

INTERIM REPORT

JANUARY – MARCH 2018



INTERIM REPORT

- Net sales amounted to SEK 1,513 million (1,328), an increase of 14%
- EBITDA increased by 57% and amounted to SEK 250 million (159) corresponding to an EBITDA margin of 16.5% (12.0)
- Operating profit (EBIT) amounted to SEK 120 million (46)
- Profit after tax amounted to SEK 45 million (1) corresponding to a net margin of 3% (0)
- Earnings per share amounted to SEK 0.70 (-0.04) before dilution and SEK 0.70 (-0.04) after dilution
- Net debt to Equity was 0.8 (0.6)
- Acquisition of the remaining 26% of Nitin Lifesciences Ltd

14%
Sales increase

250
MSEK, EBITDA

16.5%
EBITDA margin

KEY FIGURES

SEK million	Jan – Mar		Change in %	April 17 - Mar 18		Change in %
	2018	2017		2017		
Net sales	1,513	1,328	+14	5,516	5,332	+4
EBITDA ^{1/}	250	159	+57	820	730	+12
EBIT ^{1/}	120	46	+163	66	-9	N/A
EBITDA margin (%) ^{1/}	16.5	12.0		15.0	13.7	
Earnings per share (SEK) ^{1/}	0.70	-0.04		-1.84	-2.70	
Return on equity (%), adjusted ^{1/}	2.5	4.1			1.6	
Equity per share (SEK) ^{1/}	73.7	76.6			71.9	
Equity ratio (%) ^{1/}	40.0	46.9			41.5	
Net debt ^{1/}	3,871	3,138			3,422	
Net debt to Equity ^{1/}	0.8	0.6			0.7	
Net debt to EBITDA ^{1/}	4.7	4.1			4.7	

1/ APM: Alternative Performance Measures, see financial definitions after note 5.

COMMENTS BY THOMAS ELDERED, CEO

Strong start

We see solid growth and performance in our ongoing manufacturing and development business, while we are just beginning to deliver from major expansion investments. Sales for the quarter was an all-time high and first time ever over SEK 1.5 billion. Growth in continuing operations, adjusted for currency translation effects and acquisitions was about 10 per cent. All segments report organic growth and improved EBITDA-margin. EBITDA was the highest ever for a quarter and SEK 90 million higher than any previous first quarters. EBITDA-margin for the group increased to 16.5 per cent.

In the Sterile Liquids segment, we accounted for project related start-up costs but we also started to deliver from the expanded lyophilization capacity in Wasserburg, Germany and, ahead of plan, from the expanded blow-fill-seal capacity in Kaysersberg, France. The impact in the quarter was however minor. We continued to have shortage of certain raw materials but to a lesser extent than in previous periods.

Continuing operations in the Solids and Others segment generated good growth. Sales from the new outsourcing contract in Leganés, Spain started at the end of January. Good contributions to growth also came elsewhere from new contracts, primarily with large pharma companies. Temporary positive phasing together with new contracts contributed favourably to the improved EBITDA-margin of 15 per cent.

Sales in the Development&Technology segment showed good growth, mainly caused by increased sales based on our own IP and product rights. During the quarter we started to reorganize and streamline our group-wide development services organisation, a work that will continue during subsequent quarters.

New contracts and increased sales required increased working capital but operating cash flow improved by SEK 72 million. Our net debt to equity ratio increased to 0.8, in line with our policy. As projects finish we will see less capex and supported by increased profit, leverage will gradually decrease.

The markets we operate in remain challenging, but I am convinced that we will benefit from the global reach and our competitive value proposition to customers. With our important investments we are taking leadership in selected markets and we will explore opportunities to add further technologies and differentiating businesses to our customer offering. There are tremendous opportunities in our global structure and we are determined to explore these.



The company invites investors, analysts and media to a telephone conference with a web presentation (in English) on 27 April at 10.00 am CET where CEO Thomas Eldered and CFO Henrik Stenqvist will present and comment on the interim report and answer questions. Information about the conference can be found on the company website: www.recipharm.com

REVENUES

NET SALES PER SEGMENT

SEK million	Jan – Mar		Jan - Dec	
	2018	2017	Change in %	2017
Sterile Liquids	564	534	+6	2,126
Solids & Others	648	515	+26	2,141
Development & Technology	257	228	+13	874
Discontinued operations	77	83	-7	339
Eliminations and others	-33	-32	-1	-148
Total	1,513	1,328	+14	5,332

JANUARY - MARCH 2018

Net sales

Net sales increased by SEK 185 million and amounted to SEK 1,513 million, an increase of 14 percent. Sales, excluding acquisition and currency effects increased by SEK 119 million, an organic growth rate of 9.0 percent. The increase is mainly due to a new manufacturing contract in Spain, a positive trend for our own products, and improving productivity and demand generally and particularly within the Solids and other segment.

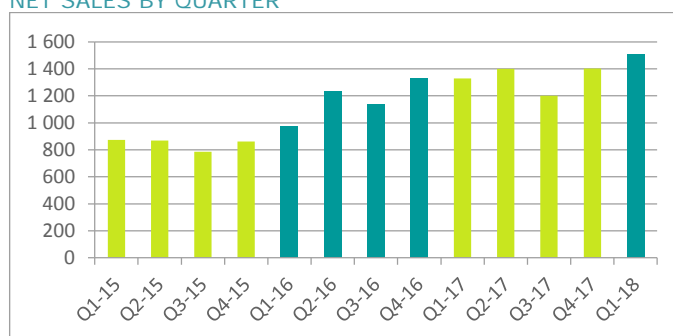
Other operating revenue

Other operating revenue amounted to SEK 42 million (35), mainly consisting of pass-through costs of SEK 16 million (16), a royalty income of SEK 8 million (15) and currency gains on operating receivables and liabilities of SEK 7 million (2).

