

INTERIM REPORT



JANUARY – JUNE 2020

- Net sales amounted to SEK 95.3 (89.1) million in the second quarter of 2020 and 203.5 (172.7) million in the first half of the year.
- Gross profit for the second quarter was SEK 50.3 (43.0) million and for the first half of the year 109.7 (79.4) million
- EBITDA was SEK 17.1 (10.6) million in the second quarter of the year and 39.3 (9.5) million in the first half of the year.
- Basic earnings per share for the second quarter amounted to SEK 0.05 (-0.24) and for the first half of the year to 0.14 (-0.12).

SIGNIFICANT EVENTS

Increased net sales and improved gross profit during the first half of the year.

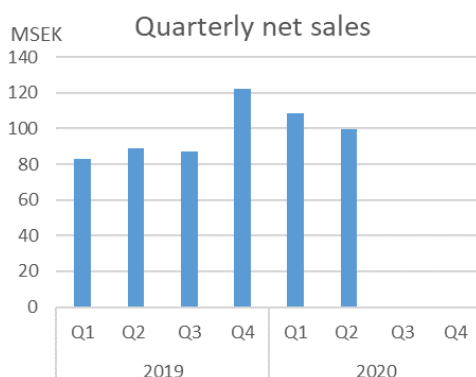
- Net sales increased by 17.8% to SEK 203.5 million and approximately 4.5 million packages were sold.
- Gross margin has increased to 53.9% (46.0%).
- Positive EBITDA of SEK 39.3 million for the first half of the year.
- Bluefish Convertible debt of SEK 59.5 million was repaid 30 June and a new funding solution was issued through a bank loan of SEK 58.0 million at the same time.
- Eva Sjökvist Saers was appointed new Board member at the AGM in May.
- Can Bektas was appointed new CFO in June.

Continued growth:

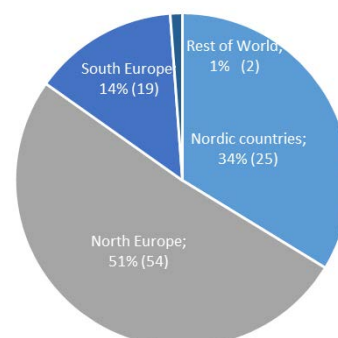
- Germany and Sweden are Bluefish strongest markets and sales keeps increasing, the won AOK tender in Germany which started 1 April has fuelled sales. German sales are ahead of sales in Sweden in the second quarter.

Outlook 2H 2020

- Higher sales growth with steady profitability. The won AOK (Allgemeine Ortskrankenkasse, Germanys largest statutory Health Insurer) tender in Germany which started in April will further keep sales at a higher level in Germany compared to last year.
- A successful go live with a new ERP system in the first half of the year will improve efficiency and timelines for internal reporting.
- Covid -19 has so far not had any negative impact on Bluefish result, however it can't be ruled out- that Bluefish will not be impacted long term.



Net sales distribution
January-June 2020 (2019)



