for manufacturing the developed drug product. This way, the Company's development services create a supply of new products and customers.

As an important component of the development services offering, the Company can assist the customer during the technology transfer in a development project. Furthermore, there are a number of product rights and technologies used for customer contracts or for the manufacture of products mainly marketed and sold by other companies.

In 2015 product rights generated sales of SEK 514 million, corresponding to 67 percent, while the remaining 33 per cent, is attributable to projects completed by Development & Technology for its customers in which revenues were mainly based on hourly rates.

Development services

In the context of its development offering, Recipharm can provide chemical services and deliver raw materials like APIs and excipients, develop formulations, develop and validate analytical methods, conduct stability studies, choose the right packaging materials and also provide small-scale manufacturing for clinical trials. Customers are often small and medium-sized businesses with limited pharmaceutical resources.

Development capacity for APIs – The Company's modern, well-equipped facility in Italy and the planned acquisition of Kemwell's facility in Uppsala, Sweden, develop and manufacture APIs. Recipharm can also supply the international market with niche, generic drug master files for approval on highly regulated markets, including the United States.

Good Manufacturing Practice pilot facilities – In Sweden, France and through the announced acqusition in the United States, Recipharm operates GMP pilot facilities where it can produce both solid and semi-solid formulations as well as sterile containers. These facilities can also be equipped to support other dosage forms.

Technology transfer

An important element of Recipharm's development services is providing assistance during technology transfer in a pharmaceutical project, when the drug goes from small-scale production in clinical trials to full-scale commercial production of the registered drug. The process of transitioning from a laboratory environment to larger scale production at another facility is delicate and extensive, because facilities and methodology must be documented, validated and approved to ensure that the commercial product is identical to that accepted at the clinical trials. This transfer of technology requires detailed knowledge of manufacturing processes and test methods for the product. By combining Recipharm's expertise from both the development phase and large-scale production, the Company can ensure an efficient process for the customer. Recipharm has also expanded its expertise so that it can facilitate and speed up the process when the products are transferred from an external supplier to the Company's manufacturing facilities.

Technologies and product rights

Recipharm's offering in Development & Technology also includes technologies and patents for which it holds an extensive portfolio of product rights, most of which are licenced to external parties. Recipharm can, in some cases, make investments in intellectual property (IP) together with clients to enable the development of drugs which are then produced in the Company's facilities.

Drug development is based on a variety of technologies and product rights, where the Company offers customers and partners a wide range of proprietary products and an attractive IP portfolio. This includes technologies, drug delivery methods and drug master files. Depending on the type of intellectual property terms, Recipharm can offer different forms of collaboration, distribution, supply and licensing agreements.

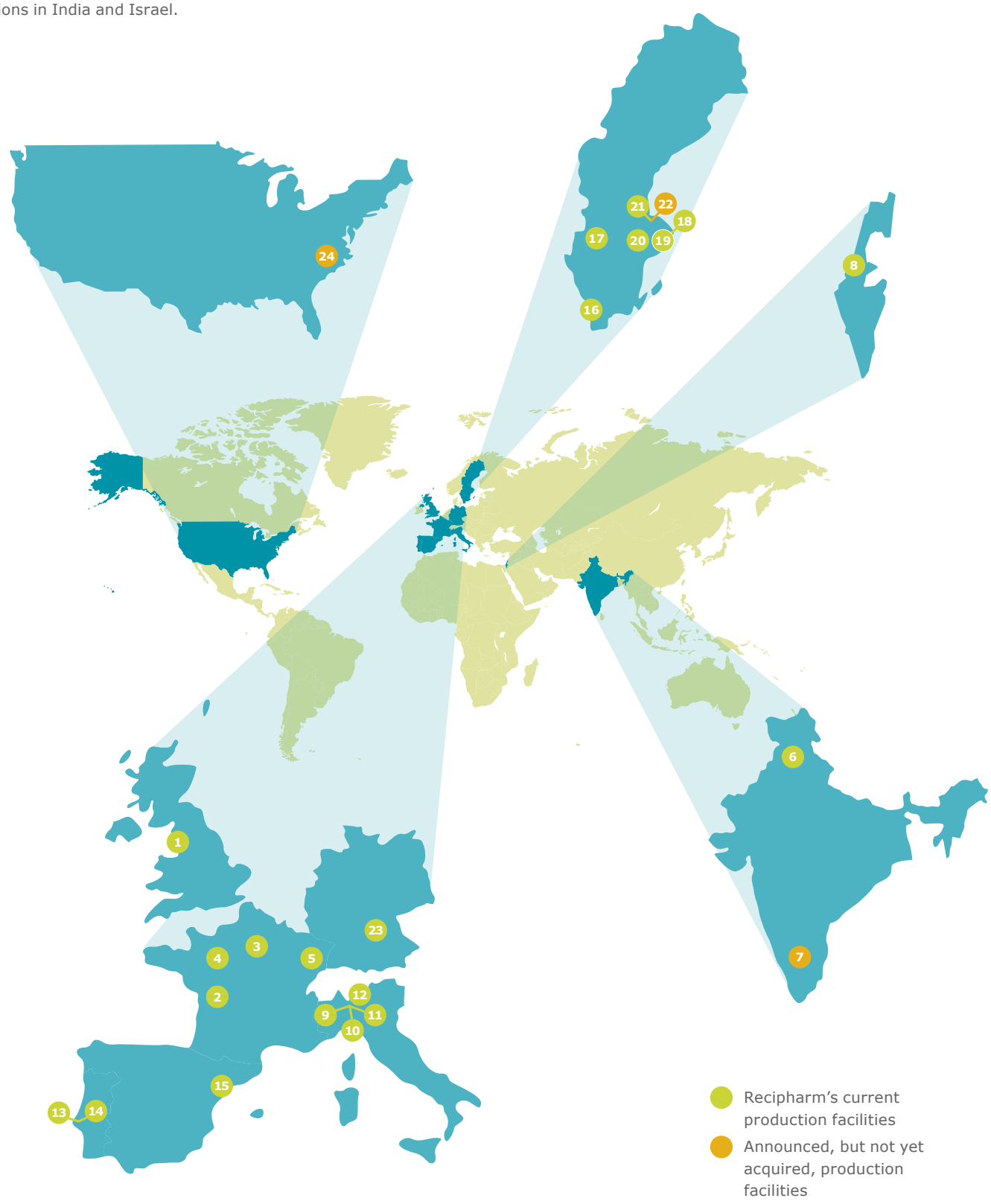
In 2015, the Company expanded its offering through the addition of new proprietary technologies, both through collaborations and in-house development. Recipharm also made equity investments in the companies XSpray, Synthonics and LIDDS, thereby establishing a solid platform for collaboration and access to new, innovative drug delivery technologies. Going forward, the Company intends to further strengthen its internal IP portfolio. Several development projects have been initiated with well-known active pharmaceutical ingredients in niche areas, and the Company continuously reviews potential product candidates.

Recipharm's product portfolio consists of about 50 products, so-called "branded generics", which are produced by Recipharm but sold and marketed by other companies in their names.

Recipharm's production facilities

Recipharm has operating companies in Europe and Asia. After the announced acqusition in the United States is finalised, Recipharm will also have an operating company in the United States. The companies in Europe operate in England, France, Italy, Portugal, Spain, Sweden and Germany. In Asia, Recipharm has operations in India and Israel.

Most companies support one business segment, while others support multiple segments. The following is a brief description of Recipharm's facilities, when they were acquired and what offering they have.



United Kingdom

1. Asthon
Acquired in 2007
Manufacturing Services – Solids & Others
Manufactures solid, semi-solid and liquid preparations

France

2. Pessac
Acquired in 2014
Development & Technology, Manufacturing Services – Solids & Others
Performs development services and manufactures solid preparations

3. Fontaine
Acquired in 2008
Manufacturing Services – Solids & Others
Manufactures solid preparations

4. Monts
Acquired in 2007
Manufacturing Services – Sterile Liquids
Manufactures injection solutions

5. Kaysersberg
Acquired in 2015
Manufacturing Services – Sterile Liquids
Manufactures eye medications

India

6. Karnal & Paonta Sahib
Acquired in 2016
Manufacturing Services – Sterile Liquids
Manufactures injection solutions

7. Bangalore
Acquisition[1] in 2016
Manufacturing Services – Solids & Others, Development & Technology
Manufactures solid, semi-solid and liquid preparations as well as performs development services

Israel

8. Ness Ziona
Acquired in 2015
Development & Technology
Performs development services

Italy

9. Paderno Dugnano
Acquired in 2014
Development & Technology, Manufacturing Services – Solids & Others
Performs development services, manufactures APIs and solid preperations

10. Masate
Acquired in 2014
Manufacturing Services – Sterile Liquids
Manufactures injection solutions

11. Lainate
Acquired in 2014
Manufacturing Services – Sterile Liquids
Freeze drying of APIs

12. Brescia
Acquired in 2016
Manufacturing Services – Sterile Liquids, Manufacturing Services – Solids & Others
Manufactures injection solutions and solid preparations

Portugal

13. Queluz
Acquired in 2014
Manufacturing Services – Solids & Others
Manufactures solid and semi-solid preparations

14. Odivelas
Acquired in 2014
Manufacturing Services – Sterile Liquids
Manufactures eye medications

Spain

15. Parets
Acquired in 2010
Manufacturing Services – Solids & Others
Manufactures solid, semi-solid and liquid preparations

Sweden

16. Höganäs
Acquired in 1998
Manufacturing Services – Solids & Others
Manufactures solid preparations

17. Karlskoga
Acquired in 2004
Manufacturing Services – Solids & Others
Manufacturing semi-solid preparations

18. Solna
Established in 2007
Development & Technology
Performs development services

19. Stockholm
Acquired in 1995
Manufacturing Services – Solids & Others
Manufactures solid preparations

20. Strängnäs
Acquired in 2002
Manufacturing Services – Solids & Others
Manufactures solid preparations

21. Uppsala
Acquired in 2015
Development & Technology
Performs development services

22. Uppsala
Acquisition[2] in 2016
Manufacturing Services – Solids & Others
Manufactures solid and semi-solid preparations

Germany

23. Wasserburg
Acquired in 2010
Manufacturing Services – Sterile Liquids
Manufactures sterile injectable solutions

USA

24. Research Triangle Park
Acquisition[2] in 2016
Development & Technology
Performs development services

[1] The acqusition is subject to regulatory approvals and is expected to be completed before the end of 2016.
[2] The acqusition is subject to certain commitments confirmed by a third party and is expected to be completed before the end of the second quarter in 2016.

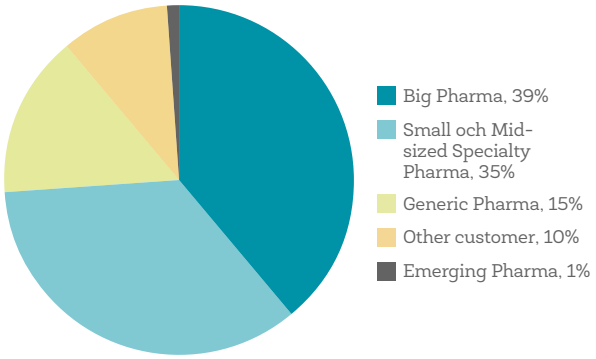
CUSTOMERS

Recipharm had as per March 31, 2016 330 customers throughout the pharmaceutical industry, including Big Pharma, small and medium-sized specialty pharma, generic companies, biotech companies and development companies. The Company's offering is especially designed to meet the needs of the two key customer groups Big Pharma and small and medium-sized specialty pharma.

Big Pharma, the big global pharmaceutical companies, forms the basis of Recipharm's offering. These customers are judged to mainly choose Recipharm as a production partner for established products with high volumes and high standards for product maintenance and product updates. Advanced solutions in logistics, where Recipharm can take on full responsibility for inventory and distribution, are expected to become increasingly interesting for Big Pharma. In several cases, Recipharm also took over the associated production facilities when it entered into new, larger production contracts.

Small and medium-sized specialty pharma, such as niche companies, which often lack the necessary knowledge and capacity for pharmaceutical manufacture, are an important target group for Recipharm. These customers are expected to gain the most benefit from the full-service concept, which allows them to use the Company's wide range of development services and manufacturing technologies. Recipharm strives to enter the development process early in order to obtain as comprehensive contracts as possible.

Share of sales by customer segment



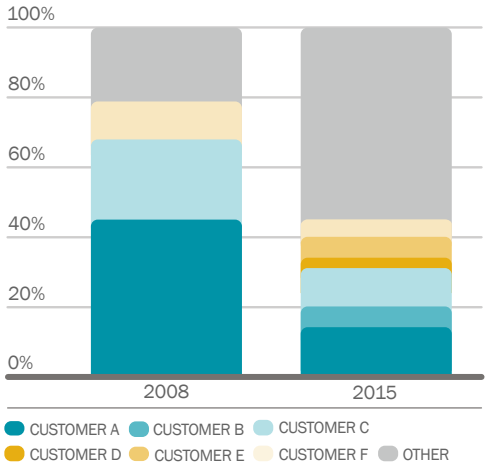
Source: Recipharm (unaudited figures)

Loyal, diverse and growing customer base

Recipharm continuously pursues diversification of its offering of dosage forms, technologies and local manufacturing options. This enables Recipharm to grow within the framework of its existing customer base while generating new business. The Company's existing customer base of small and medium-sized companies reveals significant growth potential. These companies often lack the skills and development and manufacturing resources that the Company offers. It is these customers who benefit the most from Recipharm's full-service offering.

In 2015, Recipharm expanded its base of new customers and extended existing contracts. A broad customer base brings good potential for cross-selling between production facilities and new customers. In total, the number of customers in Recipharm's customer register has more than doubled during 2015. Recipharm has a very loyal customer base; very few contracts are terminated. This is largely due to a highly regulated market, which makes it costly and complicated to change manufacturer, and to the fact that Recipharm maintains very high delivery service at the promised quality. The three largest customers accounted for 80 percent of sales in 2008, which in 2015 declined to 31 percent.

Increased customer diversification



Source: Recipharm (unaudited figures)

Recipharm's customers are demanding and devote care to choosing reliable suppliers. High transfer costs and a high degree of complexity around compliance with relevant provisions brings many customers to Recipharm.

Customers value Recipharm's focus and its priority on long-term relationships. They also appreciate the Company's capacity to provide full-service solutions for effectively managing their specific requirements.

One of Recipharm's main acquisitions is Nitin Lifesciences Ltd in India, which represents Recipharm's biggest entry into an emerging market. The Company's presence there will be even stronger after the acquisition of Kemwell Biopharma Private Ltd's pharmaceutical operations in India is completed, which is expected before the end of 2016. Also important is Recipharm's announced acquisition of Cirrus Pharmaceuticals Inc. in the United States, which creates new relationships with US companies and further contributes to cross-selling opportunities.

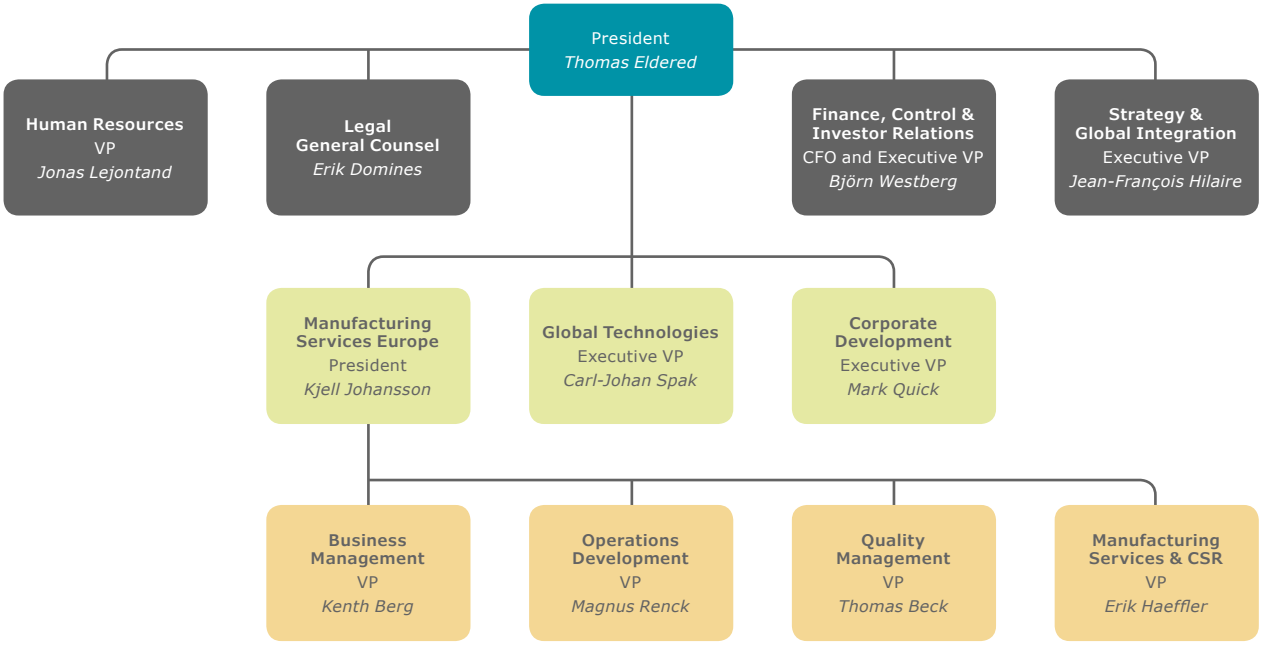
ORGANISATION AND EMPLOYEES

Organisation

The Group consists of the parent company, with Group functions, and operating companies; see also "The Recipharm Model" above. Each operating company has a Board consisting of several members of the Group management team and, in some cases, one or two external members.

Group Management

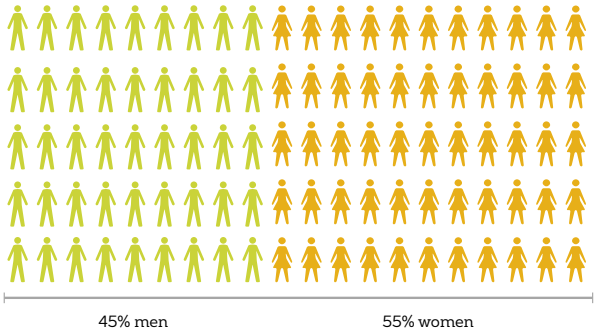
Group management works in the Parent Company, and an organisational chart is provided below.



Employees

Recipharm strives to be a premier provider of CDMO services. Achieving this goal depends on the Company's ability to attract and retain qualified employees.

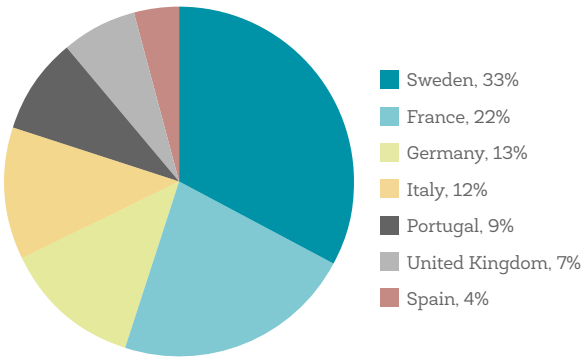
As per 31 March 2016 the Company had approximately 2,900 employees. Since its founding, the Company has grown considerably. But Recipharm believes that the Company's entrepreneurial corporate culture and its desire to keep its original core values appeal to old and new employees alike. The Recipharm model, which stands for being proactive and having confidence in the individual, is an important element for maintaining the Company's position as an attractive employer.



Source: Recipharm

Recipharm has operations in several countries where the employees are distributed as shown below.

Employees per country (average 2015)



Source: Recipharm

Average number of FTEs per country

	2015	2014	2013	2012
Sweden	659	650	661	637
France	445	343	356	354
UK	142	144	175	195
Germany	254	260	252	242
Spain	90	83	77	79
Portugal	177	23	-	-
Italy	248	61	-	-
Israel	4	-	-	-
FTEs	**2,019**	**1,564**	**1,521**	**1,507**

The following acquisitions have been made or announced after 31 December 2015:

Country	Company	FTEs per March 31, 2016
Italy	Mitim S.r.l.[1]	192
India	Nitin Lifesciences Ltd.[2]	440
	Dagny Pharma Private Ltd.[3]	1,389
Sweden	Kemwell AB[3]	242
US	Cirrus Pharmaceuticals Inc.[3]	43

Source: Recipharm

Recipharm works with different initiatives to attract and retain skilled, dedicated staff. In recent years, Recipharm has been especially engaged in the following initiatives:

- Create the conditions for executing Recipharm's growth strategy
- Clarify and communicate Recipharm's values

To create good conditions for executing our growth strategy, Recipharm has taken the following actions in recent years:

- Expanded the workforce in key functions
- Adopted a talent management initiative

To cope with growth, sales and management functions are the ones primarily affected. In recent years Recipharm has more than doubled its sales force, brought a sharper focus on management and co-operation with key customers, and developed the Company's customer service processes.

Talent management is becoming more and more important as Recipharm grows, particularly as the Company enters new regions. Therefore, Recipharm has established a talent management strategy for identifying strategic skills, positions and areas of expertise as well as the employees who have the ability and interest to develop their knowledge.

Recipharm's core values are as follows:

Tenacity

- We show commitment in everything we do
- We are commited 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

Reliability

- We create trust by always delivering on promises
- We deliver with quality and in 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

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 the mindset that nothing is too difficult

[1] Acquired February 24, 2016.
[2] Acquired April 11, 2016.
[3] Announced April 18 2016, closing planned later this year. Dagny Pharma Private Ltd is the newly established entity to which Kemwell Biopharma Private Ltd's pharmaceutical operations in India will be transferred as part of the closing of the transaction.

CODE OF CONDUCT AND CORPORATE SOCIAL RESPONSIBILITY

Recipharm's Supplier Code of Conduct

Because Recipharm's products and services affect people's lives and health, it is imperative that business is done in a responsible and ethical manner. To ensure high ethical standards, Recipharm has established a Supplier Code of Conduct that will be implemented in 2016. Recipharm requires that its suppliers accept and comply with the principles specified in the Code of Conduct. Recipharm expects that suppliers co-operate in a transparent manner and, if necessary, provide access to relevant documents and premises.

Ethics

Suppliers should focus on promoting workers' human rights and treat them with dignity and respect. Recipharm complies with the relevant international standards and agreements in this area and expects its suppliers to do so as well.

Health and safety

Suppliers should provide a safe and healthy working environment, even with regards to any housing provided by the Company.

Environment

Suppliers should operate in an environmentally responsible and efficient manner, and minimise any negative impact on the environment. Suppliers are encouraged to conserve natural resources, avoid the use of hazardous materials, and conduct activities that reuse and recycle resources. This also applies to the supplier's own suppliers and contractors.

Animal welfare

Animal testing should not be used unless the alternatives are not scientifically valid or accepted by regulators. If animal testing is carried out, the animals should be handled as to minimise pain and stress.

Management systems and compliance

Suppliers should use management systems to facilitate continuous improvement and compliance in accordance with the Supplier Code of Conduct. Suppliers are encouraged to integrate the Supplier Code of Conduct in their existing management system or to implement an appropriate management system.

Environment

For many years, Recipharm has focused on creating a good working environment for employees and minimising its impact on the external environment. Recipharm's environmental commitment is exemplified by the Company's international environmental prize, awarded to the best innovation in environmental research related to the pharmaceutical industry.

In addition to the areas mentioned above related to suppliers, Recipharm has the following focus areas for environmental protection:

Providing environmentally sound services

Best environmental practice has formed a key element of the Company's business throughout its long history. Recipharm increasingly takes into account sustainability issues when deciding on investments and business activities. Among the many issues Recipharm prioritises are the management of chemicals and hazardous waste and energy solutions for reducing carbon emissions.

High environmental, health and safety standards

The Company's sustainability efforts focus on providing manufacturing and development services that uphold high environmental, health and safety standards. All the Company's facilities have, or aspire to, ISO 14001 certification, and most also hold OHSAS 18000 certification. The goal is for newly acquired facilities to be certified within two years after they have been incorporated into the Group.

Taking care of our environment

Pharmaceuticals are manufactured specifically to be biologically active. Their release into the environment poses risks to plants and animals. Recipharm's systematic approach helps to minimise these risks. Through its ongoing environmental work, Recipharm can offer customers tailored services based on a comprehensive environmental programme.

Local initiatives

Recipharm continuously strives to be a responsible company by offering environmentally sound services. In addition to certifications, all operating companies follow Recipharm's environmental policy. The policy focuses on the areas of Recipharm's operations that have the greatest impact on the environment, that is, carbon dioxide emissions, the handling of chemicals, raw materials and waste, and energy consumption.

The Company's environmental policy provides a common framework for the continuous improvement of environmental efficiency. In addition, the Recipharm model provides a platform for the local units to drive initiatives based on local needs while taking into account local considerations. By driving efficiency in the local units, Recipharm ensures that the best solutions are implemented since local teams have the best chance of success.

SELECTED FINANCIAL INFORMATION

Recipharm's financial performance for the financial years 2013, 2014 and 2015 and for the period 1 January–31 March 2016 and the comparative period 1 January–31 March 2015, which has been prepared according to IFRS, as adopted by the EU, is presented below. The financial information for the 2013, 2014 and 2015 financial years is taken from the 2013, 2014 and 2015 annual reports, which have been audited, while the information for the period January-March 2015 and 2016 is taken from the unaudited interim report for the period January-March 2016 and is incorporated into the Prospectus by reference.

With the exception for the key ratios which are specifically mentioned not to be prepared according to IFRS, all financial information in this section has been prepared according to IFRS, as adopted by the EU. Certain financial information and other information presented in the Prospectus have been rounded to make it easily accessible to the reader. Therefore the figures in certain columns do not exactly add up to the specified total sum.

The information in this section should be read together with Recipharm's annual reports for 2014 and 2015, and the Company's interim report for January-March 2016.

The financial effects of the acquisitions of Mitim S.r.l. (with exeption from effect during the period 24 February – 31 March 2016), Nitin Lifesciences Ltd and the planned acqusition of Kemwell's US and Swedish operations have been excluded from the financial information in this section. Proforma financial statements for the 2015 financial year that take into account these acquisitions can be found in section "Pro forma financial statements".

CONDENSED CONSOLIDATED INCOME STATEMENT

SEK millions	Jan-Mar 2016 *Unaudited*	Jan-Mar 2015 *Unaudited*	2015 *Audited*	2014 *Audited*	2013 *Audited*
Net sales	972.9	873.2	3,389.4	2,569.3	2,124.6
Other	33.4	28.3	118.7	43.0	36.7
Total operating income	**1,006.2**	**901.5**	**3,508.1**	**2,612.3**	**2,161.3**
Raw materials and consumables	–264.5	–231.6	–958.8	–703.9	–580.7
Other external costs	–227.8	–195.6	–799.7	–588.7	–468.6
Employee benefits expense	–359.1	–299.2	–1,176.1	–888.6	–806.6
Depreciation, amortisation and impairment of assets	–67.5	–57.6	–235.6	–127.2	–94.9
Other operating expenses	–17.7	–17.1	–62.8	–32.0	–22.5
Profit/loss in associated entities	–0.6	-	–1.0	0.1	-
Operating profit	**68.9**	**100.4**	**274.2**	**272.1**	**188.1**
Net financial items	–22.0	68.1	35.4	-56.1	–20.9
Profit before tax	**46.9**	**168.5**	**309.6**	**216.1**	**167.1**
Tax on profit for the period	–22.1	–47.6	–94.6	–55.9	–72.7
Profit for the period	**24.8**	**120.8**	**215.1**	**160.2**	**94.4**
OTHER COMPREHENSIVE INCOME					
Exchange gains/losses on translation of foreign operations	14.8	-71.5	-96.1	65.2	14.5
Fair market value of financial instruments	0.2	–37.1	–39.9	42.1	-
Deferred taxes on items which may be reclassified to profit or loss	0.0	8.2	8.8	–9.3	-
Total items that will not be reclassified to profit or loss	–4.2	–0.8	6.6	–24.9	–2.3
Comprehensive income for the period	**35.6**	**19.6**	**94.5**	**233.4**	**106.6**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK millions	31/03/2016 *Unaudited*	31/03/2015 *Unaudited*	31/12/2015 *Audited*	31/12/2014 *Audited*	31/12/2013 *Audited*
ASSETS					
Non-current assets					
Intangible assets	2,712.8	2,362.0	2,271.2	2,469.2	362.2
Property, plant and equipment	1,610.9	1,056.0	1,446.3	1,051.9	451.9
Other non-current assets	167.6	112.6	153.4	93.4	56.4
Total non-current assets	**4,491.3**	**3,531.5**	**3,870.9**	**3,614.6**	**870.5**
Current assets					
Inventories	733.6	583.3	641.8	590.8	413.1
Trade receivables	677.8	534.9	467.0	528.2	237.2
Tax receivables	39.9	39.2	52.7	36.8	34.1
Other receivables	98.5	71.6	59.5	33.9	14.5
Short-term investments	-	-	-	137.3	-
Prepaid expenses and accrued income	90.7	70.2	70.6	57.5	50.9
Total current assets	**1,640.5**	**1,229.2**	**1,291.6**	**1,384.6**	**749.8**
Cash and cash equivalents	1,628.0	607.3	534.2	404.5	190.2
Total assets	**7,759.9**	**5,438.0**	**5,696.7**	**5,403.7**	**1,810.5**
EQUITY AND LIABILITIES					
Equity	3,179.5	2,711.0	2,740.5	2,131.3	680.8
Non-current liabilities	3,753.5	2,079.8	2,260.9	2,136.4	533.3
Current liabilities	826.8	647.2	695.3	1,136.1	596.4
Total equity and liabilities	**7,759.9**	**5,438.0**	**5,696.7**	**5,403.7**	**1,810.5**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

SEK millions	Jan-Mar 2016 *Unaudited*	Jan-Mar 2015 *Unaudited*	2015 *Audited*	2014 *Audited*	2013 *Audited*
Cash flow from operating activities	–60.5	148.4	428.8	254.2	179.6
Cash flow from investing activities	–553.2	55.3	–420.5	–1,456.8	–104.1
Cash flow from financing activities	1,727.1	4.7	132.9	1,405.4	–59.9
Total cash flow for the year	**1,113.5**	**208.4**	**141.1**	**202.8**	**15.6**
Cash and cash equivalents at beginning of period	**534.2**	**404.5**	**404.5**	**190.2**	**179.2**
Exchange differences	–19.7	-5.6	–11.5	11.5	–4.6
Cash and cash equivalents at end of period	**1,628.0**	**607.3**	**534.2**	**404.5**	**190.2**

SEGMENT INFORMATION

SEK millions	Jan-Mar 2016 *Unaudited*	Jan-Mar 2015 *Unaudited*	2015 *Audited*	2014 *Audited*	2013 *Audited*
Net sales					
Manufacturing Services Sterile Liquids	367.9	233.3	956.8	713.1	556.7
External sales	362.1	231.9	941.6	707.2	549.4
Internal sales	5.8	1.4	15.2	5.9	7.3
Manufacturing Services Solids & Others	462.4	461.7	1,832.5	1,578.1	1,467.0
External sales	432.4	421.6	1,690.7	1,463.9	1,403.2
Internal sales	30.0	40.1	141.8	114.2	63.8
Development & Technology	181.2	220.1	767.4	399.0	174.8
External sales	178.4	219.7	757.1	398.1	171.5
Internal sales	2.8	0.4	10.3	0.9	3.3
Eliminations and other	-38.6	-41.9	-167.2	-121.0	-73.9
Total	**972.9**	**873.2**	**3,389.4**	**2,569.3**	**2,124.6**
EBITDA					
Manufacturing Services Sterile Liquids	69.0	66.0	220.7	157.7	140.2
Manufacturing Services Solids & Others	59.5	29.2	117.4	199.0	145.9
Development & Technology	28.3	69.6	222.1	100.7	33.4
Other	–20.4	–6.7	–50.3	-58.1	–36.5
Total	**136.4**	**158.0**	**509.9**	**399.3**	**283.0**

KEY FIGURES

The table below includes certain key financial figures that are not defined according to IFRS, such as "EBITDA", "EBITDA margin" and "EBIT margin". The Company believes these non-IFRS key financial figures provide a better understanding of the Company's economic trends. These financial figures have not, unless stated otherwise, been audited and should not be evaluated on a stand-alone basis nor as an alternative to key financial performance figures calculated in accordance with IFRS. Furthermore, these key financial figures, as the Company has defined them, have not been compared to other key financial figures with similar names used by other companies. The reasoning behind this that the aforementioned key financial figures are not consistently defined in the same way and other companies can calculate these figures in a different fashion the Company.

