

INTERIM REPORT

THIRD QUARTER 2020



INTERIM REPORT

JULY – SEPTEMBER 2020

- Net sales amounted to SEK 2,582 million (1,797), an increase of 44%
- EBITA increased by 51% and amounted to SEK 237 million (156) corresponding to an EBITA margin of 9.2% (8.7)
- Operating profit (EBIT) amounted to SEK 192 million (95) and was affected by non-recurring items^{1/} of SEK +37 million (0)
- Profit after tax amounted to SEK 46 million (81) corresponding to a net margin of 1.8% (4.5)
- Earnings per share amounted to SEK 0.45 (1.19) before dilution and SEK 0.45 (1.19) after dilution. Core EPS^{2/} amounted to SEK 0.85 (1.23)
- Leverage² decreased from 5.6 end of June to 5.1 at the end of the quarter
- No material financial support received for COVID-19

JANUARY – SEPTEMBER 2020

- Consort Medical Plc consolidated from February 2020
- Net sales amounted to SEK 8,256 million (5,476), an increase of 51%
- EBITA increased by 66% and amounted to SEK 927 million (558) corresponding to an EBITA margin of 11.2% (10.2)
- Operating profit (EBIT) amounted to SEK 502 million (377) and was affected by non-recurring items^{1/} of SEK – 140 million (0)
- Profit after tax amounted to SEK 116 million (253) corresponding to a net margin of 1.4% (4.6)
- Non-recurring items^{1/} affected profit after tax with SEK - 160 million (0)
- Earnings per share amounted to SEK 1.45 (3.74) before dilution and SEK 1.45 (3.74) after dilution. Core EPS^{2/} amounted to SEK 5.52 (4.55)
- Share issues of SEK 2.5 billion in total completed

44%

Sales increase

420

SEKm, EBITDA

16.3%

EBITDA margin

KEY FIGURES

| SEK million | Jul – Sep | | | Jan – Sep | | | Oct 19 – Sep 20 | Jan – Dec |
|--|-----------|-------|----------------|-----------|-------|----------------|--------------------|-----------|
| | 2020 | 2019 | Change in % | 2020 | 2019 | Change in % | 2019 | 2019 |
| Net sales | 2,582 | 1,797 | +44 | 8,256 | 5,476 | +51 | 10,237 | 7,457 |
| EBITDA ^{2/3/} | 420 | 282 | +49 | 1,451 | 927 | +57 | 1,818 | 1,294 |
| EBITA ^{2/} | 237 | 156 | +51 | 927 | 558 | +66 | 1,157 | 788 |
| EBIT adjusted ^{2/} | 155 | 95 | +63 | 642 | 377 | +70 | 811 | 546 |
| EBIT ^{3/} | 192 | 95 | +102 | 502 | 377 | +33 | 619 | 494 |
| EBITDA margin (%) ^{2/} | 16.3 | 15.7 | | 17.6 | 16.9 | | 17.8 | 17.3 |
| EBITA margin (%) ^{2/} | 9.2 | 8.7 | | 11.2 | 10.2 | | 11.3 | 10.6 |
| Core EPS (SEK) ^{2/} | 0.85 | 1.23 | | 5.52 | 4.55 | | 8.05 | 7.09 |
| Earnings per share (SEK) | 0.45 | 1.19 | | 1.45 | 3.74 | | 2.77 | 5.06 |
| Return on operating capital ^{2/} | 8.7 | 6.8 | | | | | | |
| Return on equity (%), adj ^{2/} | 5.3 | 5.9 | | | | | | |
| Return on equity (%) ^{2/} | 3.1 | 3.8 | | | | | | |
| Equity per share, adj (SEK) ^{2/} | 101.2 | 85.6 | | | | | | |
| Equity per share (SEK) ^{2/} | 75.5 | 85.6 | | | | | | |
| Equity/assets ratio, adj. (%) ^{2/} | 34.4 | 43.9 | | | | | | |
| Equity/assets ratio (%) ^{2/} | 33.9 | 42.8 | | | | | | |
| Net debt ^{2/} | 9,335 | 3,912 | | | | | | |
| Net debt to EBITDA ^{2/} (Consort EBITDA only included Feb-Sep) | 5.1 | 3.2 | | | | | | |

1/ Non-recurring items, see note 8 for details and financial definitions on page 27

2/ APM: Alternative Performance Measures, see financial definitions on page 27

3/ See page 26 for a bridge from EBITA to EBIT

COMMENTS BY THOMAS ELDERED, CEO

Strategy implementation continues to drive strong results

Our strong results in the third quarter illustrate that we are delivering on the implementation of our strategy. Despite currency headwinds impacting revenue growth by 4 per cent and EBITA by 5 per cent, we have delivered another strong quarter with EBITA growth of 51 per cent, significantly ahead of the 44 per cent sales growth. With a strong comparison quarter, we still managed to achieve flat organic sales in continuing operations. EBIT increased significantly and excluding non-recurring income but including currency impact, the increase was 63 per cent.

We see strong demand for COVID-19 related products and services and discussions are ongoing with several pharma companies. A first clinical study on Erdosteine as an add-on treatment for COVID-19 has shown positive outcome and we are evaluating how to develop knowledge in this field. During the quarter we started to prepare and allocate sterile manufacturing capacity in order to be able to attract COVID-19 related products. I'm therefore pleased to note that we after the period reached an agreement with US based company Arcturus Therapeutics to manufacture their mRNA-based COVID-19 vaccine. This is strategically a very important agreement for us and should provide further opportunities in biologics for Recipharm. I believe that we will be able to attract additional important COVID-19 related projects in the near future. These will then have a material positive financial effect starting already early next year.

Operating costs in locations highly affected by the pandemic have been higher, mainly affecting our Sterile Liquids segment. We have also seen some impact on end-market demand of non- COVID-19 related products in all segments. We believe this is a temporary effect. During the quarter, our operations in India have been particularly impacted by the pandemic. But we have successfully mitigated these challenging conditions and achieved an organic sales growth in India of 6 per cent.

Advanced Delivery Systems' sales were impacted by temporary starting materials shortage and certain phasing to the fourth quarter. One of our customers has withdrawn a new product, therefore we expect somewhat softer ADS performance during next quarters. Overall demand for inhalation products continues to be good with several new products in development and further projects under negotiation.

I'm very pleased with the execution of our road map to deliver cost and revenue synergies from our acquisition of Consort Medical. During the quarter we benefitted from SEK 26 million of operating cost synergies. There is some more work to be done and by the second quarter 2021 we now estimate that we will reach annual operating cost synergies of SEK 140 million, 12 per cent more than the previously communicated SEK 125 million.

Operationally the Consort entities are well integrated into Recipharm's organisation and in total the Consort entities reported an organic sales growth of 12 per cent, on a pro forma basis, with all entities growing. In Cramlington, UK, certain manufacturing has re-started with a gradual ramp-up to the end of the year. Performance has improved but is still not satisfactory and there are still several improvement activities to be implemented during next year.

Good cash flow and high profit contributed to lower net debt and leverage during the quarter. Leverage is expected to continue to decrease going forward. Our liquidity position has further improved during the quarter and we retain good operating flexibility.

Our efforts during past years to build a resilient top 5 CDMO with global reach will continue to bring benefits to customers and patients. Overall demand continues to be largely unaffected during the ongoing pandemic and we are securing more valuable new contracts than ever before. We will deliver on our strategy and explore the value creating opportunities we see in the market. Looking forward we see continued good organic growth and we expect to well reach our EBITA-margin and return on operating capital long term targets already during next year."



The company invites investors, analysts and media to a telephone conference with a web presentation (in English) on 5 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 |
|---------------------------------------|--------------|--------------|-------------|--------------|--------------|-------------|--------------|
| | 2020 | 2019 | Change in % | 2020 | 2019 | Change in % | 2019 |
| Advanced Delivery Systems | 544 | 192 | +183 | 1,702 | 624 | +173 | 839 |
| Steriles | 619 | 685 | -10 | 1,951 | 1,934 | +1 | 2,581 |
| Solids & Other | 1,132 | 668 | +69 | 3,425 | 2,070 | +65 | 2,873 |
| Development & Licensing | 273 | 190 | +44 | 912 | 630 | +45 | 842 |
| Discontinued operations ^{1/} | 53 | 114 | -53 | 393 | 341 | +15 | 482 |
| Eliminations and others | -39 | -52 | | -127 | -123 | | -160 |
| Total | 2,582 | 1,797 | +44 | 8,256 | 5,476 | +51 | 7,457 |

^{1/} Discontinued operations refer to the manufacturing operations in Stockholm, Sweden, and Ashton-under-Lyne, UK, the distribution business in Lisbon, Portugal, and the ophthalmology company in Lisbon, Portugal

JULY – SEPTEMBER 2020

Net sales

Net sales increased by SEK 785 million to SEK 2,582 million, an increase of 44 per cent, whereof the recently acquired operations in the UK contributed 50 percentage points. The organic decline of -3 per cent was primarily due to the discontinuation of operations in Stockholm and Ashton-under-Lyne. Continuing operations were organically in line with previous year. Higher sales of oral solids and COVID-19 related products and services was partially offset by lower sales of inhalation products, ampoules and injectables.

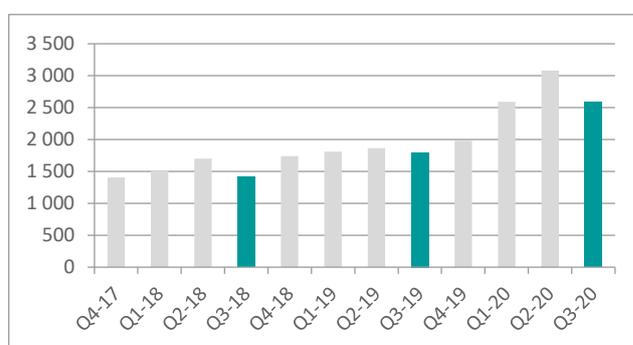
Other operating revenue

Other operating revenue increased to SEK 102 million (49), mainly driven by the divestment of certain operations in Portugal.

