

INTERIM REPORT

JANUARY – DECEMBER 2018



INTERIM REPORT

OCTOBER – DECEMBER 2018

- Net sales amounted to SEK 1,739 million (1,403), an increase of 24%
- EBITDA^{1/2/} increased by 24% to SEK 280 million (226) corresponding to an EBITDA^{1/} margin of 16.1% (16.1)
- Operating profit (EBIT) amounted to SEK -2 million (-160)
- Profit after tax amounted to SEK -41 million (-183) corresponding to a net margin of -2.3% (-13.0)
- Earnings per share amounted to SEK -0.59 (-2.96) before dilution and SEK -0.59 (-2.96) after dilution. Adjusted for non-recurring items earnings per share amounted to SEK 1.07 (0.83)
- Recipharm announced the intention to end operations in Ashton-under-Lyne, United Kingdom
- The acquisition of the Inhalation CMO business in United Kingdom was completed

24%
Sales increase

280
MSEK, EBITDA

16.1%
EBITDA margin

JANUARY – DECEMBER 2018

- Net sales amounted to SEK 6,374 million (5,332), an increase of 20%
- EBITDA increased by 35% and amounted to SEK 987 million (730) corresponding to an EBITDA margin of 15.5% (13.7)
- Operating profit (EBIT) amounted to SEK 405 million (-9). Adjusted for non-recurring items EBIT was SEK 425 million
- Profit after tax amounted to SEK 160 million (-160) corresponding to a net margin of 2.5% (-3.0)
- Earnings per share was SEK 2.43 (-2.70) before dilution and SEK 2.43 (-2.70) after dilution. Adjusted for non-recurring items earnings per share amounted to SEK 2.73 (1.10)
- Net debt to Equity was 0.7 (0.7)
- Non-recurring items had a SEK 20 million negative impact on EBIT and profit before tax
- Proposed dividend is SEK 1.25 (0) per share

KEY FIGURES

SEK million	Oct – Dec			Jan - Dec		
	2018	2017	Change in %	2018	2017	Change in %
Net sales	1,739	1,403	24.0	6,374	5,332	19.5
EBITDA ^{1/2/}	280	226	23.9	987	730	35.3
EBIT adjusted ^{1/}	127	80	58.8	425	231	83.9
EBIT ^{1/2/}	-2	-160	98.8	405	-9	
EBITDA margin (%) ^{1/}	16.1	16.1		15.5	13.7	
Earnings per share adj. (SEK) ^{1/}	1.07	0.83		2.73	1.10	
Earnings per share (SEK) ^{1/}	-0.59	-2.96		2.43	-2.70	
Return on equity (%), adjusted ^{1/}				3.4	1.6	
Return on equity (%) ^{1/}				3.1	-3.2	
Equity per share adj. (SEK) ^{1/}				80.6	75.7	
Equity per share (SEK) ^{1/}				78.7	71.9	
Equity/assets ratio, adj. (%) ^{1/}				42.1	43.4	
Equity/assets ratio (%) ^{1/}				42.0	41.5	
Net debt ^{1/}				3,791	3,422	
Net debt to Equity ^{1/}				0.7	0.7	
Net debt to EBITDA ^{1/}				3.8	4.7	

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

2/ See page 24 for a bridge from EBITDA to EBIT

COMMENTS BY THOMAS ELDERED, CEO

Strong finish to a successful year

In the fourth quarter, net sales increased by 24 per cent to SEK 1,739 million, driven by solid organic growth, acquisitions and currency tailwinds. Organic growth in continuing operations was 8.3 per cent, mainly driven by Solids and Others. While we continued to grow sales from our recently expanded capacities, sales were negatively affected by phasing as well as technical issues and supply delays in France and UK. The market conditions remained generally favourable in all reporting segments.

Sales and EBITDA were the highest ever for a fourth quarter, even excluding acquisitions.

EBITDA increased by 24 per cent to SEK 280 million and the EBITDA-margin remained at 16.1 per cent. The increased profit was mainly due to acquisitions. We saw temporary negative effects from technical issues and supply delays. Adjusted Earnings per share in the quarter increased by 29 per cent to SEK 1.07.

In line with the strong sales growth and seasonal build-up of working capital, cash flow from operating activities for the quarter decreased by SEK 49 million to SEK 25 million.

October 1st Recipharm completed the acquisition of an inhalation CMO business in Holmes Chapel, UK. This acquisition adds new technologies to our offering to customers and we already see a great level of interest from current as well as new customers. Integration has progressed well ahead of plan and we recorded sales of SEK 170 million already in the quarter. While we benefitted from material one-time effects following the completion, the underlying business performed in line with our expectations. Sales and EBITDA-margin in the quarter was higher than the expected annual run-rate.

We have now made the decision to end operations in our Ashton-under-Lyne, UK, facility. This caused an accrual of related non-recurring costs of SEK 117 million, whereof SEK 54 million relate to non-cash items. Sales from this unit have gradually decreased over several years and the facility would require substantial capex in order to become competitive and be able to provide services to our customers according to our standards and policies. Group EBITDA was materially negatively affected by the performance in this unit. This business will be reported in the discontinued business segment from Q1 2019.

I'm pleased with our achievements during 2018 and we are well positioned to explore further opportunities. Leverage ratios are good and will continue to improve during 2019, following improved profit and decreased capex. The temporary effects we saw during the fourth quarter will disappear during coming quarters and we expect to see a steady development going forward. Net sales grew by 20 per cent in 2018 and with current structure we expect to continue to show good growth in 2019, towards reaching our SEK 8 billion sales target by 2020. At 15.5 per cent in 2018 we didn't quite reach our EBITDA-margin target of at least 16 per cent while for 2019 we expect to reach our target.



