

INTERIM REPORT

JANUARY – DECEMBER 2019



INTERIM REPORT

OCTOBER – DECEMBER 2019

- Net sales amounted to SEK 1,981 million (1,739), an increase of 14%
- EBITDA increased by 31% and amounted to SEK 367 million (280) corresponding to an EBITDA margin of 18.5% (16.1)
- Operating profit (EBIT) amounted to SEK 117 million (-2) and was negatively affected by non-recurring items of SEK -52 million (-129)
- Profit after tax amounted to SEK 90 million (-41) corresponding to a net margin of 4.5% (-2.3)
- Earnings per share amounted to SEK 1.32 (-0.59) before dilution and SEK 1.32 (-0.59) after dilution. Adjusted for non-recurring items earnings per share amounted to SEK 2.04 (1.07)

14%
Sales increase

367
SEKM, EBITDA

18.5%
EBITDA margin

JANUARY – DECEMBER 2019

- Net sales amounted to SEK 7,457 million (6,374), an increase of 17%
- EBITDA increased by 31% and amounted to SEK 1,294 million (987) corresponding to an EBITDA margin of 17.3% (15.5)
- Operating profit (EBIT) amounted to SEK 494 million (405) and was negatively affected by non-recurring items of SEK -52 million (-20)
- Profit after tax amounted to SEK 343 million (160) corresponding to a net margin of 4.6% (2.5)
- Earnings per share amounted to SEK 5.06 (2.43) before dilution and SEK 5.06 (2.43) after dilution. Adjusted for non-recurring items earnings per share amounted to SEK 5.78 (2.73)
- Net debt to Equity was 0.7 (0.7)
- Proposed dividend is SEK 1.60 (1.25) per share

KEY FIGURES

SEK million	Oct – Dec			Jan – Dec		
	2019	2018	Change in %	2019	2018	Change in %
Net sales	1,981	1,739	+14	7,457	6,374	+17
EBITDA ^{1/2/}	367	280	+31	1,294	987	+31
IFRS 16 effect EBITDA ^{1/}	23	-		92	-	
EBITA ^{1/}	230	72	+219	788	630	+25
EBIT adjusted ^{1/}	169	127	+33	546	425	+28
EBIT ^{2/}	117	-2		494	405	+22
EBITDA margin (%) ^{1/}	18.5	16.1		17.3	15.5	
Earn. per share adj (SEK) ^{1/}	2.04	1.07		5.78	2.73	
Earnings per share (SEK)	1.32	-0.59		5.06	2.43	
Return on equity (%), adj ^{1/}	6.7	3.4				
Return on equity (%) ^{1/}	6.2	3.1				
Equity per share, adj (SEK) ^{1/}	84.7	80.6				
Equity per share (SEK) ^{1/}	84.0	78.7				
Equity/assets ratio, adj. (%) ^{1/}	42.6	42.1				
Equity/assets ratio (%) ^{1/}	41.3	42.0				
Net debt ^{1/}	4,152	3,791				
IFRS 16, effect net debt ^{1/}	245	-				
Net debt to Equity ^{1/}	0.7	0.7				
Net debt to EBITDA ^{1/}	3.2	3.8				
IFRS 16, effect net debt to EBITDA ^{1/}	-0.04	-				

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

Reaching our targets

“The good performance we saw in the third quarter has continued to further improve. Today I’m therefore pleased to report our strongest quarter ever. It also means that results for the second half of 2019 exceeded the first half of the year for the first time ever. We continue to report double digit organic growth and we saw strong growth across all three business segments and in all geographies where we operate. With full year net sales of SEK 7.5 billion we are well positioned to reach our previous target of SEK 8.0 billion without further acquisitions.

EBITDA increased 31 per cent to the highest for any quarter. We report good contributions from serialisation, newly expanded capacities and particularly good performance in our Solids & Others segment. Development & Technology profit was adversely affected by a less favourable product mix and certain stock situations. EBITDA was impacted by positive and negative one-time effects, with a positive net of close to SEK 10 million.

EBITDA-margin increased significantly to a very satisfactory 18.5 per cent, whereof 1.2 percentage points was due to new accounting standards. EBITDA-margin for the full year, excluding effects of new accounting standards was 16.1 per cent, reaching our target of at least 16 per cent.

The good operating cash flow continued but in line with the strong business growth we saw a minor increase in working capital and maintenance capex. Together with business expansion investment in Indian Nichepharm net debt to EBITDA showed a minor sequential increase.

After the period we have completed the acquisition of Consort Medical Ltd. This acquisition will add a strategically highly interesting drug-delivery business and further scale to our CDMO business. There are many complementarities between our businesses and I’m excited to lead the creation of an advanced delivery systems company and top 5 global CDMO. The deal enhances our competitive position in the market, expanding scale and breadth of our service offering so we can become a true end-to-end partner for our customers. In particular, the deal strengthens our inhalation drug product offering which is a key area of growth for our business following the creation of Recipharm Inhalation Solutions™ in 2019.

