

Jordbro, 4 December 2014

## Press release

### Customer to transfer Swedish penicillin manufacturing

Meda, one of Recipharm's customers has today advised that they will transfer supply of their mainly Swedish penicillin products and manufacture offshore with other suppliers. The manufacturing contract with Recipharm Strängnäs will therefore be terminated at December 31, 2015. This business accounts for approximately 2% of Recipharm's current sales. Recipharm currently employs 60 employees in Strängnäs and unfortunately the termination will likely lead to a reduction in that number. Financially, the termination will have a positive impact on Recipharm's profitability from 2016.

#### Impact on operations, employment and finance

- The termination will likely lead to reductions in personnel at the Strängnäs site and potentially even site closure. The total number of employees in Strängnäs were 60 at September 30, 2014 and the total book value of fixed assets at the site was SEK 9.8 million.
- The manufacturing contract in Strängnäs remains in force until 31<sup>st</sup> of December 2015, and there will be no change in the business until then. The Meda business in Strängnäs generated sales YTD September of SEK 52.9 m with a negative EBITDA of SEK -1.0 m and negative EBIT of SEK -1.7 m. It is estimated that Meda's decision to offshore their production will increase Recipharm's profit and EPS from 2016.
- All options for the site for 2016 and beyond are undergoing review, and more information will be given no later than February 17, 2015, when the 2014 Full Year report is issued.

#### Other Meda business with Recipharm

- Meda is one of Recipharm largest customers with manufacturing contracts at six Recipharm sites. Meda is a customer as a result of the the sale of the mainly Swedish Recip product business (former part of Recipharm) to Meda in December 2007.
- Of the other five site contracts, Meda has served notice of termination for the Höganäs contract. If this contract is eventually terminated it will affect group sales by approximately 1.6% in 2016 and a further 1.5% in 2017. All other contracts remain with the customary notice period of 1-2 years.

#### Thomas Eldered, CEO of Recipharm:

*"I am disappointed that a long relationship will be terminated and in particular how it will affect a number of our Swedish employees, who have demonstrated their commitment and hard work to provide a high quality product and service to Meda. We have worked hard to explore opportunities to improve the business for both companies. Unfortunately our offers have been rejected and they have now decided to transfer this range of products to other manufacturers abroad. Whilst this is regrettable especially for the persons affected by this decision, the financial impact of this termination is expected to be positive from 2016 and the short term business impact will be minimal, if any. We will now continue to pursue our mission to develop and manufacture pharmaceuticals for demanding customers for global use. Our financial objectives remain unchanged."*



For further information please visit [www.recipharm.com](http://www.recipharm.com) or contact:

Thomas Elderred, CEO, [thomas.elderred@recipharm.com](mailto:thomas.elderred@recipharm.com), telephone: +46 8 602 52 10

Björn Westberg, CFO, [bjorn.westberg@recipharm.com](mailto:bjorn.westberg@recipharm.com), telephone: +46 8 602 46 20

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## About Recipharm

Recipharm is a leading CDMO (Contract Development and Manufacturing Organisation) in the pharmaceutical industry based in Sweden employing some 2,200 employees. Recipharm offers manufacturing services of pharmaceuticals in various dosage forms, production of clinical trial material including API and pharmaceutical product development. Recipharm manufactures more than 400 different products to customers ranging from Big Pharma through to smaller research- and development companies. Recipharm's turnover is approximately SEK 3.3 billion and the Company operates development and manufacturing facilities in Sweden, France, the UK, Germany, Spain, Italy and Portugal and is headquartered in Jordbro, Sweden. The Recipharm B-share (RECI B) is listed on NASDAQ Stockholm.

For more information on Recipharm and our services, please [visit www.recipharm.com](http://www.recipharm.com).