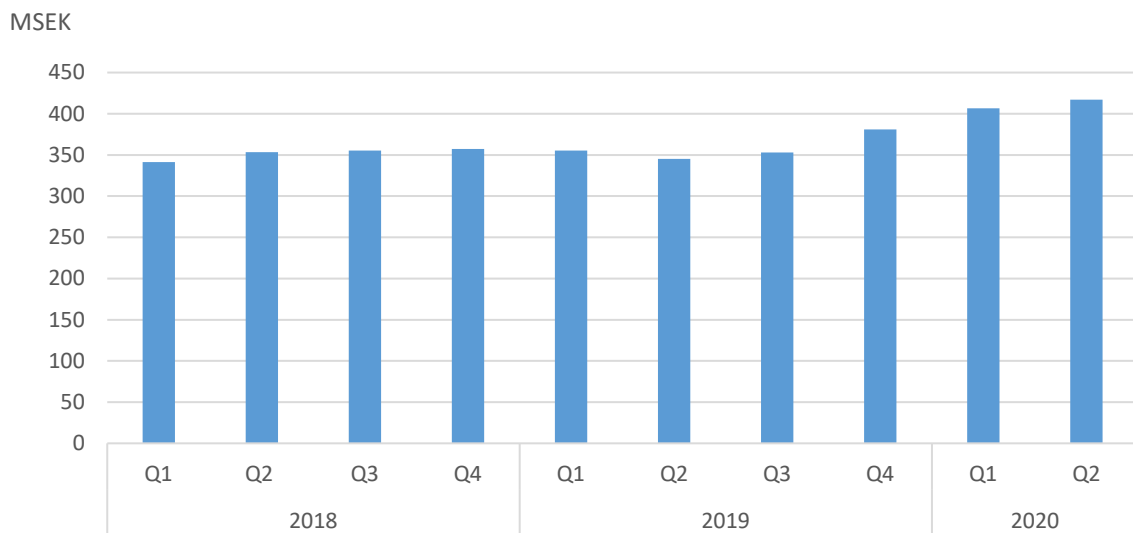
OPERATIONS

Stronger platform for continued growth

Sales increased by 17.8% during the first half year compared with the same period 2019. SEK 203.5 (172.7) million, of which Germany SEK 51.5 (39.0) million, SEK 51.1 (28.9) million in Sweden, Spain SEK 20.8 (20.4) million, Poland SEK 19.9 (24.0) million, SEK 60.2 (57.0) million in Rest of Europe and SEK 0.0 (3.5) million in Rest of World. In 2020 Germany grows stronger and overtakes the position as the biggest market for the second quarter together with Sweden where sales again have increased compared to the same quarter last year. Sweden, Germany and Austria have together with the other Nordic countries been driving increased sales. The lost tenders in Andalusia is slowly being compensated by sales in other parts of Spain.

Since December 2019, a new corona virus, Covid-19, has spread throughout the world. The disease is very contagious, and many countries have tried various ways of decreasing the infectiveness. One of the measures that has been taken is, among other things, to close country borders and to introduce curfews. The current situation is strained for all people and all industries, and despite that the need for medicines is not decreasing, the preventive measures for the spread of infection can have long-term negative consequences, like shortages of medicines. Bluefish has, through proactive decisions, managed to minimize the negative impact on the availability of the drugs that the company provides. The company stays updated of the changes that occur from day to day to evaluate its consequences both in the short and long term and aims as far as possible to ensure adequate medicine supply despite current circumstances.

Graph 1. Rolling net sales



Investments in continued growth

During the year Bluefish evaluates growth opportunities with regards to new products, new segments in existing markets and collaboration opportunities to identify appropriate investment possibilities. Bluefish is continuing its own development of products and have new products to be launched from 2021 and onwards.

All together Bluefish own developed products on the market, Hydroxyzine (antihistamine drug) and Anagrelide (treatment for thrombocythemia), have proven to be highly successful projects with expected continued increased sales in 2020 and onwards.

Process improvements and simplifications play an important role in growing the business to ensure effectiveness and control of the cost base while growing. Our assessment is that we currently have a strong organization in place that has extensive knowledge in both operations and market dynamics. Bluefish is proud to deliver products at a very high service level.

Bluefish has implemented a new ERP system replacing the old finance and ordering system. During the year other smaller IT investments will continue in compliance related areas, all of which are aimed at strengthening the platform regarding compliance and efficiencies.

Optimization of the product portfolio

The composition of the product portfolio in each market stays critical to the company's future growth and profitability and Bluefish has during first half of the year launched six new products. Bluefish continues to evaluate each products lifecycle, including profitability, in different markets and is also withdrawing products when needed to secure profitability.

The company continues to invest in additional new product licenses and in new development projects in our Development laboratory. Investments are made selectively and only in the markets and segments where Bluefish see a high potential in terms of both sales and profitability. The expected earnings potential of products is also continually evaluated.

New development projects are continuously being selected to further strengthen the future portfolio and growth. New products are also identified as in-licensing opportunities and existing products chosen for further territory extension.

At the rate that Bluefish grows and gains more market share, we become noticed as a potential partner by companies offering unique products. Bluefish is also strengthening its position by having robust and secure supply to the markets.

