

# INTERIM REPORT

JANUARY – SEPTEMBER 2018

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## INTERIM REPORT

### JULY – SEPTEMBER 2018

- Net sales amounted to SEK 1,421 million (1,200), an increase of 18%
- EBITDA increased by 47% and amounted to SEK 151 million (103) corresponding to an EBITDA margin of 10.6% (8.6)
- Operating profit (EBIT) amounted to SEK 25 million (-17)
- Profit after tax amounted to SEK -9 million (-54) corresponding to a net margin of -0.6% (-4.5)
- Earnings per share amounted to SEK -0.13 (-0.89) before dilution and SEK -0.13 (-0.89) after dilution

### JANUARY – SEPTEMBER 2018

- Net sales amounted to SEK 4,635 million (3,929), an increase of 18%
- EBITDA increased by 40% and amounted to SEK 708 million (504) corresponding to an EBITDA margin of 15.3% (12.8)
- Operating profit (EBIT) amounted to SEK 407 million (151)
- Profit after tax amounted to SEK 201 million (23) corresponding to a net margin of 4.3% (0.6)
- Earnings per share amounted to SEK 3.07 (0.26) before dilution and SEK 3.07 (0.26) after dilution
- Net debt to Equity was 0.6 (0.7)

**18%**  
Sales increase

**151**  
MSEK, EBITDA

**10.6%**  
EBITDA margin

### KEY FIGURES

SEK million	Jul – Sep			Jan - Sep			Oct 17 – Sep 18	Jan - Dec
	2018	2017	Change in %	2018	2017	Change in %	2017	
Net sales	1,421	1,200	+18	4,635	3,929	+18	6,038	5,332
EBITDA <sup>1/2/</sup>	151	103	+47	708	504	+41	933	730
EBIT <sup>1/2/</sup>	25.2	-16.9		407	151	+170	248	-9
EBITDA margin (%) <sup>1/</sup>	10.6	8.6		15.3	12.8		15.5	13.7
Earnings per share (SEK) <sup>1/</sup>	-0.13	-0.89		3.07	0.26		0.27	-2.70
Return on equity (%), adjusted <sup>1/</sup>				2.9	2.0			1.6
Equity per share (SEK) <sup>1/</sup>				77.9	72.4			71.9
Equity ratio (%) <sup>1/</sup>				43.3	44.3			41.5
Net debt <sup>1/</sup>				3,192	3,252			3,422
Net debt to Equity <sup>1/</sup>				0.6	0.7			0.7
Net debt to EBITDA <sup>1/</sup>				3.4	4.4			4.7

1/ APM: Alternative Performance Measures, see financial definitions after note 4.

2/ See page 23 for a bridge from EBITDA to EBIT

## COMMENTS BY THOMAS ELDERED, CEO

### Best third quarter ever, with further potential

In the third quarter of 2018, we increased net sales to SEK 1,421 million, with a currency-adjusted growth in continuing operations of 14 per cent, and improved EBITDA by SEK 48 million to SEK 151 million and EBITDA margin to 10.6 per cent (8.6). As usual the third quarter was strongly affected by maintenance and vacation shut-downs. Although this is the best third quarter ever for Recipharm, it does not mean that we have reached our full potential. Our expanded capacities, extensive technology range and global reach will drive further improvements going forward.

Our India based operations continued to show double digit growth with 21 per cent in local currency thereby contributing almost 3 per cent of group growth. Ramp-up of activity in recently expanded Sterile Liquids segment lyophilisation and blow-fill-seal capacities continued according to plan. Increased sales from companies with expanded capacity in Germany, France and Italy, contributed more than 3.5 per cent of group organic growth.

Continuing operations in the Solids and Others segment generated very good growth mainly due to the new outsourcing contract in Leganés, Spain. Segment EBITDA grew but was affected by revamping of production areas, technical and quality issues in certain facilities. These effects are all temporary but caused a longer than usual production shut-down in these facilities. Combined with the lower margin in this segment, these issues had a material dilutive effect on group EBITDA-margin for the quarter.

In the Development & Technology segment we saw close to flat sales growth compared to the relatively strong quarter last year. Generic competition for a certain customer continued and royalty income was therefore sequentially further reduced, with material impact on EBITDA. The re-shaping of our development services organisation continued according to plan.

Operating cash flow was positively affected by seasonally reduced working capital and increased 16 per cent to SEK 172 million. Investments decreased as major projects finished and amounted to SEK 58 million. The strong cash flow contributed to continued decreased leverage.

During the quarter we have worked with preparations for the completion of our acquisition in UK from Sanofi. The transaction was completed after the quarter on October 1<sup>st</sup>. We will now work with integrating this promising business in our group and begin to explore the opportunities that this entry into commercial scale inhalation technology will bring.

We expect good contributions from recent important capacity expansion investments to continue over the next years. We also continue to see material contributions to group growth from our India based operations. In the short term we expect the good growth we have also seen in the Solids and Others segment to continue. Our objectives and strategies remain unchanged and we are working hard to reach our overall and long-term goals.



The company invites investors, analysts and media to a telephone conference with a web presentation (in English) on 8 November at 10.00 am CET where CEO Thomas Eldered and CFO Tobias Hägglov 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](http://www.recipharm.com)

## REVENUES

### NET SALES PER SEGMENT

SEK million	Jul – Sep		Change in %	Jan – Sep		Change in %	Jan - Dec
	2018	2017		2018	2017		2017
Sterile Liquids	607	488	+25	1,813	1,580	+15	2,126
Solids & Others	576	464	+24	1,977	1,560	+27	2,141
Development & Technology	206	208	-1	724	652	+11	874
Discontinued operations	61	78	-22	226	247	-8	339
Eliminations and others	-28	-36	+23	-104	-108	+5	-148
<b>Total</b>	<b>1,421</b>	<b>1,200</b>	<b>+18</b>	<b>4,635</b>	<b>3,929</b>	<b>+18</b>	<b>5,332</b>

### JULY - SEPTEMBER 2018

#### Net sales

Net sales increased by SEK 221 million and amounted to SEK 1,421 million, an increase of 18 per cent. Sales, excluding currency effects increased by SEK 139 million, an organic growth rate of 12 per cent. The growth was driven by the new manufacturing contract in Spain, effects from new expanded capacity in Sterile segment, and normalized sales in India after issues related to transition and tax reform last year.

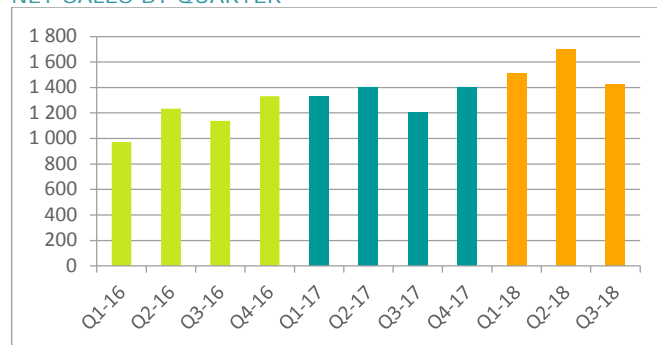
#### Other operating revenue

Other operating revenue amounted to SEK 38 million (39). Pass-through costs, recharges and currency gains almost matched the lower royalty income in 2018.

