

ANNUAL AND SUSTAINABILITY REPORT 2020

THE POSITIVE INDICATIONS OF WORKING WITH RECIPHARM:

Pharmaceutical expertise
Managing complexity
Full service offering
Risk control
Good value for money

Recipharm



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Recipharm

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This is Recipharm's Annual and Sustainability Report 2020. The audited Annual Report includes pages 36–98. The Sustainability Report can be found on pages 24–35, 99–101 and consists of the company's and the Group's legally required Sustainability Report in accordance with the Swedish Annual Accounts Act. The report also constitutes Recipharm's Communication on Progress reporting to the UN Global Compact.

The English version of the report includes a presentation of Recipharm, Sustainability, Corporate Governance and the Annual Report while the Swedish version only includes the sections Corporate Governance and Annual Report. Both versions can be found on Recipharm's website under Investors. www.recipharm.com

Recipharm is a leading global pharmaceutical Contract Development and Manufacturing Organisation (CDMO).

We provide pharmaceutical companies around the world with tailor-made development and manufacturing services, including a wide variety of drug dosage forms, and inhalation products and devices.

Our comprehensive services cover the entire life cycle of a pharmaceutical product – from drug substance through to commercial manufacturing – to get products to market in a time and cost-efficient way.



Recipharm in brief

A TOP FIVE CDMO ON THE GLOBAL ARENA

11,069

Net sales SEK million 2020

30+Global presence: 30+ facilities
in 10 countries**2,019**

EBITDA SEK million 2020

100+

Supplying more than 100 markets

8,666

Number of employees 2020

4.5%Reduced greenhouse gas emissions
per employee 2020

OUR FOUR BUSINESS SEGMENTS

New segment structure from January 1, 2020. Read more on page 20–23.

ADVANCED DELIVERY SYSTEMS

Develops and manufactures inhalation products and devices including integrated drug solutions, medical check valves and injection devices.



MANUFACTURING: STERILES

Manufactures sterile products, including the use of lyophilisation and blow-fill-seal (BFS) technologies.



MANUFACTURING: SOLIDS & OTHERS

Manufactures non-sterile products, including tablets, capsules, semi-solids, liquids and powders but excluding inhalation products.



DEVELOPMENT & LICENSING

Provides pharmaceutical development services, and manages Recipharm's patents, technologies, and drug product rights, as well as the development and manufacturing of drug substance (Active Pharmaceutical Ingredient, API).



The year in brief

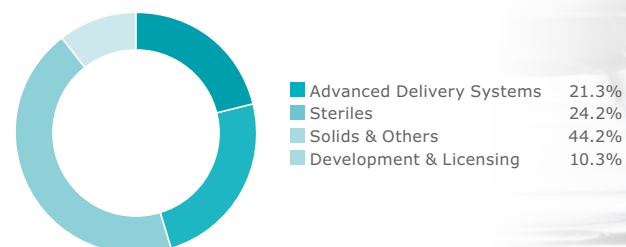
DELIVERING ON OUR STRATEGIES IN 2020

2020 was a year of significant progress against all of our strategies. In particular, our transformational acquisition of Consort Medical further consolidated the CDMO industry but also enabled us to significantly enhance the share of our customers value chain.

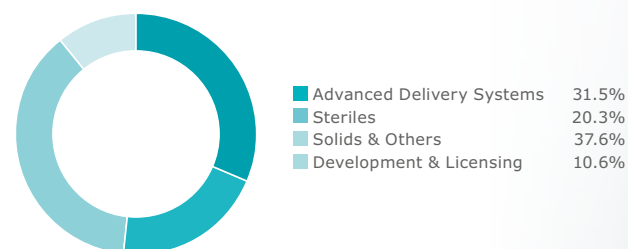
Key figures	2020	2019	2018
Net sales	11,069	7,457	6,374
EBITDA	2,019	1,294	987
Operating profit, adjusted	928	546	425
Net profit	338.7	343.0	159.9
Sales growth	48%	17%	20%
EBITDA margin	18.2%	17.3%	15.5%
Operating margin, adjusted	8.4%	7.3%	6.7%
Dividend per share	0	0	1.25
Net debt to equity	1.2	0.7	0.7
Earnings per share, adjusted	3.97	5.78	2.73
Employees (FTE)	7,857	5,316	4,822
Total greenhouse gas emissions, tonnes	76,506	63,563 ¹	70,766
Reduced greenhouse gas emissions per employee and year	4.5%	11.0% ¹	14.3%

¹ Data for 2019 have been corrected.

SALES SPLIT PER SEGMENT 2020



EBITA PER SEGMENT 2020



The year in brief

Agreement to manufacture Moderna's COVID-19 vaccine candidate

The project involves formulating, filling and finishing the mRNA-1273, COVID-19 vaccine candidate for the US-based biotech company Moderna. The work will be performed at Recipharm's drug product manufacturing facility in Monts, France. Recipharm has reserved capacity to support the anticipated demand for the vaccine and is in the process of recruiting additional staff and making certain investments to enable the technology transfer and scale-up.



Manufacturing agreement for Arcturus Therapeutics' COVID-19 vaccine candidate

Through the agreement, US-based Arcturus Therapeutics secured manufacturing slots with Recipharm to manufacture LUNAR®-COV19 (ART-021). The companies are working together to secure commercial manufacturing production for 2021 and beyond. The cooperation has the potential to play a significant role in the global immunization against COVID-19.



Ensuring business continuity and capturing opportunities during COVID-19

Recipharm quickly implemented a comprehensive business continuity plan to protect the wellbeing of employees and ensure it was able to continue to support customers. This resulted in Recipharm being able to maintain a reliable supply of therapeutics, as well as provide inhalation products, antibiotics and other treatments for the patients hit hardest by COVID-19. Recipharm also signed COVID-19 vaccine candidate manufacturing agreements with multiple companies, which are vital projects to support the fight against COVID-19.

Joint venture with Medspray to exploit novel softmist technology

The joint venture known as Resyca BV will develop and draw on Medspray's softmist spray nozzle technology that has the potential to eliminate the need for propellants by delivering therapies deep into the lungs more effectively with lower doses. Recipharm invested EUR 15 million in return for 51 per cent of the shares of Resyca, which now includes Medspray's softmist intellectual property.

The acquisition of Consort Medical into the Recipharm Group

The GBP 505 million (SEK 6,284 million) acquisition of Consort Medical in February 2020 made Recipharm into one of the largest CDMOs in the world. The acquisition also strengthened its development and manufacturing capabilities and created an entirely new offering in device design, development and manufacture.

Consort Medical included Aesica, a CDMO of drug substances and drug products, and Bepak, a drug delivery devices company. Aesica has been integrated into Recipharm's CDMO business, which will enhance its development and manufacturing capabilities for both drug substances and drug products. Bepak constitutes a key building block for Recipharm's new inhalation platform.



YEAR OF PROGRESS AND OPPORTUNITY DESPITE GLOBAL CHALLENGES

The COVID-19 pandemic challenged but also created opportunities for Recipharm in 2020, while our acquisition and integration of Consort Medical brought new capabilities and made us a top five global CDMO.



By developing opportunities with the Bepak division of Consort in the device business we have become a global leader in inhalation.



CEO statement

The integration of Consort Medical

Following the GBP 505 million (SEK 6,284 million) acquisition of Consort Medical in February, we worked to integrate the business into our operations. Just a few weeks after the acquisition was made, we were affected by challenges related to lockdowns. However, the disruption due to the pandemic was not as great as we originally feared, and the integration process got back on track during the year.

When we first made the acquisition, we set a target to realise cost synergy savings of SEK 125 million per year. With most of these successfully implemented by the end of 2020, we raised this target to SEK 140 million.

The Aesica division of the Consort business is similar to Recipharm's existing activities but is underperforming compared with our other operations. We are in the process of sharing best practice and reviewing customer services, to improve these parts of our business, with benefits being realised during Q4 and in 2021.

Leadership in inhalation

By developing opportunities with the Bepak division of Consort in the device business we have become a global leader in inhalation. This has involved conducting several promising activities that will have long-term benefits, particularly by combining device expertise and inhalation manufacturing in our project management organisation. Besides strengthening existing activities, we also invested in additional capabilities to our new Advanced Delivery Systems segment. One example is a joint venture with Medspray involving novel softmist technology, which offers an excellent alternative to metered dose inhalers.

Higher profit margin and reduced leverage

We achieved good organic growth during the year of 4 per cent and our revenue increased to SEK 11.1 billion, which is extremely pleasing. It is fantastic to have been able to expand our profit margins despite the operational challenges we faced during the pandemic in 2020. The fact that profit margin increased at a higher pace than sales shows that we are moving in the right direction.

We announced new financial targets for 2020 and we are on track with our growth target, EBITDA margin and return on capital target, so we are well positioned.

We had a large component of debt financing tied to the acquisition of Consort, but according to plan, we have issued equity. Following the acquisition, we have also worked to reduce the leverage through various activities as high leverage will limit our ability to explore other high capex opportunities.

Minimising COVID-19 disruption

We launched business continuity plans at the start of the pandemic running to ensure we could continue to meet customer needs. Our four facilities near Milan found themselves in the epicentre of the first wave of COVID-19 in Europe, but we succeeded in keeping all our operations open throughout 2020 and our employees deserve a lot of credit for this.

We had – and continue to have – issues related to the pandemic, including periods of high absenteeism and restrictions on the movement of people, but we have continued to supply customers and received very positive customer feedback during the year. I believe that this is all testament to our decentralised governance model and its ability to quickly adapt to local conditions, which worked extremely well throughout the year.

Our positive role during the pandemic

I am proud of our positive contribution in the fight against the COVID-19 pandemic. Our inhalation products and therapeutics have played a key role in treating COVID-19 patients on ventilators. This increased demand for such products more than compensated for the reduced demand for other prescription drugs during the pandemic as people avoided visiting their doctor.

As the pandemic progressed, we realised we could play an important role in manufacturing COVID-19 vaccines. During the year, we signed COVID-19 vaccine candidate manufacturing agreements with Moderna and Arcturus Therapeutics. Although we did not deliver any commercial vaccine supplies during the year, vaccine manufacturing preparations generated significant revenue in Q4 through technology transfer and scale up. There



Our ability to manufacture COVID-19 vaccines is not only important in terms of our societal contribution and manufacturing some of the most important pharmaceuticals in the world right now – it also demonstrates that we can manage complicated products under very tight timelines.

CEO statement

remains uncertainty regarding vaccine volumes going forward, but we will be flexible to meet customer and societal demands.

Our ability to manufacture COVID-19 vaccines is not only important in terms of our societal contribution and manufacturing some of the most important pharmaceuticals in the world right now – it also demonstrates that we can manage complicated products under very tight timelines. Additionally, I believe it is of huge strategic importance that goes beyond the current COVID-19 vaccines to potentially create an entirely new business segment with significant opportunities for Recipharm that simply didn't exist a year ago.

Development services

Our new development services organisation, which has improved how our development facilities in Europe, the US, India and Israel collaborate, made good progress during the year and is increasingly providing a pipeline of new business for our manufacturing units. One key development that I believe will be significant in 2021 is the expansion of our drug substance capabilities in Israel.

An incident, which occurred in Consort's operations in Cramlington during 2019 before Recipharm's acquisition, continues to impact operations as remediation has taken longer than expected. But we implemented further activities in Q4 and will see improvements in 2021.

Sustainability leadership

Sustainability is very much integrated into our day-to-day activities as we make gradual improvements throughout our business. We are seeing increased interest in sustainability from investors and certain customers, such as larger pharmaceutical companies. I still believe we are ahead of the curve in terms of how far we have come with sustainability compared to many of our competitors in the CDMO industry, so we are well positioned to meet rising stakeholder expectations. The principles of the UN Global Compact, of which we have been a signatory of for many years, continue to form the basis for our global sustainability work.

Opportunities in 2021

The ongoing growth in the CDMO market creates opportunities for us, and we believe that the greater customer interest in Recipharm we have experienced since becoming a top five global CDMO will continue in 2021. Sterile manufacturing in particular is expected to remain in high demand, driven by pharmaceutical companies around the world seeking to secure additional capacity for injectable products through CDMOs.

We have many opportunities to draw on, including multiple synergies from the Consort acquisition that will continue to drive profitability. The supply of COVID-19 vaccines will also be significant in 2021.

Following global supply chain disruption in 2020, there is greater interest in localising pharmaceutical manufacturing capacity. We are well positioned to benefit from this trend, particularly in Europe. We also see more potential to offer our own IP in customer projects to provide unique opportunities for customers.

Finally, I would like to give a special thank you to Recipharm employees all around the world during what has been a challenging year for many. You have embodied our values of tenacity

and reliability during the year as we continued our essential operations when many other societal functions shut down. As always, you are fundamental to our ability to continue to serve our customers and ensure the continued availability of essential pharmaceuticals for society.

Since we started the company in 1995, we have been through some important transformational events. Back in 2007 we started to expand outside Sweden and decided to focus on becoming a leading international CDMO. Seven years later in 2014, we made an IPO and Recipharm became a listed public company. This provided us with the opportunity to further accelerate our international expansion and become one of the five largest CDMOs in the world. In 2021, another seven years later, we are again at a transformational moment as we begin a new chapter in the Recipharm story with a new owner and as an unlisted company once again. There will certainly be changes to the business, but there are fantastic opportunities ahead as we consolidate our position as a leading global CDMO.



Thomas Eldered, CEO



We believe that the greater customer interest in Recipharm we have experienced since becoming a top five global CDMO will continue in 2021.

Market and trends

A MARKET OF OPPORTUNITIES

As pharmaceutical companies around the world increasingly recognise the value outsourcing can deliver, the market continues to grow and present opportunities for CDMOs.

The growing outsourcing market

The value of the outsourced commercial manufacturing market, including large and small molecules, reached almost USD 77 billion in 2019¹, and the market continues to grow 6.8 per cent each year.

CDMOs can help pharmaceutical companies to be more flexible and responsive to market needs in their development and manufacturing processes for both established and new drugs. This realises cost savings and reduces the requirement for pharmaceutical companies to invest in new equipment and technologies.

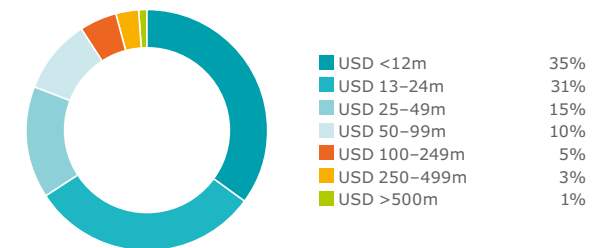
In addition, CDMOs can offer highly specialised expertise and knowledge that pharmaceutical companies do not possess in-house and can help get their products to market more quickly. Pharma companies can also transfer their manufacturing facilities to a CDMO that can utilise those assets for other projects – to maintain higher levels of activity than if the facility had remained in the pharma company's ownership.

Consolidation in a fragmented market

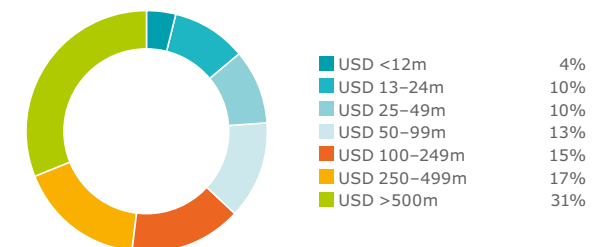
The CDMO market remains fragmented with multiple small-sized players. Consolidation continues to be a key market driver as larger CDMOs not only acquire smaller niche service providers in order to expand their capabilities but also merge with competitors to improve supply chain efficiency for customers. This is likely to continue over the next few years as the industry further matures.

Most CDMOs focus on serving their immediate regional market, but there are less than 80 CDMOs that are considered global with operations spanning multiple continents. Large CDMOs with a revenue of over USD 500 million only accounted for 2 per cent of all CDMOs but 32 per cent of the market share in terms of sales in 2019.

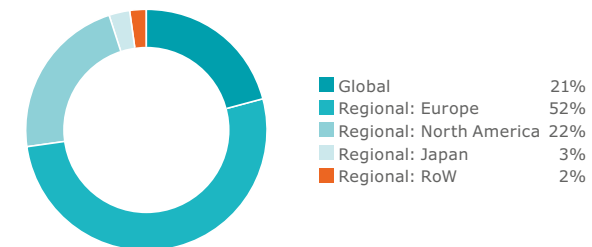
REVENUE BY NUMBER OF CDMOs



MARKET SHARE BY REVENUE LEVEL



GEOGRAPHICAL FOOTPRINT OF CDMOs



¹ Results Healthcare Estimate November 2019.

Source: PharmSource Trend Report 2020.

TRENDS SHAPING THE CDMO MARKET

As a leading global CDMO, Recipharm both drives change in the market and responds to a number of key trends that shape the industry.

Trends

The COVID-19 effect

The pandemic posed operational challenges for the pharmaceutical industry and its ability to continue to supply essential medicines. At the same time, it presented opportunities for the pharmaceutical industry in general to be an important part of the solution in terms of providing COVID-19 treatment and vaccines.

Growth of the pharma industry

The global pharmaceutical industry is expected to increase from an estimated USD 955 billion in 2019 to exceed USD 1.1 trillion in 2024¹. With growing pressure to develop and supply drugs to meet an ever-increasing global demand, pharmaceutical companies are increasingly finding outsourcing opportunities to help manage complexity while reducing time to market, costs and risk.

Ongoing industry consolidation

The industry continues to consolidate with M&A deals globally amounting to USD 184 billion in 2020². Further consolidation is expected in the coming years due to the growing cost and complexity of effective R&D, big tech encroachment into the pharmaceutical industry, and greater competition from both emerging economies and rival developed nations.

The importance of a full-service offering

Pharmaceutical companies value stability and full-service global offerings that can manage complexity as they can help realise financial savings. Larger and full-service CDMOs can improve efficiency and reduce time to market for customers, as well as win better margins, grow more quickly, and have greater capital investment and financing capacity through improved access to capital.

Recipharm's response

We quickly implemented business continuity plans at the start of the pandemic to safeguard employee wellbeing and keep our operations running to ensure we could continue to meet customer needs. The inhalation products Recipharm manufactures played a key role in treating COVID-19 patients with respiratory difficulties, and Recipharm signed COVID-19 vaccine candidate manufacturing agreements with companies such as Moderna and Arcturus.

As a top five CDMO, Recipharm is well positioned to serve the growing pharmaceutical industry and the increased outsourcing opportunities this will bring. Recipharm has a comprehensive service offering, from drug substance through to commercial manufacturing, and a local presence to meet global need.

We have a long history of M&A having made more than 20 acquisitions over the past 20 years. This has enabled us to grow, diversify our service offering, deepen our expertise and enter new markets. In 2020, we acquired Consort Medical for GBP 505 million (SEK 6,284 million), which is our largest acquisition to date.

As one of the largest global CDMOs in the world, Recipharm's full-service offering creates substantial customer value by streamlining the development process to bring products to market as quickly as possible. This allows Recipharm to collect long-term recurrent revenues. Our global operations also allow us to internally coordinate and optimise multiple activities while reducing risk.

¹ IQVIA Institute (2020). Global Medicine Spending and Usage Trends: Outlook to 2024.

² PwC (2021). Pharmaceutical & life sciences deals insights: 2021 outlook.

Trends

Growth of emerging biopharma companies

Small biopharma companies with few employees and limited or no facilities are often at the forefront of actively developing novel intellectual property. Such companies use outsourcing to keep fixed costs to an absolute minimum and improve agility, which allows them to respond to the latest scientific developments.

The rise of biopharmaceuticals

Biopharmaceuticals now account for more than 25 per cent of the pharmaceutical industry, and the global biopharmaceuticals market is estimated to have a CAGR of 7.3 per cent between 2020 and 2025¹. The market is largely driven by the growing geriatric population, increasing burden of chronic diseases, a rising inclination toward targeted therapy and high-tech solutions.

Inhalation drug delivery

There is growing interest in inhalation as a drug delivery solution to target both respiratory and non-respiratory diseases. The inhalation route is applicable to both small and large molecules. It allows instant resorption of the active ingredient and a higher absorption rate than is necessary with systemic delivery (oral or injection).

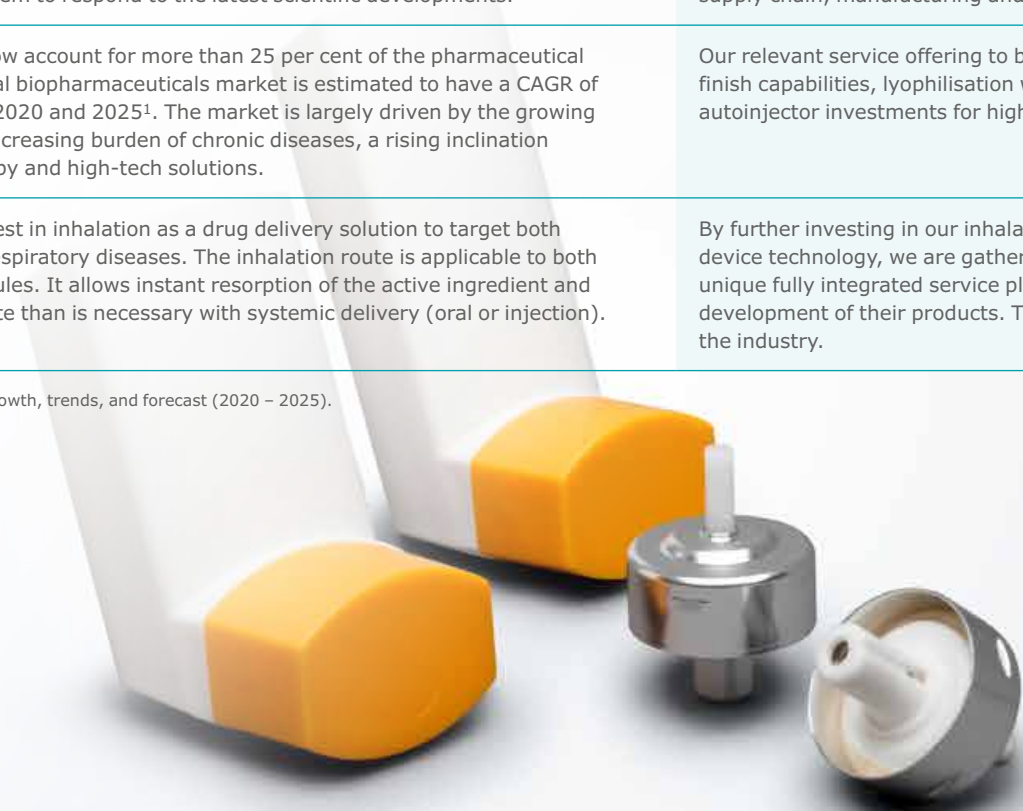
Recipharm's response

We support and work closely with small biopharma companies to meet their specific development and manufacturing requirements. Our full service offering enables them to easily buy into our infrastructure, as well as our expertise in supply chain, manufacturing and technology transfer.

Our relevant service offering to biopharmaceuticals includes sterile fill and finish capabilities, lyophilisation when dealing with unstable compounds and autoinjector investments for high-viscosity compounds.

By further investing in our inhalation capabilities in both drug formulation and device technology, we are gathering all our competence and capabilities into a unique fully integrated service platform that allows customers to accelerate the development of their products. This will maintain our inhalation leadership in the industry.

¹ Mordor Intelligence (2020). Biopharmaceuticals market – growth, trends, and forecast (2020 – 2025).



HOW WE REACH OUR TARGETS AND VISION

TARGET
Long term sales growth $\geq 11\%$ CAGR

TARGET
EBITA margin $\geq 12\%$

TARGET
Return on operating capital $\geq 10\%$

TARGET
3% reduced greenhouse gas emissions per employee

VISION

To be acknowledged as the best-in-class provider of contract development and manufacturing solutions to the pharmaceutical industry by our customers, employees and other stakeholders.

Our six strategic pathways

1

SUPPLYING INNOVATIVE EXPERTISE

2

A GLOBAL DEVELOPMENT SERVICES OFFERING

3

INCREASING OUR SHARE OF THE VALUE CHAIN

4

CONSOLIDATING THE CDMO INDUSTRY

5

STREAMLINING OPERATIONS

6

EMPLOYING EXCELLENT PEOPLE

Our strategic pathways

1 SUPPLYING INNOVATIVE EXPERTISE

The key factors that allow us to meet customer expectations are extensive pharmaceutical knowledge and expertise accumulated throughout our long history, including advanced technologies and delivery systems, that creates customer value. This provides us with competitive advantages to meet increasing customer expectations.

2 A GLOBAL DEVELOPMENT SERVICES OFFERING

Supporting customers to develop new products and market access allows us to generate sustained organic growth by securing recurrent manufacturing services. Our development services combined with a global supply footprint aligns with all kinds of customers, from start-ups and specialty pharma to large pharmaceutical companies.

3 INCREASING OUR SHARE OF THE VALUE CHAIN

We develop our service offering in line with customer needs and how we can best create value.

By combining services such as drug substance and formulation development with commercial supply and advanced delivery systems, we accelerate the development process and simplify supply chains. Additionally, we assist with regulatory support to further improve time-to-market for commercial launches in multiple countries and regions. Recipharm is also increasingly drawing on opportunities to include its own Intellectual Property (IP) in its customers offering.

4 CONSOLIDATING THE CDMO INDUSTRY

We have a proven track record of company acquisitions, which allows us to develop our existing capabilities with new assets and expertise that complement our offering. Our acquisition targets include competitors but also asset-backed manufacturing partnerships with pharmaceutical companies that wish to externalise the manufacturing of some products associated with the transfer of manufacturing assets.

5 STREAMLINING OPERATIONS

At every stage of a project, we strive to optimise operations, effectively utilise resources and maximise efficiency by implementing lean methods throughout the organisation. Sustainable development is also a priority area for us as we constantly review our activities in a way that reduces our impact on the environment and our stakeholders.

6 EMPLOYING EXCELLENT PEOPLE

Operating in a competitive environment and supplying highly demanding customers requires talented people and it is vital to attract, develop and retain excellent individuals. We promote and nurture talent internally through internal recruitment, development and promotion. This creates exciting opportunities for our people to develop their skills, excel and grow within our organisation.

Our targets

Our relative sales target – An annual growth rate (CAGR) of at least 11 per cent with a base year 2019 from 31 December 2020. The target reflects acquired growth in addition to organic growth.

Our profitability target – Earnings before Interests, Taxes and Amortisation of intangible assets (EBITA*) of at least 12 per cent.

Our capital efficiency target – In order to balance the sales target and strictly focus on generating shareholder value, we have introduced a new target to achieve a return on operating capital of at least 10 per cent.

Our carbon footprint target – 3 per cent reduced greenhouse gas emissions per employee per year.

Target	2020	2019
Net sales growth (CAGR >= 11%)	48%	17%
EBITA ≥ 12%	11.8%	10.6%
Return on operating capital ≥ 10%	10.0%	8.3%
Reduced greenhouse gas emissions per employee and year, 3%	4.5%	11.0% ¹

¹ Data for 2019 have been corrected.

* Adjusted for non-recurring items.

How the Consort Medical acquisition has enhanced Recipharm's business

The GBP 505 million (SEK 6,284 million) acquisition of Consort Medical in February 2020 not only made Recipharm into one of the largest CDMOs in the world – it also enhanced our business by strengthening our development and manufacturing capabilities, and by allowing the creation of an entirely new offering in advanced device delivery systems.



Case Consort Medical

Consort Medical included Aesica, a CDMO of drug substances and drug products, and Bepak, a drug device delivery company. Aesica has now been integrated into Recipharm's CDMO business, enhancing its development and manufacturing capabilities for both drug substances and drug products. Bepak constitutes an important building block for Recipharm's integrated inhalation platform.

Greater market visibility

Through the acquisition, Recipharm gained Consort Medical's 2,000 employees and 10 facilities across the UK, Italy, and Germany. Of the approximately 2,000 people globally from Consort Medical, approximately 1,400 are located in the UK. The acquisition also made Recipharm into one of the top five global CDMOs with sales of more than USD 1 billion with an integrated offering of drug substance

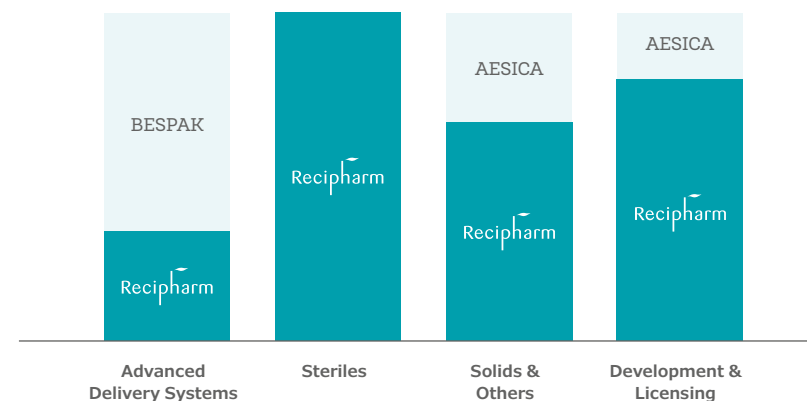
development and manufacturing, formulation development and finished-dose manufacturing, and device development and manufacturing.

Driving profitable growth

The acquisition has strengthened Recipharm's market position, which enables it to attract more profitable business and drive growth. In addition, there are potential synergies with Recipharm's existing operations to reduce costs. Consolidating purchasing decisions and administrative functions is estimated to save around SEK 140 million by the end of 2021.

In 2020, Recipharm successfully extended a number of key contracts connected to the acquisition of Consort Medical. One of these was with the Portuguese pharma company BIAL for the global manufacturing and supply of the proprietary molecule opicapone, which is used to formulate a therapy to treat patients with

How the acquisition has contributed to Recipharm's business segments



Parkinson's disease. During the year, the decision was also made to expand Bepak's valve production capacity.

Building leadership in inhalation

Following the acquisition of Consort Medical, Recipharm has become a leader in end-to-end inhalation technology with a strong IP portfolio and blue-chip customer base. The combination has added scale and additional capabilities to Recipharm's inhalation portfolio – such as into non-respiratory inhalation products.

Creation of the Advanced Delivery Systems business segment

The acquisition of Bepak's drug-device development and manufacturing capabilities enhanced Recipharm's existing inhalation-drug capabilities and formed the basis for the

company's new business segment – Advanced Delivery Systems. It also brought a number of device technology platforms into Recipharm's customer offering, such as MDI valves and DPI devices, but also highly innovative technologies including autoinjectors and nasal-spray devices.

An example of a Bepak device technology is the VapourSoft® Technology Platform that enables the injection of highly viscous liquids using a gentle release of a pressurised vapour. This platform is of significant benefit for many biological compounds that tend to be viscous in nature and offers a solution for their administration over traditional spring-loaded devices. VapourSoft® allows greater flexibility in device design and includes development contracts with three major biopharma companies to date.



INCREASED CUSTOMER DIVERSITY

Recipharm's commercial success is reflected in its ability to consistently deliver long-term customer value and overcome the most demanding customer needs. We do this by drawing on our extensive pharmaceutical expertise, full-service offering, managing risk and offering value for money. Today we are a more customer-diversified company than before.

Our value proposition

Pharmaceutical expertise

We provide access to a broad range of technologies including complex and proprietary platforms along with the necessary supporting services for the efficient development, regulation assistance and commercial supply of pharmaceuticals.

Managing complexity

We simplify processes for our customers through our broad geographic footprint, regulatory experience and supply chain expertise to reduce time to market while ensuring quality and compliance.

Full-service offering

We improve customer efficiency and supply bases by providing a range of services throughout the value chain – from preclinical development to marketing authorisation and project management to allow our customers to focus on their core expertise.

Risk control

We manage customer risk by ensuring compliance, financial reliability and transparency while delivering on our promises – to provide multiple sourcing options at the quality level required.

Good value for money

We ensure excellent customer value by driving innovation, operational excellence, optimising costs and adjusting our service to customer needs.



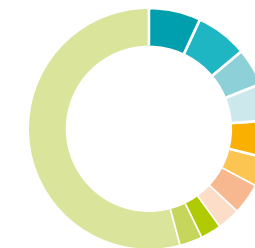
Recipharm's way of doing business

The Recipharm business model is designed for success. Our decentralised organisation promotes entrepreneurship with stand-alone operating companies that are guided by a central management team. This decentralised approach enables local flexibility and decision making, with the customer and their unique needs at the centre.

- Loyal manufacturing customer base.
- Very long-term partnerships, typically never less than 18–24 month notice period.
- Large number of small short-term development projects.
- Several contracts per core customer.
- Contracts are often on an exclusive basis.
- Non-exclusive contracts linked to volume commitment during contract duration.

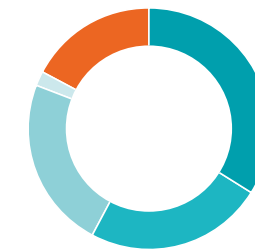
Our customers

CUSTOMER DIVERSIFICATION 2020



Customer 1	7%	Customer 7	4%
Customer 2	7%	Customer 8	3%
Customer 3	5%	Customer 9	3%
Customer 4	5%	Customer 10	3%
Customer 5	5%	Other	54%
Customer 6	4%		

SALES PER CUSTOMER SEGMENT 2020



Big pharma	34%
Small & mid-size pharma	24%
Specialty pharma & Generics	23%
Emerging pharma	2%
Other customers	17%

Value chain

SUPPORTING CUSTOMERS THROUGHOUT THE VALUE CHAIN

Our end-to-end development and manufacturing services – from preclinical development to commercial supply – help customers to manage complexity wherever in the drug substance and drug product value chain they need it.

In addition, we develop inhalation and auto-injector devices – from preparing prototypes for pre-clinical stages and optimising the device, to pivotal clinical trials and setting-up the infrastructure for commercial production.

Preclinical development

Our team has extensive experience in medicinal chemistry and can help to optimise the development of synthetic routes and analytical methods in drug substance development. We offer appropriate formulation solutions to

deliver the potency of the drug with the appropriate pharmacokinetic profile in order to initiate clinical programmes.

Formulation development

Improving a drug product's efficacy and performance through formulation development can help avoid issues as well as increase convenience and patient compliance. We work with formulations for New Chemical Entities (NCEs) as well as generics.

Material for clinical studies

We offer comprehensive Clinical Trial Material (CTM) services to produce lab and pilot scale batches, as well as placebo development and manufacture. Our experienced formulators and analytical chemists develop suitable compositions, manufacturing methods and control methods according to customer specifications. CTM manufacturing is performed in accordance with current Good Manufacturing Practice (cGMP) and released by a qualified person.

Manufacturing & packaging

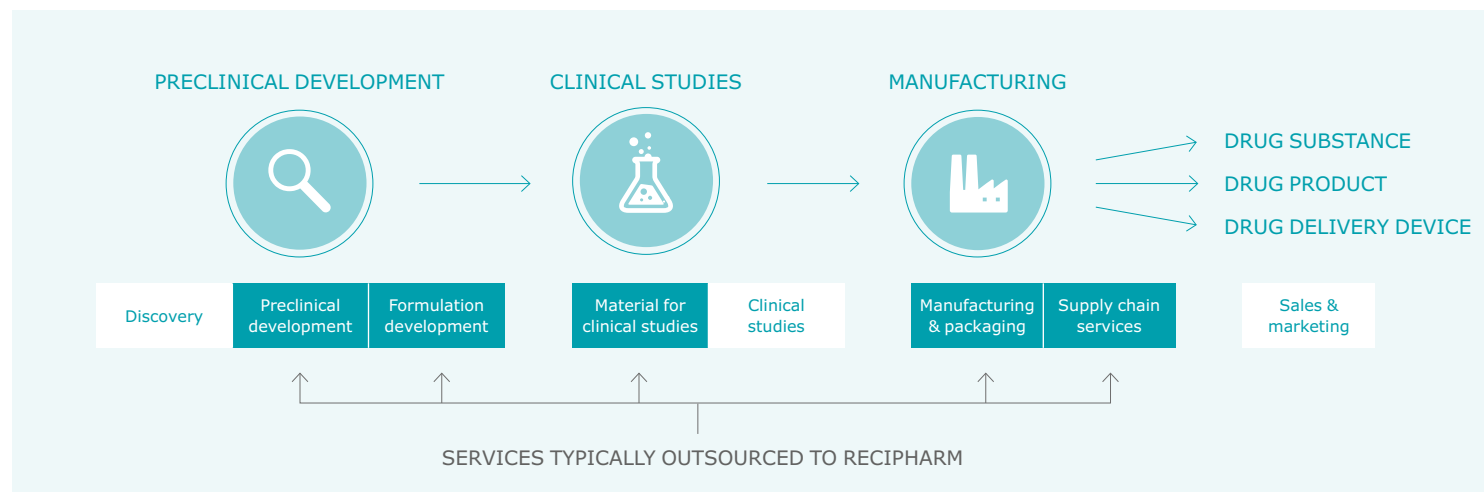
With a broad range of expertise and technologies available, we offer support and services in the manufacturing of sterile technologies including liquid ampoules, lyophilisation, blow-fill-seal technology and inhaled formulations as well as tablets, capsules and semi-solids. Our facilities offer the packaging of a broad range including bottles, blisters, stick-packs, vials, ampoules, syringes, pouches and patches, which can be distributed to any country in the world, including the most demanding from a quality standpoint.