As a consequence, starting next quarter, we will implement a revised segment reporting, more appropriate for the larger group, described in the section “Significant events after the period end”.

We have recently announced new, more ambitious, targets going forward, but our strategies remain unchanged. The acquisition of Consort will give us leadership in selected markets and with the resources in the combined group we are ideally positioned to continue to build powerful long-lasting partnerships with our customers, explore exciting opportunities and build an even stronger position in our industry.”



The company invites investors, analysts and media to a telephone conference with a web presentation (in English) on 20 February at 10.00 am CET where CEO Thomas Eldered and CFO Tobias Hägglov will present and comment on the interim report and answer questions. Information about the conference can be found on the company website: www.recipharm.com

REVENUES

NET SALES PER SEGMENT

SEK million	Oct – Dec			Jan – Dec		
	2019	2018	Change in %	2019	2018	Change in %
Steriles & Inhalation	847	743	+14	3,363	2,556	+32
Solids & Others	803	729	+10	2,873	2,680	+7
Development & Technology	271	211	+29	1,063	935	+14
Discontinued operations ^{1/}	96	92	+5	318	344	-8
Eliminations and others	-36	-36		-160	-141	
Total	1,981	1,739	+14	7,457	6,374	+17

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

OCTOBER - DECEMBER 2019

Net sales

Net sales increased by SEK 242 million and amounted to SEK 1,981 million, an increase of 14 per cent. Sales excluding currency effects increased by SEK 177 million, corresponding to an organic growth of 10.2 per cent, mainly driven by improved sales performance for injectables and oral solids as well as for inhalation products and API.

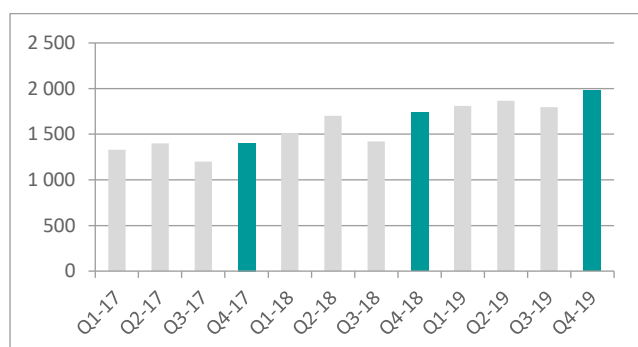
Other operating revenue

Other operating revenue amounted to SEK 109 million (58).

SALES BRIDGE, OCT – DEC

	SEKm	%
2018	1,739	
Currency	+66	+4
Acquisitions	+0	+0
Organic	+177	+10
Total	+242	+14
2019	1,981	

NET SALES BY QUARTER (SEK MILLION)



JANUARY – DECEMBER 2019

Net sales

Net sales increased by SEK 1,083 million and amounted to SEK 7,457 million, an increase of 17 per cent. The recently acquired operations in UK contributed 9 percentage points. The organic growth was primarily driven by expanded capacity for lyophilized products, improved sales performance for both injectables and oral solids as well as higher API deliveries.

Other operating revenue

Other operating revenue amounted to SEK 252 million (285).

SALES BRIDGE, JAN – DEC

	SEKm	%
2018	6,374	
Currency	+198	+3
Acquisitions	+581	+9
Organic	+305	+5
Total	+1,083	+17
2019	7,457	

RESULTS

EBITDA PER SEGMENT

SEK million	Oct - Dec			Jan - Dec		
	2019	2018	Change in %	2019	2018	Change in %
Steriles & Inhalation	177	151	+17	650	497	+31
Solids & Others	168	135	+24	483	435	+11
Development & Technology	42	50	-17	284	204	+39
Discontinued operations ^{1/}	12	-20	-	-18	-50	+64
Eliminations and others	-32	-38	-	-105	-99	-
Total	367	280	+31	1,294	987	+31

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

OCTOBER - DECEMBER 2019

EBITDA

EBITDA amounted to SEK 367 million (280), an increase by 31 per cent. The EBITDA margin to sales increased from 16.1 per cent to 18.5 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 increased organically by SEK 53 million, primarily driven by higher sales volumes, an improved product mix for oral solids and strong performance for inhalation products. One-time effects had a positive impact of close to SEK 10 million.

Raw materials and consumables

Raw materials and consumables amounted to SEK 578 million (406). The materials ratio to sales increased by 6 percentage points to 29 per cent (23), which was mainly a temporary effect related to phasing and production standstill in one facility in the quarter.

Other external costs

Other external costs amounted to SEK 476 million (488). The ratio to sales decreased by 4 percentage points to 24 per cent (28), positively impacted by improved cost efficiency. Other external costs included an increase of the provision related to the closure of the operations in Ashton-under-Lyne of SEK 32 million (34).

Employee benefits expense

Employee benefits expense increased by SEK 4 million to SEK 685 million (681). The ratio of employee benefits expenses to sales decreased to 35 per cent (39), mainly as a result of non recurring restructuring costs in the same quarter last year.