The company invites investors, analysts and media to a telephone conference with a web presentation (in English) on February 21 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

REVENUES

NET SALES PER SEGMENT

SEK million	Oct – Dec			Jan – Dec		
	2018	2017	Change in %	2018	2017	Change in %
Steriles & Inhalation	743	546	36	2,556	2,126	20
Solids & Others	757	612	24	2,784	2,222	25
Development & Technology	211	222	-5	935	874	7
Discontinued operations	64	61	4	240	258	-7
Eliminations and others	-36	-39	-9	-141	-148	-5
Total	1,739	1,403	24	6,374	5,332	20

OCTOBER - DECEMBER 2018

Net sales

Net sales increased by SEK 336 million and amounted to SEK 1,739 million, an increase of 24 per cent. This included 12 per cent growth from the acquisition of the inhalation contract manufacturing business in Holmes Chapel, UK. Sales increased organically by 8 per cent, mainly driven by Solids & Others.

Other operating revenue

Other operating revenue amounted to SEK 58 million (62). The reduction was mainly due to lower royalty income.

JANUARY – DECEMBER 2018

Net sales

Net sales increased by SEK 1,042 million to SEK 6,374 million, an increase of 20 per cent. The increase was mainly due to a new manufacturing contract in Spain, the acquisition in UK, sterile capacity expansion effects, and normalized sales after transition issues in India last year. Sales, excluding acquisitions and currency effects increased by SEK 619 million, an organic growth rate of 12 per cent.

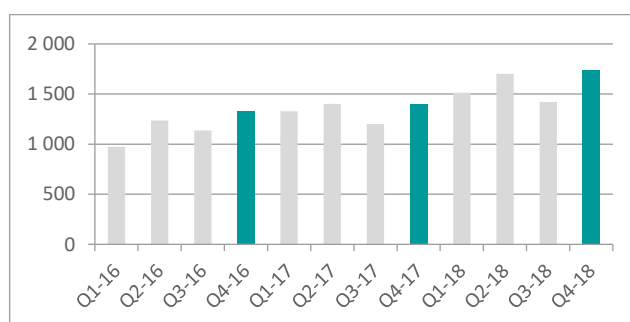
Other operating revenue

Other operating revenue increased by SEK 102 million to SEK 285 million (183). The increase was due to the sale of ThyroSafe product rights. Currency gains and pass-through revenues compensated for SEK 33 million less royalty revenue.

SALES BRIDGE, OCT – DEC

	SEK million	%
2017	1,403	
Currency	49	4
Acquisitions	170	12
Organic	117	8
Total	336	24
2018	1,739	

NET SALES BY QUARTER



SALES BRIDGE, JAN – DEC

	SEK million	%
2017	5,332	
Currency	224	4
Acquisitions	199	4
Organic	619	12
Total	1,042	20
2018	6,374	

RESULTS

EBITDA PER SEGMENT

SEK million	Oct - Dec		Change in %	Jan - Dec		Change in %
	2018	2017		2018	2017	
Steriles & Inhalation	151	121	25	497	391	27
Solids & Others	116	77	50	390	251	55
Development & Technology	50	56	-9	204	192	7
Discontinued operations	-	-1	-80	-5	-22	-76
Eliminations and others	-38	-26	43	-99	-82	20
Total	280	226	24	987	730	35

OCTOBER - DECEMBER 2018

EBITDA

EBITDA amounted to SEK 280 million (226), an increase of 24 per cent. The increase was mainly driven by the acquisition of inhalation business in UK. The EBITDA margin to sales remained unchanged at 16.1 per cent to sales.

Raw materials and consumables

Raw materials and consumables amounted to SEK 406 million (401). The increase was mainly due to acquisitions and new manufacturing contracts. The materials to sales ratio was 23 per cent (29), mainly related to phasing effects, whereas finished goods was held in stock over year end.

Other external costs

Other external costs amounted to SEK 488 million (425) where the acquisition effect was SEK 40 million. Adjusted for restructuring reserves the cost to sales ratio increased 2 percentage points to 26 per cent driven by an increase in consultants and maintenance costs mainly in the manufacturing segments.

Employee benefits expense

Employee benefits expense amounted to SEK 681 million (597). Adjusted for restructuring reserves the ratio of personnel costs to sales increased 1 percentage point to 37 per cent (36), mainly an acquisition effect and temporarily higher personnel costs for Steriles and Inhalation.

Depreciation, amortisation and impairment

Depreciation and amortisation amounted to SEK 184 million (180). Adjusted for restructuring reserves and acquisition effects the depreciation, amortization and impairment decreased by SEK 5 million related to changes in purchase price allocation for the Bengaluru acquisition offset by the depreciation of recent expansion investments in sterile capacity.

Financial items

Interest income and similar revenues decreased by SEK 31 million to SEK -14 million (17) mainly due to currency revaluation effects. Interest expenses and similar costs amounted to SEK 29 million (32), of which interest expenses was SEK 26 million (32) and net currency revaluation effects and other debt related expenses was SEK 3 million (0).

Tax

The income tax amounted to SEK 4 million (-9).

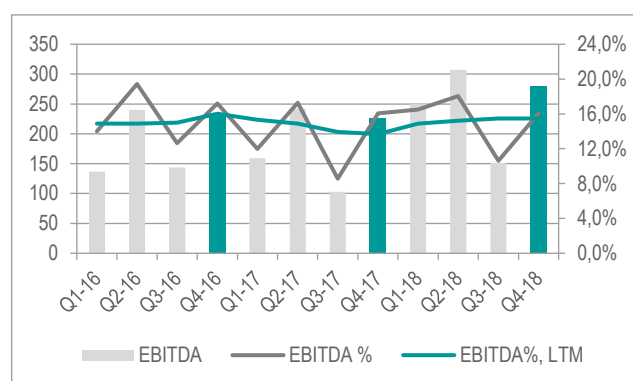
Profit after tax

Profit after tax amounted to SEK -41 million (-183).

