

INTERIM REPORT



JANUARY – JUNE 2019

- Net sales amounted to SEK 89.1 (99.2) million in the second quarter of 2019 and 172.7 (184.2) million in the first half of the year.
- Gross profit for the second quarter was SEK 43.0 (44.3) million and for the first half of the year 79,4 (90,2) million.
- EBITDA was SEK 10.6 (4.7) million in the second quarter of the year and 9.5 (13.7) million in the first half of the year.
- Basic earnings per share for the second quarter amounted to SEK -0.12 (-0.09) and for the first half of the year to -0.24 (-0.06).

SIGNIFICANT EVENTS

Net sales and gross profit during the first half of the year.

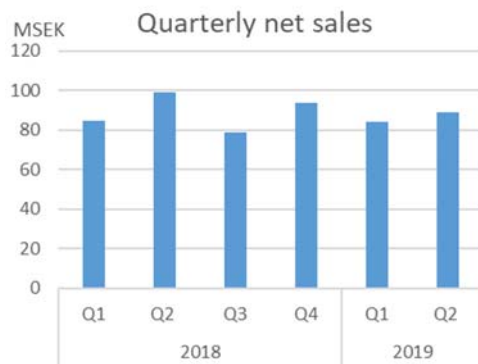
- Net sales decreased by 6.2% to 172.7 million
- Gross margin is in line with planned level at 46.0% (49.0%).

Positive EBITDA of 9.5 million for the first half of the year.

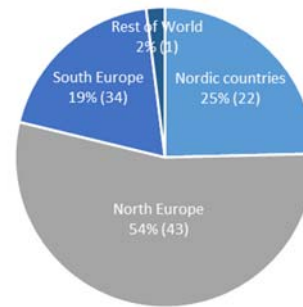
The company's share capital is restored as planned by SEK 59,4 million, before the emission fees of 1,5 million, and 27 million shares has been issued to shareholders.

Future outlook 2019

- Bluefish third developed product, Anagrelide, was approved last year and the launches are continuing in 2019.
- Ireland sales office is continuing to grow according to plan and sales is increasing ahead of budget with a broader portfolio.
- Germany and Poland are continuing to grow stronger and ahead of sales.
- Dose dispensing in Sweden has increased above expectations during the period
- Higher sales growth with steady profitability, especially in Germany and Poland
- Germany, Poland and Sweden are growing stronger.
- Tender situation in Spain will reduce our sales in Spain further from September. New initiatives are in place to fill the gap.
- A larger SAP upgrade will be initiated in Q3 2019 to support business processes and financial reporting.



Net sales distribution
January-June 2019 (2018)



OPERATIONS

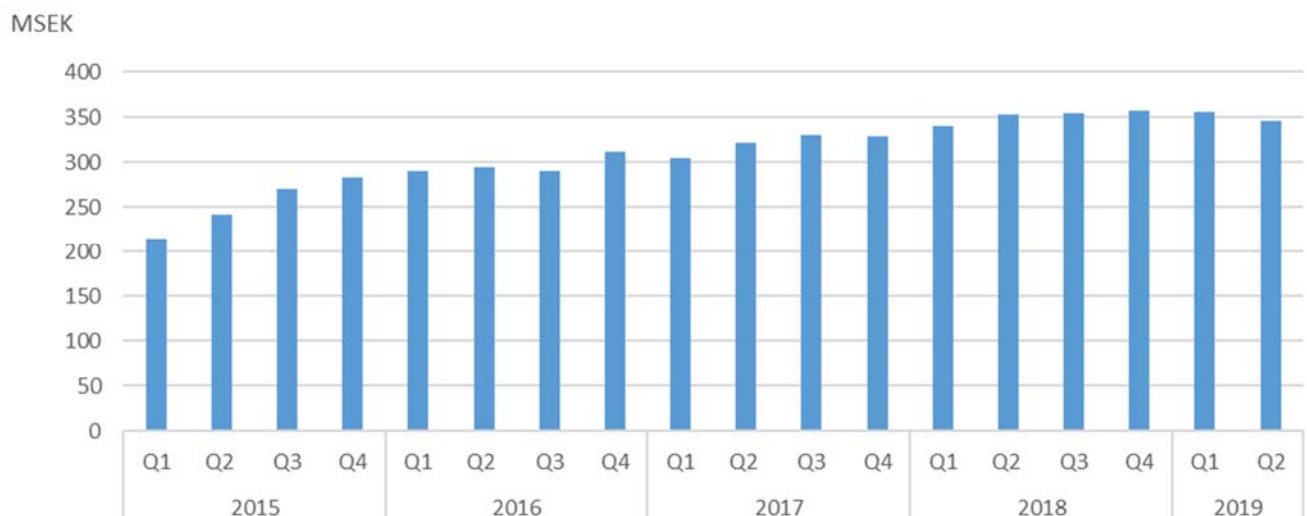
Stabilizing new models for continued growth