Depreciation, amortisation and impairment

Depreciation and amortisation increased to SEK 198 million (184), including an increase of SEK 22 million related to changes in accounting standards (IFRS 16).

Financial items

Interest income and similar revenues amounted to SEK 17 million (-14) of which SEK 16 million (-14) were currency effects. Interest expenses and similar costs amounted to SEK 68 million (29), of which SEK 41 million (28) was

interest expenses, including SEK 3 million (0) related to changes in accounting standards (IFRS 16). The result included a negative effect from fair-value adjustment of SEK 21 million (0).

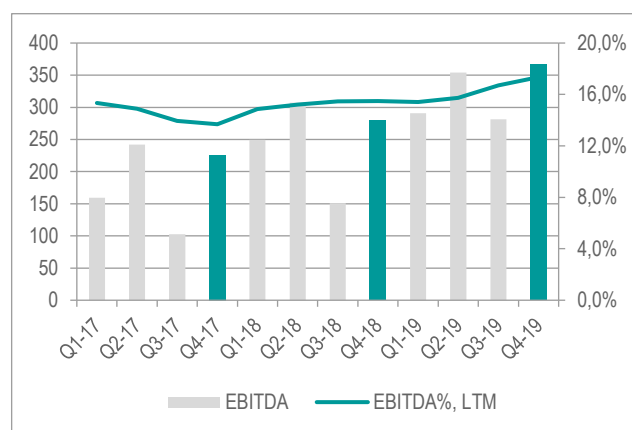
Tax

The income tax amounted to SEK 23 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 90 million (-41).

EBITDA (SEK MILLION) AND LTM EBITDA MARGIN



EBITDA BRIDGE, OCT - DEC

	SEK m	%
2018	280	
Currency	+11	+4
Acquisitions	-	-
Accounting standard (IFRS 16)	+23	+8
Organic	+53	+19
Total	+87	+31
2019	367	

EBITDA

EBITDA amounted to SEK 1,294 million (987), an increase by 31 per cent. The EBITDA margin to sales increased from 15.5 to 17.3 per cent. The result included a positive effect from changes in accounting standards (IFRS 16) of SEK 92 million. EBITDA increased organically by SEK 37 million, primarily driven by higher sales and improved performance for API business.

Raw materials and consumables

Raw materials and consumables amounted to SEK 2,172 million (1,839). The increase was mainly related to acquisition and currency translation effects. The material cost ratio to sales remained at the same level as last year of 29 per cent (29).

Other external costs

Other external costs amounted to SEK 1,635 million (1,520), with the increase primarily caused by acquisition and currency translation effects. The ratio to sales decreased to 22 per cent (24), positively impacted by improved cost efficiency.

Employee benefits expense

Employee benefits expense increased to SEK 2,578 million (2,229), mainly due to acquisition and currency translation effects. The ratio of employee benefits expenses to sales remained at last year's level of 35 per cent (35).

Depreciation, amortisation and impairment

Depreciation and amortisation amounted to SEK 748 million (581), including an increase of SEK 86 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 98 million (24) of which SEK 75 million (3) were currency exchange rate gains. The result included a profit from sale of financial assets of SEK 20 million (17).

Interest expenses and similar costs amounted to SEK 220 million (200), of which SEK 155 million (139) was interest expenses, including SEK 12 million (0) related to changes in accounting standards (IFRS 16). Same period last year included an impairment charge of SEK 29 million.

Tax

The income tax amounted to SEK 29 million (69), primarily driven by a revaluation of deferred tax liability due to reduced tax rates.

Profit after tax

Profit after tax amounted to SEK 343 (160).

EBITDA BRIDGE, JAN - DEC

	SEKm	%
2018	987	
Currency	+36	+4
Acquisitions	+141	+14
Accounting standard (IFRS 16)	+92	+9
Organic	+37	+4
Total	+306	+31
2019	1,294	

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 14%
- EBITDA increased by 17%
- EBITDA margin of 20.9% (20.4)



OCTOBER – DECEMBER 2019

Net sales

Sales for Steriles & Inhalation increased by SEK 105 million to SEK 847 million, an increase of 14 per cent, mainly driven by higher sales volumes and increased prices for injectables and higher sales of inhalation products.

SALES BRIDGE, OCT – DEC

	SEKm	%
2018	743	
Currency	+37	+5
Acquisitions	-	-
Organic	+68	+9
Total	+105	+14
2019	847	

EBITDA

EBITDA for Steriles & Inhalation increased by SEK 25 million to SEK 177 million, equivalent to an EBITDA margin of 20.9 per cent (20.4). Higher sales and a positive effect from revaluation of an earn-out liability were partially offset by temporary delivery delays and a production standstill in two facilities respectively.

