

INTERIM REPORT

JANUARY – JUNE 2019



INTERIM REPORT

APRIL – JUNE 2019

- Net sales amounted to SEK 1,867 million (1,701), an increase of 10%
- EBITDA increased by 15% and amounted to SEK 354 million (307) corresponding to an EBITDA margin of 19.0% (18.1)
- Operating profit (EBIT) amounted to SEK 171 million (262)
- Profit after tax amounted to SEK 94 million (165) corresponding to a net margin of 5.0% (9.7)
- Earnings per share amounted to SEK 1.38 (2.56) before dilution and SEK 1.38 (2.50) after dilution
- Previous years EBIT and profit after tax were positively affected by SEK 97 million from the divestment of Thyrosafe, corresponding to an effect on earnings per share of SEK 1.52
- Continued solid cash flow with unchanged working capital and low investments

10%
Sales increase

354
SEKM, EBITDA

19.0%
EBITDA margin

JANUARY – JUNE 2019

- Net sales amounted to SEK 3,679 million (3,213), an increase of 14%
- EBITDA increased by 16% and amounted to SEK 645 million (557) corresponding to an EBITDA margin of 17.5% (17.3)
- Operating profit (EBIT) amounted to SEK 282 million (382)
- Profit after tax amounted to SEK 173 million (210) corresponding to a net margin of 4.7% (6.5)
- Earnings per share amounted to SEK 2.55 (3.28) before dilution and SEK 2.55 (3.28) after dilution
- Net debt to Equity was 0.7 (0.6)

KEY FIGURES

SEK million	Apr – Jun			Jan – Jun			Jul 18 – Jun 19	Jan - Dec
	2019	2018	Change in %	2019	2018	Change in %	2018	
Net sales	1,867	1,701	+10	3,679	3,213	+14	6,839	6,374
EBITDA ^{1/2/}	354	307	+15	645	557	+16	1,076	987
IFRS 16 effect EBITDA	23	-		45	-		45	-
EBITA ^{1/}	232	225	+3	402	399	+1	633	630
EBIT adjusted ^{1/}	171	169	+1	282	289	-3	418	425
EBIT ^{2/}	171	262	-35	282	382	-26	305	405
EBITDA margin (%) ^{1/}	19.0	18.1		17.5	17.3		15.7	15.5
Earn. per share adj (SEK) ^{1/}	1.38	1.13		2.55	1.84		3.48	2.73
Earnings per share (SEK)	1.38	2.56		2.55	3.28		1.82	2.43
Return on equity (%), adj ^{1/}	4.1	2.2						3.4
Return on equity (%) ^{1/}	2.2	-0.5						3.1
Equity per share, adj (SEK) ^{1/}	83.0	84.9						80.6
Equity per share (SEK) ^{1/}	83.0	80.8						78.7
Equity/assets ratio, adj. (%) ^{1/}	41.7	43.0						42.1
Equity/assets ratio (%) ^{1/}	41.7	43.0						42.0
Net debt ^{1/}	4,002	3,336						3,791
IFRS 16, effect net debt	277	-						-
Net debt to Equity ^{1/}	0.7	0.6						0.7
Net debt to EBITDA ^{1/}	3.7	3.8						3.8
IFRS 16, effect net debt to EBITDA	0.1	-						-

1/ APM: Alternative Performance Measures, see financial definitions on page 24.

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

COMMENTS BY THOMAS ELDERED, CEO

Steady progress towards our targets

For the sixth consecutive quarter I'm pleased to report record high sales for the quarter. We are also reporting sequential improvement of sales, profitability and cash flow.

Net sales increased 10 per cent compared to Q2 2018, corresponding to the net of acquisitions and discontinuing operations. EBITDA increased by 15 per cent and in addition to acquisitions we report good contributions from serialisation, new sterile products in new capacities and our new global development organisation while non-lyophilized injectables and oral solids underperformed during the quarter. EBITDA margin in the quarter increased to 19 per cent, 20 per cent excluding discontinuing operations. Changed accounting standard contributed 1.2 percentage points.

In the Steriles & Inhalation segment we continued to see good demand in the inhalation market and we are evaluating several new business opportunities. We also continue to see good demand for our lyophilisation and blow-fill-seal services as we increase utilisation of the newly installed capacities.

In the Solids & Others we saw stable demand from current customers. We are implementing several new contracts with associated tech-transfer and scale-up expenses which will benefit sales from next year and onwards.

Our global development services continue to gain business momentum and contributed to improved performance in the Development & Technology segment.

Despite sales growth, working capital was slightly reduced during the quarter and operating cash flow increased SEK 140 million to SEK 259 million. Whilst a changed accounting standard increased net debt by SEK 277 million, increased EBITDA and lower investments had a favourable impact on leverage and gearing ratios.

Our current structure has considerable potential for growth and improved performance, also in the short term, but I'm not satisfied with the organic growth in the quarter. We know what to do and expect the increased business momentum we began to see towards the end of the second quarter to continue and strengthen during the rest of the year. 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 25 July 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	Apr – Jun			Jan – Jun			Jan - Dec	
	2019	2018	Change in %	2019	2018	Change in %	2018	
Steriles & Inhalation	848	642	+32	1,651	1,206	+37	2,556	
Solids & Others	710	742	-4	1,402	1,385	+1	2,680	
Development & Technology	269	261	+3	546	518	+5	935	
Discontinued operations	81	99	-18	150	181	-17	344	
Eliminations and others	-41	-44		-71	-77		-141	
Total	1,867	1,701	+10	3,679	3,213	+14	6,374	

APRIL - JUNE 2019

Net sales

Net sales increased by SEK 166 million and amounted to SEK 1,867 million, an increase of 10 per cent, primarily driven by the newly acquired operations in UK. Sales excluding acquisition and currency effects decreased by SEK 61 million, an organic decline of 4 per cent, partially driven by lower sales of oral solids. The year-over-year sales change was negatively affected by sales phasing related to change of product ownership.