### SALES BRIDGE, JUL – SEP

	SEK million	%
<b>2017</b>	1,200	
Currency	82	+6
Acquisitions	-	-
Organic	139	+12
<b>Total</b>	<b>221</b>	<b>+18</b>
<b>2018</b>	<b>1,421</b>	

### NET SALES BY QUARTER



### JANUARY – SEPTEMBER 2018

#### Net sales

Net sales increased by SEK 706 million to SEK 4,635 million, an increase of 18 per cent. Sales, excluding acquisition and currency effects increased by SEK 501 million, an organic growth rate of 13 per cent. The increase was mainly due to a new manufacturing contract in Spain, sterile capacity expansion effects, a combination of demand and normalized sales after transition issues in India last year, and strong trend for the IP business.

#### Other operating revenue

Other operating revenue amounted to SEK 226 million (121), an increase related to the sale of Thyrosafe product rights. An increase in pass-through costs and currency gains compensated the reduction of SEK 23 million royalty revenues in the period.

### SALES BRIDGE, JAN – SEP

	SEK million	%
<b>2017</b>	3,929	
Currency	175	+4
Acquisitions	29	+1
Organic	501	+13
<b>Total</b>	<b>706</b>	<b>+18</b>
<b>2018</b>	<b>4,635</b>	

# RESULTS

## EBITDA PER SEGMENT

SEK million	Jul – Sep			Jan - Sep			Jan – Dec	
	2018	2017	Change in %	2018	2017	Change in %	2017	
Sterile Liquids	105	58	+81	345	270	+28	391	
Solids and Others	47	25	+86	279	179	+56	249	
Development & Technology	30	48	-39	154	136	+13	192	
Discontinued operations	-15	-13	-13	-9	-25	+64	-20	
Eliminations and others	-16	-15	-1	-61	-56	-9	-82	
<b>Total</b>	<b>151</b>	<b>103</b>	<b>+47</b>	<b>708</b>	<b>504</b>	<b>+40</b>	<b>730</b>	

### JULY - SEPTEMBER 2018

#### EBITDA

EBITDA amounted to SEK 151 million (103), an increase by 47 per cent. The EBITDA margin to sales increased from 8.6 per cent to 10.6 per cent. The increase was mainly due to incremental output from the capacity expansion in Germany, as well as the new manufacturing contract in Spain, and normalization after transition issues in India.

#### Raw materials and consumables

Raw materials and consumables amounted to SEK 491 million (424). The materials ratio to sales remained unchanged at 35 per cent (35).

#### Other external costs

Other external costs amounted to SEK 322 million (295). The cost to sales ratio decreased 2 percentage points to 23 per cent (25) mainly driven by lower maintenance costs and reduction in hired temps within the manufacturing segments.

#### Employee benefits expense

Employee benefits expense amounted to SEK 477 million (401). The increase was mainly related to sales growth in addition to a switch from hired temps to employees for a site in the Solids segment. The ratio of employee benefits expense to sales increased 1 percentage point to 34 per cent (33).

#### Depreciation, amortisation and impairment

Depreciation and amortisation amounted to SEK 129 million (120) and included a reversal of restructuring accrual for SEK 10 million and a currency effect of SEK 8 million. The net increase of SEK 11 million was in part a consequence of sterile capacity investments and a change in purchase price allocation for the Bengaluru acquisition.

#### Financial items

Interest income and similar revenues amounted to SEK 19 million (6) of which SEK 17 million (-) were gains from disposal of listed shares. Interest expenses and similar costs amounted to SEK -49 million (-52), of which SEK -36 million (-30) was interest expenses and SEK -14 million (-22) were currency losses and other financial expenses.

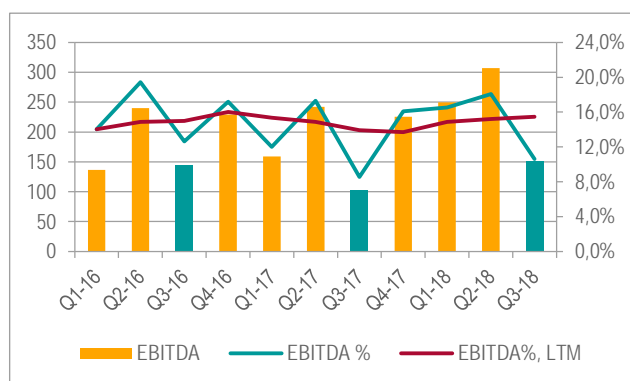
#### Tax

The income tax amounted to SEK -4 million (+9.1).

#### Profit after tax

Profit after tax amounted to SEK -9 million (-54).

### EBITDA (SEK MILLION), EBITDA MARGIN PER QUARTER AND LTM EBITDA MARGIN



### EBITDA BRIDGE, JUL – SEP

	SEK million	%
<b>2017</b>	<b>103</b>	
Currency	15	+15
Acquisitions	-	-
Organic	33	+32
<b>Total</b>	<b>48</b>	<b>+47</b>
<b>2018</b>	<b>151</b>	

**EBITDA**

EBITDA amounted to SEK 708 million (504), an increase of 40 per cent. The EBITDA margin to sales increased from 12.8 per cent to 15.3 per cent. EBITDA excluding acquisitions and currency translation effects, increased SEK 164 million mainly due to the new manufacturing contract in Spain, expanded capacity for sterile products and demand factors driving prices and productivity within Development and technology segment.

**Raw materials and consumables**

Raw materials and consumables amounted to SEK 1,433 million (1,260). Currency effects and acquisitions have added SEK 59 million to the costs. Phasing of deliveries and manufacturing value-add combined with mix changes within the Solids segment reduced material cost ratio to sales by 1 percentage points to 31 per cent (32).

**Other external costs**

Other external costs amounted to SEK 1,032 million (925). Acquisitions and currency effects amounted to SEK 42 million. The ratio to sales improved to 22 per cent (23) mainly due to sales volume effects and nominal cost reductions related to varying project activity.

**Employee benefits expense**

Employee benefits expense amounted to SEK 1,548 million (1,312). The cost to sales ratio for employee benefits expense remained unchanged at 33 per cent (33).

**Depreciation, amortisation and impairment**

Depreciation and amortisation amounted to SEK 397 million (353). Adjusted for currency translation (SEK 15 million) the increase came partly from the expansion investments and partly an adjustment in purchase price allocations.