EBITDA BRIDGE, OCT – DEC

	SEKm	%
2018	151	
Currency	+8	+5
Acquisitions	-	-
Accounting standard (IFRS 16)	+4	+3
Organic	+13	+8
Total	+25	+17
2019	177	

JANUARY – DECEMBER 2019

Net sales

Steriles & Inhalation revenues increased by SEK 807 million to SEK 3,363 million, an increase of 32 per cent. The newly acquired operations in UK contributed 23 percentage points. The organic growth was mainly driven by higher sales of injectables although several other product categories contributed to the favourable development.

EBITDA

EBITDA for Steriles & Inhalation increased by SEK 153 million to SEK 650 million, equivalent to an EBITDA margin of 19.3 per cent (19.4). The acquired facility in UK contributed SEK 141 million during the first nine months of the year. Expanded capacity for lyophilized products, higher sales across several facilities and a positive effect from revaluation of an earn-out liability were partially offset by technical issues and temporary delivery delays in two facilities respectively.

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 10%
- EBITDA increased by 24%
- EBITDA margin of 20.9% (18.5)



OCTOBER – DECEMBER 2019

Net sales

Sales in Solids & Others increased by SEK 74 million to SEK 803 million, an increase of 10 per cent. The organic growth was mainly driven by higher sales volumes of oral solids.

SALES BRIDGE, OCT – DEC

	SEKm	%
2018	729	
Currency	+21	+3
Acquisitions	-	-
Organic	+53	+7
Total	+74	+10
2019	803	

EBITDA

EBITDA for Solids & Others increased by SEK 33 million to SEK 168 million, corresponding to an EBITDA margin of 20.9 per cent (18.5). The increase was primarily driven by higher sales and improved product mix.

EBITDA BRIDGE, OCT – DEC

	SEKm	%
2018	135	
Currency	+4	+3
Acquisitions	-	-
Accounting standard (IFRS 16)	+6	+5
Organic	+22	+17
Total	+33	+24
2019	168	

JANUARY – DECEMBER 2019

Net sales

Solids & Others increased sales by SEK 193 million to SEK 2,873 million, an increase of 7 per cent. Organic growth was mainly driven by higher sales volumes of oral solids, partially offset by a machine breakdown in one facility.

EBITDA

EBITDA for Solids & Others increased by SEK 48 million to SEK 483 million, corresponding to an EBITDA margin of 16.8 per cent (16.2). Higher earnings from increased sales volumes and improved product mix were partially offset by a machine breakdown in one facility and implementation of several new contracts with associated tech transfer and scale-up expenses.

DEVELOPMENT & TECHNOLOGY

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

- Sales increased by 29%
- EBITDA decreased by 17%
- EBITDA margin of 15.5% (23.9)



OCTOBER – DECEMBER 2019

Net sales

Development & Technology increased sales by SEK 61 million to SEK 271 million, driven by higher sales across all areas of operations: API, development services and own products.

SALES BRIDGE, OCT – DEC

	SEKm	%
2018	211	
Currency	+8	+4
Acquisitions	-	-
Organic	+53	+25
Total	+61	+29
2019	271	

EBITDA

EBITDA for Development & Technology decreased by SEK 9 million to SEK 42 million, equivalent to an EBITDA margin of 15.5 per cent (23.9). Lower earnings for own products were partially compensated by improved performance for API and development services.

EBITDA BRIDGE, OCT – DEC

	SEKm	%
2018	50	
Currency	+1	+1
Acquisitions	-	-
Accounting standard (IFRS 16)	+4	+8
Organic	-13	-26
Total	-9	-17
2019	42	

JANUARY – DECEMBER 2019

Net sales

Development & Technology increased sales by SEK 128 million to SEK 1,063 million, an increase of 14 per cent, driven by higher sales across all areas of operations: API, development services and own products.

EBITDA

EBITDA for Development & Technology increased by SEK 79 million to SEK 284 million, equivalent to an EBITDA margin of 26.7 per cent (21.8), primarily driven by improved performance in API business combined with more efficient use of resources within development services and product mix improvement.

CASH FLOW

SEK million	Oct – Dec		Jan - Dec	
	2019	2018	2019	2018
Cash flow from operating activities before changes in working capital	180	245	870	648
Cash flow from changes in working capital	-72	-220	-62	-284
Cash flow from investing activities	-395	-623	-726	-1,137
Cash flow from financing activities	489	153	285	674
Total	202	-444	367	-100

OCTOBER – DECEMBER 2019

Cash flow from operating activities before changes in working capital was SEK 180 million (245) while changes in working capital was SEK -72 million (-220).

Cash flow from investing activities was SEK -395 million (-623) of which SEK -181 million (-151) was investments in property, plant and equipment and SEK -109 million in associated company Nichepharm Lifesciences Private Limited. Same period last year included SEK -447 million related to the acquisition of Holmes Chapel.

Cash flow from financing activities was SEK 489 million (153), of which SEK 489 (153) related to net amortisations.

JANUARY – DECEMBER 2019

Cash flow from operating activities before changes in working capital was SEK 870 million (648) while changes in working capital was SEK -62 million (-284).

