

INTERIM REPORT

JANUARY – JUNE 2016

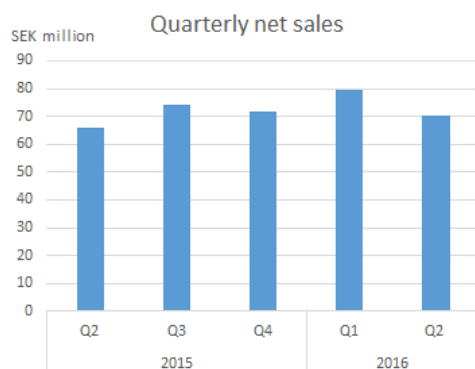
- Net sales amounted to SEK 149.5 (136.7) million
- EBITDA was SEK 7.2 (2.7) million.
- Basic earnings per share were SEK -0.10 (-0.16)

APRIL – JUNE 2016

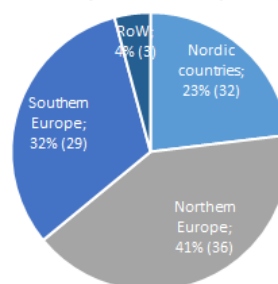
- Net sales amounted to SEK 70.2 (65.9) million
- EBITDA was SEK 2.0 (-0.9) million.
- Basic earnings per share were SEK -0.07 (-0.10)

SIGNIFICANT EVENTS

- Increase in net sales and gross profit during the first half of the year
 - Net sales increased by 9% to SEK 149.5 million
 - Gross profit increased by 19% to SEK 73.3 million
- Positive EBITDA of SEK 7.2 million for the first six months of the year
 - Continued sales growth with a healthy gross margin
 - Higher volumes provide economies of scale
- Future outlook 2016
 - Steady net sales
 - Positive EBITDA



Net sales distribution
January-June 2016 (2015)



OPERATIONS

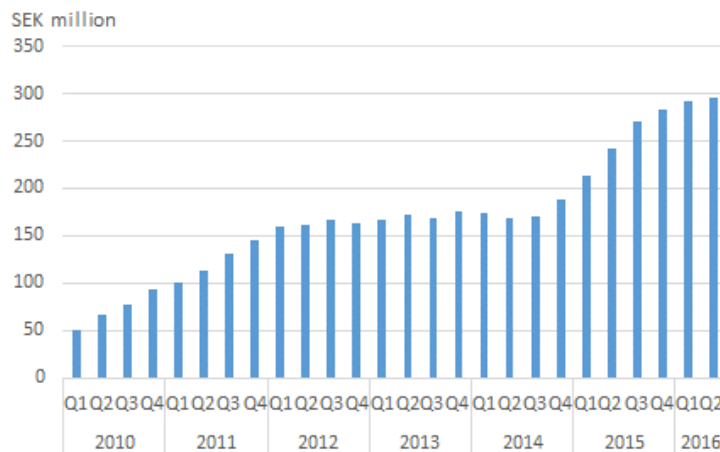
Weakened growth during the second quarter, in line with expectations

The very strong rate of growth during the latter part of 2014 and 2015 has, as expected, slowed down during the first six months of 2016. During the first half of the year, net sales increased by 9% to SEK 149.5 (136.7) million, of which SEK 34.8 (44.0) million in the Nordic region, SEK 60.4 (48.4) million for Northern Europe, SEK 48.0 (40.0) million for Southern Europe and SEK 6.3 (4.2) million in Rest of World. The increase in sales has been fueled by markets outside the Nordic region and sales in the Nordic countries fell during the period.

Despite the lower rate of growth, there was further improvement in gross margin. For the first half of the year, gross margin was 49.0% compared to 44.9% in the same period last year, which corresponds to an increase of 4.1 percentage points. The improvement in gross margin is attributable to lower shipping costs and higher efficiency in inventories, which has resulted in lower obsolescence costs. For the first six months of the year, gross profit increased by 19% to SEK 73.3 (61.4) million compared to the same period last year, which, together with higher economies of scale, has resulted in positive EBITDA of SEK 7.2 (2.7) million.

During the second quarter, Bluefish won a new contract in Spain, which enables the company to maintain its level of sales and profitability in one of its most important markets. The first deliveries will be made during the last quarter of 2016 and then continue for a period of two years. During the period, the company also invested in new products for the Spanish market, which are expected to fuel growth in 2017 and beyond.