Optimization in operations

Manning situation is at the right level and costs are expected to stay flat according to budgeted numbers. Service levels have now reached a good and stable level where we have managed to accommodate stronger sales, primarily as a result of improved supply chain excellence initiatives.

FUTURE OUTLOOK

In 2020, the company expects an increase in sales growth compared to the prior year. Sales growth will primarily be fueled by continued strong development in key markets like Germany, Sweden and Ireland and will also be aided by newly launched products, a result of investments that were made in earlier years. Ireland is now showing a stable increase and have further sales potential after the first years of establishment. In Germany the won AOK tender period started April 1st which secures a continued growth.

New product launches for 2020 are implemented throughout the year and additional launches are planned in parallel. Sales from launches in 2020 will continue to increase during second half of the year. Bluefish is continuing to fortify its sales organization in selected markets and going forward it will be focusing on high delivery performance. New products were approved in 2019 and the increasing sales impact will still be visible throughout 2020, especially for products launched late in 2019.

	30 Jun 2020	30 Jun 2019
Products under development or registration	13	15
Products on the market	78	81

FINANCIAL OVERVIEW

SEK million	2020 Apr-Jun	2019 Apr-Jun	Change	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
Net sales	95,3	89,1	7%	203,5	172,7	357.2
COGS	-45,1	-46,2	-2%	-93,9	-93,3	-175.9
Gross profit	50,3	43,0	17%	109,7	79,4	181.3
Gross margin	52.7%	48.2%		53.9%	46.0%	50.7%
EBITDA	17,1	10,6	61%	39,3	9,5	28.0
Cash flow from operating activities	60.6	9.7		48.2	13.4	9.1
Cash flow from investing activities	-3.1	0.2		-7.0	-3.0	-10.3

Net sales for the second quarter was SEK 95.3 (89.1) million, which corresponds to an increase of 7.0 % compared to last year. Gross profit was SEK 50.3 (43.0) million, with a corresponding gross margin of 52.7 (48.2) % for the period.

Economies of scale enhance profitability

Total operating costs during the second quarter of the year, including depreciation/amortization and impairment of property, plant and equipment and intangible assets, amounted to SEK 41.1 (48.5) million, which corresponds to a decrease of 15.3% compared to the same period last year.

EBITDA for the second quarter amounted to SEK 17.1 (10.6) million, and for the first half year SEK 39.3 (9.5) million.

Net profit for first half of the year

For the second quarter of the year, amortization/impairment of property, plant and equipment and intangible assets, amounted to SEK 6.3 (7.3) million, whilst depreciation of the same amounted to SEK 1.6 (8.9) million. The composition of the product portfolio is evaluated on an ongoing basis.

Second quarter net financial income/expense was SEK -3.3 (-5.5) million, which includes interest expense on the convertible debentures and bank overdraft facilities.

The net result for the quarter was SEK 5.5 (-12.4) million and for the first half year SEK 14.8 (-26.3) million.

Cash flow

Cash flow from operating activities amounted to SEK 48.2 (13.4) million for the first half of 2020, of which SEK -3.7 (-25.6) million was change in working capital. The increase in cash flow is due to payments of high value invoices was done in early July due to delays caused by ERP implementation.

As of 30 June 2020, we maintained an inventory level of SEK 190.2 (102.7) million which is an increase of 85% comparing to the same period last year. The current inventory level is estimated to correspond to 380 days of historic sales, compared to 200 days as of 30 June 2019. The current stock level calculated in future forecast sales is 318 days. Due to the new ERP system stock in transit is now included which gives a higher stock value compared to earlier quarters. Bluefish transports goods from outside EU via sea shipment with an average transit lead-time of 40 days.

Cash flow from accounts receivable and other current receivables were positive SEK 8.3 (-29.6) million, whereas cash flow from accounts payable and other operating liabilities amounted to SEK 37.7 (-8.2) million during the first half of 2020.

Cash flow from investing activities was SEK -7.0 (-3.0) million, most of which relates to investments in intangible assets. Investments comprise product development, licenses, and market approvals.