Supply chain services for drug substances, drug products and devices

Through our global supplier network and supply chain expertise, we offer online vendor-managed inventory (VMI) solutions to facilitate customer stock and distribution activities.

Output of the value chain

Recipharm's value chain delivers a broad range of drug substances, drug products and drug delivery devices to customers. We are also increasingly gathering pharmaceutical and drug delivery device development into a single offering that facilitates innovation and accelerates time-to-market.



Global presence

OUR GLOBAL PRESENCE MEETS LOCAL NEED

With 30+ facilities in 10 countries, our global presence can meet any local customer requirement.

Our various facilities around the world specialise in offering manufacturing and development of drug substances and drug products as well as device development and manufacturing services. We draw on this expertise by coordinating projects between our facilities to meet local need in the best possible way.

We have manufacturing facilities in Sweden, France, Germany, Italy, Spain, Portugal, India and the UK as well as development facilities in Sweden, France, Italy, India, Israel and the US. Our development organisation has a global presence with centres of excellence in Europe, Israel, the US and India.



DEVELOPMENT

- Drug substance
- Drug product
- Analytical services
- Clinical trial material



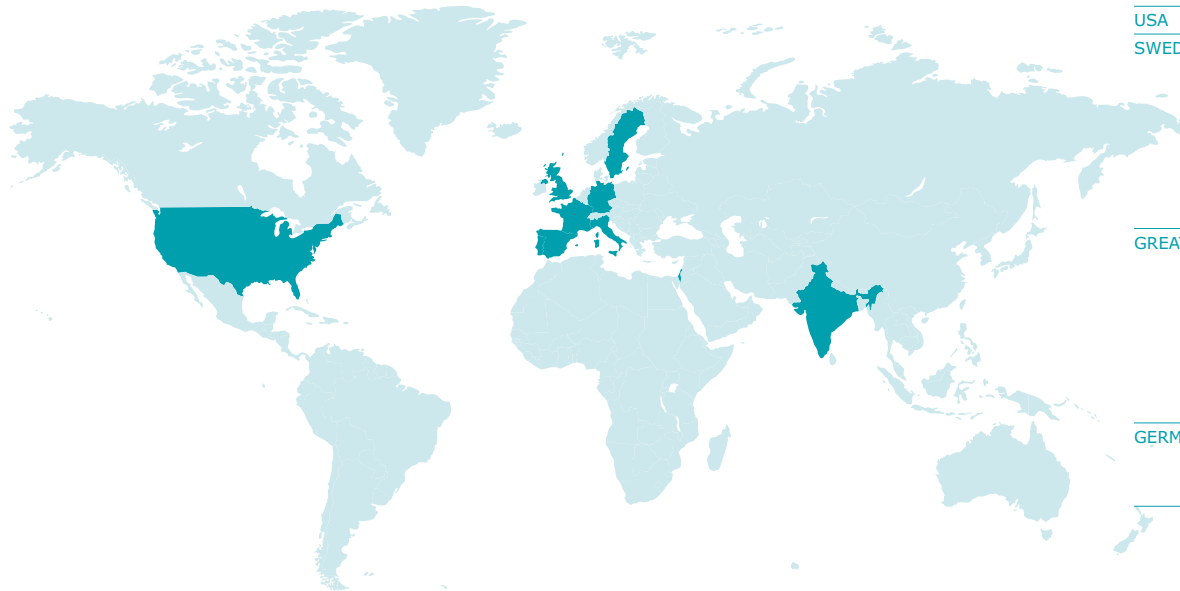
MANUFACTURING

- Drug substance
- Drug product
- Packaging
- Serialisation



DRUG DELIVERY DEVICES

- Development and design
- Inhalation devices
- Valves
- Auto injectors



USA	Research Triangle Park	●
SWEDEN	Stockholm (HQ)	
	Höganäs	●
	Karlskoga	●
	Solna	●
	Strängnäs	●
	Uppsala	●
	Uppsala	●
GREAT BRITAIN	Cambridge*	●
	Cramlington*	●
	Holmes Chapel	●
	King's Lynn*	●
	Milton Keynes*	●
	Nelson*	●
	Queenborough*	●
GERMANY	Monheim*	●
	Wasserburg	●
	Zwickau*	●
SPAIN	Leganés	●
	Parets	●
ITALY	Brescia	●
	Lainate	●
	Masate	●
	Paderno Dugnano	●
	Pianezza*	●
PORTUGAL	Odivelas	●
	Queluz	●
FRANCE	Fontaine	●
	Kaysersberg	●
	Monts	●
	Pessac	●
ISRAEL	Ness Ziona	●
INDIA	Bengaluru	●
	Karnal & Paonta Sahib	●

● Development ● Manufacturing ● Device development and manufacturing

*Acquired with Consort Medical on 4 February 2020.

Business segment

ADVANCED DELIVERY SYSTEMS

The segment develops and manufactures inhalation products and devices including integrated drug solutions, medical check valves and injection devices.

2020 Highlights

The acquisition of Consort Medical

The GBP 505 million (SEK 6,284 million) acquisition of Consort Medical in February 2020 made Recipharm into one of the largest CDMOs in the world and formed the basis of the company's new Advanced Delivery Systems business segment. Consort Medical included Bepak, a leading player in the manufacture of innovative drug delivery devices.

Investing in increased valve capacity

Recipharm has invested in its valve production capacity at its King's Lynn facility in the UK to meet the growing demand for pressurised metered dose inhaler (pMDI) valves. The increased pMDI valve production capacity is set to be available from late 2021, to complement the facility's already robust operations. The investment builds on Recipharm's acquisition of Consort Medical and expands into a highly profitable market and accelerates growth within the company's Advanced Delivery Systems segment.

Joint venture with Medspray to exploit novel softmist technology

The joint venture known as Resyca BV will develop and draw on Medspray's innovative softmist spray nozzle technology. This technology offers better control of the dose delivered, furthermore it eliminates the need for propellants that produce greenhouse emissions with pMDIs. Recipharm invested EUR 15 million in return for 51 per cent of the shares of Resyca, which will complement the Recipharm Inhalation Solutions™ offering.

Net sales

Sales for Advanced Delivery Systems increased by SEK 1,464 million to SEK 2,302 million in 2020, an increase of 174 per cent compared with the previous year. Acquired operations contributed 186 per cent.

Sales bridge 2020

	SEK m	%
2019	839	
Currency	-17	-2%
Acquisitions	1,562	186%
Organic	-81	-10%
Total	1,464	174%
2020	2,302	

EBITA

EBITA for Advanced Delivery Systems increased by SEK 262 million to SEK 428 million, primarily driven by the recently acquired operations in the UK, corresponding to an EBITA margin of 18.6 per cent (19.8). The acquired operations contributed positively to the margin expansion.

EBITA bridge 2020

	SEK m	%
2019	166	
Currency	-3	-2%
Acquisitions	307	185%
Organic	-42	-25%
Total	262	158%
2020	428	

Financial summary 2020

- Sales increased by 174%
- EBITA increased by 158%
- EBITA margin of 18.6% (19.8)



Business segment

MANUFACTURING: STERILES

The segment manufactures sterile products, including the use of lyophilisation and blow-fill-seal (BFS) technologies.

2020 Highlights

Agreement to manufacture Moderna's COVID-19 vaccine candidate

The project involves formulating, filling and finishing the mRNA-1273 COVID-19 vaccine candidate for the US based biotech company Moderna. Recipharm has reserved capacity at its manufacturing facility in Monts, France.

Agreement with Arcturus Therapeutics for COVID-19 vaccine candidate

Through the agreement, US-based Arcturus Therapeutics has secured manufacturing slots with Recipharm to manufacture LUNAR®-COV19 (ART-021). The companies are working together to secure commercial manufacturing production for 2021 and beyond.

Nichepharm construction complete

The new Nichepharm Lifesciences facility in northern India, in which Recipharm has an 8 per cent equity stake and an option to increase to 24 per cent, continues to progress well. Construction was completed in 2020 and equipment is being installed. The facility is expected to be inspected by the European Medicines Agency (EMA) toward the end of 2021.

EUR 2.6 million investment in Kaysersberg

Recipharm invested in additional manufacturing capacity at its Kaysersberg facility to meet increased customer demand. The EUR 2.6 million investment also added new capabilities to drive future growth.

Net sales

Sales for Steriles increased by SEK 41 million to SEK 2,623 million in 2020, an increase of 2 per cent compared with the previous year. The organic growth of 4 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.

Sales bridge 2020

	SEK m	%
2019	2,581	
Currency	-52	-2%
Acquisitions	0	0%
Organic	93	4%
Total	41	2%
2020	2,623	

EBITA

EBITA for Steriles increased by 22 per cent to SEK 276 million, equivalent to an EBITA margin of 10.5 per cent (8.8), driven by the introduction of COVID-19 vaccines, higher sales of blow-fill-seal products and improved cost efficiency.

EBITA bridge 2020

	SEK m	%
2019	227	
Currency	-9	-4%
Acquisitions	0	0%
Organic	59	26%
Total	50	22%
2020	276	

Financial summary 2020

- Sales increased by 2%
- EBITA increased by 22%
- EBITA margin of 10.5% (8.8)



Business segment

MANUFACTURING: SOLIDS & OTHERS

The segment manufactures non-sterile products, including tablets, capsules, semi-solids, liquids and powders but excluding inhalation products.

2020 Highlights

Meeting high demand and further investing in southern India

Recipharm's manufacturing facilities located in Bengaluru, southern India, ran at full capacity to meet customers' demand. This was to meet continued high customer demand despite the pandemic. As a consequence, new investments are being made to increase solid dose production capacity and satisfy the growing demand from the US and European customers supplying the domestic market as well as Indian customers supplying the US market.

New investment in our solid dose facilities to support increased demand and new contracts

During the year we also took the decision to make selected incremental investments in our facilities in Zwickau, Bengaluru and Leganes. This was primarily to debottleneck and increase capacity as a result of higher long term demand.

Smooth closure of operations in Stockholm and Ashton-under-Lyne

The facilities in Stockholm, Sweden, and Ashton-under-Lyne, UK, had struggled with profitability for years. Their closure will improve Recipharm's competitiveness and EBITDA margin going forward.

Net sales

Sales for Solids & Others increased by SEK 1,903 million to SEK 4,776 million in 2020, an increase of 66 per cent. Acquired operations contributed 60 per cent. The organic growth was driven by new product introductions, a new manufacturing contract and higher service sales.

Sales bridge 2020

	SEK m	%
2019	2,873	
Currency	-42	-1%
Acquisitions	1,730	60%
Organic	215	7%
Total	1,903	66%
2020	4,776	

EBITA

EBITA for Solids & Others increased by SEK 164 million to SEK 512 million, driven by both the acquired operations and the organic sales increase of oral solids and services, corresponding to an EBITA margin of 10.7 per cent (12.1). The margin decline was due to lower margin for the acquired operations, partially offset by margin improvement from the organic EBITA growth.

EBITA bridge 2020

	SEK m	%
2019	347	
Currency	-6	-2%
Acquisitions	122	35%
Organic	48	14%
Total	164	47%
2020	512	

Financial summary 2020

- Sales increased by 66%
- EBITA increased by 47%
- EBITA margin of 10.7% (12.1)



Business segment

DEVELOPMENT & LICENSING

The segment provides pharmaceutical development services, and manages Recipharm's patents, technologies, and drug product rights, as well as the development and manufacturing of drug substance (Active Pharmaceutical Ingredient, API).

2020 Highlights

BIAL and Recipharm expand long-term supply agreement

Portuguese pharma company BIAL expanded a long-term agreement with Recipharm for the global manufacture and supply of BIAL's proprietary molecule opicapone. The drug substance, which is manufactured at Recipharm's facility in Cramlington in the UK, is used to formulate BIAL's Ongentys product, which is an adjunctive therapy used to treat patients with Parkinson's disease. The expansion of the agreement followed the product launch on the Japanese market in August 2020.

Cramlington back into production

In Cramlington, where a manufacturing department had been shut down since an incident in 2019, Recipharm implemented several process improvements. This enabled a partial restart of the operations.

Collaboration on new treatment for patients with Alcohol Use Disorder

Swedish life science company, Sobrera Pharma entered into an agreement with Recipharm for the formulation development and manufacturing of SO-001, a new oral treatment for Alcohol Use Disorder (AUD). The new product will be developed at Recipharm's Centre of Excellence in Oral Solids, with first-class expertise and experience in drug product development and manufacturing.

USD 2.5 million investment in clinical GMP capacity

Recipharm is investing in the expansion of its facility in Israel that will support the growing customer demand for the cGMP clinical supply of API and intermediates. The investment is part of an integrated plan to enhance Recipharm's offering in drug substances services and will include brand-new R&D laboratories and technologies. The expansion is expected to be fully operational by the end of 2021.

Net sales

Sales for Development & Licensing increased by SEK 273 million to SEK 1,115 million in 2020, an increase of 32 per cent. An organic growth of 11 per cent was primarily driven by a substantial increase in demand for COVID-19 related products and services.

Sales bridge 2020

	SEK m	%
2019	842	
Currency	-13	-2%
Acquisitions	197	23%
Organic	89	11%
Total	273	32%
2020	1,115	

EBITA

EBITA for Development & Licensing decreased by SEK 31 million to SEK 145 million, equivalent to an EBITA margin of 13.0 per cent (20.9). 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.

EBITA bridge 2020

	SEK m	%
2019	176	
Currency	-3	-2%
Acquisitions	-38	-21%
Organic	9	5%
Total	-31	-18%
2020	145	

Financial summary 2020

- Sales increased by 32%
- EBITA decreased by 18%
- EBITA margin of 13.0% (20.9)



Introduction

PROACTIVE SUSTAINABILITY WORK

At Recipharm, sustainability is an integral part of our daily business and we work proactively to mitigate our negative impacts and maximise our positive contribution.

As pharmaceutical products aim to improve human health and quality of life, the industry as a whole contributes positively to society. At Recipharm, we take a responsible approach to all aspects of our operations and we believe that high ethical standards, accountability and good stakeholder relations create long-term benefits. This approach is a guiding principle for all our decisions, policies and activities.

Our business responsibility

Recipharm's operations must not only be state of the art in terms of technology, but also for environmental responsibility, ethics and a holistic approach to responsibility for all aspects of our business. Sustainability is embedded into all our business processes and ensures we operate responsibly.

At Recipharm, we have always had high sustainability ambitions, which we believe is an advantage that differentiates us from our competitors. As a leading CDMO, our stakeholders expect that sustainability topics are managed in a structured and comprehensive manner. Customers seek partnerships with long-term partners and employees want to work for companies that contribute towards sustainable development. Recipharm provides formal reporting and transparency regarding sustainability. We also engage with relevant associations and networks, which helps to communicate our position as a CDMO with a strong sustainability profile.

Enabling sustainability research and development

Recipharm enables research and development by supporting our customers with pharmaceutical development services – including method and process development services as well as manufacturing materials for clinical studies. Within both preclinical development and clinical studies, many of the issues that arise are related to ethics. As our clients are responsible for

these issues, such as animal testing and ensuring good clinical practice, it is essential we have close collaboration and dialogue with our customers to ensure that we can positively influence them by offering solutions that are both efficient and ethical.

In manufacturing, sustainability issues typically concern environmental impact, supplier management, labour conditions, and social responsibility. In sales and marketing, we encounter queries on ethical conduct in customer activities and sales activities. Our sustainability work is what guides us and ensures that these issues are always actively and responsibly addressed.



We have high sustainability ambitions, which differentiates us from our competitors.



Introduction

Our sustainability framework

Our sustainability work helps us achieve our overall objectives and is guided by our sustainability framework. The framework ensures that we make continuous improvements through clear objectives and are transparent on sustainability topics. It also helps to mitigate risk, including reputational risks, that may impact our company negatively.

Our sustainability framework rests on Recipharm's core values and the UN Global Compact's ten principles for human rights, labour, the environment and anti-corruption. Building on these, our internal policies and Code of Conduct covers sustainability issues as well as aspects of business ethics and relations with employees, customers, suppliers, authorities, competitors and other stakeholders.

Based on our materiality analysis, we have identified three focus areas: reduced greenhouse gas emissions, supplier assessment and monitoring, and develop internal governance. Each focus area has one or more relevant associated objectives. Read more about the outcomes of our objectives on page 26 and the rationale behind our priorities on page 99.

Recipharm is a signatory of the UN Global Compact and reports its greenhouse gas (GHG) emissions to the Carbon Disclosure Project (CDP). All our operating companies are requested to have an ISO 14001 Environmental Management certification and an ISO 45001 Occupational Health and Safety certification (or equivalent). Ethical standards are clearly defined in our Code of Conduct and suppliers are managed through our Supplier Code of Conduct.

Recipharm's long-term sustainability objectives

Reduce greenhouse gas emissions by targeting energy consumption and transportation

To establish a clear overview of all our suppliers' operations in relation to our Supplier Code of Conduct

Deliver value for our stakeholders and develop clear internal processes to ensure alignment with the UN Global Compact

Recipharm's focus areas

Reduced greenhouse gas emissions



Supplier assessment and monitoring



Develop internal governance



Recipharm's policies and Code of Conduct

Internal policies such as Global Policy and Code of Conduct

Global Compact's ten principles for human rights, labour, the environment and anti-corruption



CORE VALUES

Reliability

Professionalism

Entrepreneurship

Tenacity

Introduction

Sustainability targets

To develop and follow up progress of our sustainability work, there are clear targets linked to every focus area. The targets are monitored regularly, and Recipharm's operating companies are responsible for their implementation and management.

Reduced greenhouse gas emissions

We work to reduce greenhouse gas emissions by targeting energy consumption and transportation. The overall targets are to reduce the amount of greenhouse gas emissions per employee by at least 3% per year and to maintain ISO 14001 certification in all Recipharm's manufacturing operations. The reduction of greenhouse gas emissions per employee in 2020 was 4.5%. ISO 14001 certifications were achieved in Paderno Dugnano, Masate and Bengaluru.

Supplier assessment and monitoring

Our long-term goal for managing supplier sustainability performance is to establish a clear overview of all their operations in relation to our Supplier Code of Conduct. The target for 2020 was to have conducted 40 additional on-site reviews at suppliers in accordance with our Supplier Code of Conduct. In 2020, 24 reviews were conducted. Due to COVID-19 it was not possible to conduct site visits as planned.

Develop internal governance

Our aim is to deliver value for our stakeholders and develop clear internal processes to ensure alignment with our policies and Code of Conduct. For 2020, the target was to further develop guidelines around our processes for review, communication and training to prevent corruption. This has primarily been done through a developed approach to internal control procedures.

Our objectives for 2021

Environment:

Reduction of greenhouse gas emissions per employee by 3%. Complete the overview of Recipharm's manufacturing of anti-biotics as part of the commitment to antimicrobial resistance (AMR).

Sustainable supply chain:

Re-establish audits post COVID-19 and complete a minimum of 20 new supplier assessments in 2021.

Governance:

Complete ISO 14001 certification and ensure relevant planning for ISO 45001 certification across the Group.

Target	2020	2019
Reduction of greenhouse gas emissions per employee by 3%	4.5	11.0 ¹
Increase share of ISO 14001 certified manufacturing operations	88% certified	85% certified
40 additional on-site reviews at suppliers in accordance with our Supplier Code of Conduct, number	24 ²	93
To further develop guidelines around our processes for review, communication and training to prevent corruption	Establishing organisation and processes for internal control	A cross-functional risk assessment of corruption risks has been conducted during the year, as well as establishing a mitigation plan. Actions in this plan will be implemented in 2020.

¹ Data for 2019 have been corrected.

² The number of supplier on-site reviews were fewer than planned in 2020 due to COVID-19 travel restrictions.

Reduced greenhouse gas emissions

FOCUSED EFFORTS LEAD TO LOWER CARBON FOOTPRINT

Mitigating our environmental impacts from energy consumption, emissions and waste at our manufacturing and laboratory facilities involves some of our most important sustainability work.

Our proactive environmental work has always differentiated Recipharm from competitors and helps us to be the customer's first choice. By continuously improving our environmental work, we also reduce the environmental impact of our operations. This ultimately reduces the environmental footprint of the products and services we deliver to customers. It also helps us to reduce costs through more efficient operations.

The importance of our environmental work

In order to succeed in the long-term, Recipharm needs to use natural resources in a sustainable manner and to continuously find ways of minimising our environmental impact. As a world-leading provider of CDMO services, it is therefore essential that we reduce greenhouse gas emissions from our production and transport in the face of climate change and the potential future impacts on our business and society. Operating in accordance with legislation and relevant permits and licenses also involves mitigating the risk of discharges and effluents, and properly taking care of them if they occur. This is particularly important in antibiotics production.

Environmental management systems

Recipharm's facilities all have the relevant environmental permits required by law in each country. All facilities are actively monitored. However, in 2020 one incident occurred, in the facility in Monts, France. An anaesthetic product was accidentally released into the facility's water treatment system and into a nearby river. Recipharm took immediate actions to investigate what happened and to mitigate the impacts and ensure processes to prevent such incidents from happening again.

We are committed to ensuring that all our operating companies are certified to the ISO 14001 environmental management system. The goal is that newly acquired facilities are certified

within two years of them being incorporated into the Group. At the end of the year, 22 (22) out of 25 manufacturing operations, representing 88 (85) per cent of Recipharm, have an ISO 14001 certificate. Certification ensures a robust process is in place with the aim to constantly improve. It also shows customers and other stakeholders a clear commitment to environmental management with a global standard. In 2020, certification was achieved for Masate and Paderno Dugnano (Italy) and Bengaluru (India).

Acquisitions

Environmental due diligence is one of the most important activities when Recipharm is considering potential acquisitions. Due diligence reviews are primarily conducted through reviews of material provided by the seller, but more information is collected through on-site investigations when required such as the sampling of soil and water. Recipharm uses external expertise for these investigations.

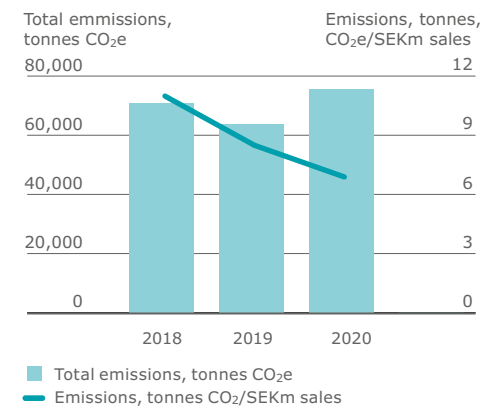
Energy and greenhouse gas emissions

Reducing energy consumption and greenhouse gas (GHG) emissions are Recipharm's most important environmental objectives. In 2020, Recipharm's direct and indirect carbon emissions amounted to 76,506 (63,563) tonnes. This is equivalent to 8.8 (9.3) tonnes per employee, or an increase of 20 per cent compared with the previous year. This corresponds to 6.9 (8.5) tonnes CO₂ per SEKm sales. Direct emissions are primarily a result of heating our facilities, generating manufacturing process media and from company-owned vehicles. Our indirect emissions are a result of electricity use in our manufacturing and development facilities. Indirect GHG emissions also include transport emissions related to our suppliers and inter-company transportation.

GREENHOUSE GAS EMISSIONS 2018–2020

Greenhouse gas emissions	2020	2019	2018
Scope 1 (use of natural gas and oil in premises, and fuel in company vehicles), tonnes	32,243	22,293	20,914
Scope 2 (electricity, district heating, cooling and steam), tonnes	43,958	40,052	49,209
Scope 3 (business travel by train and airplane), tonnes	305	1,218	643
Total	76,506	63,563	70,766

The table shows the total direct and indirect greenhouse gas emissions from reported sources. 2019 data for scope 2 have been corrected.



The graph shows Recipharm's total amount of greenhouse gas emissions and emissions per SEKm of sales.

Reduced greenhouse gas emissions

The total GHG emissions in 2020 increased, due to the addition of new operations following the Consort acquisition. The relative reduction of GHG emissions was primarily a result of more efficient energy use in manufacturing plants, as well as switching to low-carbon energy sources. The work to promote energy efficiency is managed locally at facility level and follows normal business practices for capital investments. Our experience has demonstrated that energy efficiency measures are sound investments that save more money over time than the cost of the original investment. One key initiative has been the use of solar panels for electricity generation at our manufacturing plant in Bengaluru, India. Projects to reduce energy use have also been introduced in several of our operating companies.

We report our GHG emissions and how we manage our climate impact in the annual CDP Climate Change questionnaire. Responding to CDP promotes further improvements in our environmental and climate work and provides us with feedback on our climate reporting and actions. Recipharm's CDP reporting in 2020 was graded at level B-, the same rating as in 2019. Our CDP data for 2020 will be submitted in July 2021.

Antimicrobial resistance (AMR)

AMR is currently one of the most serious threats to public health worldwide. As Recipharm manufactures antibiotics in several locations, it is important that we are involved in developing solutions to combat AMR. We are a member of the AMR Industry Alliance, which helps us improve our work on AMR and allows us to engage with other stakeholders. In 2020, we started a pilot project with the aim to review our manufacturing processes in accordance with AMR Industry Alliance's framework for managing antibiotic discharge. Due to COVID-19, progress has been slower than expected and the work will continue in 2021. The ambition is to ensure compliance with the AMR Industry Alliance Guidelines for all manufacturing of antibiotics within Recipharm.

Recipharm is also involved in a number of other initiatives focused on AMR. For example, the multisector collaboration platform, PLATINEA, led by Uppsala University, designed to find ways to preserve and enhance the value of existing antibiotics.

Water and waste

A major problem with AMR is that residues from the pharmaceutical industry can end up in the environment and, for example, pollute watercourses with antibiotics. We do our utmost to prevent this and to prevent pollution to air or water caused by any other harmful substances from our operations.

We compile water and waste data for all our manufacturing and development facilities. Our process wastewater is predominantly produced from the cleaning of equipment. The quantity of drug residues in our wastewater is small and all Recipharm facilities are authorised to release wastewater into normal sewage systems for processing in treatment plants. The exception is in India, where we operate our own local water treatment plants and recirculate purified wastewater by using it for irrigation.

The availability of fresh water is generally good in the locations where Recipharm operates. The exception again is India, where the availability of fresh water varies from year to year. In India, Recipharm uses groundwater that is pre-treated at our facilities before it is used in manufacturing to minimise the burden on municipal fresh water supplies.

Where organic solvents are used, emissions undergo pre-treatment to minimise quantities of organic solvents. All our units comply with their respective environmental permits by a wide margin. Solvent emissions to air in 2020 amounted to 51,966 (145,311) tonnes, with Bepak and plants in Holmes Chapel and Uppsala accounting for the majority of our emissions.

WATER AND WASTE 2018–2020

	2020	2019	2018
Water, m ³	2,342,961	1,972,639	1,751,790
Of which own sources, m ³	1,372,683	1,347,375	1,142,648

The water used is municipal water and groundwater from our own sources. Most of the consumption is used in production processes at one specific facility in Italy.

	2020	2019	2018
Waste, tonnes	20,344	9,852	10,293
Of which hazardous waste, tonnes	11,081	5,539	5,463

The table shows the total amount of waste generated and waste defined as hazardous.

Case: The Recipharm International Environmental Award

The Recipharm 2020 International Environmental Award winner

The Recipharm 2020 International Environmental Award was presented to Dr. Amy Pruden, Professor of Civil and Environmental Engineering at Virginia Tech in Blacksburg, Virginia, USA.

Dr. Pruden is widely recognised for her work documenting antibiotic resistance genes as environmental contaminant. Her most recent research focuses on advancing practical means of antibiotic resistance monitoring, mitigation and risk assessment in wastewater, recycled water and other water systems.

Dr. Pruden also serves as an Associate Editor for the Journal of Environmental Science & Technology and has published more than 175 peer-reviewed manuscripts and book chapters on bioremediation, pathogens and antibiotic resistance. She is also well known for her work in advancing the study of environmental microbiomes and designing water systems to prevent the colonization of pathogens, such as Legionella.

About Recipharm's International Environmental Award

Since Recipharm was founded in 1995, our environmental agenda has been a central part of the way we do business. It is our belief that transparency, cooperation and encouragement are necessary if we are to achieve sustainable development. In order to promote this belief, we introduced the International Environmental Award in 2008 to showcase the best environmental practice or innovation within the pharmacy and health care industries or academia.



We are delighted to present the 2020 award to Dr. Amy Pruden. Her work concerning antibiotic resistance is particularly interesting since this is a known challenge for the pharmaceutical industry, healthcare and agriculture sectors.

– Lars Backsell, Chairman of the Board of Recipharm

PROCESSES ENSURE RESPONSIBLE PRODUCTION

As Recipharm's operations can affect people's lives and health, we must not only comply with laws and regulations, but also ensure responsible and ethical behaviour throughout our value chain.

As a global company, Recipharm needs to take responsibility both locally and globally. Recipharm has been a signatory of the United Nations Global Compact (UNGC) since 2016. This means that Recipharm is committed to abiding by the UNGC's ten principles on human rights, labour, environment and anti-corruption. Read more on page 25.

Recipharm's Supplier Code of Conduct

Our Supplier Code of Conduct covers business ethics, labour practices, anti-corruption, human rights and environmental management. We strive to ensure that suppliers actively endorse the requirements of the Supplier Code of Conduct, and we communicate and follow-up the Code.

Supplier requirements

Our suppliers provide active ingredients, raw materials and packaging materials, as well as machine and laboratory equipment. We also have agreements with service providers. To enable us to maintain our commitments to customers and other stakeholders, we place particular emphasis on safety, quality, price, performance and the ability to deliver.

For direct materials, Recipharm has more than 750 different suppliers. Most of these suppliers are located in Europe, but our supplier base is global. Suppliers to the pharmaceutical industry work under well-defined quality criteria and many are covered by the pharmaceutical industry's quality system, Good Manufacturing Practice (GMP). Our operations are normally automated with low labour intensity. During 2020, there has been no significant change in our supply chain except for an increase of the number of suppliers following the acquisition of Consort Medical.

There are legal requirements for us to make regular quality audits of our suppliers to verify their compliance with cGMP

requirements. In connection with these audits, the compliance with our Supplier Code of Conduct is reviewed. If necessary, specific audits focusing on sustainability matters will be conducted. The Code has been communicated to 2,917 (1,876) suppliers, and 1,807 (1,413) of these suppliers have accepted the code, which corresponds to 25 per cent of our supplier base. There have not been any specific sustainability audits in 2020, but 24 (93) of our suppliers were reviewed in connection to quality audits.

Through our Supplier Code of Conduct, Recipharm requires that suppliers provide a safe working environment, including any company-provided living quarters, and protect employees from overexposure to chemical, biological and physical hazards. The Code of Conduct also requires suppliers to have programmes in place to prevent or mitigate excessive releases of chemicals and other identified major risks. Recipharm requires that suppliers identify and assess emergency situations and minimise their impacts by implementing emergency plans and response procedures. Safety information regarding hazardous materials should be available to educate, train and protect workers from hazards. During 2021, we will focus on taking further steps towards ensuring fair and reliable supplier assessments.

Supplier assessment

During 2020, 24 (93) suppliers were assessed for environmental and social impacts. The number is significantly lower than previous years due to the COVID-19 pandemic making on-site visits principally impossible. On-site visits have partly been replaced by virtual audits, but the work has not been possible to carry out as planned. No suppliers with potential negative environmental and/or social impact were identified in 2020.

Case: Community engagement



Community engagement

Recipharm engages in social initiatives relevant to its operations and in response to local priorities within the surrounding communities of its facilities. Our Code of Conduct governs which activities local companies can engage in. We take advantage of funding opportunities from local authorities in the countries in which we operate. In collaboration with Business France, we run an internship programme with year-long internships. Due to COVID-19 the programme has been paused during 2020.

Recipharm also donates to a variety of non-profit organisations, including the Helpline Charitable Trust in Karnal and Paonta Sahib, India. The trust works with a variety of initiatives that support education, health and career opportunities for under privileged and destitute children – primarily girls. We also support a variety of non-profit organisations that provide better access to healthcare, and educational and vocational training to disadvantaged people. Many of the initiatives have a clear focus on underprivileged children, the elderly, mentally disabled people and disadvantaged women. In Bengaluru, India, Recipharm donates to a local NGO that works closely with government schools on various projects.

Develop internal governance

EMPLOYING EXCELLENT PEOPLE

As a decentralised company with relatively small Group level functions, Recipharm's ambition is to promote an entrepreneurial spirit, local accountability and a common management model.

Recipharm has developed a number of internal governance documents, such as its policies, Code of Conduct and Internal Control Standards. Read more on page 99.

The company's targets are monitored regularly, and Recipharm's operating companies are responsible for their implementation and management. Overall control is carried out at Group level with direct feedback to the CEO and the Board.

Management model

Our Global Policy sets out a clear management model and guidelines for operating companies, whilst appreciating that one size does not fit all. This allows our operating companies to work in the way that best suits their needs and market conditions. The Global Policy includes Recipharm's vision, mission and long-term objectives, as well as the governing principles for operating companies, including the delegation of responsibility. Read more on page 99.

Recipharm's Code of Conduct

Our business ethics are managed by our ethical guidelines – the Recipharm Code of Conduct. The guidelines cover all aspects of business ethics and relations with employees, customers, suppliers, authorities, competitors and other stakeholders. Our Code of Conduct explicitly prohibits any interference that aims to create undue advantage for Recipharm, or for individual employees.

During 2020, we continued to develop our model for monitoring the Code of Conduct. Methodology for the implementation, monitoring and employee training of the Code of Conduct is based on a previous risk analysis. We also follow ongoing developments concerning anti-corruption legislation and will continue to strengthen the organisation and our competence to ensure the necessary adaptation. During the year, organisation and processes for internal control have been put in place. In 2020, there were no reported deviations from our Code of Conduct.

We have a process and model for whistleblowing in place where both internal and external parties can anonymously report grievances. During 2020, three cases were reported through the system, of which one led to additional investigation. However, no misconduct was identified.

Guidelines covering anti-competitive behaviour

We take responsibility and operate within the framework of competition law in all our activities. The Recipharm Code of Conduct complements this legislation and prohibits partnerships or agreements with competitors regarding price, terms or other areas. We operate in a strictly regulated market, where all our products and services are subject to regulation and requirements regarding ingredients, preparation and quality control.



Our employees

The importance of our company culture

Operating in a competitive environment and supplying highly demanding customers requires talented people. It is vital that we attract, develop and retain excellent individuals. Our company culture ensures Recipharm has a strong employer value proposition that extends through the employee life cycle – Attract, Recruit, Develop and Retain. Our culture is therefore essential to secure two of our strategic pathways – employing excellent people and supplying innovative expertise.

Recipharm has always worked to develop, promote and retain talent, creating a win-win situation for Recipharm and its employees. We have also established collaborations to recruit young talent interested in an international career.

Recipharm can offer its employees a broad long-term incentive programme. This acts as both a cost-efficient benefit that attracts potential candidates, increases employee interest in the Recipharm share and serves as a financial incentive for employees to stay with the company long term.

Strengthening our culture through synergies

We are increasingly drawing on synergies between our growing number of operating companies around the world. This helps us to implement common ways of working that add value throughout the company and contribute towards a shared company culture.

Employee competence and commitment is crucial to Recipharm's future success. We value the knowledge and collective industry experience of our employees, and we encourage personal development and initiatives for information sharing. At Recipharm, the exchange of professional skills and knowledge is similar to that of a small company, but within an international network and brand.

Strategic competencies, positions and special areas critical for Recipharm's success are regularly identified. Employee development is therefore in line with the needs of the company. Individual performance and development reviews are generally carried out on an annual basis and the adequate training and development of people is ensured at a local level.

Acquisitions – transferring our culture

Newly acquired companies are quickly integrated into our business by working on three key areas – reporting, policy and management. In addition, helping new employees to understand and embrace the Recipharm culture is a natural part of integrating new companies. Another way of integrating new companies in the culture is by immediately inviting and engaging representatives from the newly acquired companies in Recipharm's internal network groups – such as for sustainability, quality management, lean and procurement.

Maintaining our culture

As we grow and become increasingly global, maintaining our culture of entrepreneurship, local accountability and our decentralised management model continues to be an ongoing key challenge. In a competitive industry, increasingly focused on cost, our culture is what differentiates us, helps us to attract and retain employees, and ultimately promotes the success of our local operating companies and the Group as a whole.



It's vital that we attract, develop and retain excellent individuals.

Our core values

Reliability

- We create trust by always delivering on promises
- We deliver with quality and in time
- We are honest and always follow our Code of Conduct

Professionalism

- We maintain a high level of competence to deliver a return on investment to our stakeholders
- We are flexible, service minded and always looking for the best solutions
- We learn from our mistakes
- We show respect – to customers, peers, partners, managers and to the environment

Entrepreneurship

- We are innovative and creative in finding ways to develop and improve our business
- We are open to change but respect that it can take time to achieve
- We have a 'can do' attitude and always take on challenges with a mindset that nothing is too difficult

Tenacity

- We show commitment in everything we do
- We are committed to reaching our goals
- We are persistent and we will not give up easily
- If we encounter an obstacle, we try harder to find a solution

Develop internal governance

Employee health and safety

Recipharm aims to provide safe and engaging workplaces. All our companies have detailed employee health and safety manuals to ensure compliance with all relevant requirements. These are locally adapted to ensure they meet the relevant local legislation. Health and safety initiatives are part of the daily continuous improvement work throughout our operating companies. In parallel, certain upgrades and organisational developments can lead to gradual changes in the approach. The majority of operating companies provide access to occupational healthcare. Recipharm also provides additional health initiatives, such as wellness grants for physical exercise.