SALES BRIDGE, JULY – SEPTEMBER

| | SEK million | % |
|--------------|--------------|-----|
| 2019 | 1,797 | |
| Currency | -68 | -4 |
| Acquisitions | +905 | +50 |
| Organic | -51 | -3 |
| Total | +785 | +44 |
| 2020 | 2,582 | |

NET SALES BY QUARTER (SEKM)



JANUARY – SEPTEMBER 2020

Net sales

Net sales increased by SEK 2,781 million to SEK 8,256 million, an increase of 51 per cent. The recently acquired operations in the UK contributed 47 percentage points. The organic growth of 4 per cent was mainly driven by improved sales performance for oral solids, increased demand for COVID-19 related products and services and higher sales of lyophilised and blow-fill-seal products, partially offset by lower sales of inhalation products.

Other operating revenue

Other operating revenue increased to SEK 220 million (143) with positive contribution from operating exchange rate gains and the divestment of certain operations in Portugal.

SALES BRIDGE, JANUARY – SEPTEMBER

| | SEK million | % |
|--------------|--------------|-----|
| 2019 | 5,476 | |
| Currency | -36 | -1 |
| Acquisitions | +2,577 | +47 |
| Organic | +239 | +4 |
| Total | +2,781 | +51 |
| 2020 | 8,256 | |

RESULTS

EBITA PER SEGMENT

| SEK million | Jul – Sep | | | Jan – Sep | | | Jan – Dec |
|---------------------------------------|------------|------------|----------------|------------|------------|----------------|------------|
| | 2020 | 2019 | Change in % | 2020 | 2019 | Change in % | 2019 |
| Advanced Delivery Systems | 89 | 45 | +98 | 310 | 105 | +196 | 166 |
| Steriles | 45 | 52 | -13 | 178 | 178 | +0 | 227 |
| Solids & Other | 112 | 63 | +78 | 314 | 215 | +46 | 347 |
| Development & Licensing | -5 | 39 | -113 | 147 | 161 | -9 | 176 |
| Discontinued operations ^{1/} | 17 | -15 | +218 | 69 | -16 | +541 | -9 |
| Eliminations and others | -22 | -28 | | -91 | -85 | | -120 |
| Total | 237 | 156 | +51 | 927 | 558 | +66 | 788 |

^{1/} Discontinued operations refer to the manufacturing operations in Stockholm, Sweden, and Ashton-under-Lyne, UK, the distribution business in Lisbon, Portugal, and the ophthalmology company in Lisbon, Portugal

JULY – SEPTEMBER 2020

EBITA

EBITA^{1/} amounted to SEK 237 million (156), an increase of 51 per cent, while the EBITA margin to sales increased by 0.5 percentage points to 9.2 per cent (8.7). EBITA increased organically by SEK 35 million, mainly driven by higher sales volumes and improved production efficiency within oral solids combined with strong increase in demand for COVID-19 related products and services. The positive EBITA impact was partially offset by negative sales phasing and a temporary supply issue for inhalation products as well as lower sales and adverse product mix for certain own products.

EBITA BRIDGE, JULY – SEPTEMBER

| | SEK million | % |
|--------------|-------------|-----|
| 2019 | 156 | |
| Currency | -8 | -5 |
| Acquisitions | +54 | +34 |
| Organic | +35 | +22 |
| Total | +80 | +51 |
| 2020 | 237 | |

EBIT

EBIT amounted to SEK 192 million (95), an increase of 102 per cent, while the EBIT margin to sales increased by 2.1 percentage points to 7.4 per cent (5.3). EBIT was positively impacted by a non-recurring income^{2/} of SEK 37 million (0).

Raw materials and consumables

Raw materials and consumables amounted to SEK 846 million (561) with the increase primarily related to the recent acquisition. The material cost ratio to sales increased to 33 percentage points (31), mainly as a structural effect of the newly made acquisition.

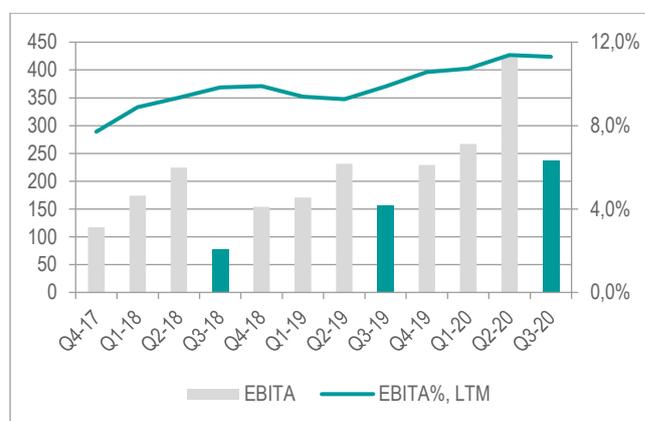
Other external costs

Other external costs amounted to SEK 512 million (392). The increase was mainly related to the acquired operations. The ratio to sales decreased to 20 per cent (22).

Employee benefits expense

Employee benefits expense increased by SEK 255 million to SEK 848 million (593). The ratio of employee expenses to sales remained constant at 33 per cent (33).

EBITA (SEK MILLION) AND LTM EBITA MARGIN



Depreciation, amortisation and impairment

Depreciation and amortisation increased to SEK 265 million (186), primarily driven by the acquired operations as well as higher amortisation resulting from the acquisition.

Financial items

Interest income and similar revenues amounted to SEK 10 million (26) of which SEK 7 million (24) were currency exchange rate gains. Interest expenses and similar costs amounted to SEK 145 million (57), of which SEK 102 million (41) were interest expenses and SEK 29 million (11) were currency exchange rate losses.

^{1/} APM: Alternative Performance Measures, see financial definitions on page 27

^{2/} Non-recurring items: see note 8 for details and financial definitions on page 27

Tax

The income tax amounted to SEK -11 million (16).

Profit after tax

Profit after tax amounted to SEK 46 million (81).

JANUARY – SEPTEMBER 2020**EBITA**

EBITA^{1/} amounted to SEK 927 million (558), an increase by 66 per cent, while the EBITA margin to sales increased by 1.0 percentage points to 11.2 per cent (10.2). The acquired operations in the UK contributed SEK 225 million. EBITA increased organically by SEK 149 million, mainly driven by higher sales volumes and improved production efficiency within oral solids combined with strong increase in demand for COVID-19 related products and services, partially offset by lower sales for certain own products.

EBITA BRIDGE, JANUARY – SEPTEMBER

| | SEK million | % |
|--------------|-------------|-----|
| 2019 | 558 | |
| Currency | -5 | -1 |
| Acquisitions | +225 | +40 |
| Organic | +149 | +27 |
| Total | +368 | +66 |
| 2020 | 927 | |

EBIT

EBIT amounted to SEK 502 million (377), an increase by 33 per cent, while the EBIT margin to sales decreased by 0.8 percentage points to 6.1 per cent (6.9). EBIT was impacted by non-recurring costs^{2/} of SEK 140 million (0).

Raw materials and consumables

Raw materials and consumables amounted to SEK 2,633 million (1,595) with the increase primarily related to the recent acquisition. The material cost ratio to sales increased to 32 percentage points (29), mainly as a structural effect of the newly made acquisition.

Other external costs

Other external costs amounted to SEK 1,698 million (1,160). The increase was mainly related to the acquired operations. The ratio to sales remained constant at 21 per cent (21).

Employee benefits expense

Employee benefits expense increased by SEK 825 million to SEK 2,718 million (1,893). The ratio of employee expenses to sales decreased to 33 per cent (35), primarily as a structural effect of the newly made acquisition.

Depreciation, amortisation and impairment

Depreciation and amortisation increased to SEK 831 million (549), primarily driven by the acquired operations as well as higher amortisation resulting from the acquisition.

Financial items

Interest income and similar revenues amounted to SEK 103 million (81) of which SEK 96 million (59) were currency exchange rate gains. Interest expenses and similar costs amounted to SEK 405 million (152), of which SEK 307 million (115) were interest expenses, SEK 33 million (22) were currency exchange rate losses and SEK 36 million (0) were non-recurring costs^{2/}.

Tax

The income tax amounted to SEK 85 million (52).

Profit after tax

Profit after tax amounted to SEK 116 million (253). The profit after tax was impacted by non-recurring costs^{2/} of SEK 160 million (0).

ACQUISITIONS

The acquisition completed during the last 12 months was the integrated drug and delivery device company Consort Medical Plc. For additional information related to acquisitions, refer to note 4.

1/ APM: Alternative Performance Measures, see financial definitions on page 27

2/ Non-recurring items: see note 8 for details and financial definitions on page 27

ADVANCED DELIVERY SYSTEMS

The *Advanced Delivery Systems* business segment produces inhalation products and devices, medical check valves and injection devices.

- Sales increased by 183%
- EBITA increased by 98%
- EBITA margin of 16.4% (23.3)

JULY – SEPTEMBER 2020

Net sales

Sales for Advanced Delivery Systems increased by SEK 352 million to SEK 544 million, an increase of 183 per cent resulting from the recent acquisition. The organic decline was driven by lower sales of inhalation products due to re-phasing of sales to later in the year and a temporary supply material issue.

SALES BRIDGE, JULY – SEPTEMBER

| | SEK million | % |
|--------------|-------------|------|
| 2019 | 192 | |
| Currency | -7 | -4 |
| Acquisitions | +372 | +194 |
| Organic | -14 | -7 |
| Total | +352 | +183 |
| 2020 | 544 | |

EBITA

EBITA for Advanced Delivery Systems increased by SEK 44 million to SEK 89 million, mainly driven by the recently acquired operations in the UK. The EBITA margin was 16.4 per cent (23.3). Negative sales phasing, a temporary supply issue and adverse product mix had a negative impact in the quarter.