Cash flow from investing activities was SEK -726 million (-1,137) of which SEK -394 million (-422) was investments in property, plant and equipment, SEK -109 million in associated company Nichepharm Lifesciences Private Limited 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, SEK -447 million related to the acquisition of Holmes Chapel and and SEK 61 million as proceeds from the divestment of the product right ThyroSafe.

Cash flow from financing activities was SEK 285 million (674) of which SEK 369 million (166) was related to net amortisations 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 - Dec	
	2019, adjusted	2018, adjusted
Return on operating capital (%)	5.8	4.9
Return on equity	6.7	3.4
Net debt to EBITDA	3.2	3.8
Net debt to equity	0.7	0.7
Equity to assets (%)	42.6	42.1

The return on operating capital was 5.8 (4.9). The increase from last year is due to higher profit in the period.

Return on equity was 6.7 (3.4). The increase from last year is due to higher profit in the period.

The net debt to EBITDA ratio was 3.2 (3.8). The decrease

is mainly due to the increased EBITDA for the period.

Net debt in relation to equity was unchanged 0.7 (0.7).

The equity to assets ratio was 42.6 (42.1).

PARENT COMPANY

Recipharm AB (publ) includes Group management and functions that provide services to the business. The parent company's net sales was SEK 183 million (127) and operating result was SEK -140 million (-109) during the period. Investments amounted to SEK 38 million (95), 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 5,310 (5,160). The increase from previous year is mainly related to the acquisition of the operations in Holmes Chapel in Q4 2018.

SIGNIFICANT EVENTS DURING THE PERIOD

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 have initially issued an 8 per cent equity stake to Recipharm for an investment of INR 800 million (SEK 109 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.

SIGNIFICANT EVENTS AFTER THE PERIOD END

Acquisition of Consort Medical plc

Recipharm announced on 4 February 2020 that the cash offer of GBP 505 million (approximately SEK 6,284 million) to acquire Consort Medical plc had become unconditional. As a result of the offer being declared wholly unconditional, Consort's 10 facilities across the UK, Italy and Germany will become part of the Recipharm Group.

Consort is an integrated drug and delivery device company providing advanced delivery technologies, formulation and manufacturing services for drugs. Consort had annual pro forma revenue of GBP 292 million (SEK 3,633 million) and pro forma EBITDA of GBP 47 million (SEK 587 million). Consort employs approximately 2,000 people globally of which approximately 1,400 are located in the UK.

Consort's financials will be consolidated into Recipharm's accounts from February 2020 and hence be included in Recipharm's Q1 2020 interim report.

New segment structure from January 1, 2020

As of January 1, 2020, a revised segment reporting will be implemented.

The new segment Steriles will include all current operations in the Steriles & Inhalation segment, with the exception of inhalation operations.

The new Solids & Others segment will include all current operations within Solids & Others and the corresponding acquired Aesica operations.

The new Development & Licensing segment will, with the exception of the inhalation operations, include all current operations in Development & Technology and the corresponding acquired Aesica operations.

The new Advanced Delivery Systems segment will include the previous inhalation operations in Recipharm and the acquired operations of devices under the Bepak brand.

Recipharm will report in accordance with the new segment structure from the first quarter of 2020.

FINANCIAL CALENDAR

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
Interim report Jul – Sep 2020	November 5, 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, February 20 2020

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

Thomas Eldered (CEO)

This information is information that Recipharm AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication at 07:45 CET on February 20, 2020. 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	Note	Oct – Dec		Jan – Dec	
		2019	2018	2019	2018
Operating income					
Net sales		1,981.2	1,739.0	7,457.1	6,373.7
Other operating revenue		108.8	58.4	252.2	284.6
		2,090.0	1,797.4	7,709.3	6,658.3
Operating expenses					
Raw materials and consumables		-577.6	-406.5	-2,172.2	-1,839.4
Other external costs		-475.6	-488.3	-1,635.4	-1,520.3
Employee benefits expense		-684.5	-681.4	-2,578.0	-2,228.9
Depreciation and amortisation		-198.3	-184.1	-747.8	-580.8
Other operating expenses		-36.9	-43.0	-81.6	-83.3
Share of result in participations		-0.3	3.7	-0.5	-0.4
		-1,973.2	-1,799.5	-7,215.4	-6,253.1
Operating profit					
		116.8	-2.1	493.9	405.2
Interest income and similar revenues		17.1	-13.5	98.0	23.5
Interest expenses and similar costs		-67.7	-29.2	-219.8	-199.9
Net financial income/expense		-50.6	-42.8	-121.8	-176.3
Profit before tax					
		66.2	-44.9	372.1	228.9
Income tax		23.3	4.2	-29.1	-69.0
Profit for the period		89.5	-40.7	343.0	159.9