EBITDA BRIDGE, OCT - DEC

	SEK million	%
2017	226	
Currency	3	1
Acquisitions	51	23
Organic	0	-
Total	54	24
2018	280	

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



EBITDA

EBITDA increased by SEK 257 million to SEK 987 million (730), an increase of 35 per cent. The increase was driven by capacity expansion in Steriles and Inhalation, the material Solids and Others manufacturing contract in Spain and improved results for Development and Technology, driven by higher prices and improved productivity. The EBITDA margin to sales increased by 1.8 percentage points to 15.5 per cent.

Raw materials and consumables

Raw materials and consumables increased by 11 per cent to SEK 1,839 million (1,660). The materials costs to sales ratio decreased by 2 percentage points to 29 per cent (31). The improvement was mainly related to the new manufacturing contract in Spain and gross margins driven by higher prices and product mix.

Other external costs

Other external costs amounted to SEK 1,520 million (1,350). Adjusted for restructuring reserves the ratio to sales remained stable at 23 per cent (23), and with small variations between segments.

Employee benefits expense

Employee benefits expense amounted to SEK 2,229 million (1,909). After restructuring reserves adjustments, the cost to sales ratio remained unchanged at 34 per cent (34).

Depreciation, amortisation and impairment

Depreciation and amortisation amounted to SEK 581 million (533). The costs included write-offs related to restructuring reserves and discontinued operations. The remaining increase was mainly due to expansion investments and acquisitions.

Financial items

Interest income and similar revenues amounted to SEK 24 million (26). Interest expenses and similar costs amounted to SEK 200 million (139), of which SEK 134 million (106) was interest expenses. The financial costs included the write-off of an investment in a US pharmaceutical technology company for SEK 29 million. Other debt-related expenses was SEK 23 million (28).

Tax

The income tax amounted to SEK 69 million (39).

Profit after tax

Profit after tax amounted to SEK 160 million (-160).

	SEK million	%
2017	730	
Currency	37	5
Acquisitions	57	8
Organic	163	22
Total	257	35
2018	987	

ACQUISITIONS

There were two acquisitions completed within the last 12 months; An additional 26 per cent stake in Nitin Lifesciences Ltd in India, on January 2 and June 13 2018, and Sanofi's inhalation facility in Holmes Chapel, UK, on 1 October 2018.

MANUFACTURING SERVICES – STERILES & INHALATION

The *Steriles & Inhalation* business segment manufactures steriles and inhalation products on behalf of pharmaceutical companies. It offers technologies for sterilization, lyophilisation, blow-fill-seal (BFS) and inhalation.

- Sales increased by 36 %
- EBITDA increased by 25 %
- EBITDA margin of 20.4 % (22.2)



OCTOBER – DECEMBER 2018

Net sales

Sales for Steriles & Inhalation increased by SEK 197 million to SEK 743 million, an increase of 36 per cent. The increase was mainly due to the acquisition of the inhalation manufacturing capacity in Holmes Chapel, UK. Sales excluding acquisition and currency was influenced by phasing effects and grew organically by 1 per cent.

SALES BRIDGE, OCT – DEC

	SEK million	%
2017	546	
Currency	24	4
Acquisitions	170	31
Organic	3	1
Total	197	36
2018	743	

EBITDA

EBITDA for Steriles & Inhalation increased by SEK 30 million to SEK 151 million, equivalent to an EBITDA margin of 20.4 per cent (22.2). The acquisition in Holmes Chapel contributed with SEK 51 million. Delays and phasing of sales and manufacturing between quarters had a negative impact on the profitability.

EBITDA BRIDGE, OCT – DEC

	SEK million	%
2017	121	
Currency	3	3
Acquisitions	51	42
Other	-24	-20
Total	30	25
2018	151	

JANUARY – DECEMBER 2018

Net sales

Steriles & Inhalation revenues increased by SEK 430 million to SEK 2,556 million, an increase of 20 per cent, mainly due to the capacity expansion for lyophilised- and BFS products, the acquisition in Holmes Chapel and improved productivity and demand in the sterile site in India.

EBITDA

EBITDA for Steriles & Inhalation increased by SEK 106 million to SEK 497 million, equivalent to an EBITDA margin of 19.4 per cent (18.4). EBITDA adjusted for acquisition and currency increased 9 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 51 %
- EBITDA margin of 15.2 % (12.5)



OCTOBER – DECEMBER 2018

Net sales

Sales in Solids & Others increased by SEK 145 million to SEK 757 million, an increase of 24 per cent. Sales adjusted for currency effects grown by 20 per cent, mainly due to stronger demand and the material manufacturing contract in Spain.

SALES BRIDGE, OCT – DEC

	SEK million	%
2017	612	
Currency	22	4
Acquisitions	-	-
Organic	123	20
Total	145	24
2018	757	

EBITDA

EBITDA for Solids & Others increased by SEK 39 million to SEK 116 million, corresponding to an EBITDA margin of 15.3 per cent (12.5). The increase was largely due to the material Solids and Others manufacturing contract in Spain.

EBITDA BRIDGE, OCT – DEC

	SEK million	%
2017	77	
Currency	4	6
Acquisitions	-	-
Other	35	45
Total	39	51
2018	116	

JANUARY – DECEMBER 2018

Net sales

Solids & Other sales increased by SEK 562 million to SEK 2,784 million, an increase of 25 per cent. Adjusted for acquisition and currency effects sales increased by SEK 450 million. The increase was driven by higher general demand and the new manufacturing contract in Spain.

