

INTERIM REPORT

JANUARY – MARCH 2019



INTERIM REPORT

- Continued strong sales growth
- Net sales amounted to SEK 1,812 million (1,513), an increase of 20%
- EBITDA increased by 17% and amounted to SEK 291 million (250) corresponding to an EBITDA margin of 16.1% (16.5)
- Strong development of newly acquired operations in UK
- Operating profit (EBIT) amounted to SEK 111 million (120)
- Profit after tax amounted to SEK 79 million (45) corresponding to a net margin of 4.4% (3.0)
- Earnings per share amounted to SEK 1.17 (0.70) before dilution and SEK 1.17 (0.70) after dilution
- Net debt to Equity was 0.7 (0.8)
- Serialisation project implemented and completed

20%
Sales increase

291
SEKm, EBITDA

16.1%
EBITDA margin

KEY FIGURES

SEK million	Jan – Mar		Change in %	Apr 18 - Mar 19		Change in %
	2019	2018		2018	Jan - Dec	
Net sales	1,812	1,513	+19.8	6,673	6,374	+4.7
EBITDA ^{1/2/}	291	250	+16.6	1,029	987	+4.2
IFRS 16 effect EBITDA	23	-		23	-	
EBITA ^{1/}	171	174	-2.0	627	630	-0.5
EBIT adjusted ^{1/}	111	120	-7.4	416	425	-2.1
EBIT ^{2/}	111	120	-7.4	396	405	-2.2
EBITDA margin (%) ^{1/}	16.1	16.5		15.4	15.5	
Earnings per share adj.(SEK) ^{1/}	1.17	0.70		3.17	2.73	
Earnings per share (SEK)	1.17	0.70		2.91	2.43	
Return on equity (%), adj. ^{1/}	4.1	2.5			3.4	
Return on equity (%) ^{1/}	3.8	-2.3			3.1	
Equity per share, adj. (SEK) ^{1/}	82.3	73.7			80.6	
Equity per share (SEK) ^{1/}	82.3	73.7			78.7	
Equity/assets ratio adj. (%) ^{1/}	41.7	40.0			42.1	
Equity/assets ratio (%) ^{1/}	41.7	40.0			42.0	
Net debt ^{1/}	3,976	3,871			3,791	
Net debt, IFRS 16	295	-			-	
Net debt to Equity ^{1/}	0.7	0.8			0.7	
Net debt to EBITDA ^{1/}	3.9	4.7			3.8	
IFRS 16, effect net debt to EBITDA	0.2	-			-	

1/ APM: Alternative Performance Measures, see financial definitions on page 22.

2/ See page 21 for a bridge from EBITDA to EBIT

COMMENTS BY THOMAS ELDERED, CEO

Good start of the year

With revenue increase of 20 per cent in the first quarter we report all-time high net sales, first time over SEK 1.8 billion in a quarter. The high growth was mainly driven by the acquisition completed last October. Growth in continuing operations, adjusted for currency and acquisitions was 3 per cent. EBITDA increased 17 per cent with about half of this increase due to change in accounting standards. Both sales and EBITDA were materially positively impacted by the recent acquisition and negatively impacted by temporary factors. These we expect to fade away during the year. Market conditions remained generally favourable and the underlying business performed in line with plans with several new contracts under implementation.

In the Steriles & Inhalation segment we continued to see inhalation sales better than plan. We have made good progress to overcome the technical and supply issues for certain injectables that we saw in the fourth quarter. In Italy we had a planned standstill to reconfigure certain manufacturing suites to prepare for implementation of new contracts.

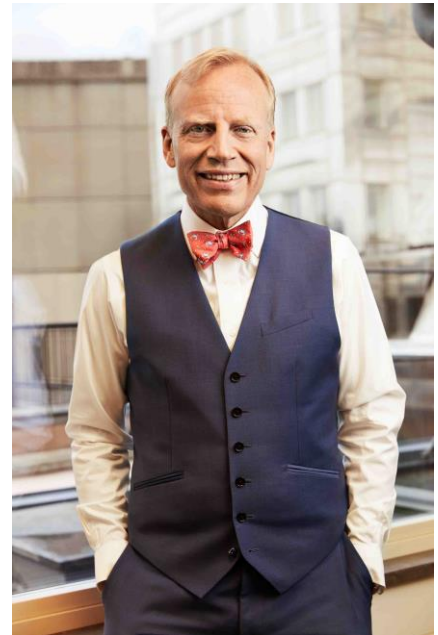
We are implementing several new contracts with associated tech-transfer and scale-up expenses in the Solids & Others segment. While segment sales growth was generally good, we saw materially softer demand of several products that have recently changed ownership.

Our global development services gained business momentum in the quarter and contributed to growth and improved performance in the Development & Technology segment.

Strong sales growth without increased working capital contributed to a healthy operating cash flow and a further strengthening of the balance sheet. During the quarter the material serialisation capital expenditure project was completed, and the service implemented with relevant customers. Increased EBITDA and lower investments had a favourable impact on leverage and gearing ratios.