SALES BRIDGE, JAN – MAR

	Sales, SEK million	Sales, %
2017	1,328	
Currency	36	+2.7
Acquisitions	29	+2.2
Organic	119	+9.0
Total	185	+13.9
2018	1,513	

NET SALES BY QUARTER



RESULTS

EBITDA PER SEGMENT

SEK million	Jan – Mar		Jan – Dec	
	2018	2017	Change in %	2017
Sterile Liquids	111	90	+24	391
Solids and Others	99	57	+74	249
Development & Technology	54	43	+23	192
Discontinued operations	4	-13	-	-20
Eliminations and others	-18	-18	-1	-82
Total	250	159	+43	730

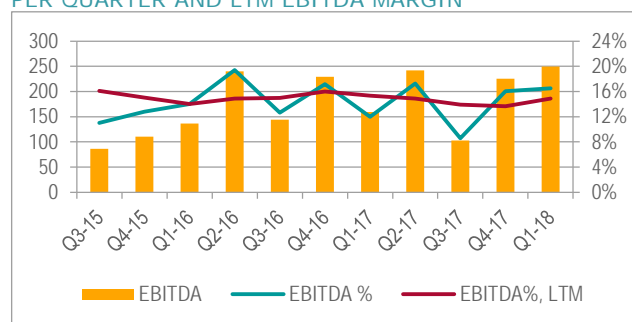
JANUARY - MARCH 2018

EBITDA

EBITDA amounted to SEK 250 million (159), an increase by 57 percent. The EBITDA margin to sales increased from 12 percent to 17 percent. EBITDA excluding acquisitions and currency translation effects increased SEK 75 million mainly a volume effect due the increase in sales, less spending in serialization and other projects, and a new manufacturing contract in Spain.

EBITDA BRIDGE, JAN – MAR

SEK million	EBITDA
2017	159
Currency	9
Acquisitions	6
Other	75
Total	91
2018	250

EBITDA (SEK MILLION), EBITDA MARGIN PER QUARTER AND LTM EBITDA MARGIN**Raw materials and consumables**

Raw materials and consumables amounted to SEK 432 million (432). Overall, the material cost ratio to sales has been reduced 4 percentage points to 29 (33). This reduction is mainly caused by phasing of manufacturing and deliveries in Sterile segment, general improvement of productivity, and a negative inventory valuation effect in the first quarter 2017.

Other external costs

Other external costs amounted to SEK 338 million (308). The increase was due to increased sales and manufacturing volumes. The ratio to sales decreased to 22 percent (23).

Employee benefits expense

Employee benefits expense amounted to SEK 517 million (449). The increase is mainly related to the new manufacturing contract in Spain, and capacity expansion in the Sterile Liquids segment. The ratio of employee expenses to sales remained steady at 34 percent (34)

Depreciation, amortisation and impairment

Depreciation and amortisation amounted to SEK 130 million (114), of which SEK 64 million (54) is fixed asset depreciation and SEK 62 million (59) is amortisation of intangible assets. Intangible assets for SEK 3 million was written off in the period.

Financial items

Interest income and similar revenues amounted to SEK 12 million (2) of which SEK 10 million (0) were currency exchange rate gains. Interest expenses and similar costs amounted to SEK 45 million (30), of which SEK 36 million (20) was interest expenses.

Tax

The income tax amounted to SEK 41 million (17). The relatively high tax expense is mainly due to an increased deferred tax related to the acquisition of Kemwell India, for which the PPA was closed in the current quarter.

Profit after tax

Profit after tax amounted to SEK 44.8 million (1.0).

ACQUISITIONS

The acquisition completed during the last 12 months was an additional 20.8 per cent stake in Nitin Lifesciences Ltd in India, on January 2, 2018.

For additional information related to the acquisitions, refer to note 2.

MANUFACTURING SERVICES – STERILE LIQUIDS

The business segment *Sterile Liquids* consists of manufacturing of products on behalf of pharmaceutical companies and covers sterile technologies including liquid vials and ampoules, lyophilisates and blow-fill-seal products.

- Sales increased by 6%
- EBITDA increased by 24%
- EBITDA margin of 19.7% (16.8)



Net sales

JANUARY – MARCH 2018

Sales for Sterile Liquids increased by SEK 29.4 million to SEK 563.5 million, an increase of 5.5 percent. Excluding currency translation effects sales increased by 2.5 percent mainly due to additional sales of Lyophilised and BFS products.

SALES BRIDGE, JAN – MAR

	SEK million	%
2017	534.1	
Currency	+16.3	+3.0
Acquisitions	-	-
Organic	+13.1	+2.5
Total	+29.4	+5.5
2018	563.5	

EBITDA

JANUARY – MARCH 2018

EBITDA for Sterile Liquids increased by SEK 21.5 million to SEK 111.2 million, equivalent to an EBITDA margin of 19.7 percent (16.8). Adjusted for currency translation effects EBITDA increased 18.4 percent due to sales volume and productivity, while last year was influenced by costs related to the capacity expansion.

EBITDA BRIDGE, JAN – MAR

	SEK million	%
2017	89.7	
Currency	+3.1	+3.4
Acquisitions	-	-
Other	+18.4	+20.5
Total	+21.5	+23.9
2018	111.2	

MANUFACTURING SERVICES – SOLIDS & OTHERS

The business segment *Solids & Others* consists of manufacturing of products on behalf of pharmaceutical companies and covers tablets, capsules, semi-solids and non-sterile liquids.

The segment excludes the manufacturing operations to be discontinued in Stockholm and Höganäs.

- Sales increased by 26%
- EBITDA increased by 74%
- EBITDA margin of 15.2% (11.0)



Net sales

JANUARY – MARCH 2018

Solids & Others increased sales by SEK 131.9 million to SEK 647.5 million, an increase of 25.6 percent. Adjusted for acquisition and currency translation effects sales increased by SEK 94.2 million compared to last year. The increase is mainly due to a new manufacturing contract in Spain, and positive demand effects.

SALES BRIDGE, JAN – MAR

	SEK million	%
2017	515.6	
Currency	+14.2	2.8
Acquisitions	+23.5	4.6
Organic	+94.2	18.2
Total	+131.9	25.6
2018	647.5	

EBITDA

JANUARY – MARCH 2018

EBITDA for Solids & Others increased by SEK 42.0 million to SEK 98.7 million, corresponding to an EBITDA margin of 15.2 percent (11.0). The increase is mainly related to the new manufacturing contract in Spain, sales volume effects and a negative inventory valuation effect in the first quarter last year.