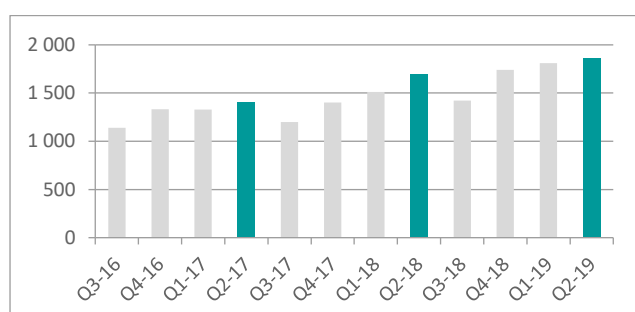
Other operating revenue

Other operating revenue amounted to SEK 44 million (147), with the negative variance mainly generated by gains in 2018 from the sale of Thyrosafe product rights.

SALES BRIDGE, APR – JUN

	SEKm	%
2018	1,701	
Currency	+41	+2
Acquisitions	+186	+11
Organic	-61	-4
Total	+166	+10
2019	1,867	

NET SALES BY QUARTER (SEK MILLION)



JANUARY – JUNE 2019

Net sales

Net sales increased by SEK 465 million and amounted to SEK 3,679 million, an increase of 14 per cent. The newly acquired operations in UK contributed 12 percentage points. The slight organic sales decline was impacted by lower sales of oral solids and a planned standstill. The year-over-year sales change was negatively affected by sales phasing related to change of product ownership.

Other operating revenue

Other operating revenue amounted to SEK 95 million (188), a decrease mainly related to the sale of Thyrosafe product rights in 2018.

SALES BRIDGE, JAN – JUN

	SEKm	%
2018	3,213	
Currency	+95	+3
Acquisitions	+402	+12
Organic	-31	-1
Total	+465	+14
2019	3,679	

RESULTS

EBITDA PER SEGMENT

SEK million	Apr – Jun			Jan – Jun			Jan – Dec
	2019	2018	Change in %	2019	2018	Change in %	2018
Steriles & Inhalation	165	129	+28	311	240	+29	497
Solids & Others	127	140	-9	217	249	-13	435
Development & Technology	90	72	+25	175	125	+41	204
Discontinued operations	-5	-5	+13	-12	-11	-13	-50
Eliminations and others	-23	-29		-47	-46		-99
Total	354	307	+15	645	557	+16	987

APRIL - JUNE 2019

EBITDA

EBITDA amounted to SEK 354 million (307), an increase by 15 per cent, while the EBITDA margin to sales increased from 18.1 per cent to 19.0 per cent. The result included a positive effect from changes in accounting standards (IFRS 16) of SEK 23 million, corresponding to an EBITDA margin effect of 1.2 percentage points. EBITDA decreased organically by SEK 19 million. Lower earnings for non-lyophilized injectables and oral solids were partially offset by higher earnings in development services.

Raw materials and consumables

Raw materials and consumables amounted to SEK 508 million (511). The materials ratio to sales decreased by 3 percentage points to 27 per cent (30), mainly caused by sales phasing effects.

Other external costs

Other external costs amounted to SEK 383 million (372). The increase was primarily related to acquisition and currency translation effects. The ratio to sales decreased by 1 percentage point to 21 per cent (22).

Employee benefits expense

Employee benefits expense increased by SEK 101 million to SEK 654 million (553), mainly due to acquisition and currency translation effects. The ratio of employee benefits expenses to sales increased to 35 per cent (33).

Depreciation, amortisation and impairment

Depreciation and amortisation increased to SEK 183 million (138), including an increase of SEK 21 million related to changes in accounting standards (IFRS 16). The remaining increase was mainly a consequence of the roll-out of serialisation equipment and other expansion capex in 2018, in addition to acquisition and currency translation effects.

Financial items

Interest income and similar revenues amounted to SEK 14 million (7) of which SEK -5 million (7) were currency effects. The result included a profit from sale of financial assets of SEK 18 million (0). Interest expenses and similar costs amounted to SEK 53 million (77), of which SEK 40 million (36) was interest expenses, including SEK 3 million (0) related to changes in accounting standards (IFRS 16).

The same period last year included an impairment charge of SEK 30 million.

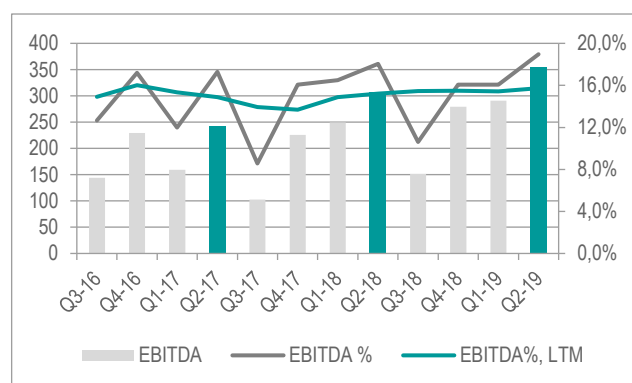
Tax

The income tax amounted to SEK 38 million (28).