The markets we operate in remain competitive but at the same time providing both growth and new business and acquisition opportunities. Going forward I expect our growth-driving strategies, including optimisation and improvements of our structure, to continue to deliver.

We have invested heavily in capacities where demand is expected to be high. The feedback we are receiving from our customers is encouraging and with our global reach and attractive value proposition we are taking leadership in our industry. We are well on track to reach our overall targets.



The company invites investors, analysts and media to a telephone conference with a web presentation (in English) on 3 May 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	Jan - Mar		Change in %	Jan - Dec
	2019	2018		2018
Steriles & Inhalation	803	564	+42	2,556
Solids & Others	692	643	+8	2,680
Development & Technology	278	257	+8	935
Discontinued operations	69	82	-16	344
Eliminations and others	-30	-33	-10	-141
Total	1,812	1,513	+20	6,374

JANUARY - MARCH 2019

Net sales

Net sales increased by SEK 299 million to SEK 1,812 million, an increase of 20 per cent. The newly acquired operations in UK contributed 14 percentage points. Strong demand and improved productivity were partly offset by a planned standstill and customers lowering their inventory levels.

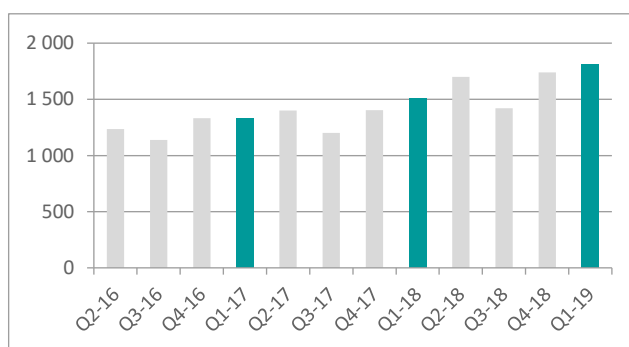
Other operating revenue

Other operating revenue increased to SEK 51 million (42), mainly driven by the acquisition and currency gains from current receivables and liabilities.

SALES BRIDGE, JAN - MAR

	SEK million	%
2018	1,513	
Currency	+54	+4
Acquisitions	+216	+14
Organic	+29	+2
Total	+299	+20
2019	1,812	

NET SALES BY QUARTER (SEKM)



RESULTS

EBITDA PER SEGMENT

SEK million	Jan – Mar		Change in %	Jan – Dec
	2019	2018		2018
Steriles & Inhalation	146	111	+32	497
Solids and Others	90	109	-17	435
Development & Technology	86	54	+60	204
Discontinued operations	-7	-6	-17	-50
Eliminations and others	-24	-18	-33	-99
Total	291	250	+17	987

JANUARY - MARCH 2019

EBITDA

EBITDA amounted to SEK 291 million (250), an increase by 17 per cent, while the EBITDA margin to sales decreased 0.4 percentage points to 16.1 per cent (16.5). The result included a positive effect from changes in accounting standards (IFRS 16) of SEK 23 million. The EBITDA decreased organically by SEK 40 million mainly due to standstills and cases of unfavorable mix effects as well as operating expenses related to maintenance project and preparations for new products.

Raw materials and consumables

Raw materials and consumables amounted to SEK 526 million (432). The increase was mainly related to acquisition, currency and volume. Material cost ratio to sales remained unchanged at 29 percentage points (29).

EBITDA BRIDGE, JAN - MAR

SEK million	EBITDA
2018	250
Currency	+10
Acquisitions	+49
Accounting standard (IFRS 16)	+23
Organic	-40
Total	+41
2019	291

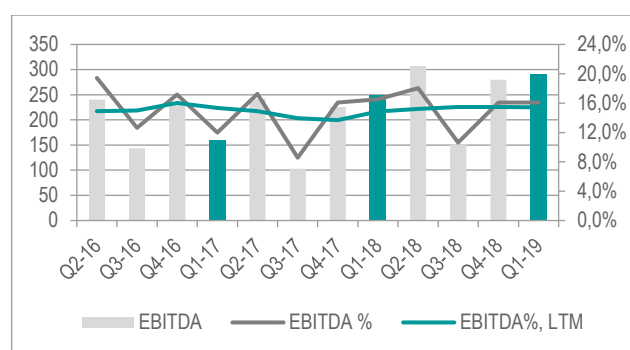
Other external costs

Other external costs amounted to SEK 385 million (338). The increase was mainly currency translation effects. The ratio to sales decreased to 21 per cent (22).

Employee benefits expense

Employee benefits expense increased SEK 130 million to SEK 647 million (517). The ratio of employee expenses to sales increased to 36 per cent (34), which is mainly a temporary effect related to phasing and sales delays in the quarter.

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



Depreciation, amortisation and impairment

Depreciation and amortisation increased to SEK 180 million (130), including an increase of SEK 21 million related to changes in lease accounting. The remaining increase was mainly the roll-out of serialisation equipment and other expansion capex in 2018, in addition to acquisition- and currency effects.