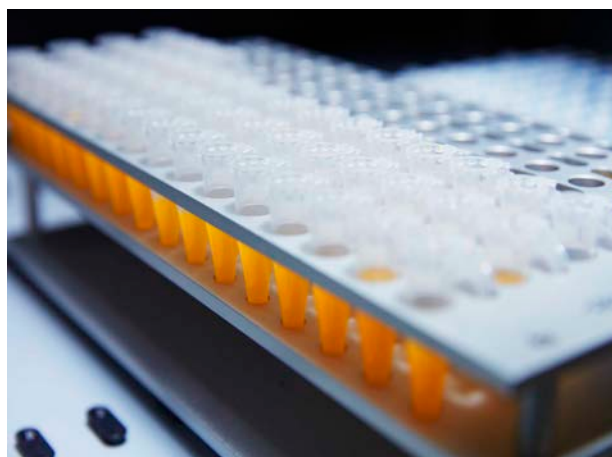
EBITDA BRIDGE, JAN – MAR

	SEK million	%
2017	56.7	
Currency	+2.5	+4.4
Acquisitions	+4.1	+7.2
Other	+35.4	+62.4
Total	+42.0	+74.0
2018	98.7	

DEVELOPMENT & TECHNOLOGY

The business segment *Development & Technology* provides pharmaceutical development services. It also includes patents, technologies and product rights, and sales of own products to distributors and partners.

- Sales increased by 13%
- EBITDA increased by 23%
- EBITDA margin of 20.8% (19.1)



Net sales

JANUARY – MARCH 2018

Development & Technology increased sales by SEK 29.3 million to SEK 257.1 million, an increase of 12.9 percent. The acquisitions contributed with SEK 5.9 million and the currency translation effect was SEK 6.6 million. The sales, excluding acquisitions and currency effects, increased by SEK 16.8 million, mainly due to strong demand for own products.

SALES BRIDGE, JAN – MAR

	SEK million	%
2017	227.8	
Currency	+6.6	+2.4
Acquisitions	+5.9	+2.6
Organic	+16.8	+7.9
Total	+29.3	+12.9
2018	257.1	

EBITDA

JANUARY – MARCH 2018

EBITDA for Development & Technology increased by SEK 10.1 million to SEK 53.5 million, equivalent to an EBITDA margin of 20.8 percent (19.1). The acquisitions contributed with SEK 2.3 million and the currency translation effect was SEK 0.9 million. EBITDA, excluding acquisitions, increased by SEK 6.9 million due to sales volume effects and price increases.

EBITDA BRIDGE, JAN – MAR

	SEK million	%
2017	43.4	
Currency	+0.9	+2.1
Acquisitions	+2.3	+5.3
Other	+6.9	+15.7
Total	+10.1	+23.1
2018	53.5	

CASH FLOW

	Jan - Mar		Jan - Dec	
SEK million	2018	2017	2017	
CF operating activities before changes in WC	184.3	81.2	455.7	
CF from changes in working capital (WC)	-136.9	-106.0	-104.3	
CF from investing activities	-405.7	-1,035.6	-1,585.4	
CF from financing activities	51.9	892.5	1,306.3	
Total	-306.4	-167.8	72.3	

Cash flow from operating activities before changes in working capital was to SEK 184.3 million (81.2) while changes in working capital was SEK -136.9 million (-106.0).

Cash flow from investing activities was SEK -405.7 million (-1,035.6) of which SEK 307.2 million was the acquisition of additional shares in Nitin Lifesciences and SEK -95.4 million (-109.7) was investments in property, plant and equipment.

Cash flow from financing activities was SEK 51.9 million (892.5), mainly related to new loans.

FINANCING AND RETURN

KEY FIGURES AND RETURN

	Jan - Mar		Jan - Dec	
SEK million	2018, adjusted	2017	2017, adjusted	
Return on operating capital (%)	3.6	5.5	3.0	
Return on equity	2.5	4.1	1.6	
Net debt to EBITDA	4.7	4.1	4.7	
Net debt to equity	0.8	0.6	0.7	
Equity to assets (%)	40.0	46.9	43.4	

The return on operating capital decreased to 3.6 from 5.5 last year. The decrease is due to the increase in operating capital from the acquisitions made in 2017 and 2018.

Return on equity decreased to 2.5 from 4.1 in the same quarter in the previous year but increased from 1.6 at the end of 2017. The increase from last year is mainly due to higher profit in the period.

The net debt to EBITDA ratio increased to 4.7 from 4.1 compared to the same quarter in the previous year. The increase in net debt is mainly due to the increase of debt from acquisitions.

Net debt in relation to equity was 0.8 (0.6), now at the max target of 0.8.

The equity to assets ratio decreased compared to last year partly due to an increase of assets mainly from the various investments.

PARENT COMPANY

Recipharm AB (publ) includes Group management and functions that provide services to the business. The parent company's net sales was SEK 30.9 million (29.2) and operating result was SEK -20.5 million (-20.4) during the period. Investments amounted to SEK 20.1 million (6.8), mainly due to the serialisation project.

EMPLOYEES

The number of employees (equivalent to full-time employees "FTE") during the period was 4,665 (3,880).

SIGNIFICANT EVENTS DURING THE PERIOD

Recipharm acquires remaining shares in Nitin Lifesciences Ltd

Recipharm AB (publ) announced on January 2 that it has reached an agreement to acquire the remaining 26 per cent of the shares of Nitin Lifesciences Limited which were owned by members of the founding Sobti family. The consideration was INR 2,800 million (SEK 351 million) on a cash and debt free basis whereof INR 600 million (SEK 75 million) will be paid in newly issued Recipharm shares (RECI-B). The acquisition will be completed in two steps; the cash part was paid on January 2 and the part paid in Recipharm shares will be settled later during the first half of 2018.