Profit after tax

Profit after tax amounted to SEK 94 million (165). Profit after tax in the same period last year included a positive effect from the divestment of Thyrosafe of SEK 97 million.

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



EBITDA BRIDGE, APR – JUN

	SEKm	%
2018	307	
Currency	+9	+3
Acquisitions	+35	+11
Accounting standard (IFRS 16)	+23	+7
Organic	-19	-6
Total	+47	+15
2019	354	

EBITDA

EBITDA amounted to SEK 645 million (557), an increase by 16 per cent, while the EBITDA margin to sales increased from 17.3 to 17.5 per cent. The result included a positive effect from changes in accounting standards (IFRS 16) of SEK 45 million. EBITDA decreased organically by SEK 58 million. Lower earnings for non-lyophilized injectables and oral solids in combination with a planned standstill were partially offset by higher earnings in development services.

Raw materials and consumables

Raw materials and consumables amounted to SEK 1,034 million (942). The increase was mainly related to acquisition and currency translation effects. The material cost ratio to sales decreased by 1 percentage point to 28 per cent (29).

Other external costs

Other external costs amounted to SEK 768 million (710), with the increase primarily caused by acquisition and currency translation effects. The ratio to sales decreased to 21 per cent (22).

Employee benefits expense

Employee benefits expense amounted to SEK 1,301 million (1,070), mainly due to acquisition and currency translation effects. The ratio of employee benefits expenses to sales increased to 35 per cent (33).

Depreciation, amortisation and impairment

Depreciation and amortisation amounted to SEK 363 million (268), including an increase of SEK 42 million related to changes in accounting standards (IFRS 16). The residual increase was primarily a consequence of the roll-out of serialisation equipment and other expansion capex in 2018, in addition to acquisition and currency translation effects.

Financial items

Interest income and similar revenues amounted to SEK 55 million (18) of which SEK 35 million (17) were currency exchange rate gains. The result included a profit from sale of financial assets of SEK 18 million (0). Interest expenses and similar costs amounted to SEK 95 million (122), of which SEK 72 million (73) was interest expenses, including SEK 6 million (0) related to changes in accounting standards (IFRS 16). Same period last year included an impairment charge of SEK 30 million.

Tax

The income tax amounted to SEK 68 million (69).

Profit after tax

Profit after tax amounted to SEK 173 million (210). Profit after tax in the same period last year included a positive effect from the divestment of Thyrosafe of SEK 97 million.

EBITDA BRIDGE, JAN - JUN

	SEKm	%
2018	557	
Currency	+18	+3
Acquisitions	+84	+15
Accounting standard (IFRS 16)	+45	+8
Organic	-58	-10
Total	+88	+16
2019	645	

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 32%
- EBITDA increased by 28%
- EBITDA margin of 19.4% (20.1)



APRIL – JUNE 2019

Net sales

Sales for Steriles & Inhalation increased by SEK 205 million to SEK 848 million, an increase of 32 per cent primarily driven by the acquisition of the inhalation factory in UK. Higher sales across several facilities was offset by lower sales to the Turkish market.

SALES BRIDGE, APR – JUN

	SEKm	%
2018	642	
Currency	+20	+3
Acquisitions	+186	+29
Organic	-1	0
Total	+205	+32
2019	848	

EBITDA

EBITDA for Steriles & Inhalation increased by SEK 36 million to SEK 165 million, equivalent to an EBITDA margin of 19.4 per cent (20.1). The acquired facility in UK contributed SEK 35 million. Higher production costs in one facility in Italy and technical issues in one facility in France were partially offset by higher sales across several other facilities.

EBITDA BRIDGE, APR – JUN

	SEKm	%
2018	129	
Currency	+4	+3
Acquisitions	+35	+27
Accounting standard (IFRS 16)	+4	+3
Organic	-7	-6
Total	+36	+28
2019	165	

JANUARY – JUNE 2019

Net sales

In the first half of 2019 Steriles & Inhalation revenues increased by SEK 445 million to SEK 1,651 million, an increase of 37 per cent. The newly acquired operations in UK contributed 33 percentage points. Higher sales across several facilities was offset by lower sales to the Turkish market and a planned standstill.

EBITDA

EBITDA for Steriles & Inhalation increased by SEK 71 million to SEK 311 million, equivalent to an EBITDA margin of 18.8 per cent (19.9). The acquired facility in UK contributed SEK 84 million. Higher production costs in one facility in Italy, technical issues in one facility in France and a planned standstill were partially offset by higher sales across several other facilities.

MANUFACTURING SERVICES – SOLIDS & OTHERS

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

- Sales decreased by 4%
- EBITDA decreased by 9%
- EBITDA margin of 17.9% (18.9)



APRIL – JUNE 2019

Net sales

Sales in Solids & Others decreased by SEK 32 million to SEK 710 million, a decrease of 4 per cent, mainly due to sales phasing related to change of product ownership and a machine breakdown in one facility.

SALES BRIDGE, APR – JUN

	SEKm	%
2018	742	
Currency	+15	+2
Acquisitions	-	-
Organic	-47	-6
Total	-32	-4
2019	710	

EBITDA

EBITDA for Solids & Others decreased by SEK 13 million to SEK 127 million, corresponding to an EBITDA margin of 17.9 per cent (18.9). Lower sales, a machine breakdown in one facility and implementation of several new contracts with associated tech transfer and scale-up expenses were partially offset by higher earnings in Spain.