Financial items

Interest income and similar revenues amounted to SEK 40 million (11) of which SEK 40 million (10) were currency exchange rate gains. Interest expenses and similar costs amounted to SEK 42 million (45), of which SEK 29 million (36) was interest expenses.

Tax

The income tax amounted to SEK 30 million (41). The tax expense was temporarily high in first quarter 2018 related to the closing of Kemwell India acquisition. The tax expense relates to 28 per cent of earnings before tax.

Profit after tax

Profit after tax amounted to SEK 77 million (45).

ACQUISITIONS

The acquisition completed during the last 12 months was a CDMO focused on inhalation products located in Holmes Chapel, UK.

For additional information related to the acquisitions, refer to note 3.

MANUFACTURING SERVICES – STERILES & INHALATION

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

- Sales increased by 42%
- EBITDA increased by 32%
- EBITDA margin of 18.2% (19.7)

Net sales

JANUARY – MARCH 2019

Sales for Steriles & Inhalation increased by SEK 239 million to SEK 803 million, an increase of 42 per cent above all driven by the acquisition of the inhalation facility in UK. Organic growth was zero, impacted by temporary effects related to delays and a planned standstill.

SALES BRIDGE, JAN – MAR

	SEK million	%
2018	564	
Currency	+24	+4
Acquisitions	+216	+38
Organic	-1	0
Total	+239	+42
2019	803	



EBITDA

JANUARY – MARCH 2019

EBITDA for Steriles & Inhalation increased by SEK 35 million to SEK 146 million, equivalent to an EBITDA margin of 18.2 per cent (19.7). The acquired facility in UK contributed by SEK 49 million in the quarter. Temporary delays and a planned standstill due to a large maintenance and revamp project had an adverse impact on the result.

EBITDA BRIDGE, JAN – MAR

	SEK million	%
2018	111	
Currency	+4	+4
Acquisitions	+49	+44
Accounting standard (IFRS 16)	+4	+4
Organic	-22	-20
Total	+35	+32
2019	146	

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 8%
- EBITDA decreased by 17%
- EBITDA margin of 13.0% (17.0)



Net sales

JANUARY – MARCH 2019

Solids & Others sales increased by SEK 49 million to SEK 692 million, an increase of 8 per cent. The organic growth of 5 per cent was mainly driven by new manufacturing contracts. While there were some negative effects related to customers reducing their inventory levels in the quarter, the underlying demand trend was positive for the segment.

SALES BRIDGE, JAN – MAR

	SEK million	%
2018	642	
Currency	+20	+3
Acquisitions	-	-
Organic	+29	+5
Total	+49	+8
2019	692	

EBITDA

JANUARY – MARCH 2019

EBITDA for Solids & Others decreased by SEK 19 million to SEK 90 million, corresponding to an EBITDA margin of 13.0 per cent (17.0). The decrease was mainly a consequence of an adverse product-mix and an increase in new customer project expenses.

EBITDA BRIDGE, JAN – MAR

	SEK million	%
2018	109	
Currency	+4	+4
Acquisitions	-	-
Accounting standard (IFRS 16)	+6	+6
Organic	-29	-27
Total	-19	-17
2019	90	

DEVELOPMENT & TECHNOLOGY

The business segment *Development & Technology* provides pharmaceutical development services. It also includes Recipharm's patents, technologies and product rights.

- Sales increased by 8%
- EBITDA increased by 60%
- EBITDA margin of 30.8% (20.8)



Net sales

JANUARY – MARCH 2019

Development & Technology sales increased by SEK 21 million to SEK 278 million, an increase of 8 per cent. Higher sales of development services mixed with high API deliveries was partly offset by volume reduction of own products.

SALES BRIDGE, JAN – MAR

	SEK million	%
2018	257	
Currency	+10	+4
Acquisitions	-	-
Organic	+11	+4
Total	+21	+8
2019	278	

EBITDA

JANUARY – MARCH 2019

EBITDA for Development & Technology increased by SEK 29 million to SEK 86 million, equivalent to an EBITDA margin of 30.8 per cent (20.8) mainly due to exceptional API business combined with a better use of resources within development services. Increased selling prices and savings in distribution costs mitigated partly the effect of lower product sales volumes.

EBITDA BRIDGE, JAN – MAR

	SEK million	%
2018	53	
Currency	+3	+5
Acquisitions	-	-
Accounting standard (IFRS 16)	+4	+8
Organic	+26	+49
Total	+33	+62
2019	86	

CASH FLOW

	Jan - Mar		Jan - Dec	
SEK million	2019	2018	2018	
CF operating activities before changes in WC	218	184	648	
CF from changes in working capital (WC)	0	-137	-284	
CF from investing activities	-64	-406	-1,137	
CF from financing activities	-30	52	674	
Total	124	-306	-100	

Cash flow from operating activities before changes in working capital was SEK 218 million (184) while changes in working capital was SEK 0 million (-137).