Recipharm appoints President Development Services to drive end to end offering

Recipharm announced on February 14 the appointment of Bernard Pluta to lead its new global development organisation. The newly established position forms part of the ongoing transformation of Recipharm's Development Services, in which a total of 400 employees across six countries are united to deliver a comprehensive development offering.

Recipharm's CFO resigns

Recipharm announced on February 26 that CFO Henrik Stenqvist has resigned from his position with the company. He will serve as CFO until later in the spring. A search process has commenced to appoint a new CFO.

SHARES

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

THE LARGEST SHAREHOLDERS (31 MARCH)

Shareholder	Capital (%) 2018	Capital (%) 2017	Votes (%) 2018	Votes (%) 2017
Flerie Participation AB ^{1/}	19.4	19.4	40.3	40.3
Cajelo Invest AB ^{1/}	12.1	12.1	38.0	38.0
Lannebo fonder	8.7	10.7	2.8	3.4
Fjärde AP-fonden	6.1	5.5	1.9	1.7
Första AP-fonden	6.1	6.1	1.9	1.9

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

FINANCIAL CALENDAR

Annual General meeting	May 14, 2018
Interim report Jan – Jun 2018	July 25, 2018
Interim report Jan – Sep 2018	November 8, 2018

CONTACT INFORMATION:

Thomas Eldered, CEO, tel +46 8 602 52 00
Henrik Stenqvist, CFO, tel +46 8 602 52 00
ir@recipharm.com

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

Stockholm, April 27 2018

Thomas Eldered (CEO)

Lars Backsell (Chairman)

Carlos von Bonhorst

Anders G. Carlberg

Olle Christenson

Marianne Dicander Alexandersson

Helena Levander

Wenche Rolfsen

Tony Sandell

This information is information that Recipharm AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication at 07:45 CET on April 27, 2018. This interim report and other financial information about Recipharm AB (publ) are available at www.recipharm.com. This report is prepared in Swedish and thereafter translated into English. Should any differences occur between the Swedish and the English version, the Swedish version shall prevail. This report has not been reviewed by the company's auditors.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

SEK million	Jan – Mar		Jan – Dec
	2018	2017	2017
Operating income			
Net sales	1,512.6	1,328.0	5,331.9
Other operating revenue	41.8	35.3	182.7
	1,554.4	1,363.3	5,514.6
Operating expenses			
Raw materials and consumables	-431.7	-431.7	-1,660.4
Other external costs	-338.3	-308.0	-1,350.3
Employee benefits expense	-517.3	-449.2	-1,909.5
Depreciation and amortisation	-129.8	-113.7	-533.1
Other operating expenses	-16.3	-14.3	-69.7
Share of result in participations	-1.0	-0.8	-0.3
	-1,434.5	-1,317.7	-5,523.3
Operating profit	119.9	45.6	-8.7
Interest income and similar revenues	11.5	1.7	26.0
Interest expenses and similar costs	-45.1	-29.6	-138.7
Net financial income/expense	-33.6	-27.9	-112.7
Profit before tax	86.3	17.7	-121.4
Income tax	-41.5	-16.7	-38.6
Profit for the period	44.8	1.0	-160.0

OTHER COMPREHENSIVE INCOME:

SEK million	Jan – Mar		Jan – Dec
	2018	2017	2017
Items that may be reclassified subsequently to profit or loss			
Translation differences	109.2	59.3	-35.9
Gains/losses from fair value valuation of financial instruments	-0.4	1.8	35.6
Deferred tax relating to items that may be reclassified	0.1	-0.4	-7.8
Total	108.9	60.8	-8.1
Items that will not be reclassified to profit or loss			
Actuarial gains/losses on pensions	0.2	-0.4	3.1
Deferred tax relating to items that will not be reclassified	0.0	0.1	0.9
Total	0.2	-0.3	4.0
Other comprehensive income for the period	109.0	60.5	-4.1
Comprehensive income for the period	153.9	61.5	-164.1
Net profit distributed to:			
Parent company's shareholders	44.5	-2.4	-170.5
Non-controlling interest	0.4	3.5	10.5
	44.8	1.0	-160.0
Group comprehensive income distributed to:			
Parent company's shareholders	164.1	50.8	-160.1
Non-controlling interest	-10.2	10.8	-4.0
	153.9	61.5	-164.1
Earnings per share before dilution (SEK)	0.70	-0.04	-2.70
Earnings per share after dilution (SEK)	0.70	-0.04	-2.70