Around 60 (50) per cent of the total workforce is represented by worker health and safety committees that help monitor and advise on occupational health and safety. These committees are chaired by senior managers of the respective operating companies, with regular meetings.

When introducing new equipment, manufacturing processes and new chemical compounds, a risk assessment is mandatory. Based on this assessment, relevant procedures, training, instructions and protective measures are put in place. All operating companies have reporting systems for employees to actively monitor work-related incidents and accidents and take corrective actions in the event of incidents or accidents. This is communicated to all employees concerned. Recipharm's management approach to health and safety also applies to workers that are not employees but whose work or workplace is managed by the organisation, such as contractors, self-employed personnel and agency workers.

At year end, 12 (16) manufacturing operations out of 25 (26), representing 48 (61.5) per cent of Recipharm have an ISO 45001 health and safety system in place. Occupational health and safety systems include procedures for risk management, the reporting of hazards, incidents and accidents, and the management of health and safety matters.

During the year, a total of 235 (169) work-related accidents were reported. Most involved minor injuries among manufacturing facility employees. The accident rate (number of accidents

per number of scheduled working hours per 500 employees) in 2020 was 1.92 (1.65), which is relatively low in our industry.

All employees have the right to join trade unions, and we work actively with unions on health and safety issues where they are active. Around 52 (57) per cent of Recipharm's employees are covered by collective bargaining agreements.

Equality and diversity

To treat all employees, job applicants, customers and others equally is a prerequisite for our business behaviour. Recipharm's Code of Conduct states that discrimination based on gender, gender identity or expression, ethnicity, religion or belief, disability, sexual orientation, or age must not occur. In recruitment and succession planning, we look for a mixture of the best qualifications, experience and perspective.

At the same time, we also consider diversity to ensure a good mix of backgrounds.

Of Recipharm's 8,666 (6,873) employees, 39 (41) per cent are women and 61 (59) per cent men.

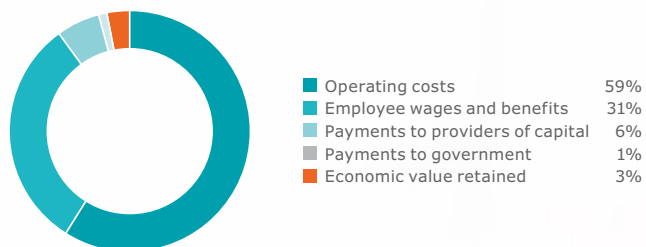
WORK-RELATED INJURIES 2018–2020

	2020	2019	2018
Recordable work-related injuries	235	169	150
Rate of recordable work-related injuries	17.34	15.50	15.20
High-consequence work-related injuries	26	18	10
Rate of high-consequence work-related injuries	1.92	1.65	1.01
Fatalities as a result of work-related injury	0	0	0
Rate of fatalities as a result of work-related injury	0	0	0

The table shows the rate of recordable work-related injuries, and high-consequence work related injuries for our own employees. High-consequence work-related injuries are defined according to local legislation. There were no work-related fatalities in the reporting period. Information is not available on independent contractors. The rate has been calculated based on 1,000,000 hours worked. Total working hours for Recipharm were 13,550,791.



Develop internal governance

DIRECT ECONOMIC VALUE
GENERATED AND DISTRIBUTED

Net sales in 2020 totalled SEK 11,069 million (7,457). The diagram shows how much was reinvested and distributed to Recipharm's stakeholders.

NUMBER OF EMPLOYEES 2018–2020

	2020	Share of women	2019	Share of women	2018	Share of women
Total number of employees	8,666	39%	6,873	41%	6,806	42%
FTE equivalents	7,857	43%	n.d	n.d	n.d	n.d
Leading position	37	24%	28	25%	n.d	n.d
Permanent contract	6,984	39%	5,221	40%	5,633	49%
Full time	6,519	36%	4,940	38%	4,813	46%
Part time	465	79%	281	88%	820	91%
Temporary contract	1,682	41%	1,652	44%	1,173	52%

The table shows the number of employees by employment contract and gender, based on total number of employees.



Recipharm operates in a competitive environment, and we need talented people. Diversity and equality are essential to our long-term business success.

8,666

Total number of employees
2019: 6,873

39%

Women
2019: 41%

61%

Men
2019: 59%

ADMINISTRATION REPORT

The Board of Directors and CEO of Recipharm AB (publ), corporate identification number 556498-8425, with its registered office in Stockholm, Sweden, hereby submit the Annual Report and consolidated annual accounts for the 2020 financial year. The Annual Report was approved by the Board of Directors for publication on 8 March 2021 and will be presented to the Annual General Meeting for approval on 11 May 2021.

Group business and structure

Recipharm AB (publ) is since 3 April 2014 a listed company at Nasdaq Stockholm. Recipharm applied for delisting 19 February 2021 from Nasdaq OMX Stockholm. Nasdaq OMX approved the application and resolved that the last trading day was 5 March 2021.

The Parent Company Recipharm AB (publ) includes a branch in Great Britain in addition to direct subsidiaries. The consolidated annual accounts are prepared by Recipharm AB (publ) and its subsidiaries. The reporting currency is SEK.

Recipharm provides pharmaceutical manufacturing services to pharmaceutical companies and provides them with development services and technology in the drug development phase. Customers vary in size, from large international pharmaceutical companies, to small pharmaceutical or biotech companies. Recipharm monitors and reports the business into four segments, Advanced Delivery Systems, Manufacturing Services – Steriles, Manufacturing Services – Solids & Others and Development & Licensing.

Net sales and profit

Consolidated net sales for the financial year reached SEK 11,069 million (7,457). Net sales for the segment Advanced Delivery Systems increased by SEK 1,464 million to SEK 2,302 million, an increase of 174 per cent, of which the acquired operations from Consort Medical contributed 186 per cent. The organic decline of 10 per cent was driven by a planned shutdown, a temporary supply issue and lower service sales. Steriles net sales increased by SEK 41 million to SEK 2,623 million, an increase of 2 per cent. The organic growth of 4 per cent was primarily driven by the introduction of COVID-19 vaccines as well as higher sales volumes of lyophilised and blow-fill-seal products. The growth was partially offset by temporarily lower demand and reduced production during parts of the year related to the COVID-19 pandemic. Solids & Others increased sales by SEK 1,903 million to SEK 4,776 million, an increase of 66 per cent, of which the acquired operation from Consort Medical contributed 60 per cent. Organic growth was mainly driven by new product introductions, a new manufacturing contract and higher service sales. Development & Licensing increased sales by SEK 273 million to SEK 1,115 million, an increase of 32 per cent. The organic growth of 11 per cent was primarily driven by a substantial increase in demand for COVID-19 related products and services.

Other operating income amounted to SEK 377 million (252). These revenues mainly consist of capital gains from divestment of assets and operations, royalty income, invoiced costs and currency effects on operating receivables and liabilities. The increase compared to last year is primarily due to the positive contribution from the divestment of certain operations in Portugal.

Operating profit amounted to SEK 842 million (494). The underlying increase was primarily driven by the acquired operations from Consort Medical, increased sales of COVID-19 related products, blow-fill-seal products, sales to large customers within oral solids and services in combination with improved cost efficiency.

Operating profit was affected by the following non-recurring¹ items: acquisition-related costs of SEK –94.5 million (–14.2), restructuring-related costs of SEK 11.2 million (–38.4), capital gains from divestments of assets and operations of SEK 85.1 million (–) and costs to achieve synergies of SEK –87.8 million (–).

Advanced Delivery Systems adjusted operating profit¹ increased by SEK 164 million to SEK 315 million, primarily driven by the acquired operations from Consort Medical. Steriles increased adjusted operating profit¹ by SEK 75 million to SEK 210 million, driven by the introduction of COVID-19 vaccines, higher sales of blow-fill-seal products and improved cost efficiency. The adjusted operating profit¹ within Solids & Others SEK increased by SEK 105 million and amounted to 345 million (242). The increase was driven by both the acquired operations from Consort Medical and the organic sales increase of oral solids and services. The adjusted operating profit¹ for Development & Licensing decreased by SEK 33 million to SEK 114 million. The positive effect from increased sales of COVID-19 related products and services was more than offset by the negative contribution from the acquired operations combined with lower sales for certain own products.

The adjusted EBITA-margin¹ (adjusted for non-recurring items) increased from 10.6 per cent to 11.8 per cent. Adjusted EBITA for non-recurring items increased organically by SEK 178 million, mainly driven by COVID-19 related products, blow-fill-seal products, sales to large customers within oral solids and services in combination with improved cost efficiency. The positive effects on organic EBITA growth were partially offset by lower sales of inhalation products and certain own products.

Profitability, calculated as the return on operating capital¹, was 10.0 per cent (8,3). The increase is mainly due to the higher profit compared to previous year.

Consolidated profit after financial items reached SEK 498 million (372). The increase is mainly related to the factors outlined above. The effective tax rate was 32 per cent (8). The higher tax rate compared to last year is mainly due to one-off items and lower tax rates last year.

Net sales for the Parent Company amounted to SEK 207 million (183). The net profit amounted to SEK –429 million (45), a decrease of SEK 474 million. The decrease in net profit was mainly due to an increase of foreign exchange losses presented in the financial net.

Liquidity, financing and cash flow

Group

At 31 December 2020 the Group's cash and cash equivalents were SEK 1,303 million (1,055). The unutilised portion of the bank credit facility of total SEK 3,215 million (4,752) was SEK 1,205 million (690). The decrease is due to the change in loan facilities.

The Group's businesses are financed by equity of SEK 7,354 million (5,690) as well as long-term loans of SEK 8,889 million (4,919) and current loans of SEK 997 million (44).

Consolidated cash flow totaled SEK 340 million (367). This figure includes SEK 760 million (808) from operating activities, SEK –6,217 million (–726) from investing activities, and SEK 5,797 million (285) from financing activities. The change in cash flow from investing activities compared to last year is related to the acquisition of Consort Medical and to the divestment of certain operations in Portugal. The change in cash flow from financing activities compared to last year is related to new loan facilities which funded the acquisition of Consort Medical. During the period a new share issue of approximately SEK 2,500 million was completed, which was used to repay a loan facility.

The Group's equity/assets ratio was 34 per cent (41). The net debt/equity ratio for the Group was times 1.2 (0.7). Net debt to EBITDA¹ was 4.4 (3.2), an increase mainly due to acquisitions and a new loan structure.

Parent company

The Parent Company's cash and cash equivalents totaled SEK 183 million (423) at year-end. As a part of the financing, the Company can utilise the Group's bank revolving facility of SEK 3,000 million (2,000), of which SEK 998 million (690) was unutilised at year-end, a bank loan facility of SEK 8,894 (2,586) as well as an additional bank credit of SEK SEK 215 million (166) in the Group. Cash flow totaled SEK –232 million (309). For the financial year, cash flow from operating activities totaled SEK –218 million (70), SEK –8,154 million (–121) from investing activities and SEK 8,140 million (361) from financing activities.

Capital investment

The Group's gross investment in property, plant and equipment during the financial year totaled SEK 494 million (394), excluding business acquisitions. Investments primarily involved replacements, as well as new projects and expansion of capacity. The acquisition of intangible assets totaled SEK 69 million (71). The Parent Company's gross investments amounted to SEK 23 million (32) in intangible assets.

¹ See financial definitions page 103.

Administration report

Significant events during the year

Management has continuously focused on creating opportunities for growth and making the business more efficient.

On February 4, 2020, the offer to acquire the Consort Medical Group in the UK was accepted and as a result Consort's nine facilities in the United Kingdom, Italy and Germany became a part of Recipharm. Consort is an integrated drug and delivery device company providing advanced delivery technologies, formulation and manufacturing services for drugs and has been consolidated since February 2020. In connection with the acquisition of Consort Medical, all external loans in Recipharm were repaid, and replaced by a new loan structure. As part of this, Recipharm carried out two new share issues during the year, a directed issue in May, which added SEK 500 million to the company, as well as a rights issue in June, which added SEK 2,000 million to the company, both amounts before deductions for costs related to the transaction.

On 30 September, Recipharm announced the sale of the Portuguese subsidiary DAVI II Farmaceutica, S.A. and the distribution business Medicamenta, which is operated in the subsidiary Lusomedicamenta. Both sales were completed in 2020. Recipharm's contract manufacturing operations in Portugal have not been affected. See further information regarding the sales and acquisition of Consort Medical in Note 5.

As of January 1, 2020, Recipharm implemented a new segment structure, going from the previous three segments to the current four. See Note 4 for further information.

Recipharm AB (publ) and Medspray BV ("Medspray"), a manufacturer of high-tech spray nozzles, announced on November 17 2020, an agreement to establish a company known as Resyca BV to develop and exploit the softmist spray nozzle technology for pharmaceutical applications. Under this agreement, Recipharm will invest EUR 15 million in return for 51% of the shares of Resyca. Medspray will transfer their softmist intellectual property relating to pharmaceutical applications into Resyca. The collaboration is expected to start during beginning of 2021.

Recipharm AB (publ) announced on October 6 2020 the agreement with Arcturus Therapeutics, a leading U.S. based clinical-stage messenger RNA medicines company. 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.

Recipharm AB (publ) and Moderna, Inc., a biotechnology company pioneering messenger RNA (mRNA) therapeutics and vaccines, announced during the fourth quarter 2020, that they have reached an agreement to support formulation and fill-finish a part of the Moderna COVID-19 vaccine supply outside of the U.S. The activity

will be performed in Recipharm's drug product manufacturing facility located in France from the beginning of 2021.

On December 14, 2020, EQT IX announced through Roar BidCo AB a public takeover bid for the shareholders and convertible holders of Recipharm. The bid was accepted by the shareholders after year-end. See additional information in note 40.

Production costs were adversely impacted due to the COVID-19 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, shift patterns and overtime work whilst putting non-manufacturing activities on hold. No material financial support has been received. Payments from customers have not been negatively affected and there has not been any increase in expected credit losses. The pharmaceutical industry is in most countries, a prioritised industry and Recipharm has focused on maintaining a reliable supply. Recipharm has followed all governmental recommendations whilst at the same time working to mitigate any disruptions.

Research and development

Recipharm's research and development (R&D) activities focus on the pharmaceutical development of new products as well as the improvement of existing products and processes to achieve greater efficiency and customer benefit. Many product projects are conducted as assignments for internal and external customers. Costs for the development of products and production processes are expensed as they arise. During the year, SEK 24 million (34) has been capitalised as an intangible asset.

The environment

Our vision is for Recipharm to be an environmental leader in the industry. Environmental efforts are vital to Recipharm and are an integral part of our day-to-day work. Recipharm has an internal requirement for all Operating Companies in the Group to obtain ISO 14001 environmental certification. All companies have either already been certified or are working towards certification. Several Recipharm companies are also certified according to ISO 45001 for occupational health and safety.

The greatest impact of the Recipharm Group on the external environment results from our activities as a pharmaceutical manufacturer. Direct impacts consist of air and water emissions from manufacturing processes that involve gas, solvents and effluent that can contain pharmaceutical residuals. The indirect impact consists of emissions from transport to and from our sites and through energy consumption. Every Operating Company monitors its environmental

impact using its own environmental management system and continuously works to follow up and improve its operations with respect to the environment. In 2020, one incident occurred, at our facility in Monts, France, when an anaesthetic product was accidentally released into the facility's water treatment system, instead of handled as hazardous waste. Recipharm took immediate actions to investigate what happened and to mitigate the immediate impacts and ensure processes to prevent such incidents from happening again.

During the year, with the exception of the incident in France, Recipharm complied with environmental legislation as well as the conditions in all environmental permits. Of all Recipharm's Swedish operations, its manufacturing facilities in Stockholm and Uppsala have operations that require a permit according to the Swedish Environmental Code, while all other have operations require registration. Recipharm has no environmental liabilities for future decontamination.

Corporate Governance Report

Recipharm has prepared a corporate governance report in accordance with the Annual Accounts Act. The corporate governance report has been approved for issue by the Board and can be found on pages 36–98. The corporate governance report forms part of Recipharm's annual report for 2020.

Sustainability Report

Recipharm has, in accordance with the Swedish Annual Accounts Act, prepared the statutory Sustainability Report, which was approved for issue by the Board of Directors. Information meeting the Swedish legal requirements on sustainability reporting, the Statutory Sustainability Report and Recipharm's Sustainability Report, is found on pages 24–35 and 99–101.

Personnel

In 2020 the average number of employees (corresponding to full-time positions) was 7,857 (5,316), an increase of 48 per cent (10), mainly an effect from the acquisitions. Women accounted for 43 per cent (40) of personnel. At year-end, approximately 8,666 (6,870) full time equivalents are employed in the Group, an increase related to the acquisitions. Please see Note 11 for additional information about personnel.

Recipharm's Swedish business has held AFS 2000:1 and OHSAS 18001 work environment certifications for many years. At the Annual General Meeting on 12 May 2020 it was decided to start a new share saving programme directed at the employees. For more information see note 26.

Administration report

Events after Closing Date

Several significant events have occurred after the closing date of 2020. On 15 February 2021, the unconditional offer from EQT IX through Roar BidCo AB was approved, and the process for delisting Recipharm from Nasdaq OMX Stockholm ended with a delisting date on the 5th March 2021. For further information on events after the balance sheet date, see Note 40 on page 85.

Outlook

In a longer perspective, the pharmaceutical industry is expected to increase the share of production and development provided by other companies. The market for CDMOs is expected to grow more than the underlying pharmaceutical industry. In addition to organic growth in existing operations, several contracting projects are already underway and are expected to sustain healthy sales growth in the coming financial years. One part of the efficiency programme is to end less profitable contracts, which can create better conditions for higher profit margin. In total, operating profit and profitability are expected to improve in the coming years.

The parent company's future development, adjusted for currency-effects, is expected to be in line with 2020 as well as previous years.

Allocation of profit

The following earnings of the parent company are available to the AGM (SEK):

Share premium reserve	6,569,683,245
Retained earnings	-209,096,515
Profit for the year	-428,532,962
Total	5,932,053,768
Earnings carried forward	5,932,053,768
Total	5,932,053,768

Risks

MARKET-RELATED RISKS

COMPETITION

The growing CDMO market is attracting strong suppliers, and the competition may have a negative impact on profit margins. Through continuous improvement of business processes and customer relationships, Recipharm creates value for customers, thereby improving its competitive edge.

CUSTOMER DEPENDENCE

A significant portion of Recipharm's business comes from a limited number of customers. The large customers have several contracts, as each site has its contract with the customer. Contracts are sometimes terminated, by the customer or by Recipharm, for the renegotiation of terms. Through a strong emphasis on increasing the number of customer relationships, Recipharm is decreasing its dependence on a small number of customers. During 2013 the three largest customers stood for 61% of the Groups sales. During 2020, it is reduced to under 19 per cent, partly due to the acquisitions in recent years.

CUSTOMER COST PRESSURE

Many countries are implementing different activities to increase competition and decrease the cost of pharmaceuticals. Recipharm normally uses price adjustment formulas in the contracts, in relation to changes in the manufacturing costs. In the past, prices have normally fluctuated between zero and inflation.

DEPENDENCE ON CONTINUOUS SUPPLY

The procurement of packaging and raw materials are significant parts of Recipharm's total costs. Recipharm is dependent on the suppliers' ability to meet high-quality and delivery requirements. A stoppage or disruption in the supply chain can have a negative effect on Recipharm's ability to supply and consequently impact reputation. Recipharm therefore strives for long-term relationships with its suppliers. The Covid-19 pandemic has shown a good ability to adjust supply chains, but also showing the potential impact from external events. This can present significant effects on the supply chain.

RISKS RELATED TO INTERNAL PROCESSES

BUILDING AND MAINTAINING EXPERTISE

In an increasingly competitive market, it is becoming more difficult to attract and retain key competencies. Recipharm has a strong emphasis on leadership training, career planning and creating attractive workplace. In general, Recipharm has low employee turnover, especially for key persons.

PRODUCT DEFECTS

Any significant product defect caused by Recipharm would damage the Company image and customer confidence. All subsidiaries operate in accordance with current good manufacturing practice and with Recipharm's own high-quality standards. Every Recipharm facility is inspected periodically by regulatory authorities as well as by Recipharm's own team of regulatory experts.

CUSTOMER COST PRESSURE

Acquisitions expose the Company to different types of risk: financial, commercial and operational. Before the Board decides to make an acquisition, due diligence in line with the risk entailed by each acquisition, as well as a management team assessment, are always performed. To ensure successful integration of newly acquired businesses, Recipharm follows well-established internal procedures.

DEPENDENCE ON KEY PERSONNEL

Key personnel usually has extensive experience and expertise within fields that are important for Recipharm. It is important to ensure and develop expertise so that Recipharm continues to have the right expertise. Recipharm works with succession planning programmes for leading positions to ensure continued access to such expertise.

Risks

SUSTAINABILITY RISKS**ENVIRONMENTAL AND SAFETY RISKS**

Manufacturing and development operations are associated with environmental impact and risks associated with accidents. Recipharm's management of environmental risk is continuously developed in accordance with new regulations on sustainability reporting. Risks related to the environment and work safety are addressed within the ISO 14001 and ISO 45001 systems.

BUSINESS ETHICS

Risks associated with business ethics are identified in the risk analysis. Additionally, suppliers present risks, both in terms of supply reliability and business ethics. Management of human rights and anti-corruption risks are continuously developed in accordance with new regulations on sustainability reporting. Risks regarding business ethics are addressed through adequate routines for communication, follow-up and control to ensure the correct implementation of, and compliance with, the company's Code of Conduct and Supplier Code of Conduct.

SUPPLY CHAIN AND REPUTATIONAL RISK

Most risks are believed to be in the manufacture and supply of products, where manufacturing interruptions may impact delivery performance and supply reliability. Recipharm continuously evaluates supply interruption risks in its operating companies. In several cases, mitigation plans are also requested by and presented to customers. Suppliers are managed within the framework of the Supplier Code of Conduct and quality audits. The scope of these reviews is continuously developed.

REGULATORY RISK

Recipharm's operations are subject to regulatory approvals in several areas. According to legislation, all factories must have a manufacturing license to produce pharmaceuticals and the corresponding conditions are required for development laboratories depending on the extent of the development work being carried out. The operations also require local environmental permits – the extent of these varies depending on the business and legislation in each country.

QUALITY-CONTROL RISK

All products require the necessary regulatory approvals in the countries in which they are to be sold. The Market Authorisation Holder (MAH), our customer, is primarily responsible for this but Recipharm must comply with the terms of the registrations. Recipharm actively works with quality systems within the framework of GMP and maintains environmental management systems at its facilities.

FINANCIAL RISKS (see also Note 35, Sensitivity analysis)**CURRENCY RISK**

The currency transaction exposure risk arises from cash flows in other currencies than the presentation currency of Recipharm which is SEK. Recipharm's inflow and outflow in different currencies is relatively well-balanced in our operational activities, where the residual between the two determines the transaction exposure. In the case where transaction exposures occur and deemed significant the Group hedges those using financial derivatives including forwards. The currency translation exposures occur from the translation of assets and liabilities of the foreign subsidiaries into SEK. Recipharm aims to reduce the translation exposure by matching the currency composition of debt with the composition of assets.

CREDIT RISK

Recipharm only accepts creditworthy counterparts in financial transactions. 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. Recipharm has also many customers being financially strong and small bad debt losses.

INTEREST RATE RISK

Operations are partly financed through borrowing. Changes in interest rates will impact Recipharm's net financial results. Recipharm aims to maintain a balanced loan portfolio of short and long-term borrowing with interest rates linked to official interbank rates. The interest rate risk is not hedged.

LIQUIDITY AND REFINANCING RISK

Liquidity risk is the risk that Recipharm is unable to meet financial obligations in time. In order to meet volatility in cash requirement Recipharm has committed credit facilities. The funding risk is the risk Recipharm does not have access to adequate financing on acceptable terms at any given point. To the limit the risk of funding Recipharm aims to have diversified maturity profile of its debt. For a detailed description of the financing see Note 29 and 35.

Five-year summary

FIVE-YEAR SUMMARY

	2020	2019	2018	2017	2016
Profit & Loss summary (MSEK)					
Net turnover	11,068.6	7,457.1	6,373.7	5,331.9	4,678.3
EBITDA (EBIT before depreciation and amortisation)	2,019.0	1,293.5	987.4	729.7	749.3
Operating profit (EBIT)	841.6	493.9	405.2	-8.7	384.3
Financial income	193.9	98.0	23.5	26.0	8.5
Financial expense	-537.1	-219.8	-199.9	-138.7	-95.9
Profit before tax	498.4	372.1	228.9	-121.4	296.9
Net profit/loss for the year	338.7	343.0	159.9	-160.0	196.6
Net profit/loss for the year, attributable to parent company shareholders	338.7	343.1	159.4	-170.5	188.7
Balance sheet summary (MSEK)					
Non-current assets	15,582.2	9,537.8	9,093.2	8,505.2	7,107.6
Cash and cash equivalents	1,303.4	1,054.9	681.4	770.9	695.8
Total assets	21,637.8	13,761.9	12,715.9	11,731.0	9,830.5
Equity, total	7,353.8	5,690.8	5,337.1	4,874.0	5,130.1
Equity attributable to non-controlling interest	-0.9	-0.4	-0.1	325.5	343.1
Interest-bearing liabilities	10,234.9	5,171.1	4,471.9	4,193.2	2,589.7
Non-interest-bearing liabilities	4,049.1	2,900.4	2,906.9	2,663.8	2,076.2
Operating capital	13,064.0	9,807.0	9,127.6	8,296.3	7,024.0
Net debt	8,931.6	4,152.4	3,790.5	3,422.3	1,893.9
Cash Flow (CF) summary (MSEK)					
CF from operating activities	760.3	808.0	363.5	351.4	342.1
CF from investing activities	-6,217.0	-725.9	-1,137.0	-1,585.4	-2,033.1
CF from financing activities	5,796.5	285.1	673.5	1,306.3	1,834.4
Total cash flow	339.8	367.2	-100.0	72.3	143.4

	2020	2019	2018	2017	2016
Share information (1000)					
Average number of shares, basic	85,342	67,776	65,714	63,218	56,875
Average number of shares, diluted	90,837	73,272	71,210	64,576	57,302
Number of shares at year-end	101,116	67,776	67,776	63,218	63,218
Key measures					
Operating margin	7.6%	6.6%	6.4%	-0.2%	8.2%
Return on equity	5.2%	6.2%	3.1%	-3.2%	5.0%
Return on operating capital	10.0%	8.3%	4.7%	-0.1%	7.0%
Interest coverage ratio	1.9	2.7	2.1	0.1	4.1
Net debt/EBITDA	4.4	3.2	3.8	4.7	2.5
Debt/equity ratio	1.39	0.91	0.84	0.86	0.50
Net debt/equity ratio	1.21	0.73	0.71	0.7	0.37
Equity/assets ratio	34.0%	41.3%	42.0%	41.5%	52.2%
Earnings per share	3.97	5.06	2.43	-2.70	3.32
Earnings per share after dilution	3.97	5.06	2.43	-2.70	3.32
Equity per share	72.73	83.97	78.75	71.95	75.72

For definitions, see page 103.

Financial statement

FINANCIAL STATEMENT

Consolidated statement of profit or loss

Group

SEK million	Note	2020	2019
<i>Operating income</i>			
Net sales	2, 3, 4	11,068.6	7,457.1
Other operating income	7	377.1	252.2
		11,445.8	7,709.3
<i>Operating expenses</i>			
Raw materials and consumables	8	-3,470.0	-2,172.2
Other external costs	3, 9, 10	-2,243.2	-1,635.4
Employee benefits expense	11	-3,660.6	-2,578.0
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12	-1,109.1	-747.8
Other operating expenses	7	-121.2	-82.1
Operating profit	4	841.6	493.9
Interest income and similar revenues	13	193.9	98.0
Interest expenses and similar costs	14	-537.1	-219.8
Net financial income/expense		-343.2	-121.8
Profit before tax		498.4	372.1
Income tax	15	-159.6	-29.1
Profit for the year		338.7	343.0

SEK million	Note	2020	2019
Other Comprehensive Income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Translation differences		-1,259.5	117.9
Gains/losses from fair value valuation of financial instruments		58.7	4.7
Deferred tax relating to items that may be reclassified		20.6	-1.0
Total items that may be reclassified subsequently to profit or loss		-1,180.2	121.6
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gains/losses on pensions		5.4	-50.9
Deferred tax relating to items that will not be reclassified		6.2	15.8
Total items that will not be reclassified to profit or loss		11.6	-35.2
Total other comprehensive income		-1,168.6	86.4
Comprehensive income for the year		-829.9	429.4
<i>Profit for the year attributable to:</i>			
Parent Company shareholders		338.7	343.1
Non-controlling interest		0.0	-0.1
		338.7	343.0
<i>Comprehensive income for the year attributable to:</i>			
Parent Company shareholders		-829.4	429.7
Non-controlling interest		-0.5	-0.3
		-829.9	429.4
Earnings per share before dilution (SEK)	16	3.97	5.06
Earnings per share after dilution (SEK)	16	3.97	5.06
Dividend per share ¹⁾		-	-

¹⁾ As suggested to the Annual General Meeting.

Financial statement

Consolidated statement of financial position

Group

SEK million	Note	2020-12-31	2019-12-31	SEK million	Note	2020-12-31	2019-12-31
ASSETS				EQUITY			
NON-CURRENT ASSETS				Equity			
<i>Intangible non-current assets</i>				Share capital			
Product rights	17	517.9	258.6	Other paid-in capital		50.6	33.9
Goodwill	17	5,187.5	2,719.8	Reserves		7,052.6	4,592.2
Customer relations	17	3,184.2	2,086.4	Profit brought forward		-897.1	283.2
Corporate brands	17	328.8	132.5	Equity attributable to Parent Company shareholders		7,354.7	5,690.8
Software	17	50.3	30.1	Equity attributable to Non-Controlling interest		-0.9	-0.4
Investment in progress intangible assets	17	141.4	106.7	TOTAL EQUITY		7,353.8	5,690.4
		9,410.1	5,334.1	LIABILITIES			
<i>Property, plant and equipment</i>				Non-current liabilities			
Land and buildings	18	1,800.3	1,081.6	Interest-bearing liabilities	35	8,899.4	4,918.5
Leasehold improvements	18	8.8	11.0	Lease liability	19, 35	269.2	151.1
Plant and machinery	18	2,450.9	1,733.2	Provision for pensions	27	633.1	367.6
Equipment, tools, fixtures and fittings	18	317.0	298.4	Other provisions	28	180.8	290.9
Construction in progress	18	540.6	364.5	Deferred tax liability	15	916.7	733.3
Right of use assets	19	307.4	239.1	Other non-current liabilities	29	22.7	46.0
		5,425.0	3,727.8			10,922.0	6,507.4
<i>Financial non-current assets</i>				Current liabilities			
Participations in associated companies and joint venture	20	158.3	143.8	Interest-bearing liabilities	35	987.2	7.8
Other investments held as non-current assets	20, 35	395.7	204.6	Lease liability	19, 35	69.8	93.7
Deferred tax asset	15	193.1	127.5	Overdraft facility	35	9.3	36.2
		747.1	475.9	Accounts payable	30	1,062.0	808.3
TOTAL NON-CURRENT ASSETS		15,582.2	9,537.8	Tax liabilities		237.2	23.7
CURRENT ASSETS				Other liabilities	31	360.6	105.9
Inventories	21	1,993.2	1,401.5	Accrued expenses and prepaid income	32	636.0	488.6
Accounts receivable	22	1,828.4	1,432.3			3,362.0	1,564.1
Tax assets		210.4	47.3	TOTAL LIABILITIES		14,284.0	8,071.5
Other receivables	23	467.7	168.8	TOTAL EQUITY AND LIABILITIES			
Prepaid expenses and accrued income	24	252.5	119.2			21,637.8	13,761.9
		4,752.1	3,169.1				
Cash and cash equivalents	25	1,303.4	1,054.9				
TOTAL CURRENT ASSETS		6,055.5	4,224.0				
TOTAL ASSETS		21,637.8	13,761.9				

Financial statement

Consolidated statement of changes in equity

Group

SEK million	Share capital	Additional paid-in capital	Reserves	Retained earnings incl. profit/loss for the year	Equity attributable to parent company shareholders	Non-controlling 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/loss 2019				343.1	343.1	-0.1	343.0
Other comprehensive income 2019			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
Total transactions with owners				-76.1	-76.1		-76.1
Non-controlling interest						-0.1	-0.1
Equity at 31 December 2019	33.9	4,592.2	283.2	781.5	5,690.8	-0.4	5,690.4
Profit/loss 2020				338.7	338.7		338.7
Other comprehensive income 2020			-1,180.2	11.6	-1,168.6	-0.5	-1,169.1
Total comprehensive income 2020			-1,180.2	350.3	-829.9	-0.5	-829.4
<i>Transactions with owners:</i>							
Share-based incentive program				16.7	16.7		16.7
New share issue	16.7	2,460.4			2,477.1		2,477.1
Total transactions with owners	16.7	2,460.4		16.7	2,493.8		2,493.8
Non-controlling interest						-0.4	-0.4
Equity at 31 December 2020	50.6	7,052.6	-897.0	1,148.5	7,354.7	-0.9	7,353.8

Financial statement

Consolidated cash flow statement

Group

SEK million	Note	2020	2019	SEK million	Note	2020	2019
OPERATING ACTIVITIES				FINANCING ACTIVITIES			
Profit before tax		498.4	372.1	Dividend paid to Parent Company shareholders		–	–84.2
Adjustments for items not affecting cash	39	545.1	683.3	New share issue		2,477.1	–
Income taxes paid		–205.8	–185.1	Change in overdraft facility		–23.0	23.8
Cash flow from operating activities before changes in working capital		837.7	870.3	Loans raised	39	12,687.8	920.0
<i>Cash flow from changes in working capital</i>				Repayment of borrowings	39	–9,213.1	–482.1
Change in inventories		–93.0	–57.7	Repayment of lease liability		–132.3	–92.4
Change in operating receivables		–40.4	–138.0	Cash flow from financing activities		5,796.5	285.1
Change in operating liabilities		56.0	133.4	Total cash flow for the year		339.8	367.2
Cash flow from operating activities		760.3	808.0	Cash and cash equivalents at beginning of year		1,054.9	681.4
INVESTING ACTIVITIES				Translation difference on cash and cash equivalents		–91.3	6.3
Acquisition of property, plant and equipment	18	–504.1	–394.0	Cash and cash equivalents at end of year		1,303.4	1,054.9
Disposal of property, plant and equipment	18	26.4	1.2	Interest received		4.4	3.4
Acquisition of intangible assets	17	–69.0	–71.2	Interest paid		–368.5	–135.9
Disposal of intangible assets		–	–				
Acquisition of subsidiaries/operations, net of cash acquired	5	–5,979.3	–128.6				
Disposal of subsidiaries/operations, net of cash acquired	5	325.2	–				
Acquisition of financial assets		–22.8	–154.1				
Divestment of financial assets		6.6	20.8				
Cash flow from investing activities		–6,217.0	–725.9				

Financial statement

Income statement

Parent Company

SEK million	Note	2020	2019
<i>Operating income</i>			
Net sales	3	207.3	183.3
Other operating income	7	8.8	7.5
		216.1	190.8
<i>Operating expenses</i>			
Other external costs	3, 9, 10	-166.8	-179.3
Employee benefits expense	11	-126.6	-118.7
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	12	-30.5	-31.0
Other operating expenses	7	-6.7	-1.8
Operating profit/loss		-114.5	-140.0
<i>Profit/loss on financial items</i>			
Profit/loss on participations in Group companies	36	83.0	-78.5
Interest income from Group companies	13	418.9	107.8
Other interest income and similar revenues	13	1,290.6	370.2
Interest expense to Group companies	14	-0.3	-0.8
Other interest expenses and similar costs	14	-2,287.0	-479.9
Net financial income/expense		-494.8	-81.3
Profit/loss after financial income and expenses		-609.4	-221.3
Group contributions received		210.3	329.8
Group contributions paid		-29.7	-64.3
Change in untaxed reserve		-	1.0
Tax on profit for the year	15	-	-
Profit/loss for the year		-428.9	45.3
OTHER COMPREHENSIVE INCOME:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Translation difference		0.4	-0.2
Comprehensive income/loss for the year		-428.5	45.1

Balance sheet

Parent Company

SEK million	Note	2020-12-31	2019-12-31
ASSETS			
NON-CURRENT ASSETS			
<i>Intangible non-current assets</i>			
Software	17	45.8	24.2
		45.8	24.2
<i>Property, plant and equipment</i>			
Plant and machinery	18	209.9	230.6
Equipment, tools, fixtures and fittings	18	0.1	-
Construction in progress	18	-	7.7
		210.0	238.3
<i>Financial non-current assets</i>			
Participations in Group Companies	36	5,045.6	5,165.2
Participations in associated companies and joint venture	20, 35	155.4	141.4
Receivables from Group companies	37	8,747.9	1,930.6
Other securities held as non-current assets	20	5.1	4.2
Deferred tax receivable		2.0	2.0
		13,956.0	7,243.4
TOTAL NON-CURRENT ASSETS		14,211.8	7,505.9
CURRENT ASSETS			
<i>Current receivables</i>			
Receivables from Group companies	37	2,239.9	1,952.0
Tax assets		7.5	7.1
Other receivables	23	1.8	8.6
Prepaid expenses and accrued income	24	17.8	14.5
		2,267.0	1,982.2
Cash and cash equivalents	25	183.5	422.8
TOTAL CURRENT ASSETS		2,450.5	2,405.0
TOTAL ASSETS		16,662.2	9,910.9

Financial statement

Balance sheet

Parent Company

SEK million	Note	2020-12-31	2019-12-31
SHAREHOLDERS EQUITY AND LIABILITIES	26		
Equity			
Share capital		50.6	33.9
Restricted reserves		2.0	2.0
		52.6	35.9
Non-restricted equity			
Share-premium reserve		6,569.6	4,109.2
Retained earnings		-209.1	-274.6
Profit or loss for the period		-428.5	45.3
		5,932.0	3,879.9
TOTAL SHAREHOLDERS EQUITY		5,984.6	3,915.7
Non-current liabilities			
Interest bearing liabilities	35	8,893.6	4,860.3
Provision for pensions	27	6.3	5.2
Other non-current liabilities	29	1.5	0.9
		8,901.3	4,866.4
Current liabilities			
Interest bearing liabilities	35	997.1	-
Accounts payable	30	17.6	20.7
Liabilities to group companies	37	699.2	1,062.1
Other liabilities	31	3.7	3.4
Tax liabilities		-	-
Accrued expenses and prepaid income	32	58.7	42.6
		1,776.3	1,128.8
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		16,662.2	9,910.9

Statement of changes in equity

Parent Company

SEK million	Share capital	Statutory reserve	Share premium	Retained earnings	Profit/loss for the year	Total equity
Equity at 1 January 2019	33.9	2.0	4,109.2	-113.8	-82.0	3,949.3
Allocation of profit/loss				-82.0	82.0	0.0
Profit/loss 2019					45.3	45.3
Other comprehensive income 2019					-0.2	-0.2
Other comprehensive income 2019					45.1	45.1
<i>Transactions with owners:</i>						
New share issue				5.6		5.6
Dividend				-84.2		-84.2
Equity at 31 December 2019	33.9	2.0	4,109.2	-271.3	45.1	3,915.7
Allocation of profit/loss				45.1	-45.1	0.0
Allocation of profit/loss					-428.9	-428.9
Profit/loss 2020					0.4	0.4
Other comprehensive income 2020					-428.5	-428.5
<i>Transactions with owners:</i>						
Share-based incentive program				15.6		15.6
New share issue	16.7		2,460.4			2,477.1
Equity at 31 December 2020	50.6	2.0	6,569.6	-209.1	-428.5	5,984.6

Financial statement

Cash flow statement

Parent Company

SEK million	Note	2020	2019	SEK million	Note	2020	2019
OPERATING ACTIVITIES				FINANCING ACTIVITIES			
Profit before tax		-428.9	45.3	New share issue		2,477.1	-
Adjustments for items not affecting cash flow	39	256.7	-222.7	Dividend, paid		-	-84.2
Income taxes paid		0.4	2.5	Loans raised	39	12,687.8	920.0
Cash flow from operating activities before changes in working capital		-171.8	-174.9	Repayment of borrowings	39	-7,025.0	-475.0
<i>Cash flow from changes in working capital:</i>				Cash flow from financing activities		8,140.0	360.8
Change in operating receivables		202.5	-109.4	Total cash flow for the year		-232.1	309.1
Change in operating liabilities		-248.5	354.1	Cash and cash equivalents at beginning of year		442.8	113.7
Cash flow from operating activities		-217.8	69.8	Translation difference in cash and cash equivalents		-7.2	-
INVESTING ACTIVITIES				Cash and cash equivalents at end of year	25	183.5	422.8
Acquisition of subsidiaries/associated companies	20,39	-77.2	-119.3	Interest received		152.0	120.0
Loans to subsidiaries, new loans		-8,647.3	-107.3	Interest paid		-349.7	-105.3
Loans to subsidiaries, repayments		509.8	189.1				
Dividends received		321.3	123.7				
Group contribution, received		407.8	-				
Group contribution, paid		-538.1	-				
Shareholders' contribution, paid		-106.7	-173.7				
Acquisition of property, plant and equipment		-	-33.2				
Acquisition of financial assets		-0.9	-0.7				
Acquisition of intangible assets		-23.0	-				
Cash flow from investing activities		-8,154.3	-121.4				

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Notes

Recipharm AB (publ.) and its subsidiaries (together, the "Group") manufacture pharmaceuticals and perform contract development services for pharmaceutical companies. The Group has production plants in Europe, the US and India. The Parent Company is a public liability company registered in Sweden and headquartered in Stockholm, Sweden. The address of the head office is Drottninggatan 29, PO Box 603, SE-101 32 Stockholm.

