

INTERIM REPORT

JANUARY – JUNE 2018

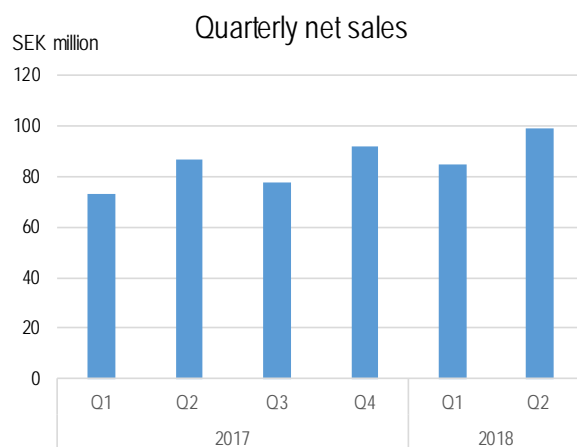
- Net sales amounted to SEK 184.2 (159.8) million
- EBITDA was SEK 13.7 (1.2) million
- Basic earnings per share were SEK -0.06 (-0.18)

APRIL – JUNE 2018

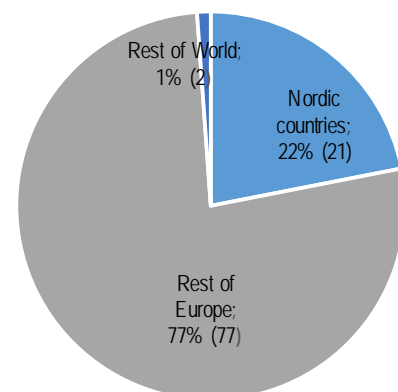
- Net sales amounted to SEK 99.2 (86.8) million
- EBITDA was SEK 4.7 (4.1) million
- Basic earnings per share were SEK -0.09 (-0.04)

SIGNIFICANT EVENTS

- All-time-high on sales in June 2018
- Five new launches of in-licensed products so far this year in addition to the 17 new products launched in 2017.
- Bluefish Serialization project is on track in onboarding our supplier base.
- Significant EBITDA turnaround in the first half of this year
- Tenders in Spain and Germany has been renewed for another two years.
- Ireland sales office started Bluefish own sales in May 2018
- Future outlook 2018
 - Another 5 products are planned to be launched during the year including revitalizing existing products in some markets.
 - Bluefish plans to launch our third in-house developed product in Q4 2018
 - Ireland sales are expected to increase with a broader portfolio in our own regime.



Net sales distribution
January-June 2018 (2017)