SEK millions	Jan-Mar 2016 *Unaudited*	Jan-Mar 2015 *Unaudited*	2015 *Audited*	2014 *Audited*	2013 *Audited*
KEY FIGURES DIRECTLY FROM ACCOUNTS					
Net sales	972.9	873.2	3,389.4	2,569.3	2,124.6
Operating profit (EBIT)	68.9	100.4	274.2	272.1	188.1
Profit before tax	46.1	168.5	309.6	216.1	167.1
Profit for the period	24.8	120.8	215.1	160.2	94.4
Basic earnings per share (SEK)	0.52	2.74	4.72	4.63	3.72
Diluted earnings per share (SEK)	0.52	2.74	4.72	4.13	3.66
Average number of basic shares (millions)	48.2	44.1	45.6	34.6	25.4
Average number of diluted shares (millions)	48.2	44.1	45.7	39.7	26.1
Dividend per share (SEK)	-	-	1.50	1.25	-
OTHER KEY RATIOS					
EBITDA	136.4	158.0	509.8	399.3	283.0
EBITDA margin (%)	14.0	18.1	15.0	15.5	13.3
EBIT margin (%)	7.1	11.5	8.1	10.6	8.9
Net debt	1,510.2	937.3	1,182.9	1,163.7	409.8
Net debt/equity ratio (times)	0.47	0.35	0.43	0.55	0.60
Operating capital	4,689.6	3,648.3	3,923.4	3,295.0	1,090.6
Return on operating capital (%)	5.8	12.3	7.6	12.4	17.6
Return on equity (%)	4.0	13.1	8.8	11.4	14.5
Equity/assets ratio (%)	40.8	49.9	48.1	39.4	37.6
Interest coverage ratio (%)	2.93	22.3	11.7	4.3	7.0
Share price, end of period (SEK)	152.0	183.0	126.5	134.5	-
Average number of employees	2,335	2,058	2,019	1,564	1,521

DEFINITIONS

EBITDA
Earnings before interest, taxes, depreciation and amortisation.

EBITDA margin
EBITDA divided by net sales.

EBIT margin
Operating profit (EBIT) divided by net sales.

Net debt
Interest-bearing liabilities less cash and cash equivalents.

Net debt/equity ratio
Net debt divided by equity.

Operating capital
Net debt plus equity.

Return on operating capital
Operating profit for the latest 12-month period divided by average operating capital (average of opening and closing balance for most recent 12-month period).

Return on equity
Profit after tax for the latest 12-month period divided by average equity (average of opening and closing balance for most recent 12-month period).

Equity/assets ratio
Equity as a percentage of total assets.

Interest coverage ratio
Operating profit plus finance income divided by finance costs.

Share price end of period
Closing price on the last trading day of the period.

Average number of employees
Average number of full-time employees for the period.

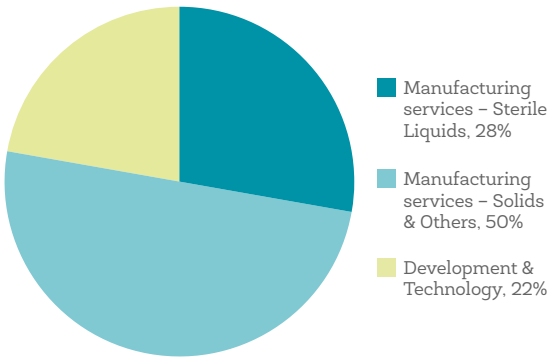
OPERATIONAL AND FINANCIAL OVERVIEW

This operational and financial overview is intended to facilitate the understanding and assessment of trends and changes in Recipharm's financial performance and financial position. Historical performance is not necessarily an accurate indicator of future performance. The information in this section should be read in conjunction with the section "Selected financial information" and the documents incorporated by reference in the Prospectus.
The statements in this section relating to sector forecasts, Recipharm's future results, liquidity and capital resources, and non-historical information are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including the risks and uncertainties described under "Important information" in this Prospectus. The Company's actual results may differ materially from the forward-looking statements.

SEGMENTS

Recipharm reports its operations in three strategic business segments. Operations mainly related to contract manufacturing are reported in two segments: Manufacturing Services Sterile Liquids and Manufacturing Services Solids & Others, depending on the dosage form. Development services, technologies, intellectual property rights, product rights, cooperation projects and some API development and manufacturing are reported in the Development & Technology business segment. Below is a split of net sales by segment.

Net sales (external sales) 2015 per segment



Source: Recipharm (audited figures)

Manufacturing Services Sterile Liquids

Manufacturing Services Sterile Liquids reported net sales of SEK 957 million in 2015. The segment is a global supplier of sterile and lyophilised dosage forms from facilities in Wasserburg (Germany) and Monts (France), as well as the facilities acquired in Milan (Italy) and Lisbon (Portugal) in 2014. The operations in Kaysersberg (France) was added as per 31 December 2015 and Nitin Lifesciences (India) was acquired on 11 April 2016.

Manufacturing Services – Solids & Others

The segment's sales of products and services amounted to SEK 1,833 million in 2015. The segment's facilities carry out contract manufacturing of tablets, semi-solid formulations such as creams and ointments, capsules, granules, powders, inhalers and sprays. Five of the facilities are in Sweden, and the Company has other facilities in Ashton (England), Barcelona (Spain), Fontaine (France), Karnal (India) and Lisbon (Portugal).

Development & Technology

The Development & Technology segment's net sales for 2015 were SEK 767 million. SEK 514 million of the amount was income from the Company's own products and contract manufacturing of active ingredients, while the remaining SEK 253 million was related to development services for external clients.
The development facilities offer different types of services within the pharmaceutical development process, with facilities located in Ness Ziona (Israel), Pessac (France), Solna (Sweden) and Uppsala (Sweden).

A large proportion of Recipharm's product rights are produced in the Company's own production facilities and sold internally to companies in the Development & Technology segment.

In many cases, the product rights are licensed to distributors and marketing companies in the pharmaceutical sphere. Revenue from out-licensing is recognised as other operating income.

PRESENTATION OF FINANCIAL INFORMATION

Below is a description of certain items in Recipharm's income statement.

Revenue

The Group's revenue is generated from the sales of goods and services, with customers principally consisting of international pharmaceutical companies. Revenue comprises the fair value of goods and services sold, excluding value-added tax and rebates, after elimination of intra-group sales. Revenue from the sale of goods is invoiced and recognised in the accounts when the goods have been delivered from Recipharm's inventories. Revenue from the sale of services is recognised in the financial statements in the period in which the services are rendered. Revenue is based on the following criteria:

- Pharmaceutical manufacturing (contract manufacturing) – Prices are quoted per product manufactured for the customer. The revenue is a function of price and volumes sold per product.
- Sale of services – Prices are set as hourly rates or fixed prices for the fulfilment of projects, or milestones in a project.
- Product sales – Prices are quoted per product sold to the customer, who is normally the distributor for the relevant market. The revenue is a function of price and number sold per product for which the Company owns the product rights.

Other operating income consists of licence revenue from the out-licensing of proprietary product rights, exchange gains arising from the revaluation of foreign currency operating assets and liabilities, accounting gains on the disposal of non-current assets, and other cost reimbursements, such as damages and insurance payouts.

Raw materials and consumables
Raw materials and consumables consist mainly of purchased raw materials and packaging materials for finished products sold. The value of inventories is evaluated regularly, taking into account the market value of the products and actual production costs. The Group uses an activity-based costing model using standard costs which are calculated annually for finished products, semi-finished products and inputs. Differences between the standard cost and fair value are recognised as income or expense under "Raw materials and consumables" as they arise. When a product has passed its use-by date or failed quality control, an obsolescence provision is made. Raw materials and consumables also includes the cost of discarded products, raw materials and packaging materials.

Other external costs
Other external expenses include operating expenses such as rent, maintenance of buildings and machinery, repairs, purchase of consumables, insurance, travel expenses, marketing expenses, agency staff, consulting fees, regulatory costs, membership fees and licence fees.

Employee benefits expense
Employee benefits expense consists of salaries, pension premiums, cost reimbursements, social security contributions for the Company's employees, training and other personnel costs. Costs relating to temporary staff employed by temporary work agencies are reported under "Other external costs".

Depreciation, amortisation and impairment
Depreciation and amortisation consist of scheduled straight-line depreciation of property, plant and equipment and amortisation of intangible assets. Property, plant and equipment consists of buildings, machinery and equipment which are depreciated over their expected economic life. Amortisation of intangible assets is primarily the value of customer contracts and trademarks related to the acquisition of Corvette Pharmaceutical Services Group (Italy), Lusomedicamenta Sociedade Técnica Farmacêutica S.A. (Lisbon) and Wasserburger Arzneimittelwerk and acquired product rights, such as the product portfolio acquired from UCB Pharma in Belgium.

Recipharm normally applies the following depreciation periods:

Buildings	25-40 years
Improvement of third-party property	8-20 years
Plant, machinery and equipment	3-15 years
Product rights	8-15 years
Other intangible assets	5-10 years

At the end of each reporting period, the residual value of each asset is compared with its expected lifetime, and any impairment of the value is recognised in accordance with IAS 8. An inventory of all property, plant and equipment is taken once a year.

Other operating expenses
Other operating expenses consist primarily of land and property taxes and a special value-added tax contribution, which are all related to the French operations. Other operating expenses also include exchange losses on receivables and operating liabilities.

Finance income
Recipharm's finance income comes from interest income on cash and cash equivalents. It also includes net exchange gains on financial assets and non-current liabilities in foreign currencies.

Finance costs
Finance costs are interest expenses associated with the Company's loans. They also include net exchange losses on financial assets and non-current liabilities in foreign currencies. Impairment losses on financial assets are reported under finance costs.

Taxes
The Group's tax expense consists of current tax and deferred tax. Taxes are recognised in the income statement except when the underlying transaction is recognised in comprehensive income, in which case the related tax effect is recognised in equity. Current tax is the amount of income taxes payable or recoverable in respect of the current year.

Recipharm tax expenses are primarily affected by corporate tax in Sweden, France, the UK, Germany, Spain, Italy, Portugal, India and to some extent the United States. The effective tax rate depends on the distribution of income between the different countries and the impact of deferred tax assets/liabilities.

FACTORS THAT AFFECT RECIPHARM'S EARNINGS

Recipharm has identified the following factors that are most likely to affect the Company's earnings:

- Price and volume trend in existing operations
- Acquisitions
- New production agreements, with or without the takeover of production facilities

- Operational efficiency
- Market volatility and generic competition
- Product mix
- Raw material prices
- Exchange rate changes
- Seasonality

Price and volume trend in existing operations
Agreements with customers normally govern price fluctuations, with price clauses that link to a specific inflation index or similar mechanism, and price adjustments in connection with major fluctuations, such as switching raw material or major changes in commodity prices.

The volume trend in existing operations is mainly impacted by the following components:

- New manufacturing contracts
- Volume trend for existing products
- Terminated manufacturing contracts

New manufacturing contracts in respect of product projects not protected by patents normally have a positive impact, since they lead to improved capacity utilisation. This also applies to product projects protected by patents, whereby the contribution is generally more positive, because new product projects generate higher margins in the end market, at the same time as volume rises because a new product has been established in additional markets. The Company also invests in expanded capacity to meet demand. An example of this is the capacity investment in Wasserburg, which will generate expanded volumes during 2017, primarily related to new contracts.

The Company's contracts are predominantly exclusive, meaning that only Recipharm is permitted to manufacture the particular product. This means that the volumes to be manufactured are governed by how successful the customer is in bringing the product to the end market. The volume trend in the existing business is normally very stable, primarily related to the fact that more than 90 per cent of the products that are manufactured are not patent protected and have existed in a market for a number of years, with stable volumes. The customers' products occasionally meet increased competition, in which case manufactured volumes are impacted. A major negative effect can arise for products that are considered small mainly in the eyes of major pharmaceutical companies, and are therefore not assigned priority by the customer.

The proportion of terminated contracts is very small, largely because the pharmaceutical industry is meticulously controlled, whereby changes take time, usually more than two years, and are normally costly. There are a few examples during Recipharm's 20 years in the industry of midsize contracts being terminated.

Acquisitions
Recipharm's ability to identify and implement potential acquisitions, thereby reaching new customers, technologies and markets, has an impact on the Company's growth and earnings. Recipharm has made acquisitions in France, India, Italy, Portugal, the UK, Sweden and Germany since 2007. The acquisitions have contributed to a geographic presence in these countries and brought new customers. The acquisitions have enabled the Company to expand and increase its capacity with new technologies and dosage forms.

Through the acquisitions in Italy, Portugal and France, the Company has taken over a number of product rights, which it intends to further develop, and rights to technologies that can be used in new product development.

Acquisitions are a key growth component in Recipharm's strategy and the Company constantly seeks opportunities to acquire companies that match its acquisition criteria. The assessment is that Recipharm will take an active role in the consolidation of the fragmented market for CDMOs, which will set the conditions for future acquisitive growth.

New production agreements, with or without the takeover of production facilities
Recipharm actively seeks opportunities for new production agreements. These include agreements under which production is transferred to the Company's own premises and agreements under which the Company takes over the existing production facility, which is then run under the Company's management. Historically, Recipharm has concluded a number of strategic production agreements that have involved a takeover of the production facility. These include the production facilities in Monts, France (2007), Fontaine, France (2008), Parets, Spain (2010) and most recently Kaysersberg, France (2015). This has given the Company access to new customers, technologies and markets.

The availability of these types of production agreements may vary from one year to another, which affects the Company's growth. However, the long term trend shows an increase in the number of production agreements.

Improved operational efficiency
The main factors that affect, or have affected, Recipharm's operational efficiency are as follows:

- Focusing on profitable operations and discontinuing unprofitable operations
- Efficiency programmes
- Utilisation of capacity at a facility and in the entire Group

The manufacturing subsidiaries work actively on various efficiency programmes, such as lean manufacturing. Efficiency improvements are also carried out regularly by the introduction of more efficient equipment in order to increase the number of products produced per unit time, for example. In 2013, the Company invested in a new filling and packaging line in Höganäs, Sweden, which brought an increase in capacity and reduced the number of employees by just over 10. A number of other measures aimed at adapting personnel needs to the volumes produced have also been regularly implemented. This has been the case at the facilities in Fontaine, (France), Parets, (Spain), Stockholm and Strängnäs

(Sweden) in the 2010-2015 period.

Efficiency is achieved through higher capacity utilisation in existing facilities. What primarily affects earnings is increased production volumes. Increased production volumes in an existing production facility allow the facility to obtain coverage for its fixed costs, such as rent and heating, which are not directly dependent on production volumes.

The Company's earnings are dependent on how well it is able to maintain and improve operational efficiency. Changes to the business aimed at increasing efficiency may give rise to costs that initially have an adverse impact on the Company's earnings.

Market volatility and generic competition

The majority of the products the Company produces and owns are sold in competitive markets and only in isolated cases do they have some form of patent protection. The Company's own brands and pharmaceuticals that are manufactured under contract for another customer are sometimes exposed to competition from generic products designed to knock out previously patented products. The Company's earnings may be adversely affected by these attacks as a result of changes in capacity utilisation and lost sales.

Generally, the effects from patent expirations have become less predictable in the pharmaceutical markets. The post-patent cliff, a term used to describe the sometimes abrupt decline in demand for a drug whose patent has expired, means that it is imperative for Recipharm to be able to adjust its production capacity to rapidly changing demand. Recipharm's exposure towards these shifts is not large since the share of patented products manufactured for the Company's clients is less than ten per cent.

Product mix

The mix of manufactured or sold pharmaceuticals affects income related primarily to the following areas:

- Changes in the mix of existing products in production
- Percentage of new products or product projects in production
- Product mix of products for which the Company owns product rights, and which are marketed and sold by distributors

Changes in the mix of existing products can affect Recipharm's earnings. The Company's volumes for most of its manufacturing are normally stable, and significant product mix effects are uncommon. Profitability varies from product to product, and if Recipharm is able to influence production so that more profitable products are produced, it will have a positive effect on the Company's earnings. However, production is controlled by what Recipharm manufactures under the Company's agreements, with the manufactured volumes being primarily governed by the customers' needs. Newer products usually have higher margins than older ones. This is partly because the newer products have a higher margin with Recipharm's customers and partly because the Company is often involved in the product's development phase with the customer. The product can then be priced at a level that gives good profitability provided volume development is also good. A new product for manufacturing normally generates sales of services from development of analytical techniques and stability studies, regardless of whether the product subsequently achieves high production volumes.

A significant proportion of net sales in the Development & Technology segment refers to sales through distributors of products for which Recipharm owns the product rights. These products have different margins. By focusing the Company's activities and actively working with distributors on products that deliver higher margins, the changes in product mix have a direct effect on the Company's profitability. Thyrosafe, the only product sold directly by Recipharm, is a potassium iodide tablet taken to protect the thyroid gland from radiation in the event of a nuclear accident or other incident. The product is sold to government authorities and organisations at irregular intervals, as it is usually kept in stock until its expiry date after which the customer buys volumes under a new contract. A large order of Thyrosafe affects the product mix in the Development & Technology segment and therefore also profitability.

Raw material prices

Purchases of raw materials, such as chemicals and other inputs necessary for the manufacture of pharmaceuticals, represent a significant proportion of Recipharm's total costs. Costs of raw materials and consumables accounted for about 30 percent of the Company's total operating expenses in 2015. Changes in raw material prices affect the Company's earnings in that the Company cannot compensate for a cost increase with a corresponding price increase to customers. Historically, Recipharm has been able to compensate for such price changes to some extent by passing on increases in the price of materials to the Company's customers.

Exchange rate fluctuations

Recipharm operates in several European countries, which means it generates income and expenses in currencies other than SEK, primarily EUR, INR, GBP and USD. In most of the Company's subsidiaries, income and expenses are generated in the same currency. It is not always possible to match income with expenses in the same currency, and the Company's earnings are affected by currency fluctuations if this is the case.

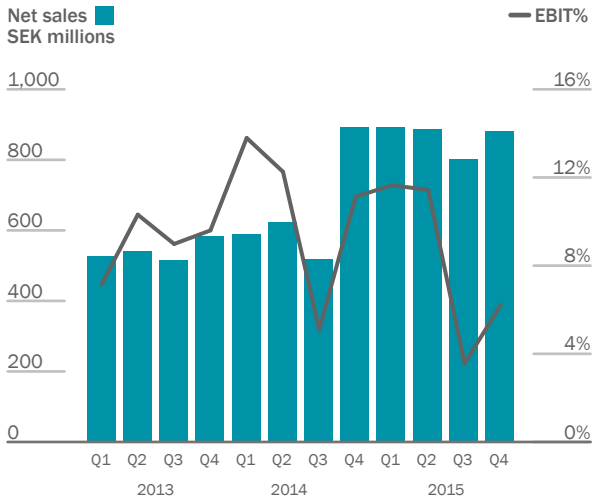
Recipharm prepares its consolidated financial statements in the Swedish krona. However, some of the Company's subsidiaries prepare their financial statements in currencies other than the Swedish krona. Consequently, Recipharm translates the values of assets, liabilities, income and expenses from all companies with a functional currency other than the Swedish krona into the Swedish krona at current exchange rates.

An increase or a decline in the value of the Swedish krona affects the value of certain items in the consolidated financial statements relating to the Company's operations that are not conducted in the Swedish krona, even if the value has not changed in their original currency. A stronger krona will, for example, reduce the carrying amount of operations not conducted in the Swedish krona, and, vice versa, a weaker krona will increase the carrying amount of operations not conducted in the Swedish krona. However, currency fluctuations are considered to have only a minimal impact on the Company's earnings. For further information, see "Equity, debt and other financial information – Financial risk management – Currency risk".

Seasonal fluctuations

The pharmaceutical industry is generally stable over the year, which means that the Company's demand does not follow any seasonal pattern. However, Recipharm's sales and earnings are affected by production capacity, which goes down during holiday months. This means that sales and earnings tend to be lower in the third quarter, which is the quarter of the summer holidays, than in other quarters.

Net sales and EBIT margin



Source: Recipharm (unaudited figures)

COMMENTS ON FINANCIAL DEVELOPMENT

Recipharm's financial development for the 2013, 2014 and 2015 financial years, for the period 1 January–31 March 2016 and for the comparative period 1 January – 31 March 2015 is presented below for which information has been prepared in accordance with IFRS, as adopted by EU. The financial information for the 2013, 2014 and 2015 financial years was obtained from the 2013, 2014 and 2015 annual reports, which were audited, and the information for the periods January–March 2016 and 2015 was obtained from an unaudited interim report for the period January–March 2016 and is incorporated into this Prospectus by reference.

JAN-MAR 2016 COMPARED WITH JAN-MAR 2015

Net sales

Net sales increased by SEK 99.7 million to SEK 972.9 million, up 11.4 percent. Adjusted for currency effects of a negative SEK 5.0 million, the increase totalled 12 percent. The acquisitions of OT Chemistry AB (presently Recipharm OT Chemistry AB) and Mitim S.R.L contributed SEK 50.9 million. Sales, excluding acquisitions and currency effects, increased by SEK 54.7 million, corresponding to 6 percent. The growth in sales was primarily related to the new contract in Kaysersberg that contributed SEK 91.3 million. Sterile Liquids and Solids & Others generated similar sales as in the preceding year excluding the effects of the Mitim S.R.L acquisition and the new contract in Kaysersberg, while D&T generated lower sales due to a SEK 23 million reduction in sales of Thyrosafe and intensified competition for certain products. A lower number of working days during the quarter compared with the year-earlier period had a negative impact on sales.

Manufacturing Services Sterile Liquids

Net sales for Manufacturing Services Sterile Liquids increased by SEK 134.5 million to SEK 367.8 million, up 58 percent. Adjusted for currency effects of a negative SEK 2.0 million, the increase totalled 59 percent. The acquisitions contributed SEK 35.1 million and the new contract in Kaysersberg in France contributed SEK 91.3 million. Sales, excluding acquisitions and currency effects, increased by SEK 101.5 million, corresponding to 44 percent, of which the new contract in Kaysersberg generated 39 percent. The negative effect from the contract signed in France, whereby sales from the first quarter of the preceding year amounted to SEK 17.3 million, was comfortably offset by higher sales from other companies, mainly increased sales of new projects.

Manufacturing Services Solids & Others

Net sales for Manufacturing Services Solids & Others increased by SEK 0.7 million to SEK 462.4 million. Adjusted for currency effects of a positive SEK 2.9 million, the increase totalled 1 percent. The acquisitions contributed SEK 7.8 million, corresponding to a 2-percent increase in sales. Sales, excluding acquisitions and currency effects, declined by SEK 4.2 million. Sales declined in the Swedish operations, mainly due to the removal of less profitable products and lower internal sales (to Development & Technology) for the production of Thyrosafe. Lower sales were partly offset by increased sales of products to new customers.

Development & Technology

Net sales for Development & Technology fell by SEK 38.9 million to SEK 181.2 million, down 18 percent. The currency impact was minor. Acquisitions contributed SEK 8.0 million. The decline in sales was related to lower sales of Thyrosafe, SEK 23 million, and lower sales of several products with high margins in the UK market.

Other operating income

Other operating income for the first quarter 2016 amounted to SEK 33.4 million, primarily comprising royalty income of SEK 13.7 million, re-invoiced expenses of SEK 10.3 million and currency gains on operating receivables and liabilities. Other operating income for the first quarter of 2015 amounted to 28.3 SEK million.

Raw materials and consumables

Costs of raw materials and consumables amounted SEK 264.5 million in the first quarter of 2016 compared with SEK 231.6 million in the year-earlier period. The increase was mainly related to higher production costs and costs associated with new acquisitions. The currency impact was minor. The percentage between the cost of materials and sales was 27.2 percent, which was higher than the 26.5 percent noted in the preceding year, due to increased material requirements for new acquisitions and an unfavourable product mix change in the Company's own products.

Other external costs

Other external costs amounted SEK 227.8 million in the first quarter of 2016 compared with SEK 195.6 million in the year-earlier period. The increase was primarily related to higher sales and acquisitions. In total, the percentage of other external costs in relation to sales was 23.4 higher than the 22.4 percent in the preceding year, due to the parent company's increased costs related to acquisitions and company inspections.

Employee benefits expense

Employee benefits expense amounted SEK 359.1 million in the first quarter of 2016 compared with SEK 299.2 million in the first quarter 2015. The increase was mainly

related to higher production costs and acquisitions. The percentage of employee benefits expense in relation to sales was 36.9 percent and was thus higher than the 34.3 percent reported in the preceding year due to lower sales of Development & Technology products, where employee benefits expense were lower than in the rest of the Group.

Other operating expenses
Other operating income amounted to SEK 17.7 million in the first quarter of 2016 compared to SEK 17.1 million in the first quarter 2015, primarily comprising currency effects on operating receivables and liabilities, and special excise duties.

Earnings before interest, taxes, depreciation and amortisation (EBITDA)
EBITDA amounted to SEK 136.4 million in the first quarter of 2016, down 13.7 percent compared with the same period 2015 when EBITDA amounted to MSEK 158.0. The EBITDA margin was SEK 14.0 percent in the first quarter of 2016 compared with 18.1 percent compared with the same period 2015. The main reason for the decline was the lower sales, a negative product mix effect in Development & Technology and increased costs for acquisitions and company inspections totalling SEK 11 million. The total currency effect on EBITDA was limited. The significantly sequentially increase in EBITDA from the third quarter of 2015 until the first quarter of 2016, is mainly related to the improvements in Solids & Others and the contribution from the operations in Kaysersberg.

Manufacturing Services Sterile Liquids
EBITDA for Manufacturing Services Sterile Liquids increased by SEK 3.0 million to SEK 69.0 million in the first quarter of 2016, corresponding to an EBITDA margin of 18.8 percent compared with 28.3 percent in the first quarter of 2015. The acquisitions contributed SEK 4.3 million. The currency impact was limited. EBITDA, excluding acquisitions, declined by SEK 1.3 million. The contribution of the contract in Kaysersberg was in line with expectations, while EBITDA was adversely affected by inventory changes and the discontinued packaging contract in France (since the third quarter of 2015).

Manufacturing Services Solids & Others
EBITDA for Manufacturing Services Solids & Others increased by SEK 30.3 million to SEK 59.5 million in the first quarter of 2016, corresponding to an EBITDA margin of 12.9 percent compared with 6.3 percent in the first quarter of 2015. The acquisitions contributed SEK 1.5 million and currency effects were limited. The increase was caused by a positive inventory effect and lower non-recurring costs compared with the year-earlier period.

Development and Technology
EBITDA for Development & Technology fell by SEK 41.3 million to SEK 28.3 million in the first quarter of 2016, corresponding to an EBITDA margin of 15.6 percent compared with 31.6 percent in the first quarter of 2015. The acquisitions made a negative contribution of SEK -3.9 million, partly due to the expansion of development services in Israel. The main reason for the decline in EBITDA was lower sales of several high-margin products in the UK and a negative product mix effect.

Depreciation, amortisation and impairment
Depreciation, amortisation and impairment amounted to SEK 67.5 million in the first quarter of 2016 compared with SEK 57.6 million compared with the same period 2015. The increase was primarily related to the acquisitions and the investment in the new operations in Kaysersberg. The purchase price allocation for Mitim is still in progress and thus the initial quartely figures are preliminary.

Financial income
Interest income and similar income amounted to SEK 2.3 million in the first quarter of 2016 compared with SEK 75.9 million compared with the same period 2015. Of this income, SEK 2.2 million comprised of currency effects in the first quarter of 2016 compared with SEK 29.3 million in the year-earlier period.

Financial expenses
Interest expenses and similar expenses amounted to SEK -24.3 million in the first quarter of 2016, of which SEK -6.6 million pertained to interest on bank loans, SEK -0.8 million to other interest expenses, SEK -1.1 million to losses on fair value measurement of derivatives, SEK -13.8 million to currency effects and SEK -1.9 million to other financial expenses. Interest expenses and similar expenses in the first quarter of 2015 amounted to SEK -7.9 million. The preceding year included a capital gain of SEK 46.6 million from the sale of shares in Flamel Technologies S.A.

Taxes
Income tax amounted to SEK 22.1 million in the first quarter of 2016 compared with SEK 47.6 million compared with the year-earlier period due to the lower taxable profit in the first quarter of 2016. The effective tax rate was 47.1 percent in the first quarter of 2016 compared with 28.3 percent compared with the first quarter of 2015, due to adjustments in the quarter attributable to 2015 in a couple of companies.

Exchange differences on translation of foreign operations
Exchange differences on translation of equity of foreign operations increased to a positive SEK 14.8 million during the first quarter of 2016 compared with a negative SEK -71.5 in the comparative period. The change was mainly due to the weakening of the SEK against the EUR in the period compared with an increase in the comparative period.

Items that will not be reclassified to profit or loss
Items that will not be reclassified to profit or loss include in the first quarter of 2016 actuarial losses on pensions of SEK 4.2 million less deferred tax. The corresponding amount for the first quarter of 2015 was SEK 0.8 million.

Profit for the period

Profit after tax amounted to SEK 24.8 million for the first quarter of 2016, down SEK 96.0 million from SEK 120.8 million in the comparative period, which was primarily related to the non-recurring financial capital gain of SEK 46.6 million from the preceding year, lower operating profit and increased financial expenses.

Cash flow

Net cash flow was SEK 1,113.5 million for the first quarter 2016 compared to SEK 208.4 million in for the first quarter of 2015. Cash and cash equivalents was SEK 607.3 million per 31 March 2016.

Cash flow from operating activities

Cash flow from operating activities was SEK -60.5 million in the first quarter 2016 compared to SEK 148.4 million the first quarter 2015. This decrease was primarily attributed to a lower operating result and increased working capital. The change in working capital amounted to SEK -170.0 million the first quarter 2016, compared to SEK 8.1 the first quarter 2015, primarily because of accounts payables of of SEK 127.3 million largely because of the new production agreement in Kayserberg, France, an increase in Development & Technology and in Mitim S.r.l and an increase in inventories of SEK 34.6 million.

Cash flow from investing activities

Cash flow from investment activities was a SEK -553.2 million in the first quarter 2016, whereof SEK -505.9 million related to the acquisition of Mitim S.r.l. The comparable value for the first quarter 2015 was SEK 55.3 million. During 2015 the cash from flow from investing activities was considerably impacted by the disposal of a short-term investment.

Cash flow from financing activities

Cash flow from financing activities generated SEK 1,727.1 million in the first quarter 2016 compared to SEK 4.7 million in the first quarter 2015. The difference is primarily attributed to a share issue of SEK 402.4 million and SEK 1,334.4 million in new loans that is part of a SEK 3,000 million loan facility.

Selected balance sheet items and key figures

Equity

The Company's equity amounted to SEK 3,179.5 million on the 31 March 2016, compared to SEK 2,711.0 million on 31 March 2015, an increase of SEK 468.5 million. The increase was primarily due to new issue of shares counting to SEK 401.8 million.

Net debt

Net debt amounted to SEK 1,510.2 million on the 31 March 2016, compared to SEK 937.3 million on the 31 March 2015, an increase of SEK 572.8 million. The change in net debt was primarily due to the acquisition of Mitim S.r.l., Italy, in February 2016 and the operations in Kaysersberg, France, in year end 2015-2016.