OTHER COMPREHENSIVE INCOME

SEK million	Note	Oct – Dec		Jan – Dec	
		2019	2018	2019	2018
Items that may be reclassified subsequently to profit or loss					
Translation differences		-196.2	96.9	117.9	101.0
Gains/losses from fair value valuation of financial instruments		0.2	-8.1	4.7	-5.4
Deferred tax relating to items that may be reclassified		0.0	1.8	-1.0	1.2
Total		-196.1	90.6	121.6	96.8
Items that will not be reclassified to profit or loss					
Actuarial gains/losses on pensions		-11.7	-0.2	-50.9	0.2
Deferred tax relating to items that will not be reclassified		3.4	0.6	15.8	0.6
Total		-8.3	0.3	-35.2	0.7
Other comprehensive income for the period					
		-204.4	90.9	86.4	97.6
Comprehensive income for the period					
		-114.9	50.2	429.4	257.4
Profit for the period distributed to:					
Parent company's shareholders		89.4	-40.2	343.1	159.4
Non-controlling interest		0.1	-0.5	-0.1	0.5
Total		89.5	-40.7	343.0	159.9
Comprehensive income for the period distributed to:					
Parent company's shareholders		-114.4	50.5	429.1	253.2
Non-controlling interest		-0.5	-0.4	-0.3	4.2
Total		-114.9	50.2	429.4	257.4
Earnings per share before dilution (SEK)	2	1.32	-0.59	5.06	2.43
Earnings per share after dilution (SEK)	2	1.32	-0.59	5.06	2.43

CONSOLIDATED STATEMENT OF FINANCIAL POSITION,
CONDENSED

Dec 31

SEK million	2019	2018
ASSETS		
Non-current assets		
Product rights	258.6	278.7
Goodwill	2,719.8	2,598.4
Customer relations	2,086.4	2,268.4
Other intangible assets	269.3	221.9
Property, plant and equipment	3,727.8	3,411.8
Non-current financial assets	475.9	314.0
Total non-current assets	9,537.8	9,093.2
Current assets		
Inventories	1,401.5	1,317.6
Accounts receivable	1,432.3	1,262.7
Other receivables	216.1	257.3
Prepaid expenses and accrued income	119.2	103.7
Cash and cash equivalents	1,054.9	681.4
Total current assets	4,224.0	3,622.7
TOTAL ASSETS	13,761.9	12,715.9
SHAREHOLDERS EQUITY AND LIABILITIES		
Share capital	33.9	33.9
Other paid-in capital	4,592.2	4,592.2
Reserves	283.2	161.5
Retained earnings (including net profit)	781.5	549.6
Equity attributable to Parent Company shareholders	5,690.8	5,337.1
Equity attributable to Non-Controlling interest	-0.4	-0.1
Total equity	5,690.4	5,337.1
Non-current liabilities		
Interest-bearing liabilities	5,069.6	4,443.3
Provisions	658.5	623.6
Deferred tax liability	733.3	856.9
Other non-current liabilities	46.0	47.1
Total non-current liabilities	6,507.4	5,971.0
Current liabilities		
Interest-bearing liabilities	101.5	16.3
Overdraft facility	36.2	12.3
Accounts payable	808.3	836.5
Tax liabilities	23.7	31.0
Other liabilities	105.9	90.3
Accrued expenses and prepaid income	488.6	421.5
Total current liabilities	1,564.1	1,407.9
TOTAL EQUITY AND LIABILITIES	13,761.9	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				343.1	343.1	-0.1	343.0
Other comprehensive income			121.8	-35.2	86.6	-0.2	86.4
Transactions with owners:							
Share-based incentive program				8.1	8.1		8.1
Dividend				-84.2	-84.2		-84.2
Equity at 31 December 2019	33.9	4,592.2	283.2	781.5	5,690.8	-0.4	5,690.4

CONSOLIDATED CASH FLOW STATEMENT

SEK million	Oct – Dec		Jan - Dec	
	2019	2018	2019	2018
Operating activities				
Profit before tax	66.2	-44.9	372.1	228.9
Adjustments for items not affecting cash				
- Depreciation, amortisation and impairment of assets	198.3	184.1	747.8	610.8
- Changes in provisions	45.6	122.1	20.8	106.8
- Gains from disposal of non-current assets	-0.4	0.0	-22.0	-119.0
- Share of result of associated companies	0.0	-4.3	0.5	-0.6
- Other	-44.2	23.7	-63.7	-28.8
	265.5	280.6	1,055.4	798.1
Income taxes paid	-85.6	-35.2	-185.1	-150.5
Cash flow from operating activities before changes in working capital	179.8	245.4	870.3	647.6
<i>Cash flow from changes in working capital</i>				
Change in inventories	-9.3	-108.2	-57.7	-190.5
Change in operating receivables	-149.8	-193.1	-138.0	-145.2
Change in operating liabilities	87.1	80.9	133.4	51.5
Cash flow from operating activities	107.7	25.0	808.0	363.5
<i>Investing activities</i>				
Acquisition of property, plant and equipment	-181.5	-151.3	-394.0	-422.2
Disposal of property, plant and equipment	0.3	-	1.2	5.4
Acquisition of intangible assets	-27.2	-16.7	-71.2	-32.1
Disposal of intangible assets	-	-	-	60.7
Acquisition of subsidiaries/operations, net of cash acquired	-64.5	-446.8	-128.6	-754.0
Acquisition of financial assets	-122.3	-12.1	-154.1	-19.7
Disposal of short-term investment	0.0	4.4	20.8	24.9
Cash flow from investing activities	-395.2	-622.7	-725.9	-1,137.0
<i>Financing activities</i>				
Dividend paid to Parent Company shareholders	-	-	-84.2	-
New share issue	-	-	-	508.0
Change in overdraft facility	23.8	12.0	23.8	-10.2
Loans raised	820.0	150.0	920.0	760.0
Repayment of borrowings	-354.5	-8.8	-574.5	-584.3
Cash flow from financing activities	489.4	153.2	285.1	673.5
Total cash flow for the period	201.9	-444.5	367.2	-100.0
Cash and cash equivalents at beginning of period	873.4	1,121.9	681.4	770.9
Translation difference on cash and cash equivalents	-20.4	3.9	6.3	10.6
Cash and cash equivalents at end of period	1,054.9	681.4	1,054.9	681.4
Interest received	1.4	-	3.4	2.4
Interest paid	-48.6	-35.9	-135.9	-115.5