Cash flow from investing activities was SEK -64 million (-406) of which SEK -53 million (-95) was investments in property, plant and equipment. Last year's cash flow included SEK -307 million related to the acquisition of additional shares in Nitin Lifesciences.

Cash flow from financing activities was SEK -30 million (52), affected by repayments of interest-bearing liabilities related to IFRS 16 finance leases of SEK -23 million (-).

FINANCING AND RETURN

KEY FIGURES AND RETURN

	Jan - Mar		Jan - Dec	
SEK million	2019, adjusted	2018, adjusted	2018, adjusted	
Return on operating capital ^{1/} (%)	4.6	3.6	4.9	
Return on equity ^{1/}	4.1	2.5	3.4	
Net debt to EBITDA ^{1/}	3.9	4.7	3.8	
Net debt to equity ^{1/}	0.7	0.8	0.7	
Equity to assets ^{1/} (%)	41.7	40.0	42.1	

1/ APM: Alternative Performance Measures, see financial definitions on page 22.

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

Return on equity increased to 4.1 per cent from 2.5 per cent in the same quarter in the previous year and from 3.4 per cent at the end of 2018. The increase from last year is mainly due to higher profit in the period.

The net debt to EBITDA ratio decreased to 3.9 from 4.7 compared to the same quarter in the previous year, which is due to the higher profit in the period. The new accounting standard had an adverse impact of 0.2 in the quarter.

Net debt in relation to equity was 0.7 (0.8), below the max target of 0.8.

The equity to assets ratio increased compared to the same quarter last year, mainly due to an increased equity from the new share issue in June last year.

PARENT COMPANY

Recipharm AB (publ) includes Group management and functions that provide services to the business. The parent company's net sales was SEK 40.0 million (30.9) and operating result was SEK -34.4 million (-20.5) during the period. Investments amounted to SEK 4.8 million (20.1), a decrease from last year due to the serialisation project being finalised.

EMPLOYEES

The number of employees (equivalent to full-time employees "FTE") during the period was 5,279 (4,665).

SIGNIFICANT EVENTS DURING THE PERIOD

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 Ashton-under-Lyne facility

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

FINANCIAL CALENDAR

Annual General meeting	May 13, 2019
Interim report Jan – Jun 2019	July 25, 2019
Interim report Jan – Sep 2019	November 7, 2019
Capital Markets Day	November 18, 2019

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Stockholm, May 3, 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 May 3, 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	Jan – Mar		Jan – Dec
	2019	2018	2018
Operating income			
Net sales	1,811.8	1,512.6	6,373.7
Other operating revenue	50.9	41.8	284.6
	1,862.7	1,554.4	6,658.3
Operating expenses			
Raw materials and consumables	-525.8	-431.7	-1,839.4
Other external costs	-385.3	-338.3	-1,520.3
Employee benefits expense	-646.8	-517.3	-2,228.9
Depreciation and amortisation	-180.0	-129.8	-580.8
Other operating expenses	-13.2	-16.3	-83.3
Share of result in participations	-0.6	-1.0	-0.4
	-1,751.6	-1,434.5	-6,253.1
Operating profit	111.0	119.9	405.2
Interest income and similar revenues	40.4	11.5	23.5
Interest expenses and similar costs	-42.0	-45.1	-199.9
Net financial income/expense	-1.6	-33.6	-176.3
Profit before tax	109.4	86.3	228.9
Income tax	-30.4	-41.5	-69.0
Profit for the period	79.2	44.8	159.9

OTHER COMPREHENSIVE INCOME:

SEK million	Jan – Mar		Jan – Dec
	2019	2018	2018
Items that may be reclassified subsequently to profit or loss			
Translation differences	157.0	109.2	101.0
Gains/losses from fair value valuation of financial instruments	4.9	-0.4	-5.4
Deferred tax relating to items that may be reclassified	-1.1	0.1	1.2
Total	160.8	108.9	96.8
Items that will not be reclassified to profit or loss			
Actuarial gains/losses on pensions	0.6	0.2	0.2
Deferred tax relating to items that will not be reclassified	-0.1	0.0	0.6
Total	0.5	0.2	0.7
Other comprehensive income for the period	161.2	109.0	97.6
Comprehensive income for the period	240.4	153.9	257.4
Net profit distributed to:			
Parent company's shareholders	79.2	44.5	159.4
Non-controlling interest	-0.1	0.4	0.5
	79.2	44.8	159.9
Group comprehensive income distributed to:			
Parent company's shareholders	240.4	164.1	253.2
Non-controlling interest	0.0	-10.2	4.2
	240.4	153.9	257.4
Earnings per share before dilution (SEK)	1.17	0.70	2.43
Earnings per share after dilution (SEK)	1.17	0.70	2.43

