

INTERIM REPORT

JANUARY – SEPTEMBER 2019



INTERIM REPORT

JULY – SEPTEMBER 2019

- Net sales amounted to SEK 1,797 million (1,421), an increase of 26%
- EBITDA increased by 87% and amounted to SEK 282 million (151) corresponding to an EBITDA margin of 15.7% (10,6)
- Operating profit (EBIT) amounted to SEK 95 million (25)
- Profit after tax amounted to SEK 81 million (-9) corresponding to a net margin of 4.5% (-0.6)
- Earnings per share amounted to SEK 1.19 (-0.13) before dilution and SEK 1.19 (-0.13) after dilution

JANUARY – SEPTEMBER 2019

- Net sales amounted to SEK 5,476 million (4,635), an increase of 18%
- EBITDA increased by 31% and amounted to SEK 927 million (708) corresponding to an EBITDA margin of 16.9% (15.3)
- Operating profit (EBIT) amounted to SEK 377 million (407)
- Profit after tax amounted to SEK 253 million (201) corresponding to a net margin of 4.6% (4.3)
- Earnings per share amounted to SEK 3.74 (3.07) before dilution and SEK 3.74 (3.07) 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 1.50
- Net debt to Equity was 0.7 (0.6)

26%
Sales increase

282
SEKM, EBITDA

15.7%
EBITDA margin

KEY FIGURES

SEK million	Jul – Sep			Jan – Sep			Oct 18 – Sep 19	Jan - Dec
	2019	2018	Change in %	2019	2018	Change in %	2018	2018
Net sales	1,797	1,421	+26	5,476	4,635	+18	7,215	6,374
EBITDA ^{1/2/}	282	151	+87	927	708	+31	1,206	987
IFRS 16 effect EBITDA ^{1/}	24	-		69	-		69	-
EBITA ^{1/}	156	77	+102	558	476	+17	712	630
EBIT adjusted ^{1/}	95	9	+956	377	298	+27	504	425
EBIT ^{2/}	95	25	+280	377	407	-7	375	405
EBITDA margin (%) ^{1/}	15.7	10.6		16.9	15.3		16.7	15.5
Earn. per share adj (SEK) ^{1/}	1.19	-0.37		3.74	1.39			2.73
Earnings per share (SEK)	1.19	-0.13		3.74	3.07			2.43
Return on equity (%), adj ^{1/}	5.9	2.8						3.4
Return on equity (%) ^{1/}	3.8	0.3						3.1
Equity per share, adj (SEK) ^{1/}	85.6	81.6						80.6
Equity per share (SEK) ^{1/}	85.6	77.9						78.7
Equity/assets ratio, adj. (%) ^{1/}	43.9	43.9						42.1
Equity/assets ratio (%) ^{1/}	42.8	43.3						42.0
Net debt ^{1/}	3,912	3,192						3,791
IFRS 16, effect net debt ^{1/}	259	-						-
Net debt to Equity ^{1/}	0.7	0.6						0.7
Net debt to EBITDA ^{1/}	3.2	3.4						3.8
IFRS 16, effect net debt to EBITDA ^{1/}	0.03	-						-

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

Accelerating towards our targets

“The good performance we saw in the second quarter has continued and further improved. Today I’m therefore pleased to report our strongest ever third quarter. Net sales increased 26 per cent over the previous year with a good contribution from the newly acquired inhalation business. Organic growth was 11 per cent and we see strong growth across all three business segments and in all geographies where we operate.

EBITDA increased 87 per cent and in addition to acquisitions we report good contributions from serialisation, newly expanded capacities and our global development services. For non-lyophilized injectables I’m still not satisfied with the performance, but we are making progress on our improvement plan. Stock building in preparation for Brexit in our UK inhalation business generated approximately 10 per cent EBITDA increase.

EBITDA-margin in the normally weak third quarter increased significantly to a very satisfactory 15.7 per cent, whereof 1.3 percentage points was due to new accounting standards.

As earlier in the year we report strong cash flow and good cash conversion. Despite high sales growth we continue to keep working capital almost flat. With limited capex this translates into continued de-leveraging where we are now at a level which will allow us to make acquisitions going forward.

We are clearly benefitting from our global reach and our competitive value proposition to customers as we are taking leadership in selected markets. Our objectives and strategies remain unchanged. We will continue to build powerful, long lasting partnerships with strategically important customers, in addition to adding further technologies and differentiating businesses, based on customer needs.”



The company invites investors, analysts and media to a telephone conference with a web presentation (in English) on 7 November at 10.00 am CET where CEO Thomas Eldered and CFO Tobias Hägglov will present and comment on the interim report and answer questions. Information about the conference can be found on the company website: www.recipharm.com

REVENUES

NET SALES PER SEGMENT

SEK million	Jul – Sep			Jan – Sep			Jan - Dec
	2019	2018	Change in %	2019	2018	Change in %	2018
Steriles & Inhalation	865	607	+42	2,516	1,813	+39	2,556
Solids & Others	668	567	+18	2,070	1,951	+6	2,680
Development & Technology	245	206	+19	792	724	+9	935
Discontinued operations ^{1/}	71	71	0	222	252	-12	344
Eliminations and others	-52	-29		-123	-105		-141
Total	1,797	1,421	+26	5,476	4,635	+18	6,374

^{1/} Discontinued operations refer to the manufacturing operations in Stockholm, Sweden and in Ashton-under-Lyne, United Kingdom.

JULY - SEPTEMBER 2019

Net sales

Net sales increased by SEK 376 million and amounted to SEK 1,797 million, an increase of 26 per cent, primarily driven by the newly acquired operations in UK. Sales excluding acquisition and currency effects increased by SEK 155 million, an organic growth of 11 per cent, mainly driven by higher sales of injectables and oral solids as well as increased deliveries of APIs.