**Financial items**

Interest income and similar revenues amounted to SEK 37 million (9) of which SEK 17 million (-) were gains from disposal of listed shares and SEK 17 million (3) were currency exchange rate gains. Interest expenses and similar costs amounted to SEK -171 million (-107), of which SEK -111 million (-74) was interest expenses and SEK -30 million (-) was an impairment charge of an investment in a US pharmaceutical technology company.

**Tax**

The income tax amounted to SEK 73 million (30).

**Profit after tax**

Profit after tax amounted to SEK 201 million (23).

## EBITDA BRIDGE, JAN - SEP

	SEK million	%
<b>2017</b>	504	
Currency	33	+6
Acquisitions	6	+1
Organic	164	+33
Total	204	+40
<b>2018</b>	<b>708</b>	

**ACQUISITIONS**

The acquisition completed during the last 12 months was an additional 26 per cent stake in Nitin Lifesciences Ltd in India, on January 2 and June 13 2018.

## MANUFACTURING SERVICES – STERILE LIQUIDS

The *Sterile Liquids* business segment manufactures sterile products on behalf of pharmaceutical companies and covers sterile technologies for liquid vials and ampoules, including lyophilisation and blow-fill-seal (BFS).

- Sales increased by 24 %
- EBITDA increased by 81 %
- EBITDA margin of 17.3 % (11.9)



### JULY – SEPTEMBER 2018

#### Net sales

Sales for Sterile Liquids increased by SEK 119 million to SEK 607 million, an increase of 24 per cent. Excluding currency translation effects sales increased by 16 per cent mainly due to utilization of extended lyophilisation and BFS capacity, and productivity improvement for the sterile sites in India.

#### SALES BRIDGE, JUL – SEP

	SEK million	%
<b>2017</b>	488	
Currency	41	+8
Acquisitions	-	-
Organic	78	+16
Total	119	+24
<b>2018</b>	<b>607</b>	

#### EBITDA

EBITDA for Sterile Liquids increased by SEK 47 million to SEK 105 million, equivalent to an EBITDA margin of 17.3 per cent (11.9). The result was a consequence of the capacity investments Germany and France in and to some extent positive phasing effects.

#### EBITDA BRIDGE, JUL – SEP

	SEK million	%
<b>2017</b>	58	
Currency	7	13
Acquisitions	-	-
Other	40	68
Total	47	81
<b>2018</b>	<b>105</b>	

### JANUARY – SEPTEMBER 2018

#### Net sales

Sterile Liquids revenues increased by SEK 233 million to SEK 1,813 million, an increase of 15 per cent, mainly due to the capacity expansion for lyophilised- and BFS products, and a positive volume and productivity trend for the sterile sites in India.

#### EBITDA

EBITDA for Sterile Liquids increased by SEK 75 million to SEK 345 million, equivalent to an EBITDA margin of 19.0 per cent (17.1). Adjusted for currency translation effects EBITDA increased 22 per cent mainly due to volume growth within BFS and freeze-dry technologies.

## MANUFACTURING SERVICES – SOLIDS & OTHERS

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

- Sales increased by 24 %
- EBITDA increased by 88 %
- EBITDA margin of 8.2 % (5.4)



### JULY – SEPTEMBER 2018

#### Net sales

Sales in Solids & Others increased by SEK 112 million to SEK 576 million, an increase of 24 per cent. Adjusted for currency translation effects sales has grown by 18 per cent compared to last year, mainly due to the new manufacturing contract in Spain offset to some extent by phasing of orders to Asian markets.

#### SALES BRIDGE, JUL – SEP

	SEK million	%
<b>2017</b>	464	
Currency	29	+6
Acquisitions	-	-
Organic	83	+18
Total	112	+24
<b>2018</b>	<b>576</b>	

#### EBITDA

EBITDA for Solids & Others increased by SEK 22 million to SEK 47 million, corresponding to an EBITDA margin of 8.2 per cent (5.4). The increase was mainly related to the new manufacturing contract in Spain and productivity gains in India compared to last year transition issues. On the other hand there were some negative effects related to phasing of manufacturing and deliveries, typical for the 3<sup>rd</sup> quarter.

#### EBITDA BRIDGE, JUL – SEP

	SEK million	%
<b>2017</b>	25	
Currency	3	+12
Acquisitions	-	-
Other	19	+76
Total	22	+88
<b>2018</b>	<b>47</b>	

### JANUARY – SEPTEMBER 2018

#### Net sales

Solids & Other sales increased by SEK 417 million to SEK 1,977 million, an increase of 27 per cent. Adjusted for acquisition and currency translation effects sales grew by SEK 328 million compared to last year. The increase was mainly due to the new manufacturing contract in Spain, improved productivity in India after last year's transition issues, as well as general demand growth.

#### EBITDA

EBITDA for Solids & Others increased 56 per cent to SEK 279 million, an increase of SEK 100 million. This gave an EBITDA margin of 14.1 per cent (11.5). The increase was mainly driven by the new manufacturing contract in Spain, capacity utilization driven by demand growth, as well as cost efficiencies.



## 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 decreased by 1%
- EBITDA decreased by 38%
- EBITDA margin of 14.6% (23.2)



### JULY – SEPTEMBER 2018

#### Net sales

In the Development & Technology segment sales decreased by SEK 2 million to SEK 206 million, a decrease of 1 per cent. The sales, excluding currency effects, decreased by SEK 15 million mainly due to lower royalty income and to sourcing issues within the IP business.

#### SALES BRIDGE, JUL – SEP

	SEK million	%
<b>2017</b>	208	
Currency	13	+6
Acquisitions	-	
Organic	-15	-7
Total	-2	-1
<b>2018</b>	<b>206</b>	

#### EBITDA

EBITDA for Development & Technology decreased by SEK 18 million to SEK 30 million, equivalent to an EBITDA margin of 14.6 per cent (23.2). The reduced EBITDA was mainly caused by less royalty revenues and an unfavorable product mix.

#### EBITDA BRIDGE, JUL – SEP

	SEK million	%
<b>2017</b>	48	
Currency	3	+6
Acquisitions	-	
Other	-21	-44
Total	-18	-38
<b>2018</b>	<b>30</b>	

### JANUARY – SEPTEMBER 2018

#### Net sales

Development & Technology sales increased by SEK 72 million to SEK 724 million, an increase of 11 per cent. The acquisition effect was SEK 6 million and the currency translation effect was SEK 28 million. The sales, excluding acquisitions and currency effects, has increased by SEK 38 million, an organic growth of 6 per cent. This growth was driven by the improving demand for development services and a positive volume trend for several of our own products.

#### EBITDA

The year to date EBITDA for Development & Technology increased by SEK 18 million to SEK 154 million, equivalent to an EBITDA margin of 21.2 per cent (20.9). EBITDA adjusted for currency and acquisition effects increased by SEK 8 million mainly due to better capacity utilization for the development services, lower distribution costs and higher volumes.