Cash flow from financing activities amounted to SEK -13.6 (50.4) million for the first half of 2020. Net change in cash flow year to date amounted to SEK 27.6 (60.8) million.

Financial position as of 30 June 2020

Cash and cash equivalents

At the end of the period, cash and cash equivalents amounted to SEK 84.6 million, compared with SEK 57.8 million at the end of last year. This increase mainly arises as a result of delayed payment in June due to new ERP system implementation, payments took place early July instead. As of 30 June 2020, utilized bank credit is SEK 87.1 compared to SEK 79.6 million at the end of last year. The Convertible loan of 59.5 mSEK was repaid 30 June and a new funding solution was issued through a SEB bank loan of 58.0 mSEK. The bank loan has a constant amortization plan over 4 years. Färna Invest AB, which is the Group's largest shareholder, has provided a guarantee for a part of this credit.

Equity

At the end of the period, equity was SEK 94.7 million, compared to SEK 81.7 million at the beginning of the year. That corresponds to SEK 0.88 (0.56) per share.

Equity ratio

At the end of the period, the equity ratio was 17.6 %, compared to 16.7% at the end of last year. For bank credit agreement purposes, the gearing ratio, obtained via a specific calculation (see Leveraging conditions, below) was 0.04 compared to -0.33 during same period last year.

OTHER

Employees

As of 30 June 2020, the company had 123 (121) employees, of which 25 (27) in Sweden, 71 (67) in India, 4 (4) in Germany, 11 (12) in Poland, 2 (3) in Portugal, 2 (2) in France, 2 (2) in Austria, 3 (2) in Ireland and 3 (2) in Spain, compared to 30 June 2019.

Accounting principles

Bluefish Pharmaceuticals applies International Financial Reporting Standards (IFRS) and IFRIC interpretations that have been adopted by the EU, the Swedish Annual Accounts Act and Swedish Financial Reporting Board's Recommendation RFR 1, Additional Accounting Regulations for Groups, and RFR 2, Accounting for Legal Entities. This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The Group applies the same accounting principles as in the 2019 Annual Report, apart from any new or revised standards, interpretations and improvements that have been adopted by the EU since then. As of January 1, 2019, IFRS 16 Leases has replaced the previous standards and interpretations on leases IAS 17, IFRIC 4, SIC 15 and SIC 27. IFRS 16 is applied by the Group as of January 1, 2019. The Parent Company applies the RFR 2 exception for lease agreements.

Leveraging conditions

Inventory credit and invoice factoring from SEB is conditional on the company maintaining a certain gearing ratio and liquidity. According to the current terms for the SEB credit, the company is required to maintain a gearing ratio, in accordance with a special calculation, of at most 1.0 along with available liquidity of SEK 5 million. The new SEB bank loan of SEK 58.0 million is conditional to keep a Net Debt/EBITDA with maximum 3.5 to be reduced end of loan period to 2.5.

Related party transactions

Transactions between Bluefish Pharmaceuticals AB and its subsidiaries, which are companies closely related to Bluefish Pharmaceuticals AB, have been eliminated in the consolidated financial statements. The company's bank credit of SEK 15 million from Nordea has been resolved 30 June and an equivalent check credit has been issued by SEB.

PARENT COMPANY

Bluefish Pharmaceuticals AB is the Parent Company for the Bluefish Pharmaceuticals Group. For the second quarter of 2020 net sales were SEK 90.6 (85.5) million and operating profit was SEK 9.8 (-7.1) million. For the first half of the year, net sales were SEK 195.2 (166.1) million, and operating profit was 16.4 (-18.2) million. As of 30 June 2020, cash and cash equivalents for the parent company amounted to SEK 21.4 million, compared with SEK 38.5 million at the beginning of the year.

This interim report has not been audited by the company's auditors.

Stockholm, 31 August 2020

Berit Lindholm
President and CEO

BLUEFISH IN BRIEF

Business concept

Bluefish's business concept is to provide affordable, generic pharmaceuticals with product quality and patient safety as the highest priority.