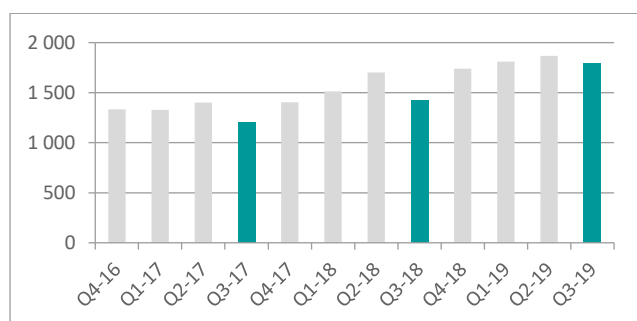
Other operating revenue

Other operating revenue amounted to SEK 49 million (38).

SALES BRIDGE, JUL – SEP

	SEKm	%
2018	1,421	
Currency	+41	+3
Acquisitions	+180	+13
Organic	+155	+11
Total	+376	+26
2019	1,797	

NET SALES BY QUARTER (SEK MILLION)



JANUARY – SEPTEMBER 2019

Net sales

Net sales increased by SEK 841 million and amounted to SEK 5,476 million, an increase of 18 per cent. The newly acquired operations in UK contributed 13 percentage points. The organic growth was primarily driven by expanded capacity for lyophilized products, higher sales of oral solids and increased API deliveries.

Other operating revenue

Other operating revenue amounted to SEK 143 million (226), a decrease mainly related to the sale of Thyrosafe product rights in 2018.

SALES BRIDGE, JAN – SEP

	SEKm	%
2018	4,635	
Currency	+136	+3
Acquisitions	+581	+13
Organic	+124	+3
Total	+841	+18
2019	5,476	

RESULTS

EBITDA PER SEGMENT

SEK million	Jul - Sep			Jan - Sep			Jan - Dec
	2019	2018	Change in %	2019	2018	Change in %	2018
Steriles & Inhalation	162	105	+54	473	345	+37	497
Solids & Others	98	51	+93	315	300	+5	435
Development & Technology	66	30	+125	242	154	+57	204
Discontinued operations ^{1/}	-19	-19	0	-31	-30	-2	-50
Eliminations and others	-26	-16		-72	-61		-99
Total	282	151	+87	927	708	+31	987

^{1/} Discontinued operations refer to the manufacturing operations in Stockholm, Sweden and in Ashton-under-Lyne, United Kingdom.

JULY - SEPTEMBER 2019

EBITDA

EBITDA amounted to SEK 282 million (151), an increase by 87 per cent, while the EBITDA margin to sales increased from 10.6 per cent to 15.7 per cent. The result included a positive effect from changes in accounting standards (IFRS 16) of SEK 24 million, corresponding to an EBITDA margin effect of 1.3 percentage points. EBITDA increased organically by SEK 42 million, primarily driven by the impact from higher sales of oral solids and higher deliveries of APIs.

Raw materials and consumables

Raw materials and consumables amounted to SEK 561 million (491). The materials ratio to sales decreased by 4 percentage points to 31 per cent (35).

Other external costs

Other external costs amounted to SEK 392 million (322). The increase was primarily related to acquisition and currency translation effects. The ratio to sales decreased by 1 percentage point to 22 per cent (23).

Employee benefits expense

Employee benefits expense increased by SEK 115 million to SEK 593 million (477), mainly due to acquisition and currency translation effects. The ratio of employee benefits expenses to sales decreased to 33 per cent (34).

Depreciation, amortisation and impairment

Depreciation and amortisation increased to SEK 186 million (129), including an increase of SEK 22 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 26 million (19) of which SEK 24 million (0) were currency effects. The result included a profit from sale of financial assets of SEK 1 million (17). Interest expenses and similar costs amounted to SEK 57 million (49), of which SEK 41 million (36) was interest expenses, including SEK 3 million (0) related to changes in accounting standards (IFRS 16).

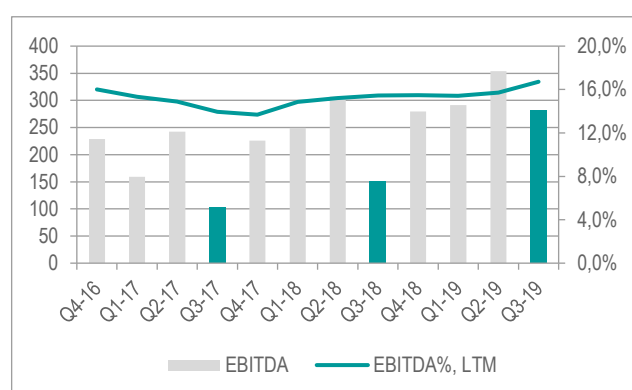
Tax

The income tax amounted to SEK 16 million (-4), primarily driven by a revaluation of deferred tax liability due to reduced tax rates.

Profit after tax

Profit after tax amounted to SEK 81 million (-9).

EBITDA (SEK MILLION) AND LTM EBITDA MARGIN



EBITDA BRIDGE, JUL - SEP

	SEKm	%
2018	151	
Currency	+7	+5
Acquisitions	+58	+39
Accounting standard (IFRS 16)	+24	+16
Organic	+42	+28
Total	+131	+87
2019	282	

EBITDA

EBITDA amounted to SEK 927 million (708), an increase by 31 per cent, while the EBITDA margin to sales increased from 15.3 to 16.9 per cent. The result included a positive effect from changes in accounting standards (IFRS 16) of SEK 69 million. EBITDA decreased organically by SEK -17 million. Slightly lower earnings from non-lyophilized injectables and oral solids in combination with a planned standstill were partially offset by higher earnings from APIs.

Raw materials and consumables

Raw materials and consumables amounted to SEK 1,595 million (1,433). The increase was mainly related to acquisition and currency translation effects. The material cost ratio to sales decreased by 2 percentage point to 29 per cent (31).

Other external costs

Other external costs amounted to SEK 1,160 million (1,032), 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 increased to SEK 1,893 million (1,548), 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 549 million (397), including an increase of SEK 64 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 81 million (37) of which SEK 59 million (17) were currency exchange rate gains. The result included a profit from sale of financial assets of SEK 19 million (17).