EBITA BRIDGE, JULY – SEPTEMBER

| | SEK million | % |
|--------------|-------------|------|
| 2019 | 45 | |
| Currency | -1 | -2 |
| Acquisitions | +58 | +130 |
| Organic | -13 | -29 |
| Total | +44 | +98 |
| 2020 | 89 | |



JANUARY – SEPTEMBER 2020

Net sales

Sales for Advanced Delivery Systems increased by SEK 1,079 million to SEK 1,702 million, an increase of 173 per cent. The acquired operations contributed 183 per cent. The organic decline was driven by re-phasing of sales, a temporary supply issue and lower service sales.

EBITA

EBITA for Advanced Delivery Systems increased by SEK 205 million to SEK 310 million, primarily driven by the recently acquired operations in the UK and corresponding to an EBITA margin of 18.2 per cent (16.8). The acquired operations contributed positively to the margin expansion. Despite lower sales, organic EBITA development was flat, supported by lower material costs.

MANUFACTURING SERVICES – STERILES

The *Steriles* business segment manufactures sterile products. It offers technologies for sterilisation, lyophilisation and blow-fill-seal (BFS).

- Sales decreased by -10%
- EBITA decreased by -13%
- EBITA margin of 7.3% (7.7)



JULY – SEPTEMBER 2020

Net sales

Sales for Steriles decreased by SEK 66 million to SEK 619 million, a decline of 10 per cent. The organic decline of -5 per cent was primarily driven by lower sales of ampoules and injectables, partially due to temporarily weaker demand caused by the COVID-19 pandemic.

SALES BRIDGE, JULY – SEPTEMBER

| | SEK million | % |
|--------------|-------------|-----|
| 2019 | 685 | |
| Currency | -29 | -4 |
| Acquisitions | - | - |
| Organic | -37 | -5 |
| Total | -66 | -10 |
| 2020 | 619 | |

EBITA

EBITA for Steriles decreased by SEK 7 million to SEK 45 million, equivalent to an EBITA margin of 7.3 per cent (7.7). The organic decline was mainly due to lower sales of ampoules and injectables, partially offset by introduction of new blow-fill-seal products and improved product mix within lyophilised products.

EBITA BRIDGE, JULY – SEPTEMBER

| | SEK million | % |
|--------------|-------------|-----|
| 2019 | 52 | |
| Currency | -4 | -8 |
| Acquisitions | - | - |
| Organic | -3 | -5 |
| Total | -7 | -13 |
| 2020 | 45 | |

JANUARY – SEPTEMBER 2020

Net sales

Sales for Steriles increased by SEK 17 million to SEK 1,951 million, an increase of 1 per cent. The organic growth of 2 per cent was primarily driven by higher sales volumes of lyophilised products and blow-fill-seal products, partially offset by temporarily reduced production mainly in the second quarter due to the COVID-19 pandemic.

EBITA

EBITA growth for Steriles was flat with an EBITA of SEK 178 million, equivalent to an EBITA margin of 9.1 per cent (9.2). Excluding currency translation effects, EBITA increased slightly, mainly driven by higher sales volumes.

MANUFACTURING SERVICES – SOLIDS & OTHERS

The *Solids & Others* business segment produces tablets, capsules, semi-solids and non-sterile liquids.

- Sales increased by 69%
- EBITA increased by 78%
- EBITA margin of 9.9% (9.4)



JULY – SEPTEMBER 2020

Net sales

Sales for Solids & Others increased by SEK 464 million to SEK 1,132 million, an increase of 69 per cent, primarily driven by the recently acquired operations in UK. The organic growth was driven by higher demand for oral solids combined with improved production efficiency and successful backlog reduction.

SALES BRIDGE, JULY – SEPTEMBER

| | SEK million | % |
|--------------|--------------|-----|
| 2019 | 668 | |
| Currency | -23 | -3 |
| Acquisitions | +463 | +69 |
| Organic | +24 | +4 |
| Total | +464 | +69 |
| 2020 | 1,132 | |

EBITA

EBITA for Solids & Others increased by SEK 49 million to SEK 112 million, corresponding to an EBITA margin of 9.9 per cent (9.4). Higher sales volumes of oral solids, improved production and cost efficiency, and a strong increase in service sales resulted in a higher EBITA margin despite a lower margin for the acquired operations.

EBITA BRIDGE, JULY – SEPTEMBER

| | SEK million | % |
|--------------|-------------|-----|
| 2019 | 63 | |
| Currency | -3 | -5 |
| Acquisitions | +28 | +44 |
| Organic | +25 | +39 |
| Total | +49 | +78 |
| 2020 | 112 | |

JANUARY – SEPTEMBER 2020

Net sales

Sales for Solids & Others increased by SEK 1,355 million to SEK 3,425 million, an increase of 65 per cent. The acquired operations contributed 61 per cent. The organic growth was driven by higher sales of oral solids, including a new manufacturing contract, combined with improved production efficiency and higher service sales.

EBITA

EBITA for Solids & Others increased by SEK 99 million to SEK 314 million, driven by both the acquired operations and the organic sales increase of oral solids and services, corresponding to an EBITA margin of 9.2 per cent (10.4). The margin decline was due to lower margin for the acquired operations, partially offset by margin improvement from the organic EBITA growth.

DEVELOPMENT & LICENSING

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

- Sales increased by 44%
- EBITA decreased by -113%
- EBITA margin of -1.9% (20.7)



JULY – SEPTEMBER 2020

Net sales

Sales for Development & Licensing increased by SEK 83 million to SEK 273 million, an increase of 44 per cent. The organic growth of 12 per cent was primarily driven by a substantial increase in demand for COVID-19 related products and services, partially offset by lower sales of certain own products.

SALES BRIDGE, JULY – SEPTEMBER

| | SEK million | % |
|--------------|-------------|-----|
| 2019 | 190 | |
| Currency | -9 | -5 |
| Acquisitions | +69 | +37 |
| Organic | +22 | +12 |
| Total | +83 | +44 |
| 2020 | 273 | |

EBITA

EBITA for Development & Licensing decreased by SEK -45 million to SEK -5 million, equivalent to an EBITA margin of -1.9 per cent (20.7). The acquired operations had a negative EBITA contribution caused by the production incident in 2019. The positive organic EBITA effect from increased sales of COVID-19 related products and services was more than offset by lower sales and adverse product mix for certain own products partly as a consequence of the pandemic.

EBITA BRIDGE, JULY – SEPTEMBER

| | SEK million | % |
|--------------|-------------|------|
| 2019 | 39 | |
| Currency | -2 | -5 |
| Acquisitions | -28 | -70 |
| Organic | -15 | -39 |
| Total | -45 | -113 |
| 2020 | -5 | |

JANUARY – SEPTEMBER 2020

Net sales

Sales for Development & Licensing increased by SEK 282 million to SEK 912 million, an increase of 45 per cent. The organic growth of 17 per cent was primarily driven by a substantial increase in demand for COVID-19 related products and services.

EBITA

EBITA for Development & Licensing decreased by SEK -14 million to SEK 147 million, equivalent to an EBITA margin of 16.1 per cent (25.5). The positive EBITA effect from increased sales of COVID-19 related products and services was more than offset by negative EBITA contribution from the acquired operations combined with lower sales for certain own products.

CASH FLOW

| SEK million | Jul – Sep | | Jan – Sep | | Jan – Dec |
|---|------------|-----------|------------|------------|------------|
| | 2020 | 2019 | 2020 | 2019 | 2019 |
| Cash flow from operating activities before changes in working capital | 89 | 228 | 552 | 690 | 870 |
| Cash flow from changes in working capital | 141 | -4 | 9 | 10 | -62 |
| Cash flow from investing activities | -73 | -93 | -6,270 | -331 | -726 |
| Cash flow from financing activities | -234 | -72 | 5,899 | -204 | 285 |
| Total | -77 | 59 | 189 | 165 | 367 |

JULY – SEPTEMBER 2020

Cash flow from operating activities before changes in working capital was SEK 89 million (228) while changes in working capital was SEK 141 million (-4).

Cash flow from investing activities was SEK -73 million (-93) of which SEK -113 million (-89) was investments in property, plant and equipment.

Cash flow from financing activities was SEK -234 million (-72).

JANUARY – SEPTEMBER 2020

Cash flow from operating activities before changes in working capital was SEK 552 million (690) while changes in working capital was SEK 9 million (10).

Cash flow from investing activities was SEK -6,270 million (-331) of which SEK -308 million (-212) was investments in property, plant and equipment and SEK -5,957 million related to the acquisition of Consort Medical Plc.

Cash flow from financing activities was SEK 5,899 million (-204) and the change compared to last year is related to new loan facilities due to the acquisition of Consort Medical Plc. During the period a new share issue of approximately SEK 2,500 million was made, which was used for amortisation of a loan facility.

FINANCING AND RETURN

KEY FIGURES AND RETURN

| SEK million | Jan – Sep | | Jan – Dec |
|--|----------------|----------------|----------------|
| | 2020, adjusted | 2019, adjusted | 2019, adjusted |
| Return on operating capital ^{1/} (%) | 8.7 | 6.8 | 8.3 |
| Return on equity ^{1/} | 5.3 | 5.9 | 6.7 |
| Net debt to EBITDA ^{1/} (Consort only included Feb-Sep) | 5.1 | 3.2 | 3.2 |
| Net debt to equity ^{1/} | 1.2 | 0.7 | 0.7 |
| Equity to assets ^{1/} (%) | 34.4 | 43.9 | 42.6 |

1/ All items above have been adjusted for non-recurring items. See financial definitions on page 27 for alternative performance measures.

The return on operating capital increased to 8.7 from 6.8 in the same period last year.

Return on equity decreased to 5.3 per cent from 5.9 per cent. The decrease from last year is due to lower adjusted profit in the period and an increase in total equity due to the share issue.

The net debt to EBITDA ratio increased to 5.1 from 3.2 compared to the same period in the previous year, which is due to the higher net debt in conjunction with the acquisition of Consort Medical Plc. The EBITDA for Consort is only included for February to September, 2020.