Equity/assets ratio

The equity ratio, defined as total equity as a percentage of total assets, decreased by 9.1 percentage points to 40.8 percent in 2015 compared to 49.9 percent in 2014. The decrease was primarily related to above mentioned acquisitions.

FINANCIAL YEAR 2015 COMPARED WITH FINANCIAL YEAR 2014

Net sales

Recipharm's net sales were SEK 3,389.4 million for the full year, compared with SEK 2,569.3 million the previous year, an increase of SEK 820.1 million or 31.9 percent. Currency effects affected net sales by SEK 45 million. The full-year effect of acquisitions made at the end of 2014 was SEK 869 million. In addition, the acquisition of OT Chemistry AB (presently Recipharm OT Chemistry AB) in 2015 brought in SEK 17 million.

After adjustments for currency and acquisition effects, net sales fell by more than 4 percent. The decline was largely due to lower contract deliveries of Thyrosafe, worth SEK 52 million, the termination of a dispensing and offset contract in Stockholm of SEK 19 million and the termination of a packing contract during the third quarter 2015 in France, worth approximately SEK 20 million.

Manufacturing Services Sterile Liquids

Net sales for Manufacturing Services Sterile Liquids amounted to SEK 956.8 million in 2015, compared with SEK 713.1 million in 2014, an increase of SEK 243.7 million or 34.2 percent. The full-year effect of acquisitions was SEK 259 million, while currency had a positive effect of SEK 17 million. Net sales adjusted for acquisitions and exchange rates were consequently SEK 32 million lower, mainly due to the termination of a packing contract from 1 July 2015 in Monts, France.

Manufacturing Services Solids & Others

Net sales for Manufacturing Services Solids & Others amounted to SEK 1,832.5 million in 2015, compared with SEK 1,578.1 million the previous year, an increase of SEK 254.4 million or 16.1 percent.
The acquisition of Lusomedicamenta at the end of 2014 contributed with SEK 285 million in 2015. Foreign exchange effects positively affected net sales by SEK 32 million. Adjusted for acquisitions and foreign exchange rate changes, net sales decreased med around 4 percent, or SEK 66 million. Events that contributed to the decrease in sales were primarily:

- Local competition in France produced a circa SEK 50 million sales decrease for on the Company's key clients
- Lower tender delivery levels for Thyrosafe reduced net sales
- Termination of a contract for logistic services amounting to SEK 19 million

Adjusted for the aforementioned non-recurring events, the Company sees a strong market growth for the underlying net sales development through the issue of new delivery contracts that have been signed over

the last years in England and Spain as well as a somewhat increasing demand within a couple of Company's subsidiaries.

Development & Technology

Net sales for the segment were SEK 767.4 million in 2015, compared with SEK 399.0 million the previous year, an increase of SEK 368.4 million or 92.3 percent. Acquisitions of development companies and product rights in the fourth quarter of 2014 generated a full-year effect of SEK 385 million, while the acquisition of the contract laboratory On Target Chemistry in June 2015 contributed SEK 17 million. Exchange rate fluctuations affected net sales from foreign operations by SEK 3 million.

Net sales adjusted for acquisition effects and currency effects declined by SEK 37 million as a result of SEK 52 million lower contract deliveries of Thyrosafe in 2015. For the other businesses, strong sales of certain own products and increase in number of assignments within development services resulted in an increase of SEK 15 million.

Other operating income

The Group's other operating income amounted to SEK 118.7 million in 2015, compared with SEK 43.0 million the previous year, an increase of SEK 75.7 million. The increase is mainly attributable to acquisitions with a full-year effect of SEK 52 million, largely consisting of royalties related to the acquired operations in Pessac (France). Other income mainly relates to currency effects of foreign currency receivables and cost reimbursements for waste and leftover packaging materials.

Raw materials and consumables

Costs of raw materials and consumables amounted to SEK 958.8 million in 2015, compared with SEK 703.9 million in 2014, an increase of 36.2 percent. The full-year effect from acquisitions of companies in Italy, Portugal and France was SEK 304 million. Currency effects contributed SEK 8 million in the form of translation effects and SEK 6 million as a result of price increases in Swedish companies. Raw material costs, adjusted for the above acquisition effects and currency effects, were reduced by SEK 63 million, a decline of 8.9 percent. The decline was mainly due to a volume effect of lower product sales. Raw materials as a percentage of product sales were 28.3 percent for the year, compared with 27.4 percent in 2014.

Other external costs

Other external costs amounted to SEK 799.7 million in 2015, compared with SEK 588.7 million in 2014, an increase of SEK 211 million or 35.8 percent. The full year effect from acquisitions in 2014 and OT Chemistry AB (presently Recipharm OT Chemistry AB) in June 2015 was SEK 215 million, with SEK 14 million of this amount being attributable to foreign currency translation. Adjusted for non-recurring items and currency effects, other external costs declined by SEK 18 million, corresponding to 3.0 percent. The decline is partly attributable to a lower proportion of temporary workers hired from staffing agencies.

Employee benefits expense

Employee benefits expense amounted to SEK 1,176.1 million in 2015, compared with SEK 888.6 million in 2014, an increase of SEK 287 million. Acquisition effects amounted to SEK 228 million, while currency effects accounted for SEK 21 million. Non-recurring items, including restructuring costs in Stockholm, Höganäs and Strängnäs had a total cost effect of SEK 20 million. Adjusted for non-recurring items, acquisition effects and currency effects, employee benefits expense for 2015 increased by 2.0 percent. The increase is mainly attributable to annual wage growth, changes to staffing structures and differences in wage levels between countries.

Staffing levels increased in the Parent Company as a result of the Group's growth and in Monts, which changed its staffing policy, involving an increase in the number of direct employees and a reduction in the number of staffing agency workers in 2015. Staff was mainly reduced in Stockholm as a result of efficiency improvments, and in France, mainly as a consequence of termination of distribution services in 2014.

Other operating expenses

Other operating expenses amounted to SEK 62.8 million in 2015, compared with SEK 32.0 million in 2014, an increase of SEK 30.8 million. Total acquisition effects were SEK 23 million, while currency effects accounted for SEK 1 million. After adjustment for acquisitions and currency effects, other operating expenses decreased by SEK 2 million in 2015, mainly due to impairment of current assets in Portugal.

Operating profit before depreciation and amortization (EBITDA)

The Company's EBITDA increased with SEK 110.5 million to SEK 509.8 million in 2015 compared to SEK 399.3 million in 2014, an increase of 27.8 percent. The EBITDA margin deteriorated by 0.5 percent to 15.0 percent in 2015 compared to 15.5 percent in 2014. The annualised effect from the acquisitions contributed SEK 206 million while foreign exchange effects contributed SEK 4 million.

Manufacturing Services Sterile Liquids

EBITDA for the Sterile Liquids operations improved with SEK 63.0 million to SEK 220.7 million in 2015. The EBITDA margin was 23.1 percent and 22.1 percent for 2015 and 2014 respectively. Adjusted for currency fluctuations and acquisitions, the EBITDA deteriorated with SEK 1 million. The deterioration was primarily related to a cancellation of a packaging contract in Mont. Adjusted for non-recurring items, foreign exchange fluctuations and acquisitions the EBITDA margin increased by 0.6 percent to 22.4 percent in 2015 compared to 21.8 percent in 2014.

Manufacturing Services Solids & Others

EBITDA for the Solids & Others operations decreased with SEK 81.6 million to SEK 117.4 million in 2015. The EBITDA margin was 6.4 percent in 2015 compared to 12.6 percent in 2014. Several one-off totalling SEK 33

million affected the result. Adjusted for the aforementioned costs and foreign exchange movements, the EBITDA experienced a reduction of SEK 75 million in 2015 compared to 2014. The normalised reduction was primarily related to a significantly reduced volume output of a large product in France, negotiation of the distribution operations at the end of 2014 as well as reduced volume output of Thyrosafe. Adjusted for acquisition- and one-off costs the EBITDA margin decreased to 5.8 percent in 2015 compared to 11.3 percent in 2014.

Development & Technology

EBITDA for the Development & Technology operations increased with SEK 121.4 million to SEK 222.1 million in 2015. The EBITDA margin was 28.9 percent and 25.2 percent for 2015 and 2014 respectively an increase of 3.7 percentage points. Acquisitions contributed with a total EBITDA of SEK 102 million in 2015, while foreign exchange effects were SEK 0 million. Adjusted for acquisitions and foreign exchange currency movements, the EBITDA increased by SEK 20 million due to increased development services as well a positive currency effect from the Company's own product sales in the United Kingdom.

Depreciation, amortisation and impairment

Depreciation, amortisation and impairment costs amounted to SEK 235.6 million in 2015, compared with SEK 127.2 million in 2014, an increase of SEK 108.4 million. The costs were equally distributed (SEK 118 million) between intangible assets and property, plant and equipment.

Total acquisition effects were SEK 99 million, and SEK 55 million of this amount was related to intangible assets in Corvette Pharmaceutical Services Group (Italy) and Lusomedicamente Sociedade Técnica Farmacêutica S.A. (Portugal).

Adjusted depreciation/amortisation increased by SEK 10 million, corresponding to 7.3 percent. The increase was primarily due to the full-year effect of the new production line in Monts, and an increase in comparable amortisation of intangible assets related to the acquisitions in Italy and Portugal.

Financial income

Interest income and similar income amounted to SEK 64.4 million in 2015 compared to SEK 9.3 million in 2014, where the change SEK 55.1 million was primarily comprised of a SEK 47 million profit from a short-term investment, SEK 5 million in foreign exchange effect and SEK 6 million in profits from a revaluation of derivatives and convertibles.

Finance expense

Financial expenses amounted to SEK 29 million in 2015, compared with SEK 65.4 million the previous year, a reduction of SEK 36 million. The reduction was due to a currency revaluation of convertible bonds in the previous year, which resulted in a cost of SEK 14 million and a positive effect from currency revaluations of external loans of SEK 50 million. Interest expenses for the Group's long-term loans amounted to SEK 20 million in 2015, an increase of SEK 2 million from the previous year.

Taxes

Tax expenses amounted to SEK 94.6 million in 2015, compared with SEK 55.9 million the previous year, an increase of SEK 39 million. The effective tax rate increased by 4.6 percentage points to 30.5 percent. Taxes increased as a result of increased earnings, while deferred tax was unchanged at SEK 14 million. The increase in the effective tax rate was partly due to the deferred taxes.

Exchange differences on translation of foreign operations for the year

Exchange differences on translation of equity in foreign operations amounted to SEK -96.1 million, compared with SEK 65.2 million in 2014, a decline of SEK 161.3 million. The decline was due to the weakening of the euro against the Swedish krona between the reporting dates 31 December 2014 and 31 December 2015.

Items that will not be reclassified to profit or loss

Items that will not be reclassified to profit or loss include actuarial gains on pensions of SEK 6.6 million, net of deferred tax.

Profit for the period

Taking into account the above factors, comprehensive income for 2015 was SEK 94.5 million, compared with SEK 233.4 million in 2014, a decline of SEK 138.1 million. Comprehensive income as a percentage of net sales was 2.8 percent, corresponding to a reduction of 6.3 percentage points from 2014. Net profit for the year amounted to SEK 215 million in 2015, compared with SEK 160 million the previous year, an increase of SEK 55 million.

Cash flow

Net cash flow was SEK 141.1 million in 2015 compared to SEK 202.8 million in 2014. Cash and cash equivalents was SEK 534.2 million in 2015 compared to SEK 404.5 million in 2014

Cash flow from operating activities

Cash flow from operating activities was SEK 428.8 million in 2015 compared to SEK 254.2 million in 2014, an increase of SEK 174.6 million. This was primarily attributed to improved operating profit before depreciation and amortisations, which improved by SEK 111 million and a change in working capital of SEK 120 million. The decrease in working capital was primarily due to a decrease in inventories compared to an increase in inventories in 2014, due to the acquisition in the fourth quarter of 2014.

Cash flow from investing activities

Cash flow from investment activities was a negative SEK -420.5 million in 2015 compared to SEK -1,456.8 million in 2014. The large difference is due to a decrease of acquisitions to SEK 131 million in 2015 compared to SEK 1,063 million in 2014. Capital expenditures increased by SEK 141 million in 2015 compared to 2014, primarily due to an investments of SEK 198 million in the ongoing capacity expansion in Wasserburg, Germany, compared

to SEK 73 million in said expansion in 2014. The total investment is estimated to a total SEK 330 million, whereof SEK 282 million had been invested by the end of 2015. Investments in intangible assets decreased SEK 23 million in 2015 from SEK 56 million in 2014. A disposal of a short-term investment providing SEK 144 million was done in 2015.

Cash flow from financing activities

Cash flow from financing activities generated SEK 132.9 million in 2015 compared to SEK 1,405.5 million in 2014. The decrease was due to an increase in non-current liabilities of SEK 190 million and a dividend payment of SEK 57 million in 2015 compared to an increase in non-current liabilities of SEK 628 million and proceeds from the issuance of shares of SEK 778 million in 2014.

Selected balance sheet items and key figures

Equity

The Company's equity amounted to SEK 2,740.5 million on 31 December 2015, compared with SEK 2,131.3 million on 31 December 2014, an increase of SEK 609.2 million. The increase was mainly due to the conversion of convertible bonds that were issued as partial payment for the acquisition of Corvette Pharmaceutical Services Group (Italy) on 1 October 2014. The convertible bonds were converted in full in February 2015, adding SEK 567 million to equity. In addition, profit attributable to owners of the Parent Company increased equity by SEK 95 million, less dividends of SEK 57 million.

Net debt

Net debt amounted to SEK 1,183 million on the reporting date, an increase of 19 million from the previous year, corresponding to 1.6 percent.

Equity/assets ratio

The equity/assets ratio, defined as total equity as a percentage of total assets, was 48.1 percent in 2015, compared with 39.4 percent at the end of 2014, an increase of 8.7 percentage points. A new share issue in connection with the conversion of convertible bonds issued as partial payment for the acquisition of Corvette Pharmaceutical Services Group (Italy) accounted for 5.8 percentage points of the increase. The remainder was due to changes in the Company's total assets and equity, including profit for 2015.

FINANCIAL YEAR 2014 COMPARED WITH FINANCIAL YEAR 2013

Net sales

Recipharm's net sales were SEK 2,569.3 million in 2014, compared with SEK 2,124.6 million the previous year, an increase of SEK 444.7 million or 20.9 percent. Net sales adjusted for currency effects increased by 17.5 percent. The increase was largely due to acquisitions in Italy, Portugal and France in the fourth quarter.

Adjusted for currency and acquisition effects, sales increased by 5.8 percent, mainly due to contract deliveries of Thyrosafe for SEK 91 million and an increase for some of the company's own product rights as a result of a competitor's delivery disruptions.

Manufacturing Services Sterile Liquids

Net sales for Manufacturing Services Sterile Liquids amounted to SEK 713.1 million in 2014, compared with SEK 556.7 million in 2013, an increase of SEK 156.4 million or 28.1 percent. Acquisitions in Italy in October 2014 accounted for SEK 91 million of the increase, while changes in exchange rates contributed SEK 31 million to reported net sales. Adjusted for acquisitions and currency effects, sales increased by SEK 35 million, primarily due to new production contracts for the new sterile filling line in Monts in France and sales price increases.

Manufacturing Services Solids & Others

Net sales for Manufacturing Services Solids and Others amounted to SEK 1,578.1 million in 2014, compared with SEK 1,476.0 million the previous year, an increase of SEK 111.1 million or 7.6 percent. The increase in local currency was 5.1 percent, corresponding to SEK 74 million. The acquisition of Lusomedicamenta Sociedade Técnica Farmacêutica S.A. towards the end of the year contributed SEK 65 million in income from 2014. Contract deliveries of Thyrosafe had a positive effect of SEK 52 million on the year's sales. Adjusted for acquisitions, currency effects and contract deliveries, net sales declined by SEK 39 million or 2.7 percent. The largest part of the reduction, SEK 29 million, is due to the termination of a distribution agreement between a customer and the Company's facility in France.

Development & Technology

The segment's net sales were SEK 399.2 million in 2014, compared with SEK 174.8 million in 2013, an increase of SEK 224.4 million or 128.4 percent. Product rights acquired in Portugal and Italy during the fourth quarter of 2014 amounted to SEK 100 million. Contract deliveries of Thyrosafe to Switzerland and the United States amounted to SEK 91 million in 2014. Currency effects in this context were low, corresponding to SEK 1 million. After adjustment for the above factors, net sales increased by SEK 32 million, mainly as a result of inventory build-up, which was one of the repercussions of the closure of Recipharm's sterile operations in Ashton (UK) and the subsequent transfer of sterile products to Recipharm's facility in Wasserburg (Germany).

Other operating income

The Group's other operating income was SEK 43.0 million in 2014, compared with SEK 36.7 million the previous year, an increase of SEK 6 million or 17.2 percent. After adjustment for non-recurring items, acquisitions and currency effects, other operating income increased by SEK 4 million due to an increase in the re-invoicing of project costs in the development operations in Solna (Sweden).

Raw materials and consumables

Costs of raw materials and consumables amounted to SEK 703.9 million in 2014, compared with SEK 580.7 million in 2013, an increase of SEK 123.2 million or 21.2 percent. Acquisition effects from companies in Italy, Portugal and France were SEK 74 million. Currency effects contributed SEK 13 million in the form of transla-

tion effects. After adjustment for the above acquisition and currency effects, raw material costs increased by SEK 36 million, corresponding to 6.2 percent, mainly due to a volume effect. By comparison, product sales increased by 6.2 percent (adjusted for acquisitions, currency effects and non-recurring items).

Other external costs

The Group's other external costs amounted to SEK 588.7 million in 2014, compared with SEK 468.6 million the previous year, an increase of SEK 120.1 million or 25.6 percent. Acquisitions contributed SEK 62 million to the increase, while SEK 15 million was attributable to exchange rate fluctuations. Adjusted for non-recurring items, other external costs increased by SEK 43 million, corresponding to 9.2 percent. The increase was largely a consequence of the year's sales increase, which meant that staffing agency workers had to be engaged, and commission expenses related to contract deliveries of Thyrosafe in the United States. In addition, acquisition activities during the year contributed to increased consulting costs.

Employee benefits expense

Employee benefits expense amounted to SEK 888.6 million in 2014, compared with SEK 806.6 million in 2013, an increase of SEK 82.0 million or 10.2 percent. The acquisition effect was SEK 52 million, while currency translation between the two years contributed SEK 24 million. Non-recurring items, including restructuring costs in Fontaine (France) and Ashton (UK) in 2013, had an overall earnings impact of SEK 18 million. After adjustment for acquisitions, currency effects and non-recurring items, employee benefits expense declined by 1.5 percent, while staffing levels were reduced by 3.3 percent, adjusted for acquisitions. The increase was mainly due to annual salary increases and changes in the personnel structure, with new appointments to positions that earned higher average salaries and employees leaving the Company from positions with comparatively lower average salaries.

Other operating expenses

Other operating expenses amounted to SEK 32.0 million in 2014, compared with SEK 22.5 million in 2013, an increase of SEK 9.5 million. The increase is attributable to the acquisitions in the fourth quarter of 2014 and a special capital tax of SEK 6 million in Pessac (France). After adjustment for acquisitions and currency effects, other operating expenses were unchanged in 2014.

Operating profit before depreciation and amortization (EBITDA)

The Company's EBITDA increased with SEK 116.3 million to SEK 399.3 million in 2014 compared to SEK 283.0 million in 2013, an increase of 41.0 percent. The EBITDA margin improved by 2.2 percentage points to 15.5 percent in 2015 compared to 13.3 percent in 2014. The EBITDA improvement can partly be attributed to the acquisition in Q4 2014, which provided SEK 64 million of the increase, while SEK 10 million was related to foreign exchange fluctuations.

Manufacturing Services Sterile Liquids

EBITDA for the Sterile Liquids operations improved with SEK 17.5 million to SEK 157.7 million in 2014. The EBITDA margin was 22.1 percent and 25.2 percent for 2014 and 2013 respectively. Adjusted for currency fluctuations and acquisitions, the EBITDA deteriorated with SEK 9 million. The deterioration was primarily related to the operations in Wasserburg due to increased prices for raw materials, a postponement of production and delivery services, educational measures, a visual inspection of the premises and a claim all had a negative impact on profitability.

Manufacturing Services Solids & Others

EBITDA for the Solids & Others operations increased with SEK 53.1 million to SEK 199.0 million in 2014. The EBITDA margin was 12.6 percent in 2014 compared to 9.9 percent in 2013. Several one-off totalling SEK 42 million, which included an internal compensation related to product rights lying within the Development & Technology segment as well as restructuring costs. Adjusted for the aforementioned costs, acquisition related costs and foreign exchange movements, the EBITDA experienced a reduction of SEK 11 million in 2014 compared to 2013. The normalised reduction was primarily related to a cancellation of a distribution contract and an annual bonus scheme in Fontaine.

Development & Technology

EBITDA for the Development & Technology operations increased with SEK 67.3 million to SEK 100.7 million in 2014. The EBITDA margin was 25.2 percent, an increase of 6.4 percent. The acquisitions in France, Portugal and Italy contributed with a total EBITDA of SEK 23 million in 2014. Adjusted for acquisitions and foreign exchange currency movements, the increased EBITDA was primarily related to Thyrosafe as well as increased demand for the Company's product rights in the English market as competitors' were affected by delivery issues.

Depreciation, amortisation and impairment

Depreciation and amortisation amounted to SEK 127.2 million in 2014, compared with SEK 94.9 million the previous year, an increase of SEK 32.3 million or 34.0 percent. Amortisation of intangible assets was SEK 55 million, while depreciation of property, plant and equipment amounted to 72 million.

An impairment loss of SEK 1.2 million on a completed product development project was recognised in 2013.

Acquisitions in 2014 contributed SEK 25 million to the increase in depreciation and amortisation. SEK 15 million of this amount was related to intangible assets.

After adjustment for impairment, acquisitions and currency effects, depreciation and amortisation increased by SEK 6 million, corresponding to 6.1 percent. The increase was primarily related to new production lines in Höganäs and Monts, which was partly offset by fully depreciated equipment in Wasserburg.

Finance income
Finance income increased by SEK 2 million to SEK 9 million, compared with SEK 7 million in 2013. The increase was mainly attributable to increased interest income.

Finance expense
Finance expense amounted to SEK 65 million in 2014, compared with SEK 28 million the previous year, an increase of SEK 37 million or 140 percent. The increase was partly due to the remeasurement of convertible bonds to fair value and currency effects of long-term foreign currency loans.

Taxes
Tax expenses amounted to SEK 55.9 million in 2014, compared with SEK 72.7 million in 2013, a decline of SEK 16.8 million. Tax expenses in 2013 included an expense item of SEK 36 million attributable to prior years. After adjustment for tax expenses attributable to prior years, taxes increased by SEK 19 million, most of which was due to improved profit before tax. The effective tax rate increased by 3.3 percentage points to 25.9 percent due to a decline in deferred tax assets.

Exchange differences on translation of foreign operations for the year
Exchange differences on translation of equity in foreign operations amounted to SEK 65.2 million, compared with SEK 14.5 million in 2013, an increase of SEK 50.7 million. The increase was due to a weakening of the Swedish krona against the euro and the pound sterling between the reporting dates 31 December 2013 and 31 December 2014.

Items that will not be reclassified to profit or loss
Items that will not be reclassified to profit or loss include actuarial losses of SEK 24.9 million on pensions, net of deferred tax, an increase from SEK 2 million in 2013.

Profit for the period
Taking into account the above factors, comprehensive income for the period was SEK 233.4 million in 2014, compared with SEK 106.6 million in 2013, an increase of SEK 126.8 million or 118.9 percent. Comprehensive income as a percentage of net sales was 9.1 percent, corresponding to an increase of 4.1 percentage points from the previous year.

Net profit for the year amounted to SEK 160.2 million, compared with SEK 94.4 million the previous year, an increase of SEK 65.8 million.

Cash flow
Total cash flow from operating activities, investing activities and financing activities was SEK 202.8 million in 2014 compared to SEK 15.6 million in 2013. Cash and cash equivalents totalled SEK 404.5 million at the end of the period compared to 190.2 million the year before.

Cash flow from operating activities
Cash flow from operating activities was SEK 254.2 million in 2014 compared to SEK 179.6 million in 2013, an increase of SEK 74.6 million. This was primarily attributed to higher net sales and operating profit before depreciation and amortisations, whereby the latter increased by SEK 116 million. A growth in working capital with SEK 28 million in 2014 compared to 2013, due to the acquisitions in 2014.

Cash flow from investing activities
Cash flow from investment activities was a SEK -1,456.8 million in 2014 compared to SEK -104.1 million in 2013. The large difference was caused by acquisitions of SEK 1,081 million in 2014 as well as SEK 107 million of shares in Flamel. Investments in tangible assets increased with SEK 132 million, primarily caused by investments in capacity, whereby SEK 73 million was invested in capacity expansion in Wasserburg, Germany in 2014.

Cash flow from financing activities
Cash flow from financing activities generated SEK 1,405.4 million in 2014 compared to SEK -59.9 million in 2013. The cash flow was comprised of an issuance of shares, SEK 778 million, and a net increase in non-current liabilities of SEK 678 million including the convertible loan. No dividends where paid in 2014 compared to SEK 51 million in 2014.

Selected balance sheet items and key figures
Equity
The Company's equity amounted to SEK 2,131.3 million on the 31 December 2014, compared to SEK 680.8 million on 31 December 2013, an increase of SEK 1,450.5 million. The increase was primarily related to new issue of shares amounting to SEK 1,216.1 million as well as profit from operations.

Net debt
Net debt amounted to SEK 1,163.7 million on the 31 December 2014, compared to SEK 409.8 million on the 31 December 2013, an increase of SEK 753.9 million. The change in net debt was primarily due to consideration paid in connection with finalised acquisitions.

Equity/assets ratio
The equity ratio, defined as total equity as a percentage of total assets, improved by 1.8 percentage points to 39.4 percent in 2014 compared to 37.6 percent in 2013. The increase was primarily related to the increase in equity, as a result of the new issue.

EQUITY, DEBT AND OTHER FINANCIAL INFORMATION

EQUITY AND DEBT

The table below shows the Group's capitalisation as of 31 March 2016.

SEK millions	31/03/2016 *unaudited*
Current liabilities:	
Secured by guarantee	1.7
Secured by collateral[1]	-
Overdraft facility	23.5
Convertible bonds	-
Finance leases	2.6
Unsecured credit	15.7
Total current liabilities	**43.5**
Non-current liabilities:	
Secured by guarantee	2,933.4
Secured by collateral	-
Convertible bonds	-
Derivatives	7.3
Finance leases	83.2
Unsecured credit	70.7
Total non-current liabilities	**3,094.6**
Total debt	**3,138.1**
Equity:	
Share capital	24.8
Statutory reserve	2.0
Other reserves	3,152.8
Total equity	**3,179.6**
Total capitalisation	**6,317.7**

Below the Group's interest bearing net financial indebtness is shown as of 31 March 2016

Net debt:	
A. Cash	-
B. Cash and cash equivalents	1,628.0
C. Marketable securities	-
D. Liquidity (A+B+C)	**1,628.0**
E. Current receivables	-
F. Current bank liabilities	43.5
G. Current portion of non-current liabilities	-
H. Other current liabilities	-
I. Current liabilities (F+G+H)	**43.5**
J. Current net debt (I-E-D)	**–1,584.5**
K. Non-current bank loans	3,004.1
L. Bonds issued	-
M. Other non-current loans	90.5
N. Non-current liabilities (K+L+M)	**3,094.6**
O. Net debt (J+N)	**1,510.2**

OTHER FINANCIAL INFORMATION

Financing arrangements

Recipharm currently has a loan totalling SEK 3,000 million with DNB, Handelsbanken and Swedbank. The loan agreement was signed on 19 September 2014 and runs for five years. The loan agreement is subject to the fulfilment of certain customary covenants regarding net debt/EBITDA and interest coverage. If these are not met, the banks may require renegotiation, and the loan may be terminated prematurely. In addition, some subsidiaries have separate overdraft facilities. The Company has also entered into limited guarantees in favour of some of the subsidiaries' obligations in respect of loans, leases and certain commercial agreements. Further information about the Company's loan agreements can be found under "Significant agreements" in the section "Legal issues and supplementary information".

[1] Pledges of subsidiary shares and property mortgages

Investments

SEK millions	Jan-Mar 2016 *Unaudited*	Jan-Mar 2015 *Unaudited*	2015 *Audited*	2014 *Audited*	2013 *Audited*
Tangible assets	39.3	53.0	356.5	215.5	82.4
Intangible assets	8.2	5.7	23.5	56.3	14.7
Financial assets	0.0	17.8	54.3	106.5	7.7
Aquisition of subsidiary	505.9	12.2	131.0	1,062.7	0.0
Disposals and other	-0.2	-143.9	-144.7	15.8	-0.7
	553.2	**55.3**	**420.5**	**1,456.8**	**104.1**

Property, plant and equipment have increased significantly after 2013, primarily due to investments in the production facilities in Wasserburg (Germany). The capacity investments in the facility amounted SEK 10 million, SEK 73 million and SEK 198 million over the years 2013, 2014 and 2015 respectively. A total of EUR 31 million has been invested as of 31 March 2016 and the project is expected to reach completion at the end of 2016. The production from the increased capacity at the facility is estimated to commence during 2017 with volume escalating during the second half of 2017.

In order to meet increasing product requirements, an investment decision was reached in early 2016 totalling circa EUR 40 million of investments in serialisation equipment over an estimated period of 3 years. The cost will be allocated to the products that are affected by the increased requirements.

Financial assets primarily consist of minority investments in companies in the pharmaceutical industry whereby there is an established relationship with Recipharm. The largest investment in financial assets was in relation to the acquisition of Flamel's operations in Pessac (France), where an investment in Flamel's equity instrument (listed on Nasdaq in the US) of SEK 97.3 million was undertaken. The shareholding was divested during 2015 following a strong development in share price, as shown in the item "Disposals and other" in the table above for the year 2015.

Acquisitions of subsidiaries totalled SEK 1,063 million in 2014, reflecting the acquisitions in the fourth quarter of 2014. Acquisitions of subsidiaries of OT Chemistry in Uppsala (Sweden) was carried out (revanued to Reciphram OT Chemistry AB) as well as the majority of the investment for the business in Kaysersberg (France) was made in 2015.

Statement on insufficient working capital

Recipharm believes that its existing working capital is insufficient to meet its needs during the coming twelve month period given its current credit facilities.

On 18 April 2016, Recipharm announced that it had entered into two separate agreements to acquire pharmaceutical CDMO-businesses from Kemwell. The first acquisition, comprising Cirrus Pharmaceuticals Inc. with operations int the US and Kemwell AB with operations in Sweden, is expected to be finalised during the second quarter of 2016. The acquisition is subject to review by the Swedish Competition Authority and to third-party confirmation regarding certain undertakings. The condition concerning review by the Swedish Competition Authority has been fulfilled.

As at the date of this Prospectus, the condition relating to third party confirmation of certain undertakings has not yet been fulfilled. If this condition has not been met by 30 June 2016, or such later date agreed by the parties, the acquisition agreement will lapse entailing that the acquisition of Kemwell AB and Cirrus Pharmaceuticals Inc. will not take place. Recipharm however has the right to waive the relevant condition and to thereby procure that the acquisitions are made.

The second acquisitions, comprising Kemwell Biopharma Private Ltd's pharmaceutical operations in India, is conditional on governmental approvals and expected to close before the end of 2016.

The acquisition of Cirrus Pharmaceuticals Inc. and Kemwell AB is financed with available funds, existing credit facilities, as well as the Payment In-Kind Share Issue of USD 55 million (SEK 453 million)[1], to the sellers of shares in Kemwell AB. The acquisition of Kemwell Biopharma Private Ltd's pharmaceutical operations in India is financed with available funds, existing credit facilities, the Directed Share Issue of approximately SEK 51 million to the sellers of Kemwell AB, as well as the Offering according to this Prospectus, which is expected to raise approximately SEK 793 million after transaction costs to the Company.