Interest expenses and similar costs amounted to SEK 152 million (171), of which SEK 115 million (111) was interest expenses, including SEK 9 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 52 million (73), primarily driven by a revaluation of deferred tax liability due to reduced tax rates.

Profit after tax

Profit after tax amounted to SEK 253 million (201). 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 - SEP

	SEKm	%
2018	708	
Currency	+25	+4
Acquisitions	+141	+20
Accounting standard (IFRS 16)	+69	+10
Organic	-17	-2
Total	+219	+31
2019	927	

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 54%
- EBITDA margin of 18.7% (17.3)



JULY – SEPTEMBER 2019

Net sales

Sales for Steriles & Inhalation increased by SEK 257 million to SEK 865 million, an increase of 42 per cent. Apart from the acquisition of the inhalation factory in UK, the sales growth was primarily driven by higher sales of injectables.

SALES BRIDGE, JUL – SEP

	SEKm	%
2018	607	
Currency	+21	+3
Acquisitions	+180	+30
Organic	+57	+9
Total	+257	+42
2019	865	

EBITDA

EBITDA for Steriles & Inhalation increased by SEK 57 million to SEK 162 million, equivalent to an EBITDA margin of 18.7 per cent (17.3). The acquired facility in UK contributed SEK 58 million. Technical issues in one facility in France were partially compensated by improved product mix and higher cost efficiency in other facilities.

EBITDA BRIDGE, JUL – SEP

	SEKm	%
2018	105	
Currency	+3	+3
Acquisitions	+58	+55
Accounting standard (IFRS 16)	+5	+5
Organic	-9	-9
Total	+57	+54
2019	162	

JANUARY – SEPTEMBER 2019

Net sales

Steriles & Inhalation revenues increased by SEK 702 million to SEK 2,516 million, an increase of 39 per cent. The newly acquired operations in UK contributed 32 percentage points. Higher sales across several facilities generated organic growth for the segment despite lower sales to the Turkish market and a planned standstill.

EBITDA

EBITDA for Steriles & Inhalation increased by SEK 128 million to SEK 473 million, equivalent to an EBITDA margin of 18.8 per cent (19.0). The acquired facility in UK contributed SEK 141 million. Expanded capacity for lyophilized products and higher sales across several facilities were offset by higher production costs in one facility in Italy, technical issues in one facility in France and a planned standstill.

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 18%
- EBITDA increased by 93%
- EBITDA margin of 14.6% (8.9)



JULY – SEPTEMBER 2019

Net sales

Sales in Solids & Others increased by SEK 101 million to SEK 668 million, an increase of 18 per cent. The organic growth was mainly driven by higher sales volumes of oral solids and increased prices.

SALES BRIDGE, JUL – SEP

	SEKm	%
2018	567	
Currency	+15	+3
Acquisitions	-	-
Organic	+86	+15
Total	+101	+18
2019	668	

EBITDA

EBITDA for Solids & Others increased by SEK 47 million to SEK 98 million, corresponding to an EBITDA margin of 14.6 per cent (8.9). The increase was primarily driven by higher sales volumes of oral solids and increased prices.

EBITDA BRIDGE, JUL – SEP

	SEKm	%
2018	51	
Currency	+3	+6
Acquisitions	-	-
Accounting standard (IFRS 16)	+6	+13
Organic	+38	+75
Total	+47	+93
2019	98	

JANUARY – SEPTEMBER 2019

Net sales

Solids & Others increased sales by SEK 119 million to SEK 2,070 million, an increase of 6 per cent. Organic growth was mainly driven by higher volumes and increased prices, partially offset by a machine breakdown in one facility.

EBITDA

EBITDA for Solids & Others increased by SEK 15 million to SEK 315 million, corresponding to an EBITDA margin of 15.2 per cent (15.4). A machine breakdown in one facility and implementation of several new contracts with associated tech transfer and scale-up expenses were partially compensated by improved earnings from higher volumes and increased prices.

DEVELOPMENT & TECHNOLOGY

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

- Sales increased by 19%
- EBITDA increased by 125%
- EBITDA margin of 27.0% (14.4)



JULY – SEPTEMBER 2019

Net sales

Development & Technology increased sales by SEK 39 million to SEK 245 million, primarily driven by higher sales of API and development services.

SALES BRIDGE, JUL – SEP

	SEKm	%
2018	206	
Currency	+6	+3
Acquisitions	-	-
Organic	+33	+16
Total	+39	+19
2019	245	

EBITDA

EBITDA for Development & Technology increased by SEK 37 million to SEK 66 million, equivalent to an EBITDA margin of 27.0 per cent (14.4), mainly driven by exceptional API performance combined with improved product mix and higher sales prices.

EBITDA BRIDGE, JUL – SEP

	SEKm	%
2018	30	
Currency	+1	+3
Acquisitions	-	-
Accounting standard (IFRS 16)	+4	+14
Organic	+32	+107
Total	+37	+125
2019	66	

JANUARY – SEPTEMBER 2019

Net sales

Development & Technology increased sales by SEK 68 million to SEK 792 million, an increase of 9 per cent. Growth in API deliveries and development services were partially offset by lower sales of own products.

EBITDA

EBITDA for Development & Technology increased by SEK 88 million to SEK 242 million, equivalent to an EBITDA margin of 30.5 per cent (21.2), primarily driven by exceptional API business combined with improved use of resources within development services, product mix improvement and higher sales prices.

CASH FLOW

SEK million	Jul - Sep		Jan - Sep		Jan - Dec
	2019	2018	2019	2018	2018
Cash flow from operating activities before changes in working capital	228	-48	690	402	648
Cash flow from changes in working capital	-4	220	10	-64	-284
Cash flow from investing activities	-93	-39	-331	-514	-1,137
Cash flow from financing activities	-72	-87	-204	520	674
Total	59	46	165	344	-100

JULY - SEPTEMBER 2019

Cash flow from operating activities before changes in working capital was SEK 228 million (-48) while changes in working capital was SEK -4 million (220).