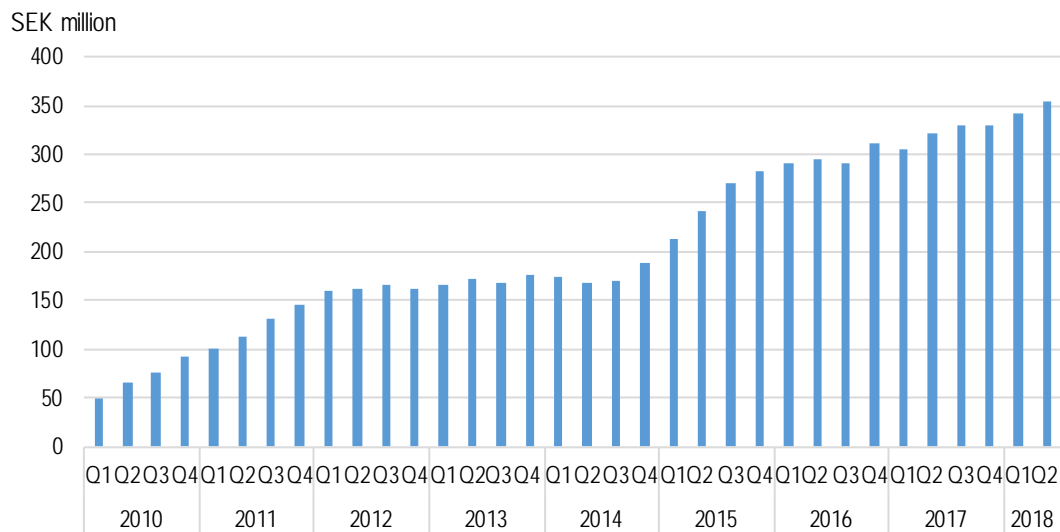


OPERATIONS

Sales increased

Sales increased by 15% in the first half of the year compared with the first half of 2017. SEK 184.2 (159.8) million, of which SEK 40.4 (33.6) million in the Nordic region, SEK 141.7 (123.4) million in Rest of Europe and SEK 2.1 (2.8) million in Rest of World. The first half of 2018 has seen Sweden return to higher growth, driving sales primarily together with Poland, Spain and Germany.

Graph 1. Rolling 12-month net sales



Investments in continued growth

During the year Bluefish performs ongoing business evaluations to identify growth opportunities with regards to new products, new segments in existing markets and collaboration opportunities. Efforts have also been made to fortify the sales organization in the Nordic region with additional expertise and experience through the forming of a Nordic sales organization. Process improvements and simplification play an important role in growing the business to ensure effectiveness and manage the cost base while growing. Our assessment is that we currently have a strong organization in place that has extensive knowledge of both operations and markets.

Bluefish also made further investments in IT systems to support Serialization in particular, all of which are aimed at strengthening the platform for continued growth.

Optimization of the product portfolio

The composition of the product portfolio in each market stays critical to the company's future growth and profitability. Launches in subsequent countries are progressing according to plan.

The company is continuing to invest in additional new product licenses and in new development projects at our R&D unit. 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.

At the rate that Bluefish grows and gains more market share, we become noticed as a potential partner by companies offering unique products.

Optimization in operations

Manning situation is now at the right level and costs are expected to stay flat according to budgeted numbers.

Serialization of each individual pack requires investment and is a mandatory EU requirement that Bluefish will have to fully adhere to according to EU guidelines and be ready by February 2019.

Some investments are being made to stay compliant with the regulatory impacts of the Brexit transition.

Stock levels are still on the high side at the end of this quarter due to stock build for new launches, preparation for readiness of starting our own operations in Ireland, some tech transfers and to cater for the current higher sales level. We believe our current stock will reduce over the coming quarters whilst preparing for an expected build-up effect from serialization as we approach the deadline early next year.

FUTURE OUTLOOK

In 2018, the company expects an increase in sales growth compared to the prior year. Sales growth will primarily be fuelled by continued strong development in key markets like Germany and Spain but will also be aided by newly launched products, which is a result of investments that were made in 2017 and earlier. New product launches for 2018 are planned for the back end of the year and will therefore have a marginal effect on this year's sales. Bluefish is fortifying its sales organization in selected markets and going forward it will be focusing on higher delivery performance. In line with this a new sales office was opened in Ireland in July 2017 but due to contractual obligations our sales in Ireland have only just started in May 2018, with a slight delay to our plans. A strategic decision to consolidate our sales efforts will lead to an increased focus on our European markets this year.

	30 Jun 2018	30 Jun 2017
Products under development or registration	22	21
Products in the market	75	72

FINANCIAL OVERVIEW

SEK million	2018	2017	Change	2018	2017	Change
	April-June	April-June		Jan-June	Jan-June	
Net sales	99.2	86.8	14%	184.2	159.8	15%
COGS	-54.9	-45.4	21%	-94.0	-88.2	7%
Gross profit	44.3	41.3	7%	90.2	71.6	26%
Gross margin	44.7%	47.7%		49.0%	44.8%	
EBITDA	4.7	4.1	15%	13.7	1.2	1042%
Cash flow from operating activities	-6.6	-14.1		-14.3	-18.3	
Cash flow from investing activities	-3.8	-7.2		-6.6	-12.7	

Bluefish generated net sales of SEK 99.3 (86.8) million during the second quarter of the year, equal to a growth of 14% compared to the same period in 2017. Gross profit was SEK 44.4 (41.4) million, with a gross margin of 44.7% (47.7%) for the period. Corresponding figures for the first half year was net sales of SEK 184.2 (159.8) million, or 15% growth, with a gross profit of SEK 90.2 (71.6) million and a gross margin of 49.0% (44.8%).