If the Offering is not successful, the available credit facilities and cash flow from operating activities will not be sufficient to provide the Company with the cash and cash equivalents required to pay the purchase consideration of approximately USD 120 million (corresponding to approximately SEK 988 million)[1] for the acquisition of operations in India according to the above when it falls due for payment, which the Company expects to occur before the end of 2016. If the Offering does not raise additional financing for the Company, the Company expects its financing requirement at year-end 2016 to amount to approximately SEK 750 million.

Recipharm's two main shareholders, Flerie Participation AB, which is controlled by Recipharm's CEO, Thomas Eldered as well as Cajelo Invest AB, which is controlled by Recipharm's Chairman of the Board, Lars Backsell, who control 20.6 and 12.9 percent of the share capital respectively and 41.1 and 38.7 percent of the votes, respectively, have committed to subscribe for their respective pro rata share of the Offering. The sellers of Kemwell AB, Kemfin Holdings Private Ltd and the Minority Seller, have undertaken to subscribe for

[1] Exchange rate USD/SEK of 8.2325

Class B Recipharm shares pursuant to the Directed Share Issue. These subscription undertakings have been signed, but have not been guaranteed by a bank or another external party. Recipharm's assessment is that the Offering of approximately SEK 805 million before issue expenses, combined with the Company's cash flow from operating activities and the proceeds from the Directed Share Issue, will give the Company sufficient working capital to cover its requirements for the coming 12 months. In the event that the Offering is not successfully executed, the Company will consider alternative solutions to ensure the Company's long-term financing, such as renegotiating its current bank financing, raising bond loans, issuing convertibles or conducting additional new share issues, with or without preferential rights for the Company's shareholders.

Property, plant and equipment

SEK millions	Jan-Mar 2016 *Unaudited*	Jan-Mar 2015 *Unaudited*	2015 *Audited*	2014 *Audited*	2013 *Audited*
Land and buildings	523.5	404.1	447.8	418.5	120.8
Improvement of third-party property	11.6	11.7	12.0	11.9	11.1
Plant and machinery	676.9	366.7	486.2	377.0	206.4
Equipment, tools, fixtures & fittings	175.4	114.2	135.0	97.6	40.8
Construction in progress	223.5	160.1	365.3	146.9	72.8
	1,610.9	**1,056.9**	**1,446.3**	**1,051.9**	**451.9**

Property, plant and equipment increased from 2013 to 2014 due to acquisitions during the fourth quarter of 2014, while the increase in 2015 was primarily related to the acquisition of Kaysersberg Pharmaceuticals. For the first quarter of 2016, the increase is related to the acquisition of Mitim S.r.l, which was acquired in February 2016.

The increase in Construction in progress over the period 2013 to 2015 is primarily related to the investments in production capacity in Wasserburg (Germany), which is expected to be completed in 2017.

Property, plant and equipment is accounted for as cost of acquisition less the accumulated depreciation over the assets estimated economic life, included any potential amortisations. Straight line depreciation is applied to buildings over 25-40 years, improvements of third-part property over 8-20 years while equipment, tools, fixtures & fittings and plant and machinery are depreciated over 3-15 years.

Intangible assets

SEK millions	Jan-Mar 2016 *Unaudited*	Jan-Mar 2015 *Unaudited*	2015 *Audited*	2014 *Audited*	2013 *Audited*
Product rights	276.4	280.9	280.6	290.3	136.8
Goodwill	1,155.9	887.7	886.3	936.2	78.2
Customer contracts	1,122.2	1,019.1	940.2	1,065.9	126.5
Trademarks	117.3	117.9	116.0	120.8	0.0
Software	31.4	15.0	31.6	16.9	13.0
Current investments in intangible assets	19.6	41.3	16.5	39.1	7.6
	2,712.8	**2,362.0**	**2,271.2**	**2,469.2**	**362.1**

Surplus values in the form of goodwill and customer contracts have arisen in connection with the acquisition of Wasserburg (Germany) in 2010, the acquisitions of Corvette Pharmaceutical Services Group (Italy) and Lusomedicamenta Sociedade Técnica Farmacêutica S.A. (Portugal) in 2014, a small proportion in 2015 in connection with the acquisition of OT Chemistry AB (presently Recipharm OT Chemistry AB)(Sweden) in 2015 and the acquisition of Mitim S.r.l. (Italy) in February 2016. In addition, intangible assets with indefinite amortisation periods, in the form of trademarks, arose in 2014 in connection with the acquisitions of Corvette Pharmaceutical Services Group (Italy) and Lusomedicamenta Sociedade Técnica Farmacêutica S.A. (Portugal). Intangible assets with indefinite amortisation periods are tested annually for impairment. Customer contracts are amortised systematically over 15 years, software over a period of 8-20 years, while other intellectual property rights are amortised over 5-15 years.

Acquisitions and disposals (SEK millions)

Acquisitions	Date	Purchase price	Goodwill on consolidation	Net identifiable assets & liabilities
2013				
No acquisitions during the year				
2014				
Corvette Pharmaceutical Services Group	1 October 2014	997.9	539.9	458.0
Lusomedicamenta Sociedade Técnica Farmacêutica S.A.	1 November 2014	1,038.9	283.2	755.7
2015				
OT Chemistry AB	15 June 2015	15.1	13.1	2.0
2016				
Mitim S.r.l.[1]	24 February 2016	507.7	249.4	258.3
Nitin Lifesciences[2]	11 April 2016	824.0		
Kemwell AB	Agreed but not acquired			
Cirrus Pharmaceuticals Inc.	Agreed but not acquired			
Dagny Pharma Private Ltd.[3]	Agreed but not acquired			

Disposals	Date	Purchase price	Goodwill on consolidation	Net identifiable assets & liabilities
2014				
Recipharm Pessac S.A.S.	1 December 2014	101.5	0.0	101.5
2015				
Kaysersberg Pharmaceuticals S.A.S.	31 December 2015	139.1	0.0	139.1

Corvette Pharmaceutical Services Group

Recipharm acquired all the shares in the companies belonging to the Corvette Pharmaceutical Services Group on 1 October 2014. The acquisition resulted in a larger customer base, geographic expansion (particularly in Italy) and access to some new technologies. These components together create more scope for cross-selling from Recipharm's existing units to Corvette Pharmaceutical Services Group's customers, and from the new units to Recipharm's existing customers.

Lusomedicamenta Sociedade Técnica Farmacêutica S.A.

Recipharm acquired all the shares in the companies belonging to the Lusomedicamenta Group on 1 November 2014. The Lusomedicamenta Group comprises the parent company of a wholly-owned subsidiary and a joint venture. The acquisition resulted in a larger customer base, geographic expansion (particularly in Portugal) and access to some new technologies. These components together create more scope for cross-selling from Recipharm's existing units to Lusomedicamentas Sociedade Técnica Farmacêutica S.A.'s customers, and from the new units to Recipharm's existing customers.

Recipharm Pessac S.A.S.

Recipharm Pessac SAS was established in October 2014. SEK 0.9 million in cash was paid for the shares. On 1 December 2014, the Company acquired a development services operation from Flamel Technologies S.A. Customer agreements and other operational contracts were taken over by Recipharm Pessac SAS. This acquisition resulted in a strengthening of Recipharm's offering in development services, partly in the form of a broader range of services and partly in the form of proximity to existing and potential customers in southern Europe.

OT Chemistry AB (presently Recipharm OT Chemistry AB)

Recipharm acquired all the shares in OT Chemistry AB (presently Recipharm OT Chemistry AB) on 15 June 2015. The company, based in Uppsala, Sweden, is active in synthesis and analysis services for the pharmaceutical sector 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, but also has customers in the Big Pharma sector. The acquisition will broaden the Group's capacity in pharmaceutical development, expand the customer base and provide a degree of geographic expansion. At the time of acquisition, OT Chemistry AB had recently established a subsidiary in Israel, which presents an opportunity for Recipharm to develop in a very attractive and expansive market and reach customers at an earlier stage of the pharmaceutical development process than previously.

Kaysersberg Pharmaceuticals S.A.S.

On 31 December 2015, Recipharm acquired all the shares in Kaysersberg Pharmaceuticals S.A.S, situated in the north-eastern Alsace region of France. The company specialises in the manufacture of ophthalmic products

[1] Arbetet med att upprätta en purchase price allocation ("PPA") har ännu inte färdigställts varför förvärvsinvesteringarna enligt ovan är preliminära.
[2] Preliminär bedömning av förvärvsinvesteringar är ännu inte tillgänglig.
[3] Kemwell Biopharma Private Ltd's pharmaceutical operations in India, which will be transferred to Dagny Pharma Private Ltd. before the closing of the transaction.

(ophthalmology pipettes) using Blow-Fill-Seal/Form-Fill-Seal technology, which will complement Recipharm's existing production services. The facility supplies products to the United States, the EU, Brazil and Japan. In connection with the acquisition, the Company signed a long-term manufacturing agreement with the vendor (Alcon, a Novartis company), with annual sales in excess of EUR 36 million and a margin well in line with the Group's average. The acquisition and cooperation agreement also provide potential synergies with Recipharm's other three facilities in France.

Mitim S.r.l

Recipharm acquired all of the shares in Mitim S.r.l in February 2016. Mitim primarily manufactures beta lactams and the operations are conducted in Brescia, Italy. A detailed description is provided in the section "Description of acquired companies".

Nitin Lifesciences Ltd

Recipharm acquired 74 percent of the shares in Nitin Lifesciences Ltd on 11 April 2016. Nitin primarily manufactures injection solutions for the Indian market and the operations are conducted in Karnal and Paonta Sahib in India. A detailed description is provided in the section "Description of acquired companies".

Tax situation

The Company's effective tax rate was 30.5% at 31 December 2015. Tax loss carryforwards for which no deferred tax is recognised amounted to SEK 16.5 million. These tax loss carryforwards continue indefinitely.

Significant events after 31 March 2016

On 11 April 2016, Recipharm finalised the acquisition of 74 percent of Nitin Lifesciences Ltd. The transaction was announced on 20 October 2015. The reason for the delay between the announcement of the acquisition and its finalisation was that the Indian Foreign Investment Promotion Board was required to approve the transaction. The purchase consideration was INR 6,713 million (SEK 824 million). Estimated sales in 2015 amounted to approximately INR 2,970 million (approximately SEK 391 million) and EBIDTA was INR 721 million (SEK 95 million).

Recipharm announced on 18 April 2016 that the Company had entered into two separate agreements to acquire pharmaceutical CDMOs from Kemwell Biopharma Private Ltd. The first acquisitions comprised Cirrus Pharmaceuticals Inc. with operations in Research Triangle Park, North Carolina, USA, service offering includes the development of inhalation drugs, liquid, solid and semi-solid dosage forms, as well as parenteral products, with the emphasis on early formulation work and development of analytical methods and testing, and Kemwell AB in Sweden which primarily produces API's, solid and semi-solid dosage forms. The second acquisition comprised Kemwell Biopharma Private Ltd's pharmaceutical operations in India providing development services and commercial production of solid, semi-solid, liquid and topical products. The operations in Sweden and the US have approximately 300 employees and the acquisitions are expected to be finalised during the second quarter of 2016. The acquisitions are subject to review by the Swedish Competition Authority and to third-party confirmation regarding certain undertakings. As at the date of this Prospectus, the condition relating to third-party confirmation of certain undertakings has not yet been fulfilled. If this condition has not been met by 30 June 2016, or such later date agreed by the parties, the acquisition agreement will lapse entailing that the acquisition of Kemwell AB and Cirrus Pharmaceuticals Inc. will not take place. Recipharm however has the right to waive the relevant condition and to thereby procure that the acquisitions are made. The condition concerning review by the Swedish Competition Authority has been fulfilled. The Indian operation, located in Bangalore, is expected to have approximately 1,400 employees when the acquisition is finalised later this year. The purchase consideration for the operations is about SEK 1.7 billion. During 2015, the acquired operations had estimated total sales of SEK 745 million and estimated total EBITDA of SEK 108 million.

The acquisition of Cirrus Pharmaceuticals Inc. and Kemwell AB is financed with available funds, existing credit facilities, as well as the Payment In-Kind Share Issue of USD 55 million (SEK 453 million1), to the sellers of shares in Kemwell AB.

The acquisition of Kemwell Biopharma Private Ltd's pharmaceutical operations in India is financed with available funds, existing credit facilities, the Directed Share Issue of approximately SEK 51 million to the sellers of Kemwell AB, as well as the Offering according to this Prospectus, which is expected to raise approximately SEK 793 million after transaction costs to the Company.

Financial risk management

Recipharm is exposed to different types of financial risks in the course of its operations. These consist primarily of currency risk, credit risk, interest rate risk and liquidity and refinancing risk.

Currency risk

Recipharm is exposed to various currency risks in the course of its international operations. Recipharm does not normally hedge its currency exposure; instead, the Company endeavours to limit the currency risks in its operations by balancing income and expenses in local currencies. Group transactions are mainly conducted in euros, which limits the currency exposure. Foreign investments such as acquisitions are financed in local currency as far as possible. The euro is the currency that has the greatest impact on Recipharm's earnings, although the currency risk is considered to be relatively low, as it is well balanced within the Group as a whole.

Credit

Recipharm only accepts creditworthy counterparties in financial transactions, and a system for managing overdue invoices is used where necessary. Long-term contracts

[1] USD/SEK exchange rate 8,2325.

and customers' dependence on their CDMOs are important factors that reduce the level of credit risk. Recipharm has many financially strong customers and few credit losses.

Interest rate risk

Operations are partly financed through borrowing. Interest rate fluctuations have a direct impact on the Company's financial results. Recipharm strives to maintain a portfolio containing a balanced mix of short-term and long-term loans, normally with interest rates linked to official interbank rates.

Liquidity and refinancing risk

External capital exposes Recipharm to some liquidity risks. Refinancing risk is the risk of the Company being unable to refinance its loans or obtain new financing on the market when the need arises. Recipharm has a credit facility that is subject to the fulfilment of certain covenants. If these are not met, the lender may require renegotiation and the loan may be terminated prematurely.

Sensitivity analysis

Currency risk

The table below shows the effects on the Group's equity of a 10-percent appreciation of the Swedish krona for the financial year considered, all other factors (e.g. interest rates) remaining unchanged. The table only shows the effect for currencies with significant currency flows, mainly EUR and GBP. During these financial years, no hedging was done that affected these figures, meaning that the similar figures (but with the opposite sign) would be reported in the case of a 10-percent depreciation.

SEK millions	31/12/2015	31/12/2014
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's financial items	148.8	141.0
Other effect on equity, parent company	-106.7	-85.1
Total effect on equity	**2.5**	**65.6**

Currency risk associated with trade payables and receivables is considered insignificant, as a 10% change in the exchange rate of the net flow is minimal in the outstanding credit period between invoicing and payment. This 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 profit for the full year. Other effect on equity, foreign subsidiaries, includes other effects on the subsidiaries' equity at the end of the year. Effect on net profit, parent company's financial items, includes the effect on cash and interest-bearing liabilities in foreign currencies at the end of the year. Other effect on equity, parent company, includes internal amounts due to foreign subsidiaries and liabilities in foreign currencies at the end of the year. A convertible was issued in connection with the acquisition of Corvette Pharmaceutical Services Group. The term of the convertible was one year from 1 October 2014. The convertible was converted into equity in February 2015. The conversion created 5,030,543 new B shares, equivalent to 11.9 percent of total outstanding shares.

Interest rate risk

The table below shows a sensitivity analysis of the effect of an interest-rate increase of 1 percentage point (100 basis points) on the Group's net financial items during the next 12-month period based on the Group's interest bearing assets and interest bearing liabilities as per each balance sheet date.

SEK millions	31/12/2015	31/12/2014
Total effect on profit/loss before tax for the year	-17.2	-15.7

DESCRIPTION OF ACQUIRED COMPANIES

MITIM SRL

In February 2016 Recipharm acquired Mitim S.r.l from the Moroni family. Mitim S.r.l is an independent pharmaceutical contract manufacturing company with over 50 years of experience filling beta-lactam antibiotic vials as well as the development and production of other pharmaceutical products. Based in Brescia (Northern Italy), the 26,501 square metre modern facility is focused on the production of sterile beta lactam injectables, and other non-beta lactam finished dosage forms. On 31 March 2016 there were 192 full time employees in Mitim S.r.l.

History

Mitim S.r.l. was acquired by the Moroni family in 1981 and was operated as a sister company to their other companies which included Magis S.p.A ("Magis") and Aesculapius S.r.l. ("Aesculapius"). In 2015 a restructuring occurred which more clearly defined the perimeter of the operating companies of the Moroni family, with Magis and Aesculapius operating as marketing companies, supplied from the manufacturing company Mitim S.r.l. They decided to sell Mitim and the contract manufacturing business to concentrate on the activities of Magis and Aesculapius.

Business model

The Mitim S.r.l. business model is essentially that of a traditional CDMO with a focus on sterile beta lactam products. By leveraging the long term customer partnerships that the Company has developed over the years, Mitim S.r.l has been engaged in the development and registration of new dossiers on a fee for service and commercial supply basis. With constant investment in improved equipment, the company has built up a reputation for high quality and wide scientific knowledge which has driven growth and been securing market share, most recently in the US market for which production from the facility has been approved since 2007.

The business has had significant capex of over EUR 12 million since 2012, with investment in three state of the art sterile lines for the filling of injectable cephalosporins and penicillins, which account for approximately 95 percent of revenues.

Manufacturing services

Penicillin products are produced in dose forms such as injectable sterile powders, tablets, capsules and dry syrups. New approvals in the US utilising production from the FDA-inspected sterile filling lines have driven growth in this particular segment. Cephalosporin products are produced in injectable forms. The remaining produced products (5 percent) are non-antibiotic products in different dose forms.

Customers

Mitim S.r.l has grown organically over the past 15 years increasing the number of clients and maintaining a diverse customer base. The top 10 customers of Mitim S.r.l represent 97 percent of the sales and include a number of large generic pharmaceutical companies. No customer represents more than 25 percent and the main geographical market is Europe with over 75 percent of sales to this market, the most important country being Italy. Recipharm expects that sales growth in the US will be an important contributor going forward as new product registrations are expected to be approved.

NITIN LIFESCIENCES LTD

In April, Recipharm acquired 74% of Indian CDMO, Nitin Lifesciences Ltd from the founding Sobti family. In addition to the main transaction there is an option to acquire the remaining 26% during a certain period of time. Based in Karnal (Haryana state) in Northern India, Nitin Lifesciences Ltd is a CDMO focused on supplying the Indian market. It has grown considerably over recent years and now operates three facilities specialising in sterile products and employs over 500 people.

History

Nitin Lifesciences Ltd was founded in 1994 by the Sobti family to manufacture small volume injectable products in a single facility in Karnal. In 2003 it received WHO approval and began exploring export opportunities to semi regulated markets. In 2005 a further manufacturing facility was established in Paonta Sahib in Himachal Pradesh. Further growth led to a third facility being established in Paonta Sahib with, in Recipharm's assessment, state of the art equipment which was commissioned in 2014.

Business model

The Nitin Lifesciences Ltd business model is that of a CDMO with over 90 percent of the activity supplying sterile injectables to the Indian domestic market. It is one of the largest focused sterile injectable contract manufacturers in India supplying over 50 customers including a number of multi-national clients. Most customer relationships span more than five years. A small but growing part of the business includes export sales to other Asian and African markets.

Manufacturing services

Nitin Lifesciences Ltd operates a full service CDMO model with development and manufacturing services offered to customers with all support services. They operate from three facilities and also possess expansion land adjacent to the Paonta Sahib site. The latest facility validated in 2014 is designed to US FDA and EU GMP standards. It has been audited by multi-national corporate clients. All units have an independent power supply and environmental protection measures to current standards.

Customers

Nitin Lifesciences Ltd has a significant number of customers, both domestic Indian and multi-national companies operating in India. In 2015, the top five customers represented 75 percent of total sales with the largest accounting for around 18 percent of total revenue. A number of new customers have been secured particularly for the new facility after it was commissioned in 2014. The customer target group is larger multi-national customers requiring an international, high quality level. In addition, due to a number of quality issues in Indian sterile suppliers, there is a shortage of good quality supply which has worked to Nitin Lifesciences Ltd's advantage, according to Nitin's management.

KEMWELL AB AND CIRRUS PHARMACEUTICALS INC.

On 18 April 2016, Recipharm entered into an agreement to acquire Kemwell AB, a Swedish CMO company, and Cirrus Pharmaceuticals Inc. (through the acquisition of the shares in the parent company Kemwell Biopharma Inc., a US development operation, from Kemfin Holdings Private Ltd. The operations were formerly part of the Kemwell Group. The Swedish CMO company has approximately 210 employees and two production facilities in Uppsala. The US development operation is located in Research Triangle Park, North Carolina, USA, and has approximately 50 employees.

History

In 2006, Kemfin Holdings Private Ltd., acquired an integrated Swedish production facility from Pfizer, intended for certain anti-inflammatory, immunomodulatory and immunosuppressive products originally developed in the 1940s. After the acquisition these facilities have continued to manufacture and deliver products to Pfizer. This CMO operation was subsequently increased to also comprise a general pharmaceutical production unit, located close to the main facility in Uppsala.

Kemfin Holdings Private Ltd. acquired Cirrus Pharmaceuticals Inc. in 2013 through an American holding company. Cirrus Pharmaceuticals Inc. was founded in 1997 and offer testing and development services for several customers, which are mainly based in the US.

Business model

The Swedish operation comprises two production facilities, including a fully integrated unit for primary and secondary production, focused on a limited number of products that are based on the same API, with Pfizer as the largest customer. It also has a smaller unit for other pharmaceutical production. The production offering includes APIs, in solid and semi-solid dosage forms. More than 95 per cent of the production in Sweden is exported, to more than 60 countries, including the US and Japan. The operation has assigned a high priority to ensuring efficient and straightforward production processes, since most of the product range is relatively mature.

Cirrus Pharmaceuticals Inc.'s service offering includes the development of inhalation drugs, liquid, solid and semi-solid dosage forms, as well as parenteral products, with the emphasis on early formulation work and development of analytical methods and testing. A GMP suite was recently commissioned allowing expansion into manufacturing of clinical trial material. These services are provided either on a stand-alone basis or as a more integrated and comprehensive pharmaceutical product development programme.

Customers

The Swedish manufacturing company, Kemwell AB, has about ten customers, including Pfizer, which represents most of the revenues.

The US development business within Cirrus Pharmaceuticals Inc. has a larger customer base and

has served more than 120 customers over the past three years, ranging from small-scale virtual biotechnology and pharmaceutical companies to major pharmaceutical companies. During 2015, eight customers accounted for 55 per cent of sales.

Other

The acquisition of Kemwell AB and Cirrus Pharmaceuticals Inc. is expected to be finalised during the second quarter of 2016. The acquisition is subject to review by the Swedish Competition Authority and to third-party confirmation regarding certain undertakings. The condition concerning review by the Swedish Competition Authority has been fulfilled.

As at the date of this Prospectus, the condition relating to third-party confirmation of certain undertakings has not yet been fulfilled. If this condition has not been met by 30 June 2016, or such later date agreed by the parties, the acquisition agreement will lapse entailing that the acquisition of Kemwell AB and Cirrus Pharmaceuticals Inc. will not take place. Recipharm however has the right to waive the relevant condition and to thereby procure that the acquisitions are completed.

DAGNY PHARMA PRIVATE LTD

In April 2016, Recipharm announced that the Company had entered into an agreement to acquire Kemwell Biopharma Private Ltd's pharmaceutical operation in India. Prior to taking possession, the operations will be transferred to Dagny Pharma Private Ltd, which is the legal entity that Recipharm will acquire. The acquisition of Dagny Pharma Private Ltd is subject to approval by the authorities, including the Foreign Investment Promotion Board (FIPB), and is expected to be completed prior to year-end. The acquired Indian operation is expected to have approximately 1,400 employees when the acquisition is completed. The acquisition agreement includes prior rights for Recipharm to negotiate the acquisition of Kemwell's biopharma operations in India, which are not encompassed by the acquisition of Dagny and will be retained by the seller.

History

Kemwell Biopharma Private Ltd's Indian operation was founded by Subhash Bagaria in Bangalore, India. The company, which then focused on oral solutions, soon became too large for the original facility, which was located in central Bangalore, resulting in Kemwell

Biopharma Private Ltd acquiring a larger site to enable expansion. The new facility is an approximately 30-minute car journey from Bangalore and currently houses commercial production of multiple dosage forms, the most important of which being solid and liquid oral solutions, both based on modern equipment. Recently, development services have also been added to the offering.

Business model

Dagny Pharma Private Ltd's operation comprises both development services and commercial production of solid, semi-solid, liquid and topical products, with customer relations that date back decades. The production facility for solid dosage forms was commissioned in 2008 and is approved by the US FDA and EU supervisory authorities, as well as many others. The production facility for liquid oral dosage forms was commissioned in 2011 and specialises in automated high-capacity production, primarily for the Indian market. The development operation is a high-growth area, featuring a comprehensive service offering, including formulation development, small-scale production of clinical trial material and a large analytical services operation.

Research and development services are offered by an associated department, which has approximately 100 researchers as employees, of whom approximately 20 per cent have PhDs. The services are offered as part of a project, in order to transfer new product projects to commercial facilities, or as individual services, such as stability studies or as analytical support when developing new products. Approximately two-thirds of the current capacity has been signed up on a long-term basis by customers with a continuous need for Dagny Pharma Private Ltd's services. The company's production expertise is in the area of liquid dosage forms, as well as solid dosage forms.

Customers

During 2015, the five largest customers, out of a total of approximately 40 customers, accounted for approximately 76 per cent of total sales. Dagny Pharma Private Ltd works with local customers and a large number of major pharmaceutical companies, very high demands for quality and service level. The majority of the products from the unit for solid, oral dosages are delivered to markets in Europe and North America, while products from the unit for liquid oral solutions are predominantly sold in the domestic, Indian market.

Other

It is estimated that the acquisition of Dagny Pharma Private Ltd will be finalised before the end of 2016. The seller of the operations in India will retain ownership of certain business, which is currently operated together with the operations that Recipharm will acquire. This entails certain difficulties, in preparing with accuracy historical financial information for the acquired operations. Due to the aforementioned, Recipharm will not be able to present the acquisition of Dagny Pharma Private Ltd on a pro forma basis in the pro forma financial statements that are included in this Prospectus.

For the 12-month period that ended on 31 December 2015, it is preliminarily estimated that the Indian operations had revenues of approximately INR 2,160 million (approximately SEK 284 million) and EBITDA of approximately INR 358 million (approximately SEK 47 million). These calculations and assessments are preliminary and may be amended

PRO FORMA FINANCIAL STATEMENTS

PURPOSE OF PRO FORMA FINANCIAL STATEMENTS

In connection with the planned acquisition of Kemwell's operations in Sweden, the US and India, the Board of Directors has resolved, based on the authorisation from the Extraordinary General Meeting, to issue shares as part of a preferential rights issue. Recipharm has recently implemented additional acquisitions, namely the acquisition on 24 February 2016 of Mitim S.r.l. in Italy and the acquisition on 11 April 2016 of Nitin Lifesciences Ltd. in India. In connection with the acquisition of Kemwell's operations in Sweden and the US, an agreement on the acquisition of Kemwell Biopharma Private Ltd's operations in India was concluded. The latter is conditioned on approval by Indian authorities and the takeover, assuming approval, is expected before the end of year 2016. To give a fair presentation of the Group, after the acquisitions, a pro forma calculation has been conducted based on certain underlying assumptions, as described in greater detail below. The pro forma financial statements describe a hypothetical situation and have been prepared for illustrative purposes and thus are not intended to describe Recipharm's actual financial position or earnings, but only to inform and highlight facts. The pro forma financial statements are not representative of Recipharm's future financial position or earnings. Investors are urged not to rely on the pro forma financial statements.

General synergism or integration costs have not been included in the pro forma financial statements.

BASIS FOR PRO FORMA STATEMENTS

The pro forma accounts have been prepared based on the following fundamental assumptions:

i. The pro forma income statement for the period 1 January – 31 December 2015 has been prepared as if Recipharm had acquired and taken over all the shares in Mitim S.r.l. and Kemwell in Sweden and the US, as well as 74 percent of the shares in Nitin Lifesciences Ltd., as per 1 January 2015; and

ii. The pro forma balance sheet as per 31 December 2015 has been prepared as if Recipharm had acquired and taken over all the shares in Mitim S.r.l. and Kemwell in Sweden and the US, as well as 74 percent of the shares in Nitin Lifesciences Ltd., as per 31 December 2015

For each company presented on a pro forma basis, the starting point has been the acquired company's financial statements according to local accounting standards. These financial statements have been reviewed by the local auditors of the respective companies. Recipharm applies IFRS as its accounting standard. On the basis of the local financial statements, an IFRS analysis has been implemented and reported figures have been adjusted in respect of any identified differences. Where required, the IFRS analysis has been performed with the help of external accounting consultants. Other pro forma adjustments have been made in those cases where the adjustments are directly linked to the acquisition.

The acquisition of Kemwell Biopharma Private Ltd's pharmaceutical operations in India is expected to finalise before year end 2016. This is inter alia due to the long review period for approvals from the Indian authorities. The seller of the operations in India will retain a part of the operations, which today is managed together with the operations Recipharm will acquire; thus, Kemwell Biopharma Private Ltd's pharmaceutical operations in India are only a part of Kemwell Biopharma Private Ltd's operations in India. As a result, this creates difficulties to accurately derive historical financial information for the acquired operations. In light of the above, Recipharm assess that it is not possible to present the acquisition of Kemwell's pharmaceutical operations in India pro forma in the financial pro forma statements included in the Prospectus.

No adjustment has been made for the decision to implement a rights issue, since this is intended to finance Kemwell's Indian pharmaceutical operations and would thus not provide a fully fair and accurate impression of the pro forma financial statements.

PRO FORMA COMPANIES

The following companies have undergone pro forma adjustment:

Nitin Lifesciences Ltd	based on Indian GAAP, plus IFRS and other adjustments
Mitin S.r.l.	based on Italian GAAP, plus IFRS and other adjustments
Kemwell's operations in Sweden and US	based on US and Swedish GAAP, plus IFRS and other adjustments

In addition to the transactions above, Recipharm completed a number of transactions during 2015 and 2016 that have not been pro forma adjusted. These are the acquisition on 15 June 2015 of Recipharm OT Chemistry AB i Uppsala (presently Recipharm OT Chemistry AB), the transaction with Alcon (a company in Novartis) on 31 December 2015 and the acquisition of a large part of Kemwell Biopharma Private Ltd's operations in India (see above). Additional information is presented in previously published press releases.

Recipharm OT Chemistry AB has not been adjusted because it is a small company, which generated sales of only SEK 16.5 for the period, meaning from the time of its acquisition on 15 June 2015 until 31 December 2015.

The transaction with Alcon, in which a multiyear contract was signed in conjunction with Recipharm acquiring the operation, was a "carve-out", meaning that part of Alcon's operations was broken out. Accordingly, it has not been possible with sufficient certainty and quality to

derive reliable figures. It is also worth noting that this operation is included for a full quarter in Reciphram's interim report for the first quarter of 2016.

DESCRIPTION OF PRO-FORMA ADJUSTMENTS

Breakdown of purchase consideration into asset classes

An estimated breakdown based on experiences from previous acquisitions is provided since the breakdown of purchase consideration into asset classes has not been completed. This means that surplus values are divided as follows: 50 percent to intangible assets with fixed amortisation periods and 50 percent to intangible assets without fixed amortisation periods (goodwill). Surplus values are expected in for instance customer relations and product rights. Deferred tax liabilities were calculated on intangible assets with fixed amortisation periods based on local general tax rates (34 percent for Italy, 22 percent for Sweden, 36 percent for the US and 30 percent for India) and the difference has increased goodwill. Intangible assets with fixed amortisation periods have an estimated economic life of 15 years. Acquisition eliminations and associated adjustments (for example, amortisation of surplus values, interest expenses on loans attributable to the acquisition) are included together with the pro forma adjustments in the column "Other adjustments" in the tables below.