Cash flow from investing activities was SEK -93 million (-39) of which SEK -89 million (-56) was investments in property, plant and equipment. Same period last year included SEK 18 million as proceeds from the divestment of listed shares.

Cash flow from financing activities was SEK -72 million (-87), related to net amortizations.

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Cash flow from operating activities before changes in working capital was SEK 690 million (402) while changes in working capital was SEK 10 million (-64).

Cash flow from investing activities was SEK -331 million (-514) of which SEK SEK -212 million (-271) 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 -204 million (520), of which SEK -120 million (12) was related to net amortizations and 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 - Sep		Jan - Dec
	2019, adjusted	2018, adjusted	2018, adjusted
Return on operating capital (%)	5.5	4.6	4.9
Return on equity	5.9	2.9	3.4
Net debt to EBITDA	3.2	3.4	3.8
Net debt to equity	0.7	0.6	0.7
Equity to assets (%)	43.9	43.9	42.1

The return on operating capital was 5.5 (4.6). The increase from last year is due to higher profit in the period.

Return on equity was 5.9 (2.9). The increase from last year is due to higher profit in the period.

The net debt to EBITDA ratio was 3.2 (3.4). The decrease is mainly due to the increased EBITDA for the period.

Net debt in relation to equity was 0.7 (0.6). The increase is primarily driven by the acquisition of the inhalation facility in the UK in October last year.

The equity to assets ratio was 43.9 (43.9).

PARENT COMPANY

Recipharm AB (publ) includes Group management and functions that provide services to the business. The parent company's net sales was SEK 134 million (94) and operating result was SEK -89 million (-74) during the period. Investments amounted to SEK 25 million (85), 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 5,364 (4,749). The increase from previous year is mainly related to the acquisition of the operations in Holmes Chapel.

SIGNIFICANT EVENTS AFTER THE PERIOD END

Recipharm expands Indian sterile dosage form capabilities through new partnership

Recipharm announced on November 6 the entrance in a project together with long-term Indian partner Sobti family aimed at creating production capacity in India for a range of sterile liquid dosage forms.

The Sobti family's newly created company Nichepharm Lifesciences Private Limited will initially issue an 8 per cent equity stake to Recipharm for an investment of INR 800 million (approximately SEK 110 million). In addition, Recipharm will have the option to acquire an additional 16 per cent share during 2021. The new facility that will be established in Dehradun, Uttarakhand in northern India is expected to be fully operational by 2022 and to be approved by the European and other international regulatory agencies.

FINANCIAL CALENDAR

Capital Markets Day	November 18, 2019
Interim report Jan – Dec 2019	February 20, 2020
Annual Report 2019	April 21, 2020
Interim report Jan – Mar 2020	May 7, 2020
Annual General Meeting 2020	May 12, 2020
Interim report Apr – Jun 2020	July 24, 2020

CONTACT INFORMATION:

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The CEO on behalf of the Board of Directors assures 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, November 7 2019

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

Thomas Eldered (CEO)

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

REVIEW REPORT

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

INTRODUCTION

We have reviewed the condensed interim report for Recipharm AB (publ) as at September 30, 2019 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

SCOPE OF REVIEW

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

CONCLUSION

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

Stockholm 7 November 2019

Ernst & Young AB

Jennifer Rock-Baley
Authorized Public Accountant

This information is information that Recipharm AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication at 07:45 CET on November 7, 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 been reviewed by the company's auditors.

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

SEK million	Note	Jul – Sep		Jan – Sep		Jan – Dec
		2019	2018	2019	2018	2018
Operating income						
Net sales		1 797.2	1,421.3	5,475.9	4,634.7	6,373.7
Other operating revenue		48.7	37.8	143.5	226.2	284.6
		1 846.0	1,459.1	5,619.4	4,860.9	6,658.3
Operating expenses						
Raw materials and consumables		-560.9	-490.7	-1,594.6	-1,432.9	-1,839.4
Other external costs		-391.6	-322.1	-1,159.8	-1,032.0	-1,520.3
Employee benefits expense		-592.7	-477.4	-1,893.5	-1,547.5	-2,228.9
Depreciation and amortisation		-186.3	-129.2	-549.5	-396.8	-580.8
Other operating expenses		-19.1	-10.6	-44.8	-40.3	-83.3
Share of result in participations		-0.1	-3.9	-0.2	-4.1	-0.4
		-1 750.7	-1,433.9	-5,242.2	-4,453.5	-6,253.1
Operating profit		95.3	25.2	377.1	407.4	405.2
Interest income and similar revenues		26.3	18.7	80.8	37.1	23.5
Interest expenses and similar costs		-57.1	-48.9	-152.1	-170.6	-199.9
Net financial income/expense		-30.8	-30.2	-71.2	-133.6	-176.3
Profit before tax		64.5	-4.9	305.9	273.8	228.9
Income tax		16.1	-4.2	-52.4	-73.2	-69.0
Profit for the period		80.6	-9.2	253.5	200.6	159.9

OTHER COMPREHENSIVE INCOME

SEK million	Note	Jul – Sep		Jan – Sep		Jan – Dec
		2019	2018	2019	2018	2018
Items that may be reclassified subsequently to profit or loss						
Translation differences		110.7	-192.5	314.1	4.1	101.0
Gains/losses from fair value valuation of financial instruments		1.4	4.3	4.5	2.7	-5.4
Deferred tax relating to items that may be reclassified		-0.3	-1.0	-1.0	-0.6	1.2
Total		111.8	-189.1	317.7	6.3	96.8
Items that will not be reclassified to profit or loss						
Actuarial gains/losses on pensions		-22.9	0.1	-39.2	0.4	0.2
Deferred tax relating to items that will not be reclassified		6.9	0.0	12.4	0.0	0.6
Total		-16.1	0.1	-26.8	0.4	0.7
Other comprehensive income for the period		95.7	-189.0	290.9	6.7	97.6
Comprehensive income for the period		176.3	-198.2	544.4	207.2	257.4
Profit for the period distributed to:						
Parent company's shareholders		80.8	-8.9	253.7	199.6	159.4
Non-controlling interest		-0.2	-0.3	-0.2	1.0	0.5
Total		80.6	-9.2	253.5	200.6	159.9
Comprehensive income for the period distributed to:						
Parent company's shareholders		176.4	-193.0	544.1	202.6	253.2
Non-controlling interest		-0.1	-5.2	0.2	4.6	4.2
Total		176.3	-198.2	544.4	207.2	257.4
Earnings per share before dilution (SEK)	2	1.19	-0.13	3.74	3.07	2.43
Earnings per share after dilution (SEK)	2	1.19	-0.13	3.74	3.07	2.43