Sales at SEK 172.7 (184.2) million the first half of 2019 compared with the same period 2018, of which SEK 39.0 (27.5) million in Germany, Sweden SEK 28.9 (30.3) million, Spain SEK 20.4 (54.7) million, Poland 24.0 (21.8) million and SEK 57.0 (43.5) million in Rest of Europe and SEK 3.5 (6.2) million in Rest of World. Germany continues to exceed expectations month on month with a total growth of 41,8%, winning more tenders, a result of the new tender model launched earlier this year. Germany has together with Sweden and Poland been driving sales and has brought more than 53% of the sales during the first half of 2019. Unfortunately, the continued uncertainty of the development of the Spanish tender market still leads to sales decrease. National tenders have been announced to be launched, but no further details have been shared and Bluefish is keeping a close eye on the future developments in the market. To meet the uncertainty and the new requirements of the Spanish market, Bluefish has strengthened the team in Spain to work with a new sales model to regain sales during the year. Sales in Ireland has exceeded expectations for the first half of 2019 with an increase of 13% and will continue to grow in 2019.

Gross margin was in line with budget. The high gross margin in Q1 2018 was due to reversed accruals in Spain and a currency impact when goods were bought at a low Euro rate and sold at a higher rate.

Service levels and lead times has been stabilized during the year and Bluefish is considered to be a reliable partner in our markets.

Graph 1. Rolling net sales



Investments in continued growth

During the year Bluefish continuously evaluates growth opportunities with regards to new products, new segments in existing markets and collaboration opportunities to identify appropriate investment possibilities. Bluefish third own developed product, Anagrelide, was approved in several countries during last year and sales is continuing as per plan in 2019 and onwards. Bluefish is focusing on continued stable growth in our existing markets with a special focus on establishing a new business model in Spain to bridge to the gap from previous tender process.

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 will initiate new investments in IT systems this year to support Finance and supply processes with a SAP upgrade. During the year smaller IT investments is continuing in other 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 second quarter launched another seven new products and further strengthened our portfolio with new products as planned. In 2018 Anagrelide is Bluefish third in-house developed product has been approved and launches are progressing according to plan in 2019.

The company is continuing to invest in additional new product licenses and in new development projects at 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.

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 our 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.

Some investments are continueing in 2019 to stay compliant with the regulatory impacts of the now delayed Brexit transition.

Stock levels have now reached planned level by end of this quarter, primarily as a result of improved supply change excellence inatives.

FUTURE OUTLOOK

In second half 2019, the company expects an increase in sales growth compared to the prior year in all markets except Spain. Sales growth will primarily be fueled by continued strong development in key markets like Germany, Sweden and Poland but will also be aided by newly launched products, which is a result of investments that were made earlier. Ireland has a good sales potential for growth after the first period of establishment.

New product launches for 2019 are planned trough out the year with a peak in sales 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 higher delivery performance.

	30 Jun 2019	30 Jun 2018
Products under development or registration	15	22
Products in the market	81	75

FINANCIAL OVERVIEW

SEK million	2019 Apr-Jun	2018 Apr-Jun	Change	2019 Jan-Jun	2018 Jan-Jun	2018 Jan-Dec
Net sales	89.1	99.2	-10%	172.7	184.2	31.2
COGS	-46.2	-54.9	-16%	-93.3	-94.0	-14.9
Gross profit	43.0	44.3	-3%	79.4	90.2	16.3
Gross margin	48.2%	44.7%		46.0%	49.0%	52.2%
EBITDA	10.6	4.7	127%	9.5	13.7	28.0
Cash flow from operating activities	9.7	-6.6		13.4	-14.3	-59.6
Cash flow from investing activities	0.2	-3.8		-3.0	-6.6	-21.2

Net sales for the second quarter was SEK 89.1 (99.2) million, which corresponds to a decrease of 10.1 % compared to last year. Gross profit was SEK 43.0 (44.3) million, with a corresponding gross margin of 48.2 (44.7) % for the period. Corresponding figures for the first half year was net sales of SEK 172.7 (184.2) million, with a gross profit of SEK 79.4 (90.2) million and a gross margin of 46.0 (49.0) %.