Graph 1. Rolling 12-month net sales



Optimization of the product portfolio

Market approval was also obtained during the period for the company's first product that was developed in-house, Hydroxyzine Bluefish. Another product that has been developed in-house is currently in the registration phase and the registration procedure and launch are progressing on schedule.

During the first half of the year, Bluefish signed its first licensing agreement, which was for Hydroxyzine. Product licensing provides the company with opportunities to create sales in markets where Bluefish does not have its own operations. Launch of the product is expected sometime during the 18-24 months subsequent to signing the agreement.

The composition of the product portfolio in each market is critical to the company's future growth and profitability. The expected earnings potential of products is also continually evaluated. Thus, the company continued investing in new product licenses and development projects. Investments are made selectively and only in the markets where Bluefish feels there is high potential in terms of both sales and profitability. During the second quarter, the product portfolio grew with the addition of two licensed products for a diverse number of markets. In total, three new products were added to the portfolio during the year. Current products that are now in the registration phase are expected to be launched during 2017 and 2018.

FUTURE OUTLOOK

The growth in sales and improved profitability in 2015 has created a strong platform for the company's continued development. The company expects both sales and profitability to stabilize in 2016 at comparable levels to 2015. Delivery problems for a number of the company's major products are expected to have a negative impact on sales during the remainder of 2016. The planned product launches will, to a certain extent, compensate for the lost sales resulting from inventory shortages.

	30 June 2016	30 June 2015
Products under development or registration	21	18
Products in the market	63	63

FINANCIAL OVERVIEW

SEK million	2016	2015	change	2016	2015	change
	April-June	April-June		Jan-June	Jan-June	
Net sales	70.2	65.9	7%	149.5	136.7	9%
Gross profit	34.9	28.5	22%	73.3	61.4	19%
Gross margin	49.7%	43.2%	6,5 pp	49.0%	44.9%	4,1 pp
EBITDA	2.0	-0.9	322%	7.2	2.7	167%
Cash flow from operating activities	-20.6	-5.7		-22.6	3.1	
Cash flow from investing activities	-6.6	-6.2		-11.2	-13.3	

Bluefish generated net sales of SEK 70.2 (65.9) million during the second quarter of the year, which corresponds to an increase of 7% compared to the same period in 2015. Gross profit was SEK 34.9 (28.5) million, with a corresponding gross margin of 49.7 (43.2)% for the period.

Economies of scale enhance profitability

Total operating costs during the second quarter, not including depreciation/amortization and impairment of property, plant and equipment and intangible assets, amounted to SEK 33.1 (29.4) million, which corresponds to an increase of 13% compared to the same period last year. Adjusted for currency effects, the change only represents an increase of 7% in operating costs, not including depreciation/amortization and impairment of property, plant and equipment and intangible assets, compared to the same period last year. The increase resulted from higher net sales, which has generated higher distribution costs, higher annual fees for market approvals and higher costs for profit distribution pertaining to the products where the company has marketing collaborations in place.

Total operating costs for the first six months of the year, not including depreciation/amortization and impairment of property, plant and equipment and intangible assets, amounted to SEK 66.8 (58.7) million, which corresponds to an increase of 14% compared to the same period in 2015. Adjusted for currency effects, the change only represents an increase of 5% compared to the first half of 2016.

During the second quarter, EBITDA was SEK 2.0 (-0.9) million and EBITDA for the first six months of the year was SEK 7.2 (2.7) million. Currency fluctuations had a negative impact on EBITDA of SEK -2.1 (0.4) million for the second quarter and SEK -3.3 (1.2) million for the first six months of the year. Adjusted for currency fluctuations, EBITDA for the first six months of the year was SEK 10.5 million, as compared to SEK 1.5 million for the corresponding period in 2015. Accordingly, there was a significant improvement in EBITDA margin, which, adjusted for currency fluctuations was 7% for the first half of 2016, which is an increase of 6 percentage points compared to the same period last year.

Further decline in net loss

For the second quarter, depreciation/amortization and impairment of property, plant and equipment and intangible assets was SEK 6.1 (5.6) million and SEK 11.9 (12.7) million for the first six months of 2016, of which impairment of intangible assets was SEK 2.0 (1.4) million for the second quarter and SEK 3.7 (4.3) million for the first six months of 2016. The composition of the product portfolio is evaluated on an ongoing basis.