CONSOLIDATED STATEMENT OF FINANCIAL POSITION,
CONDENSED

SEK million	Sep 30		Dec 31
	2019	2018	2018
ASSETS			
Non-current assets			
Product rights	271.3	281.2	278.7
Goodwill	2,797.7	2,495.4	2,598.4
Customer relations	2,196.6	2,212.4	2,268.4
Other intangible assets	251.1	213.4	221.9
Property, plant and equipment	3,741.2	3,065.8	3,411.8
Non-current financial assets	346.1	286.9	314.0
Total non-current assets	9,604.0	8,555.2	9,093.2
Current assets			
Inventories	1,415.5	1,091.1	1,317.6
Accounts receivable	1,305.9	1,047.6	1,262.7
Other receivables	229.9	275.7	257.3
Prepaid expenses and accrued income	130.7	111.4	103.7
Cash and cash equivalents	873.4	1,121.9	681.4
Total current assets	3,955.4	3,647.6	3,622.7
TOTAL ASSETS	13,559.4	12,202.7	12,715.9
SHAREHOLDERS EQUITY AND LIABILITIES			
Share capital	33.9	33.9	33.9
Other paid-in capital	4,592.2	4,592.2	4,592.2
Reserves	478.7	71.0	161.5
Retained earnings (including net profit)	697.9	584.6	549.6
Equity attributable to Parent Company shareholders	5,802.7	5,281.7	5,337.1
Equity attributable to Non-Controlling interest	0.2	0.4	-0.1
Total equity	5,802.9	5,282.1	5,337.1
Non-current liabilities			
Interest-bearing liabilities	4,666.6	4,297.1	4,443.3
Provisions	622.0	505.3	623.6
Deferred tax liability	812.1	903.1	856.9
Other non-current liabilities	72.5	24.5	47.1
Total non-current liabilities	6,173.3	5,730.0	5,971.0
Current liabilities			
Interest-bearing liabilities	105.6	16.1	16.3
Overdraft facility	12.9	0.2	12.3
Accounts payable	771.1	619.5	836.5
Tax liabilities	94.2	48.9	31.0
Other liabilities	86.5	69.2	90.3
Accrued expenses and prepaid income	513.0	436.5	421.5
Total current liabilities	1,583.2	1,190.5	1,407.9
TOTAL EQUITY AND LIABILITIES	13,559.4	12,202.7	12,715.9

1) The right-of-use assets and the corresponding lease liabilities are as of 1 January 2019 included in the property, plant and equipment and long- and short-term borrowings respectively. Comparative figures have not been restated. See further on page 18.

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				253.7	253.7	-0.2	253.5
Other comprehensive income			317.2	-26.8	290.4	0.4	290.9
Transactions with owners:							
Share-based incentive program				5.6	5.6		5.6
Dividend				-84.2	-84.2		-84.2
Equity at 30 September 2019	33.9	4,592.2	478.7	697.9	5,802.7	0.2	5,802.9

CONSOLIDATED CASH FLOW STATEMENT

SEK million	Jul – Sep		Jan - Sep		Jan - Dec
	2019	2018	2019	2018	2018
Operating activities					
Profit before tax	64.5	-4.9	305.9	273.8	228.9
Adjustments for items not affecting cash					
- Depreciation, amortisation and impairment of assets	186.3	129.7	549.5	426.8	610.8
- Changes in provisions	10.7	-1.0	-24.8	-15.3	106.8
- Gains from disposal of non-current assets	-2.7	-22.0	-21.6	-119.0	-119.0
- Share of result of associated companies	-	3.9	0.5	3.6	-0.6
- Other	-8.8	-50.3	-19.6	-52.5	-28.8
	185.5	55.1	484.1	517.5	798.1
Income taxes paid	-22.5	-102.4	-99.5	-115.3	-150.5
Cash flow from operating activities before changes in working capital	227.5	-47.5	690.5	402.2	647.6
<i>Cash flow from changes in working capital</i>					
Change in inventories	72.0	22.4	-48.4	-82.3	-190.5
Change in operating receivables	101.7	321.8	11.8	47.9	-145.2
Change in operating liabilities	-177.3	-124.8	46.3	-29.4	51.5
Cash flow from operating activities	223.8	172.1	700.3	338.4	363.5
<i>Investing activities</i>					
Acquisition of property, plant and equipment	-89.1	-55.6	-212.5	-270.9	-422.2
Disposal of property, plant and equipment	-	5.4	0.9	5.4	5.4
Acquisition of intangible assets	-12.9	-1.9	-44.0	-15.3	-32.1
Disposal of intangible assets	-	-	-	60.7	60.7
Acquisition of subsidiaries/operations, net of cash acquired	-	-	-64.1	-307.2	-754.0
Acquisition of financial assets	-12.0	-4.9	-31.8	-7.5	-19.7
Disposal of short-term investment	20.8	17.7	20.8	20.5	24.9
Cash flow from investing activities	-93.3	-39.3	-330.7	-514.3	-1,137.0
<i>Financing activities</i>					
Dividend paid to Parent Company shareholders	-	-	-84.2	-	-
New share issue	-	-	-	508.0	508.0
Change in overdraft facility	3.1	-20.1	-	-22.2	-10.2
Loans raised	50.0	-	100.0	610.0	760.0
Repayment of borrowings	-124.7	-66.8	-220.0	-575.5	-584.3
Cash flow from financing activities	-71.6	-86.9	-204.3	520.3	673.5
Total cash flow for the period	59.0	45.9	165.3	344.4	-100.0
Cash and cash equivalents at beginning of period	806.0	1,085.4	681.4	770.9	770.9
Translation difference on cash and cash equivalents	8.4	-9.4	26.7	6.7	10.6
Cash and cash equivalents at end of period	873.4	1,121.9	873.4	1,121.9	681.4
Interest received	0,9	0,9	2,0	2,4	2,4
Interest paid	-21,2	-13,1	-87,3	-79,5	-115,5