CONSOLIDATED STATEMENT OF FINANCIAL POSITION,
CONDENSED

SEK million	Note	March 31		Dec 31
		2018	2017	2017
ASSETS				
Non-current assets				
Product rights		294.2	306.8	295.0
Goodwill		2,541.9	2,693.2	2,486.4
Customer relations		2,346.9	2,245.0	2,360.7
Other intangible assets		215.1	183.9	212.0
Property, plant and equipment		3,007.5	2,648.6	2,884.3
Non-current financial assets		268.8	200.8	266.9
Total non-current assets		8,674.4	8,278.3	8,505.2
Current assets				
Inventories		1,056.8	935.0	1,006.4
Accounts receivable		1,236.1	971.9	1,054.7
Other receivables		245.0	213.7	291.2
Prepaid expenses and accrued income		144.7	132.4	102.6
Cash and cash equivalents		470.4	527.6	770.9
Total current assets		3,153.0	2,780.6	3,225.8
TOTAL ASSETS		11,827.4	11,058.9	11,731.0
SHAREHOLDERS EQUITY AND LIABILITIES				
Share capital		31.6	31.6	31.6
Other paid-in capital		4,026.5	4,026.5	4,026.5
Reserves		187.9	117.3	68.4
Retained earnings (including net profit)		412.4	666.7	422.0
Equity attributable to Parent Company shareholders		4,658.5	4,842.0	4,548.4
Equity attributable to Non-Controlling interest		68.3	340.3	325.5
Total equity		4,726.8	5,182.3	4,874.0
Non-current liabilities				
Interest-bearing liabilities		4,294.8	3,621.0	4,154.5
Provisions		507.5	296.6	508.2
Deferred tax liability		944.7	849.3	920.5
Other non-current liabilities		22.0	14.2	21.6
Total non-current liabilities		5,769.0	4,781.1	5,604.8
Current liabilities				
Interest-bearing liabilities		17.5	12.0	16.9
Overdraft facility		29.4	33.5	21.8
Account payable		688.1	491.1	614.4
Tax liabilities		25.4	62.3	72.5
Other liabilities		86.5	109.9	99.9
Accrued expenses and prepaid income		484.8	386.7	426.8
Total current liabilities		1,331.6	1,095.5	1,252.2
TOTAL EQUITY AND LIABILITIES		11,827.4	11,058.9	11,731.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK million	Share capital	Other paid-in capital	Reserves	Retained earnings incl. Net profit	Equity attr. to parent company shareholders	Non-Contr. Interest	Total equity
Equity at 1 January 2017	31.6	4,026.5	62.2	666.9	4,787.0	343.1	5,130.1
Profit for the year 2017				-170.5	-170.5	10.5	-160.0
Other comprehensive income			6.4	4.0	10.4	-14.5	-4.1
Non-controlling interest						-13.6	-13.6
Transactions with owners:							
Share-based incentive program				15.6	15.6		15.6
Dividend				-94.0	-94.0		-94.0
Equity at 31 December 2017	31.6	4,026.5	68.4	422.0	4,548.5	325.5	4,874.0
Effect from new accounting standards				2.6	2.6		2.6
Profit for the period 2017				44.5	44.5	0.4	44.8
Other comprehensive income			119.5	0.2	119.6	-10.6	109.0
Non-controlling interest				-60.2	-60.2	-246.9	-307.2
Transactions with owners:							
Share-based incentive program				3.4	3.4		3.4
Equity at 31 March 2018	31.6	4,026.5	187.9	412.4	4,658.5	68.3	4,726.8

CONSOLIDATED CASH FLOW STATEMENT

SEK million	Note	Jan – Mar		Jan - Dec
		2018	2017	2017
Operating activities				
Profit before tax		86.3	17.7	-121.4
Adjustments for items not affecting cash				
- Depreciation, amortization and impairment of assets		129.8	113.7	533.1
- Changes in provisions		-13.1	-9.5	194.8
- Gains from disposal of non-current assets		0.2	0.0	-0.5
- Share of result of associated companies		1.1	0.8	-1.1
- Other		-14.5	10.5	1.5
		103.4	133.2	606.3
Income taxes paid		-5.4	-52.0	-150.6
Operating cash flow before changes in working capital		184.3	81.2	455.7
<i>Cash flow from changes in working capital</i>				
Change in inventories		-53.3	16.4	-39.8
Change in operating receivables		-192.1	-83.2	-150.7
Change in operating liabilities		108.5	-39.2	86.1
Operating cash flow		47.4	-24.7	351.4
<i>Investing activities</i>				
Acquisition of property, plant and equipment		-95.4	-109.7	-548.2
Disposal of property, plant and equipment		-	0.1	5.8
Acquisition of intangible assets		-4.8	-1.8	-48.1
Acquisition of subsidiaries/operations, net of cash acquired		-307.2	-927.7	-974.7
Acquisition of financial assets		-2.6	0.0	-20.2
Disposal of short-term investment		4.3	3.5	-
Cash flow from investing activities		-405.7	-1,035.6	-1,585.4
<i>Financing activities</i>				
Dividend paid to Parent Company shareholders		-	-	-94.0
Change in overdraft facility		7.0	7.7	-4.0
Loans raised		550.0	1,081.6	1,790.6
Repayment of borrowings		-505.1	-196.8	-386.2
Cash flow from financing activities		51.9	892.5	1,306.3
Total cash flow for the period		-306.4	-167.8	72.3
Cash and cash equivalents at beginning of period		770.9	695.8	695.8
Translation difference on cash and cash equivalents		6.0	-0.4	2.7
Cash and cash equivalents at end of period		470.3	527.6	770.9
Interest received		1.1	1.1	5.5
Interest paid		-12.1	-11.8	-94.2

PARENT COMPANY STATEMENT OF PROFIT AND LOSS

SEK million	Jan – Mar		Jan - Dec
	2018	2017	2017
Operating Income			
Net sales	30.9	29.2	118.6
Other operating revenue	3.2	1.5	6.8
	34.1	30.7	125.4
Operating expenses			
Other external costs	-26.1	-25.6	-108.8
Employee benefits expense	-24.9	-22.1	-93.1
Depreciation and amortisation	-2.3	-2.1	-8.1
Other operating expenses	-1.3	-1.3	-3.3
	-54.6	-51.1	-213.3
Operating profit/loss	-20.5	-20.4	-87.9
Financial items	28.1	12.5	-160.7
Profit/loss after financial items	7.6	-7.9	-248.6
Appropriations and tax	-	5.8	0.5
Profit/loss for the period	7.6	-2.0	-248.1

OTHER COMPREHENSIVE INCOME

SEK million	Jan – Mar		Jan - Dec
	2018	2017	2017
Items that may be reclassified subsequently to profit or loss			
Translation differences	-2.2	-0.1	0.2
Other comprehensive income for the period	-2.2	-0.1	0.2
Total comprehensive income for the period	5.4	-2.1	-247.9

PARENT COMPANY STATEMENT OF FINANCIAL POSITION,
CONDENSED

SEK million	Mar 31	Jan - Dec	
	2018	2017	2017
ASSETS			
Non-current assets			
Intangible assets	10.8	16.8	12.0
Property, plant and equipment	188.1	75.3	169.0
Non-current financial assets	6,772.5	6,537.4	6,559.9
Current assets	1,262.7	915.9	1,295.0
TOTAL ASSETS	8,234.1	7,545.4	8,036.0
SHAREHOLDERS EQUITY AND LIABILITIES			
Equity	3,460.0	3,778.4	3,449.3
Liabilities	4,774.1	3,767.0	4,586.7
TOTAL EQUITY AND LIABILITIES	8,234.1	7,545.4	8,036.0

ACCOUNTING PRINCIPLES, RISKS, DEFINITIONS AND NOTES

Accounting principles

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

The accounting principles and calculations in this report are the same as those used for the 2017 Annual Report, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments that require restatement of previous financial statements. As required by IAS 34, the nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Recipharm's accounting policies in accordance with the new standards are outlined in note 1.1 in the 2017 Annual Report on pages 56-57.