EBITDA

EBITDA for Solids & Others increased by 55 per cent to SEK 390 million, an increase of SEK 139 million. The EBITDA margin gained 2.8 percentage points to 14.0 per cent to sales (11.2). The improvement was mainly driven by increased sales, the material manufacturing contract in Spain and productivity improvements in several sites.

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 -5%
- EBITDA decreased by -11%
- EBITDA margin of 23.9% (25.0)



OCTOBER – DECEMBER 2018

Net sales

In the Development & Technology segment sales decreased by SEK 11 million to SEK 211 million, a decrease of 5 per cent. Lower volumes were partly offset by higher prices of Recipharm's own products.

SALES BRIDGE, OCT – DEC

	SEK million	%
2017	222	
Currency	5	2
Acquisitions	-	-
Organic	-16	-7
Total	-11	-5
2018	211	

EBITDA

EBITDA for Development & Technology decreased by SEK 6 million to SEK 50 million, equivalent to an EBITDA margin of 23.9 per cent (25.0). The EBITDA reduction was due to lower sales and royalty income.

EBITDA BRIDGE, OCT – DEC

	SEK million	%
2017	56	
Currency	-	-
Acquisitions	-	-
Other	-6	-11
Total	-6	-11
2018	50	

JANUARY – DECEMBER 2018

Net sales

Development & Technology sales increased by SEK 61 million to SEK 935 million, an increase of 7 per cent. Adjusted for acquisitions and currency effects, the segment has grown 3 per cent organically. The growth was driven by an increase in demand for Development services and a positive volume trend for our own products.

EBITDA

The EBITDA for Development & Technology increased by SEK 12 million to SEK 204 million, equivalent to an EBITDA margin of 21.8 per cent (21.9). Increased capacity utilization, prices and demand for Recipharm's products more than compensated for the SEK 29 million lower royalty income.

CASH FLOW

SEK million	Oct – Dec		Jan - Dec	
	2018	2017	2018	2017
CF from operating activities before changes in WC	245	180	648	456
CF from changes in working capital (WC)	-220	-106	-284	-104
CF from investing activities	-623	-199	-1,137	-1,585
CF from financing activities	153	157	674	1,306
Total	-444	32	-100	72

OCTOBER – DECEMBER 2018

Cash flow from operating activities before changes in working capital improved SEK 66 million. This represented an improvement of EBITDA cash conversion to 88 per cent (80).

The working capital build-up was generated by the organic growth combined with a normal seasonal pattern.

Cash flow from investing activities was SEK -623 million (-199) of which SEK -447 million was related to the acquisition of Holmes Chapel. Investments in property, plant and equipment was SEK -151 million (-152).

Cash flow from financing activities was SEK 153 million (157).

JANUARY – DECEMBER 2018

Cash flow from operating activities before changes in working capital improved SEK 192 million. The EBITDA cash conversion was 66 per cent (62).

The working capital increased mainly due to the new manufacturing site in Spain and organic growth.

Cash flow from investing activities was SEK -1,137 million (-1,586) of which SEK -754 million (-975) was related to acquisitions of subsidiaries. The cash proceeds from the divestment of the product right ThyroSafe® was SEK 61 million.

Cash flow from financing activities was SEK 674 million (1,306), of which dividend was zero (94), new share issue was SEK 508 million (0) and changes in loans SEK 166 million (1,400).

FINANCING AND RETURN

SEK million	Jan – Dec		Jan - Dec	
	2018, adjusted	2017, adjusted	2018	2017
Return on operating capital ^{1/} (%)	4.9	3.0	-0.1	-0.1
Return on equity ^{1/} (%)	3.4	1.6	-3.2	-3.2
Net debt to EBITDA ^{1/}	3.8	4.7	6.5	6.5
Net debt to equity ^{1/}	0.7	0.7	0.7	0.7
Equity to assets ^{1/} (%)	42.1	43.4	41.5	41.5

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

KEY FIGURES AND RETURN

The return on operating capital increased to 4.9 from 3.0 last year. The increase from last year is mainly due to higher profit in the period.

Return on equity increased to 3.4 from 1.6 in the same period in the previous year. The increase from last year is mainly due to higher profit in the period.

The net debt to EBITDA ratio decreased to 3.8 from 4.7 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 0.7 (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 127.2 million (118.6) and operating result was SEK 109.3 million (-87.9) during the period. Investments amounted to SEK 95.2 million (124.4), mainly due to the serialisation project.

EMPLOYEES

The number of employees (equivalent to full-time equivalent FTE) during the period was 5,160 (4,572), of which 434 FTEs were an effect of acquisitions.

SIGNIFICANT EVENTS DURING THE PERIOD

Recipharm has completed the acquisition of the Sanofi CMO business

Recipharm has 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 39 million (SEK 447 million) on a cash and debt free basis.

Recipharm to potentially end operation in Aston-under-Lyne facility

Recipharm announced on December 19 that it will initiate a process to explore the discontinuance of operations at its solid dose manufacturing facility in Ashton-under-Lyne, UK.

The decision to initiate this process has been taken following a strategic review of the operation which has not been profitable for several years. The facility employs approximately 140 people.

SIGNIFICANT EVENTS AFTER THE PERIOD END

Recipharm's all facilities ready for EU serialisation

Recipharm announced on February 14 that all fifteen of its facilities outlined in its investment plan are now fully prepared for drug serialisation and have delivered serialised batches within Europe ahead of the February 9th deadline.

Recipharm to end operation in Aston-under-Lyne facility

Recipharm decided on February 20 to discontinue the operations in Ashton-under-Lyne, UK.

