

Placing Covid-19 aside, I am particularly pleased with our financial performance in 2019 and how everything came together in terms of integrating recently acquired units. Significantly, our acquisition of Consort Medical will further enhance our customer offering and operations and makes us one of the five largest CDMOs in the world.

PROUD TO BECOME A TOP FIVE GLOBAL CDMO

Covid-19

At the time of writing, the world is facing unprecedented events with the Covid-19 pandemic. The pharmaceutical industry, whilst by no means immune to the effects is certainly in a better position to weather the storm than many other sectors. Our industry is at the forefront in the fight against this terrible virus and we at Recipharm are doing our best to play our part. We supply vital medicines used in inhalation as well as antibiotics and anti-virals which are used on the frontline in this fight. Patients also continue to need all of the other medicines we manufacture and our demand remains as strong as ever. I am both heartened and amazed that we have so far managed to remain largely operational amid the interruptions to our supply chains and challenges with staff absence caused by various lockdowns. We are of course operating in a sub-optimal manner but most of the credit for this must go to our dedicated and committed staff who continue to support the needs of our business partners and patients and I sincerely thank them for this.

Under these circumstances, it is extremely difficult to predict what is going to happen and the situation certainly introduces a high level of uncertainty for all businesses. Recent events have highlighted the risks of relying on suppliers who are located on the other side of the world and I anticipate that our customers will re-evaluate their supply chains and business continuity plans. This is likely to favour more localised production and focus on reliable suppliers in a way we have not seen previously which with our global footprint means we should be well placed. It is also not unlikely that we will see a slowdown in our development services business as our partners struggle to complete (or even initiate) clinical trials or focus on established projects.

We are however confident of one thing – our patients will continue to rely on the products which we research, develop and manufacture long after Covid-19 has been brought under control. In the meantime, we will do our job to the best of our ability and maintain supplies to our business partners and patients.

Continued strong financial performance

During the year, we continued our good performance on all our financial KPIs. Sales increased 17.0 per cent during the year, and our revenue amounted to SEK 7.5 billion. Organic growth started a little slowly, but picked up from Q3 to increase by 5.0 per cent for the year. We met our EBITDA target with a margin of 17.3 per cent, which represents a significant improvement and I am very pleased with our performance for the year.

We have basically done what we set out to do in terms of our financial performance, and this has laid solid foundations for our revised financial targets that we announced at our Capital Markets Day in November.

Good market development

Our core European market was business as usual in 2019, as we continued to gain customers and win new projects. I think our excellent reputation in the market is particularly helpful in creating new business.

I am proud of our progress in India during the year as we grew faster than the rapidly growing Indian pharma market, which is quite remarkable. We are well positioned to capitalise on the many good opportunities in India. During the year, we began a joint venture together with our long-term Indian partner to create production capacity in India for a range of sterile dosage forms. The Nichepharm facility is currently under construction and will provide access to competitive sterile manufacturing to supply customers in Europe and elsewhere when completed in 2022.

The US is still a relatively small market for us with significant growth potential. We made good progress during the year following the establishment of a completely new US sales organisation.

Recipharm becomes a top five global CDMO

In February 2020, we finalized the acquisition of Consort Medical, which is our largest acquisition to date and an extremely complementary fit for both companies. I warmly welcome the 2,000 Consort employees to the Recipharm family.



Aesica, one of Consort's two divisions, is characterised by contract manufacturing and will integrate well with our existing operations. I think people at Aesica will feel at home as part of Recipharm.

The Bepak division develops drug delivery devices and was our main strategic driver behind the acquisition of Consort. By combining Bepak's device expertise and innovation with Recipharm's pharma expertise in device content, we will create a unique customer offering. I don't think any of our competitors have this capability, so it will present plenty of great opportunities for us to offer unique integrated solutions. The acquisition also offers more immediate synergies, such as enhancing our inhalation offering – to make us a leader in the field.

We will be busy with the integration of Consort in the short term, but we will continue to identify interesting new acquisitions for the future. I believe that acquisitions will continue to be an important driver of our growth.

Driving operational excellence

Further optimising our operations by continuously making improvements is an ongoing activity for all our units. We made good progress during the year but still have work to do. In addition, higher capacity utilization is supporting further efficiency and we will focus on increasing volumes in recently expanded steriles capacities in the coming years.

The closures of the Ashton and Stockholm facilities in the UK and Sweden respectively, which will be completed before Q3 2020, will contribute towards streamlining our business. We will of course deal with the closures with great care and consideration for our staff involved.

Excellent progress in development services

Whilst I am now predicting a slow-down in demand for our development services offering caused by Covid-19, I am very satisfied with how the new organisation enriched our customer offering during the year. It has improved how our development centres in Europe, the US, India and Israel collaborate, and is increasingly providing a pipeline of new business for our manufacturing units. The organisation also

gathers our entire development expertise under one roof to enable us to solve very challenging development tasks for our customers.

Building on our sustainability leadership

I notice a growing interest in how we work with sustainability from both our customers and investors, and I am pleased to say that we are very much ahead of the curve in our industry in this area. For example, we are one of the few CDMOs that responds to CDP's climate questionnaire each year. In fact, I am proud to report that we increased our CDP rating to B- in 2019, which is third-party recognition that we take coordinated action on climate change.

During the year, three of our manufacturing units were certified according to both the ISO 14001 Environmental Management System – in line with our objective to certify all newly acquired units within two years – and the ISO 45001 Occupational Health and Safety standard. We also continued our efforts to promote energy efficiency in our various operating units, for example to optimise lighting and ventilation systems.

In 2019, we joined the AMR Industry Alliance, which is one of the largest coalitions to provide solutions to curb AMR. As a manufacturer of antibiotics, we want to be at the forefront of contributing with solutions to this global issue.

The principles of the UN Global Compact, which we have followed for many years, continue to form the basis for our global sustainability work.

Preparing for further success in 2020 and beyond

As we continue to integrate the Consort Medical business into Recipharm, we have the target of realising cost saving synergies by delisting Consort from the London Stock Exchange and reducing business overlap. This will be a challenge, in the current climate but I am hopeful that we will succeed with these extremely important cost saving opportunities. In the longer term, we will increasingly focus on commercial synergies, which will ultimately enable us to provide services for our customers that neither company could offer on their own.

In 2020, Recipharm celebrates its 25-year anniversary. This milestone underlines the fact that we are one of the oldest companies in the industry, which is the foundation for our reputation and demonstrates our core value of tenacity. I would like to thank all employees for their efforts over the years – and particularly our veteran employees that have been with us for the entire 25-year journey since 1995. You are the embodiment of our strategy to 'Employ excellent people'.

Having built this company brick by brick over the past 25 years, we have a fantastic platform to weather the storms we face and capitalise on the latest trends and developments in the pharmaceutical and CDMO markets. This sound platform will be the basis of our continued success as Recipharm develops over the next 25 years and beyond.

Thomas Eldered, CEO