CONSOLIDATED STATEMENT OF FINANCIAL POSITION,
CONDENSED

SEK million	Note	March 31		Dec 31
		2019	2018	2018
ASSETS				
Non-current assets				
Product rights		275.2	294.2	278.7
Goodwill		2,672.8	2,541.9	2,598.4
Customer relations		2,265.1	2,346.9	2,268.4
Other intangible assets		230.4	215.1	221.9
Property, plant and equipment		3,728.8	3,007.5	3,411.8
Non-current financial assets		330.3	268.8	314.0
Total non-current assets		9,502.5	8,674.4	9,093.2
Current assets				
Inventories		1,381.0	1,056.8	1,317.6
Accounts receivable		1,311.2	1,236.1	1,262.7
Other receivables		236.4	245.0	257.3
Prepaid expenses and accrued income		126.8	144.7	103.7
Cash and cash equivalents		816.8	470.4	681.4
Total currents assets		3,872.1	3,153.0	3,622.7
TOTAL ASSETS		13,374.5	11,827.4	12,715.9
SHAREHOLDERS EQUITY AND LIABILITIES				
Share capital		33.9	31.6	33.9
Other paid-in capital		4,592.2	4,026.5	4,592.2
Reserves		322.2	187.9	161.5
Retained earnings (including net profit)		632.1	412.4	549.6
Equity attributable to Parent Company shareholders		5,580.5	4,658.5	5,337.1
Equity attributable to Non-Controlling interest		-0.1	68.3	-0.1
Total equity		5,580.4	4,726.8	5,337.1
Non-current liabilities				
Interest-bearing liabilities		4,681.2	4,294.8	4,443.3
Provisions		598.0	507.5	623.6
Deferred tax liability		860.6	944.7	856.9
Other non-current liabilities		43.0	22.0	47.1
Total non-current liabilities		6,182.8	5,769.0	5,971.0
Current liabilities				
Interest-bearing liabilities		106.6	17.5	16.3
Overdraft facility		5.0	29.4	12.3
Account payable		860.8	688.1	836.5
Tax liabilities		53.8	25.4	31.0
Other liabilities		87.9	86.5	90.3
Accrued expenses and prepaid income		497.4	484.8	421.5
Total current liabilities		1,611.4	1,331.6	1,407.9
TOTAL EQUITY AND LIABILITIES		13,374.5	11,827.4	12,715.9

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 2018	31.6	4,026.5	68.4	422.0	4,548.5	325.5	4,874.0
Effect from new accounting standards				2.6	2.6		2.6
Profit for the year 2018				159.4	159.4	0.5	159.9
Other comprehensive income			93.1	0.7	93.8	3.8	97.6
Transactions with owners:							
Share-based incentive program				13.7	13.7		13.7
New share issue	2.3	565.7			568.0		568.0
Non-controlling interest				-48.9	-48.9	-329.8	-378.7
Equity at 31 December 2018	33.9	4,592.2	161.5	549.6	5,337.1	-0.1	5,337.1
Profit for the period 2019				79.2	79.2	-0.1	79.2
Other comprehensive income			160.7	0.5	161.2	0.1	161.2
Transactions with owners:							
Share-based incentive program				2.8	2.8		2.8
Equity at 31 March 2019	33.9	4,592.2	322.2	632.1	5,580.5	-0.1	5,580.4

CONSOLIDATED CASH FLOW STATEMENT

SEK million	Note	Jan – Mar		Jan - Dec
		2019	2018	2018
Operating activities				
Profit before tax		109.4	86.3	228.9
Adjustments for items not affecting cash				
- Depreciation, amortisation and impairment of assets		180.0	129.8	610.8
- Changes in provisions		-39.1	-13.1	106.8
- Gains from disposal of non-current assets		-0.6	0.2	-119.0
- Share of result of associated companies		0.5	1.1	-0.6
- Other		-6.0	-14.5	-28.8
		244.2	189.7	798.1
Income taxes paid		-26.3	-5.4	-150.5
Operating cash flow before changes in working capital		217.9	184.3	647.6
<i>Cash flow from changes in working capital</i>				
Change in inventories		-40.0	-53.3	-190.5
Change in operating receivables		-36.8	-192.1	-145.2
Change in operating liabilities		76.8	108.5	51.5
Operating cash flow		217.9	47.4	363.5
<i>Investing activities</i>				
Acquisition of property, plant and equipment		-52.8	-95.4	-422.2
Disposal of property, plant and equipment		0.6	-	5.4
Acquisition of intangible assets		-9.3	-4.8	-32.1
Disposal of intangible assets		-	-	60.7
Acquisition of subsidiaries/operations, net of cash acquired		-	-307.2	-754.0
Acquisition of financial assets		-2.1	-2.6	-19.7
Disposal of financial assets		-	4.3	24.9
Cash flow from investing activities		-63.6	-405.7	-1,137.0
<i>Financing activities</i>				
New share issue		-	-	508.0
Change in overdraft facility		-7.5	7.0	-10.2
Loans raised		50.0	550.0	760.0
Repayment of borrowings		-72.7	-505.1	-584.3
Cash flow from financing activities		-30.2	51.9	673.5
Total cash flow for the period		124.1	-306.4	-100.0
Cash and cash equivalents at beginning of period		681.4	770.9	770.9
Translation difference on cash and cash equivalents		11.3	6.0	10.6
Cash and cash equivalents at end of period		816.8	470.4	681.4
Interest received		0.3	1.1	2.4
Interest paid		-13.3	-12.1	-115.5