FINANCIAL CALENDAR

Annual Report 2018 – April 17, 2019
Interim Report January – March 2019 – May 3, 2019
Annual General Meeting May 13, 2019

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Stockholm, February 21, 2019
On behalf of the Board of Directors of Recipharm AB (publ)

Thomas Eldered (CEO)

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

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 February 21, 2019. 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	Oct – Dec		Jan – Dec	
	2018	2017	2018	2017
Operating income				
Net sales	1,739.0	1,402.9	6,373.7	5,331.9
Other operating revenue	58.4	62.1	284.6	182.7
	1,797.4	1,465.0	6,658.3	5,514.6
Operating expenses				
Raw materials and consumables	-406.5	-400.6	-1,839.4	-1,660.4
Other external costs	-488.3	-425.3	-1,520.3	-1,350.3
Employee benefits expense	-681.4	-597.0	-2,228.9	-1,909.5
Depreciation and amortisation	-184.1	-180.0	-580.8	-533.1
Other operating expenses	-43.0	-24.5	-83.3	-69.7
Share of result in participations	3.7	2.7	-0.4	-0.3
	-1,799.5	-1,624.7	-6,253.1	-5,523.3
Operating profit	-2.1	-159.7	405.2	-8.7
Interest income and similar revenues	-13.5	17.4	23.5	26.0
Interest expenses and similar costs	-29.2	-32.1	-199.9	-138.7
Net financial income/expense	-42.8	-14.7	-176.3	-112.7
Profit before tax	-44.9	-174.4	228.9	-121.4
Income tax	-4.2	-8.7	-69.0	-38.6
Profit for the period	-40.7	-183.1	159.9	-160.0

OTHER COMPREHENSIVE INCOME

SEK million	Oct – Dec		Jan – Dec	
	2018	2017	2018	2017
Items that may be reclassified subsequently to profit or loss				
Translation differences	96.9	149.0	101.0	-35.9
Gains/losses from fair value valuation of financial instruments	-8.1	12.9	-5.4	35.6
Deferred tax relating to items that may be reclassified	1.8	-2.8	1.2	-7.8
Total	90.6	159.1	96.8	-8.1
Items that will not be reclassified to profit or loss				
Actuarial gains/losses on pensions	-0.2	7.4	0.2	3.1
Deferred tax relating to items that will not be reclassified	0.6	1.2	0.6	0.9
Total	0.3	8.7	0.7	4.0
Other comprehensive income for the period	90.9	167.8	97.6	-4.1
Comprehensive income for the period	50.2	-15.3	257.4	-164.1
Net profit distributed to:				
Parent company's shareholders	-40.2	-187.2	159.4	-170.5
Non-controlling interest	-0.5	4.2	0.5	10.5
Total	-40.7	-183.1	159.9	-160.0
Group comprehensive income distributed to:				
Parent company's shareholders	50.5	-30.0	253.2	-160.1
Non-controlling interest	-0.4	14.7	4.2	-4.0
Total	50.2	-15.3	257.4	-164.1
Earnings per share before dilution (SEK)	-0.59	-2.96	2.43	-2.70
Earnings per share after dilution (SEK)	-0.59	-2.96	2.43	-2.70

CONSOLIDATED STATEMENT OF FINANCIAL POSITION,
CONDENSED

Dec 31

SEK million	Note	2018	2017
ASSETS			
Non-current assets			
Product rights		278.7	295.0
Goodwill		2,598.4	2,486.4
Customer relations		2,268.4	2,360.7
Other intangible assets		221.9	212.0
Property, plant and equipment		3,411.8	2,884.3
Non-current financial assets		314.0	266.9
Total non-current assets		9,093.2	8,505.2
Current assets			
Inventories		1,317.6	1,006.4
Accounts receivable		1,262.7	1,054.7
Other receivables		257.3	291.2
Prepaid expenses and accrued income		103.7	102.6
Cash and cash equivalents		681.4	770.9
Total currents assets		3,622.7	3,225.8
TOTAL ASSETS		12,715.9	11,731.0
SHAREHOLDERS EQUITY AND LIABILITIES			
Share capital		33.9	31.6
Other paid-in capital		4,592.2	4,026.5
Reserves		161.5	68.4
Retained earnings (including net profit)		549.6	422.0
Equity attributable to Parent Company shareholders		5,337.1	4,548.4
Equity attributable to Non-Controlling interest		-0.1	325.5
Total equity		5,337.1	4,874.0
Non-current liabilities			
Interest-bearing liabilities		4,443.3	4,154.5
Provisions		623.6	508.2
Deferred tax liability		856.9	920.5
Other non-current liabilities		47.1	21.6
Total non-current liabilities		5,971.0	5,604.8
Current liabilities			
Interest-bearing liabilities		16.3	16.9
Overdraft facility		12.3	21.8
Accounts payable		836.5	614.4
Tax liabilities		31.0	72.5
Other liabilities		90.3	99.9
Accrued expenses and prepaid income		421.5	426.8
Total current liabilities		1,407.9	1,252.2
TOTAL EQUITY AND LIABILITIES		12,715.9	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/loss 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/loss for the year 2018				159.4	159.4	0.5	159.9
Other comprehensive income			93.1	0.7	93.8	3.8	97.6
Non-controlling interest				-48.9	-48.9	-329.8	-378.7
Transactions with owners:							
Share-based incentive program				13.7	13.7		13.7
New share issue	2.3	565.7			568.0		568.0
Equity at 31 December 2018	33.9	4,592.2	161.5	549.6	5,337.1	-0.1	5,337.1