EBITDA BRIDGE, APR – JUN

	SEKm	%
2018	140	
Currency	+3	+2
Acquisitions	-	-
Accounting standard (IFRS 16)	+6	+5
Organic	-23	-16
Total	-13	-9
2019	127	

JANUARY – JUNE 2019

Net sales

Solids & Others increased sales by SEK 18 million to SEK 1,402 million, an increase of 1 per cent. The effects from sales phasing and a machine breakdown in one facility were partially offset by growth in demand.

EBITDA

EBITDA for Solids & Others decreased by SEK 31 million to SEK 217 million, corresponding to an EBITDA margin of 15.5 per cent (17.9). Lower sales, a machine breakdown in one facility and implementation of several new contracts with associated tech transfer and scale-up expenses were partially offset by higher earnings in Spain.

DEVELOPMENT & TECHNOLOGY

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

- Sales increased by 3%
- EBITDA increased by 25%
- EBITDA margin of 33.4% (27.6)



APRIL – JUNE 2019

Net sales

Development & Technology increased sales by SEK 7 million to SEK 269 million. Growth in API deliveries and development services were offset by lower sales of own products.

SALES BRIDGE, APR – JUN

	SEKm	%
2018	261	
Currency	+7	+2
Acquisitions	-	-
Organic	+1	0
Total	+7	+3
2019	269	

EBITDA

EBITDA for Development & Technology increased by SEK 18 million to SEK 90 million, equivalent to an EBITDA margin of 33.4 per cent (27.6), mainly driven by exceptional API performance combined with improved product mix.

EBITDA BRIDGE, APR – JUN

	SEKm	%
2018	72	
Currency	+2	+3
Acquisitions	-	-
Accounting standard (IFRS 16)	+4	+6
Organic	+12	+17
Total	+18	+25
2019	90	

JANUARY – JUNE 2019

Net sales

Development & Technology increased sales by SEK 28 million to SEK 546 million, an increase of 5 per cent, primarily driven by higher sales of development services combined with higher API deliveries.

EBITDA

EBITDA for Development & Technology increased by SEK 51 million to SEK 175 million, equivalent to an EBITDA margin of 32.1 per cent (24.0) mainly due to exceptional API business combined with product mix improvement and better use of resources within development services.

CASH FLOW

SEK million	Apr – Jun		Jan - Jun		Jan - Dec
	2019	2018	2019	2018	2018
Cash flow from operating activities before changes in working capital	245	265	463	450	648
Cash flow from changes in working capital	14	-146	13	-283	-284
Cash flow from investing activities	-174	-69	-237	-475	-1,137
Cash flow from financing activities	-103	555	-133	607	674
Total	-18	605	106	299	-100

APRIL – JUNE 2019

Cash flow from operating activities before changes in working capital was SEK 245 million (265) while changes in working capital was SEK 14 million (-146).

Cash flow from investing activities was SEK -174 million (-69) of which SEK -71 million (-120) was investments in property, plant and equipment and SEK -64 million (-) was payment for inventories from the acquisition of Holmes Chapel. Same period last year included SEK 61 million as proceeds from the divestment of the product right ThyroSafe.

Cash flow from financing activities was SEK -103 million (555) of which SEK -84 million (-) was payment of dividend to shareholders. Same period last year included SEK 508 million from a new share issue.

JANUARY – JUNE 2019

Cash flow from operating activities before changes in working capital was SEK 463 million (450) while changes in working capital was SEK 13 million (-283).

Cash flow from investing activities was SEK -237 million (-475) of which SEK SEK -123 million (-215) was investments in property, plant and equipment and SEK -64 million (-) was payment for inventories from the acquisition of Holmes Chapel. Same period last year included SEK -307 million for the acquisition of additional shares in Nitin Lifesciences and SEK 61 million as proceeds from the divestment of the product right ThyroSafe.

Cash flow from financing activities was SEK -133 million (607), of which SEK -84 million (-) was payment of dividend to shareholders. Same period last year included SEK 508 million from a new share issue.

FINANCING AND RETURN

SEK million	Jan – Jun		Jan - Dec
	2019, adjusted	2018, adjusted	2018, adjusted
Return on operating capital (%)	4.5	4.1	4.9
Return on equity	4.1	2.2	3.4
Net debt to EBITDA	3.7	3.8	3.8
Net debt to equity	0.7	0.6	0.7
Equity to assets (%)	41.7	43.0	42.1

The return on operating capital increased to 4.5 from 4.1 in the same period in the previous year. The increase from last year is due to higher profit in the period.

Return on equity increased to 4.1 from 2.2 in the same period in the previous year. The increase from last year is due to higher profit in the period.

The net debt to EBITDA ratio decreased to 3.7 from 3.8 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 (0.6), which is below the max target of 0.8.

The equity to assets ratio decreased compared to last year partly due to an increase of assets as a consequence of the new accounting standard IFRS 16 but also due to increased assets 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 86 million (60) and operating result was SEK -61 million (-56) during the period. Investments amounted to SEK 14 million (58), 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 5,327 (4,690). The increase from previous year is mainly related to the acquisition of the operations in Holmes Chapel.