Operating costs and EBITDA

Total operating costs during the second quarter, not including depreciation/amortization and impairment of fixed assets, amounted to SEK 39.7 (37.2) million, hence increasing by 7% compared to the same period last year. Corresponding figures for the first half year were SEK 76.5 (70.3) million, thus increasing by 9%. This increase is driven by currency exchange rate effects.

EBITDA for the second quarter amounted to SEK 4.7 (4.1) million, and for the first half year SEK 13.7 (1.2) million, which is a significant improvement on last year. The combined effects of a stronger Q1 2018 and a very good Q2 2017 result in a higher profit growth for the half year than for the second quarter.

Net loss for the period

Depreciation/amortization and impairment of fixed assets was SEK -6.0 (-6.1) million for the second quarter and SEK -12.2 (-12.0) million for the first half year.

Second quarter net financial expenses amounted to SEK -4.7 (-0.1) million, which includes interest on the convertible loan in 2018 and an exchange rate gain in 2017. Corresponding figures for the first half year were SEK -4.9 (-1.9) million.

The net result for the quarter was SEK -7.2 (-2.9) million and for the first half year SEK -5.1 (-14.2) million.

Cash flow

Cash flow from operating activities amounted to SEK -6.6 (-14.1) million for the second quarter of 2018, of which SEK -8.9 (-19.9) million was the change in working capital. Cash flow from accounts receivable and other current receivables decreased by SEK -13.7 (-10.4) million, and cash flow from accounts payable and other operating liabilities increased by SEK 11.6 (3.2) million during the second quarter of 2018.

Cash flow from operating activities amounted to SEK -14.3 (-18.3) million for the first six months of 2018, of which SEK -26.7 (-16.5) million was the change in working capital. Cash flow from accounts receivable and other current receivables decreased by SEK -21.9 (-22.9) million, and cash flow from accounts payable and other operating liabilities increased by SEK 2.1 (25.9) million during the first six months of 2018.

As of 30 June 2018, inventory was SEK 127.3 million, compared with SEK 107.7 million at 30 June 2017, which represents an increase of 18%. The increase is driven mainly by higher sales and stock build for new launches and tenders, as well as for starting our own operations in Ireland.

Cash flow from investing activities was SEK -3.8 (-7.2) million for the second quarter, of which investments in intangible assets were SEK -3.8 (-7.2) million. Cash flow from investing activities was SEK -6.6 (-12.7) million for the first half of the year, of which investments in intangible assets were SEK -6.6 (-12.5) million. Investments comprise product development, licenses, and market approvals.

Cash flow from financing activities amounted to SEK 6.7 (21.6) million for the second quarter and SEK 5.2 (24.1) million for the first half of the year. The increase in cash flow results mainly from an increase in the utilization level on bank overdraft, for which Nordic inventories have been pledged as collateral.

Financial position as of 30 June 2018

Cash and cash equivalents

At the end of the period, cash and cash equivalents amounted to SEK 29.5 million, compared with SEK 44.7 million at the beginning of the year. As of 30 June 2018, utilized bank credit was SEK 103.8 million, compared to SEK 99.3 million at the beginning of the year.

In addition to the bank credit, there are also shareholder loans of SEK 15.0 million, which brings total loans to SEK 118.8 million, excluding the SEK 100 million convertible loan secured in July 2017.

Equity

At the end of the period, equity was SEK 38.1 million, compared to SEK 42.0 million at the beginning of the year. That corresponds to SEK 0.47 (0.52) per share.