## CASH FLOW

SEK million	Jul – Sep		Jan – Sep		Jan – Dec
	2018	2017	2018	2017	2017
CF fr operating activities before changes in WC	-47.5	3.0	402.2	275.8	455.7
CF from changes in working capital (WC)	219.6	145.9	-63.8	2.0	-104.4
CF from investing activities	-39.3	-153.4	-514.3	-1,386.8	-1,585.4
CF from financing activities	-86.9	283.9	520.3	1,149.8	1,306.4
<b>Total</b>	<b>45.9</b>	<b>279.4</b>	<b>344.4</b>	<b>40.9</b>	<b>72.3</b>

### JULY – SEPTEMBER 2018

Cash flow from operating activities before changes in working capital was to SEK -47.5 million (3.0) while changes in working capital was SEK 219.6 million (145.9).

Cash flow from investing activities was SEK -39.3 million (-153.4) of which SEK -55.6 million (-146.7) was investments in property, plant and equipment and SEK 17.7 million was proceeds from the divestment of listed shares.

Cash flow from financing activities was SEK -86.9 million (-283.9).

### JANUARY – SEPTEMBER 2018

Cash flow from operating activities before changes in working capital was to SEK 402.2 million (275.8) while changes in working capital was SEK -63.8 million (2.0).

Cash flow from investing activities was SEK -514.3 million (-1,386.8) of which SEK -307.2 million was the acquisition of additional shares in Nitin Lifesciences and SEK -270.9 million (-396.3) was investments in property, plant and equipment, and SEK 60.7 million was proceeds from the divestment of the product right ThyroSafe®.

Cash flow from financing activities was SEK 520.3 million (1,149.8), of which SEK 508.0 million was a new share issue announced 14 June.

## FINANCING AND RETURN

SEK million	Jan – Sep		Jan – Dec
	2018, adjusted	2017	2017, adjusted
Return on operating capital <sup>1/</sup> (%)	4.6	3.6	3.0
Return on equity <sup>1/</sup>	2.9	2.0	1.6
Net debt to EBITDA <sup>1/</sup>	3.4	4.4	4.7
Net debt to equity <sup>1/</sup>	0.6	0.7	0.7
Equity to assets <sup>1/</sup> (%)	43.3	44.3	43.4

1/ APM: Alternative Performance Measures, see financial definitions after note 4.

### KEY FIGURES AND RETURN

The return on operating capital increased to 4.6 from 3.6 last year. The increase from last year is mainly due to higher profit in the period.

Return on equity increased to 2.9 from 2.0 in the same period 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 decreased to 3.4 from 4.4 compared to the same period in the previous year. The decrease is mainly due to the increased EBITDA for the period.

Net debt in relation to equity was 0.6 (0.7), below 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 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 93.9 million (89.7) and operating result was SEK -74.3 million (-61.8) during the period. Investments amounted to SEK 85.4 million (87.0), mainly due to the serialisation project.

## EMPLOYEES

The number of employees (equivalent to full-time employees "FTE") during the period was 4,749 (4,179).

## SIGNIFICANT EVENTS DURING THE PERIOD

### **Recipharm continues manufacturing operations in Höganäs, Sweden**

Recipharm announced on October 19 that it will continue the manufacturing operations at its facility in Höganäs, Sweden, operations that earlier were set towards being discontinued.

In 2017, Recipharm announced the intention to discontinue the operations in Höganäs and evaluate different options for the facility, including divestment of the site. During this evaluation, new customers have actively approached Recipharm, adding demand for several new products in Höganäs. Consequently, Recipharm is now reversing the decision to discontinue the operations in order to progress these new opportunities.

At this stage, an important new customer contract has now been established, comprising development and launch of a new product by a large European pharmaceutical company. Recipharm expects that this decision will facilitate the completion of further customer agreements, as well as extending relationships with already existing customers.

Recipharm's operations in Höganäs employ approximately 45 people and are specialised in sachet and stick pack filling, primarily for powders and granules.

The decision to continue the Höganäs operations has triggered release of the associated accrual for estimated closing costs. The release of the accrual has been reported as a non-recurring income in the Q3 2018 results.

## SIGNIFICANT EVENTS AFTER THE PERIOD END

### **Recipharm completes the acquisition of Sanofi CMO business**

Recipharm and Sanofi have completed the acquisition of Sanofi's inhalation contract manufacturing business including a manufacturing facility located in Holmes Chapel, UK. The acquisition was announced in June 2018.

Recipharm acquired the assets and business for a total consideration of GBP 45 million (SEK 527 million) on a cash and debt free basis. Supplementary considerations may be made in 2020 and 2021, subject to superior development of the business.

The facility, which includes development and manufacturing capabilities for novel respiratory products, complements the inhalation development expertise offered by the Recipharm team in Research Triangle Park, North Carolina.

The business in Holmes Chapel will be reported in the segment Sterile Liquids (which will change name to Steriles and Inhalation) from Q4 2018.

### **Recipharm welcomes Tobias Hägglov as Chief Financial Officer**

Recipharm AB (publ) announced on October 3 that Tobias Hägglov took office as new Chief Financial Officer.

### **Temporary manufacturing licence restriction at Recipharm Ltd, Ashton-u-Lyne, UK facility**

Recipharm announced on October 25 that following a routine audit, the UK Medicines and Healthcare Products Regulatory Agency (MHRA) have restricted the manufacturing licence for five non-critical highly potent products supplied from the Recipharm facility located in Ashton-u-Lyne, UK. This was due to deficiencies in certain of the manufacturing procedures which represented a potential cross contamination risk.

It is unlikely that this issue will cause significant supply interruptions to patients and it is expected that the licence restriction will be completely lifted by the end of the year.

The financial effect of this issue on Q4 results is anticipated to be less than SEK 10 million.

## FINANCIAL CALENDAR

Interim report Jan – Dec 2018      February 21, 2019

## CONTACT INFORMATION:

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Stockholm, November 8 2018

On behalf of the Board of Directors of Recipharm AB (publ)

Thomas Eldered (CEO)

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

## REVIEW REPORT

Recipharm AB (publ), corporate identity number 556498-8425

### INTRODUCTION

We have reviewed the condensed interim report for Recipharm AB (publ) as at September 30, 2018 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### SCOPE OF REVIEW

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 Review of Interim Financial Statements Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm 8 November 2018

Ernst & Young AB

Jennifer Rock-Baley  
Authorized Public Accountant

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 November 8, 2018. This interim report and other financial information about Recipharm AB (publ) are available at [www.recipharm.com](http://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 been reviewed by the company's auditors.

## FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF PROFIT AND LOSS

SEK million	Jul – Sep		Jan - Sep		Jan – Dec
	2018	2017	2018	2017	2017
<b>Operating income</b>					
Net sales	1,421.3	1,200.3	4,634.7	3,929.0	5,331.9
Other operating revenue	37.8	39.3	226.2	120.6	182.7
	<b>1,459.1</b>	<b>1,239.6</b>	<b>4,860.9</b>	<b>4,049.6</b>	<b>5,514.6</b>
<b>Operating expenses</b>					
Raw materials and consumables	-490.7	-424.2	-1,432.9	-1,259.8	-1,660.4
Other external costs	-322.1	-295.3	-1,032.0	-925.0	-1,350.3
Employee benefits expense	-477.4	-400.7	-1,547.5	-1,312.4	-1,909.5
Depreciation and amortisation	-129.2	-119.8	-396.8	-353.1	-533.1
Other operating expenses	-10.6	-15.7	-40.3	-45.2	-69.7
Share of result in participations	-3.9	-0.8	-4.1	-3.1	-0.3
	<b>-1,433.9</b>	<b>-1,256.5</b>	<b>-4,453.5</b>	<b>-3,898.6</b>	<b>-5,523.3</b>
<b>Operating profit</b>	<b>25.2</b>	<b>-16.9</b>	<b>407.4</b>	<b>151.0</b>	<b>-8.7</b>
Interest income and similar revenues	18.7	5.5	37.1	8.6	26.0
Interest expenses and similar costs	-48.9	-51.7	-170.6	-106.6	-138.7
<b>Net financial income/expense</b>	<b>-30.2</b>	<b>-46.3</b>	<b>-133.6</b>	<b>-98.0</b>	<b>-112.7</b>
<b>Profit before tax</b>	<b>-4.9</b>	<b>-63.2</b>	<b>273.8</b>	<b>52.9</b>	<b>-121.4</b>
Income tax	-4.2	9.1	-73.2	-29.9	-38.6
<b>Profit for the period</b>	<b>-9.2</b>	<b>-54.2</b>	<b>200.6</b>	<b>23.0</b>	<b>-160.0</b>

### OTHER COMPREHENSIVE INCOME

K million	Jul – Sep		Jan – Sep		Jan - Dec
	2018	2017	2018	2017	2017
<b>Items that may be reclassified subsequently to profit or loss</b>					
Translation differences	-192.5	-154.0	4.1	-184.9	-35.9
Gains/losses from fair value valuation of financial instruments	4.3	16.4	2.7	22.7	35.6
Deferred tax relating to items that may be reclassified	-1.0	-3.6	-0.6	-5.0	-7.8
<b>Total</b>	<b>-189.1</b>	<b>-141.2</b>	<b>6.3</b>	<b>-167.2</b>	<b>-8.1</b>
<b>Items that will not be reclassified to profit or loss</b>					
Actuarial gains/losses on pensions	0.1	-3.2	0.4	-4.3	3.1
Deferred tax relating to items that will not be reclassified	0.0	-0.3	0.0	-0.3	0.9
<b>Total</b>	<b>0.1</b>	<b>-3.5</b>	<b>0.4</b>	<b>-4.6</b>	<b>4.0</b>
<b>Other comprehensive income for the period</b>	<b>-189.0</b>	<b>-144.7</b>	<b>6.7</b>	<b>-171.8</b>	<b>-4.1</b>
<b>Comprehensive income for the period</b>	<b>-198.2</b>	<b>-198.8</b>	<b>207.2</b>	<b>-148.8</b>	<b>-164.1</b>
<b>Net profit distributed to:</b>					
Parent company's shareholders	-8.9	-56.2	199.6	16.7	-170.5
Non-controlling interest	-0.3	2.0	1.0	6.3	10.5
<b>Total</b>	<b>-9.2</b>	<b>-54.2</b>	<b>200.6</b>	<b>23.0</b>	<b>-160.0</b>
<b>Group comprehensive income distributed to:</b>					
Parent company's shareholders	-193.0	-171.5	202.6	-130.1	-160.1
Non-controlling interest	-5.2	-27.3	4.6	-18.7	-4.0
<b>Total</b>	<b>-198.2</b>	<b>-198.8</b>	<b>207.2</b>	<b>-148.8</b>	<b>-164.1</b>
Earnings per share before dilution (SEK)	<b>-0.13</b>	<b>-0.89</b>	<b>3.07</b>	<b>0.26</b>	<b>-2.70</b>
Earnings per share after dilution (SEK)	<b>-0.13</b>	<b>-0.89</b>	<b>3.07</b>	<b>0.26</b>	<b>-2.70</b>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION,  
CONDENSED

SEK million	Note	Sep 30		Dec 31
		2018	2017	2017
<b>ASSETS</b>				
<b>Non-current assets</b>				
Product rights		281.2	294.1	295.0
Goodwill		2,495.4	2,637.7	2,486.4
Customer relations		2,212.4	2,031.2	2,360.7
Other intangible assets		213.4	180.5	212.0
Property, plant and equipment		3,065.8	2,760.7	2,884.3
Non-current financial assets		286.9	248.0	266.9
<b>Total non-current assets</b>		<b>8,555.2</b>	<b>8,152.3</b>	<b>8,505.2</b>
<b>Current assets</b>				
Inventories		1,091.1	926.6	1,006.4
Accounts receivable		1,047.6	897.2	1,054.7
Other receivables		275.7	229.9	291.2
Prepaid expenses and accrued income		111.4	95.8	102.6
Cash and cash equivalents		1,121.9	731.1	770.9
<b>Total current assets</b>		<b>3,647.6</b>	<b>2,880.5</b>	<b>3,225.8</b>
<b>TOTAL ASSETS</b>		<b>12,202.7</b>	<b>11,032.8</b>	<b>11,731.0</b>
<b>SHAREHOLDERS EQUITY AND LIABILITIES</b>				
Share capital		33.9	31.6	31.6
Other paid-in capital		4,592.2	4,026.5	4,026.5
Reserves		71.0	-80.2	68.4
Retained earnings (including net profit)		584.6	596.0	422.0
<b>Equity attributable to Parent Company shareholders</b>		<b>5,281.7</b>	<b>4,573.9</b>	<b>4,548.4</b>
<b>Equity attributable to Non-Controlling interest</b>		<b>0.4</b>	<b>310.8</b>	<b>325.5</b>
<b>Total equity</b>		<b>5,282.1</b>	<b>4,884.8</b>	<b>4,874.0</b>
<b>Non-current liabilities</b>				
Interest-bearing liabilities		4,297.1	3,969.9	4,154.5
Provisions		505.3	290.4	508.2
Deferred tax liability		903.1	803.8	920.5
Other non-current liabilities		24.5	23.2	21.6
<b>Total non-current liabilities</b>		<b>5,730.0</b>	<b>5,087.3</b>	<b>5,604.8</b>
<b>Current liabilities</b>				
Interest-bearing liabilities		16.1	13.6	16.8
Overdraft facility		0.2	-	21.8
Accounts payable		619.5	533.2	614.4
Tax liabilities		48.9	62.6	72.5
Other liabilities		69.2	77.1	99.9
Accrued expenses and prepaid income		436.5	374.4	426.8
<b>Total current liabilities</b>		<b>1,190.5</b>	<b>1,060.8</b>	<b>1,252.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>12,202.7</b>	<b>11,032.8</b>	<b>11,731.0</b>