SIGNIFICANT EVENTS DURING THE PERIOD

Recipharm launches Recipharm Inhalation Solutions™ as its end-to-end offering for inhalation products

Recipharm announced on May 7 the launch of its end-to-end inhalation offering to provide customers with a fully integrated service from early stage development through to commercial manufacturing.

The offering follows the acquisition of Sanofi's inhalation manufacturing business in Holmes Chapel, UK in 2018, which has specialised in the manufacture of inhalation drug products for over 40 years. The facility is supported by Recipharm's inhalation development expertise in Research Triangle Park, North Carolina, US.

FINANCIAL CALENDAR

Interim report Jan – Sep 2019	November 7, 2019
Capital Markets Day	November 18, 2019
Interim report Jan – Dec 2019	February 20, 2020

CONTACT INFORMATION:

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

Stockholm, July 25 2019

Thomas Eldered (CEO)

Lars Backsell (Chairman)

Carlos von Bonhorst

Anders G. Carlberg

Olle Christenson

Marianne Dicander Alexandersson

Ashwini Kakkar

Helena Levander

Eva Sjökvist Saers

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 July 25, 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	Apr – Jun		Jan – Jun		Jan – Dec
	2019	2018	2019	2018	2018
Operating income					
Net sales	1,866.9	1,700.8	3,678.7	3,213.4	6,373.7
Other operating revenue	43.8	146.6	94.7	188.4	284.6
	1,910.7	1,847.4	3,773.4	3,401.8	6,658.3
Operating expenses					
Raw materials and consumables	-507.9	-510.6	-1,033.7	-942.3	-1,839.4
Other external costs	-382.9	-371.6	-768.2	-709.9	-1,520.3
Employee benefits expense	-653.9	-552.8	-1,300.7	-1,070.1	-2,228.9
Depreciation and amortisation	-183.2	-137.8	-363.2	-267.5	-580.8
Other operating expenses	-12.5	-13.3	-25.7	-29.7	-83.3
Share of result in participations	0.5	0.9	-0.1	-0.2	-0.4
	-1,739.9	-1,585.2	-3,491.6	-3,019.6	-6,253.1
Operating profit	170.8	262.2	281.8	382.1	405.2
Interest income and similar revenues	14.2	6.9	54.5	18.4	23.5
Interest expenses and similar costs	-53.0	-76.6	-95.0	-121.7	-199.9
Net financial income/expense	-38.8	-69.7	-40.4	-103.4	-176.3
Profit before tax	132.0	192.5	241.4	278.7	228.9
Income tax	-38.2	-27.5	-68.5	-69.0	-69.0
Profit for the period	93.7	164.9	172.9	209.8	159.9

OTHER COMPREHENSIVE INCOME

SEK million	Apr – Jun		Jan – Jun		Jan – Dec
	2019	2018	2019	2018	2018
Items that may be reclassified subsequently to profit or loss					
Translation differences	46.5	87.4	203.4	196.6	101.0
Gains/losses from fair value valuation of financial instruments	-1.7	-1.2	3.1	-1.6	-5.4
Deferred tax relating to items that may be reclassified	0.4	0.3	-0.7	0.4	1.2
Total	45.1	86.5	205.9	195.4	96.8
Items that will not be reclassified to profit or loss					
Actuarial gains/losses on pensions	-16.8	0.1	-16.2	0.3	0.2
Deferred tax relating to items that will not be reclassified	5.6	0.0	5.5	0.0	0.6
Total	-11.2	0.1	-10.8	0.3	0.7
Other comprehensive income for the period	33.9	86.6	195.1	195.6	97.6
Comprehensive income for the period	127.6	251.5	368.1	405.4	257.4
Profit for the period distributed to:					
Parent company's shareholders	93.7	164.0	172.9	208.5	159.4
Non-controlling interest	0.1	0.9	0.0	1.3	0.5
Total	93.7	164.9	172.9	209.8	159.9
Comprehensive income for the period distributed to:					
Parent company's shareholders	127.3	235.4	367.7	399.5	253.2
Non-controlling interest	0.3	16.1	0.3	5.9	4.2
Total	127.6	251.5	368.1	405.4	257.4
Earnings per share before dilution (SEK)	1.38	2.56	2.55	3.28	2.43
Earnings per share after dilution (SEK)	1.38	2.50	2.55	3.28	2.43