Equity ratio

At the end of the period, the equity ratio was 9.0%, compared to 10.0% at the beginning of the year. For bank credit agreement purposes, the gearing ratio, obtained via a specific calculation (see Leveraging conditions, below) was 1.15 compared to 0.72 at the beginning of the year.

OTHER

Employees

As of 30 June 2018, the company had 120 (116) employees, of which 25 (24) in Sweden, 71 (73) in India, 4 (4) in Germany, 8 (5) in Poland, 4 (1) in Portugal, 2 (2) in France, 2 (1) in Austria, 2 (0) in Ireland, 0 (3) in United Arab Emirates and 2 (3) in Spain, compared to 30 June 2017.

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 2017 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 2018.

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 1.2, 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 credit of SEK 15 million from Nordea. Färna Invest AB, which is the Group's largest shareholder, has provided a guarantee for this credit. The company also has shareholder loans totalling SEK 15 million from the two main shareholders of the Group, one of which is for SEK 7.5 million from Färna Invest AB and the other for SEK 7.5 million from Nexttobe AB.

PARENT COMPANY

Bluefish Pharmaceuticals AB is the Parent Company for the Bluefish Pharmaceuticals Group.

For the second quarter of 2018, net sales were SEK 97.0 (74.1) million, and operating loss was -1.9 (-8.9) million. For the first half of the year, net sales were SEK 175.9 (143.8) million, and operating loss was -1.1 (-17.7) million. As of 30 June 2018, cash and cash equivalents for the Parent Company amounted to SEK 5.8 million, compared with SEK 14.6 million at the beginning of the year.

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

Stockholm, 29 August 2018

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	2018	2017	2018	2017	2017
SEK thousands	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Net sales	99 212	86 754	184 160	159 796	329 208
Cost of goods sold	-54 869	-45 405	-93 980	-88 242	-181 935
Gross profit	44 343	41 349	90 180	71 554	147 273
<i>Gross margin</i>	<i>44,7%</i>	<i>47,7%</i>	<i>49,0%</i>	<i>44,8%</i>	<i>44,7%</i>
Selling expenses	-24 666	-19 438	-46 873	-36 270	-77 523
Administrative expenses	-7 176	-5 760	-14 224	-11 714	-24 468
Research and development expenses	-13 779	-18 117	-27 499	-34 309	-74 245
Other operating expenses/income	0	0	0	0	0
Operating expenses	-45 621	-43 315	-88 596	-82 293	-176 236
EBIT Operating profit (loss)¹⁾	-1 278	-1 966	1 584	-10 739	-28 963
Net financial income/expense	-4 711	- 68	-4 932	-1 911	-10 902
Profit (loss) after financial items	-5 989	-2 034	-3 348	-12 650	-39 865
Income tax	-1 225	- 855	-1 765	-1 553	-2 530
Profit (loss) for the period	-7 214	-2 889	-5 113	-14 203	-42 395
Earnings per share					
Basic earnings per share (SEK)	-0.09	-0.04	-0.06	-0.18	-0.52
Diluted earnings per share (SEK)	-0.09	-0.04	-0.06	-0.18	-0.52
¹⁾ of which					
Amortization and impairment of intangible assets	5 151	5 279	10 500	10 431	28 815
Depreciation of property, plant and equipment	801	812	1 602	1 521	3 312
EBITDA	4 674	4 125	13 686	1 213	3 163
Statement of comprehensive income					
Profit (loss) for the period	-7 214	-2 889	-5 113	-14 203	-42 395
Other comprehensive income					
Hedging reserve	-	-	-	-	-
Exchange rate differences	-215	-342	406	452	261
Other comprehensive income, net after tax	-215	-342	406	452	261
Comprehensive income for the period, attributable to parent company shareholders	-7 429	-3 231	-4 707	-13 751	-42 134