## 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
<b>Equity at 1 January 2017</b>	<b>31.6</b>	<b>4,026.5</b>	<b>62.2</b>	<b>666.9</b>	<b>4,787.0</b>	<b>343.1</b>	<b>5,130.1</b>
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
<b>Equity at 31 December 2017</b>	<b>31.6</b>	<b>4,026.5</b>	<b>68.4</b>	<b>422.0</b>	<b>4,548.5</b>	<b>325.5</b>	<b>4,874.0</b>
Effect from new accounting standards				2.6	2.6		2.6
Profit for the period 2018				199.6	199.6	1.0	200.6
Other comprehensive income			2.6	0.4	3.0	3.6	6.7
Non-controlling interest				-48.9	-48.9	-329.8	378.7
Transactions with owners:							
Share-based incentive program				9.0	9.0		9.0
New share issue	2.3	565.7			568.0		568.0
<b>Equity at 30 September 2018</b>	<b>33.9</b>	<b>4,592.2</b>	<b>71.0</b>	<b>584.6</b>	<b>5,281.7</b>	<b>0.4</b>	<b>5,282.1</b>

## CONSOLIDATED CASH FLOW STATEMENT

SEK million	Note	Jul – Sep		Jan - Sep		Jan - Dec
		2018	2017	2018	2017	2017
<b>Operating activities</b>						
Profit before tax		-4.9	-63.2	273.8	52.9	-121.4
Adjustments for items not affecting cash						
- Depreciation, amortization and impairment of assets		129.7	119.8	426.8	353.1	533.1
- Changes in provisions		-1.0	-1.3	-15.3	-18.7	194.8
- Gains from disposal of non-current assets		-22.0	-	-119.0	-	-0.5
- Share of result of associated companies		3.9	0.6	3.6	2.7	-1.1
- Other		-50.3	-3.5	-52.5	11.1	1.5
		<b>55.1</b>	<b>52.3</b>	<b>517.5</b>	<b>401.2</b>	<b>606.3</b>
Income taxes paid		-102.4	-49.3	-115.3	-125.4	-150.6
<b>Operating cash flow before changes in working capital</b>		<b>-47.5</b>	<b>3.0</b>	<b>402.2</b>	<b>275.8</b>	<b>455.7</b>
<i>Cash flow from changes in working capital</i>						
Change in inventories		22.4	57.4	-82.3	17.9	-39.8
Change in operating receivables		321.8	127.1	47.9	4.0	-150.7
Change in operating liabilities		-124.8	-38.6	-29.4	-19.8	86.1
<b>Operating cash flow</b>		<b>172.1</b>	<b>148.9</b>	<b>338.4</b>	<b>277.8</b>	<b>351.4</b>
<i>Investing activities</i>						
Acquisition of property, plant and equipment		-55.6	-146.7	-270.9	-396.3	-548.2
Disposal of property, plant and equipment		5.4	0.4	5.4	0.5	5.8
Acquisition of intangible assets		-1.9	-6.2	-15.3	-13.0	-48.1
Disposal of intangible assets		-	-	60.7	-	-
Acquisition of subsidiaries/operations, net of cash acquired		-	-	-307.2	-974.7	-974.7
Acquisition of financial assets		-4.9	-3.0	-7.5	-5.4	-20.2
Disposal of short-term investment		17.7	2.1	20.5	2.1	-
<b>Cash flow from investing activities</b>		<b>-39.3</b>	<b>-153.4</b>	<b>-514.3</b>	<b>-1,386.8</b>	<b>-1,585.4</b>
<i>Financing activities</i>						
Dividend paid to Parent Company shareholders		-	-	-	-94.0	-94.0
New share issue		-	-	508.0	-	-
Change in overdraft facility		-20.1	-	-22.2	-25.8	-4.0
Loans raised		-	290.8	610.0	1,451.4	1,790.6
Repayment of borrowings		-66.8	-6.9	-575.5	-181.8	-386.2
<b>Cash flow from financing activities</b>		<b>-86.9</b>	<b>283.9</b>	<b>520.3</b>	<b>1,149.8</b>	<b>1,306.3</b>
<b>Total cash flow for the period</b>		<b>45.9</b>	<b>279.4</b>	<b>344.4</b>	<b>40.9</b>	<b>72.3</b>
Cash and cash equivalents at beginning of period		1,085.4	448.1	770.9	695.8	695.8
Translation difference on cash and cash equivalents		-9.4	3.6	6.7	-5.6	2.7
<b>Cash and cash equivalents at end of period</b>		<b>1,121.9</b>	<b>731.1</b>	<b>1,121.9</b>	<b>731.1</b>	<b>770.9</b>
Interest received		0.9	2.6	2.4	4.2	5.5
Interest paid		-13.1	-25.3	-79.5	-58.9	-94.2



## PARENT COMPANY STATEMENT OF PROFIT AND LOSS

SEK million	Jul – Sep		Jan – Sep		Jan – Dec
	2018	2017	2018	2017	2017
<b>Operating Income</b>					
Net sales	33.8	30.8	93.9	89.7	118.6
Other operating revenue	0.2	0.9	5.7	3.4	6.8
	<b>34.0</b>	<b>31.7</b>	<b>99.6</b>	<b>93.1</b>	<b>125.4</b>
<b>Operating expenses</b>					
Other external costs	-25.9	-24.3	-85.8	-79.2	-108.8
Employee benefits expense	-22.0	-20.5	-75.9	-66.8	-93.1
Depreciation and amortisation	-3.9	-2.1	-9.3	-6.3	-8.1
Other operating expenses	-0.7	-0.7	-2.9	-2.6	-3.3
	<b>-52.5</b>	<b>-47.6</b>	<b>-173.9</b>	<b>-154.9</b>	<b>-213.3</b>
<b>Operating profit/loss</b>	<b>-18.5</b>	<b>-15.8</b>	<b>-74.3</b>	<b>-61.8</b>	<b>-87.9</b>
Financial items	-29.0	-7.1	-5.1	24.1	-160.7
<b>Profit/loss after financial items</b>	<b>-47.5</b>	<b>-23.0</b>	<b>-79.4</b>	<b>-37.7</b>	<b>-248.6</b>
Appropriations and tax	-	9.1	-	21.3	0.5
<b>Profit/loss for the period</b>	<b>-47.5</b>	<b>-13.9</b>	<b>-79.4</b>	<b>-16.4</b>	<b>-248.1</b>