Mitim S.r.l.

The acquisition is financed using borrowed funds, hence additional interest expenses were included as a pro forma adjustment. The tax effect on additional interest expenses was calculated based on the tax rate applicable for Recipharm 22 percent. In connection with the acquisition, Recipharm paid Mitim S.r.l:s loan to the former owners, which was adjusted against cash and cash equivalents. No other pro forma adjustments have been made in relation to Mitim S.r.l.

Nitin Lifesciences Ltd

The acquisition of 74 percent of the shares in Nitin Lifesciences Ltd. is financed using borrowed funds, hence additional interest expenses were included as a pro forma adjustment. The tax effect on additional interest expenses was calculated based on the tax rate applicable for Recipharm 22 percent. No other pro forma adjustments were made regarding Nitin Lifesciences Ltd.

Kemwell's operations in Sweden and the US

The acquisition of Kemwell's operations in Sweden entails the acquisition of Kemwell AB and in the US of Cirrus Pharmaceuticals Inc. The acquisition is mainly financed by issuing shares within the framework of the Payment In-Kind, available funds and existing credit facilities.

Pro forma adjustments were made to Kemwell AB in the form of reclassification of prepaid income received from customers for purchases of tangible assets, which has been recognised as financial income in accordance with local principles. This income was reclassified as a reduction of depreciation in the pro forma accounts. Prepaid income (long and short-term) was reclassified in the balance sheet against the cost of tangible assets.

In 2015, Cirrus Pharmaceuticals Inc. had employees that exclusively worked for Kemwell India's Biologic's division, which is not included in Recipharm's planned acquisition of Kemwell Biopharma Private Ltd:s pharmaceutical operations in India. These costs will be re-invoiced after the acquisition has taken place and adjusted on the rows of external costs and employee benefits expense. In its local financial statements, Cirrus Pharmaceuticals Inc. recognised a loss for the earn out related to the acquisition from former owners. This financial income has been reversed, since it is a non-recurring item, and has been recognised against equity.

Adjustments between Italian GAAP and IFRS

Income that is recognised as other operating income in the local financial statements is transferred to net sales in order to correspond to the Group's definition of income. According to local GAAP, goodwill is amortised on a straight-line basis, which is not permitted under IFRS. Furthermore, adjustments were made for certain improvements to other entities' (leased) property, which according to local GAAP is classified as an intangible asset, but under the Group's accounting policies is considered to be a tangible asset.

Adjustments between Indian GAAP and IFRS

Adjustments between local accounting policies and IFRS refer to deferred tax expenses on temporary differences in tangible assets.

Adjustments between US GAAP and IFRS

According to local GAAP, goodwill is amortised on a straight-line basis, which is not permitted under IFRS. Amortisation recognised in accordance with US GAPP in the 2015 financial statements was reversed in the income statement.

Adjustments between Swedish GAAP and IFRS

Appropriations and untaxed reserves are transferred to deferred tax and equity.

No material deviations between Swedish GAAP and IFRS were noted in the review of Kemwell AB's pro forma accounts.

FINANCIAL STATEMENTS

The pro forma financial statements are shown below.

Pro forma income statement 2015

SEK millions	Recipharm	Mitim	Nitin	Kemwell Sweden & USA	Total
Net sales	3,389.4	452.9	390.7	462.5	4,695.5
Other operating income	118.7	20.4	5.6	14.9	159.5
Total operating incomes	**3,508.1**	**473.3**	**396.2**	**477.4**	**4,855.0**
Raw materials and consumables	-958.8	-210.4	-255.2	-115.0	-1,539.3
Other external costs	-799.7	-87.0	-28.4	-129.9	-1,045.0
Employee benefits expense	-1,176.1	-92.5	-17.5	-189.5	-1,475.6
Depreciation/amortisation and impairment of assets	-235.6	-44.3	-45.4	-45.3	-370.6
Other operating expenses	-62.8	-1.2	–	-0.2	-64.2
Share in associated company profits	-1.0	–	–	–	-1.0
Operating profit/loss	**274.2**	**37.8**	**49.9**	**-2.5**	**359.4**
Net financial items	35.4	-10.3	-11.1	-4.0	10.1
Profit/loss before tax	**309.6**	**27.6**	**38.8**	**-6.4**	**369.4**
Tax on profit/loss for the period	-94.6	-10.0	-7.6	-2.5	-114.7
Profit/loss for the year	**215.1**	**17.6**	**31.2**	**-9.0**	**254.7**

The following adjustments to the balance sheet were made as per 31 December 2015.

Pro forma balance sheet Dec 31 2015

SEK millions	Recipharm	Mitim	Nitin	Kemwell Sweden & USA	Total
ASSETS					
Intangible assets	2,271.2	442.1	833.5	590.4	4,137.1
Property. plant and equipment	1,446.3	152.2	90.6	98.2	1,787.3
Other non-current assets	153.4	0.0	0.6	1.1	155.1
Total non-current assets	**3,870.9**	**594.3**	**924.7**	**689.6**	**6,079.6**
Inventories	641.8	61.2	38.7	73.6	815.4
Trade receivables	467.0	115.3	49.0	36.8	668.1
Tax receivables		0.1	–	0.2	0.3
Other receivables	112.2	33.6	7.1	0.8	153.7
Current investments	–	–	–	–	–
Prepaid expenses and accrued income	70.6	9.4	0.3	4.3	84.6
Total current assets	**1,291.6**	**219.7**	**95.0**	**115.8**	**1,722.0**
Cash in hand and at bank	534.2	-46,9	26.8	-154.1	360.0
TOTAL ASSETS	**5,696.7**	**767.1**	**1,046.5**	**651.3**	**8,161.6**
EQUITY AND LIABILITIES					
Equity	2,740.5	0.0	42.4	429.6	3,212.5
Non-current liabilities	2,260.9	639.9	954.2	145.8	4,000.9
Current liabilities	695.3	127.2	49.9	75.8	948.1
TOTAL EQUITY AND LIABILITIES	**5,696.7**	**767.1**	**1,046.5**	**651.3**	**8,161.6**

Details regarding pro forma adjustments per acquisition are presented below.

Pro forma income statement 2015

	Mitim				Nitin				Kemwell Sweden & USA			
SEK million	Italian GAAP	IFRS adjust-ments	Other adjust-ments	Total	Indian GAAP	IFRS adjust-ments	Other adjust-ments	Total	Swedish GAAP and US GAAP	IFRS adjust-ments	Other adjust-ments	Total
Net sales	448.2	4.7[1]	–	452.9	390.4	–	0.3[7]	390.7	462.5	–	–	462.5
Other operating income	25.1	-4.7[1]	–	20.4	8.1	–	-2.5[7,8]	5.6	14.9	–	–	14.9
Total operating income	**473.3**	**0.0**	**0.0**	**473.3**	**398.5**	**0.0**	**-2.2**	**396.3**	**477.4**	**0.0**	**0.0**	**477.4**
Raw materials and consumables	-210.4	–	–	-210.4	-255.2	–	–	-255.2	-115.0	–	–[15]	-115.0
Other external costs	-85.2	–	-1.8[5]	-87.0	-24.6	–	-3.8[9]	-28.4	-126.0	–	-3,9[12,14]	-129.9
Employee benefits expense	-92.5	–	–	-92.5	-17.5	–	–	-17.5	-194.1	–	4.6[12,15]	-189.5
Depreciation/ amortisation and impairment of assets	-31.5	0.9[2]	-13.7[5]	-44.3	-17.9	–	-27.5[9]	-45.4	-33.9	2.0[10]	-13.3[13,14]	-45.3
Other operating expenses	-1.2	–	–	-1.2	–	–	–	–	-0.2	–	0.0	-0.2
Share in associated company profits	–	–	–	–	–	–	–	–	–	–	0.0	0.0
Operating profit/loss	**52.4**	**0.9**	**-15.5**	**37.8**	**83.3**	**0.0**	**-33.5**	**49.9**	**8.2**	**2.0**	**-12.7**	**-2.5**
Net financial items	-2.6	–	-7.6[5]	-10.3	0.0	–	-11.1[8,9]	-11.1	-11.1	26.0[11]	-18.9[13,16]	-4.0
Profit/loss before tax	**49.8**	**0.9**	**-23.1**	**27.6**	**83.3**	**–**	**-44.5**	**38.8**	**-2.9**	**28.0**	**-31.5**	**-6.4**
Tax on profit/loss for the year	-16.1	-0.2[2]	6.3[5]	-10.0	-17.8	-1.0[6]	11.2[9]	-7.6	-0.5	-6.4[10,11]	4.3[14]	-2.5
Profit/loss for the period	**33.7**	**0.6**	**-16.8**	**17.6**	**65.5**	**-1.0**	**-33.4**	**31.2[7]**	**-3.3**	**21.6**	**-27.2**	**-9.0**

Mitim

[1] Adjustments relate to reclassification of revenue from other operating income to net sales as per the Recipharm Group's definition of revenues.

[2] Reversal of straight line depreciation of goodwill (SEK 0.9 million). Tax effect (SEK 0.2 million) calculated based on estimated tax rate of 34 percent.

[3] Improvement costs of leased property (SEK 2.0 million), accounted for as an intangible asset according to Italian GAAP and as a tangible asset according to IFRS.

[4] Loan from previous owner (SEK 46.9 million) repaid by Recipharm in connection with the acquisition, adjusted against cash and cash equivalents.

[5] Acquisition elimination, in the absence of a completed PPA the allocation of surplus values have been estimated, 50 percent allocated to intangible assets with a predetermined depreciation schedule (SEK 183.5 million) with deferred tax liability estimated based on the local tax rate (36 percent and SEK 62.4 million) and the remaining balance allocated to intangible assets without a predetermined depreciation schedule (goodwill, SEK 245.9 million). Depreciation for the year of surplus values (SEK 13.7 million) has been estimated based on an economic lifetime of 15 years. The acquisition has been financed through a loan (SEK 496.8 million) with an annual interest cost estimated at SEK 7.5 million. As the loan has been drawn from an existing loan facility, the current interest rate of 1.5 percent on the existing loan facility has been applied. Acquisition costs amount to SEK 1.8 million. Tax effects on interest costs of SEK 1.6 million have been estimated based on the parent company's tax rate.

Nitin

[6] IFRS adjustment relates to deferred tax assigned to tangible assets.

[7] Pro forma adjustment relates to reclassification of revenue from performed development services from other operating income to net sales in accordance with Recipharm's definition of revenue, SEK 0.3 million.

[8] Pro forma adjustment relates to reclassification of interest income from other operating income to net financial items, SEK 2.1 million.

[9] Acquisition elimination, in the absence of a completed PPA the allocation of surplus values have been estimated, 50 percent allocated to intangible assets with a predetermined depreciation schedule (SEK 362.4 million) with deferred tax liability estimated based on local tax rate (30 percent and SEK 108.7 million) while the remaining balance allocated to intangible assets without a predetermined depreciation schedule (goodwill, SEK 471.1 million). Depreciation for the year on surplus values (SEK 27.5 million) has been estimated based on an economic lifetime of 15 years. The acquisition has been financed with debt (SEK 845.5 million) with an annual interest cost estimated at SEK 12.7 million. As the loan has been drawn from an existing loan facility, the current interest rate of 1.5 percent on the existing loan facility has been applied. Acquisition costs amount to SEK 3.8 million. Tax effects on interest costs of SEK 2.8 million have been estimated based on the parent company's tax rate. The acquisition includes 74 percent of the shares outstanding in Nitin Lifesciences Ltd., thus creating a minority shareholding for the acquisition. Profit for the period related to holdings without controlling interest amounts to SEK 16.8 million and has been calculated on the profit for the period according to local accounting principles and IFRS adjustment. Equity related to holdings without controlling interests amounts to SEK 42.4 million. Holdings without controlling interests are not valued at real value.

Kemwell Sweden and US

[10] Reversal of straight line depreciation of goodwill (SEK 2.0 million). Tax effect (SEK 0.7 million) calculated based on estimated tax rate for Kemwell US of 36 percent.

[11] IFRS adjustment relating to reclassification of accelerated depreciation of tangible assets, in the income statement of SEK 26 million (deferred tax effect of SEK 5.7 million) and in the balance sheet SEK 54 million.

[12] Costs relating to personnel expenses which, after acquisitions, will be billed to a third party, SEK 0.9 million adjusted from other operating expenses and SEK 4.6 million from employee benefit expenses.

[13] Reclassification of prepaid revenue in Kemwell SE, attributable to investments in tangible assets, accounted for according to local GAAP as financial income (SEK 3.5 million), is adjusted to meet depreciation expenses. Remaining provisions are reclassified (SEK 12.1 million from non-current liabilities, SEK 0.8 million from current liabilities) and reduces the value of tangible assets (SEK 12.9 million).

[14] Acquisition elimination, in the absence of a completed PPA the allocation of surplus values have been estimated, 50 percent allocated to intangible assets with a predetermined depreciation schedule (SEK 279.7 million) with deferred tax liability estimated based on local tax rate (22 percent and 36 percent, in total SEK 71.7 million) while the remaining balance allocated to intangible assets without a predetermined depreciation schedule (goodwill, SEK 350.9 million). Depreciation for the year on surplus values (SEK 16.8 million) has been estimated based on an economic lifetime of 15 years. The acquisition has been financed through the issuance of shares (SEK 429.6 million) and with existing cash (SEK 163.4 million). Acquisition costs amount to SEK 4.9 million.

[15] 2015 accounts include non-recurring costs of SEK 14.0 million, whereof SEK 7 million in scrap costs and SEK 5 million in personnel costs.

[16] Reversal of a debt item accounted for in Kemwell USA's local accounts related to an earn out which was accounted for in connection with the previous owner's acquisition of the company, SEK 15.3 million.

Details regarding pro forma adjustments per acquisition are presented below.

Pro forma balance sheet Dec 31 2015

	Mitim				Nitin				Kemwell Sweden & USA			
SEK millions	Italian GAAP	IFRS adjust-ments	Other adjust-ments	Total	Indian GAAP	IFRS adjust-ments	Other adjust-ments	Total	Swedish GAAP and US GAAP	IFRS adjust-ments	Other adjust-ments	Total
ASSETS												
Intangible assets	14.6	-2.0[3]	429.5[5]	442.1	–	–	833.5[9]	833.5	19.7	–	570.7[14]	590.4
Property, plant and equipment	150.2	2.0[3]	–	152.2	90.6	–	–	90.6	111.1	–	-12.9[13]	98.2
Other non-current assets	–	–	–	–	0.6	–	–	0.6	1.1	–	–	1.1
Total non-current assets	**164.8**	**0.0**	**429.5**	**594.3**	**91.2**	**0.0**	**833.5**	**924.7**	**131.9**	**0.0**	**557.8**	**689.6**
Inventories	61.2	–	–	61.2	38.7	–	–	38.7	73.6	–	–	73.6
Trade receivables	115.3	–	–	115.3	49.0	–	–	49.0	36.8	–	–	36.8
Tax receivables	0.1	–	–	0.1	–	–	–	–	0.2	–	–	0.2
Other receivables	33.6	–	–	33.6	7.1	–	–	7.1	0.8	–	–	0.8
Current investments	–	–	–	–	–	–	–	–	–	–	–	–
Prepaid expenses and accrued income	9.4	–	–	9.4	0.3	–	–	0.3	4.3	–	–	4.3
Total current assets	**219.7**	**0.0**	**0.0**	**219.7**	**95.0**	**0.0**	**0.0**	**95.0**	**115.8**	**0.0**	**0.0**	**115.8**
Cash in hand and at bank	–	–	-46.9[5]	-46.9	26.8	–	–	26.8	9.3	–	-163.4[14]	-154.1
TOTAL ASSETS	**384.5**	**0.0**	**382.6**	**767.1**	**213.0**	**0.0**	**833.5**	**1 046.5**	**257.0**	**0.0**	**394.3**	**651.3**
EQUITY AND LIABILITIES												
Equity	129.8	–	-129.8[5]	–	163.1	–	-120.7[9]	42.4	33.6	54.0[11]	342.1[14]	429.6
Non-current liabilities	127.6	–	512.3[5]	639.9	–	–	954.2[9]	954.2	146.8	-54.0[11]	53.1[13]	145.8
Current liabilities	127.1	–	–	127.2	49.9	–	–	49.9	76.6	–	-0.8[13]	75.8
Total equity and liabilities	**384.5**	**0.0**	**382.6**	**767.1**	**213.0**	**0.0**	**833.5**	**1,046.5**	**257.0**	**0.0**	**394.3**	**651.3**

Mitim

[1] Adjustments relate to reclassification of revenue from other operating income to net sales as per the Recipharm Group's definition of revenues.

[2] Reversal of straight line depreciation of goodwill (SEK 0.9 million). Tax effect (SEK 0.2 million) calculated based on estimated tax rate of 34 percent.

[3] Improvement costs of leased property (SEK 2.0 million), accounted for as an intangible asset according to Italian GAAP and as a tangible asset according to IFRS.

[4] Loan from previous owner (SEK 46.9 million) repaid by Recipharm in connection with the acquisition, adjusted against cash and cash equivalents.

[5] Acquisition elimination, in the absence of a completed PPA the allocation of surplus values have been estimated, 50 percent allocated to intangible assets with a predetermined depreciation schedule (SEK 183.5 million) with deferred tax liability estimated based on the local tax rate (36 percent and SEK 62.4 million) and the remaining balance allocated to intangible assets without a predetermined depreciation schedule (goodwill, SEK 245.9 million). Depreciation for the year of surplus values (SEK 13.7 million) has been estimated based on an economic lifetime of 15 years. The acquisition has been financed through a loan (SEK 496.8 million) with an annual interest cost estimated at SEK 7.5 million. As the loan has been drawn from an existing loan facility, the current interest rate of 1.5 percent on the existing loan facility has been applied. Acquisition costs amount to SEK 1.8 million. Tax effects on interest costs of SEK 1.6 million have been estimated based on the parent company's tax rate.

Nitin

[6] IFRS adjustment relates to deferred tax assigned to tangible assets.

[7] Pro forma adjustment relates to reclassification of revenue from performed development services from other operating income to net sales in accordance with Recipharm's definition of revenue, SEK 0.3 million.

[8] Pro forma adjustment relates to reclassification of interest income from other operating income to net financial items, SEK 2.1 million.

[9] Acquisition elimination, in the absence of a completed PPA the allocation of surplus values have been estimated, 50 percent allocated to intangible assets with a predetermined depreciation schedule (SEK 362.4 million) with deferred tax liability estimated based on local tax rate (30 percent and SEK 108.7 million) while the remaining balance allocated to intangible assets without a predetermined depreciation schedule (goodwill, SEK 471.1 million). Depreciation for the year on surplus values (SEK 27.5 million) has been estimated based on an economic lifetime of 15 years. The acquisition has been financed with debt (SEK 845.5 million) with an annual interest cost estimated at SEK 12.7 million. As the loan has been drawn from an existing loan facility, the current interest rate of 1.5 percent on the existing loan facility has been applied. Acquisition costs amount to SEK 3.8 million. Tax effects on interest costs of SEK 2.8 million have been estimated based on the parent company's tax rate. The acquisition includes 74 percent of the shares outstanding in Nitin Lifesciences Ltd., thus creating a minority shareholding for the acquisition. Profit for the period related to holdings without controlling interest amounts to SEK 16.8 million and has been calculated on the profit for the period according to local accounting principles and IFRS adjustment. Equity related to holdings without controlling interests amounts to SEK 42.4 million. Holdings without controlling interests are not valued at real value.

Kemwell Sweden and US

[10] Reversal of straight line depreciation of goodwill (SEK 2.0 million). Tax effect (SEK 0.7 million) calculated based on estimated tax rate for Kemwell US of 36 percent.

[11] IFRS adjustment relating to reclassification of accelerated depreciation of tangible assets, in the income statement of SEK 26 million (deferred tax effect of SEK 5.7 million) and in the balance sheet SEK 54 million.

[12] Costs relating to personnel expenses which, after acquisitions, will be billed to a third party, SEK 0.9 million adjusted from other operating expenses and SEK 4.6 million from employee benefit expenses.

[13] Reclassification of prepaid revenue in Kemwell SE, attributable to investments in tangible assets, accounted for according to local GAAP as financial income (SEK 3.5 million), is adjusted to meet depreciation expenses. Remaining provisions are reclassified (SEK 12.1 million from non-current liabilities, SEK 0.8 million from current liabilities) and reduces the value of tangible assets (SEK 12.9 million).

[14] Acquisition elimination, in the absence of a completed PPA the allocation of surplus values have been estimated, 50 percent allocated to intangible assets with a predetermined depreciation schedule (SEK 279.7 million) with deferred tax liability estimated based on local tax rate (22 percent and 36 percent, in total SEK 71.7 million) while the remaining balance allocated to intangible assets without a predetermined depreciation schedule (goodwill, SEK 350.9 million). Depreciation for the year on surplus values (SEK 16.8 million) has been estimated based on an economic lifetime of 15 years. The acquisition has been financed through the issuance of shares (SEK 429.6 million) and with existing cash (SEK 163.4 million). Acquisition costs amount to SEK 4.9 million.

[15] 2015 accounts include non-recurring costs of SEK 14.0 million, whereof SEK 7 million in scrap costs and SEK 5 million in personnel costs.

[16] Reversal of a debt item accounted for in Kemwell USA's local accounts related to an earn out which was accounted for in connection with the previous owner's acquisition of the company, SEK 15.3 million.

THE AUDITOR'S REPORT ON PRO FORMA FINANCIAL INFORMATION

To the Board of Directors in Recipharm AB (publ), org. nr 556498-8425.

We have examined the pro forma financial information set out on pages 83 – 87 in Recipharm AB's (publ) prospectus dated May 19, 2016.

The pro forma financial information has been prepared for illustrative purposes only to provide information about how the acquisition of Nitin Lifesciences Ltd., Mitim S.r.l., Kemwell AB and Cirrus Pharmaceuticals Inc. might have affected the consolidated balance sheet for Recipharm AB as of December 31, 2015, as if the acquisitions had taken place at such date, and/or the consolidated income statement for Recipharm AB for the year ended December 31, 2015, as if the acquisitions had taken place on January 1, 2015.

THE BOARD OF DIRECTORS' RESPONSIBILITY

It is the Board of Directors' responsibility to prepare the pro forma financial information in accordance with the requirements of the Commission Regulation (EC) No 809/2004.

THE AUDITOR'S RESPONSIBILITY

It is our responsibility to provide an opinion required by Annex II item 7 of Prospectus Regulation 809/2004/EC. We are not responsible for expressing any other opinion on the pro forma financial information or of any of its constituent elements. In particular, we do not accept any responsibility for any financial information used in the compilation of the pro forma financial information beyond that responsibility we have for auditor´s reports regarding historical financial information issued in the past.

WORK PERFORMED

We performed our work in accordance with FAR´s Recommendation RevR 5 Examination of Prospectuses. This recommendation requires that we comply with FAR`s ethical requirements and have planned and performed the audit to obtain reasonable assurance that the financial statements are free from material misstatements. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the historical information, assessing the evidence supporting the pro forma adjustments and discussing the pro forma financial information with the management of the company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to obtain reasonable assurance that the pro forma financial information has been compiled on the basis stated on pages 83 – 84, and in accordance with the accounting principles applied by the company.

OPINION

In our opinion, the pro forma financial information has been properly compiled on the basis stated on pages 83 – 84 and in accordance with the accounting principles applied by the company.

Stockholm. May 19, 2016

Ernst & Young AB

Jennifer Rock-Baley
Authorized public accountant

SHARE CAPITAL AND OWNERSHIP STRUCTURE

SHARE CAPITAL AND OTHER SHARE INFORMATION

Recipharm was founded in 1994, in accordance with Swedish law. The Company's shares are denominated in SEK and the articles of association stipulate that share capital shall be not less than SEK 20,000,000 and not more than SEK 80,000,000. Recipharm's registered share capital as of the date of this Prospectus was SEK 24,807,490, distributed as follows: 12,685,716 Class A shares, 36,429,264 Class B shares and 500,000 Class D shares, with a par value of SEK 0.50. The table on the next page shows information about the development of Recipharm's share capital since the Company was founded in 1994.

Securities trading

Class B shares are admitted for trading on Nasdaq Stockholm Mid Cap under the "RECI B" ticker. Trading in the new shares is expected to start on or about 16 June 2016. Class A shares are not subject to trading and will not be traded on any marketplace.

Rights associated with the shares

Recipharm's articles of association contain a record date provision and the Company's shares are registered with Euroclear Sweden AB, Box 7822, SE-103 97 Stockholm, which means that Euroclear manages the Company's share register. No share certificates have been issued. Class A shares have ISIN-code SE0002834689, Class B shares ISIN-code SE0005757267 and Class D shares ISIN-code SE0007305925. There have not been any public takeover bids for the Company's shares. Rights associated with shares in the Company may only be amended in accordance with the procedures set out in the Swedish Companies Act (*Sw.* Aktiebolagslagen (2005:551)).

General meeting of shareholders

Notices of general meetings of shareholders shall be published in the Official Swedish Gazette (*Sw.* Post- och Inrikes Tidningar) and on the Company's website. The release of the notice shall be announced in Svenska Dagbladet. In order for shareholders to be entitled to attend the general meeting, they must be entered in Recipharm's shareholders' register five working days prior to the meeting and notify the Company of their intention to attend no later than the date indicated in the notice convening the meeting.

Votes

Each Class A share entitles the holder to ten (10) votes and each Class B share and Class D share to one (1) vote. At the shareholders' meeting, each voting shareholder may vote the full number of owned or represented shares with no limitation on the number of votes.

Redemption clauses and reclassification clauses

Under the articles of association, Class D shares are subject to redemption clauses and reclassification clauses.

Dividends

All shares carry equal rights to a share of the Company's profits and any surplus in the event of liquidation. However, Class D shares do not carry the right to a dividend. Decisions on dividends are made by the general meeting and are paid through Euroclear. Dividends may only be paid to such an extent that there will be full coverage for the Company's restricted equity after the dividend distribution, and only to the extent that the dividend is justifiable taking into consideration (i) the requirements that the nature, scope and risks place on the amount of equity and (ii) the consolidation needs of the Company and the Group, liquidity and financial position (the so-called precautionary principle). As a general rule, shareholders may not declare dividends in an amount higher than that proposed or approved by the Board of Directors. See also "Dividend policy and dividend" below.

All shareholders registered as owners in Euroclear's share register on the record date established by the general meeting of shareholders have a right to receive a dividend. If a shareholder cannot be reached through Euroclear, the shareholder's claim on the Company for the dividend amount remains, but is subject to a statutory limitation of ten years. At the end of the limitation period, the dividend amount is forfeited to Recipharm. Apart from any limitations imposed by banks or clearing systems in the relevant jurisdiction, payment to such shareholders is made in the same way as to shareholders resident in Sweden. Shareholders with limited tax liability in Sweden are normally liable for Swedish withholding tax; see "Certain tax considerations in Sweden".

Preferential rights to new shares etc.

In the event of an issue of new shares, shareholders have preferential rights to subscribe for shares of the same class already held. For a more detailed description of preferential rights, including the relationship between different classes of shares, see sections 5 and 6 of Recipharm's articles of association, which can be found under "Articles of Association".

Share capital development

Year	Event	Change in number of shares	Class A shares	Class B shares	Class D shares	Total number of shares	Change in share capital	Total share capital	Par value of the share
1994	Company founded	50,000	50,000	–	–	50,000	50,000	50,000	1
1995	New issue	450,000	500,000	–	–	500,000	450,000	500,000	1
1996	Bonus issue	9,500,000	10,000,000	–	–	10,000,000	9,500,000	10,000,000	1
2011	New issue	2,685,715	12,685,715	–	–	12,685,715	2,685,715	12,685,715	1
2014	Reclassification	–	6,342,858	6,342,857	–	12,685,715	–	12,685,715	1
2014	Split 2:1	12,685,715	12,685,716	12,685,714	–	25,371,430	–	12,685,715	0.50
2014	New share issue	10,443,038	12,685,716	23,128,752	–	35,814,468	5,221,519	17,907,234	0.50
2014	Conversion	1,374,407	12,685,716	24,503,159	–	37,188,875	687,203.5	18,594,437.5	0.50
2014	Issue in kind	3,500,000	12,685,716	28,003,159	–	40,688,875	1,750,000	20,344,437.5	0.50
2015	Conversion	2,114,999	12,685,716	30,118,158	–	42,803,874	1,057,499.5	21,401,937	0.50
2015	Conversion	2,915,544	12,685,716	33,033,702	–	45,719,418	1,457,772	22,859,709	0.50
2015	Issue in kind	45,838	12,685,716	33,079,540	–	45,765,256	22,919	22,882,628	0.50
2015	New issue	560,000	12,685,716	33,079,540	560,000	46,325,256	280,000	23,162,628	0.50
2015	Reclassification	-	12,685,716	33,139,540	500,000	46,325,256	-	23,162,628	0.50
2016	New issue	2,250,000	12,685,716	35,389,540	500,000	48,575,256	1,125,000	24,287,628	0.50
2016	New issue	1,039,724	12,685,716	36,429,264	500,000	49,614,980	519,862	24,807,490	0.50
2016	Upcoming new issue[1]	9,811,067	15,222,859	43,703,188	500,000	59,426,047	4,905,533.5	29,713,023.5	0.50
2016	Issue in kind[2]	3,121,429	15,222,859	46,824,617	500,000	62,547,476	1,560,714.5	31,273,738	0.50
2016	New issue[3]	624,285	15,222,859	47,448,902	500,000	63,171,761	312,142.5	31,585,880.5	0.50

OWNERSHIP

The total number of shares in Recipharm on the date of this Prospectus amounted to 49,614,980 shares. The table below illustrates the largest shareholders and shareholder's structure in Recipharm according to Euroclear as of 30 April 2016 and subsequent changes known to the Company. After the new share issue, Lars Backsell and Thomas Eldered will continue to have significant influence over the Company in matters that are subject to shareholder approval. Consequently, Lars Backsell and Thomas Eldered can exercise control over the Company. However, the control is limited by the provisions of the Swedish Companies Act (*Sw.* aktiebolagslagen (2005:551)).

	Number of shares			Percentage held	
Owner	Series A	Series B	Total number of shares	Capital, %	Votes, %
Thomas Eldered	6,342,858	3,858,690	10,201,548	20.6%	41.1%
Lars Backsell	6,342,858	33,717	6,376,575	12.9%	38.7%
Lannebo Fonder		6,494,393	6,494,393	13.1%	4.0%
Första AP-Fonden		3,220,953	3,220,953	6.5%	2.0%
Fjärde AP-Fonden		2,832,790	2,832,790	5.7%	1.7%
Didner & Gerge Fonder		1,319,174	1,319,174	2.7%	0.8%
SEB-Stiftelsen		1,200,000	1,200,000	2.4%	0.7%

[1] On 16 May 2016 the Board, based on the authorization from the Extraordinary General Meeting held on 10 May 2016, resolved to increase the Company's share capital by way of a preferential rights issue of 2,537,143 Class A and 7,273,924 Class B shares as part of the Offering in this Prospectus. The change in the share capital has been stated assuming that all shares issued are subscribed for and allotted.

[2] The issue in kind pertains to those shares that will be allotted to Kemfin Holdings Private Ltd and the Minority Seller in connection with the finalisation of the acquisition of Kemwell AB. The number of shares to be issued will be adjusted based on the USD/SEK exchange rate prevailing on the day before finalisation of the acquisition. The figures provided in the table are indicative and are based on the USD/SEK exchange rate 8.2325 prevailing on 16 May 2016. See also "Legal considerations and supplementary information" – "Significant agreements – Acquisition agreements".