PARENT COMPANY STATEMENT OF PROFIT AND LOSS,

CONDENSED

SEK million	Jan – Mar		Jan - Dec
	2019	2018	2018
Operating Income			
Net sales	40.0	30.9	127.2
Other operating revenue	4.2	3.2	8.7
	44.3	34.1	135.8
Operating expenses			
Other external costs	-40.7	-26.1	-120.4
Employee benefits expense	-30.3	-24.9	-106.7
Depreciation and amortisation	-7.6	-2.3	-14.7
Other operating expenses	-0.1	-1.3	-3.4
	-78.7	-54.6	-245.2
Operating profit/loss	-34.4	-20.5	-109.3
Financial items	25.0	28.1	-180.4
Profit/loss after financial items	-9.4	7.6	-289.8
Appropriations and tax	-	-	207.8
Profit/loss for the period	-9.4	7.6	-82.0

OTHER COMPREHENSIVE INCOME

SEK million	Jan – Mar		2018
	2019	2018	2018
Items that may be reclassified subsequently to profit or loss			
Translation differences	-2.7	-2.2	-0.7
Other comprehensive income for the period	-2.7	-2.2	-0.7
Total comprehensive income for the period	-12.1	5.4	-82.7

PARENT COMPANY STATEMENT OF FINANCIAL POSITION,
CONDENSED

SEK million	Mar 31		Dec 31
	2019	2018	2018
ASSETS			
Non-current assets			
Intangible assets	6.9	10.8	7.3
Property, plant and equipment	252.0	188.1	254.2
Non-current financial assets	7,144.7	6,772.5	7,136.3
Current assets	1,706.1	1,262.7	1,652.8
TOTAL ASSETS	9,109.7	8,234.1	9,050.7
SHAREHOLDERS EQUITY AND LIABILITIES			
Equity	3,941.3	3,460.0	3,949.2
Liabilities	5,168.4	4,774.1	5,101.4
TOTAL EQUITY AND LIABILITIES	9,109.7	8,234.1	9,050.7

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 2018 Annual Report, except for the adoption of new standards effective as of 1 January 2019. 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 16 Leasing. As required by IAS 34, the nature and effect of this change are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, 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 standard are outlined in note 1 in the 2018 Annual Report on pages 58-59.

IFRS 16 Leases

The standard will supersede IAS 17 and the related interpretations IFRIC 4, SIC-15 and SIC-27. Under the new standard, lessees must recognise the obligation to make lease payments as a lease liability in the balance sheet. The right to use underlying asset during the lease term is recognised as asset. Depreciation of the asset is

recognised in profit or loss, as is interest on the lease liability. Lease payments made are recognised partly as payments of interest, partly as amortisation of the lease liability. The standard includes voluntary exemptions for leases with term of 12 months or less, and where the underlying asset has a low value. Recipharm intends to use these exceptions.

The parent company has applied the exemption in RFR 2 regarding leases. The parent company's accounting policies for leases will subsequently remain unchanged.

The Group has adopted IFRS 16 with the date of initial application of January 1, 2019. The company has applied the practical expedient under IFRS 16 to not reassess whether a contract is, or contains, a lease. Therefore, the company has applied the standard to contracts previously identified as leases or as containing a lease under IAS 17 and IFRIC 4. The company has chosen to implement the standard using the cumulative catch-up method. Information presented for previous years has not been restated.

Right-of-use assets has for most contracts been recognised based on the amount equal to the related lease liability.

The lease liability as of 1 January 2019 reconciled to operating lease 31 December 2018 (discounted)

SEK million	
Operational lease commitments as of 31 Dec 2018	348
Weighted average incremental borrowing rate	4.3%
Disc. operational lease commitment 1 Jan 2019	317
Commitments relating to short-term leases	-4
Commitments relating to leases of low-value leases	-1
Lease liability as of 1 January	312

Effect of adoption IFRS 16 as of 1 January 2019 (discounted)

SEK million	
Right of use assets	312
Lease liabilities, current	-85
Lease liabilities, non-current	-227

SEK Million	Right of use assets					Lease liability
	Building	Plant & machinery	Motor vehicles	Equipment	Total	
As of 1 January, 2019	232.4	43.5	19.9	15.9	311.6	311.6
Additions				0.3	0.3	0.3
Depreciation	-16.2	-1.3	-1.9	-1.2	-20.6	
Interest expense						3.1
Payments						-22.4
Exchange rate effects					2.9	2.9
As of 31 March, 2019	216.2	42.1	18.0	14.9	294.2	295.4

Significant risks and uncertainties

A detailed description of risks is provided in the 2018 Annual Report on page 36. 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 2018	15,222,858	52,182,935	370,000	67,775,793
Number of shares as of 31 March 2019	15,222,858	52,182,935	370,000	67,775,793

Potential shares, 5,495,864 (5,495,864), are related to the convertible bond 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 programs.