Business model

Bluefish has a strong European platform from which we offer an extensive portfolio of high-quality pharmaceuticals. The company has an efficient organization and it can quickly adapt to changes in market conditions. This enables Bluefish to not only take advantage of new opportunities, but also expand the business to new areas.

Strategy

The company's strategy for achieving its financial goals of increasing net sales and achieving a higher level of profitability is to expand the product portfolio and continue increasing its market share in existing and new areas. Profitability will improve as economies of scale increase.

Bluefish organization

Bluefish has an efficient organization, where most business activities are managed centrally. The company has decided to have small, local offices in Europe, which have extensive knowledge of each specific market. Other activities, like product development, purchasing, quality control and follow-up on side effects are dealt with either by the head office in Stockholm or the company's technology and development center in Bangalore, India.

Group

Consolidated income statement	2020	2019	2020	2019	2019
SEK thousands	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Net sales	95 334	89 131	203 528	172 735	379 897
Cost of goods sold	-45 080	-46 179	-93 866	-93 295	-183 523
Gross profit	50 254	42 952	109 662	79 440	196 375
<i>Gross margin</i>	52,7%	48,2%	53,9%	46,0%	51,7%
Selling expenses	-19 400	-24 542	-41 238	-46 261	-89 298
Administrative expenses	-3 610	-6 453	-12 752	-12 548	-24 777
Research and development expenses	-18 100	-17 544	-34 411	-35 231	-67 330
Other operating expenses/income	0	0	0	0	129
Operating expenses	-41 111	-48 539	-88 401	-94 041	-181 276
EBIT Operating profit (loss)¹⁾	9 143	-5 587	21 261	-14 601	15 099
Net financial income/expense	-3 339	-5 498	-5 782	-9 924	-16 836
Profit (loss) after financial items	5 805	-11 085	15 479	-24 525	-1 738
Income tax	-354	-1 330	-699	-1 739	-2 115
Profit (loss) for the period	5 451	-12 415	14 780	-26 264	-3 853
1) of which					
Amortization and impairment of intangible assets	6 345	7 321	14 546	14 543	23 878
Depreciation of property, plant and equipment	1 636	8 913	3 461	9 571	8 037
EBITDA	17 125	10 647	39 269	9 514	47 014
Statement of comprehensive income					
Profit (loss) for the period	5 451	-12 415	14 780	-26 264	-3 853
Other comprehensive income					
Hedging reserve	-	-	-	-	-
Exchange rate differences		208		1 941	-3 944
Other comprehensive income, net after tax		208		1 941	-3 944
Comprehensive income for the period, attributable to parent company shareholders	5 451	-12 207	14 780	-24 323	-7 797
No. Of shares	107 923	80 942	107 923	107 923	107 923
Earnings per share	0,05	-0,15	0,14	-0,24	-0,04

Consolidated balance sheet	2020	2019	2019
SEK thousands	30 Jun	30 Jun	31 Dec
Non-current assets			
Intangible assets	112 375	127 095	119 347
Property, plant and equipment	14 078	19 793	17 724
Financial assets	1 324	1 533	1 458
Total non-current assets	127 777	148 421	138 528
Current assets			
Inventories	190 197	102 707	148 731
Current receivables	135 330	124 468	144 073
Cash and cash equivalents	84 634	112 530	57 845
Total current assets	410 161	339 705	350 649
Total assets	537 938	488 127	489 177
Equity	94 650	60 343	81 701
Non-current liabilities			
Non-current liabilities, interest-bearing	58 000	96 007	0
Non-current liabilities, non interest-bearing	5 889	14 063	8 386
Total non-current liabilities	63 889	110 070	8 386
Current liabilities			
Current liabilities, interest-bearing	87 280	106 720	152 923
Current liabilities, non interest-bearing	292 119	210 995	246 168
Total current liabilities	379 399	317 715	399 091
Total equity and liabilities	537 938	488 127	489 177
Pledged assets	67 414	97 158	74 470
Contingent liabilities	None	None	None
Shares	107 923	107 923	107 923
Equity per share	0,88	0,56	0,76