[3] The sellers of Kemwell AB, Kemfin Holdings Private Ltd and the Minority Seller, have undertaken to subscribe for class B Recipharm shares as part of the Directed Share Issue. See also "Legal considerations and supplementary information" – "Subscription undertakings and intentions to subscribe". The figures stated in the table are based on the USD/SEK exchange rate prevailing on 16 May 2016 and will be subject to adjustment in connection with finalisation of the acquisition.

Share savings schemes

At the Annual General Meetings held in 2014, 2015 and 2016 it was resolved to adopt an introduction of a share savings scheme for all employees in the Group. In order to participate in the schemes, participants must use their own funds to acquire Class B Recipharm shares ("Savings Shares") at the Nasdaq Stockholm market price. Participants who retain their Savings Shares for approximately three years and approximately 34 months from the inception of each scheme, respectively, (the "Savings Period"), and are also employed by the Group throughout the Savings Period will receive one Class B Recipharm share free of charge ("Matching Share") for each Savings Share at the end of the Savings Period. In order to participate in the schemes, participants must use their own funds to acquire savings shares for an amount not exceeding five percent of each participant's fixed annual salary. Participants who are senior executives or members of subsidiary management groups and are also entitled to Performance Shares as described below must use their own funds to acquire Savings Shares for an amount not exceeding ten percent of the annual fixed salary.

Some of the Group's senior executives and members of local management groups will also receive additional Class B Recipharm shares ("Performance Shares"), free of charge, as well as the Matching Shares, provided that the participant is employed by the Group throughout the Savings Period and certain performance criteria are met. The performance criteria require the Recipharm share's total return to be positive during the Savings Period and the outcome of the scheme to be conditional on the size of the total return compared with certain pre-selected benchmark companies. Thomas Eldered, the Company's present CEO, does not participate in the share savings schemes. In the 2015 scheme, four members of senior management are entitled to a maximum of four Performance Shares for each Savings Share and certain other senior executives (13-14 individuals) are entitled to a maximum of two Performance Shares. In the 2016 scheme, the Company's CEO is entitled to a maximum of six Performance Shares, other senior executives (including CEOs of the subsidiaries) are entitled to a maximum of four Performance Shares and members of the local management groups (excluding CEOs of the subsidiaries) are entitled to one Performance Share for each Savings Share.

The share savings schemes are expected to cover a maximum of 260,000 Class B Recipharm shares, corresponding to a dilutive effect of 0.54 percent of the capital and 0.16 percent of votes after dilution as at the date of the annual shareholders' meeting on 28 April 2016. To cover costs of social security contributions arising in connection with the schemes, the Company intends to transfer a maximum of 130,000 of its own Class B shares on Nasdaq Stockholm at market price.

Costs for the share savings schemes are reported in accordance with IFRS 2, which means that the right to receive Matching and Performance Shares is recognised as employee benefits expense over the vesting period. The total cost for the schemes, including social security contributions, will be distributed over their duration and is estimated at approximately MSEK 30. Other costs in the form of fees for external consultation and administration services are estimated at approximately MSEK 3.8 over the duration of the schemes.

The Company has, in accordance with the authorisation granted by the Annual General Meeting 2015, issued 560,000 Class D shares to enable the sharesave schemes to be implemented. After the shares were issued, 60,000 were converted to Class B shares. The purpose of the issue was to ensure the delivery of Matching Shares and Performance Shares to participants in the sharesave scheme and to cover the Company's costs of social security contributions that may arise in connection with the schemes.

The main motive behind the share savings schemes is to increase opportunities for recruiting and retaining employees in the Group. In addition, ownership involvement of participants in the scheme is expected to increase interest in the operations and results, heighten motivation and increase the feeling of being part of Recipharm. The two share savings schemes have about 550 participants each, and employees have acquired about 60,000 Class B shares as of the date of this Prospectus.

Dividend policy and dividend

Resolutions on dividends are made by the general meeting of shareholders. Shareholders whose shares are listed in the share register and who are recorded in Euroclear's register of shareholders on the established record date are entitled to receive a dividend.

The record date for dividend and the dividend payment date are determined by the general meeting of shareholders or by the Board after authorisation by the general meeting. Dividends are normally paid in cash on a per share basis but may also be paid in other form. The Annual General Meeting on 28 April 2016 adopted a dividend payment of SEK 1.50 per share for the financial year 2015. Payments of cash dividends are made through Euroclear. There are no restrictions on dividends or special procedures for shareholders resident outside Sweden.

However, shareholders who are not tax resident in Sweden are normally liable for Swedish withholding tax. See also "Tax considerations in Sweden".

Under Recipharm's dividend policy, the dividend will be based on the Group's earnings growth, taking into account future development opportunities and the financial position. The long-term goal is to distribute 30-50 percent of profit after tax for the previous financial year.

BOARD OF DIRECTORS, SENIOR EXECUTIVES AND AUDITORS

BOARD OF DIRECTORS[1]

Recipharm's Board of Directors currently consists of eight members, including the Chairman and one employee representative. There is also a deputy employee representative. All Board members elected by the general meeting serve until the end of the 2017 Annual General Meeting.

The table below lists the elected Board members, their position, year of election and whether they are considered independent of the Company, its management and major shareholders.

Name	Position	Elected	Independent in relation to the Company and its management	Independent in relation to the major shareholders
Lars Backsell	Chairman	1994	No	No
Marianne Dicander Alexandersson	Board member	2014	Yes	Yes
Anders G. Carlberg	Board member	1995	Yes	Yes
Thomas Eldered	Board member	1994	No	No
Wenche Rolfsen	Board member	2016	Yes	Yes
Tony Sandell	Board member	1995	Yes	Yes
Helena Levander	Board member	2016	Yes	Yes
Carlos von Bonhorst	Board member	2015	Yes	Yes

The following presentation of the Board members includes the year of birth, position, year of election when they were first selected, higher education, experience, current assignments, previous assignments in the last five years and holdings of shares and convertibles in Recipharm. All shareholdings reported for Board members are current holdings as of the date of this Prospectus. The figures include holdings of spouses and minor children and shares held through companies in which the individual has a significant ownership interest and/or significant influence.

[1] The board of Recipharm is reached on the Company's address: Lagervägen 7, 136 50 Jordbro.

LARS BACKSELL
(born 1952)
Position: Chairman of the Board, elected 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: CEO in Recip AB and Coloplast AB, Business Area Manager OTC, Pharmacia AB, Sales director, Coloplast A/S Denmark, Controller, Hovås Invest AB (Vätterledenkoncernen).
Other assignments: Board member, B&E Participation AB, B&E Invest AB, Rohirrim AB, Cajelo AB and Cajelo Invest AB, Deputy Board member, Recipharmfastigheter AB, and member of the Royal Swedish Academy of Engineering Sciences (IVA) and Chairman of Entreprenörskapsforum.
Previous assignments in the past five years: Chairman, Backsell Eldered Holding AB, Board member, BioInvent International AB, Chairman, IVA's Näringslivsråd (Business Community Council), Board member, Aros Growth Capital AB, Lund University BioScience AB, PROBI Aktiebolag and Skärmare Drifts AB and other directorships in Group companies.
Holding: 6,342,858 Class A shares, 33,717 Class B shares.

Lars Backsell is not independent in relation to the Company and its management and is not independent of major shareholders.

ANDERS G. CARLBERG
(born 1943)
Position: Board member, elected in 1995. Chairman of the Audit Committee.
Education: MBA, Lund University, 1968.
Experience: Group Chief Executive and CEO, Axel Johnson International AB 1993–2008, former Group Chief Executive and CEO, Nobel Industrier and JS Saba, and former Deputy CEO, SSAB.
Other assignments: Chairman, Herenco Aktiebolag and Gränges AB, Board member, Beijer Alma AB, AxFast AB, SWECO AB (publ), Åda Golfintressenter AB, Investmentaktiebolaget Latour, Deputy Board member, Vidya Performance Consulting AB and owner of the sole proprietorship Närlunda Säteri.
Previous assignments in the past five years: Chairman, AxIndustries Aktiebolag and Höganäs Aktiebolag, Board member, Smilbandsbolaget AB, Erik Penser Bankaktiebolag, Martin & Servera Aktiebolag, Emballator AB, Sapa Profiles Holding AB, Axel Johnson Aktiebolag, Axel Johansson Inc., Latour Förvaltning AB, Mekonomen Aktiebolag and SSAB, and Partner, Fairway Handelsbolag.
Holding: 55,990 Class B shares.

Anders G. Carlberg is independent in relation to the Company and its management and is independent of major shareholders.

CARLOS VON BONHORST
(born 1957)
Position: Board member, elected in 2015.
Education: Doctor of Medicine, Classical University Lisbon, Portugal, 1981.
Experience: Consultant to boards and management of Portuguese (JABA, Lusomedicamenta, Santo, Tecnifar), Swiss (Helsinn) and Irish (Newport) companies. Consultant and research programme evaluator in the field of biomedical and health sciences for governments and agencies: Belgian Federal and regional Government, Government of the Walloon region, French National Research Agency (ANR) and Government of the Veneto region in Italy. Consultant to international institutions and non-governmental organisations such as the European Commission, SwedenBio (Sweden), Association for Research in Vision and Ophthalmology (ARVA), USA, European Vision Summit (Belgium) in research funding. European Commission's expert in the fields of life sciences, health, nanotechnologies and emerging technologies for the last 20 years. Owner of a technology transfer office.
Other assignments: Business Development Director, Biofarma, Portugal, Corporate Development Director, Helsinn, Switzerland, Board directorships in pharmaceutical, chemical and investment companies in Ireland, Switzerland and Belgium.
Previous assignments in the past five years: Board member of Ligne Invest, Belgium.
Holding: –

Carlos von Bonhorst is independent in relation to the Company and its management and is independent of major shareholders.

HELENA LEVANDER
(born 1957)
Position: : Board member, elected in 2016.
Education: M.Sc. (Econ), Stockholm School of Economics.
Experience: Background with SEB, Senior Equity Fund Manager, Nordea Asset Management, CEO, Odin Fonder, CEO, Neonet Securities AB and founder and CEO, Nordic Investor Services AB.
Other assignments: Board member, Hans Andersson Recycling Aktiebolag, Concordia Maritime Aktiebolag, Stampen AB, Neurovive AB, Pensare Grande AB and Medivir AB. Chairman, Nordic Investor Services Aktiebolag.
Previous assignments in the past five years: Directorships in companies in the Stampen Group. Board member, Aktiebolaget Svensk Exportkredit, Erik Penser Aktiebolag, Rederi AB Transatlantic, Alba Holding AB, Collector Credit Bank AB, Betting Promotion Sweden AB, Wiborg Kapitalförvaltning, Erik Penser Bankaktiebolag, SBAB Bank AB (publ) and Uniflex AB. CEO, Nordic Investor Services AB.
Holding: –

Helena Levander is independent in relation to the Company and its management and is independent of major shareholders.

MARIANNE DICANDER ALEXANDERSSON
(born 1959)
Position: Board member, elected in 2014.
Education: M.Sc. in Chemical Engineering, Chalmers Institute of Technology, Gothenburg, 1983.
Experience: CEO, Global Health Partners AB and Sjätte AP-fonden, Deputy CEO, Apoteket AB, CEO of Kronans Droghandel AB and quality management and market development experience in several industry sectors, including automotive, plastics and chemicals and healthcare logistics.
Other assignments: Chairman and CEO, MDA Management AB, member of the Royal Swedish Academy of Engineering Sciences (IVA) and Board member and Chairman of the Audit Committee of Enzymatica AB, Board member of West Atlantic AB, Board member, Camurus AB, Board member, Praktikertjänst AB, Chairman, Sahlgrenska Science Park AB.
Previous assignments in the past five years: Board member, Mölnlycke Healthcare AB and other companies in the Mölnlycke Group, Board member, Castellum AB and West Atlantic AB, Board member Chalmers University of Technology, Confederation of Swedish Enterprise and WHO's Uppsala Monitoring Centre, Bariatric and Diabetes Center, Ajman AB and Apoteksakademin.
Holding: 4,000 Class B shares.

Marianne Dicander Alexandersson is independent in relation to the Company and its management and is independent of major shareholders.

THOMAS ELDERED
(born 1960)
Position: Board member, elected in 1994, and CEO.
Education: M.Sc. in Industrial and Management Engineering, Linköping Institute of Technology, 1985.
Experience: CEO and Group chief executive, deputy CEO, Recipharm AB, Vice President, Recip AB, factory manager, Pharmacia.
Other assignments: Chairman, B&E Participation AB, Cobra Biologics Holding AB, Trimeta LLC and B&E Participation Inc, Board member, Flerie Participation AB, Pingvinen Penningplacering Aktiebolag, SwedenBIO Service AB, Sweden Bio, B&E Invest AB, Chromafora AB, Cormorant Pharmaceuticals AB, Zentricity International AB, Flerie Invest AB, Zentricity Holding AB, Kahr Medical Ltd and Provell Pharmaceutical LLC, Deputy Board member, SymCel Sweden AB and Empros Pharma AB. In addition, several assignments as Chairman and Board member of companies in the Group.
Previous assignments in the past five years: Chairman, Empros Pharma AB and Cobra Biologics AB, Board member, Backsell Eldered Holding AB, B&E Participation AB and Cobra Biologics AB, In addition, several different assignments as Chairman, Board member or Deputy Board member in Group companies.
Holding: 6,342,858 Class A shares, 3,858,690 Class B shares.

Thomas Eldered is not independent in relation to the Company and its management and is not independent of major shareholders.

TONY SANDELL
(born 1943)
Position: Board member, elected in 1995. Member of the Audit Committee.
Education: LL.M., Stockholm University, 1969.
Experience: Lawyer. Former Board member, the Swedish Bar Association, Chairman, DFA, Delegationen för advokatförsäkringar, Board member LES, Licensing Executives Society, member of IBA, the International Bar Association.
Other assignments: Chairman, MFEX Mutual Funds Exchange AB and Fondab AB, Board member, Danfo Holding Aktiebolag, Dafo Aktiebolag and Tony Sandell AB.
Previous assignments in the past five years: Board member, Åre 2007 AB, the book publishing firm Natur och Kultur, Swedish Business Development Aktiebolag and Eriks Brand Aktiebolag, auditor for Fjällbergsvind economic association.
Holding: 20,004 Class B shares.

Tony Sandell is independent in relation to the Company and its management and is independent of major shareholders.

WENCHE ROLFSEN
(born 1952)
Position: Board member, elected in 2016.
Education: Ph.D. from the Pharmaceutical Faculty, Uppsala University.
Experience: Several leading positions within the pharmaceutical industry. CEO in Quintiles Scandinavian operations. Several years' experience from board assignments in listed companies as well as in private and government owned companies.
Other assignments: Chairman in Index Pharmaceuticals AB, board member in Stiftelsen Industrifonden, Swedish Match AB, Moberg Pharma AB as well as Sarsia Seed AS and Smartfish AS in Norway.
Previous assignments in the past five years: Board member in Swedish Orphan Biovitrum AB (SOBI), Axis Shield Plc. (London stock exchange), Aker Biomarine ASA (Oslo stock exchange), Apotekens Produktion och Lab AB, Trial Form Support International AB, and Aprea AB.
Holding: –

Wenche Rolfsen is independent in relation to the Company and its management and is independent of major shareholders.

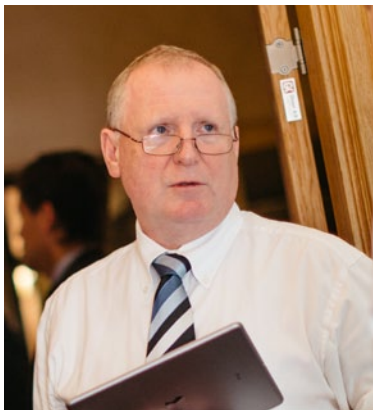
OLLE CHRISTENSON
(born 1956)
Position: Board member/Employee representative, elected 1995.
Education: –
Experience: –
Other assignments: –
Previous assignments in the past five years: Deputy Board member, Q Information Aktiebolag.
Holding: 2,399 Class B shares.

GROUP MANAGEMENT

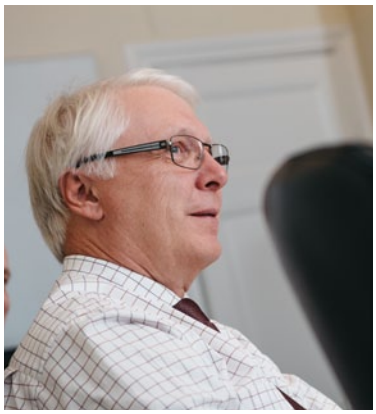
Recipharm's Group Management consists of 11 individuals. The following presentation of members of Group Management includes the year of birth, position, year of appointment, education, experience, current assignments, previous assignments in the last five years and holdings of shares and convertibles in Recipharm. All shareholdings reported are current holdings as of the date of this Prospectus. The figures include holdings of spouses and minor children and shares held through companies in which the individual has a significant ownership interest and/or significant influence.

THOMAS ELDERED
(born 1960)
Position: CEO.
For more information, see under 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, Inpac i Lund AB. Several directorships within the Group.
Previous assignments in the past five years: Board member, Recipharm Strängnäs AB.
Holding: 18,256 Class B shares.



KJELL JOHANSSON
(born 1956)
Position: President Manufacturing Services Europe.
Employed since: 2011.
Education: M.Sc., 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: Board member, CCS Healthcare Holding AB and CCS Healthcare Nordic AB. Owner and Chairman, Castanie AB, and several directorships within the Group.
Foreign companies: Board member, NNE Pharmaplan A/S, 2013.
Previous assignments in the past five years: Chairman, Biotechvalley AB, Recipharm Höganäs AB and Recipharm Strängnäs AB, Board member, CCS Healthcare AB, and external CEO, Recipharm Stockholm AB.
Holding: 38,881 Class B shares.



MAGNUS RENCK
(born 1953)
Position: Vice President Operations Development.
Employed since: 2006.
Education: Engineering degree, 1977.
Experience: Senior management, Apoteket, 1999–2006.
Other assignments: Several directorships within the Group and Chairman, Recipharm Höganäs AB and Recipharm Strängnäs AB.
Previous assignments in the past five years: Board member, Recipharm Höganäs AB and Recipharm Strängnäs AB.
Holding: 18,530 Class B shares.

BJÖRN WESTBERG
(born 1962)
Position: Executive Vice President, CFO.
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 CEO, BTB Consult Aktiebolag, Deputy Board member, CONEQ Control Equipment Aktiebolag and partner in WEBE Design Handelsbolag. In addition, several different assignments as Board member and Deputy Board member within the Group.
Previous assignments in the past five years: Board member, Cobra Biologics AB and Deputy Board member, Cobra Biologics AB.
Holding: 26,604 Class B shares.

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 within the Group.
Previous assignments in the past five years: –
Holding: 17,885 Class B shares.

CARL-JOHAN SPAK
(born 1956)
Position: Executive Vice President, Development & Technology.
Employed since: 2009, previously employed by the Group 1995–2007.
Education: Dentist, Karolinska Institutet, 1980, PhD, Karolinska Institutet, 1984.
Experience: Director Nordic Region, Country Manager Sweden, Meda AB, 2007–2008; CEO, Recip AB and Recip Läkemedel AB, 2005–2007; Executive management, Recip AB, 1997–2008.
Other assignments: Board member, Empros Pharma AB, Symcel Sverige AB, Xspray Microparticles AB, Pharmanest AB, Prokarium Ltd and KAHR Medical Ltd and Deputy Board member, Cormorant Pharmaceuticals AB. Board member within Cobra Biologics. In addition, several different assignments as Chairman and Board member within the Group.
Previous assignments in the past five years: CEO, Empros Pharma AB, CEO and Deputy Board member, Recip AB.
Holding: 18,728 Class B shares.

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: Directorships within the Group.
Previous assignments in the past five years: –
Holding: 2,898 Class B shares.

JEAN-FRANCOIS 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 Optimisation, Abbott, Executive VP, Solvay, VP Germany and Eastern Europe at Laboratoires Fournier.
Other assignments: –
Previous assignments in the past five years: –
Holding: 2,732 Class B shares.

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, Department of Quality Assurance, Swedish Pharmaceutical Society.
Previous assignments in the past five years: –
Holding: 103 Class B shares

OTHER INFORMATION ABOUT THE BOARD AND SENIOR EXECUTIVES

No Board member or senior executive has a family relationship with another Board member or senior executive within Recipharm.

No Board member or senior executive has, during the past five years, (i) been a representative of any company, apart from the positions listed above for each Board member and senior executive, (ii) been convicted of fraudulent offences, (iii) been a representative of a company that has filed for bankruptcy or gone into liquidation, (iv) been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer. There are no conflicts of interest that would involve the private interests of a Board member or senior executive conflicting with the Company's interests. No Board member or senior executive has been elected or appointed as a result of a special agreement with major shareholders, customers, suppliers or other parties.

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 roles in Supply Chain & Manufacturing, Astra and AstraZeneca, 1992-2009.
Other assignments: Several Board assignments as Chairman and Board member within the Group. Owner and chairman of the Board of Conveija AB.
Previous assignments in the past five years: –
Holding: 1,000 Class B shares.

AUDITORS

At the 2016 Annual General Meeting, the auditing company Ernst & Young AB was elected auditor for the period until the end of the next Annual General Meeting. Jennifer Rock-Baley was appointed chief auditor.

CORPORATE GOVERNANCE

SWEDISH CORPORATE GOVERNANCE CODE

The Swedish Corporate Governance Code (the "Code") must be applied by all companies whose shares are listed on a regulated market such as Nasdaq Stockholm. The Code is based on the "comply or explain" principle, which means that a company that applies the Code may deviate from its provisions provided any deviation can be explained in a satisfactory manner. Recipharm applies the Code and does not intend to deviate from the Code in any respect.

GENERAL MEETING OF SHAREHOLDERS

The right of shareholders to make decisions in the affairs of Recipharm is exercised at the general meeting of shareholders (Annual General Meeting or Extraordinary General Meeting), which is Recipharm's highest decision-making body. The Annual General Meeting will be held annually before the end of June. Extraordinary general meetings are held when necessary. The general meeting makes decisions on a number of matters, including the adoption of the income statement and balance sheet, allocation of Recipharm's profit or loss, discharge from liability towards the company for the Board of directors and the CEO, composition of the Nomination Committee and the election of Board members (including the Chairman) and auditors.

Notices of Annual General Meetings and Extraordinary General Meetings dealing with an amendment of the Articles of Association shall be issued no earlier than six weeks and no later than four weeks before the general meeting. Notices of other Extraordinary General Meetings shall be issued no earlier than six weeks and no later than three weeks before the meeting. The notice shall be published in Post- och Inrikes Tidningar and on the Company's website. The release of the notice shall be announced in Svenska Dagbladet at the same time. Shareholders will be entitled to attend the meeting if they are listed in the register of shareholders maintained by Euroclear on the fifth day before the meeting and have notified the Company of their intention to attend the meeting no later than the date indicated in the notice. This date may not be a Saturday, Sunday, public holiday, Midsummer's Eve, Christmas Eve or New Year's Eve and may not be earlier than the fifth working day before the meeting. Shareholders may attend the meeting in person or be represented by proxy and may also be assisted by a maximum of two people. Shareholders usually have the opportunity to provide notification of their intention to attend the general meeting in several different ways, in accordance with the instructions in the notice.

Shareholders wishing to have a matter considered at the meeting must submit a written request to the Company's Board of Directors. Such requests shall normally be received by the Board no later than seven weeks before the meeting.

NOMINATION COMMITTEE

Under the Code, Recipharm is required to have a Nomination Committee, whose tasks will include preparing and presenting proposals for the election of Board members, the Chairman of the Board, a person to chair the meeting and the auditors. The Nomination Committee's tasks also include proposing fees to be paid to Board members, Board committees members and auditors. The Annual General Meeting held on 7 May 2015 decided to establish principles for the appointment of the Nomination Committee. The principles require a Nomination Committee to be formed after the Chairman of the Board identifies, immediately after the last business day of September, the three largest shareholders in the Company (in terms of votes), each of whom is then entitled to appoint a member to the Nomination Committee. If any of the three largest shareholders waive their right to appoint a member to the Nomination Committee, the next largest shareholder is asked to appoint a member. These three owner representatives, together with the Chairman of the Board, form the Nomination Committee.[1]

BOARD OF DIRECTORS

The Board of Directors is the Company's second-highest decision-making body, after the Annual General Meeting. The Board of Directors is responsible for the organisation and management of the Company's affairs, which includes establishing goals and strategy, ensuring procedures and systems for monitoring the stated objectives, continuously assessing the Company's financial position and evaluating operational management. The Board is also responsible for ensuring that correct information is communicated to the Company's stakeholders, that the Company complies with laws and regulations, and that internal policies and ethical guidelines are established and implemented by the Company. The Board also appoints Recipharm's CEO and determines his salary and other remuneration based on the guidelines adopted at the general meeting.

The Board's tasks during the 2015 financial year included regular consideration and evaluation of strategic options and acquisition opportunities.

Composition and independence of the Board

Board members elected by the Annual General Meeting are elected annually at the Annual General Meeting for the period until the next Annual General Meeting. According to the Articles of Association, the Board shall consist of no fewer than three (3) and no more than

[1] If major changes in ownership occur after the Nomination Committee is composed, the composition can be adjusted, according to the detailed conditions imposed by the principles for appointing the Nomination Committee and instructions for the Nomination Committee of Recipharm AB (publ).

eight (8) ordinary Annual General Meeting elected Board members elected, without deputies. The Code requires a majority of Annual General Meeting elected Board members to be independent of the Company and its management. A Board member's independence is to be determined by a general assessment of all factors that may give cause to question the individual's independence and integrity with regard to the Company or its management, such as whether the individual has recently been employed by Recipharm or a related company. In addition, the Code stipulates that at least two of the Board members who are independent of the Company and its management must also be independent of the Company's major shareholders. The extent of the Board member's direct or indirect relationships with the Company's major shareholders shall be taken into account when assessing independence. The Code defines a major shareholder as a shareholder directly or indirectly controlling at least ten percent of the shares or votes in a company. Board members and their independence are presented in more detail under the section "Board of Directors, senior executives and auditors".

Chairman of the Board

The Chairman of the Board is responsible for ensuring that the work of the Board is conducted efficiently and that the Board fulfils its obligations. The Chairman shall organise and lead the work of the Board, in order to create the best possible conditions for the Board's activities. The Chairman shall ensure that new Board members receive the necessary introductory training and any other training the Chairman and new board member agree is appropriate, ensure that the Board regularly updates and develops its knowledge about the Company, ensure that the Board receives sufficient information and support documentation to enable it to conduct its work, draw up proposed agendas for the Board's meetings in consultation with the CEO, verify that the Board's decisions are implemented, and ensure that the work of the Board is evaluated annually.

The Chairman is responsible for contacts with shareholders regarding ownership issues and for communicating shareholders' views to the Board. The Chairman does not participate in operational work within the Company. The Chairman is not part of the Company's management group.

The Board's procedures

The work of the Board is regulated by the Swedish Companies Act (*Sw.* aktiebolagslagen), the Articles of Association and the Code. The Board's work is also regulated by written rules of procedure, which are annually reviewed by the Board and adopted at its constituent Board meeting. The rules of procedure regulate the Board's working methods and duties, decision-making within the Company, the Board's agenda, the Chairman's duties and an appropriate division of duties between the Board and the CEO. Instructions on financial reporting and instructions to the CEO are also adopted at the constituent Board meeting.

The Board's work is also conducted on the basis of an annual presentation plan that provides the Board with the information it needs. The Board's control issues are dealt with by the Board in its entirety. The Chairman and CEO maintain a regular dialogue about the management of the Company in addition to the Board meetings.

The Board meets according to a predetermined annual timetable. At least six scheduled meetings shall be held between each Annual General Meeting. Additional meetings may be arranged for the consideration of matters that cannot be brought before any of the scheduled meetings. In the 2015 financial year, the Board held 16 meetings, which were all minuted.

The Board is responsible for the Group's organisation and management of its affairs, defining the Group's overall objectives, developing and monitoring the overall strategies, decisions on major acquisitions, disposals and investments, decisions about contingent financial investments and loans in accordance with the financial policy, regular monitoring of operations, adoption of quarterly and annual reports and ongoing evaluation of the CEO and other members of Group management. The Board is also responsible for ensuring quality of financial reporting, including systems for monitoring and internal control over Recipharm's financial reporting and financial position (see "Internal Control" below). The Board shall also ensure that Recipharm's external information disclosure is characterised by openness and is accurate, relevant and clear. The Board is also responsible for establishing necessary guidelines and other policy documents, such as the communications policy and the insider policy.

The CEO and management

The role of CEO is subordinate to the Board and the CEO's main responsibility is the day-to-day management of the Company and its operations. The Board's rules of procedure and the CEO's instructions define the decisions for which the Board is responsible and those that are the responsibility of the CEO. The CEO also produces reports and the necessary support material prior to Board meetings and presents the material at Board meetings.

In addition to the CEO, Recipharm has ten senior executives; see the section "Board of Directors, senior executives and auditors".

REMUNERATION OF THE BOARD AND SENIOR EXECUTIVES

Remuneration of the Board

Fees and other remuneration of the Board are resolved on by the Annual General Meeting. The Annual General Meeting held on 28 April 2016 resolved on total Board fees of KSEK 1,760, distributed as follows: KSEK 400 for the Chairman and KSEK 200 for each non-executive board member. The meeting adopted fees of KSEK 60 for Chairman of the Audit Committee and KSEK 35 for each of the other committee members. The Remuneration Committee's fees were set at KSEK 30 for the Chairman and KSEK 20 for the other members. The CEO did not receive any Board fees in addition to his salary during 2015. Board fees of KSEK 200 were paid to each of the three non-executive board members and KSEK 400 to the Chairman in 2015.

Guidelines for remuneration of and other terms of employment for senior executives

Guidelines for remuneration of and other terms of employment for senior executives were adopted at the Annual General Meeting held on 28 April 2016. The remuneration policy defines other senior executives as those who, together with the CEO, constitute Group management as well as the CEO or equivalent in subsidiaries. The guidelines state that remuneration may consist of basic salary, variable compensation, other benefits and a pension. The senior executive and the Company shall have a mutual termination notice period of six months, unless otherwise stated in a collective bargaining agreement.

In addition to salary, the CEO and other senior executives may receive an annual bonus. This bonus may amount to a maximum of 40 percent of basic salary, but generally corresponds to a maximum of 17-20 percent of basic salary.

Recipharm has both defined-benefit and defined-contribution pension plans. The pension cost refers to the cost that has an impact on the Company's earnings. The pension premium for the CEO is 35 percent of the pensionable salary. The Company's senior executives, with the exception of CEO's of subsidiaries, two members of Group management and the CEO of the Company, are covered by the ITP plan. If the pension premium for senior executives other than the CEO is a separate premium, this may amount to a maximum of 35 percent of the pensionable salary. The pensionable salary is the gross salary.

Senior executives are entitled to termination benefits of up to six months' salary, in addition to salary during the notice period.

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

Remuneration of senior executives

A total of SEK 4.8 million in variable compensation was paid to the Company's senior executives in 2015. Total gross remuneration paid to the CEO and Group management in 2015, including basic salary, variable compensation, pension payments and car insurance and health insurance benefits, was SEK 44.1 million. The CEO's remuneration was SEK 2.3 million.

The Board's committees

The Board has established two committees, the Audit Committee and the Remuneration Committee. Both of the committees work according to the Board's adopted instructions.

Audit Committee

At the Board meeting held on 4 February 2014, it was decided to establish an Audit Committee. The Audit Committee's main tasks are to monitor Recipharm's financial reporting and the efficiency of its internal controls, internal audit and risk management, keep informed about the auditing of the annual accounts and consolidated financial statements, and review and monitor the impartiality and independence of the auditor, paying particular attention to whether the auditor performs services other than audit engagements for Recipharm. The Audit Committee will also assist the Nomination Committee with proposals to the Annual General Meeting regarding the election of auditors. The Committee has regular contact with Recipharm's auditors. The Board has appointed Anders G. Carlberg as Chairman of the Committee and Tony Sandell, Helena Levander and Lars Backsell as members. The Board considers that the requirement for at least one member to be independent and have accounting or auditing expertise has been met.

