

Recipharm to acquire majority stake in Indian CMO Nitin Lifesciences creating Emerging Markets platform

The contract development and manufacturing organisation, Recipharm AB (publ) announces today that it has entered into an agreement whereby it will acquire a majority stake in Nitin Lifesciences Limited ("Nitin"), an Indian sterile injectables CMO, currently owned by the Sobti family.

Recipharm will acquire 74 % of the shares for an estimated purchase consideration of INR 6,712 million (SEK 872 million) on a cash and debt free basis.

Recipharm will join forces with the founding and managing owners, the Sobti family, in order to further grow the current business with demanding domestic and multinational customers into a leading position in the Indian sterile CDMO market.

Highlights

- The combined entity will have enhanced scale, reach and profitability with current pro-forma revenue of SEK 3.5 billion (+13 %) and EBITDA of SEK 607 million (+19 %).^{1,2,3}
- Significantly bolsters presence in high growth developing territories and the deal firmly establishes Recipharm's emerging market strategy. Provides excellent exposure and direct entry into the rapidly expanding Indian market.
- Recipharm's global position in sterile injectables including lyophilization will be further strengthened.
- The implied value for 100 % of Nitin equates to INR 9,071 million (SEK 1,179 million) and represents 12.4 times LTM⁵ August EBITDA of INR 732 million (SEK 95 million).^{1,2,3}
- Accretive to organic growth and EPS.
- Completion expected in Q1 2016 following Indian Foreign Investment Promotion Board approval.

1 Pro-forma based on reported Recipharm LTM⁵ Q2 2015 and reported unaudited Nitin LTM August 2015

2 Nitin financials according to Indian GAAP

3 Unaudited

4 Exchange rate of SEK/INR 0.13

5 LTM - Last Twelve Months

Thomas Elderred, CEO of Recipharm commented: *"I am delighted to be entering into this partnership with the current owners who have successfully expanded and grown the company to what it is today. It is our stated aim to have a more global footprint and participate in the good opportunities that emerging markets bring. The Indian market is particularly attractive showing high growth levels and the transaction firmly establishes Recipharm's emerging market strategy. Nitin can also be used as a platform for entry into other regions. We are fortunate to have found such a high quality business and management and we are looking forward to utilising this opportunity to support our current customers' strategy in the Indian domestic market".*

Dr Chetan Sobti, CEO of Nitin said: *"I am very much looking forward to this partnership with Recipharm. We have grown tremendously in the domestic market, attracting new multinational customers by offering high quality and service. We believe that with the support and network of Recipharm, we shall be able to further expand and continue to grow both domestically and outside the Indian market".*

Commenting on the new venture, Mr Nitin Sobti, COO of Nitin said: *"We are delighted to be establishing this new partnership with Recipharm. It will significantly add to our service offering for Indian customers by way of new technologies, best in class account management as well as global standards of GMP and regulatory compliance".*

About Nitin Lifesciences

Nitin Lifesciences Ltd is a rapidly growing Indian pharmaceutical company with a strong presence in injectable manufacturing. Established in 1994 by Mr M.M. Sobti and the late Mr M.V. Kakkar, Nitin has emerged as one of the largest small volume parenteral manufacturers in India and is engaged in contract manufacturing to major Indian and international pharmaceutical companies.

Headquartered at Karnal in Northern India, Nitin has three modern facilities for small volume parenterals located at Karnal (Haryana) and at Paonta Sahib (Himachal Pradesh). The newest facility in Paonta Sahib was taken into operations in 2014 and the business provides high technology pharmaceutical manufacturing solutions.

The company specializes in manufacturing liquid ampoules, liquid vials, sterile dry powder (beta lactam & non beta lactam), multidose eye/ear drops and lyophilized vials covering more than 200 formulations across various therapeutic areas including antibiotics, anti-malarial, NSAIDs, anti-inflammatory and local anesthetics. It brings a high quality customer base including a growing number of multinational Big Pharma customers supplying the Indian domestic market.

The company is privately owned by the Sobti family and employs approximately 500 employees at its three manufacturing facilities.