The Annual Report has been approved by the Board of Directors for publication on 8 March 2021 and will be presented to the Annual General Meeting for approval on 11 May 2021.

NOTE 1 ACCOUNTING POLICIES

All amounts in millions SEK.

Basis for preparation of the Report

The consolidated accounts were prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) valid 31 December 2020 and endorsed by the European Commission for application within the European Union (EU). Recommendation RFR 1 Supplementary Accounting Rules for Groups, issued by the Swedish Financial Reporting Board, was also applied. For disclosure about new standards and amendments applied as from January 1, 2020, see subheading, "Changes in accounting policies".

The Annual Report was prepared taking into account historical acquisition values except for financial instruments that are valued at fair value or amortized cost.

Assets and liabilities are classified as current assets or current liabilities when settled within twelve months from closing day. Cash and cash equivalents are reported as current assets. Other assets are reported as non-current assets and other liabilities as non-current liabilities.

Preparing reports in compliance with IFRS requires the use of some important estimates for accounting purposes. In addition, management must make certain assessments when applying the Group's accounting policies. Those areas entailing a high degree of assessment, that are complex or that are areas in which assumptions and estimates are material to the consolidated accounts are specified under "Accounting judgements and critical estimates and assessments" in this Note.

Reporting in the Parent Company

The Parent Company prepared its annual report as per the Swedish Annual Accounts Act and Recommendation RFR 2 issued by the Swedish Financial Reporting Board. Consequently, in its annual report for the legal entity, the Parent Company applies all IFRS and interpretations endorsed by the EU as far as possible within the framework of the Annual Accounts Act and with due regard to the connection between accounting and taxation. The Parent

Company and the Group apply the same accounting policies, as described in this Note. When the Parent Company's accounting policy deviates from the Group's, it is described below:

Anticipated dividends

Anticipated dividends from subsidiaries are recognized if the Parent Company has the sole right to determine the size of the dividend and the Parent Company has determined this before publishing its financial statements.

Group and shareholders' contributions

Group and shareholder contributions are recognized in accordance with RFR 2 Accounting for Legal Entities. Group contributions received and made by the Parent Company from a subsidiary are recognized as appropriations in accordance with the alternative principle in RFR 2. Group contributions made are normally a tax-deductible expense, and Group contributions received are normally taxable income. Shareholders' contributions paid are recognized by the Parent Company as an increase in "Participations in Group companies". Impairment testing of the shares is required in such cases, particularly if the contribution is intended to cover a loss. This test adheres to normal rules for measuring the asset's value. Shareholders' contributions received are recognized by the recipient in non-restricted equity. However, if the shareholders' contribution has been paid in conjunction with a new share issue and the contribution constitutes a prerequisite for the shares being fully subscribed at an advantageously low price, the contribution shall be allocated to the share premium reserve.

Untaxed reserves

The parent company recognizes untaxed reserves in the form of accelerated depreciation of tangible assets. Because of the relationship between accounting and taxation, the deferred tax on untaxed reserves is recognized as part of the untaxed reserves.

Holdings in Group companies

The Parent Company reports all holdings in Group companies at acquisition value after deductions for any accumulated write-downs.

Joint venture and associated companies

Joint ventures and associated companies are accounted for in accordance with the acquisition value after accumulated impairment charges.

Leasing as a lessee and lessor

In the Parent Company, the exemption in RFR 2 regarding leasing agreements has been applied. The parent company is both lessee and lessor then they leases out the serialization equipment to the group companies. All leasing agreements in the Parent Company are classified as operating leases as operating leasing agreements. As a lessee, the parent company reports leasing fees as an expense on a straight-line basis over the leasing period.

Financial instruments

With regard to the connection between accounting and taxation IFRS 9 is not applied in the Parent Company, and financial instruments are reported at acquisition cost. Convertible bonds are recognized in the Parent Company at amortized cost.

Share-based incentive program

The share-based incentive program is reported in accordance with IFRS 2. When applying RFR 2 there are no significant exceptions to IFRS 2. Consequently, for participants employed by the Parent Company, the personnel expense is reported as an employee benefits expense with the corresponding entry in equity, which is similar to the accounting policy for the group. For employees in subsidiaries to which the Parent Company has the obligation to deliver any vested shares, the personnel expense is instead reported as an increase in shares in relevant subsidiaries. The corresponding entry is the same as for own employees, in equity.

Consolidated accounts

The consolidated accounts comprise the Parent Company Recipharm AB (publ.) and those companies in which Recipharm AB (publ.) at year-end directly or indirectly controlled more than 50 percent of the total voting rights or in some other way had a controlling influence. The consolidated annual accounts were prepared in compliance with IFRS 10 on consolidated accounts and using acquisition accounting. A subsidiary is included in the consolidated accounts from the date on which the controlling influence is transferred to the Group until the date on which the controlling influence ceases.

The cost of an acquisition consists of the fair value of the assets provided as consideration, equity instruments issued and liabilities incurred and assumed at the date of transfer. The surplus, consisting of the difference between the acquisition cost and the fair value of the Group's interest in acquired identifiable net assets, is recognized as goodwill. If the acquisition cost is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement. Costs associated with acquisitions are recognized in the period in which they arise.

A joint venture is a joint arrangement whereby the parties that have joint control have rights to the net assets of the arrangement. An associated company is a company in which the owner company has a significant influence, either by a direct or indirect holding of at least 20 per cent of the votes or is represented on the Board of directors or equivalent governing body of the investee or if material transactions between investor and investees exists. Holdings in joint ventures and associated companies are recognized using the equity method. The respective holding is initially recognized at cost. Subsequently, the carrying amount of the investment is increased or decreased with the Group's share of the arrangement's or associated company's results after the acquisition date. The Group's share of the results from joint ventures and associated companies is included in the consolidated operating result.

All intra-group transactions, that is, income, expenses, receivables, liabilities and unrealized gains, as well as Group contributions, have been eliminated. Where necessary, the accounting policies of a

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subsidiary have been adjusted to ensure consistent reporting within the Group.

Segment reporting

Operating segments are reported in a way that matches the internal reporting submitted to the highest executive decision-maker. The highest executive decision-maker is the function responsible for allocating resources and assessing the results of the operating segments. In this context, the Group has identified the Group's CEO and Group management as the highest executive decision-maker. The segments are Advance Delivery Systems, Manufacturing Solids & Others, Manufacturing Steriles and Development & Licensing. Advanced Delivery Systems includes the inhalation products. The manufacturing segments essentially consist of contract manufacturing of pharmaceuticals. The Development & Licensing segment provides services to pharmaceutical companies in the drug development phase for new pharmaceuticals. Each operating company is placed in one of the aforementioned segments based on type of business. Net sales, earnings and assets are totaled based on type of business. Liabilities are not allocated by segment. In the segment reporting IFRS 8 is the prevailing accounting standard.

Translation of foreign currencies

Functional currency and reporting currency

Items included in the financial reports for the different units in the Group are measured in the currency used in the business environment in which each company primarily operates (functional currency). The Swedish krona (SEK) is used in the consolidated accounts as well as in the Parent Company's accounts. SEK is the Parent Company's functional and reporting currency.

Transactions and balance items

Transactions in foreign currency are translated into the functional currency at the exchange rates prevailing on the transaction date. Foreign exchange gains and losses resulting from the payment of such transactions or in the translation of monetary assets and liabilities in foreign currencies at the closing rate of exchange are recognized in the income statement.

Revaluation through other comprehensive income

The exchange rate differences related to borrowings in foreign currency with certain subsidiaries where the loans represent a part of the net investment of the subsidiary from the Parent Company's financing are recognized in other comprehensive income.

Group companies

The earnings and financial position of foreign subsidiaries that have a different functional currency are translated into the Group's reporting currency as follows.

- i) assets, liabilities and equity are converted to the closing rate.
- ii) revenues and expenses are converted to the average exchange rate, and
- iii) all exchange rate differences that occur are to be reported as a separate part of other comprehensive income.

Tangible fixed assets

Property, plant and equipment are recognized at acquisition cost, less accumulated depreciation during the estimated useful life, and less any impairment losses. Straight-line depreciation applies to all property, plant and equipment as follows.

Land and buildings	25–50 years
Leasehold improvements	8–20 years
Machinery and equipment	3–15 years

The residual value and useful life of assets are tested at the end of each reporting period and adjusted as necessary.

An asset's carrying amount is restated at its recoverable amount if the asset's carrying amount exceeds its assessed recoverable amount. Gains and losses on the disposal of property, plant and equipment are determined by comparing the proceeds of the disposals with the carrying amounts and are recognized in the income statement.

Borrowing costs directly attributable to the purchase, design or production of an asset that takes a considerable amount of time to complete for use or sale are capitalized as part of the acquisition cost of the asset. At the end of the reporting period, the capitalized borrowing costs amounted to SEK 0.0 million (0.0).

Intangible assets

Intangible assets are recognized at acquisition cost, less accumulated amortization during the estimated useful life, and less any impairment losses. Straight-line amortization applies to all intangible assets from the time the asset is put into service as follows.

Product rights	8–20 years
Customer relations	2–15 years
Patents and other intellectual property rights	5–15 years

For corporate brands, the economic life is assessed as indefinite. Any indication of impairment results in an assessment of the asset's carrying amount. If an asset's carrying amount exceeds its estimated recoverable amount, the asset is written-down at its recoverable amount. Gains and losses on the disposal of intangible assets are determined by comparing the proceeds of the disposal and the carrying amounts and are recognized in the income statement.

Development costs

Development of own product rights is carried out by the Group's production companies and development companies in the Development & Licensing segment mainly. Expenditure for development activities is capitalized as an intangible asset if it is probable that they will lead to future economic benefits, and impairment are made on an ongoing basis. If the accumulated expenditure is not considered to give economic benefits, the project is interrupted and the sum is expensed directly.

Goodwill

Goodwill is the amount by which the acquisition value exceeds the fair value of the Group's portion of the acquired subsidiary's identifiable net assets at the time of acquisition. Goodwill arising from the acquisition of subsidiaries is recognized as an intangible asset. Goodwill is tested annually in order to identify any impairment requirements and is recognized at acquisition value reduced by accumulated impairment. Impairment recognized on goodwill is never reversed. Profit or loss following the disposal of a unit includes the residual carrying amount of the goodwill related to the unit. Goodwill is allocated to cash-generating units when testing for impairment. This allocation takes place between the cash-generating entities or groups of cash-generating entities, determined according to the Group's operating segments that are expected to benefit from the business combination in which the goodwill item arose.

Financial instruments

Financial instruments recognized on the balance sheet include, on the assets side, cash and cash equivalents, financial receivables, accounts receivable and loan receivables. The liabilities side includes accounts payable, borrowings and financial liabilities.

Recognition in and derecognition from the statement of financial position

A financial asset or financial liability is recognized in the statement of financial position when the company becomes party to the contractual conditions of the instrument. An account receivable is recognized in the statement of financial position when the invoice has been sent. A liability is recognized when the counterparty has performed a service or supplied a product and there is a contractual obligation to pay, even if the invoice has not yet been received. Accounts payable are recognized when the invoice is received.

A financial asset is removed from the statement of financial position when the rights in the contract are realised, expire or the company loses control of them. The same applies to components of a financial asset. A financial liability is removed from the statement of financial position when the commitment in the contract has been fulfilled or is otherwise extinguished. The same applies to components of a financial liability.

A financial asset and a financial liability are only offset and recognized at a net amount in the statement of financial position when a legal right allows the amounts to be offset and there is an intention to settle the items with a net amount or simultaneously realize the asset and settle the liability.

Acquisitions and disposals of financial assets are recognized at the transaction date, which is the date on which the company undertakes to acquire or dispose of the asset.

Classification and measurement

Financial assets and liabilities are classified in different categories for subsequent recognition and measurement as per the principles that apply to each category. The instruments are categorized based on the Group's business model for managing the asset and the

Notes

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asset's contractual cash flow characteristics. Management determines the category of each instrument upon initial recognition.

Financial assets measured at amortized cost

Financial assets consist of accounts receivable, other current receivables, endowment assurance, deposits, other non-current receivables and cash and cash equivalents. The majority of the Group's financial instruments refer to accounts receivable attributable to deliveries of goods. Accounts receivable are recognized initially at fair value and subsequently at amortized cost less provisions for impairment, if any. An account receivable is recognized on the balance sheet when the invoice has been sent. A provision is made for impairment of accounts receivable based upon expected credit losses for the remaining terms. The size of profit-taking equals the difference between the asset's carrying amount and its estimated fair value.

Endowment assurance is attributable to a defined benefit pension plan, but is recognized on gross basis as a financial asset as it doesn't meet the criteria for a plan asset for pensions.

Cash and cash equivalents include cash and investments in securities with maturities shorter than three months and minimal value risk as well as bank balances, excluding the unutilized portion of the Group's bank overdraft facility. The utilized portion of the bank overdraft facility is recognized on the balance sheet among current liabilities.

Financial assets measured at fair value through other comprehensive income consist of non-current investment in listed shares in operations related to the Group. The shares are measured at fair value with profit or loss from the revaluation reported as other comprehensive income.

Financial liabilities measured at amortized cost consist of liabilities to credit institutions, convertible bonds, accounts payable and other current liabilities.

Liabilities to credit institutions consist of loans from credit institutions allocated to non-current and current part. Non-current liabilities relate to liabilities with due dates more than 12 months from closing date and current liabilities relate to liabilities due within 12 months from closing date. Loans from credit institutions are measured at acquisition cost net of transaction cost. Thereafter loans from credit institutions are measured at amortized cost. Any difference between the (net) amount received and the replacement value is recognized in the income statement distributed over the period of the loan, using the effective interest method. This is calculated so that a constant effective interest rate is achieved throughout the period of the loan.

Convertible bonds are recognized in the Group in accordance with IAS 32, as a liability component (net of transaction costs) and an equity component. The liability component earns interest at a market rate according to the effective interest method, which is recognized in the income statement.

Accounts payable are recognized initially at their nominal amounts and subsequently at amortized cost, which is normally regarded as equivalent to the nominal amounts because their maturity is usually short. Accounts payable are recognized when the invoice is received.

Financial liabilities measured at fair value through profit and loss consist of a derivative in a subsidiary signed in order to minimize the risks linked to a lease for the associated production facility. The derivative is measured at fair value with the effect from revaluation reported in profit and loss as a financial income or expense.

Financial assets and liabilities held for trading as well as those that were initially assigned by management to the category measured at fair value through profit or loss. A financial asset or liability is classified as held-for-trading if it is:

- acquired mainly for the purpose of being sold or repurchased in the short term,
- included in a portfolio of identified financial instruments managed together and for which there is a recent pattern of short-term profit-taking or
- a derivative classified as held-for-trading except when used for hedge accounting.

Assets in this category are measured on an ongoing basis at fair value with changes in value recognized in the income statement.

Other investments held as non-current assets

Other investments held as non-current assets include endowment insurance, investments in shares and convertible bonds as well as deposits. Profit or loss from revaluation is reported as other comprehensive income.

Cash and cash equivalents and investments in securities

Cash and cash equivalents include cash and investments in securities with maturities shorter than three months and minimal value risk as well as bank balances, excluding the unutilized portion of the Group's bank overdraft facility. "Investments in securities" refers to other investments maturing in less than three months. Cash, cash equivalents and investments in securities are measured at fair value, and changes in value are recognized in the income statement. The utilized portion of the bank overdraft facility is recognized on the balance sheet among current liabilities.

Accounts payable

Accounts payable are recognized initially at their nominal amounts and subsequently at amortized cost, which is normally regarded as equivalent to the nominal amounts because their maturity is usually short. Accounts payable are recognized when the invoice is received.

Current liabilities to credit institutions

Current liabilities to credit institutions consist of the current part of non-current loans from credit institutions.

Other financial liabilities

Financial liabilities are recognized initially at accrued value, net after transaction costs. Borrowings are measured subsequently at amortized cost. Any difference between the (net) amount received and the replacement value is recognized in the income statement distributed over the period of the loan, using the effective interest method.

This is calculated so that a constant effective interest rate is achieved throughout the period of the loan.

Inventories

Inventories are recognized at the lower of acquisition cost and net realizable value. The acquisition cost is determined as a weighted average value of the products acquired. The acquisition cost consists of raw materials, direct labor, shipping and other direct costs as well as indirect production costs. Net realizable value is the estimated selling price, less applicable variable selling costs.

Equity

Equity is allocated to various classes such as share capital, other paid-in capital, reserves and balanced profits, including earnings for the year. The change in equity can refer in part to all the income and expenses for the year, that is, transactions that have increased or reduced equity through the statement of comprehensive income. Transaction costs that may be directly attributed to issues of new shares or options are recognized net after tax in shareholders' equity as a deduction from the issue proceeds.

Employee benefits*Short-term employee benefits*

Short-term benefits to employees are posted in the period in which they are earned.

Remuneration after termination of employment

The Parent Company and the Swedish subsidiaries primarily have defined contribution occupational pension plans. The Parent Company has a defined-benefit pension solution, but it is not significant to the amount. The foreign subsidiaries in United Kingdom, Germany, France and Italy have defined-benefit pension plans.

Defined contribution plans

Pension plans in which a company's commitments are limited to the fees the company has undertaken to pay are classified as defined-contribution plans. In such cases, the size of an employee's pension depends on the fees the company has paid into the pension plan or to an insurance company and the capital return on those fees. Consequently the employee bears the actuarial risk and investment risk. The company's commitments concerning fees paid to defined contribution plans are recognized as a cost in the income statement at the same rate as they are earned by the employees performing services for the company during a period.

Defined benefit plans

The Group's net commitments for defined benefit plans are calculated separately for each plan by estimating the future benefit that each employee has earned through employment both in the current period and previous periods; this benefit is discounted to its present value. The discount rate is the market interest rate on first-class corporate bonds with a maturity corresponding to the Group's pension commitments. The calculation is performed by a qualified actuary using the projected unit credit method. In addition, the fair value of

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any plan assets is calculated as of the end of the reporting period. When establishing the current value of the obligation and the fair value of plan assets, actuarial profits and losses may arise. These arise either as a result of the actual outcome deviating from previously made assumptions or by those assumptions changing. Actuarial profits and losses that occur during the calculation of the Group's obligations for various plans are recognized in other comprehensive income during the period in which they occur. The carrying amounts of pensions and similar commitments recognized on the balance sheet correspond to the present value of those commitments at the end of the reporting period, less deductions for the fair value of any plan assets. If the calculation results in a net asset for the Group, the carrying amount of the asset is limited to the net present value of future refunds from the plan or reduced future contributions to the plan. When the payments in a plan improve, the proportion of the increased payments attributable to the service of employees during previous periods is recognized as a staff cost in the income statement distributed on a straight-line basis over the average period until the payments are fully earned. If the payments are fully earned, a cost is recognized immediately. Net interest calculated on management assets and pension liabilities is recognized as a financial cost or revenue.

Salaried employees in Sweden are covered by the ITP plan which is collective-based and encompasses employers in a variety of industries. Under the ITP plan, salaried employees born after 1978 are offered a premium-based solution (ITP 1) negotiated by the Confederation of Swedish Enterprise and the Swedish Federation of Salaried Employees in Industry and Services (PTK). Employees born before 1978 retain the older ITP plan (ITP 2). The pension in the ITP 2 plan is a defined benefit obligation secured via insurance with Alecta.

Termination benefits

Termination benefits are paid when an employee is given notice before the normal retirement date or when an employee voluntarily resigns in exchange for such benefits. The Group recognises severance pay when demonstrably committed either to giving employees notice based on a formal plan with no possibility of reversal or to paying termination benefits as a result of an offer made to encourage voluntary resignations.

Provisions

Provisions are recognized when the Group has or can be regarded as having a commitment as a result of past events and it is probable that payments will be required to fulfil the commitment. An additional prerequisite is that the amount to be paid can be estimated reliably.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of each reporting period. Provisions are measured at present value, when material. Restructuring provisions are recognized when the Group has adopted a detailed formal plan for the restructuring and has either started the implementation of the plan or communicated its main features to those affected by the restructuring. Provisions

for onerous contracts are recognized when it is probable that the costs for fulfilling the contract with a customer are higher than the expected economic benefit.

Contingent liabilities

A contingent liability is recognized whenever there is a possible obligation arising from past events and whose existence is confirmed only by one or more uncertain future events, or there is an obligation not recognized as a liability or provision because it is not clear that resources will be disbursed.

Revenue recognition

IFRS 15, "Revenue from Contracts with Customers" is a principle-based model of recognizing revenue from customer contracts. It has a five-step model that requires revenue to be recognized when control over goods and services are transferred to the customer.

Revenue in the Group arises from sales of goods and services, with customers principally consisting of international pharmaceutical companies. Revenue includes the fair value of goods and services sold excluding value-added tax and discounts and, in the Group, after elimination of intercompany sales. Most service sales are made to customers to whom Recipharm also sells goods. Revenue is recognized as follows:

Sale of goods

The majority of Recipharm's contracts with customers relates to contract manufacturing of pharmaceutical products with no additional services, where revenue is recognized in conjunction with delivery when the control, risk and ownership are transferred to the buyer. This means after internal analysis, approval and delivery from inventory. In some cases, agreements contain an agreement that Recipharm shall be responsible for the freight. This cost is carried by Recipharm and then invoiced to the customer. Revenue is recognized for manufacturing contracts, for which the control of the assets during the entire manufacturing process is held by the customer and where the value of the assets increases as Recipharm processes the product. For these contracts the revenue is reported similarly as for sales of services, that is over time, as the asset value is enhanced. Judgement are applied when determining the appropriate revenue milestones that best reflect the progress of completion.

Sale of services

Sales of services are performed both on an ongoing basis and at a fixed price. For projects on an ongoing basis, revenue is reported based on time spent. For projects at a fixed price, an assessment is made of the time spent and the degree of completion. An anticipated loss on a service assignment is reported immediately as a cost.

Other revenue

Other revenue consists of exchange rate differences that occur during the revaluation of operative assets and liabilities, and reduced profits from the sale of fixed assets.

Interest income

Interest is recognized as revenue using the effective interest method.

Dividend income

Dividend income is recognized when the right to receive payment is established.

Tax

Total tax consists of current tax and deferred tax. Taxes are recognized in the income statement except when the underlying transaction is recognized in other comprehensive income, whereby the related tax effect is recognized in other comprehensive income. Current tax is tax to be paid or refunded for the current year. Adjustments to current tax attributable to prior periods also belong here. Deferred tax is calculated using the balance sheet method starting with the temporary differences between the recognized and taxable values of assets and liabilities. The amounts are computed based on how the temporary differences are expected to be evened out, while applying the tax rates and tax rules in effect or announced at the end of the reporting period. Deferred tax assets in deductible temporary differences and tax loss carry-forwards are recognized only to the extent it is likely that they will lead to reduced tax payments in the future.

Leasing

The Group complies with IFRS 16 "Leasing agreements" and reports, as lessee, a lease liability in the balance sheet. The main type of the group leased assets include premises / buildings, machinery and other technical equipment, vehicles and equipment. The Group's marginal borrowing interest are calculated on company level and is used to calculate the leasing debt that is reported on the first day of application. The average marginal loan interest rate amounts to approximately 4.3%. The right of use for the leasing contracts are reported in the balance sheet in an amount that is equal to the attributable lease liability. As a lessee is reported the commitment to pay the lease payments as a lease liability in the balance sheet. The right to use the underlying asset during the leasing period is reported as an asset. Depreciation of the asset is reported in the income statement as well as an interest on the lease liability. Leasing fees paid are reported partly as payment of interest and partly as amortization of the lease liability. The group has used the voluntary exemption for leases with a lease term less than 12 months and leases relating to assets such as has a low value.

Share-based payments

Since 2014 Recipharm has, on an annual basis, invited its employees to participate in different share-based incentive programmes under which employees use their own money to acquire shares at market price. Each of these programmes has a three-year term and the programme participants receive one saving share for each share acquired. Senior executives also receive performance shares based on outcomes compared with result targets. The cost of the fair value of the assets on allotment date is distributed over the vesting period

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and is recognized as employee benefits expense against equity. The fair value of the share is the market price on the allotment date adjusted for the discounted value of future share dividends that are not paid to the employee. At every reporting period, Recipharm reviews its assessment of the number of shares that are expected to be vested based on non-market-related vesting conditions. When the original estimates are changed, Recipharm recognises the change in profit or loss with the corresponding adjustment in equity. In addition, the Group establishes provisions for the social security contributions that are expected to be paid. These are expensed in profit or loss over the vesting period. The provisions are regularly tested to ensure that they correspond to the fair value of the shares on the balance sheet date.

Dividend

The dividend to Parent Company shareholders is recognized as a liability in the consolidated balance sheet in the period when the dividend is approved by Parent Company shareholders.

Earnings per share

Earnings per share is calculated as Profit for the year attributable to Parent Company shareholders divided by average number of shares for the period. When calculating earnings per share after dilution the average number of shares is adjusted with total number of potential shares, and profit for the year attributable to Parent Company shareholders is adjusted with interest expenses attributable to potential shares.

Cash flow statements

Cash flow statements are prepared using the indirect method. Recognized cash flow comprises transactions that include disbursements and receipts. In addition to cash and bank balances, cash and cash equivalents consists of current investments in securities that, on the one hand, are exposed to an insignificant risk of changes in value and, on the other:

- are traded on an open market for known amounts, and
- have an original term of less than three months

ACCOUNTING JUDGEMENTS AND CRITICAL ESTIMATES AND ASSESSMENTS IN PREPARING THE ANNUAL ACCOUNTS

The Board of Directors and Company management makes accounting estimates and assumptions that affect the carrying amounts at the end of the reporting period of assets and liabilities as well as of contingent liabilities. Recognized revenues and costs are also affected by these estimates and assessments. Accounting estimates and assessments are evaluated on an ongoing basis, based on past experience and other factors, including expectations of future events deemed reasonable under prevailing circumstances. Actual outcomes may deviate from these accounting estimates. Company management and the Board have discussed the development, choices and disclosures regarding the Group's critical accounting policies and estimates.

Critical judgements in applying the Group's accounting policies

Acquisitions

In connection with acquisitions, Recipharm makes an assessment of whether the acquisition is to be regarded as a business combination, as defined in IFRS 3 Business Combinations, or an acquisition of an asset. In a business combination all identifiable assets and liabilities are accounted for at fair value. Differences between the acquisition cost and the fair value of the identifiable assets and liabilities will be recognized as goodwill. When a transaction is defined as the acquisition of an asset, individual assets and associated liabilities are identified and recognized. The purchase price is allocated to the individual assets and liabilities based on their respective fair values as of the acquisition date. The acquisition of an asset does not give rise to goodwill.

Critical estimates and assessments

Impairment test of goodwill, customer contracts and corporate brands
Every year, the Group conducts an impairment test of goodwill, customer contracts and corporate brands in accordance with the description in IAS 36. The recoverable amount for cash-generating units has been agreed based on their utility value. In order to estimate utility value, certain estimates and assessments have been carried out. See note 17 for further information.

Purchase price allocation

Calculation and assessment of acquisition analysis is considered a critical estimate and assessment. In a business combination, all assets and liabilities are identified and valued at fair value. See Note 5 and text above under assessment of applicable accounting principles for further information

Product rights

Valuation of product rights includes certain assumptions. These assumptions are in respect of expected future sales revenues, costs and margins for each product. The assumptions also include the discount rate and the lifespan of products. The depreciation periods used by the Recipharm Group for product rights are between 8 and 20 years. As of 31 December 2020, the value of the Group's product rights amounted to SEK 517.9 million (258.6 million).

Deferred tax

In the preparation of the financial statements Recipharm estimates income tax for each of the taxing jurisdictions in which Recipharm operates, as well as any deferred taxes based on temporary differences. Deferred tax assets which primarily relate to tax loss carryforwards and temporary differences are recognized if future taxable income is expected to allow for the recovery of those tax assets. Further information regarding tax is outlined in Note 15.

Defined benefit plans

Provisions and costs for defined-benefit pension plans depend on assumptions made in conjunction with actuarial calculations. Actuarial assumptions include assessments of and assumptions for the discount rate, expected development for inflation, salary increases, employee turnover, fatalities, etc. The discount rate is the market

interest rate on first-class corporate bonds with a maturity corresponding to the Group's pension commitments. Inflation assumptions are based on analyses of external market data. The salary increase assumptions are based on anticipated salary increase trends. Employee turnover is based on historical figures for employee turnover within each subsidiary. Mortality assumptions are based on official statistics. The Group's defined benefit pension plans come from subsidiaries in United Kingdom, Germany, France and Italy. Further information regarding pension is outlined in Note 27.

Provisions

Provisions for restructuring include an assessment of the costs of restructuring measures, including rental costs for the remaining part of the rental period, increase of employee benefit expense due to termination of an estimated number of services at an assessed average cost as well as estimated additional expenses for hired temporary staff. Provisions for onerous contracts include an assessment of the quantities produced and the related costs in order to fulfil each respective onerous contract. Provisions for severance pay include estimates of the number of employees and the length of time over which severance pay will be paid.

NEW STANDARDS AND INTERPRETATIONS Changes in accounting policies

The following changes are effective as from January 1, 2020.

- Amendment to IFRS 3 "Business Combinations"
- Amendment to IFRS 7, IFRS 9 and IAS 39 "Interest Rate Benchmark Reform"
- Amendment to IFRS 16 "COVID-19 Related Rent Concessions"
- Amendment to IAS 1 and IAS 8 "Definition of Material"

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities must include certain criteria. The supplement has no effect on the consolidated reports for Recipharm, but may affect future periods in those cases when the group makes business acquisitions.

The amendment to IFRS 7, IFRS 9 and IAS 39 "Interest Rate Benchmark Reform" provide a number of reliefs, which means accounting relief which applies to all hedging relationships that are directly affected by the interest rate benchmark reform. The amendment have no effect on the consolidated reports for Recipharm, as no hedging is performed on interest rates.

The amendment to IFRS 16 "COVID-19 Related Rent Concessions" affects the lessee's reporting of changes of leases due to rent reductions that are a direct consequence of the COVID-19 pandemic. The amendment has no effect on the consolidated reports for Recipharm, as no rent reductions due to COVID-19 have been received during 2020.

The amendment to IAS 1 and IAS 8 "Definition of Material" provides a new definition of material. The amendment have no effect on the consolidated reports for Recipharm, nor is there expected to be any future impact to the group.

Notes

NOTE 2 NET SALES**Distribution of net sales**

GROUP	2020	2019
Pharmaceutical manufacturing	9,264.4	6,293.3
Product sales	720.1	768.4
Service sales	1,084.1	395.4
SEK million	11,068.6	7,457.1

Disaggregation of revenue

		Jan – Dec 2020					
SEK million	Revenue recognition	ADS	MFG-S	MFG-SO	D&L	Discontinued operations	Total
Pharmaceutical manufacturing	Revenue recognised at point in time	2,132.3	2,388.3	4,108.2	252.9	200.6	9,082.3
Pharmaceutical manufacturing	Revenue recognised over time			174.3	6.5	1.3	182.1
Product sales	Revenue recognised at point in time				548.8	171.2	720.1
Total sales of products		2,132.3	2,388.3	4,282.5	808.2	373.1	9,984.5
Service sales	Revenue recognised over time		9.7	47.8	149.3		206.8
Service sales	Revenue recognised at point in time	162.0	162.9	390.8	144.4	17.2	877.3
Total sales of services		162.0	172.6	438.6	293.7	17.2	1,084.1
Total net sales		2,294.3	2,560.9	4,721.1	1,101.9	390.4	11,068.6
		Jan – Dec 2019					
SEK million	Revenue recognition	ADS	MFG-S	MFG-SO	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	7,061.6
Service sales	Revenue recognised over time		10.3	103.3	281.8		395.4
Service sales	Revenue recognised at point in time						–
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

For pharmaceutical manufacturing and product sales invoices are issued after internal quality approval, in connection with the risk being transferred to the customer. Terms of delivery vary, in some cases the customer is responsible for the freight, meaning the risk is transferred at the time when the goods is made available for shipment, in other cases Recipharm is responsible for the freight, meaning the risk is transferred at the time when the goods has reached its destination. Invoices for services are issued at the time the service has been provided and a report is sent to the customer, or in accordance with milestones agreed in advance with the customer.