CONSOLIDATED CASH FLOW STATEMENT

SEK million	Note	Oct – Dec		Jan - Dec	
		2018	2017	2018	2017
<i>Operating activities</i>					
Profit before tax		-44.9	-174.4	228.9	-121.4
Adjustments for items not affecting cash					
- Depreciation, amortization and impairment of assets		184.1	180.0	610.8	533.1
- Changes in provisions		122.1	213.5	106.8	194.8
- Gains from disposal of non-current assets		-	-0.5	-119.0	-0.5
- Share of result of associated companies		-4.3	-3.8	-0.6	-1.1
- Other		23.7	-9.6	-28.8	1.5
		280.6	205.1	798.1	606.3
Income taxes paid		-35.2	-25.2	-150.5	-150.6
Operating cash flow before changes in working capital		245.4	179.9	647.6	455.7
<i>Cash flow from changes in working capital</i>					
Change in inventories		-108.2	-57.6	-190.5	-39.8
Change in operating receivables		-193.1	-154.7	-145.2	-150.7
Change in operating liabilities		80.9	106.0	51.5	86.1
Operating cash flow		25.0	73.6	363.5	351.4
<i>Investing activities</i>					
Acquisition of property, plant and equipment		-151.3	-151.9	-422.2	-548.2
Disposal of property, plant and equipment		-	5.3	5.4	5.8
Acquisition of intangible assets		-16.7	-35.1	-32.1	-48.1
Disposal of intangible assets		-	-	60.7	-
Acquisition of subsidiaries/operations, net of cash acquired		-446.8	-	-754.0	-974.7
Acquisition of financial assets		-12.1	-14.8	-19.7	-20.2
Disposal of financial assets		4.4	-2.1	24.9	-
Cash flow from investing activities		-622.7	-198.6	-1,137.0	-1,585.4
<i>Financing activities</i>					
Dividend paid to Parent Company shareholders		-	-	-	-94.0
New share issue		-	-	508.0	-
Change in overdraft facility		12.0	21.8	-10.2	-4.0
Loans raised		150.0	339.2	760.0	1,790.6
Repayment of borrowings		-8.8	-204.4	-584.3	-386.2
Cash flow from financing activities		153.2	156.5	673.5	1,306.3
Total cash flow for the period		-444.5	31.5	-100.0	72.3
Cash and cash equivalents at beginning of period		1,121.9	731.1	770.9	695.8
Translation difference on cash and cash equivalents		3.9	8.3	10.6	2.7
Cash and cash equivalents at end of period		681.4	770.9	681.4	770.9
Interest received		-	1.4	2.4	5.5
Interest paid		-35.9	-35.3	-115.5	-94.2

PARENT COMPANY STATEMENT OF PROFIT AND LOSS

SEK million	Oct – Dec		Jan – Dec	
	2018	2017	2018	2017
Operating Income				
Net sales	33.3	28.9	127.2	118.6
Other operating revenue	2.9	3.4	8.7	6.8
	36.2	32.3	135.8	125.4
Operating expenses				
Other external costs	-34,6	-29.6	-120.4	-108.8
Employee benefits expense	-30.7	-26.4	-106.7	-93.1
Depreciation and amortisation	-5.4	-1.7	-14.7	-8.1
Other operating expenses	-0,5	-0.7	-3.4	-3.3
	-71.3	-58.4	-245.2	-213.3
Operating profit/loss	-35.1	-26.1	-109.3	-87.9
Financial items	-175.3	-184.8	-180.4	-160.7
Profit/loss after financial items	-210.3	-210.9	-289.8	-248.6
Appropriations and tax	207.8	-21.0	207.8	0.5
Profit/loss for the period	-2.5	-231.9	-82.0	-248.1

OTHER COMPREHENSIVE INCOME

SEK million	Oct – Dec		Jan – Dec	
	2018	2017	2018	2017
Items that may be reclassified subsequently to profit or loss				
Translation differences	0.8	-1.3	-0.7	0.2
Other comprehensive income for the period	0.8	-1.3	-0.7	0.2
Total comprehensive income for the period	-1.7	-233.2	-82.7	-247.9

PARENT COMPANY STATEMENT OF FINANCIAL POSITION,
CONDENSED

SEK million	Dec 31	
	2018	2017
ASSETS		
Non-current assets		
Intangible assets	7.3	12.0
Property, plant and equipment	254.2	169.0
Non-current financial assets	7,136.3	6,559.9
Current assets	1,652.8	1,295.0
TOTAL ASSETS	9,050.7	8,036.0
SHAREHOLDERS EQUITY AND LIABILITIES		
Equity	3,949.2	3,449.3
Liabilities	5,101.4	4,586.7
TOTAL EQUITY AND LIABILITIES	9,050.7	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 controlled by 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 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
Number of shares as of 31 December 2017	15,222,858	47,624,674	370,000	63,217,532
New share issue		4,000,000		67,217,532
New share issue, acquisition of shares in Nitin Lifesciences		558,261		67,775,793
Number of shares as of 31 December 2018	15,222,858	52,182,935	370,000	67,775,793

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	Oct – Dec		Jan – Dec	
		2018	2017	2018	2017
Parent company's shareholders:					
Earnings per share before dilution (SEK)		-0.59	-2.96	2.43	-2,70
Earnings per share after dilution (SEK)		-0.59	-2.96	2.43	-2,70
Profit before dilution (SEK thousand)		-40,189	-187,221	159,380	-170,492
Effect from potential shares (SEK thousand)		10,057	15,265	40,230	40,774
Profit after dilution (SEK thousand)		-30,132	-171,955	199,610	-129,718
Average number of shares before dilution (thousand)	1	67,776	63,218	65,714	63,218
Potential shares (thousand)	1	2,459	1,358	2,459	1,358
Average number of shares after dilution (thousand)		70,235	64,576	68,173	64,576

NOTE 3 BUSINESS COMBINATIONS

Sanofi Holmes Chapel

On June 13 2018 Recipharm announced the signing of the agreement to acquire Sanofi Holmes Chapel an already successful CMO-businesses with several clients. The acquisition, was completed on October 1 2018.