Remuneration Committee

At the Board meeting held on 4 February 2014, it was decided to establish a Remuneration Committee. The Remuneration Committee's main tasks are to prepare the Board's decisions on matters concerning principles for remuneration, remuneration and other terms of employment for the CEO and other senior executives, and to monitor and evaluate their programmes for variable compensation, both ongoing and those that have ended during the year. The Committee shall also monitor and evaluate the application of the guidelines for remuneration of senior executives adopted at the Annual General Meeting, as well as the current remuneration structures and levels in the Company. The Board has appointed Lars Backsell as Chairman of the Committee and Marianne Dicander Alexandersson as member.

Audit

The Company's auditors examine the annual accounts and annual report and the Company's current operations and procedures, to enable them to express an opinion on the financial statements and the management of the Company by the Board and the CEO. The auditors submit an audit report to the Annual General Meeting at the end of each financial year. Each year, the Company's auditors report in person to the Board on their observations from the audit and their assessment of the Company's internal control. At the 2016 Annual General Meeting, the auditing company Ernst & Young AB was elected auditor for the period until the end of the next Annual General Meeting. Jennifer Rock-Baley was appointed chief auditor. Jennifer Rock-Baley is a member of FAR. The historical information in this prospectus has been audited by Ernst & Young AB with Michael Forss as chief auditor. At the 2016 Annual General Meeting, it was decided that the auditor's remuneration would be paid on approved account. Total audit fees for 2015 amounted to SEK 5.6 million, with SEK 4.9 million paid to Ernst & Young for the entire Group. Fees paid to the auditors in addition to audit fees amounted to SEK 0.7 million.

Internal control

The Board's responsibility for internal control is regulated by the Swedish Companies Act (*Sw.* aktiebolagslagen (2005:551)), the Swedish Annual Accounts Act (*Sw.* årsredovisningslagen (1995:1554)), which requires information about the main features of Recipharm's systems for internal control and risk management in con-

nection with financial reporting each year to be included in the corporate governance report, and the Code. The Board shall ensure that Recipharm has sound internal control and formalised routines for ensuring compliance with established principles for financial reporting and internal control.

The framework for Recipharm's internal control comprises the company's Global Policy, which deals with goals, leadership philosophy, the Board's procedures, responsibilities and authority, attestation, quality and environment, and the Company's other policies.

Recipharm's Board of Directors is responsible for ensuring that there are effective systems for monitoring and control of the Company's operations, including risk management, and that the Company complies with laws and other regulations that apply to its activities. The Board is also responsible for the Company's internal control of financial reporting. The purpose of internal control over financial reporting is to ensure that internal and external reporting is accurate and relevant, and that it is prepared in accordance with the law and applicable financial reporting standards and other reporting requirements.

In addition, internal control over financial reporting may, for example, focus on efficient and reliable processing of invoices to customers, customer credit, exchange rates and investments. Annual internal and external quality audits are conducted within the Company. The Board will annually evaluate the need to establish a special internal audit function.

LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION

LIST OF RECIPHARM'S DIRECT AND INDIRECT HOLDINGS OF SHARES IN SUBSIDIARIES

Company	Corp. ID
Sweden	
Recipharm Höganäs AB	556666-2606
Recipharm Karlskoga AB	556662-4366
Recipharm Karlskoga Fastighets AB	556657-8315
Recipharm OT Chemistry AB	556761-5439
Recipharm Pharmaceutical Development AB	556825-0095
Recipharm Stockholm AB	556666-8249
Recipharm Strängnäs AB	556666-8231
Recipharm Strängnäs Fastighets AB	556885-6842
Recipharm Venture Fund AB	556666-2697
RPH Iberia AB	556805-3234
RPH Pharmaceuticals AB	556731-7226
France	
Kaysersberg Pharmaceuticals S.A.S.	813 689 213
Recipharm Fontaine S.A.S.	509 186 169
Recipharm Monts S.A.S.	399 226 950
Recipharm Participations S.A.S.	498 592 757
Recipharm Pessac S.A.S.	807 679 386
India	
Nitin Lifesciences Limited	U73100HP2005PLC28049
Recipharm Holding India Private Ltd.	U7499HP2016FTC001175
Israel	
OnTarget Chemistry Israel Ltd.	515254944
Italy	
Biologici Italia Laboratories S.r.l.	MI-1353528
Edmond Pharma S.r.l.	MI-780447
LIO Immobiliare S.r.l.	MI-1946501
Liosintex S.r.l.	MI-869792
Mitim S.r.l.	BS 299186
Pharmnew S.r.l.	MI-1924498
Recipharm Italia S.p.A.	MI-1879857
Netherlands	
Recipharm Participation B.V.	855609254
Portugal	
Davi II Farmacêutica S.A.	508309450
Lusomedicamenta – Sociedade Técnica Farmacêutica S.A.	507150473
Switzerland	
Recipharm AG (dormant)	CH-270.3.010.655-3
Spain	
Recipharm Parets S.L.U.	B-65376055
United Kingdom	
Recipharm Holdings Ltd.	8174911
Recipharm Ltd.	8174784
Recipharm Properties Ltd.	8174915
Recipharm Steriles Limited (in Administration)	06360398
Germany	
Recipharm Verwaltungs GmbH	HRB 20239
Wasserburger Arzneimittelwerk GmbH	HRB 5875
USA	
Recipharm Inc.	74-3061963

All subsidiaries are wholly-owned by Recipharm, whith exception for Nitin Lifesciences Ltd. which is owned by 74 percent.

JOINT VENTURE

The Group holds 50 percent of the shares in S.V.S. Portugal and Inject Pharma AB.

ASSOCIATED COMPANY

The Group holds 25 percent of the shares in Pharmanest AB.

COMPANY INFORMATION AND LEGAL STRUCTURE

General Company and Group information

The name of the Company (also its business name) is Recipharm AB (publ), company registration number 556498-8425. The registered office is in Haninge municipality and the general meeting may also be held in Stockholm. The Company was founded on 2 November 1994 and was registered with the Swedish Patent and Registration Office (*Sw.* Patent- och registreringsverket) (now the Swedish Companies Registration Office (*Sw.* Bolagsverket)) on 25 November 1994. Recipharm is a public limited company governed by the Swedish Companies Act (*Sw.* aktiebolagslagen (2005:551)). Shareholders' rights associated with ownership of shares may only be changed in accordance with defined regulations. The object of the Company's operations is to conduct environmentally-aware development, manufacture and sale of pharmaceuticals, naturopathic preparations, herbals, nutritional supplements, medical devices, related services and associated activities. Recipharm is the Parent Company of 38 subsidiaries. The Company has two branches, one in the UK and one in Norway.

SIGNIFICANT AGREEMENTS

Customer agreements

In terms of the Group's sales, a relatively small number of customers account for a significant proportion of Recipharm's revenue. Major customers for the 2015 financial year include Abbott, AstraZeneca, Hospira and Takeda.

Contractual relationships with customers are typically based on overall framework agreements with the relevant Group company, in accordance with relatively general international sector practice, which is adapted to the specific situation. The framework agreements contain product appendices with specifications for the products, which allow flexibility when the agreements are updated. The framework agreements include general provisions on general production commitments, forecasts, orders, deliveries, payment terms, product care, liability and contract duration etc., while the product appendices contain specific provisions on the actual products. Each agreement also has one or more quality control agreements. The agreements often have exclusivity conditions and their duration may vary between one and up to five years, with the customary termination and extension conditions. The duration of the agreements and exclusivity conditions (if relevant) allow some predictability with regard to the production volume, even though the agreements does not contain any volume commitments. Some agreements entitle the other party to terminate the agreement in the event of a change in ownership that results in a change of control of the Company.

Supplier agreements

The Group's needs for raw materials and supplies are met through a large number of suppliers. The agreements are entered into either by the Company for delivery to all companies within the Group or directly by a particular Group company for its individual needs. If written agreements are entered into, they are generally based on the Group's standard agreement and general conditions of purchase.

Acquisition agreements

On 18 August 2014, Recipharm signed an agreement for the acquisition of the Milan-based Corvette Pharmaceutical Services Group (consisting of Corvette Group S.p.A. and Lio Immobiliare S.r.l.). Corvette Pharmaceutical Services Group has three production facilities in the Milan region of northern Italy.

The facilities have specialised in different technologies and business areas. Corvette Pharmaceutical Services Group has about 265 employees and over 100 customers, including major pharmaceutical companies, medium-sized specialty pharmaceutical companies and international generic companies. The purchase consideration paid to the sellers of the Corvette Pharmaceutical Services Group shares consisted of a cash consideration and a convertible bond in Recipharm. The convertible bond has a nominal value of EUR 50 million and a converting course of SEK 91.10. On 29 January 2015 and 11 February 2015 the convertible bond was converted to 5,030,543 Class B shares.

On 13 November 2014, Recipharm signed an agreement to acquire all shares in the Lisbon-based CDMO Lusomedicamenta, Sociedade Técnica Farmacêutica, S.A. Lusomedicamenta Sociedade Técnica Farmacêutica S.A. is primarily a CDMO specialising in the development and manufacture of solid, liquid and semi-solid dosage forms and sterile ophthalmic products. Operations are conducted from two facilities near Lisbon, and the company has made significant investments in the production of effervescent tablets, with a new dedicated facility for this. The company also focuses on new products and takes responsibility for managing the entire process from product development to the registration dossier. Lusomedicamenta Sociedade Técnica Farmacêutica, S.A. has about 340 employees and produces more than 150 formulations, supplying over 600 stocks with exports to some 45 countries around the world. The purchase consideration paid to the sellers of the shares in Lusomedicamenta Sociedade Técnica Farmacêutica S.A. consisted of a cash consideration and 3,500,000 new issued Class B Recipharm shares. Lusomedicamenta Sociedade Técnica Farmacêutica S.A's sellers have undertaken not to sell or otherwise distribute or transfer 1,181,193 Class B shares during a lock-up period from the agreement date until 13 November 2016 (two years after the agreement date).

On 27 November 2014, Recipharm completed the acquisition of the Flamel Technologies S.A. development and production facility in Pessac, France. The

acquisition means that Recipharm has significantly expanded its pharmaceutical development capacity and technical resources, and is able to offer its customers in France and other countries easier access to development services. Recipharm will also offer development and manufacturing support to Flamel Technologies S.A. under a long-term service agreement. This new collaboration gives Flamel Technologies S.A. continuing access to development and manufacturing resources in Pessac and use of Recipharm's other facilities for the development or manufacture of its product candidates. Recipharm will also take over development and production agreements with other companies and an agreement providing royalty revenue. The purchase consideration for the assets was MEUR 10.6 plus working capital.

On 15 June 2015, Recipharm acquired all the shares in OT Chemistry AB (presently Recipharm OT Chemistry AB). The company is active in synthesis and analysis services for the pharmaceutical sector. The acquisition will broaden the Group's capacity in pharmaceutical development, expand the customer base and provide certain geographic expansion. The acquisition means that Recipharm reaches customers at an earlier stage of the process than previously, with the potential for involvement in subsequent stages within the Group.

In addition, the synthesis capacity has value for the GMP development of APIs in one of the Group's Italian subsidiaries. The total consideration was SEK 15.1 million, SEK 7.6 million of which was paid in cash and SEK 7.6 million in 45,838 new issued Class B Recipharm shares.

On 31 December 2015, Recipharm acquired all the shares in Kaysersberg Pharmaceuticals S.A.S., situated in the Alsace region of France. The company specialises in the manufacture of ophthalmic products using Blow-Fill-Seal/Form-Fill-Seal technology. In connection with the acquisition, the Company signed a long-term manufacturing agreement with the vendor Alcon, a Novartis group company, with annual sales in excess of MEUR 36 and a margin well in line with the Group's average. The acquisition and cooperation agreement also provide potential synergies with Recipharm's other three facilities in France. The total consideration was SEK 139.1 million in cash. SEK 123.3 million of the consideration was paid on the acquisition date and SEK 15.8 million in January 2016.

On 24 February 2016, Recipharm acquired all the shares in the company Mitim S.r.l., an Italian contract manufacturer of pharmaceuticals and is based in Brescia 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 and semi-solid formulations. Mitim S.r.l.'s shares were acquired by Recipharm's Italian subsidiary Recipharm Italia S.p.A. The acquisition was valued at EUR 68 million on a cash and debt-free basis, corresponding to about 8 times pro forma EBITDA for 2015. The acquisition was paid for using available funds. Also, the sellers subscribed for a new issue of 1,039,724 Class B Recipharm shares at a value of EUR 14 million. The shares are subject to a 12-month lock-up.

On 11 April 2016, Recipharm acquired 74 percent of the shares in the Indian CDMO Nitin Lifesciences Ltd. from the founding Sobti family, for a consideration of INR 6,713 million (corresponding to SEK 824 million)[1] before adjustments for debt and cash and cash equivalents at the time of the acquisition. In addition to the main transaction the parties also entered into an option arrangement entitling Recipharm to acquire the remaining 26 percent.

On 18 April 2016, Recipharm announced that it had entered into two separate agreements to acquire pharmaceutical CDMO operations from Kemwell.

The first acquisition comprises Cirrus Pharmaceuticals Inc. with operations in the US, with services including development of inhalation, liquid, semi-solid, solid and parenteral products with emphasis on early formulation work as well as development of analytical methods and testing, and Kemwell AB in Sweden, with services primarily including manufacturing of APIs, solids and semi-solid formulations. The sellers are Kemfin Holdings Private Ltd, and the Minority Seller. The acquisition of Kemwell AB and Cirrus Pharmaceuticals Inc. is expected to be finalised before the end of the second quarter 2016. The acquisition is subject to review by the Swedish Competition Authority and to third-party confirmation regarding certain undertakings. The condition concerning review by the Swedish Competition Authority has been fulfilled. As at the date of this Prospectus, the condition relating to third-party confirmation of certain undertakings has not yet been fulfilled. If this condition has not been met by 30 June 2016, or such later date agreed by the parties, the acquisition agreement will lapse entailing that the acquisition of Kemwell AB and Cirrus Pharmaceuticals Inc. will not take place. Recipharm however has the right to waive the relevant condition and to thereby procure that the acquisitions are made. The consideration for Cirrus Pharmaceuticals Inc. and Kemwell AB is approximately USD 85 million (approximately SEK 698 million)[2] on a cash and debt free basis, of which USD 55 million will be paid through newly issued Class B shares issued directly to the sellers (the "Payment In-Kind Share Issue"). The subscription price in the Payment In-Kind Share Issue is SEK 145.06 per share, calculated on the basis of volume-weighted average paid price during (i) the immediately preceding 20 days of trading prior to the date upon which the acquisition agreement was signed and (ii) the immediately preceding 20 days of trading prior to the date of the Extraordinary General Meeting on 10 May 2016, adjusted for the shares that do not qualify for the dividend of SEK 1.50 proposed at the Annual General Meeting on 28 April 2016 regarding the 2015 financial year. The number of shares to be issued in the issue in kind will also be determined by the USD/SEK exchange rate prevailing on the day before finalisation of the acquisition. Based on the USD/SEK exchange rate as of 16 May 2016[2], the number of shares in the Payment In-Kind Share Issue amounts to 3,121,429 shares. The number of shares in the Payment In-Kind

[1] INR/SEK exchange rate of 0.13.
[2] USD/SEK exchange rate 8.2325.

Share Issue will hence be subject to adjustment and in this Prospectus, the USD/SEK exchange rate as of 16 May 2016 has been used to estimate the number of shares Payment In-Kind Share Issue in order to be able to calculate inter alia dilution. Further, the number of shares in the Payment In-Kind Share Issue will be relevant to determine the number of shares in the Directed Share Issue (please refer to "Subscription undertakings and intentions to subscribe" later in this section). For instance, if the USD increases in value relative to SEK, this will mean that the number of share in the Payment In-Kind Share Issue and the Directed Share Issue will increase. The sellers of Kemwell AB have undertaken to subscribe for class B Recipharm shares totalling approximately SEK 51 million within the framework of the Directed Share Issue.

The second acquisition comprises Kemwell Biopharma Private Ltd's pharmaceutical operations in India which will be transferred to Dagny Pharma Limited in connection with the closing of the transaction. The operations include both development services as well as commercial manufacturing of solid, semi-solid, liquid and topical dose products. The customers are located in India as well as in Europe and the US. The seller is the Bagaria[1] family including affiliated parties. The consideration for the Indian business is USD 120 million (approximately SEK 988 million)[2] and shall be paid in cash. Completion of the acquisition of the Indian business is conditional on governmental approvals, including approval from the Indian authority Foreign Investment Promotion Board (FIPB), and expected to close before the end of 2016.

Loan agreements

The Company currently has two credit facilities, totalling MSEK 3,000, with a bank syndicate consisting of DNB, Handelsbanken and Swedbank according to a loan agreement originally dated on 19 September 2014. The credits consist of a revolving credit facility of MSEK 1,500 that was granted on 19 September 2014 and runs to 2019 and a credit facility of MSEK 1,500 that was granted on 3 July 2015 and runs to 2020.

Per 31 March 2016, both credit facilities were fully utilised. The loan agreement is inter alia subject to the fulfilment of certain customary covenants regarding net debt/earnings before depreciation and interest coverage. If these conditions are not met, the banks may require renegotiation, and the loan may be terminated prematurely.

The Company has entered into limited guarantees in favour of some of the subsidiaries' obligations in respect of loans, leases and certain commercial agreements.

Transactions with related parties

Apart from the related-party transactions described below, Recipharm has not been involved in any transactions with related parties in the period covered by the financial information in this Prospectus.

Related-party transactions

Parent Company and Group

Related party	Related-party relationship
B&E Participation AB	Indirect ownership by Lars Backsell and Thomas Eldered.
Cobra Biologics Ltd.	Indirect principal ownership by Thomas Eldered.
Prokarium Ltd.	Indirect principal ownership by Thomas Eldered.
Empros Pharma AB	Indirect principal ownership by Thomas Eldered.
Inject Pharma AB	Joint venture, Carl-Johan Spak – Board member.
Pharmanest AB	Associated company, Carl-Johan Spak – Board member.
S.V.S. Portugal	Joint venture.

Business agreements with related parties

2015

Recipharm Pharmaceutical Development AB and Recipharm Pessac S.A.S. have sold development services to Empros Pharma AB during the year.

Recipharm Pharmaceutical Development AB has sold development services to Pharmanest AB and Inject Pharma AB during the year.

Recipharm Karlskoga AB has sold development services to Pharmanest AB during the year.

Lusomedicamenta Sociedade Técnica Farmacêutica S.A. has sold development services to S.V.S. Portugal and purchased development services from S.V.S. Portugal during the year.

2014

Recipharm Pharmaceutical Development AB has sold development services to Empros Pharma AB during the year.

2013

Recipharm Ltd. has sold administrative services to Cobra Biologics Ltd. during the year.

Other transactions with related parties

2015

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

2014

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

2013

Recipharm AB (publ) has sold administrative services to B&E Participation AB and Prokarium Ltd. during the year. Recipharm AB (publ) also purchased administrative services from B&E Participation AB in 2013.

[1] Kemfin Holdings Private Ltd. and the Bagaria family are affiliated to each other.
[2] USD/SEK exchange rate of 8.2325.

Group	Type of service	2015	2014	2013
Operating income				
B&E Participation AB	Administrative services	0.1	0.1	1.6
Empros Pharma AB	Development services	3.8	1.4	-
Pharmanest AB	Development services	1.0	-	-
Inject Pharma AB	Development services	0.6	-	-
S.V.S. Portugal	Development services	0.1	-	-
Cobra Biologics Ltd.	Administrative services	-	-	0.0
Prokarium Ltd.	Administrative services	-	-	0.5
Operating expenses				
S.V.S. Portugal	Development services	1.7	-	-
B&E Participation AB	Administrative services	-	-	0.4
Trade receivables				
B&E Participation AB	Administrative services	–	0.2	0.1
Empros Pharma AB	Development services	0.7	-	-
Inject Pharma AB	Development services	0.1	-	-
S.V.S. Portugal	Development services	0.1	-	-
Cobra Biologics Ltd.	Administrative services	-	-	0.0
Prokarium Ltd.	Administrative services	-	-	0.1
Trade payables				
S.V.S. Portugal	Development services	1.9	-	-
B&E Participation AB	Administrative services	-	-	0.1

Disputes

Recipharm is occasionally involved in disputes in the course of its operations. The Company has not been a party to legal proceedings during the last 12 months and the Company is not aware of any ongoing or expected legal or arbitration proceedings that have had or could have a significant adverse effect on its operations, results or financial position.

Patents, trademarks and other intellectual property rights

Recipharm's assets consist of intellectual property rights to a certain extent. The intellectual property rights that are required and/or arise as know-how in the business are owned by the Group. Recipharm believes it has the necessary protection for its intellectual property rights and continuously monitors this protection.

Environmental impact

The Group is primarily engaged in manufacturing pharmaceuticals, which, in common with all industrial activities, has an impact on the environment. The Group does not engage in the production of chemical substances, with the exception of Edmond Pharma S.r.l., but rather the formulation of the final drug and its packaging. The manufacturing processes for formulation and packaging mean less use of environmentally hazardous chemicals and lower emission levels.

The Group's direct environmental impact is through emissions into the air and waste water during manufacturing processes and cleaning.

Recipharm considers environmental issues a high priority and works actively to be the industry leader in this area. Each company in the Group has an environmental management system to allow control of its environmental impact and works constantly to monitor and improve its operations from an environmental perspective.

With the exception of the Italian companies and the French company Recipharm Pessac, which were acquired in 2014, all manufacturing companies in the Group, including the research unit in Solna, are environmentally certified to ISO 14001. All manufacturing companies in Sweden and several of the foreign companies are also certified to OHSAS 18001 (occupational health and safety). An assessment of the Italian companies and the French company Recipharm Pessac will be carried out, after which the process of obtaining certification will begin.

In 2013, the Group engaged the technical environmental consultancy firm Sweco to conduct an ESA (phase 1 environmental site assessment) at the facilities of all manufacturing companies. According to the reports from the environmental assessment, which classified environmental risk on a three-point scale of low, medium and high risk, all facilities apart from Ashton and Parets are considered to have a low environmental risk.

The facilities from which Recipharm operates in Ashton and Parets are considered to have a medium environmental risk, partly due to occasional solvent emissions above the current limits and an increased incidence of petroleum hydrogens and lead in a soil and groundwater investigation in Parets. Improvement measures have been implemented and local authorities have not demanded any further action.

It has also recently been noted that the properties where Recipharm operates in Uppsala, Sweden, are not fully compliant to Directive 2008/1/EC of the European

Parliament and of the Council of 15 January 2008 concerning integrated pollution prevention and control (the "IPPC Directive") regarding the emissions of organic solvents. An action plan for improvement measures will be prepared and Recipharm's assessment is that the problem can be remediated with a small investment. In conjunction with the acquisition of the business, Sweco performed a phase 1 environmental survey in which it was noted that the land where operations conducted in Uppsala (Boländerna), Sweden, contains contaminations. Given that these contaminations are attributable to prior industrial activities, Sweco has assessed the risk for Recipharm to be small.

Nothing has emerged to indicate that any facilities apart from those mentioned above might have environmental risks. However, such a scenario cannot be discounted, particularly as other industrial activities have previously been conducted at some of the Group's operating premises.

No environmental or similar orders have been imposed by authorities. However, there is no assurance authorities will not demand measures or that property remediation costs could arise in the future. It is the Group's assessment that it complies with environmental legislation in its countries of operation and that it complies with the conditions of existing permits.

Recipharm's operations have an indirect impact on the environment through the products and services the Group purchases and uses in its operations. In view of this, a Supplier Code of Conduct, containing ethical guidelines for suppliers, is being produced in 2016. The guidelines for suppliers, which encompass the environment, ethics, working conditions, health and safety, animal testing, and management systems, clarify Recipharm's expectations with regard to suppliers' processes and work in these areas. Recipharm will implement the Supplier Code of Conduct for its top 100 suppliers in 2016, with further implementation the following year. Supplier compliance will be monitored within the framework of Recipharm's existing quality audits of suppliers.

As Recipharm's operations include limited use of environmentally hazardous chemicals, further aspects of the Company's environmental impact have been analysed. One area of focus is the Company's carbon footprint and greenhouse gas emissions, both direct and indirect. Emissions arise from heating, cooling in production facilities, travel, transportation and other areas. In 2016, Recipharm will begin the process of joining the Carbon Disclosure Project, which will involve disclosing the greenhouse gas emissions generated by the Company's operations. Recipharm will also define clear improvement targets to reduce energy consumption at its facilities and in its manufacturing processes, transport and other activities, thereby reducing the Group's environmental impact in the form of greenhouse gas emissions.

Regulatory permits

In the course of its manufacturing and development of pharmaceuticals, the Group conducts operations that are dependent on and subject to measures and controls from both regulatory agencies and customers. The Company's operations are subject to legislation that involves comprehensive quality control and documentation requirements. Recipharm invests considerable resources in maintaining existing permits for its operations and conducts extensive work on quality and regulatory issues. Recipharm continuously monitors the Group's operations to ensure they are conducted in accordance with granted permits and with current regulations, in particular the GMP requirements that apply to the manufacture of pharmaceuticals and the manufacturing chain, including subcontractors. In addition to the local subsidiaries' own quality departments, Recipharm has a central quality assurance function that supports the subsidiaries in maintaining quality.

Checks conducted by medicines agencies does from time to time result in different types of comments and observations. It is the Board's assessment that Recipharm takes the measures necessary to remedy any such observations, and therefore complies with current rules and regulations, and has the necessary permits for its operating activities.

Lock-up periods

In connection with the Initial Public Offering in 2014, Lars Backsell and Thomas Eldered undertook not to sell or otherwise transfer their shares in Recipharm during a certain period after the shares were admitted to trading on Nasdaq Stockholm (lock-up period). Lars Backsell's lock-up period of 18 months has expired, while Thomas Eldered's lock-up period of 36 months is still applicable. The restriction on transfer of shares does not include Recipharm shares transferred between Lars Backsell and Thomas Eldered during the lock-up period. Lusomedicamenta Sociedade Técnica Farmacêutica S.A's sellers have also undertaken not to sell or otherwise distribute or transfer 1,181,193 Class B shares during a lock-up period from the agreement date until 13 November 2016 (two years after the agreement date). The sellers of Kemwell AB and Cirrus Pharmaceutical Inc, Kemfin Holdings Private Ltd. and the Minority Seller, have undertaken not to sell or in other respects transfer their respective shareholdings in Recipharm during a period of 12 months from the takeover of Kemwell AB and Cirrus Pharmaceuticals Inc.

Subscription undertakings and intentions to subscribe

Each of Recipharm's Principal Shareholders, Flerie Participation AB and Cajelo Invest AB, in a combined amount corresponding to subscription payment of SEK 272 million, which is equal to approximately 33.8 percent of the Offering, have undertaken to subscribe for their pro rata share of the Offering. In addition, Lannebo Fonder, Första AP-fonden and Fjärde AP-fonden, who together control 25.3 percent of the share capital and 7.7 percent of the votes, have indicated their intention to subscribe for their respective pro rata shares in the Offering.

The sellers of Kemwell AB, Kemfin Holdings Private Ltd. and the Minority Seller, have pursuant to subscription undertakings dated 15 April 2016 undertaken

to subscribe for their pro rata shares in a rights issue with a total amount of approximately SEK 856 million based on the number of Recipharm shares received in the Payment In-Kind Share Issue; please refer to "Legal Considerations and Supplementary Information" – "Acquisition Agreements" in this section. Should the shares from the issue in kind not be registered prior to the record date for the rights issue, the sellers have undertaken to subscribe for class B Recipharm shares as part of the Directed Share Issue. The subscription undertakings in relation to the Directed Share Issue covers the same amount of shares in Recipharm that the sellers would have subscribed for if they had subscribed for their pro rata shares of the rights issue. Given that the acquisition will not be finalised in time for the shares from the Payment In-Kind Share Issue to be registered prior to the record date for the rights issue, the Board has decided to reduce the proceeds from the rights issue to approximately SEK 805 million. In connection with the implementation of the Payment In-Kind Share Issue, the board of directors of Recipharm will, based on the authorisation from the Extraordinary General Meeting held on 10 May 2016, resolve to adopt the Directed Share Issue which will bring proceeds of approximately SEK 51 million. The subscription price in the Directed Share Issue will be the same as in the Offering under this Prospectus. This Prospectus has also been prepared in relation to the Company's application for admission to trading of the shares issued as part of the Directed Share Issue and the Payment In-Kind Share Issue.

Insurance

It is the Board's assessment that Recipharm has adequate insurance cover for its operating activities.

Documents incorporated by reference

The following documents are incorporated in this Prospectus by reference. The documents have been previously published.

- Recipharm's audited annual report for the financial years 2015, 2014 and 2013; and
- unaudited interim report for the period 1 January to 31 March 2016.

Income and expenses associated with the Offering

The Company's expenses associated with publication of the Prospectus and admission to trading are estimated at about SEK 12 million. The Company's expenses are mainly due to costs for financial and legal advisors, auditors, the preparation of this Prospectus, costs for distribution of the Prospectus and similar.

Interests and conflicts of interest

Recipharm's legal advisor, Setterwalls Advokatbyrå AB, does not own any shares in Recipharm and does not have any other financial interest in the Company other than compensation for the services provided.

DNB, Handelsbanken and Swedbank are Joint Lead Managers of the Offering. The Joint Lead Managers provide financial counselling and other services to Recipharm and the Principal Shareholders in connection with the Offering. Other than the agreed fee for their services and that DNB, Handelsbanken and Swedbank are also lenders to Recipharm AB, the advisors do not have any financial interests in Recipharm.

The Company's Principal Shareholders, Flerie Participation AB and Cajelo Invest AB, have each undertaken to subscribe for their respective pro rata portions of the Offering, in a combined amount corresponding to subscription payment of SEK 272 million, which is equal to approximately 33.8 percent of the Offering.

The sellers of Kemwell AB, Kemfin Holdings Private Ltd and the minority holder Minority Seller, have undertaken to subscribe for class B Recipharm shares within the framework of the Directed Share Issue of class B shares totalling approximately SEK 51 million (see also under the heading "Subscription undertakings and intentions to subscribe" in this section.

Provision of documents

Copies of these documents are available during the period of validity of the Prospectus from Recipharm's head office, Lagervägen 7, 136 50 Jordbro, Sweden during normal business hours and at www.recipharm.com:

1. Articles of association of Recipharm AB (publ)
2. Audited consolidated financial statements for the financial years 2014 and 2015 for Recipharm AB (publ) and audited annual reports for all the subsidiaries (the latter are only available at the head office)
3. Unaudited interim report for the period 1 January to 31 March 2016
4. This Prospectus.

CERTAIN TAX CONSIDERATIONS IN SWEDEN

The following summary is based on current statutory requirements and is intended to serve only as general information for shareholders having unlimited tax liability in Sweden, and who hold Shares in Recipharm - unless expressly stated otherwise. This summary does not address securities held by partnerships, or held as stock (inventory) assets in business operations. Furthermore, the special regulations regarding tax-exempt capital gains (including prohibited deductions on capital losses) in the corporate sector, which can apply in the case of a shareholder holding Shares in Recipharm that are considered held for business purposes (Sw. näringsbetingande), have not been addressed in this summary. Neither have the special regulations that may be applicable to holdings of so-called qualified shares and other securities in companies, that are or have been, a private limited company (Sw. fåmanbolag), or to holdings of shares or other securities, acquired on the basis of such holdings been addressed. The summary does not cover shares or other equity instruments held on an investment savings account and that are subject to a standard tax. The fiscal treatment of specific holdings depends on the taxpayer's own situation. Each shareholder and owner of other securities should, therefore, seek the consultation of tax advisors for information as to the specific consequences that can arise in each case, including the applicability and effect of non-Swedish regulations and tax agreements.