Net debt in relation to equity was 1.2 (0.7) also due to the acquisition of Consort Medical Plc during Q1 2020.

The equity to assets ratio decreased compared to the same period last year, mainly due to the acquisition of Consort Medical Plc.

PROFORMA RESULTS RECIPHARM AND CONSORT

| SEK million | Jul – Sep 2019 | | | Jan – Dec 2019 | | |
|----------------------------|----------------|---------|-----------------------|----------------|---------|-----------------------|
| | Recipharm | Consort | Total Group Pro forma | Recipharm | Consort | Total Group Pro Forma |
| Net sales | 1,797.2 | 840.6 | 2,637.8 | 7,457.1 | 3,510.9 | 10,968.0 |
| EBITA^{1/} | 156.2 | -11.3 | 144.9 | 787.8 | 345.6 | 1,133.4 |
| EBITDA^{1/} | 281.6 | 35.6 | 317.2 | 1,293.6 | 536.3 | 1,829.9 |

| SEK million | Jan – Sep 2019 | | | Jan – Sep 2020 | | |
|----------------------------|----------------|---------|-----------------------|----------------|---------------|-----------------------|
| | Recipharm | Consort | Total Group Pro forma | Recipharm | Consort (Jan) | Total Group Pro Forma |
| Net sales | 5,475.9 | 2,657.1 | 8,133.0 | 8,256.4 | 309.5 | 8,565.9 |
| EBITA^{1/} | 558.3 | 255.4 | 813.7 | 926.9 | 45.7 | 972.6 |
| EBITDA^{1/} | 926.6 | 396.1 | 1,322.7 | 1,451.4 | 57.7 | 1,509.1 |

1/ APM: Alternative Performance Measures, see financial definitions on page 27.

The proforma result for Recipharm and Consort have been adjusted for any intercompany sales between Recipharm and Consort. The result has not been adjusted for future synergy effects but are adjusted for non-recurring items. The incident at the Aesica Cramlington API Facility in July 2019 has had an impact on the proforma results for Consort. For the period January – September 2020, Recipharm includes Consort for February - September. See note 4 on page 21 for additional information. EBITA and EBITDA for the second quarter 2019, published in the Interim report for the second quarter 2020 have been restated. Pro forma for the full year 2019 is unchanged.

PARENT COMPANY

Recipharm AB (publ) includes Group management and functions that provide services to the business. The parent company's net sales for the period January-September was SEK 161 million (134) and operating result was SEK -72 million (-89). Investments amounted to SEK 12 million (25). Increases in non-current assets and non-current liabilities compared to prior periods are due to the acquisition of Consort Medical Plc.

EMPLOYEES

The number of employees (equivalent to full-time employees "FTE") during the period was 7,383 (5,364). The increase from previous year is mainly related to the acquisition of the operations of Consort Medical Plc.

SIGNIFICANT EVENTS DURING THE PERIOD

Change in total number of shares and votes

As of 31 July 2020, the total number of shares in Recipharm AB (publ) ("Recipharm") amounts to 101,115,683 shares, divided into 21,312,000 shares of series A and 79,803,683 shares of series B. The total number of votes in Recipharm as of 31 July 2020 amounts to 292,923,683.

The number of shares and votes in Recipharm has increased as a result of the registration of 2 shares of series A and 125,494 shares of series B subscribed for without subscription rights in Recipharm's rights issue with subscription period 5-22 June 2020.

Divestment of Portuguese distribution business and ophthalmology company

Recipharm AB (publ) announced on September 30, 2020 the planned divestment of the Medicamenta business unit, conducted within the subsidiary Lusomedicamenta – Sociedade Técnica Farmacêutica, S.A., to Laboratório Medinfar - Produtos Farmacêuticos. In a separate transaction, 100 per cent of the shares in the subsidiary DAVI II Farmacêutica, S.A. ("DAVI") has been divested to PIHEX - INVESTIMENTOS IMOBILIÁRIOS, LDA. Recipharm's Contract Manufacturing activities in Portugal will remain unchanged.

The purchase price for the acquisition of the Medicamenta business unit amounts to approximately EUR 26 million. The purchase price for the acquisition of DAVI amounts to approximately EUR 5 million.

The divestment of the shares in DAVI took place upon signing of the sale and purchase agreement, where the significant influence was transferred to the buyers. The divestment of the Medicamenta business unit is expected to be completed before year end after obtaining, among other requirements, necessary regulatory approvals.

COVID-19

Production costs was adversely impacted due to the pandemic. Production activities have been prioritised to optimise output in order to support customer

needs in the most effective manner. Significant effort and resources were invested to ensure continued supply to our customers and patients. Measures included adapting work schedules, shifts patterns and overtime work whilst putting non-manufacturing activities on hold. No material financial support has been received. Payments from customers have not been affected negatively and there has not been any increase in expected credit losses.

The pharmaceutical industry are in most countries, a prioritised industry and Recipharm have been focused on maintaining a reliable supply.

Recipharm have followed all governmental recommendations whilst at the same time working to mitigate any disruptions.

SIGNIFICANT EVENTS AFTER THE PERIOD END

Recipharm signs agreement with Arcturus Therapeutics to support the manufacture of LUNAR[®]-COVID-19 (ARCT-021) vaccine candidate

Recipharm AB (publ) announced on October 6 2020 the agreement with Arcturus Therapeutics, a leading U.S. based clinical-stage messenger RNA medicines company focused on the development of infectious disease vaccines and significant opportunities within liver and respiratory rare diseases.

Arcturus has secured manufacturing slots with Recipharm to support the manufacture of ARCT-021, Arcturus' COVID-19 vaccine candidate that is in an ongoing phase 1/2 clinical trial.

The companies are working together to secure commercial manufacturing production for 2021 and the future.

FINANCIAL CALENDAR

| | |
|-------------------------------|--------------|
| Interim report Oct – Dec 2020 | Feb 18, 2021 |
| Annual Report 2020 | Apr 20, 2021 |
| Interim report Jan – Mar 2021 | May 6, 2021 |
| Annual General Meeting 2021 | May 11, 2021 |
| Interim report Apr – Jun 2021 | Jul 23, 2021 |
| Interim report Jul – Sep 2021 | Nov 4, 2021 |

CONTACT INFORMATION:

Thomas Eldered, CEO, tel +46 8 602 52 00
 Tobias Hägglov, CFO, tel +46 8 602 52 00
 ir@recipharm.com

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 5 2020

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, 2020 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 5 November 2020

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 5, 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 | Jul – Sep | | Jan – Sep | | Jan – Dec |
|--------------------------------------|------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | | 2020 | 2019 | 2020 | 2019 | 2019 |
| Operating income | | | | | | |
| Net sales | 6, 7 | 2,582.4 | 1,797.2 | 8,256.4 | 5,475.9 | 7,457.1 |
| Other operating revenue | | 102.0 | 48.7 | 220.4 | 143.5 | 252.2 |
| | | 2,684.4 | 1,846.0 | 8,476.8 | 5,619.4 | 7,709.3 |
| Operating expenses | | | | | | |
| Raw materials and consumables | | -846.4 | -560.9 | -2,633.4 | -1,594.6 | -2,172.2 |
| Other external costs | | -511.6 | -391.6 | -1,697.6 | -1,159.8 | -1,635.4 |
| Employee benefits expense | | -848.0 | -592.7 | -2,718.4 | -1,893.5 | -2,578.0 |
| Depreciation and amortisation | | -265.0 | -186.3 | -830.9 | -549.5 | -747.8 |
| Other operating expenses | | -21.0 | -19.1 | -93.7 | -44.8 | -81.6 |
| Share of result in participations | | -0.1 | -0.1 | -0.3 | -0.2 | -0.5 |
| | | -2,492.1 | -1,750.7 | -7,974.4 | -5,242.2 | -7,215.4 |
| Operating profit | | 192.3 | 95.3 | 502.4 | 377.1 | 493.9 |
| Interest income and similar revenues | | 9.7 | 26.3 | 103.2 | 80.8 | 98.0 |
| Interest expenses and similar costs | | -144.8 | -57.1 | -405.1 | -152.1 | -219.8 |
| Net financial income/expense | | -135.1 | -30.8 | -302.0 | -71.2 | -121.8 |
| Profit before tax | | 57.2 | 64.5 | 200.4 | 305.9 | 372.1 |
| Income tax | | -11.2 | 16.1 | -84.7 | -52.4 | -29.1 |
| Profit for the period | | 46.0 | 80.6 | 115.8 | 253.5 | 343.0 |

OTHER COMPREHENSIVE INCOME:

| SEK million | Note | Jul – Sep | | Jan – Sep | | Jan – Dec |
|--|------|-------------|--------------|---------------|--------------|--------------|
| | | 2020 | 2019 | 2020 | 2019 | 2019 |
| Items that may be reclassified subsequently to profit or loss | | | | | | |
| Translation differences | | 18.7 | 110.7 | -682.7 | 314.1 | 117.9 |
| Gains/losses from fair value valuation of financial instruments | | 22.1 | 1.4 | 14.5 | 4.5 | 4.7 |
| Deferred tax relating to items that may be reclassified | | -4.7 | -0.3 | -3.1 | -1.0 | -1.0 |
| Total | | 36.1 | 111.8 | -671.3 | 317.7 | 121.6 |
| Items that will not be reclassified to profit or loss | | | | | | |
| Actuarial gains/losses on pensions | | -0.5 | -22.9 | 10.9 | -39.2 | -50.9 |
| Deferred tax relating to items that will not be reclassified | | 1.9 | 6.9 | -0.9 | 12.4 | 15.8 |
| Total | | 1.4 | -16.1 | 10.0 | -26.8 | -35.2 |
| Other comprehensive income for the period | | 37.5 | 95.7 | -661.3 | 290.9 | 86.4 |
| Comprehensive income for the period | | 83.5 | 176.3 | -545.5 | 544.4 | 429.4 |
| Net profit distributed to: | | | | | | |
| Parent company's shareholders | | 46.0 | 80.8 | 115.8 | 253.7 | 343.1 |
| Non-controlling interest | | 0.0 | -0.2 | 0.0 | -0.2 | -0.1 |
| | | 46.0 | 80.6 | 115.8 | 253.5 | 343.0 |
| Group comprehensive income distributed to: | | | | | | |
| Parent company's shareholders | | 84.0 | 176.4 | -544.9 | 544.1 | 429.7 |
| Non-controlling interest | | -0.5 | -0.1 | -0.6 | 0.2 | -0.3 |
| | | 83.5 | 176.3 | -545.5 | 544.4 | 429.4 |
| Earnings per share before dilution (SEK) | 3, 9 | 0.45 | 1.19 | 1.45 | 3.74 | 5.06 |
| Earnings per share after dilution (SEK) | 3, 9 | 0.45 | 1.19 | 1.45 | 3.74 | 5.06 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, CONDENSED