For the second quarter, net financial income/expense was SEK -1.4 (-1.1) million and SEK -2.0 (-1.7) million for the first six months of 2016, which includes interest expense on convertible debt and bank overdraft.

The net loss was SEK -6.1 (-8.0) million for the second quarter and SEK -7.8 (-12.6) for the first six months of the year. The currency effect on net income was negative at SEK -2.3 (-0.0) for the second quarter and SEK -3.2 (1.0) million for the first six months of the year. Of the total currency effect, SEK 2.1 (-0.6) million was unrealized for the second quarter and SEK -2.7 (0.8) was unrealized for the first six months of the year.

Impact on cash flow from operating activities due to large payments to suppliers

Cash flow from operating activities amounted to SEK -20.6 (-5.7) million for the second quarter, of which SEK -25.9 (-5.6) million was the change in working capital. Cash flow from accounts receivable and other current receivables increased by SEK 12.4 (-18.2) million, and cash flow from accounts payable and other operating liabilities decreased by SEK -35.5 (21.1) million in the second quarter. As expected, there was a substantial negative impact on cash flow from payment of net sales deductions.

Cash flow from operating activities amounted to SEK -22.6 (3.1) million for the first six months of the year, of which SEK -37.7 (-3.3) million was the change in working capital. Cash flow from accounts receivable and other current receivables was SEK 0.0 (-29.1) million, and cash flow from accounts payable and other operating liabilities fell by SEK -30.1 (35.3) million during the first half of the year.

As of 30 June 2016, inventory was SEK 94.1 million, compared with SEK 92.3 million at 31 December 2015, which represents an increase of 2%. The increase results from the higher sales level and volumes, compared to last quarter. Inventory impairment amounted to SEK -2.6 (-3.4) million for the second quarter and SEK -5.9 (-8.7) million for the first half of the year. The current inventory level is estimated as corresponding to 240 days sale, as compared to 215 days as of 31 December 2015.

Cash flow from investing activities was SEK -6.6 (-6.2) million for the second quarter, of which investments in intangible assets were SEK -6.0 (-6.0) million. Cash flow from investing activities was SEK -11.2 (-13.3) million for the first half of the year, of which investments in intangible assets were SEK -9.7 (-8.9) million. Investments comprise product development, licenses, and market approvals. Investments in property, plant and equipment amounted to SEK -0.7 (-0.2) million for the second quarter and SEK -1.5 (-4.3) million for the first half of the year.

Cash flow from financing activities amounted to SEK 20.3 (8.1) million for the second quarter and SEK 14.3 (-0.4) million for the first half of the year. That increase in cash flow results from an increase to the existing bank loan from Nordea for SEK 15 million. The total amount of the loan as of 30 June 2016 was SEK 30 million. Färna Invest, a major shareholder of Bluefish, has provided a guarantee for this loan. In addition, the utilization level on bank overdraft increased, for which Nordic inventories have been pledged as collateral. As of 30 June 2016, SEK 61.2 million of the maximum amount of SEK 85.0 million in credit had been utilized.

Financial position as of 30 June 2016

Cash and cash equivalents

At the end of the period, cash and cash equivalents amounted to SEK 46.5 million, compared with SEK 65.3 million at the beginning of the year. As of 30 June 2016, utilized bank credit was SEK 91.2 million, compared with SEK 76.8 million at the beginning of the year. Total available bank credit was SEK 115 million as of 30 June 2016.

During the second quarter, existing credit from Nordea was increased by SEK 15 million. As of 30 June, the total amount of the bank loan was SEK 30 million. Färna Invest, a major shareholder of Bluefish, has provided a guarantee for the loan.

Equity

At the end of the period, equity was SEK 71.9 million, compared to SEK 79.6 million at the beginning of the year. That corresponds to SEK 0.89 (0.98) per share.

Equity ratio

At the end of the period, the equity ratio was 18.6 %, compared to 19.8% at the beginning of the year. At the end of the period, the gearing ratio, obtained via a specific calculation (see Leveraging conditions, below) was 0.26 compared to 0.03 at the beginning of the year.