IFRS 9 Financial instruments

The new policies for financial asset classification and measurement are based on an analysis of the business model in which the asset is held and the cash-flow characteristics of the asset. The analysis shows that the new policies will not have any material effect on Recipharm's financial statements. All financial assets that are currently measured at fair value are expected to continue being measured at fair value. The Group assesses that loans and accounts receivable will also continue to meet the criteria for measurement at amortised cost. The Group will apply the simplified approach for recognising expected credit losses for accounts receivable. This means that the expected credit loss for the remaining term to maturity will be taken into account.

Recipharm applies IFRS 9 retrospectively. This means that the cumulative change in the transition to IFRS 9 is recognised in retained earnings at 1 January 2018 and that comparative figures are not restated. The effect on equity at 1 January 2018 from applying IFRS 9 was:

SEK million	
Accounts receivable	-0.9
Deferred tax liability	+0.3
Effect on retained earnings from IFRS 9	-0.6

IFRS 15 Revenue from contracts with customers

Most of Recipharm's contracts with customers pertain to the manufacturing of pharmaceuticals with no associated services, for which the revenue is recognised when the goods are delivered, and when risk and ownership are also transferred to the buyer. This means after internal analysis approval and delivery from inventories. The Group also has a smaller share of short-term contracts for development services or laboratory services that are recognised during the period in which they are performed. These services have not been impacted by the transition to IFRS 15. In one of the markets, manufacturing contracts exist for which control of the assets is held by the customer throughout the entire manufacturing process, and the value of the assets increases as Recipharm processes the product. For these contracts, the conclusion is that the revenue under IFRS 15 should be recognised over time, entailing slightly earlier recognition compared with previous accounting policies. This change essentially has no material effect on either revenue or operating profit.

Recipharm applies the standard retroactively to all contracts not completed by 1 January 2018. This means that the cumulative change in the transition to IFRS 15 is recognised in retained earnings at 1 January 2018 and that comparative figures is not restated. The effect on equity at 1 January 2018 from applying IFRS 15 was:

SEK million	
Inventories	-25.9
Accounts receivable	+30.2
Deferred tax liability	+1.7
Effect on retained earnings from IFRS 15	+3.2

New accounting principles from 1 January 2019

IFRS 16 Leasing

The assessment of effect from IFRS 16 has been initiated. IFRS 16 will have some effect of Recipharm's accounts, primarily in terms of non-current assets and liabilities, but the full extent has yet to be determined.

Significant risks and uncertainties

A detailed description of risks is provided in the 2017 Annual Report on page 34. No new significant risks are considered to have arisen since the publication of the annual report.

NOTE 1 NUMBER OF SHARES AND POTENTIAL SHARES

	A-shares	B-shares	D-shares	Total
Number of shares as of 31 December 2017	15 222 858	47 624 674	370 000	63 217 532
Number of shares as of 31 March 2018	15 222 858	47 624 674	370 000	63 217 532

Potential shares, 1 632 949 (722 245), are related to Recipharm's share-based incentive program as well as the convertible issued in October 2016. Of total number of shares the company holds 120 661 B-shares and 370 000 D-shares. This is to secure delivery of shares to participants in the Share-based incentive program

NOTE 2 BUSINESS COMBINATIONS

Kemwell India

On April 18 2016 Recipharm announced the signing of two separate agreements to acquire Kemwell's pharmaceutical CDMO-businesses. The first acquisition, comprising US and Swedish operations, was completed on May 23 2016. The second, comprising operations in India, was conditional on governmental approvals and was closed on February 20 2017.

The acquired Indian business employed around 1,400 people at closing of the acquisition and comprises both development services as well as commercial manufacturing of solid, semi-solid, liquid and topical dose products. The solid dosage plant was commissioned in 2008 and has approvals from US FDA and EU amongst many other regulatory bodies. The oral liquids production plant was commissioned in 2011 and is specialized in automated high throughput large volume manufacturing, mainly for the Indian subcontinent. The development business is a rapidly growing business with a comprehensive service offering including formulation development, small scale manufacturing for clinical trials and a large analytical service business.

The purchase price for the shares was SEK 996.0 million (including cash and cash equivalents of SEK 20,0 million) and was paid in cash. Transaction costs amount to SEK 4.7 million of which SEK 1.1 million is reported in 2017 and SEK 3.6 million was reported in 2016.

The consolidated statement of profit and loss for the period includes net sales of SEK 69.0 million and EBITDA of SEK 6.6 million attributable to Kemwell India.

Nitin Lifesciences

On January 2 Recipharm announced that it had reached an agreement to acquire the remaining 26 per cent of the shares of Nitin Lifesciences Limited which were owned by members of the founding Sobti family. The consideration was INR 2,800 million (SEK 351 million) on a cash and debt free basis whereof INR 600 million (SEK 75 million) will be paid in newly issued Recipharm shares (RECI-B).

The acquisition will be completed in two steps; the cash part, for a 20.8 percent stake in the company, was paid on January 2 and the part paid in Recipharm shares will be settled later during the second quarter 2018.

As full goodwill was reported at the time of the acquisition of the first 74 per cent, the acquisition of the remaining shares will not result in further fair value adjustments, instead non-controlling interest is reduced proportionally with the consideration of the shares (SEK -246.9 million), and the residual amount is reported as a reduction of retained earnings (SEK -60.2 million).

Assets and liabilities in Kemwell India were:	Carrying amount	Fair value Adjustment¹⁾	Fair Value in the group
Intangible assets	317.0	504.9	821.9
Property, plant and equipment	296.5		296.5
Financial assets	2.7		2.7
Accounts receivable and other operating assets	150.3		150.3
Cash and cash equivalents	20.0		20.0
Deferred tax liability ²⁾	50.9	174.7	225.6
Interest-bearing liabilities	134.9		134.9
Provisions	8.2		8.2
Accounts payable and other operating liabilities	84.3		84.3
Net identifiable assets and liabilities	508.2	330.1	838.4
Group goodwill^{1) 2)}		157.6	157.6
Purchase consideration			996.0

¹⁾ Fair value adjustment consist of customer relations, SEK 504.9 million. The recognized value of goodwill represents the combined value of synergies, employee competence and experience.