| SEK million | Note | Sep 30 | | Dec 31 |
|---|------|-----------------|-----------------|-----------------|
| | | 2020 | 2019 | 2019 |
| ASSETS | | | | |
| Non-current assets | | | | |
| | 6 | | | |
| Product rights | | 595.6 | 271.3 | 258.6 |
| Goodwill | | 5,546.0 | 2,797.7 | 2,719.8 |
| Customer relations | | 3,475.6 | 2,196.6 | 2,086.4 |
| Other intangible assets | | 581.2 | 251.1 | 269.3 |
| Property, plant and equipment | | 5,299.7 | 3,486.3 | 3,488.7 |
| Right of use assets | | 319.4 | 254.9 | 239.1 |
| Non-current financial assets | | 653.9 | 346.1 | 475.9 |
| Total non-current assets | | 16,471.3 | 9,604.0 | 9,537.8 |
| Current assets | | | | |
| Inventories | | 2,075.5 | 1,415.5 | 1,401.5 |
| Accounts receivable | | 1,868.6 | 1,305.9 | 1,432.3 |
| Other receivables | | 613.1 | 229.9 | 216.1 |
| Prepaid expenses and accrued income | | 271.3 | 130.7 | 119.2 |
| Cash and cash equivalents | | 1,211.8 | 873.4 | 1,054.9 |
| Total current assets | | 6,040.3 | 3,955.4 | 4,224.0 |
| TOTAL ASSETS | | 22,511.6 | 13,559.4 | 13,761.9 |
| SHAREHOLDERS EQUITY AND LIABILITIES | | | | |
| Share capital | 2 | 50.6 | 33.9 | 33.9 |
| Other paid-in capital | | 7,052.6 | 4,592.2 | 4,592.2 |
| Reserves | | -387.5 | 478.7 | 283.2 |
| Retained earnings (including net profit) | | 917.2 | 697.9 | 781.5 |
| Equity attributable to Parent Company shareholders | | 7,632.9 | 5,802.7 | 5,690.8 |
| Equity attributable to Non-Controlling interest | | -1.0 | 0.2 | -0.4 |
| Total equity | | 7,631.9 | 5,802.9 | 5,690.4 |
| Non-current liabilities | | | | |
| Interest-bearing liabilities | | 10,168.0 | 4,502.8 | 4,918.5 |
| Lease liability | | 260.8 | 163.8 | 151.1 |
| Provisions | | 966.0 | 622.0 | 658.5 |
| Deferred tax liability | | 973.4 | 812.1 | 733.3 |
| Other non-current liabilities | | 20.7 | 72.5 | 46.0 |
| Total non-current liabilities | | 12,388.9 | 6,173.3 | 6,507.4 |
| Current liabilities | | | | |
| Interest-bearing liabilities | | 12.3 | 10.4 | 7.8 |
| Lease liability | | 85.7 | 95.2 | 93.7 |
| Overdraft facility | | 20.4 | 12.9 | 36.2 |
| Account payable | | 1,070.3 | 771.1 | 808.3 |
| Tax liabilities | | 181.2 | 94.2 | 23.7 |
| Other liabilities | | 411.7 | 86.5 | 105.9 |
| Accrued expenses and prepaid income | | 709.3 | 513.0 | 488.6 |
| Total current liabilities | | 2,490.9 | 1,583.2 | 1,564.1 |
| TOTAL EQUITY AND LIABILITIES | | 22,511.6 | 13,559.4 | 13,761.9 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| SEK million | Share capital | Other paid-in capital | Reserves | Retained earnings incl. net profit | Equity attr. to parent company share-holders | Non-contr. interest | Total equity |
|--|---------------|-----------------------|---------------|------------------------------------|--|---------------------|----------------|
| Equity at 1 January 2019 | 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 |
| Total comprehensive income 2019 | | | 121.8 | 307.9 | 429.7 | -0.3 | 429.4 |
| <i>Transactions with owners:</i> | | | | | | | |
| 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 |
| Profit for the period 2020 | | | | 115.8 | 115.8 | | 115.8 |
| Other comprehensive income | | | -670.7 | 10.0 | -660.7 | -0.6 | -661.3 |
| Total comprehensive income 2020 | | | -670.7 | 125.8 | -544.9 | -0.6 | -545.5 |
| <i>Transactions with owners:</i> | | | | | | | |
| Share-based incentive program | | | | 10.0 | 10.0 | | 10.0 |
| New share issue | 16.7 | 2,460.4 | | | 2,477.1 | | 2,477.1 |
| Equity at 30 September 2020 | 50.6 | 7,052.6 | -387.5 | 917.2 | 7,632.9 | -1.0 | 7,631.9 |

CONSOLIDATED CASH FLOW STATEMENT

| SEK million | Note | Jul – Sep | | Jan – Sep | | Jan – Dec |
|--|------|----------------|--------------|-----------------|---------------|----------------|
| | | 2020 | 2019 | 2020 | 2019 | 2019 |
| Operating activities | | | | | | |
| Profit before tax | | 57.2 | 64.5 | 200.4 | 305.9 | 372.1 |
| Adjustments for items not affecting cash | | | | | | |
| - Depreciation, amortisation and impairment of assets | | 265.0 | 186.3 | 830.9 | 549.5 | 747.8 |
| - Changes in provisions | | -74.7 | 10.7 | -118.2 | -24.8 | 20.8 |
| - Gains from disposal of non-current assets | | -4.0 | -2.7 | -4.1 | -21.6 | -22.0 |
| - Share of result of associated companies | | -2.0 | - | -1.8 | 0.5 | 0.5 |
| - Other | | -101.9 | -8.8 | -235.6 | -19.6 | -63.7 |
| | | 139.9 | 250.0 | 671.6 | 789.9 | 1,055.4 |
| Income taxes paid | | -51.2 | -22.5 | -120.0 | -99.5 | -185.1 |
| Operating cash flow before changes in working capital | | 88.7 | 227.5 | 551.6 | 690.5 | 870.3 |
| <i>Cash flow from changes in working capital</i> | | | | | | |
| Change in inventories | | 3.5 | 72.0 | -30.5 | -48.4 | -57.7 |
| Change in operating receivables | | 63.8 | 101.7 | -105.0 | 11.8 | -138.0 |
| Change in operating liabilities | | 73.7 | -177.3 | 144.0 | 46.3 | 133.4 |
| Operating cash flow | | 230.2 | 223.8 | 560.6 | 700.3 | 808.0 |
| <i>Investing activities</i> | | | | | | |
| Acquisition of property, plant and equipment | | -113.2 | -89.1 | -308.4 | -212.5 | -394.0 |
| Disposal of property, plant and equipment | | 8.3 | - | 8.5 | 0.9 | 1.2 |
| Acquisition of intangible assets | | -15.9 | -12.9 | -33.0 | -44.0 | -71.2 |
| Disposal of intangible assets | | - | - | - | - | - |
| Acquisition of subsidiaries/operations, net of cash acquired | 4 | - | - | -5,979.3 | -64.1 | -128.6 |
| Divestment of subsidiaries/operations, net of cash | 5 | 47.6 | - | 47.6 | - | - |
| Acquisition of financial assets | | - | -12.0 | -8.8 | -31.8 | -154.1 |
| Disposal of short-term investment | | - | 20.8 | 3.0 | 20.8 | 20.8 |
| Cash flow from investing activities | | -73.4 | -93.3 | -6,270.4 | -330.7 | -725.9 |
| <i>Financing activities</i> | | | | | | |
| Dividend paid to Parent Company shareholders | | - | - | - | -84.2 | -84.2 |
| New share issue | 2 | -3.4 | - | 2,477.1 | - | - |
| Change in overdraft facility | | 3.9 | 3.1 | -12.0 | - | 23.8 |
| Loans raised | | 0.0 | 50.0 | 12,687.8 | 100.0 | 920.0 |
| Repayment of borrowings | | -234.9 | -124.7 | -9,254.1 | -220.0 | -574.5 |
| Cash flow from financing activities | | -234.4 | -71.6 | 5,898.8 | -204.3 | 285.1 |
| Total cash flow for the period | | -77.4 | 59.0 | 188.9 | 165.3 | 367.2 |
| Cash and cash equivalents at beginning of period | | 1,289.8 | 806.0 | 1,054.9 | 681.4 | 681.4 |
| Translation difference on cash and cash equivalents | | -0.6 | 8.4 | -32.0 | 26.7 | 6.3 |
| Cash and cash equivalents at end of period | | 1,211.8 | 873.4 | 1,211.8 | 873.4 | 1,054.9 |
| Interest received | | 0.9 | 0.9 | 3.1 | 2.0 | 3.4 |
| Interest paid | | -91.3 | -21.2 | -276.0 | -87.3 | -135.9 |