OTHER

Employees

As of 30 June 2016, the company had 100 (94) employees, of which 25 (22) in Sweden, 60 (56) in India, 4 (4) in Germany, 0 (1) in Italy, 3 (3) in Poland, 1 (1) in Portugal, 1 (1) in France, 3 (3) in United Arab Emirates and 3 (3) in Spain, compared to 31 December 2015.

Risks and uncertainties

The Group's operations are exposed to operational risks, financial risks and uncertainty factors. An explanation of how these risks are managed is provided on pages 9-10 of the 2015 Annual Report.

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 2015 Annual Report, with the exception of new or revised standards, interpretations and improvements that have been adopted by the EU and which come into effect as of 1 January 2016.

Leveraging conditions

Inventory credit and invoice factoring from SEB is conditional on the company maintaining a certain gearing ratio and liquidity. According to the terms for SEB credit, the company must maintain a gearing ratio, in accordance with a special calculation, of at most one (1), along with available liquidity of SEK 5 million.

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 has a bank loan of SEK 30 million from Nordea. Färna Invest, which is one of the Group's largest shareholders, has provided a guarantee for this loan.

PARENT COMPANY

Bluefish Pharmaceuticals AB is the parent company for the Bluefish Pharmaceuticals Group.

For the second quarter of 2016, net sales were SEK 65.0 (63.2) million, while operating loss was -4,3 (-6,2) million. For the first half of the year, net sales were SEK 138.0 (132.0) million, and operating loss was SEK -6,1 (-8,7) million. As of 30 June 2016, cash and cash equivalents of the Parent Company amounted to SEK 22.4 million, compared with SEK 33.6 million at the beginning of the year.

FINANCIAL CALENDAR

Interim report January - September 2016, 24 November 2016

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

Stockholm, 25 August 2016

Karl Karlsson
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, as well as an office in Dubai. 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 SEK thousands	2016 April-June	2015 April-June	2016 Jan-June	2015 Jan-June	2015 Jan-Dec
Net sales	70,202	65,880	149,501	136,662	283,229
Cost of goods sold	-35,289	-37,414	-76,178	-75,264	-150,730
Gross profit	34,913	28,466	73,323	61,398	132,499
<i>Gross margin</i>	<i>49.7%</i>	<i>43.2%</i>	<i>49.0%</i>	<i>44.9%</i>	<i>46.8%</i>
Selling expenses	-18,152	-16,397	-37,615	-32,852	-65,459
Administrative expenses	-5,315	-4,514	-10,479	-9,615	-20,106
Research and development expenses	-15,749	-14,053	-30,587	-28,924	-62,211
Other operating expenses/income	155	-	642	-	-
Operating profit (loss)¹⁾	-4,148	-6,498	-4,716	-9,993	-15,277
Net financial income/expense	-1,383	-1,109	-1,979	-1,717	-4,580
Profit (loss) after financial items	-5,531	-7,607	-6,695	-11,710	-19,857
Income tax	-539	-381	-1,136	-881	-2,318
Profit (loss) for the period	-6,070	-7,988	-7,831	-12,591	-22,175
Earnings per share					
Basic earnings per share (SEK)	-0.07	-0.10	-0.10	-0.16	-0.27
Diluted earnings per share (SEK)	-0.07	-0.10	-0.10	-0.16	-0.27
¹⁾ of which					
Amortization and impairment of intangible assets	5,465	4,840	10,644	11,285	25,379
Depreciation of property, plant and equipment	662	733	1,269	1,436	2,678
EBITDA	1,979	-925	7,197	2,728	12,780
Statement of comprehensive income					
Profit (loss) for the period	-6,070	-7,988	-7,831	-12,591	-22,175
Other comprehensive income					
Hedging reserve	-	140	-	969	969
Exchange rate differences	393	-1,234	120	897	864
Other comprehensive income, net after tax	393	-1,094	120	1,866	1,833
Comprehensive income for the period, attributable to parent company shareholders	-5,677	-9,082	-7,711	-10,725	-20,342