## OTHER COMPREHENSIVE INCOME

SEK million	Jul – Sep		Jan – Sep		Jan – Dec
	2018	2017	2018	2017	2017
<b>Items that may be reclassified subsequently to profit or loss</b>					
Translation differences	0.6	0.9	-1.5	1.4	0.2
<b>Other comprehensive income for the period</b>	<b>0.6</b>	<b>0.9</b>	<b>-1.5</b>	<b>1.4</b>	<b>0.2</b>
<b>Total comprehensive income for the period</b>	<b>-46.9</b>	<b>-13.0</b>	<b>-80.9</b>	<b>-15.0</b>	<b>-247.9</b>

## PARENT COMPANY STATEMENT OF FINANCIAL POSITION, CONDENSED

SEK million	Sep 30		Dec 31
	2018	2017	2017
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	8.5	13.4	12.0
Property, plant and equipment	243.2	138.3	169.0
Non-current financial assets	6,957.7	6,470.5	6,559.9
Current assets	1,610.4	1,182.5	1,295.0
<b>TOTAL ASSETS</b>	<b>8,819.8</b>	<b>7,804.7</b>	<b>8,036.0</b>
<b>SHAREHOLDERS EQUITY AND LIABILITIES</b>			
Equity	3,946.9	3,678.2	3,449.3
Liabilities	4,872.9	4,126.5	4,586.7
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>8,819.8</b>	<b>7,804.7</b>	<b>8,036.0</b>

## ACCOUNTING PRINCIPLES, RISKS, DEFINITIONS AND NOTES

### Accounting principles

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

The accounting principles and calculations in this report are the same as those used for the 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
<b>Effect on retained earnings from IFRS 9</b>	<b>-0.6</b>

### 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
<b>Effect on retained earnings from IFRS 15</b>	<b>+3.2</b>

### New accounting principles from 1 January 2019

#### IFRS 16 Leasing

The assessment of effect from IFRS 16 is progressing according to plan. IFRS 16 will have some effect of Recipharm's accounts, primarily in terms of non-current assets and interest-bearing 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
<b>Number of shares as of 31 December 2017</b>	<b>15,222,858</b>	<b>47,624,674</b>	<b>370,000</b>	<b>63,217,532</b>
New share issue		4,000,000		67,217,532
New share issue, acquisition of shares in Nitin Lifesciences		558,261		67,775,793
<b>Number of shares as of 30 September 2018</b>	<b>15,222,858</b>	<b>52,182,935</b>	<b>370,000</b>	<b>67,775,793</b>

Potential shares, 2,181,783 (1,083,363), 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 10,121 B-shares and 370 000 D-shares. This is to secure delivery of shares to participants in the Share-based incentive program

## NOTE 2 EARNINGS PER SHARE

SEK million	Note	Jul - Sep		Jan – Sep		Full year
		2018	2017	2018	2017	2017
<b>Parent company's shareholders:</b>						
Earnings per share before dilution (SEK)		-0.13	-0.89	3.07	0.26	-2.70
Earnings per share after dilution (SEK)		-0.13	-0.89	3.07	0.26	-2.70
Profit before dilution (SEK thousand)		-8,910	-56,190	199,570	16,729	-170,492
Effect from potential shares (SEK thousand)		10,057	7,522	30,172	25,508	40,774
Profit after dilution (SEK thousand)		1,147	-48,668	229,742	42,237	-129,718
Average number of shares before dilution (thousand)	1	67,776	63,218	65,019	63,218	63,218
Potential shares (thousand)	1	2,182	1,083	2,182	1,083	1,358
Average number of shares after dilution (thousand)		69,958	64,301	67,201	64,301	64,576

## 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. Discontinued operations and non-recurring items are reported separately. 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 – Sep 2018

SEK million	MFG-SL	MFG-SO	D&T	Elim & Other	Total	Disc. operations	Non rec. items	Total
Net sales, external	1,787.0	1,922.4	708.9	-	<b>4,418.4</b>	216.3	-	<b>4,634.7</b>
Net sales, internal	26.4	53.5	15.2	-105.0	<b>-9.9</b>	9.9	-	-
EBITDA	345.4	278.5	153.8	-61.3	<b>716.5</b>	-8.7	96.3	<b>804.1</b>
EBITDA %	19.0	14.1	21.2		<b>16.3</b>	-3.8		<b>17.4</b>
Depreciations	-193.9	-143.5	-59.8	-6.0	<b>-403.2</b>	-3.2	-	<b>-406.4</b>
Impairment	-	-	-3.0	-	<b>-3.0</b>	-	12.6	<b>9.6</b>
EBIT	151.5	135.0	91.1	-67.2	<b>310.3</b>	-11.9	108.9	<b>407.4</b>
Goodwill	1,264.7	668.0	562.7	-	<b>2,495.4</b>	-	-	<b>2,495.4</b>
Non-current assets	3,774.2	2,805.5	1,582.5	356.3	<b>8,518.4</b>	36.8	-	<b>8,555.2</b>
Total assets	4,972.9	4,367.0	2,147.3	302.0	<b>11,788.6</b>	414.1	-	<b>12,202.7</b>

## Jan – Sep 2017

SEK million	MFG-SL	MFG-SO	D&T	Elim & Other	Total	Disc. operations	Non rec. items	Total
Net sales, external	1,560.1	1,499.6	637.5	0.0	<b>3,697.3</b>	231.7	-	<b>3,929.0</b>
Net sales, internal	19.9	60.3	14.3	-109.3	<b>-14.8</b>	14.8	-	-
EBITDA	269.8	179.1	136.2	-55.7	<b>529.4</b>	-25.3	-	<b>504.1</b>
EBITDA %	17.1	11.5	20.9		<b>14.4</b>	-10.2	-	<b>12.8</b>
Depreciations	-166.0	-117.4	-57.7	-3.0	<b>-344.1</b>	-9.0	-	<b>-353.1</b>
Impairment	-	-	-	-	-	-	-	-
EBIT	103.9	61.7	78.5	-58.7	<b>185.4</b>	-34.3	-	<b>151.0</b>
Goodwill	1,237.4	1,059.0	341.4	-	<b>2,637.7</b>	-	-	<b>2,637.7</b>
Non-current assets	3,747.4	2,884.9	1,285.8	169.3	<b>8,087.4</b>	64.9	-	<b>8,152.3</b>
Total assets	4,767.9	3,924.8	1,804.4	324.6	<b>10,821.7</b>	211.1	-	<b>11,032.8</b>