PARENT COMPANY STATEMENT OF PROFIT AND LOSS, CONDENSED

| SEK million | Jul – Sep | | Jan – Sep | | Jan – Dec |
|--|--------------|--------------|---------------|---------------|---------------|
| | 2020 | 2019 | 2020 | 2019 | 2019 |
| Operating income | | | | | |
| Net sales | 49.3 | 48.3 | 160.8 | 134.1 | 183.3 |
| Other operating revenue | 0.8 | 1.4 | 3.4 | 7.6 | 7.5 |
| | 50.0 | 49.7 | 164.3 | 141.7 | 190.8 |
| Operating expenses | | | | | |
| Other external costs | -36.3 | -44.4 | -120.6 | -123.0 | -179.3 |
| Employee benefits expense | -27.4 | -25.9 | -89.8 | -84.2 | -118.7 |
| Depreciation and amortisation | -7.5 | -7.8 | -22.9 | -23.1 | -31.0 |
| Other operating expenses | -0.7 | -0.4 | -2.8 | -0.9 | -1.8 |
| | -71.9 | -78.4 | -236.1 | -231.2 | -330.8 |
| Operating profit/loss | -21.8 | -28.9 | -71.8 | -89.4 | -140.0 |
| Financial items | 23.6 | 34.2 | -366.4 | 81.3 | -81.3 |
| Profit/loss after financial items | 1.8 | 5.3 | -438.3 | -8.1 | -221.3 |
| Appropriations and tax | - | - | - | - | 266.6 |
| Profit/loss for the period | 1.8 | 5.3 | -438.3 | -8.1 | 45.3 |

OTHER COMPREHENSIVE INCOME

| SEK million | Jul – Sep | | Jan – Sep | | Jan – Dec |
|--|------------|-------------|---------------|--------------|-------------|
| | 2020 | 2019 | 2020 | 2019 | 2019 |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Translation differences | 0.1 | -0.7 | -0.2 | -2.1 | -0.2 |
| Other comprehensive income for the period | 0.1 | -0.7 | -0.2 | -2.1 | -0.2 |
| Total comprehensive income for the period | 1.9 | 4.6 | -438.5 | -10.2 | 45.1 |

PARENT COMPANY STATEMENT OF FINANCIAL POSITION, CONDENSED

| SEK million | Note | Sep 30 | | Dec 31 |
|--|------|-----------------|----------------|----------------|
| | | 2020 | 2019 | 2019 |
| ASSETS | | | | |
| Intangible assets | | 34.3 | 16.2 | 24.2 |
| Property, plant and equipment | | 217.0 | 243.8 | 238.3 |
| Non-current financial assets | | 14,630.2 | 7,142.3 | 7,243.4 |
| Current assets | | 2,497.1 | 1,726.6 | 2,405.0 |
| TOTAL ASSETS | | 17,378.7 | 9,128.9 | 9,910.9 |
| SHAREHOLDERS EQUITY AND LIABILITIES | | | | |
| Equity | 2 | 5,970.5 | 3,861.8 | 3,915.7 |
| Non-current liabilities | | 10,167.3 | 4,438.6 | 4,866.4 |
| Current liabilities | | 1,240.8 | 828.5 | 1,128.8 |
| TOTAL EQUITY AND LIABILITIES | | 17,378.7 | 9,128.9 | 9,910.9 |

ACCOUNTING PRINCIPLES, RISKS, DEFINITIONS AND NOTES

NOTE 1 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 2019 Annual Report, except for the amendment that exchange rate differences related to borrowings in foreign currency with certain subsidiaries where the loans represent a permanent part of the Parent Company's financing are recognized in other comprehensive income. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Non-current assets held for sale

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Comparative figures have been adjusted as necessary.

Significant risks and uncertainties

A detailed description of risks is provided in the 2019 Annual Report on page 39. No new significant risks are considered to have arisen since the publication of the annual report.

NOTE 2 NUMBER OF SHARES AND POTENTIAL SHARES

| | A-shares | B-shares | D-shares | Total |
|---|-------------------|-------------------|----------|--------------------|
| Number of shares as of 31 December 2019 | 15,222,858 | 52,552,935 | - | 67,775,793 |
| Directed share issue | - | 4,524,886 | - | 4,524,886 |
| New share issue | 6,089,140 | 22,600,368 | - | 28,689,508 |
| New share issue | 2 | 125,494 | - | 125,496 |
| Number of shares as of 30 September 2020 | 21,312,000 | 79,803,683 | - | 101,115,683 |

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 3 EARNINGS PER SHARE

| | Note | Jul – Sep | | Jan – Sep | | Jan – Dec |
|---|------|-----------|--------|-----------|--------|-----------|
| | | 2020 | 2019 | 2020 | 2019 | 2019 |
| Parent company's shareholders: | | | | | | |
| Earnings per share before dilution (SEK) | | 0.45 | 1.19 | 1.45 | 3.74 | 5.06 |
| Earnings per share after dilution (SEK) | | 0.45 | 1.19 | 1.45 | 3.74 | 5.06 |
| Profit before dilution (SEK million) | | 46.0 | 80.8 | 115.8 | 253.7 | 343.1 |
| Effect from potential shares (SEK million) | | 10.3 | 10.2 | 30.8 | 30.5 | 40.7 |
| Profit after dilution (SEK million) | | 56.3 | 91.0 | 146.6 | 284.2 | 383.8 |
| Average number of shares before dilution (thousand) | 2 | 101,103 | 67,776 | 80,101 | 67,776 | 67,776 |
| Potential shares (thousand) | 2 | 5,496 | 5,496 | 5,496 | 5,496 | 5,496 |
| Average number of shares after dilution (thousand) | | 106,599 | 73,272 | 85,597 | 73,272 | 73,272 |

NOTE 4 BUSINESS COMBINATIONS

Acquisition of Consort Medical plc

November 18, 2019 Recipharm announced its offer to acquire Consort Medical Plc. and February 4, 2020 the cash offer of GBP 505 million (approximately SEK 6,300 million) was declared wholly unconditional. As a result of the offer being declared unconditional, Consort's 9 facilities across the UK, Italy and Germany became part of the Recipharm Group. Consort is an integrated drug and delivery device company providing advanced delivery technologies, formulation and manufacturing services for drugs and was listed on the London Stock Exchange. Consort employs approximately 2,000 people globally of which approximately 1,400 are located in the UK. The combination of Recipharm and Consort is highly complementary given that both organisations provide different products and services within the same value chain for a number of customers. The acquisition has added significant technology, IP and know-how to Recipharm's existing operations.

Consort's financials are consolidated into Recipharm's accounts from February 2020. Consort contributed to Recipharm's Net Sales with 2,577 million and for EBITA SEK 225 million for the period Feb-Sep 2020. Net cashflow for the acquisition amounts to SEK -5,957 million and is presented under Investing activities in the consolidated cashflow statement.

| SEK million | Carrying amount | Fair value adjustment ^{1/} | Fair value in the group |
|---|-----------------|-------------------------------------|-------------------------|
| Preliminary balance sheet as of acquisition date | | | |
| Goodwill | 1,583.4 | 1,579.5 | 3,162.9 |
| Other intangible assets | 367.7 | 2,173.8 | 2,541.5 |
| Property, plant & equipment | 2,047.8 | 313.2 | 2,361.0 |
| Other fixed assets | 163.6 | 17.4 | 181.0 |
| Inventories | 676.5 | 3.0 | 679.5 |
| Accounts receivables and other current assets | 785.8 | - | 785.8 |
| Cash and cash equivalent | 343.7 | - | 343.7 |
| Total identifiable assets | 5,968.6 | 4,086.9 | 10,055.5 |
| Provisions | 494.5 | 449.5 | 944.0 |
| Long term liabilities | 2,071.3 | - | 2,071.3 |
| Other operating liabilities | 739.0 | - | 739.0 |
| Total identifiable liabilities | 3,304.8 | 449.5 | 3,754.3 |
| Total | | | 6,301.2 |

1/ The goodwill refers to, among others, future customers, market position and workforce. The purchase price allocation has not been finalized and consequently the fair value adjustment presented above is preliminary. Acquisition related costs of 61 MSEK has been charged to Other operating expenses in the consolidated income statement for 2020 and 14 MSEK in 2019. The preliminary purchase price allocation presented in the annual report for 2019 and in the interim report for the first quarter 2020, have been adjusted due to more detailed analyses of Consort's internal accounts.

NOTE 5 DISCONTINUED OPERATIONS

Divestments

On 30 September 2020, the Group publicly announced the divestment of 100 per cent of the shares in the Portuguese subsidiary DAVI II Farmacêutica, S.A. ("DAVI"), has been divested to PIHEX - INVESTIMENTOS IMOBILIÁRIOS, LDA, a company owned by a member of the board of directors of the Portuguese subsidiary Lusomedicamenta – Sociedade Técnica Farmacêutica, S.A.

DAVI specialises in ophthalmic products, focuses on import and distribution of pharmaceutical and cosmetic and similar products, and import and distribution of hospital, clinical and laboratory related materials and equipment. The company was reported as a part of the Development & Licensing segment. DAVI has annual net sales of approximately EUR 2.9 million. The divestment of the shares in DAVI took place upon signing of the sale and purchase agreement 30 September 2020 for the purchase price of approximately EUR 5 million. The divestment is expected to yield an exit profit of SEK 37 million in Recipharm Group.

Assets held for sale

As a separate transaction, the Group publicly announced on 30 September 2020 the divestment of the Medicamenta business unit, conducted within the Portuguese subsidiary Lusomedicamenta – Sociedade Técnica Farmacêutica, S.A to Laboratório Medinfar - Produtos Farmacêuticos.

The divestment of the Medicamenta business unit is expected to be completed before year end after obtaining, among other requirements, necessary regulatory approvals. The sale is therefore classified as an asset held for sale at 30 September 2020. The company was previously reported as a part of the Development & Licensing segment.

The Medicamenta business unit focuses on cardiovascular disease, respiratory diseases and metabolic diseases with annual net sales of approximately EUR 14 million. The purchase price for the acquisition of the Medicamenta business unit amounts to approximately EUR 26 million.