PARENT COMPANY STATEMENT OF PROFIT AND LOSS

SEK million	Jul – Sep		Jan – Sep		Jan – Dec
	2019	2018	2019	2018	2018
Operating Income					
Net sales	48.3	33.8	134.1	93.9	127.2
Other operating revenue	1.4	0.2	7.6	5.7	8.7
	49.7	34.0	141.7	99.6	135.8
Operating expenses					
Other external costs	-44.4	-25.9	-123.0	-85.8	-120.4
Employee benefits expense	-25.9	-22.0	-84.2	-75.9	-106.7
Depreciation and amortisation	-7.8	-3.9	-23.1	-9.3	-14.7
Other operating expenses	-0.4	-0.7	-0.9	-2.9	-3.4
	-78.4	-52.5	-231.2	-173.9	-245.2
Operating profit/loss	-28.9	-18.5	-89.4	-74.3	-109.3
Financial items	34.2	-29.0	81.3	-5.1	-180.4
Profit/loss after financial items	5.3	-47.5	-8.1	-79.4	-289.8
Appropriations and tax	-	-	-	-	207.8
Profit/loss for the period	5.3	-47.5	-8.1	-79.4	-82.0

OTHER COMPREHENSIVE INCOME

SEK million	Jul – Sep		Jan – Sep		Jan – Dec
	2019	2018	2019	2018	2018
Items that may be reclassified subsequently to profit or loss					
Translation differences	-0.7	0.6	-2.1	-1.5	-0.7
Other comprehensive income for the period	-0.7	0.6	-2.1	-1.5	-0.7
Total comprehensive income for the period	4.6	-46.9	-10.2	-80.9	-82.7

PARENT COMPANY STATEMENT OF FINANCIAL POSITION,
CONDENSED

SEK million	Sep 30		Dec 31
	2019	2018	2018
ASSETS			
Non-current assets			
Intangible assets	16.2	8.5	7.3
Property, plant and equipment	243.8	243.2	254.2
Non-current financial assets	7,142.3	6,957.7	7,136.3
Current assets	1,726.6	1,610.4	1,652.8
TOTAL ASSETS	9,128.9	8,819.8	9,050.7
SHAREHOLDERS EQUITY AND LIABILITIES			
Equity	3,861.8	3,946.9	3,949.2
Liabilities	5,267.1	4,872.9	5,101.4
TOTAL EQUITY AND LIABILITIES	9,128.9	8,819.8	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 uses 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	1.3	0.4	1.4	3.6	6.7	6.7
Cancelled contracts	-0.5	0.0	-0.3	0.0	-0.8	-0.8
Depreciation expense	-49.4	-4.2	-5.8	-5.0	-64.3	-
Interest expense						8.7
Payments						-68.9
Exchange rate effects	1.2	1.8	0.1	-1.4	1.7	1.7
As of 30 September, 2019	185.0	41.5	15.3	13.1	254.9	259.0

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 September 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 266,226 B-shares in order to secure delivery of shares to participants in the Share-based incentive programs.

NOTE 2 EARNINGS PER SHARE

SEK million	Jul – Sep		Jan – Sep		Full year
	2019	2018	2019	2018	2018
Parent company's shareholders:					
Earnings per share before dilution (SEK)	1.19	-0.13	3.74	3.07	2.43
Earnings per share after dilution (SEK)	1.19	-0.13	3.74	3.07	2.43
Profit before dilution (SEK thousand)	80,777	-8,910	253,710	199,570	159,380
Effect from potential shares (SEK thousand)	10,212	10,057	30,519	30,172	40,230
Profit after dilution (SEK thousand)	90,989	1,147	284,229	229,742	199,610
Average number of shares before dilution (thousand)	67,776	67,776	67,776	65,019	65,714
Potential shares (thousand)	5,496	5,496	5,496	5,496	5,496
Average number of shares after dilution (thousand)	73,272	73,272	73,272	73,272	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 Holmes Chapel from Sanofi was updated during the third quarter as a result of an in-depth analysis, whereby the additional purchase consideration increased by SEK 58 million. The increased estimated purchase consideration increases the reported goodwill by the same amount.

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. Discontinued operations refer to the manufacturing operations in Stockholm, Sweden and in Ashton-under-Lyne, United Kingdom. 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.

Jul – Sep 2019

SEK million	MFG-SI	MFG-SO	D&T	Eliminations & Other	Total	Discontinued operations	Non-rec. items	Total
Net sales, external	834.4	661.5	240.3		1,736.3	60.9		1,797.2
Net sales, internal	30.2	6.4	4.9	-51.8	-10.3	10.3		
EBITDA	162.0	97.7	66.3	-25.9	300.2	-18.6		281.6
EBITDA %	18.7	14.6	27.0		17.4	-26.1		15.7
Depreciations	-87.5	-61.2	-25.2	-2.8	-176.8	-9.5		-186.3
Impairment								
EBIT	74.6	36.5	41.1	-28.7	123.4	-28.1		95.3