The acquisition of Sanofi's manufacturing centre and business located in Holmes Chapel provides Recipharm with a solid platform to take further advantage of the growing respiratory drug market. It also adds additional inhalation commercial drug product manufacturing capabilities, complementing services already offered by Recipharm's inhalation development facility in the US.

The purchase price was SEK 446.8 million and was paid in cash. Transaction costs amount to SEK 14.8 million. The consolidated statement of profit and loss for the period includes net sales of SEK 169,9 million and EBITDA of SEK 50.9 million attributable to Sanofi Holmes Chapel.

As a part of the acquisition an additional consideration of SEK 123.2 million will be paid for the inventories. This will be paid in full during 2019.

Supplementary considerations of maximum GBP 9 million may be made in 2020 and 2021, subject to superior development of the business.

Assets and liabilities in the acquired company were:¹⁾	Carrying amount	Fair value Adjustment²⁾	Fair Value in the group
Intangible assets	-	129.3	129.3
Property, plant and equipment	323.2		323.2
Provisions	5.7		5.7
Net identifiable assets and liabilities	317.5	129.3	446.8
Purchase consideration			446.8

¹⁾ The purchase price allocation has not been finalized and consequently the fair value adjustment presented above is preliminary. The purchase of inventory and related liability is not included in the table.

NOTE 4 SEGMENT ANALYSIS

For control purposes Recipharm is separated into three segments: Manufacturing Steriles and Inhalation (MFG-SI), Manufacturing Solids & Others (MFG-SO) and Development & Technology (D&T). The business segment MFG-SI includes manufacturing of products on behalf of pharmaceutical companies and covers sterile and inhalation technologies including liquid vials and ampoules, lyophilisates, blow-fill-seal products and inhalation. The business segment has change name from this quarter. 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 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.

Oct – Dec 2018

SEK million	MFG-SI	MFG-SO	D&T	Elim & Other	Total	Disc. operations	Non-rec. items	Total
Net sales, external	732.7	741.1	203.3	-	1 677.1	62.0	-	1,739.0
Net sales, internal	10.0	16.0	7.6	-35.6	-1.9	1.9	-	-
EBITDA	151.4	115.6	50.5	-37.6	279.8	-0.3	-97.6	181.9
EBITDA %	20.4	15.3	23.9	105.6	16.7	-0.5	-	10.5
Depreciations	-76.3	-50.8	-21.4	-4.3	-152.8	-	-	-152.8
Impairment	-	-	-	-	-	-	-31.3	-31.3
EBIT	75.1	64.8	29.1	-41.9	127.2	-0.3	-128.8	-1.9

Oct – Dec 2017

SEK million	MFG-SL	MFG-SO	D&T	Elim & Other	Total	Disc. operations	Non-rec. items	Total
Net sales, external	535.5	592.9	215.5	-	1 344.0	59.0	-	1 402.9
Net sales, internal	10.2	19.7	6.6	-38.9	-2.4	2.4	-	-
EBITDA	121.0	76.7	55.5	-26.4	226.8	-1.3	-205.3	20.2
EBITDA %	22.2	12.5	25.0	-	16.9	-2.1	-	1.4
Depreciations	-60.0	-53.4	-25.2	-0.6	-139.2	-1.8	-	-141.0
Impairment	-	-2.4	-1.9	-	-4.3	-	-34.6	-39.0
EBIT	60.9	20.9	28.3	-27.0	83.4	-3.1	-239.9	-159.7

Jan – Dec 2018

SEK million	MFG-SI	MFG-SO	D&T	Elim & Other	Total	Disc. operations	Non-rec. items	Total
Net sales, external	2,519.7	2,712.7	912.2	-0.8	6,143.8	229.9	-	6,373.7
Net sales, internal	36.4	71.3	22.8	-140.6	-10.1	10.1	-	-
EBITDA	496.8	390.4	204.3	-98.9	992.6	-5.3	-1.3	986.0
EBITDA %	19.4	14.0	21.8	69.9	16.2	-2.2	-	15.5
Depreciations	-270.2	-197.5	-81.2	-10.3	-559.2	-	-	-559.2
Impairment	-	-	-3.0	-	-3.0	-	-18.7	-21.7
EBIT	226.6	192.9	120.1	-109.2	430.5	-5.3	-20.0	405.2
Goodwill	1,347.3	679.3	571.7	-	2,598.4	-	-	2,598.4
Non-current assets	4,289.7	2,821.3	1,619.9	353.7	9,084.5	8.6	-	9,093.2
Total assets	5,815.5	4,531.1	2,174.2	-175.7	12,345.1	370.8	-	12,715.9

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	2,140.1	853.0	-	5,088.7	243.2	-	5 331.9
Net sales, internal	30.1	82.1	20.9	-148.3	-15.2	15.2	-	-
EBITDA	390.8	251.0	191.7	-82.1	751.4	-21.8	-205.3	524.3
EBITDA %	18.4	11.2	21.9	-	14.8	-8.4		9.8
Depreciations	-226.0	-174.0	-82.9	-3.6	-486.5	-7.6		-494.1
Impairment	-	-2.4	-1.9	-	-4.3	-	-34.6	-39.0
EBIT	164.8	74.6	106.8	-85.7	260.6	-29.4	-239.9	-8.7
Goodwill	1,278.1	661.6	546.6	-	2 486.4	-		2 486.4
Non-current assets	2,606.4	2,130.7	1,585.0	2,169.3	8 491.4	13.8		8 505.2
Total assets	4,028.8	3,411.1	2,184.1	1,775.9	11 399.9	331.1		11 731.0