Consolidated balance sheet		2018	2017	2017
SEK thousands		30 June	30 June	31 Dec
Non-current assets				
Intangible assets		148 314	163 096	153 866
Property, plant and equipment		6 754	9 476	8 283
Financial assets		1 800	1 871	1 840
Total non-current assets		156 868	174 443	163 989
Current assets				
Inventories		127 313	107 668	125 371
Current receivables		109 308	94 580	87 659
Cash and cash equivalents		29 462	26 788	44 675
Total current assets		266 083	229 036	257 705
Total assets		422 951	403 479	421 694
Equity				
		38 137	63 250	41 969
Non-current liabilities				
Non-current liabilities, interest-bearing		91 548	-	89 870
Non-current liabilities, non interest-bearing		487	3 806	3 647
Total non-current liabilities		92 035	3 806	93 517
Current liabilities				
Current liabilities, interest-bearing		118 801	144 361	114 346
Current liabilities, non interest-bearing		173 978	192 062	171 862
Total current liabilities		292 779	336 423	286 208
Total equity and liabilities		422 951	403 479	421 694
Pledged assets		87 382	89 361	80 581
Contingent liabilities		None	None	None

Change in equity, Group	2018	2017	2018	2017	2017
SEK thousands	April-June	April-June	Jan-June	Jan-June	Jan-Dec
Opening balance	44 691	66 481	41 969	77 001	77 001
Equity portion of convertible loan					7 103
Other comprehensive income for the period	-6 554	-3 231	-3 832	-13 751	-42 135
Closing balance	38 137	63 250	38 137	63 250	41 969

Share data	2018	2017	2018	2017	2017
Number, thousands	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)	0.47	0.78	0.47	0.78	0.52
Equity ratio (%)	9.0	15.7	9.0	15.7	10.0

Consolidated cash flow statement	2018	2017	2018	2017	2017
SEK thousands	April-June	April-June	Jan-June	Jan-June	Jan-Dec
Cash flow from operating activities before change in working capital	2 333	5 799	12 489	-1 742	13 300
Change in working capital	-8 890	-19 918	-26 740	-16 525	-72 936
Cash flow from operating activities	-6 557	-14 119	-14 251	-18 267	-59 636
Cash flow from investing activities	-3 799	-7 234	-6 596	-12 706	-21 189
Cash flow from financing activities	6 679	21 595	5 229	24 098	91 193
Cash flow for the period	-3 677	242	-15 618	-6 875	10 368
Cash and cash equivalents at beginning of period	32 675	26 541	44 675	33 607	33 607
Exchange rate differences in cash and cash equivalents	464	5	405	56	700
Cash and cash equivalents at end of period	29 462	26 788	29 462	26 788	44 675

PARENT COMPANY

Parent Company income statement	2018	2017	2018	2017	2017
SEK thousands	April-June	April-June	Jan-June	Jan-June	Jan-Dec
Net sales	96 956	74 133	175 868	143 784	308 781
Cost of goods sold	-54 825	-43 443	-94 121	-86 208	-180 629
Gross profit	42 131	30 690	81 747	57 576	128 152
<i>Gross margin</i>	43,5%	41,4%	46,5%	40,0%	41,5%
Operating costs	-44 009	-39 627	-82 860	-75 302	-172 352
Other operating expenses/income	-	-	-	-	417
Operating profit (loss)	-1 878	-8 937	-1 113	-17 726	-43 783
Net financial income/expense	-4 611	-1 683	-5 348	-3 506	-15 322
Profit (loss) after financial items	-6 489	-10 620	-6 461	-21 232	-59 106
Income tax	-	-	-	-	-
Profit (loss) for the period	-6 489	-10 620	-6 461	-21 232	-59 106

Parent Company balance sheet	2018	2017	2017
SEK thousands	30 June	30 June	31 Dec
Non-current assets	162 840	181 886	169 705
Current assets	178 414	152 273	197 582
Total assets	341 254	334 159	367 287
Equity	9 233	46 464	15 694
Non-current liabilities	92 017	3 714	93 461
Current liabilities	240 004	283 981	258 131
Total equity and liabilities	341 254	334 159	367 287
Pledged assets	77 412	89 361	70 632
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