PARENT COMPANY STATEMENT OF PROFIT AND LOSS

SEK million	Oct – Dec		Jan – Dec	
	2019	2018	2019	2018
Operating income				
Net sales	49.2	33.3	183.3	127.2
Other operating revenue	-0.1	2.9	7.5	8.7
	49.1	36.2	190.8	135.8
Operating expenses				
Other external costs	-56.3	-34.6	-179.3	-120.4
Employee benefits expense	-34.5	-30.7	-118.7	-106.7
Depreciation and amortisation	-7.9	-5.4	-31.0	-14.7
Other operating expenses	-0.9	-0.5	-1.8	-3.4
	-99.6	-71.3	-330.8	-245.2
Operating profit/loss	-50.6	-35.1	-140.0	-109.3
Financial items	-162.6	-175.3	-81.3	-180.4
Profit/loss after financial items	-213.2	-210.3	-221.3	-289.8
Appropriations and tax	266.6	207.8	266.6	207.8
Profit/loss for the period	53.4	-2.5	45.3	-82.0

OTHER COMPREHENSIVE INCOME

SEK million	Oct – Dec		Jan – Dec	
	2019	2018	2019	2018
Items that may be reclassified subsequently to profit or loss				
Translation differences	1.9	0.8	-0.2	-0.7
Other comprehensive income for the period	1.9	0.8	-0.2	-0.7
Total comprehensive income for the period	55.3	-1.7	45.1	-82.7

PARENT COMPANY STATEMENT OF FINANCIAL POSITION,
CONDENSED

SEK million	Dec 31	
	2019	2018
ASSETS		
Non-current assets		
Intangible assets	24.2	7.3
Property, plant and equipment	238.3	254.2
Non-current financial assets	7,243.4	7,136.3
Current assets	2,405.0	1,652.8
TOTAL ASSETS	9,910.9	9,050.7
SHAREHOLDERS EQUITY AND LIABILITIES		
Equity	3,915.7	3,949.2
Liabilities	5,995.3	5,101.4
TOTAL EQUITY AND LIABILITIES	9,910.9	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	15.0	0.4	6.2	6.8	28.3	28.3
Cancelled contracts	-3.6	-2.5	-1.1	-6.4	-13.5	-13.5
Depreciation expense	-66.5	-4.4	-8.1	-5.1	-84.1	
Interest expense						11.9
Payments						-92.4
Exchange rate effects	-0.1	0.3	-2.6	-0.7	-3.1	-3.1
As of 31 December, 2019	177.1	37.3	14.2	10.6	240.6	238.6

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 31 December 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	Oct – Dec		Jan – Dec	
	2019	2018	2019	2018
Parent company's shareholders:				
Earnings per share before dilution (SEK)	1.32	-0.59	5.06	2.43
Earnings per share after dilution (SEK)	1.32	-0.59	5.06	2.43
Profit before dilution (SEK thousand)	89,426	-40,189	343,136	159,380
Effect from potential shares (SEK thousand)	10,189	10,057	40,707	40,230
Profit after dilution (SEK thousand)	99,614	-30,132	383,843	199,610
Average number of shares before dilution (thousand)	67,776	67,776	67,776	65,714
Potential shares (thousand)	5,496	5,496	5,496	5,496
Average number of shares after dilution (thousand)	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 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.