INDIVIDUALS

Dividends and capital gains incurred by individuals are for listed shares taxed with a capital income tax at 30 percent. For individuals domiciled in Sweden, Euroclear, or for nominee-registered shares the nominee, usually withholds preliminary tax of 30 percent on dividends. Capital gains and capital losses on the sale of shares and other equity instruments, such as Subscription Rights, are normally calculated as the difference between sales proceeds, less selling expenses, and the tax base (however, see "Exercise and sale of Subscription Rights" for further information concerning the tax bases applicable to Subscription Rights). The tax base for all equity instruments of the same class and type is calculated for all such instruments applying the average method. It should be noted that paid and subscribed shares (so-called BTA) are, consequently, not seen to comprise the same class and type of shares as those entailing preferential rights in the rights issue prior to the point in time at which the resolution on the rights issue has been registered. As an alternative to the average method the tax base may instead for listed shares be determined according to the standard method. This method entails the tax base to be determinated at 20 percent of sales proceeds, less selling expenses. Capital losses on listed shares may be fully deducted against taxable capital gains on shares and on other listed equity instruments, except for participating interests in investment funds containing only Swedish debt instruments.[1] Capital losses on shares that can not be offset in the above described manner are deductible at 70 percent against other income in the capital income category. Should a deficit arise in the income tax schedule for capital, a tax deduction against local and central government income tax and against property tax and municipal property fees is permitted. A 30 percent tax reduction is granted on that portion of the deficit which is less than SEK 100,000, and a 21 percent tax reduction is granted on the remaining amount. Deficits cannot be carried forward into subsequent tax years.

LIMITED LIABILITY COMPANIES

Limited liability companies pay income tax at a rate of 22 percent on all income as business income, including taxable capital gains and dividends. Deductible capital losses on Shares in Recipharm are usually only deductible against taxable capital gains on shares and other equity instruments. Such capital losses can also - if certain conditions are met - be offset against capital gains on shares and other equity instruments that have arisen in other companies within the same group, provided that the right to group contributions exists between these companies. A capital loss, which can not be utilised during a given year, may be carried forward and deducted against capital gains on shares and other equity instruments in future years - without any time limitation. Special tax regulations may apply to certain categories of companies, such as investment funds and investment companies.

EXERCISE AND SALE OF SUBSCRIPTION RIGHTS

Subscription Rights exercised to subscribe to new Shares are not subject to taxation. Holders of Subscription Rights who do not wish to exercise their preferential right to participate in the Offer and who sell their Subscription Rights must report capital gains for taxation. Subscription Rights due to holdings of Shares in Recipharm are considered to have been acquired for SEK 0. Consequently, the entire amount of the sales proceeds, less selling expenses, must be reported for taxation. The acquisition cost of the original Shares is not affected. For Subscription Rights in Recipharm that

[1] Certain rules regarding order of priority applies for capital losses.

are acquired in another way than through participation in the preferential rights issue, the amount paid for the rights will comprise the acquisition cost. In such cases, the tax base of the Subscription Rights must be taken into account when calculating the tax base of the acquired shares.

SPECIAL TAX ISSUES FOR SHAREHOLDERS AND SUBSCRIPTION RIGHT HOLDERS WITH LIMITED TAX LIABILITY IN SWEDEN

Withholding tax

Swedish withholding tax is usually levied on shareholders who do not have unlimited tax liability in Sweden and who receive dividends on shares from a Swedish limited company. The tax rate is usually 30 percent but is generally reduced, in some cases down to zero, through tax agreements with other countries, to avoid double taxation. The majority of Sweden's tax agreements also provide for a deduction of the Swedish withholding tax, on the basis of the rate specified in the respective agreement, directly at the time of the payment of the dividend. However, when presenting the tax return for dividends received - which must always be presented to the Swedish Tax Agency (*Sw*. Skatteverket) by the individual entitled to receive the dividends and by the company paying the dividends - the individual entitled to the dividends must be able to produce a certificate of domicile. In Sweden, Euroclear, or for nominee-registered shares the nominee, usually executes thededuction of withholding tax. When 30 percent withholding tax has been withheld from an individual who is entitled to a lower tax rate or withholding tax, when an excess of withholding tax has been deducted for other reasons, repayment can be claimed from the Swedish Tax agency (*Sw*. Skatteverket). However, such repayment must be requested no later than before the end of the fifth calendar year after the payment of dividend in question.

Capital Gains Tax

Shareholders and Subscription Right holders having limited tax liability in Sweden and who do not operate business activities from a permanent establishment in Sweden, are usually not taxed in Sweden for capital gains on the sale of such securities. However, shareholders and Subscription Rights holders may be subject to taxation in their country of domicile. There is, on the other hand, a special tax regulation stipulating that individuals or estates with limited tax liability in Sweden may be subject to Swedish taxation on the sale of certain securities, such as on the sale of shares and SubscriptionRights - if at some point in time during the year of the sale or during ten calendar years prior to the year of sale, such individuals have been living or permanently residing in Sweden. However, the actual application of this regulation is limited in a number of cases on the basis of the tax agreements between Sweden and other countries.

SELLING AND TRANSFER RESTRICTIONS

The allocation of Subscription Rights and the offer to subscribe for new Shares, or acquire BTAs, in Recipharm by virtue of Subscription Rights as well as without Subscription Rights (the "Offer") may be affected by the laws of various jurisdictions. Investors should consult professional advisers as to whether they require any governmental or other consent or need to observe any other formalities to enable them to acquire BTAs or new Shares by virtue of Subscription Rights or without Subscription Rights.

GENERAL

No action has been, or will be taken, by Recipharm to permit a public offering of the BTAs or new Shares being offered in the Offer (through the exercise of the Subscription Rights or otherwise) in any jurisdiction other than Sweden. Receipt of the Prospectus will not constitute an offer in jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Prospectus is for informational purposes only and must not be copied or redistributed.

Except as otherwise disclosed in the Prospectus, if an investor receives a copy of this Prospectus, the investor may not treat the Prospectus as constituting an invitation or offer to it, nor should the investor in any event deal in the Subscription Rights, BTAs or new Shares, unless, in the relevant jurisdiction, such an invitation or offer could lawfully be made to that investor, or the Subscription Rights, BTAs or new Shares could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements. Accordingly, if an investor receives a copy of the Prospectus, the investor should not distribute or send it, or transfer Subscription Rights, BTAs or new Shares, to any person in or into any jurisdiction where doing so would or might contravene local securities laws or regulations.

If any person (including a financial intermediary) forwards this Prospectus into any such territories (whether under a contractual or legal obligation or otherwise), such person should draw the recipient's attention to the contents of this section. Except as otherwise expressly noted in this Prospectus:

(i) the Subscription Rights, BTAs and new Shares being granted or offered, respectively, in the Offer may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into, Relevant Member States (as defined below) unless pursuant to applicable exemptions under the Prospectus Directive, or in or into Canada, Australia, Hong Kong, Japan, New Zealand, South Africa or, subject to certain exceptions, the US, or any other jurisdiction in which it would not be permissible to offer the Subscription Rights, BTAs or new Shares or where such action would require additional prospectuses, other offer documentation, registrations or other actions in addition to what follows from Swedish law (each an "Ineligible Jurisdiction" and, together, the "Ineligible Jurisdictions");

(ii) the Prospectus may not be sent to any person in any Ineligible Jurisdiction; and

(iii) the crediting of Subscription Rights, BTAs or new Shares to an account of a shareholder or other person in an Ineligible Jurisdiction or a citizen or resident of an Ineligible Jurisdiction (referred to as "Ineligible Persons") does not constitute an offer to such persons of the Subscription Rights, BTAs or new Shares, and Ineligible Persons may not exercise Subscription Rights. If an investor receives, takes up, delivers or otherwise transfers Subscription Rights, exercises Subscription Rights to acquire BTAs or new Shares or trades or otherwise deals in Subscription Rights, BTAs or new Shares being granted or offered, respectively, in the Offer, that investor will be deemed to have made, or, in some cases, be required to make, the following representations and warranties to Recipharm and any person acting on Recipharm's behalf, unless such requirement is waived by Recipharm:

- the investor is not located in an Ineligible Jurisdiction;
- the investor is not an Ineligible Person;
- the investor is not acting, and has not acted, for the account or benefit of an Ineligible Person;
- unless the investor is a holder of Shares and a "qualified institutional buyer" ("QIB") as defined under Rule 144A ("Rule 144A") of the United States Securities Act of 1933, as amended (the "Securities Act"), the investor is located outside the US, and any person for whose account or benefit it is acting on a non-discretionary basis is located outside the US and, upon acquiring Subscription Rights, BTAs or new Shares, the investor and any such person will be located outside the US;
- the investor understands that neither the Subscription Rights nor the BTAs or the new Shares being granted and offered, respectively, in the Offer have been or will be registered under the Securities Act and may not be offered, sold, pledged, resold, granted, delivered, allotted, taken up or otherwise transferred within the US or to or for the account or benefit of persons in the US, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act; and

- the investor may lawfully be offered, take up, subscribe for and receive Subscription Rights, BTAs and new Shares being offered in the Offer in the jurisdiction in which it resides or is currently located.

Recipharm and any persons acting on behalf of Recipharm will rely upon the investor's representations and warranties. Any potential provision or false information or subsequent breach of these representations and warranties may void a transaction in the Subscription Rights, BTAs or new Shares and subject the investor to liability.

If a person is acting on behalf of a holder of Subscription Rights, (including, without limitation, as a nominee, custodian or trustee), that person will be required to provide the foregoing representations and warranties to Recipharm with respect to the exercise of Subscription Rights on behalf of the holder. If such person does not or is unable to provide the foregoing representations and warranties, Recipharm will not be bound to authorise the allocation of any of the Subscription Rights, BTAs or new Shares to that person or the person on whose behalf the other is acting.

Subject to the specific restrictions described below, if an investor (including, without limitation, its nominees, custodians and trustees) wishes to exercise or otherwise deal in Subscription Rights, BTAs or subscribe for new Shares, the investor must satisfy itself as to full observance of the applicable laws of any relevant jurisdiction, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

The information set out in this section is intended as a general guide only. If the investor is in any doubt as to whether it is eligible to exercise its Subscription Rights or subscribe for the BTAs or new Shares, such investor should consult a professional adviser without delay.

Subscription Rights to shareholders that, on the record date 23 May 2016, holds Shares in Recipharm through financial intermediaries will initially be credited to such intermediaries for the accounts of such shareholders. A financial intermediary may not exercise any Subscription Rights on behalf of any person in the Ineligible Jurisdictions or any Ineligible Persons and may be required in connection with any exercise of Subscription Rights to certify the same.

Subject to certain exceptions, financial intermediaries are not permitted to send this Prospectus or any other information about the Offer into any Ineligible Jurisdiction or to any Ineligible Person. The crediting of Subscription Rights to the account of persons in Ineligible Jurisdictions or to Ineligible Persons does not constitute an offer of the Subscription Rights, BTAs or new Shares to such persons. Financial intermediaries, which include banks, brokers, custodians and nominees, with holdings for Ineligible Persons may consider selling any or all Subscription Rights held for the benefit of such persons to the extent permitted under their arrangements with such persons and applicable law and to remit the net proceeds to the accounts of such persons.

Subject to certain exceptions, exercise instructions or certifications regarding subscriptions sent from or postmarked in any Ineligible Jurisdiction will be deemed to be invalid, and the Subscription Rights, BTAs or new Shares being offered in the Offer will not be delivered to an addressee in any Ineligible Jurisdiction. Recipharm reserves the right to reject any exercise or revoke any accepted exercise made in the name of any person who provides an address in an Ineligible Jurisdiction for acceptance, revocation of exercise or delivery of BTAs or new Shares, who does not or is unable to represent or warrant that such person is not in an Ineligible Jurisdiction and is not an Ineligible Person, who is not acting on a discretionary basis for such persons, or who appears to Recipharm or its agents to have executed its exercise instructions or certifications in, or dispatched them from, an Ineligible Jurisdiction.

Furthermore, Recipharm reserves the right, with sole and absolute discretion, to treat as invalid any exercise or purported exercise of Subscription Rights which appear to it to have been executed, affected or dispatched in a manner that may involve a breach or violation of the laws or regulations of any jurisdiction.

Notwithstanding any other provision of this Prospectus, Recipharm reserves the right to permit a holder to exercise its Subscription Rights if Recipharm in its absolute discretion is satisfied that the transaction in question Is exempt from or not subject to the laws or regulations giving rise to the restrictions in question. Applicable exemptions in certain jurisdictions are described further below. In any such case. Recipharm does not accept any liability for any actions that a holder takes or for any consequences that such holder may suffer by Recipharm's acceptance of the holder's exercise of Subscription Rights.

US

The Subscription Rights, BTAs and new Shares have not been, and will not be, registered under the Securities Act or any securities laws of any state of the US and may not be offered or sold, directly or indirectly, in or into the US, except pursuant to an available exemption from the registration requirements of, or a transaction not subject to, the Securities Act and in compliance with any applicable state securities laws of the US. There will be no public offering of Securities in the US.

The Subscription Rights, BTAs and new Shares are being offered and sold in the US pursuant to an available exemption from, or a transaction not subject to, the registration requirement of the Securities Act only to existing holders of Shares who:

(i) are reasonably believed to be QIBs and

(ii) have executed and returned an investor letter, in designated form, to Recipharm. The Subscription Rights, BTAs and new Shares are being offered and sold outside the US in compliance with Regulation S ("Regulation S") under the Securities Act. Any offer or sale of Subscription Rights, BTAs and new Shares in the US will be made solely by a broker-dealer registered as such under the Securities Exchange Act of 1934.

Each person exercising Subscription Rights or subscribing for or purchasing BTAs or new Shares within the US, by accepting delivery of the Prospectus, will be deemed to have represented, agreed and acknowledged, on its behalf and on behalf of any investor accounts for which it is acquiring Subscription Rights, BTAs or new Shares, as the case may be, that:

(i) the investor
(a) is a QIB;
(b) is aware, and each beneficial owner of such Subscription Rights, BTAs or new Shares has been advised, that the sale of the Subscription Rights, BTAs or new Shares to it is being made in reliance on an exemption from the registration requirements of the Securities Act, which may include Rule 144A, or in a transaction not subject to, the registration requirements of the Securities Act; and
(c) is acquiring such Subscription Rights, BTAs or new Shares for its own account or for the account of a QIB, in each case, for investment purposes, and not with a view to any distribution (within the meaning of the US federal securities laws) of the new Shares; or it is exercising, subscribing for or otherwise acquiring the Subscription Rights or offer Shares in an offshore transaction in accordance with Rule 903 or 904 of Regulation S;

(ii) the investor understands that the Subscription Rights, BTAs and new Shares acquired or subscribed for by it are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and that such securities have not been, and will not be, registered under the Securities Act; any such "restricted securities" may not be deposited into any unrestricted depositary receipt facility in respect of such shares established or maintained by a depositary bank; the Subscription Rights, BTAs or new Shares may not be offered, sold, pledged or otherwise transferred except in accordance with any applicable US federal or state securities laws, and it certifies that either:

- the investor will transfer the Subscription Rights, BTAs and new Shares in a transaction exempt from the registration requirements of the Securities Act under Rule 144 (a "Rule 144 Transaction") and provide an opinion of counsel reasonably satisfactory to Recipharm that states that the transfer is exempt from the registration requirements of the Securities Act and that the securities, as the case may be, following such transfer are freely transferable;
- the investor will transfer the Subscription Rights, BTAs and new Shares to a person who it reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A under the Securities Act (a "Rule 144A Transaction");
- the investor will transfer the Subscription Rights, BTAs and new Shares in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act (a "Regulation S Transaction");
- the investor will transfer the Subscription Rights, BTAs and new Shares in a transaction exempt from the registration requirements of the Securities Act other than a Rule 144 Transaction, a Rule 144A Transaction or a Regulation S Transaction and provide an opinion of counsel reasonably satisfactory to Recipharm which states that the transfer is exempted from the registration requirements of the Securities Act provided that the person to whom such Subscription Rights, BTAs and new Shares are transferred delivers a letter to Recipharm making the foregoing acknowledgements, representations and agreements: or
- the investor will transfer the Subscription Rights, BTAs and new Shares pursuant to an effective registration statement under the Securities Act;

(iii) the Subscription Rights, BTAs and new Shares have not been offered to it by Recipharm by means of, and it is not subscribing for new Shares or purchasing Subscription Rights or BTAs on the secondary market on Nasdaq Stockholm as a result of, any general solicitation or general advertising within the meaning of Rule 502 under the Securities Act, including advertisements, articles, notices, or other communications published in any newspaper, magazine or similar media or broadcast over radio or television; or any seminar or meeting whose attendees have been invited by general solicitation or general advertising within the meaning of Rule 502 under the Securities Act;

(iv) the investor has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Subscription Rights, BTAs and new Shares, and it has the financial ability to bear the economic risk of investment in the Subscription Rights, BTAs and new Shares;

(v) the investor is not an affiliate (as defined in Rule 501(b) under the Securities Act) of Recipharm, and is not acting on behalf of an affiliate of Recipharm;

(vi) if it is acquiring Subscription Rights, BTAs or new Shares as a fiduciary or agent for one or more investor accounts, each owner of such account is a QIB, it has full investment discretion with respect to each such account, and it has the full power and authority to make the acknowledgements, representations and agreements herein on behalf of each owner of each such account; and

(vii) Recipharm and their respective affiliates and agents, and others, will rely upon the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements.

Until 40 days after the commencement of the Offer, an offer, sale or transfer of the Subscription Rights, BTAs or new Shares within the US by a dealer may violate the registration requirements of the Securities Act, if such offer or sale is not made otherwise than In accordance with Rule 144A.

Existing shareholders who hold Shares through a nominee, custodian or other financial intermediary may be required to adhere to subscription deadlines that are shorter than the end of the subscription period.

The Subscription Rights and new Shares have not been approved or disapproved by any US federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not passed upon the merits of the Offer or confirmed the accuracy or determined the adequacy of the disclosure in this Prospectus. Any representation to the contrary is a criminal offence in the US.

EUROPEAN ECONOMIC AREA

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), an offer to the public of any Subscription Rights, BTAs or new Shares may not be made in that Relevant Member State (other than the offers contemplated in the Prospectus in Sweden once the Prospectus has been approved by the competent authority and published in accordance with the Prospectus Directive as implemented in Sweden), except that an offer to the public in that Relevant Member State of any Subscription Rights, BTAs or new Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(i) to any legal entity that is a "qualified investor" (as defined in the Prospectus Directive);

(ii) to fewer than 100, or if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, or in any other circumstances falling within Article 3(2) of the Prospectus Directive.

(iii) This provides that no such offer of Subscription Rights, BTAs or new Shares results in a requirement for the publication by Recipharm of a prospectus pursuant to Article 3 of the Prospectus Directive. Recipharm has not authorised, and will not authorize the making of any offer of Subscription Rights and new Shares through any financial intermediary. Each person in a Relevant Member State other than, in the case of paragraph (i), persons receiving offers contemplated in this Prospectus in Sweden who receives any communication in respect of, or who acquires the Subscription Rights, BTAs or new Shares under, the Offer will be deemed to have represented, warranted and agreed to and with Recipharm and that:

(iv) the investor is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(v) in the case of any Subscription Rights, BTAs or new Shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive,

- the Subscription Rights, BTAs or new Shares acquired by it in the Offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State, other than qualified investors, as that term is defined in the Prospectus Directive; or
- where Subscription Rights, BTAs or new Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Subscription Rights, BTAs or new Shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression an "offer to the public" in relation to any Subscription Rights, BTAs or new Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and any Subscription Rights, BTAs or new Shares to be offered so as to enable an investor to decide to acquire any Subscription Rights, BTAs or new Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and, the expression "Prospectus Directive" means Directive 2003/71/EC together with any applicable implementing measures, including in each Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

AUSTRALIA, CANADA, HONG KONG, JAPAN, NEW ZEALAND AND SOUTH AFRICA

The Offer pursuant to this Prospectus is not directed to persons domiciled in Australia, Canada. Hong Kong, Japan, New Zealand and South Africa, or in any other jurisdiction where participation would require additional prospectuses, other offer documentation, registrations or other actions in addition to what follows from Swedish law.

ARTICLES OF ASSOCIATION

Articles of Association for Recipharm AB (publ), reg. no. 556498-8425. Adopted at the Annual General Meeting on 28 April 2016.

§ 1
The name of the Company is Recipharm AB (publ). The Company is public.

§ 2
The registered office of the Board of Directors shall be located in Haninge Municipality, Sweden.

The General Meeting may be held in either Stockholm or Haninge, Sweden.

§ 3
The object of the Company's operations is to conduct environmentally-aware development, manufacture and sale of pharmaceuticals, naturopathic preparations, herbals, nutritional supplements, medical devices, related services and associated activities.

§ 4
Share capital shall be not less than SEK 20,000,000 and not more than SEK 80,000,000. The number of shares shall be not less than 40,000,000 and not more than 160,000,000.

Shares will be issued in three classes: Class A, Class B and Class D. The number of Class A and Class B shares shall not exceed 160,000,000. The number of Class D shares shall not exceed 2,000,000. Each Class A share entitles the holder to ten (10) votes and each Class B share and Class D share to one (1) vote.

§ 5
Class D shares do not carry entitlement to dividends. In the event of liquidation of the Company, Class D shares entitle the holders to an equal share of the Company's assets, but not exceeding the amount corresponding to the quota value of the share, annualised per day of distribution with an interest rate of STIBOR 30 days, with an additional 1.00 percentage point calculated from the date of the payment of the subscription amount. STIBOR 30 shall be fixed on the first banking day of each calendar month.

Reduction of the share capital, but not below the minimum share capital amount, may, at the request of holders of Class D shares or as resolved by the Company's Board of Directors or General Meeting, take place by means of redemption of Class D shares. Requests from shareholders shall be made to the Company's Board of Directors in writing, and the Board of Directors shall act promptly on the matter. When a decision to reduce share capital is made, an amount corresponding to the redemption amount shall be allocated to the statutory reserve, provided such funds are available. The redemption amount per Class D share shall correspond to the quota value of the share annualised per day of redemption, with an interest rate of STIBOR 30 days and with an additional 1.00 percentage point calculated from the date of the payment of the subscription amount. STIBOR 30 shall be established on the first day of payment of the subscription proceeds. Following notice of the redemption order, owners of shares tendered for redemption shall promptly receive payment for the share, or, if authorisation from the Swedish Companies Registration Office (*Sw.* Bolagsverket) or permission from a court is required, following notice of registration of the final decision.

Upon decision by the Board of Directors, Class D shares held by the Company may be reclassified as Class B shares, after which the Board of Directors shall notify the Swedish Companies Registration Office (*Sw.* Bolagsverket) of the reclassification forthwith. The reclassification is effected when it has been registered and the reclassification has been noted in the Swedish Central Securities Depository (*Sw.* avstämningsregistret).

§ 6
If the Company decides to issue new Class A, Class B and Class D shares by considiration other than in kind, holders of Class A, Class B and Class D shares shall have a preferential right to subscribe for new shares of the same class in proportion to the number of shares they already hold (primary preferential right). Shares not subscribed for with primary preferential rights shall be offered for subscription to all shareholders (subsidiary preferential right). If the number of shares thus offered is not sufficient for subscription with subsidiary preferential rights, the shares shall be distributed among subscribers in proportion to the number of shares already held, or, where this is not possible, by drawing of lots.

If the Company decides to issue only Class A or Class B or Class D shares by considiration other than in kind, all shareholders shall, regardless of if shares held are Class A, Class B or Class D shares, have preferential rights to subscribe for new shares in proportion to the number of shares they already hold.

The stipulations above regarding preferential rights shall apply mutatis mutandis to new issues of warrants and convertible debt, and shall not constitute any restriction on the possibility to resolve on an issue with a deviation from shareholders' preferential rights.

If the share capital is increased by means of a bonus issue in which new shares are issued, new Class A and Class B shares shall be issued in proportion to the number of shares of the same class already held. In such cases, old shares of a certain class shall entitle the holder to new shares of the same class. Class D shares do not entitle the holder to participate in bonus issues.

The aforementioned stipulation shall not constitute any restriction on the possibility to issue shares of a new class in a bonus issue following a requisite amendment to the Articles of Association.

§ 7

The Board of Directors shall consist of no fewer than three and no more than eight members elected by the General Meeting, without deputies elected by the General Meeting. Board members are elected annually at the Annual General Meeting for the period until the end of the next Annual General Meeting.

§ 8

One or two auditors, with or without deputy auditors, shall be appointed to examine the Company's annual report and accounts, as well as the administration of the Board of Directors and the Chief Executive Officer.

§ 9

Notice of a Shareholders' Meeting shall be published in the Official Swedish Gazette (*Sw*. Post- och Inrikes Tidningar) and on the Company's website no earlier than six weeks and no later than four weeks before the meeting. The release of the notice shall be announced in *Svenska Dagbladet* at the same time.

Notwithstanding the above, notice of an Extraordinary General Meeting dealing with amendments to the Articles of Association shall be issued no earlier than six weeks and no later than three weeks before the General Meeting.

Shareholders wishing to attend a Shareholders' Meeting must be included in a printout, or other reproduction, of the full share register as of five working days before the Meeting and must notify the Company of their intention to attend no later than the date indicated in the notice convening the Meeting.

This date may not be a Sunday, public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and may not be earlier than the fifth working day before the General Meeting.

§ 10

The Company's financial year shall be the calendar year.

§ 11

If a Class A share has been transferred to a person who is not a previous holder of Class A shares in the Company, the Class A share shall be offered immediately for redemption pursuant to post-sale purchase rights to the other holders of Class A shares by submission of written notification to the Company's Board of Directors. Acquisition of the Class A share shall then be verified and, as the Class A share has been transferred through a purchase, the contingent purchase consideration shall be disclosed. The post-sale purchase right may not be exercised for a smaller number of Class A shares than included in the offer.

During the post-sale purchase procedure, the transferor exercises the vote for the offered Class A share.

When the Class A share transfer has been reported, the Board of Directors shall immediately inform all shareholders with redemption rights, whose mailing addresses are entered in the share register or are otherwise known to the Company, with the instruction that anyone wishing to use the right of redemption shall make a written application to the Board within two months from the date on which the Board was notified of the transfer of the Class A share.

If more than one post-sale purchase right holder submits such an application, the right of priority shall be determined by the drawing of lots, carried out by a Notary Public. However, if several Class A shares have been offered for purchase simultaneously, pursuant to post-sale purchase rights, the Class A shares shall, as far as possible, be distributed first in proportion to previous holding of Class A shares among the post-sale purchase right holders who have submitted a purchase application.

When shares are acquired through purchase, the redemption amount shall be equal to the purchase price, but otherwise an amount which in the event of disagreement is determined by arbitration in accordance with the Swedish Arbitration Act (*Sw*. lagen (1999:116) om skiljeförfarande). Disputes about issues other than the redemption price shall also be adjudicated pursuant to the procedure prescribed in the Swedish Arbitration Act (*Sw*. lagen (1999:116) om skiljeförfarande).

The redemption amount shall be paid within one month of the date on which the amount was determined.

If the acquirer and the person entitled to redemption are unable to reach agreement on the redemption price, the person entitled to redemption may initiate proceedings within two months of the date on which the claim for redemption was submitted to the Company. If no person eligible for post-sale purchase rights wishes to exercise such rights within the prescribed time period or, if the purchase sum has not been paid within the prescribed time period, the person who exercised the post-sale purchase right may be registered for the Class A share.

§ 12

Holders of Class A shares may request that their shares be reclassified as Class B shares. Reclassification requests shall be made in writing in a form designated by the Company and submitted to the Board of Directors. The reclassification shall be filed for registration with the Swedish Companies Registration Office (*Sw*. Bolagsverket) without delay and is effected when it has been registered and the reclassification has been noted in the Swedish Central Securities Depository (*Sw*. avstämningsregistret).

§ 13

The Company's shares shall be registered in a securities register in accordance with the Swedish Financial Instruments Accounts Act (*Sw*. lagen (1998:1479) om kontoföring av finansiella instrument).

DEFINITIONS AND GLOSSARY

DEFINITIONS

Euroclear
Euroclear Sweden AB

BTA
Shares paid and subscribed for.

Handelsbanken
Svenska Handelsbanken AB (publ), or, as applicable, Handelsbanken capital Markets (a division of Handelsbanken AB (publ)).

Principal Shareholders
Refers to Recipharm's two founders, Lars Backsell and Thomas Eldered, who, up until the IPO in April 2014, held all the shares in Recipharm. After a separation of ownership that was previously joint, Lars Backsell owns approximately 12.9 percent of the capital and approximately 38.7 percent of the votes in Recipharm through his wholly-owned company Cajelo Invest AB, and Thomas Eldered owns approximately 20.6 percent of the capital and approximately 41.1 percent of the votes in Recipharm through his wholly-owned company Flerie Participation AB.

Minority Seller
PerÅke Oldentoft

Nasdaq Stockholm
Nasdaq Stockholm AB

Offering
The offer to acquire shares in Recipharm set forth in this Prospectus.

Prospectus
Recipharm's prospectus in connection with the Offering.

Recipharm, the Company or the Group
In this Prospectus, "Recipharm", "the Company" or "the Group" mean Recipharm AB (publ), reg. no. 556498-8425, or, depending on the context, the group in which Recipharm AB (publ) is the parent company.

Shares
Shares in Recipharm in the Offering.

Subscription Rights
Rights entitling to subscribe Shares in Recipharm in the Offering.

Swedbank AB (publ), or as applicable
Swedbank Corporate Finance (a division of Swedbank AB (publ)).

GLOSSARY

API
Active pharmaceutical ingredient

Batch
Manufacturing order (or part thereof)

Beta lactams
Antibiotic agents containing a beta-lactam ring in their molecular structures. Most beta lactams are either penicillin or cephalosporins.

Big Pharma
Large companies that are usually active throughout the whole value chain, including development, manufacturing, marketing and sales.

Branded generics
Generic name of drug products that are either:

1) a new dosage form of a drug that lacks a patent and is produced by a manufacturer that was not involved in the discovery of the molecule in question; or
2) a copy of the relevant molecule in a non-patented drug with a specific brand name.

CDMO
Contract Development and Manufacturing Organisation – A supplier of development and manufacturing services.

CMC
Chemistry, Manufacturing and Control

CMO
Contract Manufacturing Organisation – A supplier of manufacturing services.

Emerging Pharma
Smaller pharmaceutical companies with no or few drugs on the market, usually with drugs candidates that are in the process of regulatory approval.

US FDA
U.S. Food and Drug Administration, the U.S. agency that controls all aspects of development, manufacture and commercialisation of pharmaceutical products in the United States of America.

Freeze-drying/Lyophilisation
Some pharmaceuticals are freeze-dried during the manufacturing process, to remove water from the substance. The substance is at first frozen and then placed in a vacuum, which evaporates the water. This method is very lenient, thus, it is used for substances that are heat sensitive.

Generic, Generic drugs
Low-price copies of drugs for which the patents have expired.

Generic Pharma
Companies active in the development, marketing and sales of non-patented drugs.

GMP
Good manufacturing practice

Granules
Pharmaceutical form consisting of tiny grains that are intended to be taken orally. The grains may be small and powder-like or larger. Sometimes the grains are dissolved in liquid that is swallowed or mixed into food.

Outsourcing
An arrangement whereby a company pays another company to handle one or more processes.

Primary manufacture
Manufacture of ingredients for pharmaceuticals.

Secondary manufacture
Manufacture of finished pharmaceuticals.

Semi-solid products
For example creams and ointments.

Solid products
For example pills and capsules.

Specialty Pharma
Pharmaceutical companies that mainly develop new drugs based on proven active substances, licensing or acquiring drugs from other pharmaceutical companies.

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