²⁾ In the period the deferred tax liability in opening balance sheet was adjusted, which resulted in an increase in group goodwill at acquisition date of SEK 21.9 million.

NOTE 3 SEGMENT ANALYSIS

For control purposes Recipharm is separated into three segments: Manufacturing Sterile Liquids (MFG-SL), Manufacturing Solids & Others (MFG-SO) and Development & Technology (D&T). The business segment MFG-SL includes manufacturing of products on behalf of pharmaceutical companies and covers sterile technologies including liquid vials and ampoules, lyophilisates and blow-fill-seal products. The business segment MFG-SO includes manufacturing of products on behalf of pharmaceutical companies and covers tablets, capsules, semi-solids and non-sterile liquids. The business segment D&T provides pharmaceutical development services. It also includes a register of patents, technologies and product rights, and sales of own products through distributors. The segment reporting is based on the structure the management follow the business. Transactions between segments are based on same conditions as for external customers.

Jan – Mar 2018

SEK million	MFG-SL	MFG-SO	D&T	Eliminations & Other	Total	Discontinued operations	Total
Net sales, external	556.2	628.8	252.1	-	1,437.1	75.5	1,512.6
Net sales, internal	7.3	19.4	5.0	-33.1	-1.4	1.4	-
EBITDA	111.2	98.7	53.5	-18.3	245.1	4.6	249.7
EBITDA %	19.7	15.3	20.8		17.1	6.0	16.5
Depreciations	-59.3	-46.0	-19.9	-1.2	-126.5	-0.3	-126.8
Impairment	-	-	-3.0	-	-3.0	-0.0	-3.0
EBIT	51.9	52.7	30.6	-19.5	115.6	4.3	119.9
Goodwill	1,294.2	677.0	570.7	-	2,541.9	-	2,541.9
Non-current assets	3,909.1	2,832.6	1,625.4	280.3	8,647.4	27.1	8,674.4
Total assets	5,051.8	4,269.0	2,250.4	-152.7	11,418.6	408.8	11,827.4

Jan – Mar 2017

SEK million	MFG-SL	MFG-SO	D&T	Eliminations & Other	Total	Discontinued operations	Total
Net sales, external	528.0	498.5	225.8	-	1,252.3	75.7	1,328.0
Net sales, internal	6.1	15.9	1.9	-32.2	-8.3	8.3	-
EBITDA	89.7	56.7	43.4	-17.6	172.3	-13.1	159.2
EBITDA %	16.8	11.0	19.1		13.8	-15.6	12.0
Depreciations	-52.6	-37.5	-19.6	-1.0	-110.7	-3.0	-113.7
Impairment	-	-	-	-	-	-	-
EBIT	37.1	19.2	23.9	-18.6	61.7	-16.1	45.6
Goodwill	1,314.8	1,037.7	340.7	-	2,693.2	-	2,693.2
Non-current assets	3,890.8	3,034.7	1,196.1	95.6	8,217.2	61.1	8,278.3
Total assets	4,890.8	4,129.1	1,708.9	109.4	10,838.2	220.7	11,058.9

Jan – Dec 2017

SEK million	MFG-SL	MFG-SO	D&T	Eliminations & Other	Total	Discontinued operations	Total
Net sales, external	2,095.6	2,059.6	853.0	-	5,008.3	323.6	5,331.9
Net sales, internal	30.1	82.1	20.9	-133.3	-	-	-
EBITDA	390.8	248.8	191.7	-82.1	749.2	-224.9	524.3
EBITDA %	18.4	11.6	21.9		15.0	-69.5	9.8
Depreciations	-226.0	-169.6	-82.9	-3.6	-482.2	-11.9	-494.1
Impairment	-	-2.4	-1.9	-	-4.3	-34.6	-39.0
EBIT	164.8	76.8	106.8	-85.7	262.7	-271.5	-8.7
Goodwill	1,278.1	661.6	546.6	-	2,486.4	-	2,486.4
Non-current assets	2,606.4	2,117.0	1,585.0	2,169.3	8,477.7	27.5	8,505.2
Total assets	4,028.8	3,340.1	2,184.1	1,775.9	11,329.0	402.0	11,731.0

Geographical area	Net sales			Fixed assets		
	Jan-Mar	Jan-Mar	Jan-Dec	Mar 31	Mar 31	Dec 31
	2018	2017	2017	2018	2017	2017
Sweden	381.2	366.0	1,456.9	1,453.8	1 248.3	1,398.7
Italy	308.6	277.0	1,079.1	1,991.6	1 894.6	1,927.4
France	284.1	249.1	975.0	807.8	613.2	765.1
India	156.1	127.5	617.9	2,395.5	2 515.9	2,412.1
Portugal	129.1	130.3	530.8	995.3	1 045.1	1,004.0
Germany	100.8	81.4	334.8	804.3	777.6	785.2
Spain	124.9	64.0	220.8	154.0	108.5	142.1
Other	27.8	32.7	116.5	72.1	75.0	70.6
Total	1,512.6	1,328.0	5,331.9	8,674.4	8,278.3	8,505.2

NOTE 4 EARNINGS PER SHARE

SEK million	Note	Jan – Mar		Full year
		2018	2017	2017
Parent company's shareholders:				
Earnings per share before dilution (SEK)		0.70	-0.04	-2.70
Earnings per share after dilution (SEK)		0.70	-0.04	-2.70
Profit before dilution (SEK thousand)		44,463	-2,429	-170,492
Effect from potential shares (SEK thousand)		10,057	9,005	40,774
Profit after dilution (SEK thousand)		54,520	6,576	-129,718
Average number of shares before dilution (thousand)	1	63 218	63,218	63,218
Potential shares (thousand)	1	1,632	722	1,358
Average number of shares after dilution (thousand)		64,850	63,940	64,576