Oct – Dec 2019

SEK million	MFG-SI	MFG-SO	D&T	Eliminations & Other	Total	Discontinued operations	Non-rec. items	Total
Net sales, external	833.6	790.7	270.4	-	1,894.8	86.4		1,981.2
Net sales, internal	13.6	12.1	1.0	-36.5	-9.9	9.9		-
EBITDA	176.8	168.1	42.0	-32.4	354.5	12.4	-51.9	315.1
EBITDA %	20.9	20.9	15.5		18.8	12.9		15.9
Depreciations	-88.1	-62.6	-24.5	-2.4	-177.7	-9.5		-187.2
Impairment	-	-	-5.8	-	-5.8	-5.2		-11.1
EBIT	88.7	105.5	11.6	-34.8	171.0	-2.4	-51.9	116.8

Oct – Dec 2018

SEK million	MFG-SI	MFG-SO	D&T	Eliminations & Other	Total	Discontinued operations	Non-rec. items	Total
Net sales, external	732.7	725.7	203.3	-	1,661.7	77.2		1,739.0
Net sales, internal	10.0	3.4	7.6	-35.6	-1.4	14.0		-
EBITDA	151.4	135.2	50.5	-37.6	299.5	-19.9	-97.6	181.9
EBITDA %	20.4	18.5	23.9		17.9	-2.5		10.5
Depreciations	-76.3	-49.2	-21.4	-4.3	-151.2	-		-151.2
Impairment	-	-	-	-	-	-	-31.3	-31.3
EBIT	75.1	83.8	29.1	-41.9	146.1	-19.3	-128.8	-1.9

Jan – Dec 2019

SEK million	MFG-SI	MFG-SO	D&T	Eliminations & Other	Total	Discontinued operations	Non-rec. items	Total
Net sales, external	3,292.6	2,834.8	1,050.1	-	7,177.6	279.5		7,457.1
Net sales, internal	70.3	38.1	12.9	-159.6	-38.3	38.3		-
EBITDA	650.0	483.1	283.5	-104.9	1,311.7	-18.2	-51.9	1,241.7
EBITDA %	19.3	16.8	26.7		18.4	-5.7		16.7
Depreciations	-351.3	-241.4	-95.5	-14.6	-702.8	-37.7		-740.4
Impairment	-	-	-5.8	-	-5.8	-1.5		-7.3
EBIT	298.7	241.7	182.2	-119.5	603.1	-57.4	-51.9	493.9
Goodwill	1,444.3	692.5	583.0	-	2,719.8	-		2,719.8
Non-current assets	4,466.5	2,990.5	1,569.5	424.7	9,451.2	86.6		9,537.8
Total assets	6,160.3	4,854.0	2,400.0	-178.4	13,235.9	526.0		13,761.9

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-Dec 2019	Jan-Dec 2018	Dec 31 2019	Dec 31 2018
SEK million				
Italy	1,328.3	1,241.9	1,959.4	1,935.3
Sweden	1,359.6	1,432.5	1,751.0	1,546.7
France	1,132.2	1,074.8	823.1	788.8
India	833.1	702.8	2,410.7	2,394.2
UK	812.1	232.8	587.2	522.0
Spain	788.0	634.3	186.4	160.8
Portugal	660.5	574.0	1,019.4	953.5
Germany	473.2	435.4	762.6	768.9
Other	70.1	45.1	38.0	22.8
Total	7,457.1	6,373.7	9,537.8	9,093.2

NOTE 5 DISAGGREGATION OF REVENUE

Jan – Dec 2019						
SEK million	Revenue recognition	MFG-SI	MFG-SO	D&T	Discontinued operations	Total
Pharmaceutical manufacturing	Revenue recognised at point in time	3,280.0	2,729.1		279.5	6,288.6
Pharmaceutical manufacturing	Revenue recognised over time	2.3	2.4			4.7
Product sales	Revenue recognised at point in time			768.4		768.4
Total sales of products		3,282.4	2,731.4	768.4	279.5	7,061.7
Service sales	Revenue recognised over time	10.3	103.3	281.8		395.4
Total sales of services		10.3	103.3	281.8		395.4
Total net sales		3,292.6	2,834.8	1,050.1	279.5	7,457.1

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 – 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	Oct – Dec		Jan – Dec	
	2019	2018	2019	2018
EBITDA	366.9	279.6	1,293.5	987.4
Amortisation – continuing operations	-70.4	-67.8	-279.5	-261.7
Amortisation – discontinuing operations	-0.1	-0.1	-0.3	-0.5
Depreciation – continuing operations	-113.1	-117.0	-429.1	-315.3
Depreciation – discontinuing operations	-14.8	0.8	-38.9	-3.4
Non-recurring item - restructuring costs	-38.4	-86.1	-38.4	-82.1
Non-recurring item – profit from divestment of ThyroSafe®	0.7	-1.6	0.7	95.6
Non-recurring item – acquisition costs	-14.2	-9.9	-14.2	-14.8
EBIT	116.8	-2.1	493.9	405.2

GLOSSARY

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

FINANCIAL DEFINITIONS
ALTERNATIVE PERFORMANCE
MEASURES**Adjusted for non-recurring items****Debt/equity ratio****EBITA****EBITA margin****EBITDA****EBITDA margin****Equity per share****Equity/assets ratio****Equity/assets ratio, adjusted****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.