CONSOLIDATED STATEMENT OF FINANCIAL POSITION,
CONDENSED

SEK million	Jun 30		Dec 31
	2019	2018	2018
ASSETS			
Non-current assets			
Product rights	271.7	290.0	278.7
Goodwill	2,689.9	2,589.3	2,598.4
Customer relations	2,220.8	2,329.7	2,268.4
Other intangible assets	245.8	215.8	221.9
Property, plant and equipment	3,709.6	3,092.7	3,411.8
Non-current financial assets	354.6	277.6	314.0
Total non-current assets	9,492.3	8,795.0	9,093.2
Current assets			
Inventories	1,467.5	1,119.6	1,317.6
Accounts receivable	1,365.4	1,341.4	1,262.7
Other receivables	229.5	281.9	257.3
Prepaid expenses and accrued income	135.6	111.3	103.7
Cash and cash equivalents	806.0	1,085.4	681.4
Total current assets	4,004.0	3,939.6	3,622.7
TOTAL ASSETS	13,496.3	12,734.6	12,715.9
SHAREHOLDERS EQUITY AND LIABILITIES			
Share capital	33.9	33.9	33.9
Other paid-in capital	4,592.2	4,593.6	4,592.2
Reserves	367.0	259.1	161.5
Retained earnings (including net profit)	632.3	590.3	549.6
Equity attributable to Parent Company shareholders	5,625.4	5,476.9	5,337.1
Equity attributable to Non-Controlling interest	0.3	1.6	-0.1
Total equity	5,625.6	5,478.5	5,337.1
Non-current liabilities			
Interest-bearing liabilities	4,695.5	4,383.2	4,443.3
Provisions	602.9	509.7	623.6
Deferred tax liability	846.2	953.7	856.9
Other non-current liabilities	40.4	24.5	47.1
Total non-current liabilities	6,185.0	5,871.1	5,971.0
Current liabilities			
Interest-bearing liabilities	104.0	17.7	16.3
Overdraft facility	8.0	20.5	12.3
Accounts payable	905.7	711.3	836.5
Tax liabilities	82.1	55.5	31.0
Other liabilities	102.7	105.7	90.3
Accrued expenses and prepaid income	483.3	474.1	421.5
Total current liabilities	1,685.7	1,384.9	1,407.9
TOTAL EQUITY AND LIABILITIES	13,496.3	12,734.6	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				172.9	172.9	0.0	172.9
Other comprehensive income			205.6	-10.8	194.8	0.3	195.1
Transactions with owners:							
Share-based incentive program				4.8	4.8		4.8
Dividend				-84.2	-84.2		-84.2
Equity at 30 June 2019	33.9	4,592.2	367.0	632.3	5,625.4	0.3	5,625.6

CONSOLIDATED CASH FLOW STATEMENT

SEK million	Apr – Jun		Jan – Jun		Jan – Dec
	2019	2018	2019	2018	2018
Operating activities					
Profit before tax	132.0	192.5	241.4	278.7	228.9
Adjustments for items not affecting cash					
- Depreciation, amortisation and impairment of assets	183.2	167.7	363.2	297.5	610.8
- Changes in provisions	3.6	-1.2	-35.5	-14.3	106.8
- Gains from disposal of non-current assets	-18.3	-97.2	-18.9	-97.0	-119.0
- Share of result of associated companies	0.1	-1.3	0.5	-0.3	-0.6
- Other	-4.8	12.3	-10.8	-2.2	-28.8
	295.7	272.8	539.9	462.5	798.1
Income taxes paid	-50.6	-7.4	-76.9	-12.9	-150.5
Cash flow from operating activities before changes in working capital	245.1	265.4	463.0	449.6	647.6
<i>Cash flow from changes in working capital</i>					
Change in inventories	-80.3	-51.4	-120.3	-104.7	-190.5
Change in operating receivables	-53.0	-81.8	-89.9	-273.9	-145.2
Change in operating liabilities	146.9	-13.3	223.6	95.2	51.5
Cash flow from operating activities	258.6	118.9	476.5	166.3	363.5
<i>Investing activities</i>					
Acquisition of property, plant and equipment	-70.5	-119.9	-123.3	-215.3	-422.2
Disposal of property, plant and equipment	0.3	0.0	0.9	0.0	5.4
Acquisition of intangible assets	-21.8	-8.5	-31.1	-13.4	-32.1
Disposal of intangible assets	-	60.7	-	60.7	60.7
Acquisition of subsidiaries/operations, net of cash acquired	-64.1	-	-64.1	-307.2	-754.0
Acquisition of financial assets	-17.7	-0.1	-19.8	-2.6	-19.7
Disposal of short-term investment	-	-1.5	-	2.8	24.9
Cash flow from investing activities	-173.8	-69.3	-237.4	-475.0	-1,137.0
<i>Financing activities</i>					
Dividend paid to Parent Company shareholders	-84.2	-	-84.2	-	-
New share issue	-	508.0	-	508.0	508.0
Change in overdraft facility	4.3	-9.0	-3.2	-2.1	-10.2
Loans raised	-	60.0	50.0	610.0	760.0
Repayment of borrowings	-22.6	-3.7	-95.3	-508.7	-584.3
Cash flow from financing activities	-102.5	555.3	-132.7	607.2	673.5
Total cash flow for the period	-17.7	604.9	106.3	298.5	-100.0
Cash and cash equivalents at beginning of period	816.8	470.3	681.4	770.9	770.9
Translation difference on cash and cash equivalents	6.9	10.1	18.2	16.0	10.6
Cash and cash equivalents at end of period	806.0	1,085.4	806.0	1,085.4	681.4
Interest received	0.8	0.3	1.1	1.4	2.4
Interest paid	-53.8	-54.4	-66.1	-66.5	-115.5

PARENT COMPANY STATEMENT OF PROFIT AND LOSS

SEK million	Apr – Jun		Jan – Jun		Jan – Dec
	2019	2018	2019	2018	2018
Operating Income					
Net sales	45.7	29.1	85.8	60.1	127.2
Other operating revenue	2.0	2.3	6.2	5.5	8.7
	47.7	31.4	92.0	65.6	135.8
Operating expenses					
Other external costs	-37.8	-33.7	-78.5	-59.8	-120.4
Employee benefits expense	-28.0	-29.1	-58.3	-53.9	-106.7
Depreciation and amortisation	-7.7	-3.1	-15.3	-5.4	-14.7
Other operating expenses	-0.4	-0.8	-0.5	-2.2	-3.4
	-73.9	-66.7	-152.6	-121.3	-245.2
Operating profit/loss	-26.2	-35.3	-60.6	-55.8	-109.3
Financial items	22.2	-4.3	47.1	23.8	29.0
Profit/loss after financial items	-4.1	-39.5	-13.4	-31.9	80.4
Appropriations and tax	-	-	-	-	-1.6
Profit/loss for the period	-4.1	-39.5	-13.4	-31.9	-82.0