NOTE 6 SEGMENT REPORTING

Reclassification of segment reporting

As of January 1, 2020, a revised segment reporting has been implemented to better reflect the internal reporting. Recipharm reports in accordance with the new segment structure from the first quarter of 2020. See below for the reclassification of the segments.

| | Jul – Sep 2019 | | | Jan – Sep 2019 | | | Jan – Dec 2019 | | |
|-------------------------------|-----------------------|--------|-----------------------|-----------------------|--------|-----------------------|-----------------------|--------|-----------------------|
| | Old segment structure | Change | New segment structure | Old segment structure | Change | New segment structure | Old segment structure | Change | New segment structure |
| Net sales, SEK million | | | | | | | | | |
| ADS | - | 192.2 | 192.2 | - | 623.7 | 623.7 | - | 838.9 | 838.9 |
| Steriles | 864.6 | -179.6 | 685.0 | 2,515.7 | -581.0 | 1,934.6 | 3,362.8 | -781.4 | 2,581.4 |
| Solids & Others | 667.9 | - | 667.9 | 2,070.1 | - | 2,070.1 | 2,872.9 | - | 2,872.9 |
| D&L | 241.9 | -52.0 | 189.9 | 791.9 | -161.8 | 630.1 | 1,063.1 | -221.0 | 842.1 |
| Discontinued operations | 74.6 | 39.4 | 114.0 | 221.5 | 119.1 | 340.6 | 317.8 | 163.6 | 481.4 |

| | Jul – Sep 2019 | | | Jan – Sep 2019 | | | Jan – Dec 2019 | | |
|---------------------------|-----------------------|--------|-----------------------|-----------------------|--------|-----------------------|-----------------------|--------|-----------------------|
| | Old segment structure | Change | New segment structure | Old segment structure | Change | New segment structure | Old segment structure | Change | New segment structure |
| EBITA, SEK million | | | | | | | | | |
| ADS | - | 44.9 | 44.9 | - | 104.5 | 104.5 | - | 165.8 | 165.8 |
| Steriles | 101.5 | -49.1 | 52.4 | 290.5 | -112.7 | 177.8 | 406.1 | -179.5 | 226.6 |
| Solids & Others | 63.1 | - | 63.1 | 215.3 | - | 215.3 | 347.3 | - | 347.3 |
| D&L | 48.8 | -9.5 | 39.3 | 192.1 | -31.2 | 160.9 | 211.6 | -34.8 | 176.4 |
| Discontinued operations | -28.4 | 13.7 | -14.7 | -55.0 | 39.4 | -15.6 | -57.4 | 48.5 | -8.9 |

| | Jul – Sep 2019 | | | Jan – Sep 2019 | | | Jan – Dec 2019 | | |
|--------------------------|-----------------------|--------|-----------------------|-----------------------|--------|-----------------------|-----------------------|--------|-----------------------|
| | Old segment structure | Change | New segment structure | Old segment structure | Change | New segment structure | Old segment structure | Change | New segment structure |
| EBIT, SEK million | | | | | | | | | |
| ADS | - | 41.3 | 41.3 | - | 93.8 | 93.8 | - | 151.3 | 151.3 |
| Steriles | 74.7 | -45.6 | 29.1 | 210.8 | -102.0 | 108.8 | 299.5 | -165.1 | 134.4 |
| Solids & Others | 36.5 | - | 36.5 | 136.2 | - | 136.2 | 241.7 | - | 241.7 |
| D&L | 41.3 | -9.5 | 31.8 | 169.9 | -31.2 | 138.7 | 181.5 | -34.8 | 146.7 |
| Discontinued operations | -28.4 | 13.7 | -14.7 | -55.0 | 39.4 | -15.6 | -57.4 | 48.5 | -8.9 |

For control purposes Recipharm is separated into four segments from 1 January 2020: Advanced Delivery Systems (ADS), Manufacturing Steriles (MFG-S), Manufacturing Solids & Others (MFG-SO) and Development & Licensing (D&L). The Advanced Delivery Systems segment includes the previous inhalation operations in Recipharm and the acquired operations of devices under the Bepak brand.

The business segment MFG-S includes manufacturing of products on behalf of pharmaceutical companies and covers sterile technologies including vials and ampoules, lyophilisates and blow-fill-seal products.

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 segment includes the acquired Aesica operations.

The business segment D&L 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, Ashton-under-Lyne, UK, and the distribution business and ophthalmology companies in Lisbon, Portugal. 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 2020 | | | | | | | | | |
|---------------------|---------|---------|----------|---------|--------------------------|----------|----------------------------|-------------------------------------|----------|
| SEK million | ADS | MFG-S | MFG-SO | D&L | Elimination s & Other | Total | Discontinued operations | Non- rec. items ^{1/} | Total |
| Net sales, external | 542.5 | 602.3 | 1,117.1 | 269.7 | | 2,531.6 | 50.7 | | 2,582.4 |
| Net sales, internal | 1.2 | 16.4 | 14.7 | 2.8 | -37.7 | -2.7 | 2.7 | | |
| EBITA | 89.1 | 45.4 | 112.1 | -5.3 | -22.2 | 219.1 | 17.3 | 37.2 | 273.7 |
| EBITA % | 16.4 | 7.3 | 9.9 | -1.9 | | 8.7 | | | 10.6 |
| EBIT | 72.9 | 29.6 | 70.9 | -13.4 | -22.2 | 137.7 | 17.3 | 37.2 | 192.3 |
| Jul – Sep 2019 | | | | | | | | | |
| SEK million | ADS | MFG-S | MFG-SO | D&L | Elimination s & Other | Total | Discontinued operations | Non- rec. items ^{1/} | Total |
| Net sales, external | 190.0 | 654.9 | 661.5 | 187.1 | | 1,693.5 | 103.7 | | 1,797.2 |
| Net sales, internal | 2.2 | 30.1 | 6.4 | 2.8 | -51.8 | -10.3 | 10.3 | | |
| EBITA | 44.9 | 52.4 | 63.1 | 39.3 | -28.7 | 170.9 | -14.7 | | 156.2 |
| EBITA % | 23.3 | 7.7 | 9.4 | 20.7 | | 10.2 | | | 8.7 |
| EBIT | 41.3 | 29.1 | 36.5 | 31.8 | -28.7 | 110.0 | -14.7 | | 95.3 |
| Jan – Sep 2020 | | | | | | | | | |
| SEK million | ADS | MFG-S | MFG-SO | D&L | Eliminations & Other | Total | Discontinued operations | Non-rec. items ^{1/} | Total |
| Net sales, external | 1,697.1 | 1,907.4 | 3,392.4 | 900.6 | | 7,897.5 | 359.0 | | 8,256.4 |
| Net sales, internal | 5.4 | 43.9 | 32.2 | 11.3 | -126.5 | -33.6 | 33.6 | | |
| EBITA | 309.8 | 178.1 | 314.3 | 146.9 | -90.9 | 858.1 | 68.7 | -140.1 | 786.8 |
| EBITA % | 18.2 | 9.1 | 9.2 | 16.1 | | 10.9 | | | 9.5 |
| EBIT | 227.0 | 126.7 | 188.8 | 122.2 | -90.9 | 573.8 | 68.7 | -140.1 | 502.4 |
| Goodwill | 1,750.5 | 1,448.2 | 1,722.8 | 524.4 | | 5,446.0 | 100.0 | | 5,546.0 |
| Non-current assets | 4,526.7 | 3,846.4 | 7,282.1 | 4,364.9 | -3,894.1 | 16,126.1 | 345.2 | | 16,471.3 |
| Total assets | 5,221.5 | 5,231.4 | 10,383.5 | 5,855.8 | -4,637.0 | 22,055.2 | 456.4 | | 22,511.6 |

Jan – Sep 2019

| SEK million | ADS | MFG-S | MFG-S0 | D&L | Eliminations & Other | Total | Discontinued operations | Non-rec. items ^{1/} | Total |
|---------------------|---------|---------|---------|---------|----------------------|-----------------|-------------------------|------------------------------|-----------------|
| Net sales, external | 618.1 | 1,877.9 | 2,044.1 | 623.7 | | 5,163.8 | 312.2 | | 5,475.9 |
| Net sales, internal | 5.6 | 56.7 | 26.0 | 6.4 | -123.1 | -28.4 | 28.4 | | |
| EBITA | 104.5 | 177.8 | 215.3 | 160.9 | -84.6 | 573.9 | -15.6 | | 558.3 |
| EBITA % | 16.8 | 9.2 | 10.4 | 25.5 | | 11.2 | | | 10.2 |
| EBIT | 93.8 | 108.8 | 136.2 | 138.7 | -84.6 | 392.8 | -15.6 | | 377.1 |
| Goodwill | 112.3 | 1,376.3 | 707.8 | 499.5 | | 2,695.9 | 101.8 | | 2,797.7 |
| Non-current assets | 568.7 | 4,034.5 | 3,015.3 | 1,249.8 | 311.0 | 9,179.3 | 424.7 | | 9,604.0 |
| Total assets | 1,041.3 | 5,424.1 | 4,779.0 | 1,891.1 | -347.8 | 12,787.7 | 771.7 | | 13,559.4 |