NOTE 2 EARNINGS PER SHARE

SEK million	Note	Jan – Mar		Full year
		2019	2018	2018
Parent company's shareholders:				
Earnings per share before dilution (SEK)		1.17	0.70	2.43
Earnings per share after dilution (SEK)		1.17	0.70	2.43
Profit before dilution (SEK thousand)		79,250	44,463	159,380
Effect from potential shares (SEK thousand)		10,148	10,057	40,230
Profit after dilution (SEK thousand)		89,397	54,520	199,610
Average number of shares before dilution (thousand)	1	67,776	63,218	65,714
Potential shares (thousand)	1	5,496	5,496	5,496
Average number of shares after dilution (thousand)		73,272	68,714	71,210

NOTE 3 BUSINESS COMBINATIONS

Sanofi Holmes Chapel

The preliminary purchase price allocation regarding the acquisition of Sanofi Holmes Chapel is unchanged during the quarter. In the next quarter the payment of 50 per cent, SEK 62 million, of the agreed consideration for the inventory will be made.

NOTE 4 SEGMENT REPORTING

For control purposes Recipharm is separated into three segments: Manufacturing Steriles & 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 vials and ampoules, lyophilisates, blow-fill-seal products and inhalation. 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.

Jan – Mar 2019

SEK million	MFG-SI	MFG-SO	D&T	Eliminations & Other	Total	Discontinued operations	Non-rec. items	Total
Net sales, external	791.9	684.4	275.0		1,751.2	60.5		1,811.8
Net sales, internal	11.4	7.9	2.9	-30.6	-8.3	8.3		
EBITDA	146.3	90.0	85.6	-23.5	298.4	-7.4		291.0
EBITDA %	18.2	13.0	30.8		17.1	-10.7		16.1
Depreciation	-86.2	-55.8	-22.5	-8.7	-173.2	-8.7		-181.9
Impairment						1.9		1.9
EBIT	60.1	34.2	63.1	-32.2	125.2	-14.2		111.0
Goodwill	1,392.7	693.5	586.5		2,672.8			2,672.8
Non-current assets	4,526.3	3,010.5	1,494.6	372.7	9,404.1	98.3		9,502.5
Total assets	6,242.2	4,727.2	2,079.5	-209.1	12,839.9	534.6		13,374.5

Jan – Mar 2018

SEK million	MFG-SL	MFG-SO	D&T	Eliminations & Other	Total	Discontinued operations	Non-rec. items	Total
Net sales, external	556.2	633.7	252.1		1,442.0	70.6		1,512.6
Net sales, internal	7.3	9.0	5.0	-32.6	-11.3	11.3		
EBITDA	111.2	108.5	53.5	-18.3	254.9	-5.2		249.7
EBITDA %	19.7	16.9	20.8		17.8	-6.4		16.5
Depreciation	-59.3	-44.7	-19.9	-1.2	-125.1	-1.6		-126.8
Impairment			-3.0		-3.0			-3.0
EBIT	51.9	63.8	30.6	-19.5	126.8	-6.8		119.9
Goodwill	1,294.2	677.0	570.7		2,541.9			2,541.9
Non-current assets	3,909.1	2,797.2	1,625.4	280.3	8,611.9	62.5		8,674.4
Total assets	5,051.8	4,605.7	2,250.4	-152.7	11,755.3	72.1		11,827.4

Jan – Dec 2018

SEK million	MFG-SI	MFG-SO	D&T	Eliminations & Other	Total	Discontinued operations	Non-rec. items	Total
Net sales, external	2,519.7	2,649.7	912.2	-0.8	6,080.8	292.8		6,373.7
Net sales, internal	36.4	30.5	22.8	-140.6	-50.9	50.9		
EBITDA	496.8	435.1	204.3	-98.9	1,037.4	-50.0	-1.3	986.1
EBITDA %	19.4	16.2	21.8		17.2	-14.6		15.5
Depreciation	-270.2	-191.4	-81.2	-10.3	-553.1	-6.1		-559.2
Impairment		-2.2	-3.0		-5.2	2.2	-18.7	-21.7
EBIT	226.6	241.5	120.1	-109.2	479.1	-53.9	-20.0	405.2
Goodwill	1,347.3	679.3	571.7		2,598.4			2,598.4
Non-current assets	4,289.7	2,807.7	1,619.9	353.7	9,071.0	22.1		9,093.2
Total assets	5,815.5	4,431.5	2,174.2	-175.7	12,245.5	470.4		12,715.9