OTHER COMPREHENSIVE INCOME

SEK million	Apr – Jun		Jan – Jun		Jan – Dec
	2019	2018	2019	2018	2018
Items that may be reclassified subsequently to profit or loss					
Translation differences	1.3	0.1	-1.4	-2.1	-0.7
Other comprehensive income for the period	1.3	0.1	-1.4	-2.1	-0.7
Total comprehensive income for the period	-2.7	-39.4	-14.8	-34.0	-82.7

PARENT COMPANY STATEMENT OF FINANCIAL POSITION,
CONDENSED

SEK million	Jun 30		Dec 31
	2019	2018	2018
ASSETS			
Non-current assets			
Intangible assets	9.1	9.6	7.3
Property, plant and equipment	250.0	221.4	254.2
Non-current financial assets	7,094.3	6,887.8	7,136.3
Current assets	1,734.2	1,660.8	1,652.8
TOTAL ASSETS	9,087.5	8,779.7	9,050.7
SHAREHOLDERS EQUITY AND LIABILITIES			
Equity	3,856.8	3,991.7	3,949.2
Liabilities	5,230.6	4,788.1	5,101.4
TOTAL EQUITY AND LIABILITIES	9,087.5	8,779.7	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)

SEKm	
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 assets	-1
Lease liability as of 1 January	312

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

SEKm	
Right of use assets	312
Lease liabilities, current portion	-85
Lease liabilities, non-current portion	-227

SEKm	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	0.5		0.7	0.7	1.9	1.9
Depreciation	-32.6	-2.7	-3.9	-2.7	-41.9	
Interest expenses						6.0
Payments						-45.3
Exchange rate effects	1.1	1.2	0.0	0.4	2.7	2.7
As of 30 June, 2019	201.4	41.9	16.7	14.3	274.3	276.9

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
Conversion of shares		370,000	-370,000	-
Number of shares as of 30 June 2019	15,222,858	52,552,935	-	67,775,793

In the period all D-shares have been converted into B-shares, as mandated by the Annual General Meeting. Of the total number of shares, the company holds 378,992 B-shares in order to secure delivery of shares to participants in the Share-based incentive programs.

NOTE 2 EARNINGS PER SHARE

SEK million	Apr – Jun		Jan – Jun		Full year
	2019	2018	2019	2018	2018
Parent company's shareholders:					
Earnings per share before dilution (SEK)	1.38	2.56	2.55	3.28	2.43
Earnings per share after dilution (SEK)	1.38	2.50	2.55	3.28	2.43
Profit before dilution (SEK thousand)	93,683	164,018	172,933	208,480	159,380
Effect from potential shares (SEK thousand)	10,159	10,057	20,307	20,115	40,230
Profit after dilution (SEK thousand)	103,842	174,075	193,240	228,595	199,610
Average number of shares before dilution (thousand)	67,776	64,013	67,776	63,617	65,714
Potential shares (thousand)	5,496	5,496	5,496	5,496	5,496
Average number of shares after dilution (thousand)	73,272	69,509	73,272	69,113	71,210

Potential shares, 5,495,864 (5,495,864), are related to the convertible bond issued in October 2016.

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 this quarter the payment of 50 per cent, SEK 64 million, of the agreed consideration for the inventory was 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.

Apr – Jun 2019

SEK million	MFG-SI	MFG-SO	D&T	Eliminations & Other	Total	Discontinued operations	Non-rec. items	Total
Net sales, external	832.6	698.2	264.4		1,795.2	71.6		1,866.9
Net sales, internal	15.1	11.6	4.1	-40.7	-9.8	9.8		
EBITDA	164.8	127.2	89.7	-23.1	358.6	-4.6		354.0
EBITDA %	19.4	17.9	33.4		20.1	-5.7		19.0
Depreciations	-89.5	-61.7	-23.2	-0.7	-175.1	-10.0		-185.1
Impairment						1.9		1.9
EBIT	75.3	65.5	66.4	-23.7	183.5	-12.7		170.8

Apr – Jun 2018

SEK million	MFG-SI	MFG-SO	D&T	Eliminations & Other	Total	Discontinued operations	Non-rec. items	Total
Net sales, external	635.1	727.4	253.8		1,616.3	84.5		1,700.8
Net sales, internal	7.3	14.5	7.5	-44.0	-14.7	14.7		
EBITDA	129.0	140.0	72.1	-28.5	312.5	-5.3	92.9	400.0
EBITDA %	20.1	18.9	27.6		19.5	-5.4		23.5
Depreciations	-67.7	-46.4	-21.1	-0.8	-136.0	-1.7		-137.7
Impairment								
EBIT	61.5	93.5	51.0	-29.5	176.5	-7.0	92.9	262.1