Guarantees towards the customers could vary from contract to contract, however most commonly this relates to a repayment or providing new products. In most cases customer complaints should be received within ten working days from receipt of product of service, but longer periods occur. Provision for sales returns is calculated based upon knowledge of historic outcome and amounts to SEK 12.9 million (0.7).

Recipharm only accepts creditworthy counterparts in financial transactions and, when needed, uses a system for managing overdue invoices. Long-term contracts and customers' dependence on their CDMO suppliers are important factors that reduce credit risk. Recipharm has many financially solid customers and few credit losses. Payment terms for issued invoices vary from 1 to 3 months. The provision for expected credit losses is calculated initially based on historic data, meaning the actual share of accounts receivable, per interval of due dates, that resulted in confirmed losses. To this is added a per centage corresponding to our expectations of future credit losses. Structured by interval, the following percentages have been applied (within brackets); invoices overdue 1–30 days (0.25%), 31–60 days (0.50%), 61–90 days (1.00%) and invoices overdue more than 91 days (2.25%). At year-end the total provision for expected credit losses amount to SEK 32.6 million (15.6).

Contract assets and contract liabilities

GROUP	2020	2019
Contract assets	31.8	11.5
Contract liabilities	88.6	3.5
SEK million	–56.7	7.9
Revenue from commitment in previous year	15.6	5.5

Contract assets and contract liabilities are part of the segment D&T and regards services such as clinical studies and evaluation of product formulations. Income is recognized continuously, both for cost plus contract and at a fixed price based on the degree of completion of milestones. Income is generated from a large number of orders with lower values. There are no customer guarantees related to the contract assets and contract liabilities. The same accounting principle is used during the year for evaluating the level of completion. No contract balances have been impaired during the year.

Notes

NOTE 3 RELATED PARTY TRANSACTIONS**Parent company and group**

Related company	Related party relationship
B&E Participation AB	Indirect majority owners Lars Backsell
Empros Pharma AB	Indirect majority owner Thomas Eldered
Inject Pharma AB	Joint venture, Carl-Johan Spak, Christ Hirst, Kjell Johansson and Ann Flodin – members of the Board
SVS Portugal	Joint venture
Nichepharm Lifescience Private Limited	Associated company

Operating agreements with related parties

2020

During the year Recipharm Pharmaceutical Development AB and Recipharm Pessac SAS have provided development services to Empros Pharma AB. Recipharm Pharmaceutical Development AB has also provided development services to Inject Pharma AB. During the year Lusomedicamenta S.A has provided development services SVS Portugal and purchased development services from SVS Portugal. All transactions are based on same conditions as for external customers.

Purchase and sales within the group

PARENT COMPANY	2020	2019
Sales to Group companies	207.3	183.3
Purchases from Group companies	-49.4	-50.4

“Sales to Group companies” mainly consist of services from Group functions and development services in conjunction with customer projects. See Note 37 and the Parent Company’s balance sheet for additional details.

Related party transactions

SEK million	Type of service	GROUP	
		2020	2019
Operating income			
Empros Pharma AB	Development services	11.5	5.3
Inject Pharma AB	Development services	1.8	5.6
SVS Portugal	Development services	0.2	0.2
Operating expenses			
SVS Portugal	Development services	3.5	3.5
Accounts receivable			
Empros Pharma AB	Development services	0.2	–
Inject Pharma AB	Development services	0.5	–
Accounts payable			
SVS Portugal	Development services	2.2	1.1

NOTE 4 SEGMENT REPORTING

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 products, lyophilisation and blow-fill-seal (BFS). 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 and Ashton-under-Lyne, UK, which was both closed down during 2020. It also contains the distribution business and ophthalmology companies in Lisbon, Portugal, which was divested during 2020. Non-recurring items related to discontinued operations can be found in Note 8. The column eliminations & other includes the parent company, group common costs and elimination of intercompany transactions.

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.

Net sales and fixed assets, geographical area

SEK million	GROUP				PARENT COMPANY	
	Net sales		Non-current assets		Net sales	
	2020	2019	2020	2019	2020	2019
UK	3,005.6	812.1	7,246.5	587.2	25.6	20.1
Italy	1,714.4	1,328.3	1,907.4	1,959.4	25.7	22.8
Germany	1,421.0	473.2	957.5	762.6	12.3	7.0
Sweden	1,367.3	1,359.6	1,782.6	1,751.0	66.0	68.3
France	1,105.8	1,132.2	765.2	823.1	29.4	22.7
Spain	823.6	788.0	191.0	186.4	13.3	12.1
Portugal	776.6	660.5	734.3	1,019.4	19.6	13.7
India	775.5	833.1	1,968.5	2,410.7	12.0	10.3
Other	78.8	70.1	29.2	38.0	3.2	6.3
Total	11,068.6	7,457.1	15,582.2	9,537.8	207.3	183.3

Notes

2020									
SEK,million	ADS	MFG-S	MFG-SO	D&L	Eliminations & Other	Total	Discontinued operations	Non-rec. items	Total
Net sales, external	2,294.3	2,560.9	4,721.1	1,101.9		10,678.2	390.4		11,068.6
Net sales, internal	8.1	61.9	54.8	13.0	-172.0	-34.3	34.3		
Other operating revenue	87.1	32.0	68.0	81.1	-3.5	264.7	21.6	90.8	377.1
EBITA	428.3	276.5	511.6	144.9	-135.4	1,226.0	79.4	-86.2	1,219.2
EBITA,%	18.6	10.5	10.7	13.0		11.5	18.7		11.0
EBIT	315.0	209.5	345.2	114.0	-135.4	848.3	79.4	-86.2	841.6
Goodwill	1,684.7	1,189.6	1,690.5	622.8		5,187.5			5,187.5
Non-current assets	4,318.9	3,476.3	5,577.5	1,602.1	603.7	15,578.5	3.7		15,582.2
Total assets	5,999.4	4,894.8	8,187.5	2,494.8	-228.2	21,348.3	289.5		21,637.8
2019									
SEK,million	ADS	MFG-S	MFG-SO	D&L	Eliminations & Other	Total	Discontinued operations	Non-rec. items	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		
Other operating revenue	55.2	32.0	91.7	54.1	7.6	240.6	11.6		252.2
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

Notes

NOTE 5 ACQUISITIONS AND DIVESTMENTS**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 nine 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 or 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 and was included in Recipharm's interim report for Q1 2020. Recipharm's share amounts to 100 %. Consort contributed to Recipharm's Net Sales with SEK 3,484 million and for EBITA SEK 368 million for the period February – December 2020. Net cash-

flow for the acquisition amounts to SEK –5,957 million and is presented under Investing activities in the consolidated cashflow statement.

Divestments*Divestment of DAVI II Farmacêutica, S.A.*

On 30 September 2020, the Group publicly announced that 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 yielded an exit profit of SEK 37 million in Recipharm Group.

Divestment of the Medicamenta business unit

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 was completed before year end after obtaining, among other requirements, necessary regulatory approvals. 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 amounted to approximately EUR 26 million. The divestment yielded an exit profit of SEK 48 million in Recipharm Group.

Preliminary balance sheet as of acquisition date

SEK million	Carrying amount	Fair value adjustment ¹⁾	Fair value in the group
Goodwill	1,583.4	1,579.2	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	5,968.5	4,086.6	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
Totalt			6,301,2

¹⁾ 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 63 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 and was marked as final 4 February 2021.

Notes

NOTE 6 INFORMATION ABOUT SUBSIDIARIES

The subsidiaries directly owned by the Parent company are listed below, and can also be found in Note 36 – Participation in group companies. There are also a number of subsidiaries to the subsidiaries, a detailed specification of Group companies is available on request from Recipharm AB (publ), Investor Relations.

Company	Corp. Id No.	Registered office	No of participations	pctg. owned
Recipharm Stockholm AB	556666-8249	Stockholm, Sweden	100,000	100%
Recipharm Strängnäs AB	556666-8231	Strängnäs, Sweden	100,000	100%
Recipharm Venture Fund AB	556666-2697	Stockholm, Sweden	400,000	100%
Recipharm Karlskoga AB	556662-4366	Karlskoga, Sweden	100,000	100%
Recipharm Karlskoga Fastighets AB	556657-8315	Stockholm, Sweden	100,000	100%
Recipharm Höganäs AB	556666-2606	Höganäs, Sweden	100,000	100%
Recipharm Participation SAS	498 592 757 000 13	Monts, France	19,386	100%
Recipharm Holdings Ltd.	8174911	Manchester, UK	1,013,485	100%
Recipharm AG	CH-270.3.010.655-3	Basel, Switzerland	3,000	100%
RM 2959 Vermögensverwaltungs GmbH	HRB 182 656	Wasserburg, Germany	36,856	100%
RPH Iberia AB	556805-3234	Stockholm, Sweden	50,000	100%
Recipharm Pharmaceutical Development AB	556825-0095	Solna, Sweden	50,000	100%
RPH Pharmaceuticals AB	556731-7226	Stockholm, Sweden	1,000	100%
Recipharm Strängnäs Fastighets AB	556885-6842	Strängnäs, Sweden	50,000	100%
Recipharm Italia S.p.A.	06258250965	Milan, Italy	4,945,089	100%
LIO Immobiliare S.r.l.	07246630961	Masate, Italy	1	100%
Lusomedicamenta S.A.	507150473	Lisbon, Portugal	1,602,073	100%
Recipharm Pessac S.A.S.	807 679 386	Pessac, France	4,055	100%
Recipharm Uppsala AB	556695-5752	Uppsala, Sweden	1,000,000	100%
Recipharm (Americas), Inc	27-3497567	Triangle Park, USA	1,000	100%
Recipharm Participation B.V.	855609254	Amsterdam, Netherlands	1	100%
Recipharm OT Chemistry AB	556761-5439	Uppsala, Sweden	1,256	100%

NOTE 7 OTHER OPERATING INCOME AND OPERATING EXPENSES

GROUP	2020	2019
Other operating income		
Foreign exchange gains	21.9	23.2
Capital gains on sale of intangible assets and property, plant and equipment	13.4	1.4
Reinvoicing of expenses, packaging and scrap material	86.7	93.9
Capital gains on divestment of companies and business units	82.0	-
Adjustment earn-out	-	35.1
Royalty income	15.1	23.9
Various contributions	114.7	23.5
Other operating income	43.2	51.2
SEK million	377.1	252.2
Other operating expenses		
Foreign exchange loss	-25.4	-27.2
Loss on sale of property, plant and equipment	-0.7	-3.4
Excise duties	-75.4	-44.7
Other operating expenses	-19.8	-6.8
SEK million	-121.2	-82.1
PARENT COMPANY	2020	2019
Other operating income		
Capitalised work for own account	-	0.8
Foreign exchange gains	3.9	5.0
Other income	4.9	1.7
SEK million	8.8	7.5
Other operating expenses		
Foreign exchange loss	-6.7	-1.8
SEK million	-6.7	-1.8

Notes

NOTE 8 RAW MATERIALS AND CONSUMABLES

GROUP	2020	2019
Cost of goods sold including freight	3,399.0	2,104.6
Write-down on inventory	139.3	108.5
Reversed write-down on inventory	-68.4	-40.9
SEK million	3,470.0	2,172.2

NOTE 9 OTHER EXTERNAL COSTS

GROUP	2020	2019
Costs of premises	135.7	77.7
Rental fixed assets	10.6	3.5
Energy costs	347.2	207.7
Expendable equipment and consumable supplies	279.9	213.6
Repairs and maintenance	344.2	255.5
Other costs of sales	34.1	37.6
External services and consultant fees	634.6	545.0
Corporate insurance and other costs of risk	52.7	33.1
Administration costs	119.3	28.9
Travel and transportation cost	85.5	63.5
Other external expenses	199.5	169.3
SEK million	2,243.2	1,635.4
PARENT COMPANY	2020	2019
Costs of premises	8.6	7.7
External services and consultant fees	42.7	62.2
Corporate insurance and other costs of risk	6.4	6.4
Other costs of sales	9.8	10.8
Administration costs	7.1	5.5
Intercompany costs	49.4	50.4
Other external expenses	42.9	36.2
SEK million	166.8	179.3

NOTE 10 FEES TO AUDITORS**Fees and remuneration to auditors**

GROUP	2020	2019
Ernst & Young		
Audit fees	16.7	9.0
Fees for audit related services	0.6	0.7
Tax consulting	2.8	0.4
Other services	0.6	0.8
SEK million	20.6	11.0
Other statutory auditors		
Audit fee	1.2	1.0
SEK million	1.2	1.0
PARENT COMPANY	2020	2019
Ernst & Young		
Audit fees	3.9	2.3
Fees audit related services	0.4	0.2
Tax consulting	-	0.2
Audit fee	-	0.4
SEK million	4.2	3.1

In addition to the above audit fee, compensation of SEK 2.6 million also has been paid to Ernst & Young for work in connection with the new share issue which was booked directly to equity.

"Audit fee" refers to the statutory audit, that is, work necessary to produce the auditors' report, as well as audit advice provided in connection with the audit engagement.

Notes

NOTE 11 PERSONNEL**Average number of employees**

Calculation based on hours of attendance paid in relation to normal working hours.

GROUP	2020			2019		
	Men	Women	Total	Men	Women	Total
Sweden	391	400	791	385	429	814
France	417	442	859	379	433	812
Germany	350	397	747	129	211	340
Italy	365	441	806	264	307	571
Portugal	136	107	243	122	133	255
Spain	206	206	412	184	190	374
United Kingdom	1,033	981	2,014	381	225	606
India	1,544	388	1,932	1,320	165	1,485
Israel	4	8	12	6	8	14
USA	21	20	41	23	22	45
Total average number of employees	4,467	3,390	7,857	3,193	2,123	5,316
In percentage of total average number of employees	57%	43%	100%	60%	40%	100%

PARENT COMPANY	2020			2019		
	Män	Kvinnor	Totalt	Män	Kvinnor	Totalt
Sweden	39	31	70	37	28	65
United Kingdom	1	0	1	6	4	10
Total average number of employees	40	31	71	43	32	75
In percentage of total average number of employees	56%	44%	100%	57%	43%	100%

Senior management

GROUP	2020	2019
Members of the Board, including CEO	8	8
<i>of whom women</i>	3	3
Other members of senior management	33	28
<i>of whom women</i>	7	7
PARENT COMPANY	2020	2019
Members of the Board, including CEO	8	8
<i>of whom women</i>	3	3
Other members of senior management	9	9
<i>of whom women</i>	-	-

Salaries, other remunerations and social security contributions

GROUP	2020	2019
Board of Directors, CEO and other members of senior management		
Salaries	76.3	62.2
Variable remuneration	21.5	8.7
Pension expenses	10.3	7.9
SEK million	108.1	78.8
Other employees		
Salaries and remuneration	2,605.4	1,748.8
Pension expenses	191.7	130.3
SEK million	2,797.1	1,879.0
Social security contributions	614.9	485.2
of which tax on pension expenses	13.8	13.1
Other employee benefits expense	142.9	137.0
Total Board of Directors, CEO and other employees	3,663.0	2,580.0
of which remuneration to the Board booked as Other external costs	2.4	2.0

No variable remuneration is paid to members of the Board or the Group's CEO. Other senior executives are generally entitled to an annual bonus of up to 40 per cent of the base salary, based on the outcome of financial targets and achievement of individual goals. The Company and CEO have a mutual period of notice of six months. In the case of termination by the Company, no severance pay is payable. The Company and other senior executives have a mutual period of notice of four to six months. In case of termination by the Company, other senior executives could be entitled to a severance pay up to six months salary.

Holdings of shares, thousand	2020	2019
Chairman, indirect via Cajelo Invest Ltd	10,712.6	7,651.9
Other members of the Board	69.8	69.8
CEO, indirect via Zentricity Holding AB	15,228.8	10,681.9
Other members of senior management	180.2	180.2
	26,191.5	18,583.7

Notes

Note 11 cont.

PARENT COMPANY	2020	2019
CEO		
Salary Thomas Eldered	4.1	3.5
Variable remuneration	-	-
Other benefits	0.1	0.1
Pension expenses	1.2	1.2
SEK million	5.5	4.8
Chairman of the Board		
Fixed remuneration Lars Backsell	0.7	0.5
Variable remuneration	-	-
Pension expenses	-	-
SEK million	0.7	0.5
Other members of the Board		
Anders G Carlberg	0.3	0.3
Marianne Dicander Alexandersson	0.3	0.3
Eva Sjökvist Saers	0.2	0.1
Carlos von Bonhorst	0.3	0.2
Helena Levander	0.4	0.3
Ashwini Kakkar	0.2	0.1
Wenche Rolfsen	-	0.1
SEK million	1.7	1.5
Total Board of Directors and CEO		
Salaries and remuneration	6.6	5.5
Pension expenses	1.2	1.2
SEK million	7.8	6.7

PARENT COMPANY	2020	2019
Other members of senior management		
Salaries and remuneration	21.0	21.7
Variable remuneration	4.9	3.8
Other benefits	2.0	3.1
Pension expenses	4.5	3.2
SEK million	32.3	31.8
Other employees		
Salaries and remuneration	49.7	46.1
Pension expenses	11.7	10.8
SEK million	61.4	57.0
Social security contributions	27.7	24.5
<i>of which tax on pension expenses</i>	4.2	3.3
Other employee benefits expense	6.2	6.4
Total Board of Directors, CEO and other employees, SEK million	135.5	126.4
of which remuneration to the Board, reported as Other external costs	2.4	2.0
The Company has no pension commitments to the Board of Directors.		

NOTE 12 DEPRECIATION, AMORTISATION AND IMPAIRMENT OF PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

GROUP	2020	2019
Product rights	78.4	31.4
Corporate brands	24.5	-
Impairment of Investment in progress	3.1	1.4
Customer relations	297.9	230.3
Software	22.8	20.7
Land and Buildings improvements	103.4	75.9
Impairment of Construction in progress	6.3	6.6
Leasehold improvements	1.8	1.7
Plant and machinery	392.0	245.6
Equipment, tools, fixtures and fittings	53.5	48.2
Right of use assets	125.4	86.1
SEK million	1,109.1	747.8

The amounts above include impairment of SEK 38 million (14). No reversals of previous impairment has been made during 2020. The corresponding figure for 2019 was SEK 4 million.

PARENT COMPANY	2020	2019
Software	2.2	4.2
Plant and machinery	28.3	26.8
SEK million	30.5	31.0

Notes

NOTE 13 INTEREST INCOME AND SIMILAR REVENUES

GROUP	2020	2019
Interest income, external	4.5	3.4
Foreign exchange gains	177.1	75.1
Gains from disposal of financial assets	3.8	19.6
Other financial income	8.6	–
SEK million	193.9	98.0
PARENT COMPANY	2020	2019
Interest income, external	0.2	0.1
Interest income, internal	418.6	107.8
Foreign exchange gains	1,290.6	370.1
SEK million	1,709.5	478.0

NOTE 14 INTEREST EXPENSES AND SIMILAR COSTS

GROUP	2020	2019
Interest expenses, external	382.6	143.4
Other financial expenses	81.0	22.3
Foreign exchange loss	55.0	20.3
Write-down financial assets	4.8	–
Interest expenses on lease liability	13.5	11.9
Unrealized change in value, security	0.2	21.8
SEK million	537.1	219.8
PARENT COMPANY	2020	2019
Interest expense, external	356.0	106.8
Interest expense, internal	0.3	0.8
Other financial expenses	80.9	20.6
Foreign exchange loss	1,850.0	330.7
Unrealized change in value, security	0.2	21.8
SEK million	2,287.3	480.1

NOTE 15 TAX ON PROFIT FOR THE YEAR

GROUP SEK million	2020	2019
Current tax for the period	–302.9	–190.2
Adjustment for tax attributable to prior years	–5.6	–4.2
Total current tax	–308.5	–195.2
Deferred tax on temporary differences recognised	153.7	165.3
Adjustment for deferred tax attributable to prior years	–4.8	0.8
Total deferred tax	148.9	166.1
Total tax recognised on profit for the year	–159.6	–29.1
Deferred tax recognised in other comprehensive income	26.8	14.8
Reconciliation of total effective tax		
<i>Net profit before tax</i>	498.4	372.1
Tax at the rate valid for the Parent Company	21.4% –106.6	21.4% –79.6
Effect of different tax rates in foreign subsidiaries	–33.1	8.5
Tax effect of non-deductible expenses	–100.5	–26.3
Tax effect on non-taxable income	35.8	3.5
Change in tax loss carry-forwards without capitalisation of deferred tax asset	45.7	20.8
Tax attributable to prior years	–10.4	–4.2
Effect of changes in tax rates or tax regulations	11.3	65.2
Total effective tax	32.0% –159.6	7.8% –29.1
PARENT COMPANY SEK million	2020	2019
Current tax in profit for the year	–	–
Adjustment for tax attributable to prior years	–	–
Total current tax	–	–
Deferred tax on temporary differences recognised	–	–
Total deferred tax	–	–
Total tax recognised on profit for the year	–	–
Reconciliation of total effective tax		
<i>Net profit before tax</i>	–428.9	45.3
Tax at the rate valid for the Parent company	21.4% 91.8	21.4% –9.7
Tax effect from non-deductible expenses	–4.5	–10.6
Tax effect from result from subsidiaries	26.3	–18.7
Tax effect from non-taxable income	1.2	0.1
Change in tax loss carry-forwards without capitalisation of deferred tax asset	–114.8	39.0
Total effective tax	0.0% –	0.0% –

Notes

Note 15 cont.

Deferred tax

GROUP SEK million	2020-12-31	2019-12-31
Specification to deferred tax assets/-liabilities		
Tangible fixed assets	8.3	10.8
Taxable deficit	41.1	18.9
Accounts receivable	11.5	11.0
Inventories	8.2	5.0
Pension liabilities	114.4	67.6
Accrued expenses	9.6	14.1
Total deferred tax assets	193.1	127.5
Tangible fixed assets	-223.0	-138.5
Customer relations	-540.6	-522.9
Product rights	-80.8	-48.9
Corporate brands	-47.3	-
Financial assets	-24.4	-8.7
Untaxed reserves	-8.0	-18.0
Interest-bearing liabilities	-0.2	-5.3
Pension liability	7.5	9.0
Total deferred tax liabilities	-916.7	-733.3
Deferred tax assets/-liabilities, net	-723.6	-605.8
GROUP SEK million	2020	2019
Changes of deferred tax in temporary differences and tax deficit		
Opening balance	-605.8	-772.9
Recorded within net profit for the period	148.9	165.3
Allocated directly to equity	26.8	14.8
Adjusted purchase price allocation	-437.4	-
Translation differences	143.9	-13.1
Closing balance	-723.6	-605.8

Tax losses for which no deferred tax asset is reported amount to SEK 105.3 million (104.5). For these current tax losses there is no expiry date.

NOTE 16 EARNINGS PER SHARE

Before dilution

Earnings per share before dilution is calculated by dividing the profit attributable to Parent Company shareholders with a weighted average number of ordinary shares outstanding during the period.

	2020	2019
Profit attributable to Parent Company shareholders before dilution (SEK thousand)	338,721	343,136
Weighted average number of ordinary shares outstanding (thousand)	85,342	67,776
Earnings per share before dilution (SEK)	3.97	5.06

After dilution

To calculate earnings per share after dilution, the weighed average number of ordinary shares outstanding is adjusted for the dilution effect of all potential ordinary shares.

	2020	2019
Profit attributable to Parent Company shareholders (SEK thousand)	338,721	343,136
Earnings effect, potential shares (SEK thousand)	40,807	40,707
Profit attributable to Parent Company shareholders after dilution (SEK thousand)	379,528	383,843
Weighted average number of ordinary shares outstanding (thousand)	85,342	67,776
Potential shares (attributable to share-based incentive program and convertible bond)	5,496	5,496
Weighted average number of ordinary shares for calculating earnings per share after dilution (thousand)	90,837	73,272
Earnings per share after dilution (SEK)	3.97	5.06

NOTE 17 INTANGIBLE ASSETS

PARENT COMPANY SEK million	Software	
	2020-12-31	2019-12-31
Opening acquisition costs	56.9	35.8
Purchases	23.8	21.1
Sales/Disposals	-0.9	-
Closing accumulated acquisition costs	79.8	56.9
Opening amortisation according to plan	-32.7	-28.5
Sales/Disposals	0.9	-
Amortisation for the year according to plan	-2.2	-4.2
Closing accumulated amortisation	-34.0	-32.7
Carrying amount	45.8	24.2

Notes

Note 17 cont.

GROUP SEK million	Product rights	Goodwill	Customer relations	Corporate Brands	Software	Investment in progress	Total intangible assets
2020							
Opening acquisition cost	506.8	2,719.8	3,121.4	132.5	132.3	111.1	6,723.9
Acquisitions	2.8	-	-	-	24.2	42.0	69.0
Acquired in connection with business combinations	425.5	3,162.9	1,798.6	304.4	13.1	-	5,704.5
Adjustment of purchase price allocation	-	-	-	-	-	-	-
Reclassification	5.5	-	-	-	5.6	-0.9	10.2
Sales/Disposals	-122.0	-96.3	-104.4	-42.9	-3.5	-3.4	-372.6
Translation difference	-68.0	-598.9	-420.3	-42.2	-5.0	-4.3	-1,138.7
Closing accumulated acquisition costs	750.6	5,187.5	4,395.2	351.8	166.7	144.5	10,996.3
Opening amortisation according to plan	-248.2	-	-1,035.0	-	-102.1	-4.5	-1,389.8
Amortisation for the year	-78.4	-	-297.9	-24.5	-22.8	-	-423.6
Reclassification	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-3.1	-3.1
Sales/Disposals	86.8	-	47.0	-	5.5	4.5	143.8
Translation difference	7.1	-	74.9	1.4	3.1	-	86.5
Closing accumulated amortisation	-232.7	-	-1,211.0	-23.1	-116.3	-3.1	-1,586.2
Carrying amount 31 December 2020	517.9	5,187.5	3,184.2	328.8	50.3	141.4	9,410.1
2019							
Opening acquisition cost	470.4	2,598.4	3,062.1	130.5	117.7	57.0	6,436.1
Acquisitions	6.8	-	-	-	7.9	56.5	71.2
Acquired in connection with business combinations	-	-	-	-	-	-	-
Adjustment of purchase price allocation	-	58.0	-	-	-	-	58.0
Reclassification	23.9	-	-	-	0.5	-1.9	22.2
Sales/Disposals	-	-	-	-	-0.3	-	-0.3
Translation difference	5.7	63.4	59.3	2.0	6.5	-1.0	136.1
Closing accumulated acquisition costs	506.8	2,719.8	3,121.4	132.5	132.3	111.1	6,723.9
Opening amortisation according to plan	-191.7	-	-793.6	-	-80.2	-3.1	-1,068.6
Amortisation for the year	-31.4	-	-230.3	-	-20.7	-	-282.4
Reclassification	-21.7	-	-	-	-	-	-21.7
Impairment	-	-	-	-	-	-1.4	-1.4
Sales/Disposals	-	-	-	-	0.3	-	0.3
Translation difference	-3.4	-	-11.1	-	-1.5	-	-16.0
Closing accumulated amortisation	-248.2	-	-1,035.0	-	-102.2	-4.5	-1,389.8
Carrying amount 31 December 2019	258.6	2,719.8	2,086.4	132.5	30.1	106.7	5,334.1

Goodwill

Goodwill has arisen in conjunction with the following acquisitions; Wasserburg in 2010 (Germany), Corvette and Lusomedicamenta in 2014 (Italy and Portugal), OnTarget Chemistry AB in 2015 (Sweden), Mitim Srl, Nitin Lifescience and Kemwell in 2016 (Italy, India and Sweden) in 2016, Holmes Chapel in 2018 (Great Britain) and Consort Medical in 2020 (United Kindom, Germany, Italy). In addition there are intangible assets with unspecified amortisation periods in the form of corporate brands, which arose in 2014 in conjunction with the acquisition of Corvette (Italy), Lusomedicamenta (Portugal) and Consort Medical. Otherwise the Group has no intangible assets that are not amortised. The divestment of the Medicamenta business unit (Portugal) have resulted in a decrease of goodwill during 2020.

Notes

Note 17 cont.

Impairment testing of Goodwill and Corporate Brands

Goodwill and corporate brands per segment	Goodwill		Corporate Brands	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Advanced Delivery Systems	1,684.7	113.6	204.6	–
Manufacturing Services Steriles	1,189.6	1,499.4	–	–
Manufacturing Services Solids & Others	1,690.5	656.8	37.3	48.0
Development and Licensing	622.8	351.0	86.9	84.5
Discontinued operations ¹⁾	–	99.0	–	–
	5,187.5	2,719.8	328.8	132.5

¹⁾ Goodwill reported under Discontinued operations 2019 is fully related to the divested Medicamenta operations in Portugal. During 2019, the divested operations and related goodwill was reported under the segment Development & Licensing.

Impairment testing consists of comparing the carrying amount before test with a recoverable amount that is calculated by determine the value in use based on financial forecasts. The financial forecasts are based on budgets for coming years adopted by Group Management and the Board of Directors. For subsequent years (up to the fifth year), the person responsible for the particular business prepares financial forecasts that are approved by the CEO. An estimated growth rate for the markets is used for subsequent years. In conjunction with these forecasts, the person responsible for the

business also assesses how the market is developing. The financial forecasts serve as a foundation for cash flow forecasts, which are discounted using a discount rate before tax. The latter consists of a weighted average return of equity and cost of loans. The return of equity is based on a risk free interest rate (10-year government bonds in EUR and SEK) plus a risk premium. The cost of the loans consists of an estimated interest-margin based on the Parent Company's borrowings and conditions in the credit market.

	2020				2019			
	ADS	MFG-S	MFG-SO	D&L	ADS	MFG-S	MFG-SO	D&L
Discount rate, %	7.5%	7.5%	7.5%	7.5%	8.4%	8.4%	8.4%	8.4%
Growth rate after 5 years, %	3.0%	3.0%	1.5%	3.0%	3.0%	3.0%	1.5%	3.0%

The Group carried out its annual impairment test during the fourth quarter 2020. The cash generating units consist of the four segments respectively which report goodwill. In general, Group management sees continued stable development and a healthy growth rate for all segments. The discount rate before tax is estimated at 7.5% (8.4%) and the annual growth rate after five years is estimated at 3 per cent (3) per annum for the segments ADS, MFG-S and D&L, and 1.5 per cent (1.5) for MFG-SO. As a result of this

test, Group Management found no need for impairment as the value in use is equal to or higher than the carrying amount. A sensitivity analysis was also performed in which the discount rate was increased by one percentage point, the gross margin was decreased by one percentage point and the growth rate was decreased by one percentage point. This caused no change in the conclusion above.

Notes

NOTE 18 PROPERTY, PLANT AND EQUIPMENT

PARENT COMPANY SEK million	Plant and Machinery	Equipment, Tools, Fixtures and Fittings	Construction in progress	Total
2020				
Opening acquisition costs	276.3	-	7.7	284.0
Purchases	0.1	-	-	0.1
Reclassifications	7.7	-	-7.7	-
Sales and disposals	-1.2	-	-	-1.2
Closing accumulated acquisition costs	282.8	-	-	282.8
Opening depreciation according to plan	-45.8	-	-	-45.8
Depreciation for the year according to plan	-28.3	-	-	-28.3
Sales and disposals	1.1	-	-	1.1
Closing accumulated depreciation	-73.0	-	-	-73.0
Carrying amount 31 December 2020	209.9	-	-	209.9
2019				
Opening acquisition costs	195.8	-	80.4	276.2
Purchases	4.4	-	6.4	10.8
Reclassifications	79.1	-	-79.1	-
Sales and disposals	-3.0	-	-	-3.0
Closing accumulated acquisition costs	276.3	-	7.7	284.0
Opening depreciation according to plan	-22.0	-	-	-22.0
Depreciation for the year according to plan	-26.8	-	-	-26.8
Sales and disposals	3.0	-	-	3.0
Closing accumulated depreciation	-45.8	-	-	-45.8
Carrying amount 31 December 2019	230.5	-	7.7	238.2

Notes

Note 18 cont.

GROUP SEK million	Land and Buildings	Leasehold improvements	Plant and Machinery	Equipment, Tools, Fixtures and Fittings	Construction in progress	Total
2020						
Opening acquisition costs	1,575.7	21.8	3,202.2	836.5	371.3	6,007.5
Purchases	19.6	–	166.2	25.4	282.5	493.7
Acquired in connection with business combinations	1,066.2	–	853.4	11.0	345.8	2,276.4
Reclassifications	–59.3	–	263.8	38.4	–363.5	–120.5
Sales and disposals	–19.8	–2.6	–234.4	–9.8	–29.7	–296.2
Translation differences	–231.5	–0.5	–247.8	–41.9	–52.6	–574.2
Closing accumulated acquisition costs	2,350.9	18.8	4,003.5	859.6	553.8	7,786.7
Opening depreciation according to plan	–494.1	–10.8	–1,469.1	–538.2	–6.8	–2,518.9
Depreciation for the year according to plan	–103.4	–1.8	–380.4	–53.5	–	–539.2
Impairment	–	–	–11.6	–	–6.3	–17.9
Reversed impairment	–	–	–	–	–	–
Reclassifications	19.7	–	17.7	1.4	–	38.8
Sales and disposals	5.4	2.5	223.0	18.9	–	249.9
Translation differences	21.7	0.1	67.8	27.6	–	117.2
Closing accumulated depreciation	–550.6	–10.0	–1,552.6	–543.8	–13.1	–2,670.2
Carrying amount 31 December 2020	1,800.3	8.8	2,450.9	315.8	540.7	5,116.5
<i>Of which carrying amount on land:</i>	<i>494.0</i>					
2019						
Opening acquisition costs	1,528.8	22.4	2,765.2	743.6	466.5	5,526.5
Purchases	12.3	2.3	109.0	30.0	240.5	394.1
Acquired in connection with business combinations	–	–	–	–	–	–
Reclassifications	9.4	–	312.9	23.9	–346.2	–
Sales and disposals	–	–3.5	–35.9	–1.7	–	–41.1
Translation differences	25.2	0.6	51.0	40.8	10.5	128.1
Closing accumulated acquisition costs	1,575.7	21.8	3,202.2	836.5	371.3	6,007.5
Opening depreciation according to plan	–418.5	–9.9	–1,230.4	–452.2	–3.4	–2,114.4
Depreciation for the year according to plan	–77.7	–1.7	–242.0	–46.8	–	–368.2
Impairment	–	–	–4.5	–2.9	–6.6	–14.0
Reversed impairment	1.8	–	1.0	1.5	–	4.3
Reclassifications	–	–	–5.6	2.2	3.4	–
Sales and disposals	–	1.4	33.8	1.7	–	36.9
Translation differences	0.3	–0.6	–21.4	–41.6	–0.2	–63.5
Closing accumulated depreciation	–494.1	–10.8	–1,469.1	–538.1	–6.8	–2,518.9
Carrying amount 31 December 2019	1,081.6	11.0	1,733.2	298.4	364.5	3,488.7
<i>Of which carrying amount on land:</i>	<i>150.4</i>					

Notes

NOTE 19 LEASING**Accounting as a lessee:**

Maturity analysis for leasing payments

GROUP	2020	2019
Leasing payments for the financial year	132.3	92.4
Estimated payments within 1 year	102.9	93.7
Estimated payments within 2–5 years	236.6	163.0
Estimated payments within after 5 years	64.0	21.6

Leasing mainly consist of leased buildings. During the year, leasing contracts amounted to a net of SEK 63.6 million excluding impairment, which were acquired in connection with the business acquisition of Consort. There are leasing contracts with variable leasing fees, these are included in estimated fees to be paid as above. Moreover, Recipharm also has agreements that have the option to be extended beyond the contract period for which estimated fees have been calculated as above. A total residual value is calculated and amounts to SEK 3.8 million.

Costs attributable to short-term contracts amounted to SEK 3.3 million (3.7) and costs of low value amounted to SEK 0.8 (0.3).

Accounting as a lessor:

The Parent Company acts as a lessor to a number of the Group companies connected to the equipment used for serialization.