Geographical area

	Net sales		Non-current assets	
	Jan-Dec 2018	Jan-Dec 2017	Dec 31 2018	Dec 31 2017
Sweden	1,433.3	1,456.9	1,554.5	1,398.7
Italy	1,241.9	1,079.1	1,935.3	1,927.4
France	1,074.8	975.0	788.8	765.1
India	731.5	617.9	2,394.2	2,412.1
Spain	634.3	220.8	160.8	142.1
Portugal	574.0	530.8	953.5	1,004.0
Germany	435.4	334.8	768.9	785.2
Other	278.0	116.5	544.8	70.6
Total	6,373.7	5,331.9	9,093.2	8,505.2

NOTE 5 DISAGGREGATION OF REVENUE

SEK million	Revenue recognition	Jan – Dec 2018				Total
		MFG-SI	MFG-SO	D&T	Discontinued operations	
Pharmaceutical manufacturing	Revenue recognised at point in time	2,502.2	2,596.8		229.9	5,328.9
Pharmaceutical manufacturing	Revenue recognised over time	-	67.7			67.7
Product sales	Revenue recognised at point in time			667.0		667.0
Total sales of products		2,502.2	2,663.7	667.0	229.9	6,062.8
Service sales	Revenue recognised over time	17.4	49.0	245.3		311.7
Total sales of services		17.4	49.0	245.3		311.7
Total net sales		2,519.7	2,712.7	912.2	229.9	6,373.7

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 Organization
CER	Constant Exchange Rate
CMO	Contract Manufacturing Organization
LTM	Latest Twelve (12) Months

FINANCIAL DEFINITIONS
ALTERNATIVE PERFORMANCE
MEASURES**Adjusted for non-recurring items****Debt/equity ratio**

Interest-bearing liabilities divided by shareholder's equity
The debt/equity ratio is an indication of financial strength, relationship between debt and equity

EBITDA

Profit before financial items, taxes, depreciation and amortization, adjusted for non-recurring items

EBITDA margin

Profit before financial items, taxes, depreciation and amortization adjusted for non-recurring items, divided by net sales

The EBITDA margin shows operating profit in relation to net sales

Equity to assets

Total equity divided with total assets

Equity to assets, adjusted

Total equity adjusted for non-recurring items divided with total assets adjusted for non-recurring items

Earnings per shares

Profit before dilution divided with average number of shares before dilution.

Earnings per shares, adj.

Profit adjusted for non-recurring items divided with average number of shares with effect from potential shares

Equity per share

Shareholders' equity on the balance-sheet date divided by the number of shares (balance-sheet date)
Equity per share shows the equity generated to the shareholders per share

Equity per share, adjusted

Shareholders' equity on the balance-sheet date adjusted for non-recurring items divided by the number of shares (balance-sheet date)

Equity/assets ratio

Total 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
The adjusted equity/assets ratio shows how much of total assets are financed using total equity

Interest-coverage ratio

Operating profit plus financial income divided by financial expenses

Measures the company's ability to cover its interest expenses

Net debt

Interest-bearing liabilities less cash and cash equivalents

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

Net debt/equity ratio

Net debt divided by total equity

The debt/equity ratio is an indication of financial strength, relationship between net debt and equity

Net debt in relation to EBITDA

Net debt divided by EBITDA (rolling 12-month basis)

Net debt in relation to EBITDA shows the impact of and risk level for liabilities

Net sales (CER)

CER: Constant Exchange Rates

Net sales (CER) shows net sales without the impact of currency exchange rates and, in many cases, this comparison is a fairer measure

Non-interest-bearing liabilities

Includes deferred tax liability

Measures non-interest-bearing liabilities

Operating capital (average)

Net debt plus shareholders' equity (average opening and closing balance for the period)

Measures the use and efficiency of capital

Operating cash flow per share

Cash flow from operating activities (12 months) divided by the weighted average number of shares (12-month rolling basis)

Cash flow per share provides an indication of value; how much cash and cash equivalents each share generates

Operating margin

Operating profit divided by net sales

Measures the profitability of operations

Operating profit

Operating profit before financial items and tax

Operating profit shows the earnings from operations, including depreciation/amortisation and impairment losses

Return on equity

The equity/assets ratio shows how much of total assets are financed using shareholders' equity
Profit for the year (12-month period) divided by average total equity

Return on equity shows the return on the company's equity

Return on equity, adjusted

Net profit for the year (12-month period) adjusted for non-recurring items divided by average total equity

Return on equity, adjusted, shows the return on the company's equity adjusted for non-recurring items

Return on operating capital

Operating profit (12-month period) divided by average operating capital

Return on operating capital shows the return disregarding financial assets and financing

Return on operating capital, adjusted

Operating profit adjusted for non-recurring items (12-month period) divided by average operating capital

Return on operating capital shows the return disregarding financial assets and financing

BRIDGE FROM EBITDA TO EBIT

SEK million	Oct - Dec		Jan - Dec	
	2018	2017	2018	2017
EBITDA	279.5	225.7	987.4	729.6
Amortization	-67.9	-80.7	-262.2	-249.8
Depreciation	-116.1	-99.2	-318.7	-283.2
Non-recurring item - Restructuring costs	-86.0	-205.3	-82.1	-205.3
Non-recurring item - Profit from divestment of ThyroSafe®	-1.7	-	95.6	-
Non-recurring item - Acquisition costs	-9.9	-	-14.8	-
EBIT	-2.1	-159.7	405.2	-8.7

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 6 000 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