Jan – Jun 2019

SEK million	MFG-SI	MFG-SO	D&T	Eliminations & Other	Total	Discontinued operations	Non-rec. items	Total
Net sales, external	1,624.6	1,382.6	539.4		3,546.5	132.2		3,678.7
Net sales, internal	26.5	19.6	7.0	-71.3	-18.1	18.1		
EBITDA	311.1	217.2	175.3	-46.5	657.0	-12.0		645.1
EBITDA %	18.8	15.5	32.1		18.6	-8.0		17.5
Depreciations	-175.7	-117.5	-45.8	-9.4	-348.3	-18.7		-367.0
Impairment						3.8		3.8
EBIT	135.4	99.7	129.5	-55.9	308.7	-26.9		281.8
Goodwill	1,401.1	696.8	592.0		2,689.9			2,689.9
Non-current assets	4,375.3	3,125.3	1,503.8	396.5	9,401.0	91.3		9,492.3
Total assets	6,134.4	4,940.5	2,127.4	-254.3	12,948.0	548.3		13,496.3

Jan – Jun 2018

SEK million	MFG-SL	MFG-SO	D&T	Eliminations & Other	Total	Discontinued operations	Non-rec. items	Total
Net sales, external	1,191.3	1,361.1	505.9		3,058.3	155.1		3,213.4
Net sales, internal	14.6	23.5	12.5	-76.6	-26.0	26.0		
EBITDA	240.3	248.5	124.5	-45.7	567.4	-10.6	92.9	649.7
EBITDA %	19.9	17.9	24.0		18.7	-5.8		20.2
Depreciations	-127.0	-91.1	-39.9	-3.1	-261.1	-3.4		-264.5
Impairment			-3.0		-3.0			-3.0
EBIT	113.4	157.3	81.6	-48.9	303.3	-13.9	92.9	382.1
Goodwill	1,322.1	686.2	581.1		2,589.3			2,589.3
Non-current assets	3,933.1	2,834.5	1,628.8	338.1	8,734.4	60.6		8,795.0
Total assets	5,152.2	4,384.3	2,247.0	494.2	12,277.7	456.9		12,734.6

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
Depreciations	-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	4,531.1	2,174.2	-175.7	12,345.1	370.8		12,715.9

Geographical area SEK million	Net sales			Non-current assets		
	Jan-Jun 2019	Jan-Jun 2018	Jan-Dec 2018	Jun 30 2019	Jun 30 2018	Dec 31 2018
Sweden	680.9	782.1	1,432.5	1,726.7	1,512.4	1,546.7
Italy	637.7	649.0	1,241.9	1,999.2	1,996.2	1,935.3
France	568.5	565.9	1,074.8	805.3	818.8	788.8
UK	419.3	33.5	232.8	535.9	47.7	522.0
Spain	400.4	307.1	634.3	165.8	151.0	160.8
India	386.4	351.9	702.8	2,474.9	2,466.3	2,394.2
Portugal	308.2	278.0	574.0	965.7	980.1	953.5
Germany	242.8	223.7	435.4	780.7	799.8	768.9
Other	34.4	22.2	45.1	37.9	22.7	22.8
Total	3,678.7	3,213.4	6,373.7	9,492.3	8,795.0	9,093.2

NOTE 5 DISAGGREGATION OF REVENUE

Jan – Jun 2019

SEK million	Revenue recognition	MFG-SI	MFG-SO	D&T	Discontinued operations	Total
Pharmaceutical manufacturing	Revenue recognised at point in time	1,621.2	1,320.5		132.2	3,073.9
Pharmaceutical manufacturing	Revenue recognised over time	1.1	2.3			3.5
Product sales	Revenue recognised at point in time			397.1		397.1
Total sales of products		1,622.3	1,322.9	397.1	132.2	3,474.4
Service sales	Revenue recognised over time	2.3	59.7	142.3		204.2
Total sales of services		2.3	59.7	142.3		204.2
Total net sales		1,624.6	1,382.6	539.4	132.2	3,678.7

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.

Jan – Jun 2018

SEK million	Revenue recognition	MFG-SL	MFG-SO	D&T	Discontinued operations	Total
Pharmaceutical manufacturing	Revenue recognised at point in time	1,172.7	1,328.1		155.1	2,655.9
Pharmaceutical manufacturing	Revenue recognised over time	18.6	14.7			33.3
Product sales	Revenue recognised at point in time			381.6		381.6
Total sales of products		1,191.3	1,342.8	381.6	155.1	3,070.9
Service sales	Revenue recognised over time		18.3	124.2		142.5
Total sales of services			18.3	124.2		142.5
Total net sales		1,191.3	1,361.1	505.9	155.1	3,213.4

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	Apr - Jun		Jan - Jun		Jan - Dec
	2019	2018	2019	2018	2018
EBITDA	354.0	307.1	645.1	556.8	987.4
Amortisation – continuing operations	-69.5	-64.1	-137.8	-129.4	-261.7
Amortisation – discontinuing operations	-0.1	-0.1	-0.2	-0.2	-0.5
Depreciation – continuing operations	-106.8	-72.1	-211.7	-135.2	-315.3
Depreciation – discontinuing operations	-6.8	-1.4	-13.5	-2.8	-3.4
Non-recurring item - restructuring costs	-	-	-	-	-82.1
Non-recurring item – profit from divestment of ThyroSafe®	-	97.2	-	97.2	95.6
Non-recurring item – acquisition costs	-	-4.4	-	-4.4	-14.8
EBIT	170.8	262.2	281.8	382.1	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****EBITDA****EBITDA 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 discontinuing of operations, profit from divestment of rights and one-off items which arise from business combinations.

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.

EBITDA shows operating profit for the core business

EBITDA divided by net sales

The EBITDA 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.