Jul – Sep 2018

SEK million	MFG-SI	MFG-SO	D&T	Eliminations & Other	Total	Discontinued operations	Non-rec. items	Total
Net sales, external	595.7	562.9	203.1	-0.8	1,360.9	60.4		1,421.3
Net sales, internal	11.8	3.6	2.7	-28.4	-10.3	10.3		
EBITDA	105.1	50.5	29.6	-15.7	169.5	-18.5	3.5	154.5
EBITDA %	17.3	8.9	14.4		12.6	-26.2		10.9
Depreciations	-66.9	-50.7	-19.9	-2.8	-140.3	-1.5		-141.8
Impairment							12.6	12.6
EBIT	38.1	-0.1	9.7	-18.5	29.3	-20.0	16.1	25.2

Jan – Sep 2019

SEK million	MFG-SI	MFG-SO	D&T	Eliminations & Other	Total	Discontinued operations	Non-rec. items	Total
Net sales, external	2,459.0	2,044.1	779.7		5,282.8	193.1		5,475.9
Net sales, internal	56.7	26.0	12.0	-123.1	-28.4	28.4		
EBITDA	473.1	315.0	241.6	-72.5	957.2	-30.6		926.6
EBITDA %	18.8	15.2	30.5		18.2	13.8		16.9
Depreciations	-263.2	-178.7	-71.0	-12.2	-525.1	-28.1		-553.2
Impairment						3.7		3.7
EBIT	210.0	136.2	170.6	-84.6	432.1	-55.0		377.1
Goodwill	1,488.6	707.8	601.3		2,797.7			2,797.7
Non-current assets	4,570.3	3,015.3	1,610.6	311.0	9,507.1	96.8		9,604.0
Total assets	6,416.0	4,779.0	2,179.8	-347.8	13,027.0	532.4		13,559.4

Jan – Sep 2018

SEK million	MFG-SL	MFG-SO	D&T	Eliminations & Other	Total	Discontinued operations	Non-rec. items	Total
Net sales, external	1,787.0	1,924.0	708.9	-0.8	4,419.1	215.6		4,634.7
Net sales, internal	26.4	27.1	15.2	-105.0	-36.3	36.3		
EBITDA	345.4	299.9	153.8	-61.3	737.9	-30.1	96.3	804.1
EBITDA %	19.0	15.4	21.2		16.8	-11.9		17.4
Depreciations	-193.9	-142.2	-59.8	-6.0	-401.9	-4.6		-406.4
Impairment			-3.0		-3.0		12.6	9.6
EBIT	151.5	157.7	91.1	-67.2	333.1	-34.6	108.9	407.4
Goodwill	1,264.7	668.0	562.7		2,495.4			2,495.4
Non-current assets	3,774.2	2,797.9	1,582.5	356.3	8,510.8	44.4		8,555.2
Total assets	4,972.9	4,358.5	2,147.3	301.4	11,780.2	422.6		12,202.7

In Interim Report January – September 2018 the operations in Stockholm and Höganäs, Sweden were reported in segment Discontinued operations. To achieve comparability with 2019 the comparative numbers have been recalculated and the operations in Höganäs, Sweden is included in segment MFG-SO and the operations in Stockholm, Sweden and Ashton-under-Lyne, UK are reported in Discontinued Operations. In Interim Report for Q3 2018 the following was reported for MFG-SO; Net sales, external 1,923.2, Net sales, internal 53.5, EBITDA 278.5, EBITDA% 14.1, Depreciations -143.5, EBIT 135.0, Goodwill 668.0, Non-current assets 2,805.5 and Total assets 4,367.0. For Discontinued operations; Net sales, external 216.3, Net sales, internal 9.9, EBITDA -8.7, Depreciations -3.2, EBIT -11.9, Goodwill -, Non-current assets 36.8 and Total assets 414.1.

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

In Interim Report January – December 2018 the operations in Stockholm, Sweden was reported in segment Discontinued operations. To achieve comparability with 2019 the comparative numbers have been recalculated and the operations in Stockholm, Sweden and Ashton-under-Lyne, UK are reported in Discontinued Operations. In Interim Report for Q4 2018 the following was reported for MFG-SO; Net sales, external 2,712.7, Net sales, internal 71.3, EBITDA 390.4, EBITDA% 14.0, Depreciations -197.5, EBIT 192.9, Goodwill 679.3, Non-current assets 2,821.3 and Total assets 4,531.1. For Discontinued operations; Net sales, external 229.9, Net sales, internal 10.1, EBITDA -5.3, Depreciations -, EBIT -5.3, Goodwill -, Non-current assets 8.6 and Total assets 370.8.

Geographical area	Net sales			Non-current assets		
	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018	Sep 30 2019	Sep 30 2018	Dec 31 2018
SEK million						
Italy	963.5	926.5	1,241.9	2,003.9	1,938.4	1,935.3
Sweden	953.7	1,048.2	1,432.5	1,644.0	1,554.0	1,546.7
France	866.6	827.9	1,074.8	820.9	797.9	788.8
India	610.2	548.4	702.8	2,507.4	2,293.2	2,394.2
UK	605.2	47.6	232.8	580.8	46.6	522.0
Spain	592.4	456.3	634.3	173.8	154.1	160.8
Portugal	471.2	412.7	574.0	1,050.2	969.5	953.5
Germany	363.8	335.7	435.4	783.3	774.9	768.9
Other	49.3	31.3	45.1	39.7	26.7	22.8
Total	5,475.9	4,634.7	6,373.7	9,604.0	8,555.2	9,093.2

NOTE 5 DISAGGREGATION OF REVENUE

Jan – Sep 2019

SEK million	Revenue recognition	MFG-SI	MFG-SO	D&T	Discontinued operations	Total
Pharmaceutical manufacturing	Revenue recognised at point in time	2,455.6	1,982.0		193.1	4,630.8
Pharmaceutical manufacturing	Revenue recognised over time	1.1	2.3			3.5
Product sales	Revenue recognised at point in time			569.4		569.4
Total sales of products		2,456.7	1,984.4	569.4	193.1	5,203.7
Service sales	Revenue recognised over time	2.3	59.7	210.4		272.3
Total sales of services		2.3	59.7	210.4		272.3
Total net sales		2,459.0	2,044.1	779.7	193.1	5,475.9