Consolidated balance sheet SEK thousands	2016 30 June	2015 30 June	2015 31 Dec
Non-current assets			
Intangible assets	165,350	166,091	165,678
Property, plant and equipment	11,293	12,124	11,087
Financial assets	1,382	1,757	1,709
Total non-current assets	178,025	179,972	178,474
Current assets			
Inventories	94,064	86,460	92,255
Current receivables	67,802	90,455	65,743
Cash and cash equivalents	46,530	33,547	65,313
Total current assets	208,396	210,462	223,311
Total assets	386,421	390,434	401,785
Equity	71,855	89,183	79,566
Non-current liabilities			
Non-current liabilities, interest-bearing	21,503	21,323	21,413
Non-current liabilities, non interest-bearing	3,803	3,051	4,220
Total non-current liabilities	25,306	24,374	25,633
Current liabilities			
Current liabilities, interest-bearing	91,162	79,917	76,833
Current liabilities, non interest-bearing	198,098	196,960	219,753
Total current liabilities	289,260	276,877	296,586
Total equity and liabilities	386,421	390,434	401,785
Pledged assets	64,081	63,006	62,439
Contingent liabilities	none	none	none

Change in equity, Group SEK thousands	2016	2015	2016	2015	2015
	April-June	April-June	Jan-June	Jan-June	Jan-Dec
Opening balance	77,532	98,265	79,566	99,908	99,908
Other comprehensive income for the period	-5,677	-9,082	-7,711	-10,725	-20,342
Closing balance	71,855	89,183	71,855	89,183	79,566

Share data Number, 000s	2016	2015	2016	2015	2015
	April-June	April-June	Jan-June	Jan-June	Jan-Dec
Number of shares at end of period before dilution	80,942	80,942	80,942	80,942	80,942
Average number of shares before dilution	80,942	80,942	80,942	80,942	80,942
Average number of shares after dilution	80,942	80,942	80,942	80,942	80,942
Equity per share (SEK)	0.89	1.10	0.89	1.10	0.98
Equity ratio (%)	18.6	22.8	18.6	22.8	19.8

Consolidated cash flow statement SEK thousands	2016	2015	2016	2015	2015
	April-June	April-June	Jan-June	Jan-June	Jan-Dec
Cash flow from operating activities before change in working capital	5,320	-54	15,113	6,377	18,449
Change in working capital	-25,930	-5,630	-37,706	-3,267	30,064
Cash flow from operating activities	-20,610	-5,684	-22,593	3,111	48,514
Cash flow from investing activities	-6,639	-6,175	-11,216	-13,274	-22,617
Cash flow from financing activities	20,319	8,147	14,329	-364	-4,047
Cash flow for the period	-6,930	-3,712	-19,480	-10,527	21,849
Cash and cash equivalents at beginning of period	53,077	37,735	65,313	44,165	44,165
Exchange rate differences in cash and cash equivalents	383	-477	697	-91	-701
Cash and cash equivalents at end of period	46,530	33,547	46,530	33,547	65,313

PARENT COMPANY

Parent Company income statement SEK thousands	2016 April-June	2015 April-June	2016 Jan-June	2015 Jan-June	2015 Jan-Dec
Net sales	65,010	63,234	137,984	132,030	274,382
Cost of goods sold	-34,091	-37,163	-73,628	-75,007	-149,561
Gross profit	30,919	26,071	64,355	57,023	124,821
<i>Gross margin</i>	47.6%	41.2%	46.6%	43.2%	45.5%
Operating costs	-35,337	-32,235	-71,107	-65,743	-137,016
Other operating expenses/income	155	-	642	-	-
Operating profit (loss)	-4,263	-6,164	-6,110	-8,720	-12,195
Net financial income/expense	-1,880	-1,953	-3,188	-3,248	-13,650
Profit (loss) after financial items	-6,143	-8,117	-9,297	-11,968	-25,845
Income tax	-	-	-	-	-
Profit (loss) for the period	-6,143	-8,117	-9,297	-11,968	-25,845

Parent Company income statement SEK thousands	2016 30 June	2015 30 June	2015 31 Dec
Non-current assets	183,754	170,620	183,462
Current assets	164,126	165,628	165,743
Total assets	347,880	336,247	349,205
Equity	62,864	86,038	72,161
Non-current liabilities	25,153	24,157	25,450
Current liabilities	259,864	226,053	251,594
Total equity and liabilities	347,880	336,247	349,205
Pledged assets	64,081	63,006	62,439
Contingent liabilities	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