For the 12 month period ending August 2015, Nitin reported sales of INR 3,169 million (SEK 412 million) and an EBITDA of INR 732 million (SEK 95 million) corresponding to an EBITDA margin of 23.1 %.^{1,2,3} The EBITDA margin has been between 19 % and 24 % during the last three financial years and margin is expected in the lower end of this range in the coming years. Nitin is essentially debt free.

Since 2012FY, Nitin has reported a CAGR of over 20 %. The current capacity will continue to allow growth but at a more moderate rate.

Enhanced reach, scale and profitability

An entry into emerging markets

- Will allow market access opportunities for Recipharm's current customers.
- Creates a platform for further growth into emerging markets.
- Significant presence in the expanding Indian pharma market.

Significantly strengthens Recipharm's position in sterile injectables

- The business focus is on the priority area of sterile injectables including lyophilization.
- High GMP and quality level.
- A new state-of-the-art manufacturing facility taken into operations in 2014.

High quality customer base

- High quality customer base including supply to a number of multinationals operating in the Indian market.
- Serving a number of domestic and regional pharma companies.

Attractive financial impact

- High margin, high growth business.
- Accretive to organic growth and EPS.
- Attractive manufacturing cost environment.

Transaction terms

- At closing Recipharm will acquire 74 % of Nitin for INR 6,712 million (SEK 872 million) on a debt and cash free basis.
- Recipharm will after a certain time have the option to acquire the remaining shares in Nitin, and current owners will have the option to sell to Recipharm their remaining shares in Nitin. The valuation of the remaining shares will be based on Nitin's EBITDA performance until the options are exercised.
- Dr Chetan Sobti will continue as CEO and Mr Nitin Sobti will continue as COO of Nitin and the company will continue to trade under the name Nitin Lifesciences.
- Closing is expected to take place during Q1 2016, following approval from the Indian Foreign Investment Promotion Board ("FIPB").
- The transaction is contingent upon approval from the FIPB. Closing of the transaction is not subject to any other material condition.
- The implied value for 100 % of Nitin equates to INR 9,071 million (SEK 1,179 million) on a cash and debt free basis. This represents 12.4 times LTM August EBITDA of INR 732 million (SEK 95 million).

Financing and payment

Recipharm will finance the acquisition under the existing bank credit facilities; Recipharm had as of September 30 approximately SEK 1.5 billion in unutilised available credit facilities. To maintain a long-term financial capacity for further acquisitions, the Company will evaluate financing alternatives that may involve the issuance of shares or other financial instruments in order to increase financial flexibility going forward.

Pro-forma Financial Summary

P&L (SEKm)	Recipharm ¹	Nitin ²	Total
Net sales	3 122	411	3 533
EBITDA	512	95	607
EBITDA margin	16.4 %	23.2 %	17.2 %
1) LTM July 2014-Jun 2015 as reported			
2) Non-audited local Indian GAAP Sep 2014-Aug 2015			

Timetable

Approval request is submitted to the Foreign Investment Promotion Board, Ministry of Finance. The anticipated approval is expected in time for closing during Q1 2016.

Web conference and Q&A

A web conference with Q&A will be held today, 20th October 2015, at 0900 am CET.

To participate in the web conference, please use the below link:

<http://edge.media-server.com/m/p/m9hxyat2>

Questions may be submitted by dialing below telephone numbers or by typing them in the Q&A box during the conference. If you don't wish to ask questions by telephone you only need to participate through the link above.

From Sweden: + 46 8 505 56 453
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This information is published in accordance with the Swedish Securities Market Act, the Swedish Financial Instruments Trading Act and/or the regulations of NASDAQ Stockholm. This information was submitted for publication on 20 October 2015, at 0745 am CET.

About Recipharm

Recipharm is a leading CDMO (Contract Development and Manufacturing Organisation) in the pharmaceutical industry 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 to smaller research- and development companies. Recipharm's turnover is approximately SEK 3.4 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

Recipharm has retained Veritas Legal and Calissendorff Swarting as legal advisors, PwC as financial/ tax advisors and WSP as environmental advisors for the transaction.