NOTE 5 DISAGGREGATION OF REVENUE

SEK million	Revenue recognition	Jan – Mar 2018				Total
		MFG-SL	MFG-SO	D&T	Discontinued operations	
Pharmaceutical manufacturing	Revenue recognised at point in time	508.1	565.4		75.5	1,224.5
Pharmaceutical manufacturing	Revenue recognised over time	17.1	16.6			33.7
Product sales	Revenue recognised at point in time			195.9		195.9
Total sales of products		525.2	582.0	195.9	75.5	1,378.7
Service sales	Revenue recognised over time	31.0	46.8	56.2		133.9
Total sales of services		31.0	46.8	56.2		133.9
Total net sales		556.2	628.8	252.1	75.5	1,512.6

Recipharm only accepts creditworthy counterparts in financial transactions and, when needed, uses a system for managing overdue invoices. Long-term contracts and customers' dependence on their CDMO suppliers are important factors that reduce credit risk. Recipharm has many financially solid customers and few credit losses. Payment terms for issued invoices vary from 1 to 3 months.

GLOSSARY

CDMO	Contract, Development and Manufacturing Organisation
CER	Constant Exchange Rate
CMO	Contract Manufacturing Organisation
LTM	Latest Twelve (12) Months

FINANCIAL DEFINITIONS
ALTERNATIVE PERFORMANCE
MEASURES

Adjusted for non-recurring items	Ratio or amount adjusted for costs related to the discontinuing of manufacturing operations in Stockholm and Höganäs.
Debt/equity ratio	Interest-bearing liabilities divided by shareholder's equity <i>The debt/equity ratio is an indication of financial strength, relationship between debt and equity</i>
EBITDA	Profit before financial items, taxes, depreciation and amortisation, adjusted for non-recurring items <i>EBITDA shows operating profit, which is also used in combination with other data for measurement purposes</i>
EBITDA margin	Profit before financial items, taxes and depreciation divided by net sales <i>The EBITDA margin shows operating profit in relation to net sales</i>
Equity per share	Shareholders' equity on the balance-sheet date divided by the number of shares (balance-sheet date) <i>Equity per share shows the equity generated to the shareholders per share</i>
Equity/assets ratio	Shareholders' equity divided by total assets
Equity/assets ratio, adjusted	Total equity adjusted for non-recurring items divided by total assets adjusted for non-recurring items <i>The adjusted equity/assets ratio shows how much of total assets are financed using total equity</i>
Interest-coverage ratio	Operating profit plus financial income divided by financial expenses <i>Measures the company's ability to cover its interest expenses</i>
Net debt	Interest-bearing liabilities less cash and cash equivalents <i>Net debt is calculated to show the net of interest-bearing liabilities and cash</i>
Net debt/equity ratio	Net debt divided by shareholders' equity <i>The debt/equity ratio is an indication of financial strength, relationship between net debt and equity</i>
Net debt in relation to EBITDA	Net debt divided by EBITDA (rolling 12-month basis) <i>Net debt in relation to EBITDA shows the impact of and risk level for liabilities</i>
Net sales (CER)	CER: Constant Exchange Rates <i>Net sales (CER) shows net sales without the impact of currency exchange rates and, in many cases, this comparison is a fairer measure</i>
Non-interest-bearing liabilities	Includes deferred tax liability <i>Measures non-interest-bearing liabilities</i>
Operating capital (average)	Net debt plus shareholders' equity (average opening and closing balance for the period) <i>Measures the use and efficiency of capital</i>
Operating cash flow per share	Cash flow from operating activities (12 months) divided by the weighted average number of shares (12-month rolling basis) <i>Cash flow per share provides an indication of value; how much cash and cash equivalents each share generates</i>
Operating margin	Operating profit divided by net sales <i>Measures the profitability of operations</i>
Operating profit	Operating profit before financial items and tax <i>Operating profit shows the earnings from operations, including depreciation/amortisation and impairment losses</i>
Return on equity	<i>The equity/assets ratio shows how much of total assets are financed using shareholders' equity</i> Profit for the year (12-month period) divided by average shareholders' equity <i>Return on equity shows the return on the company's equity</i>
Return on equity, adjusted	Net profit for the year (12-month period) adjusted for non-recurring items divided by average total equity also adjusted for non-recurring items <i>Return on equity, adjusted, shows the return on the company's equity adjusted for non-recurring items</i>
Return on operating capital	Operating profit (12-month period) divided by average operating capital <i>Return on operating capital shows the return disregarding financial assets and financing</i>
Return on operating capital, adjusted	Operating profit adjusted for non-recurring items (12-month period) divided by average operating capital adjusted for non-recurring items. <i>Return on operating capital shows the return disregarding financial assets and financing</i>

THE PHARMACEUTICAL CDMO MARKET

CDMOs, such as Recipharm, provide pharmaceutical companies with diverse manufacturing and development services – from managing a product's transition from laboratory to full-scale commercialisation. Outsourcing development and manufacturing services enables pharmaceutical companies to focus on their core business, such as R&D and marketing, and can crucially reduce costs, time-to-market, and risk.

In addition, CDMOs can provide access to technology due to their highly specialised knowledge. In a world of increasingly technological and supply chain complexity, CDMOs with their focussed operations are typically well equipped to assimilate, develop and master the latest technologies.

ABOUT RECIPHARM

Recipharm is a leading Contract Development and Manufacturing Organisation (CDMO) in the pharmaceutical industry employing around 5 000 employees. Recipharm offers manufacturing services of pharmaceuticals in various dosage forms, production of clinical trial material and APIs, and pharmaceutical product development. Recipharm manufactures several hundred different products to customers ranging from big pharma to smaller research and development companies. Recipharm's turnover is approximately SEK 5.3 billion and the company operates development and manufacturing facilities in France, Germany, India, Israel, Italy, Portugal, Spain, Sweden, the UK and the US and is headquartered in Stockholm, Sweden. The Recipharm B-share (RECI B) is listed on Nasdaq Stockholm.

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