## Jan – Dec 2017

SEK million	MFG-SL	MFG-SO	D&T	Elim & Other	Total	Disc. operations	Non rec. items	Total
Net sales, external	2,095.6	2,059.6	853.0	-	<b>5,008.3</b>	323.6	-	<b>5,331.9</b>
Net sales, internal	30.1	79.2	20.9	-148.3	<b>-18.0</b>	18.0	-	-
EBITDA	390.8	248.8	191.7	-82.1	<b>749.2</b>	-19.6	-205.3	<b>524.3</b>
EBITDA %	18.4	11.6	21.9	-	<b>15.0</b>	-5.7	-	<b>9.8</b>
Depreciations	-226.0	-169.6	-82.9	-3.6	<b>-482.2</b>	-11.9	-	<b>-494.1</b>
Impairment	0.0	-2.4	-1.9	-	<b>-4.3</b>	-	-34.6	<b>-39.0</b>
EBIT	164.8	76.8	106.8	-85.7	<b>262.7</b>	-31.5	-239.9	<b>-8.7</b>
Goodwill	1,278.1	661.6	546.6	-	<b>2,486.4</b>	-	-	<b>2,486.4</b>
Non-current assets	2,606.4	2,120.1	1,585.0	2,169.3	<b>8,480.8</b>	24.4	-	<b>8,505.2</b>
Total assets	4,028.8	3,343.2	2,184.1	1,775.9	<b>11,332.1</b>	398.9	-	<b>11,731.0</b>

Geographical area	Net sales			Non-current assets		
	Jan-Sep 2018	Jan-Sep 2017	Jan-Dec 2017	Sep 30 2018	Sep 30 2017	Dec 31 2017
Sweden	1,048.2	1,045.1	1,456.9	1,554.0	1,348.9	1,398.7
Italy	926.5	792.7	1,079.1	1,938.4	1,877.5	1,927.4
France	827.9	750.4	975.0	797.9	705.0	765.1
India	548.4	438.4	617.9	2,293.2	2,254.4	2,412.1
Spain	456.3	165.0	220.8	154.1	110.7	142.1
Portugal	412.7	401.2	530.8	969.5	1,020.2	1,004.0
Germany	335.7	250.0	334.8	774.9	760.0	785.2
Other	79.0	86.2	116.5	73.3	75.6	70.6
<b>Total</b>	<b>4,634.7</b>	<b>3,929.0</b>	<b>5,331.9</b>	<b>8,555.2</b>	<b>8,152.3</b>	<b>8,505.2</b>

## NOTE 4 DISAGGREGATION OF REVENUE

SEK million	Revenue recognition	Jan – Sep 2018				Total
		MFG-SL	MFG-SO	D&T	Discontinued operations	
Pharmaceutical manufacturing	Revenue recognised at point in time	1,768.4	1,907.7		216.3	<b>3,892.4</b>
Pharmaceutical manufacturing	Revenue recognised over time	18.6	14.7			<b>33.3</b>
Product sales	Revenue recognised at point in time			529.5		<b>529.5</b>
<b>Total sales of products</b>		<b>1,787.0</b>	<b>1,922.4</b>	<b>529.5</b>	<b>216.3</b>	<b>4,455.2</b>
Service sales	Revenue recognised over time			179.4		<b>179.4</b>
<b>Total sales of services</b>				<b>179.4</b>		<b>179.4</b>
<b>Total net sales</b>		<b>1,787.0</b>	<b>1,922.4</b>	<b>708.9</b>	<b>216.3</b>	<b>4,634.7</b>

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

<b>Adjusted for non-recurring items</b>	Ratio or amount adjusted for costs related to the discontinuing of manufacturing operations in Stockholm and Höganäs, divestment of rights to Thyrosafe® and acquisition costs
<b>Debt/equity ratio</b>	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>
<b>EBITDA</b>	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>
<b>EBITDA margin</b>	Profit before financial items, taxes, depreciation and amortization adjusted for non-recurring items, divided by net sales <i>The EBITDA margin shows operating profit in relation to net sales</i>
<b>Equity per share</b>	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>
<b>Equity/assets ratio</b>	Total equity divided by total assets
<b>Equity/assets ratio, adjusted</b>	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>
<b>Interest-coverage ratio</b>	Operating profit plus financial income divided by financial expenses <i>Measures the company's ability to cover its interest expenses</i>
<b>Net debt</b>	Interest-bearing liabilities less cash and cash equivalents <i>Net debt is calculated to show the net of interest-bearing liabilities and cash</i>
<b>Net debt/equity ratio</b>	Net debt divided by total equity <i>The debt/equity ratio is an indication of financial strength, relationship between net debt and equity</i>
<b>Net debt in relation to EBITDA</b>	Net debt divided by EBITDA (rolling 12-month basis)
<b>Net sales (CER)</b>	Net debt in relation to EBITDA shows the impact of and risk level for liabilities 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>
<b>Non-interest-bearing liabilities</b>	Includes deferred tax liability <i>Measures non-interest-bearing liabilities</i>
<b>Operating capital (average)</b>	Net debt plus shareholders' equity (average opening and closing balance for the period) <i>Measures the use and efficiency of capital</i>
<b>Operating cash flow per share</b>	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>
<b>Operating margin</b>	Operating profit divided by net sales <i>Measures the profitability of operations</i>
<b>Operating profit</b>	Operating profit before financial items and tax <i>Operating profit shows the earnings from operations, including depreciation/amortisation and impairment losses</i>
<b>Return on equity</b>	<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 total equity <i>Return on equity shows the return on the company's equity</i>
<b>Return on equity, adjusted</b>	Net profit for the year (12-month period) adjusted for non-recurring items divided by average total equity <i>Return on equity, adjusted, shows the return on the company's equity adjusted for non-recurring items</i>
<b>Return on operating capital</b>	Operating profit (12-month period) divided by average operating capital <i>Return on operating capital shows the return disregarding financial assets and financing</i>
<b>Return on operating capital, adjusted</b>	Operating profit adjusted for non-recurring items (12-month period) divided by average operating capital <i>Return on operating capital shows the return disregarding financial assets and financing</i>

## BRIDGE FROM EBITDA TO EBIT

SEK million	Jul - Sep		Jan - Sep		Jan - Dec
	2018	2017	2018	2017	2017
<b>EBITDA</b>	<b>151.0</b>	<b>102.8</b>	<b>707.8</b>	<b>504.1</b>	<b>729.6</b>
Depreciation and amortisation	-141.8	-119.8	-409.4	-353.1	-498.5
Non-recurring items	16.1	-	108.9	-	-239.9
<b>EBIT</b>	<b>25.2</b>	<b>-16.9</b>	<b>407.4</b>	<b>151.1</b>	<b>-8.7</b>

Non-recurring items consist of (2018); reversal of reserve for restructuring costs following the decision to continue the business in Höganäs, increase of the reserve for restructuring costs from the discontinuing of business in Stockholm, profit from divestment of the product rights to ThyroSafe® and acquisition costs, and (2017); restructuring costs and reserve for onerous contracts from the discontinuing of businesses in Stockholm and Höganäs.

## 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 RECI PHARM

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 6 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](http://www.recipharm.com)