Parent companys accounting as a lessee:

PARENT COMPANY	2020	2019
Leasing payments for the financial year	6.2	7.7
Estimated payments within 1 year	7.2	5.2
Estimated payments within 2–5 years	4.5	4.7
Estimated payments within after 5 years	0.0	0.0

Parent company as lessor:

PARENT COMPANY SEK million	2020	2019
Leasing payments for the financial year	39.6	24.2
Estimated payments within 1 year	39.6	39.6
Estimated payments within 2–5 years	158.4	158.4
Estimated payments within after 5 years	114.0	153.6

GROUP SEK million	Land and Buildings	Plant and Machinery	Equipment, Tools, Fixtures and Fittings	Total
2020	243.7	41.7	38.0	323.3
Additions	86.5	6.8	26.0	119.3
Acquired in connection with business combinations	61.0	0.8	16.3	78.1
Cancelled contracts	-72.5	-0.6	-13.3	-86.4
Reclassifications	89.3	-4.0	-0.7	84.6
Translation differences	-5.8	-1.6	-1.8	-9.2
Closing balance accumulated acquisitions	402.2	43.1	64.5	509.8
Opening accumulated depreciation	-66.5	-4.4	-13.2	-84.1
Impairment	-14.5	-	-	-14.5
Depreciations for the year	-84.2	-5.9	-20.6	-110.6
Cancelled contracts	54.2	0.6	9.7	64.4
Reclassifications	-43.7	-14.6	-1.0	-59.3
Translation differences	1.0	0.2	0.5	1.7
Accumulated depreciation	-153.7	-24.1	-24.6	-202.4
Closing amount Right of use-assets	248.5	19.0	39.9	307.4

GROUP SEK million	Land and Buildings	Plant and Machinery	Equipment, Tools, Fixtures and Fittings	Total
2019	232.4	43.5	35.8	311.6
Additions	15.0	0.4	12.9	28.3
Cancelled contracts	-3.6	-2.5	-7.5	-13.5
Translation differences	-0.1	0.3	-3.3	-3.1
Closing balance accumulated acquisitions	243.7	41.7	38.0	323.3
Opening accumulated depreciation	-	-	-	-
Depreciations for the year	-67.5	-4.7	-13.9	-86.1
Translation differences	1.0	0.3	0.7	2.0
Accumulated depreciation	-66.5	-4.4	-13.2	-84.1
Closing amount Right of use-assets	177.2	37.3	24.8	239.2

2020-12-31**Classification:**

Non-current liabilities	215.2	24.5	29.5	269.2
Current liabilities	51.1	7.0	11.8	69.8
Closing balance accumulated liabilities	266.3	31.5	41.3	339.1

2019-12-31**Classification:**

Non-current liabilities	104.5	33.9	12.7	151.1
Current liabilities	76.8	4.1	12.8	93.7
Closing balance accumulated liabilities	181.3	38.0	25.5	244.8

Notes

NOTE 20 OTHER INVESTMENTS HELD AS FIXED ASSETS

GROUP	2020-12-31	2019-12-31
Endowment insurance	91.1	80.1
Shares, listed	85.7	57.9
Shares, joint ventures	48.9	35.4
Participations in associated companies	109.4	109.3
Other equities	190.8	10.3
Other long-term receivables	18.2	51.9
Deposits	9.7	3.5
SEK million	553.9	348.4
PARENT COMPANY	2020-12-31	2019-12-31
Endowment insurance	5.1	4.2
Other equities	0.1	-
Share, joint ventures and participations in associated companies	155.4	141.4
SEK million	160.5	145.6

Shares recognized in accordance with equity method:

Change in carrying amounts – associated companies and joint ventures:

SEK million	2020	2019
Carrying amount, 1 January	143.8	28.9
Investments	14.0	119.3
Divestments and reclassifications	0.0	-5.2
Share of net profit from investments recognised according to the equity method	0.5	0.8
Share of other comprehensive income from investments recognised according to the equity method	0.0	-0.1
Translation differences	0.0	0.1
Carrying amount at year-end	158.3	143.8

Investments in listed shares are recognized at level 1 – Fair value measurement is based on quoted prices on an active market. Reported holdings in other equities are measured at fair value in level 3. Since no official market prices are available acquisition cost is used as approximation. Endowment insurance is mainly attributable to the German and Swedish defined-benefit pension plans and are measured at amortised cost.

Investments in associates and joint ventures are measured in Group accounts in accordance with the equity method, and in the Parent Company at acquisition value after accumulated impairment charges.

Associated companies*Nichepharm Lifesciences Private Limited*

Nichepharm Lifesciences Private Limited was created 2019 in India aimed at creating production capacity for a range of sterile liquid dosage forms. In November 2019, Nichepharm issued an 8 per cent equity stake to Recipharm for an investment of SEK 109 million. In addition, Recipharm will have the option to acquire an additional 16 per cent share during 2021 and will have influence over the company and has therefore classified the investment as associated company. The company is based in Dehradun, Uttarakhand (India).

Joint venture*SVS Portugal*

SVS Portugal (Sociedade de services de engenharia de industria farmaceutica LDA reg. nr 507613155) offers pharmaceutical technical services, for instance validation services, as well as other services such as reparation of pharmaceutical equipment. The company is situated in Lisbon (Portugal).

Inject Pharma AB

Inject Pharma AB (Reg. No. 559002-1464) performs research and development within pharmaceuticals. The company is based in Nacka (Sweden).

Company:	Country:	Share:		Ownership:	Carrying amount	
		2020	2019		2020	2019
Nichepharm Lifesciences Private Limited	India	8%	8%	Associated company	109.4	109.4
Inject Pharma AB	Sweden	50%	50%	Joint venture	44.1	32.0
SVS Portugal	Portugal	50%	50%	Joint venture	4.8	3.4

NOTE 21 INVENTORIES

GROUP	2020-12-31	2019-12-31
Raw materials and consumables	1,145.1	714.1
Work in progress	469.8	340.3
Finished goods and goods for resale	620.4	467.7
	2,235.3	1,522.1
Write-down / obsolescence reserve:		
Raw material and consumables	-153.9	-74.3
Work in progress	-53.3	-21.5
Finished goods and goods for resale	-34.8	-24.9
	-242.1	-120.7
SEK million	1,993.2	1,401.5
Inventories recognised at net realisable value	160.2	103.8

Notes

NOTE 22 ACCOUNTS RECEIVABLE

GROUP SEK million	2020-12-31	2019-12-31
Accounts receivable, gross before bad debt provisions	1,861.0	1,448.0
Bad debt provisions at beginning of year	-15.6	-18.1
Provision acquired through business combinations	-11.2	-
Impairment for the year	-12.4	-2.6
Reversal of unutilised reserve	6.6	5.1
Accounts receivable, net after bad debt provision	1,828.4	1,432.3
Accounts receivables in SEK	175.5	226.4
Accounts receivables in EUR	1,110.2	893.3
Accounts receivables in GBP	334.5	81.6
Accounts receivables in USD	99.4	63.1
Accounts receivables in INR	106.1	165.6
Accounts receivables other currency	2.7	2.2
	1,828.4	1,432.3
Account receivables by age		
< 3 months	1,752.1	1,392.5
3-6 months	51.2	32.2
> 6 months	57.6	23.2
	1,861.0	1,448.0

Out of total balance for Accounts Receivable at 31 December 2019 SEK 0.1 million have been confirmed a credit loss in 2020. At year-end the total provision for expected credit losses amounted to SEK 32.6 million (15.6). Confirmed credit losses during the year amounted to SEK 0.1 million (0.1). The Group had no received collateral for outstanding accounts receivable.

NOTE 23 OTHER RECEIVABLES

GROUP	2020-12-31	2019-12-31
Receivables from employees	1.8	6.8
VAT receivables	300.9	111.7
Expected payments from customer/supplier	113.2	24.4
Other receivables	51.8	25.9
SEK million	467.7	168.8
PARENT COMPANY	2020-12-31	2019-12-31
VAT receivables	1.9	2.1
Other receivables	0.0	6.5
SEK million	1.8	8.6

NOTE 24 PREPAID EXPENSES AND ACCRUED INCOME

GROUP	2020-12-31	2019-12-31
Prepaid rent	14.5	12.7
Prepaid annual fees	9.3	5.2
Prepaid insurance premiums	56.9	11.4
Accrued income	106.6	42.6
Maintenance fees	9.1	3.2
Prepaid consultancy- and registration fees	8.7	4.7
Prepaid IT licenses	15.8	10.9
Other prepaid expenses	31.5	28.5
SEK million	252.5	119.2
PARENT COMPANY	2020-12-31	2019-12-31
Prepaid insurance premiums	5.2	4.4
Prepaid rent	0.6	1.0
Prepaid IT licenses	10.2	7.3
Other prepaid expenses	1.7	1.8
SEK million	17.8	14.5

NOTE 25 CASH AND CASH EQUIVALENTS

GROUP	2020-12-31	2019-12-31
Bank balances	997.2	862.6
Short term investments	306.2	192.3
SEK million	1,303.4	1,054.9
Money market funds invest in debt instruments with short maturity and minimal risk, measured at fair value in level 1.		
PARENT COMPANY	2020-12-31	2019-12-31
Cash and bank balances	183.5	422.8

Notes

NOTE 26 EQUITY**GROUP**

Number of issued shares	2020-12-31	2019-12-31
Ordinary shares, of each 0.5 SEK	101,115,683	67,775,793

Number of shares, change in the year	A-shares	B-shares	D-shares	Total
Number of shares as of 31 December 2019	15,222,858	52,552,935	0	67,775,793
Direct share issue	–	4,524,886	–	4,524,886
New share issue	6,089,142	22,725,862	–	28,815,004
Number of shares as of 31 December 2020	21,312,000	79,803,683	0	101,115,683

Of total number of shares the Company holds 165,260 B-shares (265,297) and 0 D-shares (0), corresponding to 0.16 per cent (0.39) of share capital.

The largest shareholders were as follows:

(% of share capital and votes):

	2020-12-31		2019-12-31	
	Share capital	Votes	Share capital	Votes
Zentricity Holding AB ¹⁾	15.1	37.9	15.8	38.7
Cajelo Invest AB ¹⁾	10.6	36.4	11.3	37.2
Första AP-fonden	6.7	2.3	7.4	2.4
Fjärde AP-fonden	5.5	1.9	5.1	1.7
AMF Pension & Fonder	4.7	1.6	1.2	0.4
Lannebo Fonder	4.2	1.5	7.1	2.3

1) Zentricity Holding AB is owned by CEO Thomas Eldered, and Cajelo Invest AB is owned by Chairman Lars Backsell. Fleure Participation was merged with Zentricity Holding AB during 2020.

The number of shareholders were 9,450 (6,470) and foreign shareholders hold 27.8 (20.8) percent of the share capital and 9.6 (6.9) percent of the votes.

Share-based incentive program

There are three share-based incentive programs ongoing, which are described below. In order to participate in the program, the participants must use their own funds to acquire during the first year class B shares in Recipharm ("Savings Shares") for the Nasdaq Stockholm market price. For the share based incentive program for the years 2018 and 2019, for each acquired share, each employee receives a share. For the share based incentive program started 2020, the employee received a share for each two each acquired shares. There are also performance shares for top management, which is based on Recipharm share performance versus peers. The administration and purchasing of the shares in these share savings programs is managed using an external provider according predefined principles by the remuneration committee.

The Annual General Meeting on 14 May 2018 resolved to issue a new share-based incentive program aimed to the employees. 374 employees, which was approximately 7 per cent of the employees, subscribed for the program. Provided that all fulfill their participation for the full period, the cost is estimated to SEK 25.0 million (estimation based on share price at grant date of SEK 134.20 and share price at closing date 31 December 2020 of SEK 219.40) during a three year period and the number of new shares may amount to approximately 101,500. The latter assumes full allocation of performance shares.

The Annual General Meeting on 13 May 2019 resolved to issue a new share-based incentive program aimed to the employees. 592 employees, which was approximately 11 per cent of the employees, subscribed for the program. Provided that all fulfill their participation for the full period, the cost is estimated to SEK 25.0 million (estimation based on share price at grant date of SEK 113.40 and share price at closing date 31 December 2020 of SEK 219.40) during a three year period and the number of new shares may amount to approximately 116,700. The latter assumes full allocation of performance shares.

The Annual General Meeting on 12 May 2020 resolved to issue a new share-based incentive program aimed to the employees. 1,210 employees, which was approximately 16 per cent of the employees, subscribed for the program. Provided that all fulfill their participation for the full period, the cost is estimated to SEK 27.6 million (estimation based on share price at grant date of SEK 115.00 and share price at closing date 31 December 2020 of SEK 219.40) during a three year period and the number of new shares may amount to approximately 239,500. The latter assumes full allocation of performance shares.

The costs for the share-based incentive program that was issued in 2017 and was finalised in 2020 amounted to SEK 14.0 million based on share price at the end date of SEK 139.7 per share, corresponding to 100,222 shares.

Notes

Note 26 cont.

	Share-based incentive programs				Total
	2017–2020	2018–2021	2019–2022	2020–2023	
Number of saving shares at beginning of year	81,485	72,127	49,527	–	203,139
Number of purchased saving-shares	–	707	51,733	27,919	80,359
Number of matured saving-shares	–81,485	–	–	–	–81,485
Number of saving shares at end of year	–	72,834	101,260	27,919	202,013

The cost for the year related to the share-based incentive programs amount to SEK million 24.3 (9.1) of which SEK million 16.7 (8.0) is personnel expenses calculated in accordance with IFRS 2 and reported in equity, and SEK million 7.6 (1.1) is social security expenses.

Convertible bond

Recipharm issued in 2016 senior unsecured convertible bonds amounting to SEK 981 million. The bonds may be converted into new Class B shares of the Company. The bonds were issued and will be redeemed at 100% of their principal amount unless previously redeemed, converted or purchased and cancelled, and matures on 6 October 2021. The Bonds will carry a coupon of 2.75% per annum, payable in arrears on 6 April and 6 October each year, with the first interest payment dated 6 April 2017. The conversion price was set at SEK 181.955 per share which represent a 30% premium over the volume-weighted average price of the Recipharm Class B share on

Nasdaq Stockholm between launch and pricing of the offering at 29 September 2016. Settlement and delivery of the Bonds was executed 6 October 2016. Convertible bonds are recognised in the Group separated into a liability component (net of transaction costs) and an equity component. The transaction costs, including advisor fees and other costs, were less than SEK 20 million. The equity component amounts to SEK 46.0 million.

Dividends

The Group's dividend policy stipulates that dividend should be based upon the Group's profit-development, taking into consideration future development opportunities and the financial position. Recipharm's long-term goal is a stable development for dividends, amounting to 30–50 percent of profit after tax for the previous year.

The Board of Directors proposes to the Annual General Meeting 2020 that no dividend will be distributed (0.0).

Allocation of profit/loss

The following earnings of the Parent Company are available to the AGM.

SEK

Share premium reserve	6,569,683,245
Retained earnings	–209,096,515
Profit for the year	–428,532,962
Total	5,932,053,768
Earnings carried forward	5,932,053,768
Total	5,932,053,768

Specification of reserves
SEK million

	Translation reserve	Fair value reserve	Total reserves
Closing balance 31 December 2018	139.1	22.4	161.5
Translation differences on foreign operations	117.9		117.9
Financial instruments, measured at fair value		4.7	4.7
Financial instruments, measured at fair value, deferred tax		–1.0	–1.0
Closing balance 31 December 2019	257.0	26.1	283.2
Omräkningsdifferenser vid omräkning av utländska verksamheter	–1,259.5		–1,259.5
Finansiella instrument, värdering till verkligt värde		58.7	58.7
Finansiella instrument, värdering till verkligt värde, uppskjuten skatt		20.6	20.6
Closing balance 31 December 2020	–1,002.5	105.4	–897.1

Capital management

According to Board policy, the Group's financial objective is to have a solid financial position to help retain the trust of investors, lenders and the market, and also to serve as a foundation for continued satisfactory growth. Investments should only be in financial securities and similar with minimum or no risk.

SEK million	2020-12-31	2019-12-31
Financial liabilities	10,235.0	5,207.3
Less liquid funds	–1,303.4	–1,054.9
Net debt	8,931.6	4,152.4
Total equity	7,353.8	5,690.4
Net debt/equity ratio: (Net debt / Total equity)	1.21	0.73

The change in net debt is mainly due to new loans raised during the year. Neither the parent company, nor the subsidiaries are under external capital requirements.

Parent Company's equity

Reconciliation of opening and closing balance for the Parent Company's equity components are accounted above in a separate statement of changes equity, after the balance sheet of the Parent Company.

Notes

NOTE 27 PROVISION FOR PENSIONS**Group**

Defined benefit pension plans occur in the subsidiaries in Great Britain, Germany, France, Italy as well as in India and Sweden (reported below as Other countries). In connection with the acquisition of Consort Medical in 2020 Recipharm inherited defined benefit pensions plan in Great Britain, Germany and Italy.

SEK million	2020	2019
Present value of obligations for unfunded plans	443.3	367.2
Present value of obligations for funded plans	1,676.0	19.8
Fair value of plan assets	-1,486.2	-19.4
Net provision for defined benefit plans	633.1	367.6

SEK million

	2020					Total
	Great Britain	Germany	France	Italy	Other countries	
Present value of obligation	1,656.3	318.1	103.8	31.5	9.6	2,119.3
Fair value of plan assets	1,465.0	3.0	18.2	-	-	1,486.2
Surplus/Deficit	191.3	315.1	85.7	31.5	9.6	633.1
Total funding level (%)	0.88	0.01	0.17	-	-	0.70
Duration	21.0	23.9	18.7	13.8	-	-
Actuarial assumptions (%)						
Discount rate	1.7	0.7	0.3	0.4	-	-
Inflation	2.0/2.8	1.5	2.0	1.0	-	-
Sensitivity analysis (%)						
Discount rate (-0.5 %)	176.2	33.0	6.0	1.1	-	216.3
Discount rate (+0.5 %)	-164.1	-34.8	-5.7	-0.9	-	-205.5
Inflation (+0.5%)	108.5	2.2	0.7	0.23	-	111.7

2019

SEK million	Great Britain	Germany	France	Italy	Other countries	Total
Present value of obligation	-	252.2	104.0	25.4	5.4	387.0
Fair value of plan assets	-	-	19.4	-	-	19.4
Surplus/Deficit		252.2	84.6	25.4	5.4	367.6
Total funding level (%)	-	-	18.6	-	-	-
Duration	-	23.7	18.8			
Actuarial assumptions (%)						
Discount rate	-	0.9	0.75	0.8	-	-
Inflation	-	1.5	1.5	1.0	-	-

Notes

Note 27 cont.

SEK million	2020			2019		
	Present value of obligation	Fair value of plan assets	Total	Present value of obligation	Fair value of plan assets	Total
Opening balance, January 1	387.0	-19.4	367.6	320.7	-19.2	301.4
Current service cost	23.3		23.3	18.5		18.5
Past service cost and gains/losses on settlements	-1.0		-1.0			
Interest expenses	29.9	-22.8	7.1	5.2	-0.4	4.8
Remeasurements:						
Return on plan assets		-105.4	105.4		-	-
Actuarial gains and losses due to changes in demographic assumptions	-4.8		-4.8	-1.7		-1.7
Experience assumptions	-33.1		-33.1			
Actuarial gains and losses due to changes in financial assumptions	137.4		137.4	59.0		59.0
Exchange rate differences on foreign plans	-210.1	172.3	-37.8	3.7	-0.3	3.4
Acquisitions, divestments and transfers	1,851.1	-1,519.6	331.5	-1.9		-1.9
Contributions:						
-Employers	-0.2	-34.3	-34.5	0.9		0.9
-Plan participants						
Payments from plans:						
-Benefit payments	-57.0	42.6	-14.4	-7.9	0.5	-7.4
-Settlements	-3.2		-3.2	-9.5		-9.5
Closing balance, December 31	2,119.3	-1,486.2	633.2	387.0	-19.4	367.6

Plan assets comprise of the following:

	2020		2019	
	SEK million	%	SEK million	%
Equity instruments				
-Equities	432.3	29.1	19.4	100
Interest bearing securities				
-Corporate bonds	80.1	5.4		
-Interest rate funds	926.3	62.3		
Liquid funds	44.4	3.0		
Assets held by insurance company	3.0	0.2		
Total	1,486.2	100	19.4	100

Notes

Note 27 cont.

Germany

The defined benefit plan provides retirement and survivors' pensions. The amount of the granted benefit depends on the number of benefit-entitled years of service as well as on a salary-dependent increment or on the benefit-entitled income respectively. Only a few beneficiaries may receive additional disability benefits. A smaller portion of the provision relates to a jubilee payments plan which grants employees additional monthly payments on reaching every new 5 years working anniversary.

The beneficiaries' benefit claims are protected by the German Occupational Pensions Plan Act. Hence the company is obliged to adjust pensions in payment to compensate depreciation. The entity is not obliged to fund the defined benefit plan by separating assets.

The financial risks of the benefit plan are covered by a reinsurance contract for the most part. As this Capital Insurance is not hedged in case of a bankruptcy it is not considered as a plan asset. In connection to the acquisition of Consort Medical, a unfunded pensionplan in Germany amounting to SEK 48 million was inherited.

France

Benefits are related to a one-time termination pay when the employee retires. There is no mandatory or regulatory framework related to funding of pension plan. For one of the French entities a long service bonus is included in the provision, payable after 10 years of employment.

The French entities have inherited their plan assets from their former owners. Since the take-over by Recipharm, neither of the two companies have cashed-out additional amounts to these external plan assets. Recipharm Pessac, acquired in 2014, received funds from their seller in order to finance payment of future retirement bonus.

Italy

The Italian provision covers termination indemnities payable to the employees, for when they leave the company. This deferred compensation is substantially a portion of the employee compensation which is deferred to the date of termination of the employment. In accordance with the Italian severance pay statutes, this deferred compensation is yearly accrued and it is payable immediately upon leaving, regardless of the reason for termination. Advances can be given to the employees under specific circumstances. The provision correspond to the amount that the employee would have been entitled to, less any advances, if the employee had left at the balance sheet date.

The yearly cost accrued approximates 1/13th of annual wages and the liability brought forward from prior year is revalued based on a cost of living index, set out by the Government. Since 2007 all employees have to communicate if the accrual has to be paid to an external fund. The fund becomes the only obliged to the payment of the cumulated amount at the retiring date. In that case, the Entity is obliged only for the leaving indemnity cumulated before the employee's choice.

Great Britain

In connection to the acquisition of Consort Medical, Recipharm took over a defined benefit pension plan in Great Britain. The Group participates in the Bepak Retirement Benefits Pension Scheme. In 2002, the Scheme was closed to new members. Furthermore, from March 2016 the Scheme was closed to further accrual via a deed of amendment between the Employers and the Trust and all former active members became deferred members and the provision of new accrued pension benefits was migrated to a defined contribution pension scheme which is also available to new employees. The Pension Foundation carries out an updated valuation of the pension liability every three years. The latest triennial actuarial valuation of the Bepak Pension Scheme was performed by an independent actuary for the Trustees of the scheme and was carried out as at 30 April 2020. The valuation is based on local valuation rules and not IAS 19. The most recent valuation shows a deficit as at the valuation date. The Trustees and the Employers agreed in February 2021 on additional recovery contributions to the pension fund to cover the shortfall. As part of the agreement, the Group undertook to make deficit recovery contributions at the following rates: January 2021–December 2023: 3.5 mGBP per annum, January 2024–December 2026: GBP 3.8 million per annum and for January 2027–December 2029 GBP 4.0 million per annum.

Sweden

Salaried employees are covered by the ITP plan which is collective-based and encompasses employers in a variety of industries. Under the ITP plan, newly employed salaried employees are offered a premium-based solution (ITP 1) negotiated by the Confederation of Swedish Enterprise and the Swedish Federation of Salaried Employees in Industry and Services (PTK). Those already employed retain the older ITP plan (ITP 2). The pension in the ITP 2 plan is a defined-benefit obligation secured via insurance with Alecta.

Alectas collective funding ratio was 148% (148%) at the end of 2020. As per UFR 10 (statement issued by the Swedish Financial Reporting Board) this is a multi-employer benefit-based plan. These benefits as per ITP 2 are therefore recognised as a defined-contribution plan. Recipharms share of the total contributions to the plan amounts to 0.00688% (0.0842) and Recipharms share of of the total number of active participants is 0.01206% (0.0731). The expected premiums for 2020 for ITP 2 plans with Alecta amount to SEK 15.6 million (15.6).

The parent company has a defined-benefit pension scheme secured by endowment assurance. The pension scheme is reported as a defined-benefit pension plan with valuation changes reported in accordance with IAS 19, and is included in Other countries with SEK million 6.3 (5.2).

Defined contribution plans	2020	2019
Expenses for defined contribution pension plans	175.1	115.8
SEK million	175.1	115.8

For the Recipharm Group the expenses for defined contribution amounted to SEKm 175.1 for 2020 (115.8).

Notes

NOTE 28 OTHER PROVISIONS

GROUP	2020-12-31	2019-12-31
Redundancy pay	–	26.1
Complaints	14.4	5.6
Restructuring related costs and onerous contracts	47.1	216.4
Local taxes	33.4	1.0
Provision for transactions with employees	7.2	7.7
Environmental provision	23.2	19.6
Other provisions	55.5	14.8
SEK million	180.8	290.9

	Opening balance	New provisions	Acquired in connection with business combinations	Provision used	Reversals, unused amounts	Changes due to discount rate or currency	Total provision (closing balance)
2020-12-31							
Redundancy pay	26.1	–	–	–23.7	–	–2.4	–
Complaints	5.6	6.6	13.8	–4.0	–6.8	–0.8	14.4
Restructuring related costs and onerous contracts	216.4	7.9	25.4	–185.5	–10.0	–7.1	47.1
Local taxes	1.0	3.2	30.4	–	–	–1.2	33.4
Provision for transactions with employees	7.7	–	–	–	–	–0.5	7.2
Environmental provision	19.6	–	9.6	–	–3.3	–2.7	23.2
Other provisions	14.4	16.7	53.4	–23.8	–0.3	–4.9	55.5
SEK million	290.9	34.4	132.6	–237.0	–20.4	–19.6	180.8

New provisions for restructuring costs and onerous contracts refer to minor restructuring in United Kingdom. Reversals of unused amounts relates to previously reported restructuring charges related to the closed operations in Stockholm, Sweden. Reversals

are reported in the profit and loss statement as a reduction of other external costs and have been included in the segment Discontinued operations.

	Opening balance	New provisions	Acquired in connection with business combinations	Provision used	Reversals, unused amounts	Changes due to discount rate or currency	Total provision (closing balance)
2019-12-31							
Redundancy pay	28.2	–	–	–0.9	–3.2	2.0	26.1
Complaints	6.5	2.2	–	–3.2	–	0.1	5.6
Restructuring related costs and onerous contracts	252.6	38.4	–	–79.1	–	4.7	216.4
Local taxes	1.0	–	–	–	–	–	1.0
Provision for transactions with employees	4.8	2.6	–	–	–	0.3	7.7
Environmental provision	18.2	–	–	–	–	1.4	19.6
Other provisions	10.8	6.3	–	–0.5	–2.3	0.1	14.4
SEK million	322.1	49.5	–	–83.8	–5.4	8.3	290.9

NOTE 29 OTHER NON-CURRENT LIABILITIES

GROUP	2020-12-31	2019-12-31
Liability to customer regarding received inventories	12.4	12.1
Social security contribution share-based incentive program	4.9	3.1
Additional purchase consideration	–	24.9
Other non-current liabilities	5.4	5.9
SEK million	22.7	46.0

The additional purchase consideration in 2019 related to the acquisition of Holmes Chapel and is measured at fair value, calculated with a discount rate of 13.8 per cent based on WARA analysis performed in connection to the acquisition.

PARENT COMPANY	2020-12-31	2019-12-31
Social security contribution share-based incentive program	1.5	0.9
SEK million	1.5	0.9

NOTE 30 ACCOUNTS PAYABLE

GROUP	2020-12-31	2019-12-31
Accounts payable, SEK	74.4	72.5
Accounts payable, EUR	587.5	406.9
Accounts payable, GBP	279.4	162.7
Accounts payable, INR	100.4	135.2
Accounts payable, USD	16.6	23.6
Accounts payable in other currencies	3.7	7.5
SEK million	1,062.0	808.3

PARENT COMPANY	2020-12-31	2019-12-31
Accounts payable, SEK	15.6	8.5
Accounts payable, EUR	–	0.8
Accounts payable, GBP	0.8	11.4
Accounts payable, USD	1.1	–
Accounts payable in other currencies	0.1	–
SEK million	17.6	20.7

Notes

NOTE 31 OTHER LIABILITIES

GROUP	2020-12-31	2019-12-31
Liabilities to employees	35.6	21.5
Employee withholding taxes	42.3	34.1
VAT	183.1	28.0
Customer funded investments	78.7	-
Other liabilities	20.9	22.3
SEK million	360.6	105.9
PARENT COMPANY	2020-12-31	2019-12-31
Employee withholding taxes	3.7	2.1
Other liabilities	-	1.3
SEK million	3.7	3.4

NOTE 32 ACCRUED EXPENSES AND PREPAID INCOME

GROUP	2020-12-31	2019-12-31
Personnel costs	331.2	274.1
Accrued taxes	28.8	27.1
Deferred income	69.2	16.7
Accrued property expense	27.5	17.6
Accrued financial expense	44.2	42.7
Accrued discounts and contributions	14.5	15.7
Accrued audit fees	7.7	3.5
Other accrued expense	112.9	91.2
SEK million	636.0	488.6
PARENT COMPANY	2020-12-31	2019-12-31
Personnel costs	15.3	12.8
Accrued interest expense	24.6	15.2
Accrued taxes	7.3	6.3
Other accrued expenses	11.5	8.3
SEK million	58.7	42.6

NOTE 33 PLEDGED ASSETS

	GROUP		PARENT COMPANY	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Floating charges	75.0	75.0	-	-
Property mortgage	0.4	-	-	-
Guarantee, other	56.8	27.2	-	-
SEK million	132.2	102.2	-	-

NOTE 34 CONTINGENT LIABILITIES

	GROUP		PARENT COMPANY	
	2020-12-31	2019-12-31	2020-12-31	2019-12-31
Guarantees	3.6	3.2	3.6	3.2
SEK million	3.6	3.2	3.6	3.2

Notes

NOTE 35 FINANCIAL ASSETS AND LIABILITIES

GROUP	Fair value	Carrying amount	Fair value	Carrying amount
	2020-12-31	2020-12-31	2019-12-31	2019-12-31
Financial assets				
Financial assets measured at fair-value through other comprehensive income				
Non-current investments in listed shares	85.7	85.7	67.9	67.9
Other non-current receivables	18.2	18.2	39.6	39.6
Financial assets measured at amortised cost				
Other securities held as non-current assets	291.6	291.6	97.1	97.1
Accounts receivables	1,828.4	1,828.4	1,432.3	1,432.3
Other receivables	180.7	180.7	70.3	70.3
Cash and cash equivalent	1,303.4	1,303.4	1,054.9	1,054.9
SEK million	3,708.1	3,708.1	2,762.0	2,762.0
Financial liabilities				
Financial liabilities measured at fair-value through Profit and loss				
Derivative ¹⁾	5.8	5.8	5.4	5.4
Additional purchase consideration	-	-	24.9	24.9
Financial liabilities measured at amortised cost				
Interest-bearing liabilities, non-current portion	9,259.3	9,168.6	5,099.3	5,069.6
Interest-bearing liabilities, current portion ²⁾	1,069.2	1,066.4	137.6	137.6
Accounts payables	1,062.0	1,062.0	808.3	808.3
Other liabilities	149.8	149.8	53.8	53.8
SEK million	11,546.1	11,452.6	6,129.3	6,099.3

Other securities held as non-current assets include the following significant items (with corresponding credit rating in brackets); Endowment assurance of SEK 62.1 million (Aa3) and endowment assurance of SEK 21.0 million (A+). The remaining amount of other securities held as non-current assets as well as other receivables are held against several smaller entities for which we, based upon history and knowledge of the counterparts, believe their creditworthiness to be satisfactory. Consequently, no provision for credit losses is reported.

¹⁾ The derivate refers to a collar signed in an Italian subsidiary to minimise the interest rate risk linked to a lease for the associated production facilities.

Nominal amount, Meur	7.1
Base rate	Euribor 3M
Floor / Cap	1%/5%
Spread	0.67%
Period	through March 2029

²⁾ Interest bearing liabilities, current component refers to the portion of interest-bearing liabilities that will be repaid during 2021 (2020) as well as to the utilised portion of the Group account facility. They also includes the Convertible Bonds that was issued in October 2016 and matures in October 2021.

Financial assets and liabilities measured at fair value in the balance sheet, 31 December 2020

	Level 1	Level 2	Level 3	Total
Financial assets				
Other non-current securities	85.7	91.1	377.1	553.9
SEK million	85.7	90.1	377.1	553.9
Financial liabilities				
Derivatives	-	5.8	-	5.8
Additional purchase consideration	-	-	-	-
SEK million	-	5.8	-	5.8

No reclassifications between Level 2 and Level 3 were made during the year.

Financial assets and liabilities measured at fair value in the balance sheet, 31 December 2019

	Level 1	Level 2	Level 3	Total
Financial assets				
Other non-current securities	57.9	80.1	66.7	204.5
SEK million	57.9	80.1	66.7	204.5
Financial liabilities				
Derivatives	-	5.4	-	5.4
Additional purchase consideration	-	-	24.9	24.9
SEK million	-	5.4	24.9	30.3

The following tables categories the Group's and Parent Company's financial assets and liabilities held at fair value by the classification applied in the fair value hierarchy.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: Inputs that are not based on observable market data. When official market values are not available, the acquisition value of the assets is used as a best approximation. Main types of instruments included in this level are unlisted shares.

Other securities held as non-current assets under Level 2 consist of Endowment assurances, mainly related to the German and Swedish defined-pension plan and are valued in accordance with accrued acquisition value. The additional purchase consideration under Level 3 relates to the acquisition of Holmes Chapel and is measured at fair value, calculated with a discount rate of 13.8 per cent based on WARA analysis.

Notes

Note 35 cont.

	Fair value	Carrying amount	Fair value	Carrying amount
	2020-12-31	2020-12-31	2019-12-31	2019-12-31
PARENT COMPANY				
Financial assets				
Financial assets measured at amortised cost				
Other securities held as non-current assets	5.2	5.2	4.2	4.2
Receivables from Group companies, non-current	8,747.9	8,747.9	1,930.5	1,930.5
Receivables from Group companies, non-current	2,229.9	2,229.9	1,929.1	1,929.1
Other receivables	0.0	0.0	5.4	5.4
Cash and cash equivalent	183.5	183.5	422.8	422.8
SEK million	11,166.4	11,166.4	4,292.0	4,292.0
Financial liabilities				
Financial liabilities measured at amortised cost				
Interest-bearing liabilities, non-current portion	8,893.6	8,893.6	4,860.3	4,860.3
Interest-bearing liabilities, current portion ¹⁾	997.1	997.1	–	–
Liabilities from Group companies, non-current	699.2	699.2	1,057.2	1,057.2
Accounts payables	17.6	17.6	20.7	20.7
Other liabilities	0.4	0.4	0.4	0.4
SEK million	10,607.9	10,607.9	5,938.6	5,938.6

¹⁾ Interest-bearing liabilities, non-current portion includes the Convertible Bonds that was issued in October 2016 and matures in October 2021.

The Group's financial liabilities and maturity structure¹⁾

2020-12-31	Currency	Nom. Amount	<1 month	1–3 months	3–12 months	1–5 years	>5 years	Total
RCF	SEK	1,600.0	4.0	8.0	36.0	1,740.0	–	1,788.0
RCF	EUR	40.0	1.0	2.0	9.0	436.6	–	448.6
Term loan A	SEK	1,300.0	3.5	7.0	31.7	1,423.2	–	1,465.4
Term loan B	EUR	290.0	7.9	15.8	71.0	3,186.8	–	3,281.5
Term loan C	GBP	250.0	7.9	15.9	71.5	3,049.8	–	3,145.1
Convertible Bond	SEK	1,000.0	2.3	4.6	1,014.2	–	–	1,021.1
Bank overdraft facility	EUR	0.9	9.3	–	–	–	–	9.3
Bank overdraft facility	SEK	–	–	–	–	–	–	–
Derivative	EUR	0.5	–	–	–	–	5.3	5.3
Leasing liability	SEK	399.1	–	–	–	–	399.1	399.1
Total interest-bearing liabilities			35.9	53.3	1,233.4	9,836.4	404.4	11,563.4
Accounts payables		1,062.0	696.1	291.1	74.1	–	–	1,062.0
Other liabilities		149.8	142.1	0.3	1.5	2.8	3.2	149.8
SEK million			874.1	344.7	1,309.0	9,839.2	407.6	12,775.2

¹⁾ The table includes forecasted future nominal interest payment and, consequently does not correspond to the net book value in the balance sheet. In instances where future interest payments are unknown estimates are based upon interest- and currency rates at closing-day. The current loan agreements includes a change-of-control clause. See additional information regarding financing in note 40.

Notes

Note 35 cont.

The Group's financial liabilities and maturity structure¹⁾

2019-12-31	Currency	Nom. Amount	<1 month	>1<3 months	>3<12 months	>1<5 years	>5 years	Total
Bank loan ²⁾	SEK	1,310.0	3,2	6,4	28,7	1,421.6		1,459.9
Bank loan ²⁾	EUR	200.0	3,9	7,8	35,2	2,223.6		2,270.5
Convertible bond	SEK	1,000.0			27,5	1,027.5		1,055.0
Bank overdraft facility	EUR	3.4	32,1					32.1
Bank overdraft facility	SEK	4.0		4.0				4.0
Derivative	EUR	0.5					5.4	5.4
Leasing liability	SEK	244.9						244.8
Total interest-bearing liabilities			39.0	18.2	91.4	4,672.7	5.4	5,071.8
Accounts payable		808.3	514.7	223.8	69.8		-	808.3
Other liabilities		53.8	43.2	0.5	3.8		6.2	53.8
SEK million			597.1	242.5	165.0	4,672.7	11.6	5,633.9

¹⁾ The table includes forecasted future nominal interest payment and, consequently does not correspond to the net book value in the balance sheet. In instances where future interest payments are unknown estimates are based upon interest- and currency rates at closing-day. All external bank loans above was repaid in February 2020 and replaced with a new loan structure in conjunction with the acquisition of Consort Medical Plc.