Jan – Dec 2019

| SEK million | ADS | MFG-S | MFG-S0 | D&L | Eliminations & Other | Total | Discontinued operations | Non-rec. items ^{1/} | Total |
|---------------------|---------|---------|---------|---------|----------------------|-----------------|-------------------------|------------------------------|-----------------|
| Net sales, external | 831.0 | 2,511.2 | 2,834.8 | 837.0 | | 7,014.0 | 443.1 | | 7,457.1 |
| Net sales, internal | 7.9 | 70.2 | 38.1 | 5.1 | -159.6 | -38.3 | 38.3 | | |
| EBITA | 165.8 | 226.6 | 347.3 | 176.4 | -119.5 | 796.7 | -8.9 | -51.9 | 735.9 |
| EBITA % | 19.8 | 8.8 | 12.1 | 20.9 | | 11.4 | | | 9.9 |
| EBIT | 151.3 | 134.4 | 241.7 | 146.7 | -119.5 | 554.7 | -8.9 | -51.9 | 493.9 |
| Goodwill | 113.6 | 1,499.4 | 656.8 | 351.0 | | 2,620.8 | 99.0 | | 2,719.8 |
| Non-current assets | 575.2 | 4,018.0 | 3,115.5 | 1,043.9 | 426.4 | 9,178.6 | 359.2 | | 9,537.8 |
| Total assets | 1,004.6 | 5,304.0 | 4,978.9 | 1,932.9 | -185.2 | 13,035.2 | 726.7 | | 13,761.9 |

| Geographical area | Net sales | | | Non-current assets | | |
|-------------------|----------------|----------------|----------------|--------------------|----------------|----------------|
| | Jan-Sep 2020 | Jan-Sep 2019 | Jan-Dec 2019 | Sep 30 2020 | Sep 30 2019 | Dec 31 2019 |
| SEK million | | | | | | |
| UK | 2,256.1 | 605.2 | 812.1 | 7,563.3 | 580.8 | 587.2 |
| Italy | 1,294.7 | 963.5 | 1,328.3 | 2,006.4 | 2,003.9 | 1,959.4 |
| Sweden | 1,054.6 | 953.7 | 1,359.6 | 1,742.3 | 1,644.0 | 1,751.0 |
| Germany | 1,037.6 | 363.8 | 473.2 | 981.5 | 783.3 | 762.6 |
| France | 836.4 | 866.6 | 1,132.2 | 799.1 | 820.9 | 823.1 |
| Spain | 589.7 | 592.4 | 788.0 | 187.7 | 173.8 | 186.4 |
| India | 589.8 | 610.2 | 833.1 | 2,162.5 | 2,507.4 | 2,410.7 |
| Portugal | 534.2 | 471.2 | 660.5 | 997.0 | 1,050.2 | 1,019.4 |
| Other | 63.4 | 49.3 | 70.1 | 31.4 | 39.7 | 38.0 |
| Total | 8,256.4 | 5,475.9 | 7,457.1 | 16,471.3 | 9,604.0 | 9,537.8 |

1/ Non-recurring items: see note 8 for details and financial definitions on page 27

NOTE 7 DISAGGREGATION OF REVENUE

Jan – Sep 2020

| SEK million | Revenue recognition | ADS | MFG-S | MFG-S0 | D&L | Discontinued operations | Total |
|--------------------------------|-------------------------------------|----------------|----------------|----------------|--------------|-------------------------|----------------|
| Pharmaceutical manufacturing | Revenue recognised at point in time | 481.8 | 1,804.5 | 3,055.0 | 153.1 | 200.6 | 5,695.0 |
| Pharmaceutical manufacturing | Revenue recognised over time | | | 42.1 | 12.5 | 1.3 | 55.9 |
| Product sales | Revenue recognised at point in time | 1,097.1 | | | 526.0 | 146.0 | 1,769.1 |
| Total sales of products | | 1,578.9 | 1,804.5 | 3,097.1 | 691.6 | 348.0 | 7,520.0 |
| Service sales | Revenue recognised over time | | 8.9 | 34.6 | 112.9 | | 156.4 |
| Service sales | Revenue recognised at point in time | 118.2 | 93.9 | 260.7 | 96.1 | 11.0 | 580.0 |
| Total sales of services | | 118.2 | 102.9 | 295.3 | 209.0 | 11.0 | 736.4 |
| Total net sales | | 1,697.1 | 1,907.4 | 3,392.4 | 900.6 | 359.0 | 8,256.4 |

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 2019

| SEK million | Revenue recognition | ADS | MFG-S | MFG-S0 | D&L | Discontinued operations | Total |
|--------------------------------|-------------------------------------|--------------|----------------|----------------|--------------|-------------------------|----------------|
| Pharmaceutical manufacturing | Revenue recognised at point in time | 581.1 | 1,874.5 | 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 | 37.0 | | | 413.3 | 119.1 | 569.4 |
| Total sales of products | | 618.1 | 1,875.6 | 1,984.4 | 413.3 | 312.2 | 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 | | 618.1 | 1,877.9 | 2,044.1 | 623.7 | 312.2 | 5,475.9 |

Jan – Dec 2019

| SEK million | Revenue recognition | ADS | MFG-S | MFG-S0 | D&L | Discontinued operations | Total |
|--------------------------------|-------------------------------------|--------------|----------------|----------------|--------------|-------------------------|----------------|
| Pharmaceutical manufacturing | Revenue recognised at point in time | 781.4 | 2,498.6 | 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 | 49.6 | | | 555.2 | 163.6 | 768.4 |
| Total sales of products | | 831.0 | 2,500.9 | 2,731.4 | 555.2 | 443.1 | 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 | | 831.0 | 2,511.2 | 2,834.8 | 837.0 | 443.1 | 7,457.1 |

NOTE 8 BRIDGE FROM EBITDA TO EBIT

| SEK million | Jul – Sep | | Jan – Sep | | Jan – Dec |
|--|--------------|--------------|----------------|--------------|----------------|
| | 2020 | 2019 | 2020 | 2019 | 2019 |
| EBITDA^{1/} | 420.1 | 281.7 | 1,451.4 | 926.7 | 1,293.5 |
| Amortisation <i>not arising from business combinations</i> | -10.4 | -10.5 | -29.7 | -28.3 | -37.8 |
| Depreciation <i>excluding non-recurring items</i> | -173.4 | -115.0 | -494.9 | -340.2 | -468.0 |
| EBITA^{1/} | 236.5 | 156.3 | 926.8 | 558.3 | 787.8 |
| Amortisation <i>arising from business combinations</i> | -81.4 | -60.8 | -284.5 | -181.0 | -242.0 |
| Non-recurring item – restructuring related costs | - | - | - | - | -38.4 |
| Non-recurring item – profit from divestment of ThyroSafe® | - | - | 0.4 | - | 0.7 |
| Non-recurring item – acquisition costs | - | - | -91.8 | - | -14.2 |
| Non-recurring item – achieving synergy costs and other | - | - | -85.7 | - | - |
| Non-recurring item – divestment of subsidiary/operations | 37.2 | - | 37.2 | - | - |
| EBIT | 192.3 | 95.4 | 502.4 | 377.3 | 493.9 |

NOTE 9 BRIDGE FROM CORE EPS TO EARNING PER SHARE

| SEK million | Jul – Sep | | Jan – Sep | | Jan – Dec |
|---|-------------|-------------|-------------|-------------|-------------|
| | 2020 | 2019 | 2020 | 2019 | 2019 |
| Core EPS^{1/} | 0.85 | 1.23 | 5.52 | 4.55 | 7.09 |
| Amortisation arising from business combinations, net of tax | -0.61 | -0.20 | -2.70 | -1.52 | -1.85 |
| Non-recurring items – net of tax | 0.37 | 0.00 | -1.99 | 0.21 | -0.82 |
| F/X rate in Finance Net, net of tax | -0.16 | 0.16 | 0.62 | 0.50 | 0.64 |
| Earnings per share | 0.45 | 1.19 | 1.45 | 3.74 | 5.06 |

1/ APM: Alternative Performance Measures, see financial definitions on page 27

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**
Core EPS

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. Earnings per share adjusted for amortisation of intangible assets which arise from business combinations, non-recurring items and F/X-effects in finance net, net of tax.
Core EPS shows earnings per share for the core business.

Debt/equity ratio

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

EBITA

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

EBITA shows operating profit for the core business

EBITA margin

EBITA divided by net sales

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

EBITDA

Profit before financial items, taxes, depreciation and amortisation, adjusted for non-recurring items
EBITDA shows operating profit, which is also used in combination with other data for measurement purposes

EBITDA margin

EBITDA divided by net sales

The EBITDA margin shows operating profit in relation to net sales

Equity per share

Shareholders' equity on the balance-sheet date divided by the number of shares (balance-sheet date)

Equity per share shows the equity generated to the shareholders per share

Equity/assets ratio

Shareholders' equity divided by total assets

Equity/assets ratio, adjusted

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

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

Interest-coverage ratio

Operating profit plus financial income divided by financial expenses

Measures the company's ability to cover its interest expenses

Net debt

Interest-bearing liabilities less cash and cash equivalents

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

Net debt/equity ratio

Net debt divided by shareholders' equity

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

Net debt in relation to EBITDA

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

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

Net sales (CER)

CER: Constant Exchange Rates

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

Non-interest-bearing liabilities

Includes deferred tax liability

Measures non-interest-bearing liabilities

Operating capital (average)

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

Measures the use and efficiency of capital

Operating cash flow per share

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

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

Operating margin

Operating profit divided by net sales

Measures the profitability of operations

Operating profit

Operating profit before financial items and tax

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

Return on equity

The equity/assets ratio shows how much of total assets are financed using shareholders' equity

Profit for the year (12-month period) divided by average shareholders' equity

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

Return on equity, adjusted

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

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

Return on operating capital

EBITA (12-month period) divided by average operating capital

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

Return on operating capital, adjusted

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

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

THE PHARMACEUTICAL CDMO MARKET

CDMOs, such as Recipharm, provide pharmaceutical companies with diverse manufacturing and development services – from managing a product’s transition from laboratory to full-scale commercialisation. Outsourcing development and manufacturing services enables pharmaceutical companies to focus on their core business, such as R&D and marketing, and can crucially reduce costs, time-to-market, and risk.

In addition, CDMOs can provide access to technology due to their highly specialised knowledge. In a world of increasingly technological and supply chain complexity, CDMOs with their focussed operations are typically well equipped to assimilate, develop and master the latest technologies.

ABOUT RECIPHARM

Recipharm is a leading Contract Development and Manufacturing Organisation (CDMO) in the pharmaceutical industry employing almost 9,000 employees. Recipharm offers manufacturing services of pharmaceuticals in various dosage forms, production of clinical trial material and APIs, pharmaceutical product development and development and manufacturing of medical devices. Recipharm manufactures several hundred different products to customers ranging from big pharma to smaller research and development companies. Recipharm’s annual turnover is approximately SEK 11 billion. 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.

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