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 – Sep 2018

SEK million	Revenue recognition	MFG-SL	MFG-SO	D&T	Discontinued operations	Total
Pharmaceutical manufacturing	Revenue recognised at point in time	1,768.4	1,908.5		215.6	3,892.4
Pharmaceutical manufacturing	Revenue recognised over time	18.6	14.7			33.3
Product sales	Revenue recognised at point in time			529.5		529.5
Total sales of products		1,787.0	1,923.2	529.5	215.6	4,455.2
Service sales	Revenue recognised over time			179.4		179.4
Total sales of services				179.4		179.4
Total net sales		1,787.0	1,923.2	708.9	215.6	4,634.7

In Interim Report January – September 2018 the operations in Stockholm and Höganäs, Sweden were reported in segment Discontinued operations. To achieve comparability with 2019 the comparative numbers have been recalculated and the operations in Höganäs, Sweden is included in segment MFG-SO and the operations in Stockholm, Sweden and Ashton-under-Lyne, UK are reported in Discontinued Operations. In Interim Report for Q3 2018 the following were reported as *Pharmaceutical manufacturing; Revenue recognized at point in time; MFG-SO 1,907.7 and Discontinued Operations 216.3*. Other amounts are unchanged.

		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

In Interim Report January – December 2018 the operations in Stockholm, Sweden was reported in segment Discontinued operations. To achieve comparability with 2019 the comparative numbers have been recalculated and the operations in Stockholm, Sweden and Ashton-under-Lyne, UK are reported in Discontinued Operations. In Interim Report for Q4 2018 the following were reported as *Pharmaceutical manufacturing; Revenue recognized at point in time; MFG-SO 2,596.8* and Discontinued Operations 229.9. Other amounts are unchanged.

NOTE 6 BRIDGE FROM EBITDA TO EBIT

SEK million	Jul – Sep		Jan – Sep		Jan – Dec
	2019	2018	2019	2018	2018
EBITDA	281.6	151.0	926.6	707.8	987.4
Amortisation – continuing operations	-71.3	-64.5	-209.1	-193.9	-261.7
Amortisation – discontinuing operations	-0.1	-0.1	-0.3	-0.4	-0.5
Depreciation – continuing operations	-104.3	-63.2	-316.0	-198.3	-315.3
Depreciation – discontinuing operations	-10.7	-1.4	-24.1	-4.2	-3.4
Non-recurring item - restructuring costs	-	4.0	-	4.0	-82.1
Non-recurring item – profit from divestment of ThyroSafe®	-	-	-	97.2	95.6
Non-recurring item – acquisition costs	-	-0.5	-	-4.9	-14.8
EBIT	95.3	25.2	377.1	407.4	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****IFRS 16 effect EBITDA****IFRS 16 effect Net debt****IFRS 16 effect Net debt in relation to EBITDA****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**

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 <i>The debt/equity ratio is an indication of financial strength, relationship between debt and equity</i>
Profit before financial items, taxes and amortisation of intangible assets which arise from business combinations, adjusted for non-recurring items. <i>EBITA shows operating profit for the core business</i>
EBITA divided by net sales <i>The EBITA margin shows operating profit for the core business in relation to net sales</i>
Profit before financial items, taxes, depreciation and amortisation, adjusted for non-recurring items <i>EBITDA shows operating profit, which is also used in combination with other data for measurement purposes</i>
EBITDA divided by net sales <i>The EBITDA margin shows operating profit in relation to net sales</i>
Shareholders' equity on the balance-sheet date divided by the number of shares (balance-sheet date) <i>Equity per share shows the equity generated to the shareholders per share</i>
Shareholders' equity divided by total assets Total equity adjusted for non-recurring items divided by total assets adjusted for non-recurring items <i>The adjusted equity/assets ratio shows how much of total assets are financed using total equity</i>
Leasing charges reported as depreciation and interest expenses according to IFRS 16 <i>Shows the EBITDA-effect from the new accounting standard</i>
Obligation for lease payments reported as an interest-bearing liability according to IFRS 16 <i>Show the effect on net debt from the new accounting standard</i>
Net debt in relation to EBITDA adjusted for IFRS 16 effect EBITDA and IFRS 16 effect Net debt <i>Shows the effect on Net debt in relation to EBITDA from the new accounting standard</i>
Operating profit plus financial income divided by financial expenses <i>Measures the company's ability to cover its interest expenses</i>
Interest-bearing liabilities less cash and cash equivalents <i>Net debt is calculated to show the net of interest-bearing liabilities and cash</i>
Net debt divided by shareholders' equity <i>The debt/equity ratio is an indication of financial strength, relationship between net debt and equity</i>
Net debt divided by EBITDA (rolling 12-month basis) <i>Net debt in relation to EBITDA shows the impact of and risk level for liabilities</i>
CER: Constant Exchange Rates <i>Net sales (CER) shows net sales without the impact of currency exchange rates and, in many cases, this comparison is a fairer measure</i>
Includes deferred tax liability <i>Measures non-interest-bearing liabilities</i>
Net debt plus shareholders' equity (average opening and closing balance for the period) <i>Measures the use and efficiency of capital</i>
Cash flow from operating activities (12 months) divided by the weighted average number of shares (12-month rolling basis) <i>Cash flow per share provides an indication of value; how much cash and cash equivalents each share generates</i>
Operating profit divided by net sales <i>Measures the profitability of operations</i>
Operating profit before financial items and tax <i>Operating profit shows the earnings from operations, including depreciation/amortisation and impairment losses</i>
<i>The equity/assets ratio shows how much of total assets are financed using shareholders' equity</i> Profit for the year (12-month period) divided by average shareholders' equity <i>Return on equity shows the return on the company's equity</i>
Net profit for the year (12-month period) adjusted for non-recurring items divided by average total equity also adjusted for non-recurring items <i>Return on equity, adjusted, shows the return on the company's equity adjusted for non-recurring items</i>
Operating profit (12-month period) divided by average operating capital

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.