²⁾ To the bank loans there are two covenants as part of the loan agreement, which are: Net debt/operating profit before depreciation and amortisation and Interest cover ratio. The ratios for earnings are based on the last twelve months. Recipharm is within the acceptable limits for these covenants. Interest rates are based upon relevant IBOR plus margin. Interest periods vary from 1 to 6 months.

Revolving bank facilities

SEK million	2020-12-31	2019-12-31
Revolving bank facilities amount to:		
Group	3,215.0	4,752.3
Parent Company	3,000.0	4,585.6

At 31 December 2020 the unutilised portion of bank revolving facility was SEK 1,204 million (690).

Sensitivity analysis

In its operations Recipharm is exposed to various types of financial risks such as currency risk, funding and liquidity risk, interest rate risk and credit risk. The purpose with this analysis is to present risks and effects how changes in interest and currencies affect the companies result and equity.

Interest risk

The table shows the effects on net interest income over the next 12-month period of an interest rate increase of 1 percentage point (100 basis point) given the interest-bearing assets and liabilities at the end of the reporting period:

Sensitivity analysis interest, SEK million	2020-12-31	2019-12-31
Total effect on profit/loss before tax	-102.3	-52.1

Currency risk

The currency exposure arises from the production in various countries, procurement and mix of sales currencies, relative changes in the currency rates have a direct impact on Recipharm operating income, finance net, balance sheet and cash flow statement.

Transaction currency risk

The currency transaction exposure risk arises from cash flows in other currencies than the presentation currency of the Group which is SEK. Recipharm's inflow and outflow in different currencies is relatively well-balanced where the residual between the two determines the transaction exposure. In the case where transaction exposures occur and deemed significant, the Group hedges those using financial derivatives including forwards.

The table below shows the effect of a 10% appreciation in SEK for the financial year considered, all other factors remaining unchanged. The table shows only the impact for the currencies with significant currency flow, mainly EUR, GBP USD and INR. For a 10% weakening of the currency, the same figures would be given with the reverse sign.

	2020-12-31	2019-12-31
Effect on net profit, subsidiaries outside Sweden	-82.9	-49.9
Other effect on equity, subsidiaries outside Sweden	-313.3	-627.7
Effect on net profit, parent company financial items	598.3	204.3
Other effect on equity, parent company	-986.1	-271.5
SEK million	-784.0	-744.8

The items listed above are the main items affecting the currency risk on results and equity. The currency risk linked to accounts payable and receivables is not deemed significant, because a 10% change in the exchange rate of the net flow is minor during the outstanding credit period between invoicing and payment. That currency risk is therefore not included in the table above. Effect on net profit, subsidiaries outside Sweden, includes the effect on operating profit, interest rates and taxes, based on the full year profit. Other effect on equity, subsidiaries outside Sweden, includes the other effect on subsidiaries equity, end of the year.

Effect on net profit, Parent company financial items, includes the effect on cash and interest bearing debt in foreign currencies, end of the year. Other effect on equity for the Parent Company, includes internal receivables and debts to subsidiaries outside Sweden in foreign currencies, end of the year.

Notes

Note 35 cont.

Translation risk

The currency translation exposures occur from the translation of assets and liabilities of the foreign subsidiaries into SEK. Recipharm tries to limit the translation exposure by matching the currency composition of debt with the composition of assets. No hedging is concluded for the translation currency risk.

Funding risk

The funding risk is the risk Recipharm does not have access to adequate financing on acceptable terms at any given point. To the limit the risk of funding Recipharm aims to have diversified maturity profile of its debt.

Funding	Currency	Nom. amount	< 1 year	>1<3 years	< 4 years	Total
RCF	SEK	1,600,0			1,600,0	1,600,0
RCF	EUR	40,0			40,0	401,5
Term loan A	SEK	1,300,0			1,300,0	1,300,0
Term loan B	EUR	290,0			290,0	2,910,9
Term loan C	GBP	250,0			250,0	2,771,8
Convertible Bond	SEK	1,000,0	1,000,0			1,000,0
SEK million						9,984,2

To the RCF and Term loans there are two covenants as part of the loan agreement; net debt/operating profit before depreciation and amortization and interest rate coverage. The ratio for earnings are

based on the last twelve months. Recipharm is within acceptable limits for these covenants. Interest rates are based upon relevant IBOR plus margin and interest periods can vary from 3 to 6 months.

Significant exchange rates applied in the financial statements

Country	Currency	Average exchange rates		Closing day rates	
		2020	2019	2020-12-31	2019-12-31
EURO	EUR	10.4867	10.5892	10.0375	10.4336
UK	GBP	11.7981	12.0658	11.0873	12.2145
USA	USD	9.2037	9.4604	8.1886	9.3171
India	INR	0.1245	0.1342	0.1117	0.1324

NOTE 36 PARTICIPATIONS IN GROUP COMPANIES

PARENT COMPANY	2020-12-31	2019-12-31
Opening acquisition cost	5,951.6	5,640.6
Purchase of new shares	63.2	-
Share-based incentive program	1.1	-3.1
Group/Shareholders' contributions to subsidiaries	106.7	361.0
Loan conversion into shares, internal	-	15.8
Divestment of shares, internal	-	-62.7
Closing accumulated acquisition cost	6,122.6	5,951.6
Opening impairment losses	-786.4	-486.1
Impairment for the year	-290.6	-300.3
Closing accumulated impairment losses	-1,077.0	-786.4
Carrying amount	5,045.6	5,165.2

SPECIFICATION OF INCOME FROM SHARES IN SUBSIDIARIES

PARENT COMPANY	2020-12-31	2019-12-31
Impairment of shares in subsidiaries	-292.4	-300.3
Impairment intercompany receivables	-2.9	-5.0
Reversal impairment intercompany receivables	4.6	96.1
Divestment in shares, internal	-	6.9
Received dividends	373.7	123.7
SEK million	83.0	-78.5

Impairment of participations has taken place as a result of shareholder contributions provided to cover losses in subsidiaries, as well as write-downs of participations in subsidiaries after receiving dividend attributable to the sale of subsidiaries.

Notes

Note 36 cont.

Specification of subsidiaries directly held by the Parent Company

Company	Corp. Id No.	Registered office	No of participations	pctg. owned	Carrying amount	
					2020-12-31	2019-12-31
Recipharm Stockholm AB	556666-8249	Stockholm, Sweden	100,000	100%	0.7	0.8
Recipharm Strängnäs AB	556666-8231	Strängnäs, Sweden	100,000	100%	11.3	11.4
Recipharm Venture Fund AB	556666-2697	Stockholm, Sweden	400,000	100%	0.4	0.3
Recipharm Karlskoga AB	556662-4366	Karlskoga, Sweden	100,000	100%	6.9	7.0
Recipharm Karlskoga Fastighets AB	556657-8315	Stockholm, Sweden	100,000	100%	0.1	0.1
Recipharm Höganäs AB	556666-2606	Höganäs, Sweden	100,000	100%	13.3	3.2
Recipharm Participation SAS	498 592 757 000 13	Monts, France	19,386	100%	4.0	3.8
Recipharm Holdings Ltd.	8174911	Manchester, United Kingdom	1,013,485	100%	227.1	163.0
Recipharm AG	CH-270.3.010.655-3	Basel, Swizerland	3,000	100%	0.0	0.0
RM 2959 Vermögensverwaltungs GmbH	HRB 182 656	Wasserburg, Germany	36,856	100%	1.9	1.8
RPH Iberia AB	556805-3234	Stockholm, Sweden	50,000	100%	2.0	1.7
Recipharm Pharmaceutical Development AB	556825-0095	Solna, Sweden	50,000	100%	0.3	0.5
RPH Pharmaceuticals AB	556731-7226	Stockholm, Sweden	1,000	100%	1.2	1.1
Recipharm Strängnäs Fastighets AB	556885-6842	Strängnäs, Sweden	50,000	100%	0.1	0.1
Recipharm Italia S.p.A.	06258250965	Milan, Italy	4,945,089	100%	916.7	916.8
LIO Immobiliare S.r.l.	07246630961	Masate, Italy	1	100%	0.0	0.0
Lusomedicamenta S.A.	507150473	Lissabon, Portugal	1,602,073	100%	770.9	1,017.1
Recipharm Pessac S.A.S.	807 679 386	Pessac, France	4,055	100%	1.3	1.2
Recipharm Uppsala AB	556695-5752	Uppsala, Sweden	1,000,000	100%	690.7	690.4
Recipharm (Americas), Inc	27-3497567	Triangle Park, USA	1,000	100%	1.0	1.1
Recipharm Participation B.V.	64308189	Amsterdam, Netherlands	1	100%	2,395.6	2,343.5
Recipharm OT Chemistry AB	556761-5439	Uppsala, Sweden	1,256	100%	0.4	0.4
SEK million					5,045.6	5,165.2

NOTE 37 RECEIVABLES FROM AND LIABILITIES TO GROUP COMPANIES

SEK million	2020-12-31	2019-12-31
Non-current receivables, Group	8,747.9	1,930.5
Total non-current receivables, internal	8,747.9	1,930.5
Receivables, Group	65.1	53.7
Current receivables, Group	1,098.0	1,275.3
Accrued interest, Group	289.8	20.7
Other current receivables, Group	-	2.2
Receivables cash-pool, Group	787.0	600.1
Total current receivables, internal	2,239.9	1,952.0
Accounts payable, Group	8.0	8.7
Liabilities Cash-pool, Group	658.9	253.8
Other liabilities, Group	32.3	799.6
Total other liabilities, internal	699.2	1,062.1

NOTE 38 SHARE OF RESULT IN PARTICIPATIONS

GROUP	2020-12-31	2019-12-31
Share of result joint venture Inject Pharma Sweden AB	-0.3	-0.4
SEK million (reported as Operating expenses)	-0.3	-0.4
Share of result joint venture SVS Portugal	1.0	1.2
Share of result associated company Nichepharm Lifescience Limited	0.1	-
SEK million (reported as Other operating income)	1.0	1.2

Notes

NOTE 39 CASH FLOW**Items not affecting cash flow**

GROUP	2020	2019
Depreciation, amortisation and impairment of assets	1,109.1	747.8
Gain/loss on sale of non-current assets	-11.4	-22.0
Gain divestment of subsidiary/operations	-85.6	-
Provisions for pensions and similar obligations	-252.1	20.8
Unrealised translation difference	-162.6	-63.8
Share of earnings of associated companies	-1.0	0.5
Other items not affecting cash flow	-51.3	-
SEK million	545.1	683.3
PARENT COMPANY	2020	2019
Depreciation, amortisation and impairment of assets	30.5	31.0
Write-down and reversal of shares in and receivables on subsidiaries, net.	290.7	69.6
Unrealised translation difference	559.3	31.8
Dividend received	-373.7	-123.7
Group contributions received, net amount	-180.6	-265.6
Other items not affecting cash flow	-69.5	34.2
SEK million	256.7	-222.7

GROUP Change in interest-bearing liabilities	Non cash-flow					Closing balance 2019
	Closing balance 2018	Cash flow	Acquisitions	Translation difference	Revaluation	
Bank loans	3,410.3	437.9	-	95.7	6.4	3,950.3
Convertible bond	955.2	-	-	-	15.7	970.9
Overdraft facility	12.3	23.8	-	0.1	-	36.2
Derivative	5.1	-	-	0.1	-0.2	5.1
Leasing liability ¹⁾	311.6	-92.4	-	-3.1	28.8	244.8
SEK million	4,694.5	369.3	-	92.8	50.7	5,207.3

GROUP Change in interest-bearing liabilities	Non cash-flow					Closing balance 2020
	Closing balance 2019	Cash flow	Acquisitions	Translation difference	Revaluation	
Bank loans	3,950.3	3,474.6	1,986.7	-517.6	-	8,894.0
Convertible bond	970.9	-	-	-	16.3	987.2
Overdraft facility	36.2	-23.0	-	-3.7	-	9.3
Derivative	5.1	-	-	-0.2	0.5	5.4
Leasing liability ¹⁾	244.8	-132.3	84.6	-11.0	152.9	339.0
SEK million	5,207.3	3,319.4	2,071.3	-532.5	169.7	10,234.9

¹⁾ Opening balance for Leasing liability increased by SEK 222.6 million due to implementation of IFRS 16.

PARENT COMPANY Change in interest-bearing liabilities	Non cash-flow					Closing balance 2019
	Closing balance 2018	Cash flow	Acquisitions	Translation difference	Revaluation	
Bank loans	3,395.4	445.0	-	31.7	6.4	3,878.5
Convertible bond	989.4	-	-	-	3.9	993.3
SEK million	4,384.8	445.0	-	31.7	10.3	4,871.8

PARENT COMPANY Change in interest-bearing liabilities	Non cash-flow					Closing balance 2020
	Closing balance 2019	Cash flow	Acquisitions	Translation difference	Revaluation	
Bank loans	3,878.5	-7,025.0	12,687.7	-577.1	-70.5	8,893.6
Convertible bond	993.3	-	-	-	3.9	997.2
SEK million	4,871.8	-7,025.0	12,687.7	-577.1	-66.6	9,890.8

Notes

NOTE 40 EVENTS AFTER CLOSING DATE**Takeover bid by Roar BidCo**

On December 14, 2020, EQT IX through Roar BidCo AB announced a public takeover bid to the shareholders of Recipharm AB (publ) of SEK 220 for each share in Recipharm after submitting an indicative offer to the Board of Directors of Recipharm of SEK 196 per share at an initial stage.

On January 28, 2021, EQT announced that the price in the offer was increased to SEK 232 for each share in Recipharm. The holders of the convertible bonds in Recipharm were, after a corresponding increase, offered to receive SEK 1,504,295 for each convertible with a nominal amount of SEK 1,000,000 in the offer.

Lars Backsell, Chairman of the Board of Recipharm, and Thomas Elderred, Board Member and CEO of Recipharm, are shareholders in Recipharm and participated in the offer together with EQT IX. They undertook to contribute their shares in Recipharm to the offeror in upon completion of the offer. Lars Backsell and Thomas Elderred holds shares in Recipharm (via companies) which in total represents in aggregate approximately 74.3 per cent of the votes and 25.7 per cent of the shares in Recipharm.

Recipharm's Board of Directors commented on the offer on January 28, 2021, where in their valuation of the weighted potential in relation to the consideration in the offer, they concluded that the shareholders through the offer will be well compensated for the company's potential, also considering timing aspects and the various risks associated with fully implementing the company's business plan. PwC has analyzed the offer and considers in its fairness opinion that the offer is fair from a financial perspective.

Completion of the EQT offer was conditional, among other things, on the correction of the error in the Convertible Terms. Completion of the offer was also conditional on obtaining the necessary regulatory approvals and the offer being accepted to such extent that the offeror becomes the owner of shares representing more than 90 per cent of the outstanding shares in Recipharm on a fully diluted basis.

The acceptance period for the offer expired February 12, 2021. On February 15, 2021, Roar BidCo AB announced the offer unconditionally as they control approximately 95.1 per cent of the shares in Recipharm and initiated a compulsory redemption of the remaining shares.

Based on the information above, and at the request of Roar BidCo, the Board of Directors of Recipharm applied for delisting of Recipharm's B-shares from Nasdaq Stockholm, which approved the application. The last day for trading in Recipharm's share on Nasdaq Stockholm was March 5, 2021.

At the request of Roar BidCo, an extraordinary general meeting of Recipharm was convened on March 10, 2021 to elect a new board.

As a result of the acquisition, all share savings programs ended during Q1 2021.

Funding

As a consequence of the change of control for Recipharm AB the external funding will be replaced. The long-term funding will be provided by Roar BidCo AB.

Correction of error in terms of the Convertible Bonds

Recipharm issued convertibles in 2016. The convertibles are listed on the Frankfurt Stock Exchange.

Due to an administrative mistake when the convertible bonds were issued, the final convertible bond terms and conditions contain an error. The effect of the error is that the formula to be used to calculate the conversion price adjustment in the event of a "change of control event" (or a "free float event") does not correctly reflect the formula presented to investors when the convertible bonds were issued or the commercial intention when the convertible bonds were issued.

Recipharm announced on 14 December 2020 that the company had initiated a process to correct the error and thus called a convertible holder meeting to obtain consent to correct the error. At the Convertible Holders' Meeting on February 3, 2021, the necessary quorum was reached and the extraordinary resolution was passed.

By extraordinary resolution, the holders of the Bonds resolved to assent to the modifications of the Conditions and the Trust Deed as set out in the Consent Solicitation Memorandum. Accordingly, the Issuer and the other relevant parties to the Bond documentation executed the Supplemental Trust Deed to effect to these modifications.

Launch of Resyca company for new collaboration

On February 1, 2021, Recipharm and Medspray BV, a manufacturer of high-tech spray nozzles, announce that they have now completed their company and established Resyca BV.

Resyca will develop and exploit the softmist spray nozzle technology for pharmaceutical applications. This has the potential to eliminate the need for propellants by delivering therapies deep into the lungs more effectively with lower doses as less ends up in the mouth and throat.

Recipharm's investment in Resyca has been made through its subsidiary Recipharm BV. Resyca will operate development facilities in Munich, Germany and spray nozzles will be supplied exclusively from Medspray in the Netherlands. It is envisaged that commercial supply of finished devices will be manufactured and supplied by other Recipharm affiliates including the specialist device manufacturing capabilities located in King's Lynn, UK. Additionally, Recipharm will receive an exclusive license to offer its customers the development and manufacturing of syringe-based devices using the softmist nozzle technology. Such devices will be marketed by Recipharm under the brand Bespak by Recipharm.

COVID-19

Recipharm continuously monitors the development of the COVID-19 pandemic. No significant change has taken place in the issue during the period from the 2020 financial statements and the signing of the annual report.

Board signature

The undersigned hereby assure that the consolidated accounts and annual report were prepared as per International Financial Reporting Standards (IFRS) as adopted by the EU, and generally accepted accounting principles, respectively and provide a true and fair view of the development of the Group's and Parent Company's position and performance, and (ii) the administration 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 uncertainties faced by the companies that are part of the Group. The income statements and balance sheets of the Parent Company and the Group are subject to adoption by the Annual General Meeting on 11 May 2021.

Stockholm, 8 March 2021

Thomas Eldered
CEO

Lars Backsell
Chairman

Carlos von Bonhorst
Board member

Anders G Carlberg
Board member

Olle Christenson
Board member, employee representative

Marianne Dicander Alexandersson
Board member

Ashwini Kakkar
Board member

Helena Levander
Board member

Eva Sjökvist Saers
Board member

Our audit report is issued, 9 March 2021

Ernst & Young AB

Jennifer Rock-Baley
Authorized public accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of Recipharm AB (publ), corporate identity number 556498-8425

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Recipharm AB (publ) except for the corporate governance statement on pages 90–98 for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 36–98 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 90–98. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section.

We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

REVENUE ACCOUNTING

Description

Net Sales for 2020 amounted to 11 069 MSEK generated from the sale of goods and services. Principles for revenue recognition are described in Note 1 and disaggregation of revenue is presented in note 2. Revenues are recognized in connection with the fulfilment of the performance obligations. Sales of products are recognized when they are delivered, which is when the risk and control is transferred to the customer. The sale of services is recognized in the period in which they are performed.

In some cases, revenue recognition requires the Company to make estimations for various forms of volume-based rebates and risks of return. These type of timing assessments are of particular importance in connection to the balance sheet date. Given that elements of revenue recognition contain judgements made by the Company, we have assessed this to be a key audit matter.

How our audit addressed this key audit matter

Our audit has included performing analytical procedures, review of contracts and sample testing of accruals as at balance sheet date to evaluate the relevance in the revenue recognition. We have focused on larger and complex contracts.

We have audited the group's assessment of contracts with complex contract terms, for example terms related to volume-based rebates and return clauses, to ensure that the revenues are accounted for in accordance with IFRS 15

We have assessed the appropriateness of the disclosures provided in the annual report.

GOODWILL – VALUATION

Description

Goodwill accounted for 5 188 MSEK in the consolidated statement of financial position as at 31 December 2020, corresponding to 24 % of the Company's total assets. Goodwill have arisen through acquisitions made by the Company.

As stated in Note 1, an impairment test is performed annually, or whenever there is an indication of impairment. Goodwill is allocated to cash-generating units and in the case the carrying value exceeds the estimated recoverable amount, the asset is amortized to its recoverable amount. Note 17 shows that the recoverable amount consists of an estimated value in use and that the assessment of the value in use is based on the Group's five-year business forecast for each cash-generating unit.

Central key assumptions in these calculations are future growth, gross profit and discount rate. The Company's determination of the key assumptions are based on a reflection of past experiences and projections of the future.

As a result of the assessments and assumptions required in determining the value in use, we have assessed the valuation of goodwill as a key audit matter

How our audit addressed this key audit matter

In the audit, we have evaluated the group's process for conducting impairment tests. Based on established criteria, we have examined how the group identifies cash-generating units and compared it to how the Company internally monitors its business.

With support from our internal valuation specialists, we have evaluated the valuation methods used. We have assessed the reasonableness of assumptions, such as the discount rate and long-term growth, conducted sensitivity analysis, and compared the forecasts used to historical outcomes as well as external sources and industry benchmarks.

Finally, we have assessed the appropriateness of the disclosures provided in the annual report.

Auditor's report

PURCHASE PRICE ALLOCATION

Description

In February 2020, the group acquired Consort Medical, a group with operations in United Kingdom, Italy and Germany.

Allocation of purchase price is made by identifying acquired assets and liabilities and valuing them at fair value based on valuation models applicable for the asset. The purchase price allocation of the Consort acquisition is presented in note 5.

After allocation to identifiable assets and liabilities, the remainder of the purchase price has been allocated to goodwill. As the process of identifying and valuing assets and liabilities in acquisition analyses includes assessments and complex valuation models, we have assessed this to be a particularly significant area in the audit

How our audit addressed this key audit matter

As part of our audit we have evaluated the group's processes related to the accounting of business combinations. We have audited the purchase price allocation model and agreed the input to supporting documentation, such as the purchase agreement. We have also performed procedures on the balance sheet at the acquisition date.

With support from our internal valuation specialists, we have assessed the valuation models applied and the significant estimates used when accounting for the business combinations, such as discount rate, future cash flows and the growth rate applied. The models and estimates have been tested by comparing them to historical outcome, future cash flow forecasts as well as external sources and established valuation techniques.

Finally, we have assessed the appropriateness of the disclosures provided in the annual report.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–36 and 99–106. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Auditor's report

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Recipharm AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 90–98 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's standard RevR 16 The auditors examination of the corporate governance statement. This means

that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Ernst & Young AB with Jennifer Rock-Baley as auditor in charge, Box 7850, 103 99 Stockholm, was appointed auditor of Recipharm AB by the general meeting of the shareholders on the 12 May 2020 and has been the company's auditor since the 28 April 2016.

Stockholm 9 March 2021
Ernst & Young AB

Jennifer Rock-Baley
Authorized Public Accountant

CORPORATE GOVERNANCE REPORT 2020

General

Recipharm AB (publ) is a Swedish public limited company with its registered office in Stockholm, Sweden. Recipharm's corporate governance in 2020 is based on the Swedish Companies Act, the Company's articles of association, the obligations that accompany listing on the NASDAQ Stockholm, the Swedish Code of Corporate Governance (the "Code") and other applicable laws and regulations. Corporate governance comprises a regulatory and decision-making system for managing a company's business in an effective, controlled manner. The aim is to meet the owners' requirements in terms of the return on capital invested.

In Sweden, corporate governance has traditionally been regulated by legislation. In addition, the self-regulatory bodies of trade and industry have continually presented various stipulations relating to corporate governance. For detailed information on the Code visit www.bolagsstyrning.se. Recipharm aims for a high standard through a clear and simple management system and guiding documents. Management, leadership and control of Recipharm are divided between the shareholders at the annual general meeting (the "AGM"), the Board of Directors, the CEO, and the auditors in accordance with the Swedish Companies Act and the company's articles of association. Increased transparency provides good insight into the company's operations, which contributes to effective control.

Recipharm's application of the code

Recipharm has applied the Code since the listing on NASDAQ Stockholm on 3rd April 2014. No deviation from the Code occurred during 2020. The Board of Directors has chosen not to set up a specific audit function for internal audit. The Board of Directors will evaluate the need to set up a specific audit function annually.

Shareholders

As of 31 December 2020 the share capital amounted to SEK 50,557,841.5 spread over 101,115,683 shares, each with a quota value of SEK 0.50. There are three series of shares in Recipharm: shares of series A (10 votes per share), shares of

series B (1 vote per share), and shares of series D (1 vote per share). In total there are 21,312,000 shares of series A and 79,803,683 shares of series B. There are currently no shares issued of series D. The shares of series A are subject to an offer of first refusal clause included in the articles of association. The number of shareholders amount to about 9,450. As of 31 December 2020, shareholders who directly, or indirectly, represent at least 10 per cent of the total amount of the votes in the company are: Zentricity Holding AB, 37.9 per cent and Cajelo Invest Ltd, 36.4 per cent. The foreign owners represented about 9.6 per cent of the votes. For more information regarding Recipharm's share and ownership structure, please refer to the Section "The Recipharm Share", on pages 104.

Shareholders' meeting and the AGM

Under the Companies Act, the shareholders' meeting is a company's highest decision-making body. The company's AGM adopts the income statement and balance sheet, elects the Board of Directors and auditors, establishes fees and deals with other matters laid down in legislation or in the Code. At the AGM, the shareholders have the opportunity to ask questions to the management, the Board of Directors and the auditors. Recipharm's articles of association do not contain any restrictions on how many votes each shareholder may cast at a shareholders' meeting. Neither, do the articles of association contain specific provisions on the appointment and dismissal of directors or amendment of the articles of association.

AGM 2020

The AGM 2020 was held 12th May 2020. The following decisions were made at the AGM:

- The retained earnings were carried forward.
- The proposed fees to the Board of Directors, its committees and the auditor were approved.
- Re-election of the board members Lars Backsell, Carlos von Bonhorst, Anders G. Carlberg, Marianne Dicander Alexandersson, Thomas Elderer, Helena Levander, Eva Sjökvist Saers and Ashwini Kakkar.

- Lars Backsell was re-elected as Chairman of the Board of Directors. Ernst & Young AB was re-elected as auditor.
- The Board of Directors' proposal in respect of guidelines for remuneration of senior executives was adopted.
- The Annual General Meeting resolved to implement a share savings program for the Group's employees.
- To ensure delivery of shares to participants in accordance with Recipharm's share saving programs, the Board of Directors was authorised to decide on new issue of shares of series D.
- The AGM resolved to authorise the Board of Directors to carry out new issues of shares and/or issues of convertible bonds in accordance with the presented proposal.
- The AGM resolved that § 9, third paragraph of the Articles of Association should read as follows: "In order to participate in the general meeting, shareholders must register with the Company no later than the date specified in the notice to convene the meeting". Further the AGM resolved that the post-sale purchase right for shares of series A should be removed from the Articles of Association.

The minutes and other documents from the above general meeting are available on Recipharm's website www.recipharm.com.

AGM 2021

The 2021 AGM will be held on Tuesday 11th May 2021.

Nomination committee

Recipharm's 2020 AGM resolved that the Recipharm nomination committee shall consist of four members – one representative for each of the three largest shareholders in terms of votes on the last banking day of September wishing to appoint a member of the nomination committee and the Chairman of the board. The three largest shareholders in terms of votes refer in this instruction to the three largest shareholders in terms of votes registered and grouped by Euroclear Sweden AB as of the last banking day of September.

The composition of the committee shall be announced at least six months prior to the AGM. The nomination committee repre-

Corporate governance report

sents the company's shareholders and is responsible for preparing and presenting proposals to the AGM regarding Chairman of the board, the Board of Directors, fees to be paid to the Chairman of the board and other board members and remuneration for committee work, election of and fees to auditors and deputy auditors (where applicable) for decisions on principles for the structure of the nomination committee as well as for the Chairman of the AGM.

The nomination committee for the upcoming AGM comprises Tony Sandell (appointed by Zentricity Holding AB), Thomas Ehlin (appointed by Fjärde AP-Fonden), Ossian Ekdahl (appointed by Första AP-Fonden) and Lars Backsell (Chairman of the board). Tony Sandell was appointed as Chairman of the nomination committee. All shareholders have been given the opportunity to contact the nomination committee with proposals, e.g. for board members, for further evaluation within the context of the nomination committee's work.

The nomination committee has held two meetings during 2020. As a basis for its evaluation of the composition of the board the nomination committee had access to the evaluation carried out by the board and was also given opportunity to meet

the members of the board individually. Based on this evaluation and the opportunity to take into account suggestions for new board members, the nomination committee draws up a proposal for a new board which is made public in conjunction with the invitation to the AGM.

The AGM appoints auditors annually. When auditors are to be elected the audit committee assists the nomination committee with producing a proposal. The current auditor, Ernst & Young AB, was first elected at the AGM in 2004.

The board of directors

The board's responsibilities and duties

At the constituent board meeting the board decides on the rules of procedure and work methods for the board, any other bodies that the board may establish including the CEO as the framework for financial reporting, instructions and policies regarding functions and authorities.

Composition of the board

According to the company articles of association, the board

shall have a minimum of three members and a maximum of eight AGM-appointed members with no AGM-appointed deputies. The board has one employee representative. Coming from different backgrounds and with a wide range of experience, the directors have the knowledge required to perform their board duties, including issues relating to strategy, executive management and structural development. Individual directors also provide valuable assistance to management in facilitating contacts with key clients and on issues relating to politics, economics, accounting and finance, law, organisation and marketing.

Each board member's age, education, work experience, mainly assignments and election year are presented on pages 95–96.

Chairman of the board

The Chairman of the board is in charge of the work that takes place by the board, and to make sure that the board is meeting its commitments in accordance with the Swedish Companies Act and the work plan established by the board. Continual contact with the CEO shall ensure that the Chairman of the board monitors the company's development and ensures that the board receives the information required in order to be able to meet its commitments. The Chairman of the board shall also represent the company in matters concerned with ownership. The Chairman of the board does not participate of the operational work in the company. He is also not included in the company management. Lars Backsell has been Chairman of the board since 2007.

Board fees

The 2020 AGM established that the fees will amount to SEK 2,960,000 in total, of which SEK 650,000 will be paid to the Chairman and SEK 325,000 will be paid to each of the other directors who are not employees of the company. The AGM also resolved that a fee of SEK 150,000 will be paid to the Chairman of the audit committee and SEK 70,000 each to the other members. A fee of SEK 40,000 will be paid to the Chairman of the remuneration committee and SEK 30,000 to the other member.

BOARD MEMBER	Independent in relation to company and management	Independent in relation to large shareholders	Presence at board meetings	Presence in the remuneration committee	Presence in the audit committee
Lars Backsell ¹	No	No	16/19	2/2	10/10
Carlos von Bonhorst	Yes	Yes	18/19		
Marianne Dicander Alexandersson	Yes	Yes	19/19	2/2	
Anders G. Carlberg	Yes	Yes	19/19		10/10
Thomas Eldered ²	No	No	16/19		
Ashwini Kakkar	Yes	Yes	17/19		
Helena Levander	Yes	Yes	18/19		10/10
Eva Sjökvist Saers	Yes	Yes	18/19		
Olle Christenson (employee representative)	Yes	Yes	19/19		

¹) Lars Backsell has not participated in the Board Meetings' handlings of or decisions regarding the Offer to acquire the company by RoarBidCo AB.

²) Thomas Eldered has not participated in the Board Meetings' handlings of or decisions regarding the Offer to acquire the company by RoarBidCo AB.

Corporate governance report

The work of the board

In 2020 the board held 19 meetings, including a statutory meeting following the AGM on 12th of May 2020. The minutes of these meetings represent documentation of decisions taken. The regular board meetings are prepared jointly by the Chairman of the board and the CEO of the company. Before each board meeting the board receives written material as a basis for discussions and decisions that will be dealt with. One or more members of the executive management take part in the board meetings in order to report on matters within their specific areas.

At every regular board meeting an update is given on the business situation and financial monitoring. Other matters dealt with during the year include the economic trend, competence needs, organisation and acquisitions. These reports are compiled by the CEO and the Chief Financial Officer. The company's auditors was present at the meeting at which the year-end financial statements were discussed. This gave the Board of Directors and the auditors the opportunity to discuss the business, accounting and audit.

Committees of the board

The board has established an audit committee and a remuneration committee. The members of the committees are elected amongst the board members for one year at a time. The committee members are appointed at the constituent board meeting.

Audit committee

The audit committee consists of Helena Levander (Chairman) Anders G Carlberg and Lars Backsell. The board requires that a majority of the members shall be independent and at least one member shall have competence in accounting or auditing. The committee has held ten meetings in 2020. Continuous dialogue has been held with the elected auditor, and the auditor has participated in all committee meetings when deemed relevant.

They have also held meetings with the auditor. Matters that have been discussed under 2020 include review of risk analyses, internal financial reporting, review of results by AGM

elected auditors' audit of the operations, impairment tests, financing structure and matters concerning internal control.

Remuneration committee

The remuneration committee consists of Lars Backsell (Chairman) and Marianne Dicander Alexandersson. The remuneration committee has met two times during 2020. Matters that have been processed during 2020 include: review of remuneration to senior executives; drafting of a remuneration report; an evaluation of the CEO's performance during the year; and a proposal of a compensation package for the CEO.

Assessment of the board's work

In accordance with the board's rules of procedure, the board continually assesses its work through open discussions in the board and through a board evaluation in the form of a survey amongst board members. The results of the annual board evaluation are submitted to the nomination committee.

The nomination committee has also had individual meetings with board members in order to ask questions regarding the board's activity.

Auditors

The company's auditor, Ernst & Young AB, was first elected on the AGM in 2004. The current period runs until the end of the AGM 2021. Jennifer Rock-Baley is the responsible auditor since 2016. During the year the auditor has, in addition to auditing the financial statements for the company, also reviewed the interim report for the third quarter. As described in the section "The work of the board", the auditor has also met the board at the board meeting where the approval of the annual financial report took place. For information regarding remuneration to auditor, please refer to Note 10 on page 60.

Internal control over financial reporting

Internal control of financial reporting is based on the control environment established by the board and executive manage-

ment. Control environment refers to – among other things – the values and the culture that exist within Recipharm, but also the organisational structure, responsibilities and powers defined and communicated to everyone concerned within the company. It also includes components such as the competence and experience of the company's employees and a number of governing documents such as policies and manuals. The internal control over financial reporting is to ensure that internal and external reporting is accurate and relevant, that it is established in accordance with law and applicable accounting standards and other requirements for reporting.

Recipharm's board is responsible for the existence of effective systems for monitoring and controlling the company's operations, including risk management, and to make sure that the company complies with laws and regulations that apply to its activities. The board is also responsible for the company's internal control over financial reporting.

Furthermore, the internal control over financial reporting is for example focused on ensuring effective and reliable processing of invoices to customers, customer credit, foreign exchange and investment. The board annually evaluates the need to establish a specific internal audit function. The evaluation resulted in a conclusion that the internal control also going forward should be an integrated part of the Group's finance function.

Control environment

The Recipharm board has established rules of procedure which are resolved upon annually at the constituted board meeting. These rules forms the basis of the work of the board and for effective management of the risks to which the business is exposed. The board annually updates and establishes the board's rules of procedure, CEO instructions and authorisation arrangement. The framework for Recipharm's internal control system consists of the company's Global Policy, which addresses for example material relations within the Group, goals, management philosophy, the board's working methods, responsibili-

Guidelines for remuneration for the CEO and senior executives in Recipharm AB (publ)

ties and authority, quality and environment and the company's other policies. Recipharm's policies and other governing documents are considered to constitute the foundation of a well-functioning internal control.

Information and communication

Information on Recipharm's steering documents such as policies, guidelines and routines are provided to the persons concerned. Significant policies and guidelines are updated as needed, but at a minimum on an annual basis, and communicated to the staff concerned. Financial reporting issues are also discussed at meetings at which the Group's financial officers meet. For external communication Recipharm follows its established policies.

Monitoring

Within Recipharm the income statement and balance sheet are monitored along with certain key ratios, at both Group and segment level. In addition to the financial reporting, a follow-up of the internal control work and risk inventory is made. The board receives updates of the financial outcome of the Group.

Disclosure of information to the stock market

In accordance with the commitments incumbent upon Recipharm as a listed company, Recipharm has in 2020 provided the stock market with information on the Group's financial position and development. The information is provided in the form of interim reports and an annual report, which are published in Swedish and English. In addition to financial information, Recipharm also issues press releases of news and events and also gives presentations for shareholders, financial analysts and investors both in Sweden and abroad. The information published is also made available on the company's website, www.recipharm.com.

At the Annual General Meeting on the 12th May 2020 it was resolved to adopt the following guidelines for remuneration and other terms of employment for senior executives.