Geographical area	Net sales			Non-current assets		
	Jan-Mar 2019	Jan-Mar 2018	Jan-Dec 2018	Mar 31 2019	Mar 31 2018	Dec 31 2018
SEK million						
Sweden	334.4	381.2	1,432.5	1,705.6	1,453.8	1,546.7
Italy	299.2	308.6	1,241.9	1,993.1	1,991.6	1,935.3
France	298.0	284.1	1,074.8	796.3	807.8	788.8
UK	221.9	15.3	232.8	558.4	48.9	522.0
Spain	204.8	124.9	634.3	163.6	154.0	160.8
India	178.4	156.1	702.8	2,486.4	2,395.5	2,394.2
Portugal	152.2	129.1	574.0	978.4	995.3	953.5
Germany	107.8	100.8	435.4	782.1	804.3	768.9
Other	15.1	12.5	45.1	38.6	23.2	22.8
Total	1,811.8	1,512.6	6,373.7	9,502.5	8,674.4	9,093.2

NOTE 5 DISAGGREGATION OF REVENUE

SEK million	Revenue recognition	Jan – Mar 2019				Total
		MFG-SI	MFG-SO	D&T	Discontinued operations	
Pharmaceutical manufacturing	Revenue recognised at point in time	791.9	672.4		60.5	1,524.9
Pharmaceutical manufacturing	Revenue recognised over time		12.0			12.0
Product sales	Revenue recognised at point in time			206.3		206.3
Total sales of products		791.9	684.4	206.3	60.5	1,743.1
Service sales	Revenue recognised over time			68.7		68.7
Total sales of services				68.7		68.7
Total net sales		791.9	684.4	275.0	60.5	1,811.8

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.

SEK million	Revenue recognition	Jan – Mar 2018				Total
		MFG-SL	MFG-SO	D&T	Discontinued operations	
Pharmaceutical manufacturing	Revenue recognised at point in time	508.1	574.2		70.6	1,152.9
Pharmaceutical manufacturing	Revenue recognised over time	17.1	16.6			33.7
Product sales	Revenue recognised at point in time			195.9		195.9
Total sales of products		525.2	590.8	195.9	70.6	1,382.5
Service sales	Revenue recognised over time	31.0	42.8	56.2		130.0
Total sales of services		31.0	42.8	56.2		130.0
Total net sales		556.2	633.7	252.1	70.6	1,512.6

		Jan – Dec 2018				
SEK million	Revenue recognition	MFG-SI	MFG-SO	D&T	Discontinued operations	Total
Pharmaceutical manufacturing	Revenue recognised at point in time	2,502.3	2,533.0		292.8	5,327.3
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		2,502.3	2,600.7	667.0	292.8	6,062.0
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	2,649.7	912.2	292.8	6,373.7

NOTE 6 BRIDGE FROM EBITDA TO EBIT

SEK million	Jan - Mar	2018	Jan - Dec 2018
EBITDA	291.0	249.7	987.4
Amortisation – continuing operations	-68.3	-65.2	-261.7
Amortisation – discontinuing operations	-0.1	-0.1	-0.5
Depreciation – continuing operations	-104.9	-63.1	-315.3
Depreciation – discontinuing operations	-6.7	-1.3	-3.4
Non-recurring item – restructuring costs	-	-	-82.1
Non-recurring item – profit from divestment of ThyroSafe®	-	-	95.6
Non-recurring item – acquisition costs	-	-	-14.8
EBIT	111.0	119.9	405.2

GLOSSARY

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

FINANCIAL DEFINITIONS
ALTERNATIVE PERFORMANCE
MEASURES**Adjusted for non-recurring items****Debt/equity ratio****EBITA****EBITA margin****EBITDA****EBITDA margin****Equity per share****Equity/assets ratio****Equity/assets ratio, adjusted****Interest-coverage ratio****Net debt****Net debt/equity ratio****Net debt in relation to EBITDA****Net sales (CER)****Non-interest-bearing liabilities****Operating capital (average)****Operating cash flow per share****Operating margin****Operating profit****Return on equity****Return on equity, adjusted****Return on operating capital****Return on operating capital, adjusted**

INDICATORS DEFINITION AND REASON FOR USE

Ratio or amount adjusted for costs related to the discontinuing of manufacturing operations.

Interest-bearing liabilities divided by shareholder's equity

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

Profit before financial items, taxes and amortisation of intangible assets which arise from business, combinations, adjusted for non-recurring items.

EBITA shows operating profit for the core business

EBITA divided by net sales

The EBITA margin shows operating profit for the core business in relation to net sales

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

EBITDA shows operating profit, which is also used in combination with other data for measurement purposes

EBITDA divided by net sales

The EBITDA margin shows operating profit in relation to net sales

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

Shareholders' equity divided by total assets

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

Operating profit plus financial income divided by financial expenses

Measures the company's ability to cover its interest expenses

Interest-bearing liabilities less cash and cash equivalents

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

Net debt divided by shareholders' equity

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

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

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

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

Includes deferred tax liability

Measures non-interest-bearing liabilities

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

Measures the use and efficiency of capital

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 profit divided by net sales

Measures the profitability of operations

Operating profit before financial items and tax

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

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 shareholders' equity

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

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

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

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

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

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

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

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.