Change in equity, Group SEK thousands	2020	2019	2020	2019	2019
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Opening balance	92 884	13 191	81 701	25 311	25 311
Equity portion of convertible loan	-	-	-	-	-
New share issue	-	59 358	-	59 358	59 358
Other comprehensive income for the period	1 769	-13 142	12 949	-25 262	-2 968
Closing balance	94 653	59 407	94 649	59 407	81 701

Share data Number, thousands	2020	2019	2020	2019	2019
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Number of shares at end of period before dilution	107 923	80 942	107 923	107 923	107 923
Average number of shares after dilution	107 923	107 923	107 923	107 923	107 923
Equity per share (SEK)	0.88	0.55	0.88	0.55	0.76
Equity ratio (%)	17.6	12.2	17.6	12.2	16.7

Consolidated cash flow statement SEK thousands	2020	2019	2020	2019	2019
	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Cash flow from operating activities before change in working capital	24 355	25 204	51 955	39 008	102 011
Change in working capital	36 274	-15 514	-3 714	-25 579	-92 952
Cash flow from operating activities	60 629	9 691	48 241	13 430	9 059
Cash flow from investing activities	-3 088	155	-7 016	-2 978	-10 328
Cash flow from financing activities	-3 245	44 730	-13 611	50 384	6 241
Cash flow for the period	54 295	54 576	27 614	60 836	4 971
Cash and cash equivalents at beginning of period	32 527	58 961	57 845	51 898	51 898
Exchange rate differences in cash and cash equivalents	-2 189	-1 007	-826	-202	976
Cash and cash equivalents at end of period	84 634	112 530	84 634	112 530	57 845

PARENT COMPANY

Parent Company income statement SEK thousands	2020 Apr-Jun	2019 Apr-Jun	2020 Jan-Jun	2019 Jan-Jun	2019 Jan-Dec
Net sales	90 615	85 509	195 202	166 098	365 127
Cost of goods sold	-44 630	-46 192	-93 416	-93 354	-187 791
Gross profit	45 985	39 317	101 786	72 744	177 336
<i>Gross margin</i>	<i>50,7%</i>	<i>46,0%</i>	<i>52,1%</i>	<i>43,8%</i>	<i>48,6%</i>
Operating costs	-39 485	-46 463	-85 403	-90 967	-176 167
Other operating expenses/income	-	-	-	-1	129
Operating profit (loss)	6 500	-7 146	16 384	-18 224	1 298
Net financial income/expense	-3 787	-9 439	-7 092	-9 439	-16 725
Profit (loss) after financial items	2 713	-16 585	9 292	-27 663	-15 427
Income tax	-	-	-	-	-
Profit (loss) for the period	2 713	-16 586	9 292	-27 663	-15 427

Parent Company balance sheet SEK thousands	2020 Apr-Jun	2019 Apr-Jun	2020 Jan-Jun	2019 Jan-Jun	2019 Dec
Non-current assets	125 530	140 680	125 530	140 680	133 135
Current assets	321 108	251 516	321 108	251 516	282 206
Total assets	446 638	392 196	446 638	392 196	415 341
Equity	49 492	23 696	49 492	23 696	35 932
Non-current liabilities	58 105	96 952	58 105	96 952	98
Current liabilities	339 041	271 548	339 041	271 548	379 311
Total equity and liabilities	446 638	392 196	446 638	392 196	415 341
Pledged assets	67 414	60 302	67 414	60 302	66 764
Contingent liabilities	none	none	none	none	none

DEFINITIONS OF KEY FIGURES

Gross margin

Gross profit as a percentage of sales

Gross profit

Operating revenue less the cost of goods sold

EBIT

Profit or loss before financial items and tax (Operating profit or loss)

EBITDA

Operating profit or loss before depreciation/amortization and impairment loss on property, plant and equipment and intangible assets

Equity per share

Equity divided by the number of shares

Net sales

Gross sales less any discounts, price adjustments and returns

Net debt

Interest-bearing non-current and current liabilities less cash assets in the bank

Equity ratio

Equity divided by total assets