These guidelines for remuneration shall be applied on the remuneration for the CEO and other senior executives in Recipharm AB (publ) (the "Company"). Other senior executives are those who, besides the CEO, constitute the group management team of the Company. The guidelines for remuneration shall apply to remuneration agreed after the annual general meeting 2020 and apply until the annual general meeting 2024, unless circumstances arise that require prior revision. The guidelines do not apply to remuneration resolved by the general meeting.

Remuneration to the senior executives shall be paid according to market terms, to ensure the Company's ability to recruit and retain excellent people, to keep and develop the capabilities needed to successfully implement the company's business strategy and long term interest, including its sustainability.

Remuneration of senior executives may consist of basic salary, variable pay, pension, other benefits and sharebased incentive programs. The remuneration of the CEO and other senior executives shall be based on factors such as responsibility, expertise, experience, position and performance. Furthermore, the relationship between basic salary and variable pay shall be proportionate to employees' responsibilities and duties. The variable pay shall be linked to pre-determined criteria designed to promote the company's creation of value in the long-term. The remuneration shall not discriminate on grounds of gender, ethnic background, national origin, age, disability, religion or other irrelevant factors.

Fixed salary

Fixed salary shall be paid in accordance with market terms and based on the responsibilities and duties of the senior executive. Sick pay shall be equivalent to 75–90 percent of the fixed salary during the first 3–6 months of a period of sickness or according to collective agreements.

Variable pay

In addition to fixed salary, the senior executives are entitled to variable pay. The variable pay is determined by the board of directors for the CEO and by the remuneration committee for the other senior executives and must be linked to pre-determined and measurable criteria and designed with the aim of promoting the company's value creation and business strategy both in the short term and the long term. Targets for variable pay shall be linked partly to the outcome of specific financial targets for the Company and partly to individual targets attributable to each executive's role and function at the Company. The size of the variable pay shall not exceed 40% of the executives fixed pay.

Evaluation and decision on target fulfillment and payment of variable pay are made by the board for the CEO and by the remuneration committee for the other members of the executive management. The board's decisions on variable pay for the CEO shall be carried out on the basis of materials prepared by the remuneration committee. Evaluation and decision on target fulfillment and payment of variable pay shall be made after the end of each financial year.

Other benefits

Other benefits, which may include for example health insurance, company car and travel benefits shall be on market terms and in accordance with local practice. These benefits shall not constitute a substantial part of the total remuneration.

Termination

Regarding the CEO and the other senior executives, provided that collective agreements do not state otherwise, the employee and the employer shall have a mutual notice period of up to six months. In addition to salary during the notice period, severance pay of up to six months of salary may occur.

In addition, the senior executives who are bound to a non-compete clause and a non-solicitation clause applicable after the terminated employment can be reimbursed with a

Corporate governance report

monthly amount up to the maximum of the executive's latest monthly salary during the period when the non-compete clause and non-solicitation clause are applied. Severance pay and compensation for non-compete clause and non-solicitation clause are not paid in parallel.

Pension

Pensions shall be formed in such a way that they are in accordance with market standards and reflects normally accepted levels and customs in the country where the member of the executive management team is employed.

Preparation of the guidelines

These guidelines for remunerations have been prepared by the board of directors, on the basis of materials prepared by the remuneration committee. The board of directors have among other things considered the employees' total salary, the components of the remuneration, the increase and growth rate over time and other employment conditions when evaluating whether the guidelines and limitations set out herein are reasonable.

These guidelines shall be in force until new guidelines have been adopted by the general meeting. At least every fourth year, the board of directors shall submit a proposal for new guidelines for remuneration for resolution by the general meeting.

When the board of directors review the guidelines, it shall consider the development of the general remuneration levels for senior executives in comparable companies as well as the general remuneration levels and employment conditions for employees of the Group.

The board of directors shall in its proposal to amend the guidelines, summarize significant changes and, if applicable, how shareholders' views have been taken into account in the review of the guidelines.

Deviation from the guidelines on remuneration

The board of directors shall be entitled to temporary deviate from the guidelines in respect of any of the above principles, in individual cases when it is deemed necessary to ensure the sustainable long-term success of the company's strategies and other interests or to ensure the Company's financial viability. The remuneration committee's duties include preparation of the board of director's decision on remuneration matters, including decisions to deviate from these guidelines.

Information on remuneration decided upon but not due for payment

In addition to the commitments to pay ongoing remuneration such as salary, pension and other benefits, there are no previously decided remuneration to any senior executives not due for payment.

Board of directors

BOARD OF DIRECTORS¹**LARS BACKSELL**

Born 1952

Position: Chairman of the Board; Board member since 1994; Chairman of the Remuneration Committee; member of the Audit Committee

Education: B.Sc., Stockholm School of Economics, 1978; AMP Insead, France, 1989

Experience: CEO Recip AB 1995–2007; Business Area Manager OTC Pharmacia AB 1991–1995; Sales Director Coloplast A/S 1986–1991; General Manager Coloplast AB 1981–1985; Controller Hovås Invest 1978–1980

Other assignments: Chairman of the Board, B&E Participation AB, Cajelo AB, Cajelo Invest AB, Entreprenörskapsforum; Board member Rohirrim AB and Cajelo Invest Ltd; Fellow of Royal Academy of Engineering Sciences

**CARLOS VON BONHORST**

Born 1957

Position: Board member since 2015

Education: Medical Doctor, Classical University, Lisbon, Portugal, 1981

Experience: Consultant to the Board/top management of Irish, Japanese, Portuguese and Swiss companies; Research & Innovation programs advisor and evaluator in the fields of Life Sciences, Health, Nanotechnologies and Emerging Technologies to Belgium (Federal and Walloon), French, Italian and Polish governments, companies and international institutions such as the European Commission, Sweden Bio, ARVO (US), AAAS (US) and EVI (BE); Owner of a technology transfer office; Former Board member of pharmaceutical, chemical and investment companies in Ireland and Belgium, former Corporate Development Director of Helsinn (CH)

**ANDERS G. CARLBERG**

Born 1943

Position: Board member since 1995; member of the Audit Committee

Education: MBA, Lund University, 1968

Experience: President and CEO Axel Johnson International AB 1993–2008, Nobel Industries, JS Saba; Vice President SSAB

Other assignments: Board member of Herenco AB; owner of the sole proprietorship Närlunda Säteri

**MARIANNE DICANDER ALEXANDERSSON**

Born 1959

Position: Board member since 2014; member of the Remuneration Committee

Education: M.Sc. in Chemical Engineering, Chalmers Institute of Technology, Gothenburg, 1983

Experience: CEO Global Health Partner AB, Sixth Swedish National Pension Fund (Sjätte AP-fonden), Kronans Droghandel AB; Vice President Apoteket AB; experience from quality management and market development from several industry sectors

Other assignments: Founder and Chairman of the Board MDA Management AB; Chairman of the Board Saminvest AB, Sahlgrenska Science Park, Royal Swedish Academy of Engineering Sciences west section; Board member of Linc AB, Enzymatica AB, Promore AB, Praktiker-tjänst AB; member of the representative assembly of Skandia, The Dental and Pharmaceutical Benefits Agency (TLV) insights council

¹ The Board of Directors was elected at the annual general meeting held on 12th May 2020. An extraordinary general meeting will be held on 10th March 2021 for the election of a new board of directors.

Board of directors

**THOMAS ELDERER**

Born 1960

Position: CEO; Board member since 1994**Education:** M.Sc. in Industrial and Management Engineering, Linköping Institute of Technology, 1985**Experience:** CEO, Recipharm AB since 2008; Vice President, Recip AB 1995–2007; Factory Manager, Pharmacia 1990–1995**Other assignments:** Chairman of the Board of Amarna Therapeutics BV; Board member of Chromafora AB, Flerie Invest AB, Flerie Participation AB, Kahr Medical Ltd, Provell Pharmaceutical LLC, Sixera Pharma AB, Zentricity Holding AB; deputy Board member of Symcel AB**ASHWINI KAKKAR**

Born 1954

Position: Board member since 2019**Education:** Mechanical Engineer with a Post-Graduate from IIM Kolkata, MBA from INSEAD France, a Law Education from the Government Law College Mumbai**Experience:** President of Bombay Chamber of Commerce and Industry; Chairman of World Travel and Tourism Council; Board member of Foreign Exchange and Travel major Thomas Cook, Alliance Capital, DICGC (RBI), Prudential, Nitin Lifesciences, Jai Medica, Fanuc India, Himalayan Exploration**Other assignments:** Chairman of Ambit Corporation, Ambit Capital, Action Against Hunger; Board member of Dot Travel and Europassistance India**HELENA LEVANDER**

Born 1957

Position: Board member since 2016; Chairman of the Audit Committee**Education:** M.Sc. (Econ), Stockholm School of Economics**Experience:** Founder and CEO Nordic Investor Services AB; CEO Odin Fonder, CEO Neonet Securities AB; Senior Equity Fund Manager, Nordea Asset Management; Equity Fund Manager SEB**Other assignments:** Chairman of the Board Medivir AB, Ativo Finans AB, Nordic Investor Services AB, Caroline Svedbom AB; Board member of Concordia Maritime AB, Stendörren Fastigheter AB, Rejlers AB; Lannebo Fonder**EVA SJÖKVIST SAERS**

Born 1962

Position: Board member since 2019**Education:** MSc Pharm, PhD Pharm, Uppsala University. Courses at INSEAD, IMD and EMP at IFL**Experience:** Former CEO APL (Apotek Produktion & Laboratorier AB); Director and member of the SMT Apoteket AB; Director within R&D at Astra Pain Control and AstraZeneca. Former Chairman of the Swedish Society of Pharmaceutical Sciences and Board member Karolinska Institutet Holding AB, Dilafor AB and APL Fastigheter AB**Other assignments:** Board member of Karo Pharma AB and IDL Biotech AB. Chairman Swelife and Vice Chairman SwedenBIO**OLLE CHRISTENSON**

Born 1956

Position: Board member/Employee representative since 1995

Group management

GROUP MANAGEMENT

**THOMAS ELDERED**

Born 1960

Position: Chief Executive Officer**Education:** M.Sc. in Industrial and Management Engineering, Linköping Institute of Technology, 1985**Experience:** CEO, Recipharm AB since 2008; Vice President, Recip AB 1995–2007; Factory Manager, Pharmacia 1990–1995**Other assignments:** Chairman of the Board of Amarna Therapeutics BV; Board member of Chromafora AB, Flerie Invest AB, Flerie Participation AB, Kahr Medical Ltd, Provell Pharmaceutical LLC, Sixera Pharma AB, Zentricity Holding AB; deputy Board member of Symcel AB**THOMAS BECK**

Born 1969

Position: Senior Vice President, Quality Management**Employed since:** 2010**Education:** M.Sc. in Chemical Engineering, Royal Institute of Technology, Accreditation as Qualified Person, Uppsala University**Experience:** Director QA/QC, Qualified Person Recipharm Stockholm 2010–2015; Associate Director QA AstraZeneca R&D 2006–2010; Director QA, AstraZeneca Sweden Operations 2004–2006; positions in Engineering, Manufacturing and Development at Pharmacia and AstraZeneca 1996–2004**KENTH BERG**

Born 1959

Position: Vice President Business Management**Employed since:** 1997**Education:** Market economist EFL, Lund University, 1989**Experience:** Leading marketing positions at Ivers-Lee and Inpac AB 1988–1997; Senior management Recipharm**ERIK HAEFFLER**

Born 1967

Position: Vice President, Manufacturing Services and

Head of Sustainability

Employed since: 2015**Education:** B.A. in Communication Studies, Stockholm University 1992**Experience:** EVP Supply Chain and Manufacturing 2009–2014, Meda AB; Director European Supply Chain 2007–2009, AstraZeneca; Various manufacturing and supply chain roles 1992–2007, AstraZeneca**JEAN-FRANÇOIS HILAIRE**

Born 1964

Position: Executive Vice President, Strategy and Global Integration**Employed since:** 2015**Education:** Doctor of Pharmacy, University of Bordeaux, General Management programme at CEDEP (Campus INSEAD, Fontainebleau)**Experience:** Director Manufacturing Network Optimisation Abbott; EVP Solvay; GM Germany and Eastern Europe Laboratoires Fournier**TOBIAS HÄGGLÖV**

Born 1978

Position: Chief Financial Officer**Employed since:** 2018**Education:** M.Sc. in Industrial Engineering and Business, Royal Institute of Technology 2004; M.Sc. in Science, Business Administration and Economics, Stockholm University 2004; Certified European Financial Analyst (CEFA) Holder, Stockholm School of Economics 2010**Experience:** CFO, LEAX Group 2017–2018; Head of Group Business Control, Electrolux 2012–2017; Chief Business Analyst, Electrolux 2008–2012; Manager Investor Relations, Scandinavian Airlines 2007–2008; Strategy Consultant, Accenture 2005–2007

Group management

**KJELL JOHANSSON**

Born 1956

Position: President, Manufacturing Services Europe**Employed since:** 2011**Education:** M.Sc. in Chemical Engineering, Lund Institute of Technology; B.Sc., Stockholm University 1987**Experience:** Management consultant 2008–2011; VP Global Supply Chain 2004–2008; VP Manufacturing 1989–2004, AstraZeneca**JONAS LEJONTAND**

Born 1978

Position: Vice President, Human Resources**Employed since:** 1999**Education:** B.Sc. in Human Resources Management, Uppsala University, 2004**Experience:** Senior management Recipharm**BERNARD PLUTA**

Born 1964

Position: President, Development Services**Employed since:** 2015**Education:** Industrial Engineer, French Grande Ecole Arts & Métiers ParisTech, France; Executive MBA, Hult Ashridge Business School, UK**Experience:** General Manager Recipharm Pessac 2015–2017; CDMO Management Consulting 2014; Senior Director Strategic Alliances & Business Development Teva 2011–2013; Executive Director Strategy Deployment Theramex Merck Serono 2007–2011; Senior Director Portfolio Development Theramex 2001–2006; Engineering Management Consulting, Assystem, 1990–2000**MARK QUICK**

Born 1966

Position: Executive Vice President, Corporate Development**Employed since:** 2006**Education:** B.Sc. (Hons) in Industrial Studies, Nottingham Trent University, 1988; MBA, Open University, 2005**Experience:** Head of Business Development, Celltech Manufacturing Services, 2000–2006

Sustainability

ABOUT THE SUSTAINABILITY REPORT

Recipharm's 2020 Sustainability Report has been prepared in accordance with the Swedish legal requirements, including the Annual Accounts Act. The Statutory Sustainability Report and Recipharm's Sustainability Report can be found on pages 24–35 and 99–101. Recipharm's Sustainability Report has been prepared in accordance with the GRI Standards: Core option. Additionally, this report serves as Recipharm's Communication on Progress Report to the UN Global Compact.

Our Sustainability Report is presented yearly as part of our Annual Report. The Sustainability Report follows Recipharm's financial year, and as such covers the period 1 January 2020 to 31 December 2020. The previous report was published in April 2020. No third party has audited the Sustainability Report and we will evaluate the need for external review.

Contact

With queries regarding our Sustainability Report, please contact Erik Haeffler, Head of Sustainability, erik.haeffler@recipharm.com.

Governance

Recipharm has developed a number of governing documents, such as its Code of Conduct and Internal Control Standards. Auditing and monitoring are achieved with the help of external resources and through self-evaluation. Self-evaluation includes the monitoring of local companies' compliance with Recipharm's Code of Conduct, Internal Control Standards and other rules and guidelines through a Letter of Assurance process.

Targets are monitored regularly and Recipharm's Operating Companies are responsible for their implementation and management. Overall control is carried out at Group level with direct feedback to the CEO and the Board. Sustainability issues are regularly included in the agenda of the Board of Director's meetings and once a year in the Nomination Committee.

Recipharm's CEO has ultimate responsibility for sustainability topics within the company. However, the management of the day-to-day sustainability work has been delegated to the Head of Sustainability. To support this work, during 2020, a company-wide Sustainability network was set up with the aim of sharing knowledge and best practice and to promote cooperation throughout the Group. There are already established networks in areas such as procurement and lean manufacturing.

Internal and external rules and guidelines

Our Global Policy sets out a clear management model and guidelines for Operating Companies. The Global Policy includes Recipharm's vision, mission and long-term objectives, as well as the governing principles for Operating Companies, including the delegation of responsibility and authority. It also comprises a framework for other

Group policies, such as financial reporting, financial audits, purchasing and our Code of Conduct. This allows General Managers within our Operating Companies to work with a high degree of managerial freedom within a clearly defined framework. Internal compliance to the Global Policy and the Code of Conduct is reviewed on an annual basis.

Recipharm has been a signatory of the United Nations Global Compact (UNGC) since 2016. We take responsibility for the UNGC's ten principles on human rights, labour, environment and anti-corruption. Our commitment also includes support for all internationally recognised principles on human rights, the ILO core conventions, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption. Based on these international guidelines, our Code of Conduct regulates our approach to business ethics and applies to all employees. The Code of Conduct covers all aspects of business ethics and relations with employees, customers, suppliers, authorities, competitors and other stakeholders. Our Supplier Code of Conduct covers the expectations we have on our suppliers.

Recipharm applies an ISO 14001 certified environmental management system and a management system for health and safety, certified according to ISO 45001 or equivalent, across the majority of its Operating Companies. Our Global Policy internal governance document was introduced in 2005, which was complemented in 2008

with our Code of Conduct. Recipharm is taking the precautionary approach into account in the company's risk management processes. Work methods and processes are constantly adapted to external expectations, requirements and legislation relevant to Recipharm. Recipharm is a member of the Swedish Life Science Industry Organization, SwedenBIO.

Recipharm is also a member of the AMR (antimicrobial resistance) Industry Alliance in order to improve its work on AMR and enable engagement with other stakeholders. AMR is currently one of the most serious health concerns worldwide. As Recipharm manufactures antibiotics in several locations, it is important that we are involved in developing solutions to combat AMR.

Stakeholder dialogue

Recipharm has identified employees, customers, owners, investors, analysts, suppliers and government agencies as key stakeholders. The company has ongoing dialogue with all relevant stakeholders regarding important business topics, including sustainability. As part of preparing its priorities and reporting, Recipharm has had specific meetings with the four largest institutional owners, carried out a survey with employees and conducted two workshops within the Group Management Team.

Recipharm's key stakeholders	Forum for dialogue	Key topics and Recipharm's response
Owners, investors and analysts	<ul style="list-style-type: none"> Regular meetings Ongoing contact Capital market day Annual general meeting Annual Report 	<ul style="list-style-type: none"> Scope and objectives Prioritised areas Current performance Planned activities
Employees	<ul style="list-style-type: none"> Regular dialogue Performance reviews Conferences Wider input survey open for all employees 	<ul style="list-style-type: none"> Performance reviews Personal and team contribution to sustainability
Customers	<ul style="list-style-type: none"> Ongoing contact Responding to several customers' sustainability surveys 	<ul style="list-style-type: none"> Customer meetings addressing sustainability Customers' sustainability requirements Recipharm's performance regarding sustainability
Suppliers	<ul style="list-style-type: none"> Procurement requirements Ongoing contact Supplier audits 	<ul style="list-style-type: none"> Start of implementation of Recipharm's Supplier Code of Conduct Sustainability assessments included in supplier quality audits
Government agencies	<ul style="list-style-type: none"> Ongoing contact 	<ul style="list-style-type: none"> No specific topics raised in 2019

The table shows Recipharm's key stakeholders, the forum for dialogue and their key topics and Recipharm's response. Recipharm also responds to the key topics and concerns in the Annual Report and this GRI Appendix.

Sustainability

Material aspects

Recipharm conducted a materiality analysis in 2016. The analysis was based on Recipharm's strategy, sustainability context and stakeholder expectations. Recipharm's management team made the prioritisation of the most material sustainability topics. The table below lists the sustainability topics that have been defined as the most material to Recipharm.

Material GRI Standard aspects

Economic performance

Emissions

Supplier social assessment

Occupational health and safety

The table shows Recipharm's material sustainability aspects.

Recipharm's Sustainability Report focuses on Recipharm's most material topics but also addresses other aspects of sustainability when relevant. Recipharm will develop its sustainability work gradually and have active dialogue with stakeholders for input on its priorities and potential improvements.

Boundaries

Recipharm's Sustainability Report covers the entire Group, unless otherwise stated. The material sustainability aspects have impacts on our own business and our employees. Some of the aspects have impacts beyond Recipharm's organisational boundaries, such as the assessment and monitoring of suppliers. In the Sustainability Report, we continuously describe the impact of each sustainability aspect, both within and outside the company.

Data for communicating the Code of Conduct to suppliers is cumulative.

Background data for GHG calculations

All calculations are made according to the Greenhouse Gas (GHG) Protocol. Direct GHG emissions in Scope 1 include the combustion of natural gas and oil for our factories and premises and fuel for company vehicles. Indirect GHG emissions in Scope 2 include the consumption of electricity, district heating, cooling and steam. Emissions of other indirect GHGs in Scope 3 include business travel by rail and air.

Scope 2 data for 2019 have been corrected in 2020. 2019 data used for units Research Triangle Park and Ness Ziona since data was missing for 2020. 20 per cent of 2019 data used for unit Ashton since it was closed during 2020. 2020 business travel data is excluding Bepak since data was missing.

Calculation of GHG emissions	Source of data
Combustion of natural gas and oil	Conversion factor for natural gas and oil from Greenhouse Gas Protocol.
Fuel from business travel in company vehicles	Statistics on fuel consumed or distance travelled gathered from employee expenses. Assumptions of gasoline cars when unknown and conversion factors from Greenhouse gas protocol.
Electricity	Country by country data for conversion factors from "Reliable Disclosure Systems for Europe – Phase II" (RE-DISSII) project, which was supported by the European Commission through the Intelligent Energy Europe (IEE). When specific agreement for 100% renewable energy, zero emissions assumed.
District heating, cooling and steam	Statistics from suppliers.
Business travel	Data on emissions from travel agencies when possible, conversion factors from Greenhouse gas protocol when only distance travelled is known.

GRI Index

GRI INDEX

The following list references the GRI indicators that Recipharm has decided to report on.

GENERAL DISCLOSURES

GRI 102: 2016	Description	Page
102-1	Name of the organisation	50
102-2	Activities, brands, products, and services	1, 3, 17–18
102-3	Location of headquarters	50
102-4	Location of operations	19
102-5	Ownership and legal form	37, 50, 104
102-6	Markets served	2, 9
102-7	Scale of the organisation	4, 19, 36, 41, 55
102-8	Information on employees and other workers	35, 61
102-9	Supply chain	18–19, 30
102-10	Significant changes to the organisation and its supply chain	5, 14–15, 36–37
102-11	Precautionary Principle or approach	99
102-12	External initiatives	25
102-13	Membership of associations	99
102-14	Statement from senior decision-maker	8
102-16	Values, principles, standards, and norms of behaviour	24–26, 30, 32–35
102-18	Governance structure	90–94
102-40	List of stakeholder groups	99
102-41	Collective bargaining agreements	34
102-42	Identifying and selecting stakeholders	99
102-43	Approach to stakeholder engagement	99
102-44	Key topics and concerns raised	99
102-45	Entities included in the consolidated financial statements	50
102-46	Defining report content and topic Boundaries	100
102-47	List of material topics	100
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102-50	Reporting period	99
102-51	Date of most recent report	99
102-52	Reporting cycle	99
102-53	Contact point for questions regarding the report	99
102-54	Claims of reporting in accordance with the GRI Standards	99
102-55	GRI content index	101
102-56	External assurance	99

GRI 201: 2016	Economic Performance	Page
103-1, 103-2, 103-3	Management approach	12–13, 90–91
201-1	Direct economic value generated and distributed	35

GRI 305: 2016	Emissions	Page
103-1, 103-2, 103-3	Management approach	24–28, 99–100
305-1	Direct GHG emissions (Scope 1)	27
305-2	Energy indirect GHG emissions (Scope 2)	27

GRI 308: 2016	Supplier Environmental Assessment	Page
103-1, 103-2, 103-3	Management approach	24–26, 30, 99–100
308-2	Negative environmental impacts in the supply chain and actions taken	30

GRI 403: 2018	Occupational Health and Safety	Page
103-1, 103-2, 103-3	Management approach	24–26, 99–100
403-1 – 403-7	Occupational health and safety	32–35
403-9	Work-related injuries	34

GRI 414: 2016	Supplier Social Assessment	Page
103-1, 103-2, 103-3	Management approach	24–26, 30, 99–100
414-2	Negative social impacts in the supply chain and actions taken	30



AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY STATEMENT

**To the general meeting of the shareholders of Recipharm AB,
corporate identity number 556498-8425**

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2020 on pages 24–35 and 99–101 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A statutory sustainability statement has been prepared.

Stockholm 9 March 2021
Ernst & Young AB

Jennifer Rock Baley
Authorized Public Accountant

Financial definitions

FINANCIAL DEFINITIONS

This report contains financial definitions in accordance with the framework applied by Recipharm for financial reporting, which is based on IFRS. There are also other key figures and performance indicators that are used to follow up, analyse and govern the operations, and to provide Recipharm's stakeholders with financial information on the Group's financial position, earnings and performance in a consistent manner. These other key figures and performance indicators are regarded as necessary in order to monitor the development of the Group's financial objectives. Here follows a list of the definitions of key figures and performance indicators that are used, referred to and presented in this report.

Alternative performance measures	Indicators definition and reason for use
Adjusted for non-recurring items	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.
CAGR	Compound Annual Growth Rate. Target for annual Net Sales growth over time.
Core EPS	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. <i>Core EPS shows earnings per share for the core business</i>
Debt/equity ratio	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>
EBITA	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 margin	EBITA divided by net sales <i>The EBITA margin shows operating profit for the core business in relation to net sales</i>
EBITDA	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 margin	EBITDA divided by net sales <i>The EBITDA margin shows operating profit in relation to net sales</i>
Equity per share	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>
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 <i>The adjusted equity/assets ratio shows how much of total assets are financed using total equity</i>
Interest-coverage ratio	Operating profit plus financial income divided by financial expenses <i>Measures the company's ability to cover its interest expenses</i>
Net debt	Interest-bearing liabilities less cash and cash equivalents <i>Net debt is calculated to show the net of interest-bearing liabilities and cash</i>

Alternative performance measures	Indicators definition and reason for use
Net debt/equity ratio	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 in relation to EBITDA (Leverage)	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>
Net sales (CER)	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>
Non-interest-bearing liabilities	Includes deferred tax liability <i>Measures non-interest-bearing liabilities</i>
Operating capital (average)	Net debt plus shareholders' equity (average opening and closing balance for the period) <i>Measures the use and efficiency of capital</i>
Operating cash flow per share	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 margin	Operating profit divided by net sales <i>Measures the profitability of operations</i>
Operating profit	Operating profit before financial items and tax <i>Operating profit shows the earnings from operations, including depreciation/amortisation and impairment losses The equity/assets ratio shows how much of total assets are financed using shareholders' equity</i>
Organic growth	Change compared to same period last year, adjusted for F/X-effects, acquisitions and divestments.
Return on equity	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>
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 <i>Return on equity, adjusted, shows the return on the company's equity adjusted for non-recurring items</i>
Return on operating capital	EBITA (12-month period) divided by average operating capital <i>Return on operating capital shows the return disregarding financial assets and financing</i>
Return on operating capital, adjusted	EBITA adjusted for non-recurring items (12-month period) divided by average operating capital adjusted for non-recurring items. <i>Return on operating capital shows the return disregarding financial assets and financing</i>

The Recipharm share

THE RECI PHARM SHARE 2020

The Recipharm B-share has been listed on NASDAQ Stockholm since April 2014. Recipharm was included in the Mid Cap segment, classified as a company in the Healthcare sector. On February 19, 2021, Nasdaq OMX Stockholm approved Recipharm's application for delisting. The last trading day was March 5, 2021. Recipharm had a market value of SEK 22,185 million at the end of 2020. Recipharm's B-share price was SEK 219.40 as of 31 December 2020. The Stockholm Stock Exchange had a positive development of approximately 10.79 per cent in 2020. The Recipharm B-share peaked at SEK 221.00 in December, while the lowest price of SEK 72.63 occurred in March.

Share capital and number of shares

The share capital at the end of the year was SEK 50.6 million distributed on 101,115,683 shares, of which 21,312,000 are not publicly listed A-shares and 79,803,683 are B-shares. The class A-share has ten votes per share and the class B-share has one vote per share. Par value per share is SEK 0.50.

The share's turnover

During 2020 a total of 87.4 million shares were traded at a value of SEK 12,816.1 million. This represents a turnover for the share stock of 1.0 for 2020. An average of 1,421 trades in Recipharm B-shares were executed every day.

Share activity 2020

Date	Share activity	A shares	B shares	D shares	TOTAL
Jan 1, 2020	Opening balance, number of shares	15,222,858	52,552,935	0	67,775,793
	Direct share issue	–	4,524,886	–	4,524,886
	New share issue	6,089,142	22,725,862	–	28,815,004
Dec 31, 2020	Closing balance, number of shares	21,312,000	79,803,683	0	101,115,683

Division into type of ownership 2020-12-31

Ownership	No. of shares	Capital %	Votes %
Swedish institutional owners	38,614,037	38.2%	13.2%
Swedish private persons	7,424,646	7.4%	2.6%
Foreign institutional owners	14,506,219	14.6%	5.0%
Other shareholders	29,677,516	29.4%	75.7%
Anonymous owners	10,893,265	10.4%	3.6%
Total	101,115,683	100%	100%

Dividend and dividend policy

Recipharm's long-term dividend policy means that the dividend shall correspond to 30–50 per cent of profit after taxes. For the business year 2020, the Board proposes that no dividend will be distributed (0.00).

Owner structure

At the end of 2020 Recipharm had about 9,450 shareholders, where the Swedish shareholders accounted to 72.2 per cent of the capital and 90.4 per cent of the votes. The Recipharm A-shares are owned by Flerie Participation AB and Cajelo Invest Limited, where the companies are owned by the founders, who are also CEO and the Chairman of Recipharm.

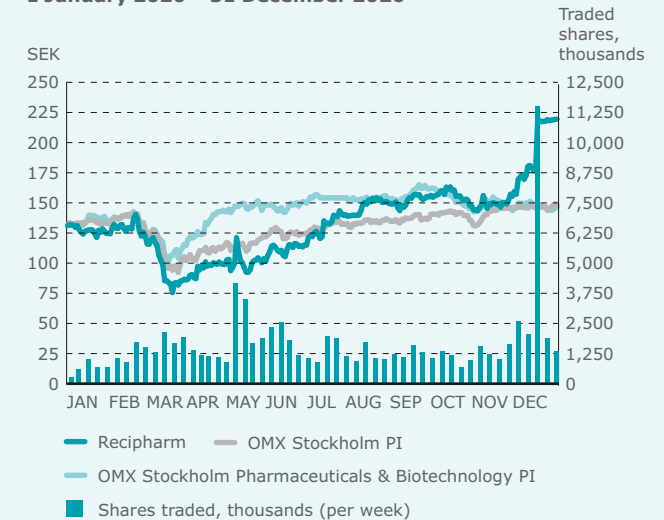
Shareholder information

Recipharm provides information for shareholders and the public through several channels. Information published in the form of annual reports, interim reports and press releases are regularly posted on www.recipharm.com. Presentation material from presentations of interim reports for journalists and analysts are also available for download. The website is the main channel for the Annual Report, for which reason the report is not sent to shareholders unless specifically requested.

Distribution of shares 2020-12-31

No. of shares	No. of shareholders		Shares	Shares (%)
1–500	7,367	940,898	0.9%	
501–1000	859	659,282	0.7%	
1001–5000	913	1,973,641	2.0%	
5001–10000	124	899,267	0.9%	
10001–50000	115	2,407,520	2.4%	
50001–	72	83,341,810	82.4%	
Anonymous owners		10,893,265	10.8%	
Total	9,450	101,115,683	100.0%	

Share development and turnover 1 January 2020 – 31 December 2020



The 10 largest shareholders 2020-12-31

Shareholders	Capital %	Votes %
Thomas Eldered (Zentricity Holding AB)	15.1%	37.9%
Lars Backsell (Cajelo Invest Limited)	10.6%	36.4%
Första AP-fonden	6.7%	2.3%
Lannebo Fonder	5.5%	1.9%
Fjärde AP-fonden	4.7%	1.6%
Kemfin Holdings Private Ltd	4.2%	1.5%
AFA Försäkring	3.2%	1.1%
Didner & Gerge Fonder	2.9%	1.0%
Invesco	2.8%	1.0%
Handelsbanken Fonder	2.4%	0.8%
Total ten largest owners	58.1%	85.5%
Other	41.9%	14.5%
Total	100.0%	100.0%

Addresses

ADDRESSES

HEAD OFFICE

Recipharm AB (Publ)

Thomas Eldered
Box 603
101 32 Stockholm
Sweden

SWEDEN

Recipharm Höganäs AB

Lena Berdén
Sporthallsvägen 6
263 34 Höganäs
Sweden

Recipharm Karlskoga AB

Ingela Palmqvist
Box 410, Björkbomsvägen 5
691 27 Karlskoga
Sweden

Recipharm Strängnäs AB

Gunnar Hagman
Mariefredsvägen 35
645 41 Strängnäs
Sweden

Recipharm OT Chemistry AB

Helene Fehrm
Virdings allé 18
754 50 Uppsala
Sweden

Recipharm Pharmaceutical Development AB

Åsa Bergström
Gårdsvägen 10A
169 70 Solna
Sweden

Recipharm Uppsala AB

Helene Fehrm
Rapskatan 7
754 40 Uppsala
Sweden

RPH Pharmaceuticals AB

Chris Hirst
Gårdsvägen 10
169 70 Solna
Sweden

EUROPE

Recipharm HC Limited

Claire Roberts
London Road
Holmes Chapel
Cheshire CW4 8BE
United Kingdom

Recipharm Fontaine S.A.S.

Pascal Prudent
Rue des Prés-Potets
21121 Fontaine-Les-Dijon
France

Recipharm Monts S.A.S.

Mikael Ericson
18, Rue de Montbazon
37260 Monts
France

Recipharm Pessac S.A.S.

Véronique Beaugnier
11, Avenue Gustave Eiffel
Parc Industriel Bersol I
33608 Pessac, Cedex
France

Kaysersberg Pharmaceuticals S.A.S.

Yves Buelens
23, Avenue Georges
Ferrenbach
F-68240 Kaysersberg
France

Lusomedicamenta Sociedade Técnica Farmacêutica S.A.

Antonio Barros
Estrada Consiglieri Pedros,69/B
Queluz de Baixo
2730-055 Barcarena
Portugal

Liosintex S.r.l.

Giorgio Bruno
Via Mantova, 8/12
20020 Lainate (MI)
Italy

Edmond Pharma S.r.l.

Giorgio Bruno
Strada Statale del Giovi, 131
20037 Paderna Dugnano (MI)
Italy

Biologici Italia Laboratories S.r.l.

Giorgio Bruno
Via F. Serpero, 2
20060 Masate (MI)
Italy

Mitim S.r.l.

Giorgio Bruno
Via Cacciamali, 34
25125 Brescia
Italy

Recipharm Parets S.L.U

Jesús Gómez
C/ Ramón y Cajal, 2
08150 Parets de Vallès
Spain

Recipharm Leganés S.L.U.

Stéphane Guisado
Calle Severo Ochoa 13
Leganés 28914 (Madrid)
Spain

Wasserburger Arzneimittelwerk GmbH

Michael Isele
Herderstrasse 2
83512 Wasserburg
Germany

Bespak Europe Ltd.

Keyvan Djamarani
Bergen Way
King's Lynn
Norfolk, PE30 2JJ
United Kingdom

Aesica Pharmaceuticals Ltd.

Ged O'Shea
Windmill Industrial Estate,
Shotton Ln,
Cramlington
Northumberland, NE23 3JL
United Kingdom

Aesica Pharmaceuticals GMBH

Werner Schick
Alfred-Nobel-Straße 10
D-40789 Monheim am Rhein
Germany

Aesica Pharmaceuticals GMBH

Werner Schick
Galileistraße 6
D-08056 Zwickau
Germany

Aesica Pharmaceuticals S.R.L.

Paolo Pizzorni
Via Praglia, 15
10044 Pianezza (TO)
Italy

Aesica Queenborough Ltd.

Peter Kruger
North Rd
Queenborough
Kent, ME11 5EL
United Kingdom

USA

Recipharm, Inc

Jim Small
Brandywine Business Center
1801 Horseshoe Pike,
Suite 1 Honey Brook,
PA 19344
USA

Recipharm Laboratories Inc.

Ann Flodin
511 Davis Drive, Suite 100
Morrisville, NC 27560
USA

ASIA

Recipharm Israel Ltd.

Sylvia Kachalsky
Hamazmera 9
Ness Ziona
Israel

Recipharm Pharmservices Pvt, Ltd.

Anurag Bagaria
34th km, Tumkur Road
T. Begur, Nelamangala Taluk
Bengaluru – 562123
India

Nitin Lifesciences Ltd.

Chetan Sobti
92–93, SECTOR-3 H.S.I.D.C.
Karnal, Haryana – 132001
India

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Peter Means och Kristian Pohl

Recipharm