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 48.5 (45.6) million, which corresponds to a increase of 6.4% compared to the same period last year. Corresponding figures for the first half year were SEK 94.0 (88.6) million, thus, increasing by 6.1%.

EBITDA for the second quarter amounted to SEK 10.6 (4.7) million, and for the first half year SEK 9.5 (13.7) million. Excluding IFRS 16 Leases, EBITDA for the second quarter amounted to SEK 1.9 (4.7) million, and for the first half year SEK 0.7 (13.7) million.

Net profit in the first half of the year

For the second quarter of the year, depreciation, amortization/impairment of property, plant and equipment and intangible assets, amounted to SEK -16.2 (-6.0) million, and -24.1 (-12.2) million for the first half of the year. The increase is a result of the new IFRS 16 standard (see below).

Net financial income/expense was SEK -5.5 (-4.7) million, which includes interest expense on the convertible debentures and bank overdraft facilities. Corresponding figures for the first half year were SEK -9.9 (-4.9) million.

The net result for the quarter was SEK -12.4 (-7.2) million and for the first half year SEK -26.3 (-5.1) million.

CASH FLOW

Cash flow from operating activities amounted to SEK 13.4 (-14.2) million for the first half of 2019, of which SEK -25.6 (-26.7) million was the change in working capital. This improved flow relates to lowered stock levels, reaching for a set inventory target of 180 days of sales. As of 30 June 2019, we maintained an inventory level of SEK 102.7 (127.3) million which is a decrease with 19% comparing to the same period last year. The current inventory level is estimated as corresponding to 200 days sale, as compared to 209 days as of 30 June 2018.

Cash flow from accounts receivable and other current receivables was negative SEK -29.6 (-13.2) million, whereas cash flow from accounts payable and other operating liabilities amounted to SEK -8.2 (-1.1) million during the first half of 2019.

Cash flow from investing activities was SEK -3.0 (-6.6) million, all of which relates to investments in intangible assets. Investments comprise product development, licenses, and market approvals.

Cash flow from financing activities amounted to SEK 50.4 (5.2) million for the first half of 2019, mainly coming from the issue of new shares in May. Net change in cash flow year to date was positive SEK 60.8 (-15.6) million.

FINANCIAL POSITION AS OF 30 JUNE 2019

Cash and cash equivalents

At the end of the period, cash and cash equivalents amounted to SEK 112.5 million, compared with SEK 51.9 million at the end of last year. As of 30 June 2019, utilized bank credit was SEK 97.2 million, compared to SEK 86.6 million at the end of last year.

The SEK 15.0 million shareholder loan was converted to share capital at the issuance of new shares and SEK 10 million of the convertible loan has been reimbursed and is now amounting to SEK 90.7 million.

Equity

During the first half of 2019 the Board made the decision to increase the company's share capital by, at most, SEK 60 million by issuing at most 30 million shares with preferential rights to shareholders. The proposal, as accepted by the AGM and received its approval by May 15th, 2019. The new issuance of shares was completed in June 2019 resulting in the following ownership structure:

Shareholders	No of B shares	No of votes	Share of capital, %	Share of votes, %
Färna Invest AB	51 171 153	5 117 115	47,41%	47,41%
Nexttobe	31 994 475	3 199 448	29,65%	29,65%
Varenne	4 196 026	419 603	3,89%	3,89%
Newbury HealthCap (Karl Karlsson)	3 796 427	379 643	3,52%	3,52%
Other	16 765 247	1 676 525	15,53%	15,53%
Total	107 923 328	10 792 333	100%	100%

At the end of the period, equity was SEK 60.3 million, compared to SEK 13.2 million at the beginning of the second quarter. That corresponds to SEK 0.56 (0.16) per share.

Equity ratio

At the end of the period, the equity ratio was 12.4 %, compared to 3.1% at the end of last quarter. For bank credit agreement purposes, the gearing ratio, obtained via a specific calculation (see Leveraging conditions, below) was -0.33 compared to 1.23 at the beginning of the second quarter 2019.

OTHER

Employees

As of 31 March 2019, the company had 121 (120) employees, of which 27 (25) in Sweden, 67 (71) in India, 4 (4) in Germany, 12 (8) in Poland, 3 (4) in Portugal, 2 (2) in France, 2 (2) in Austria, 2 (2) in Ireland and 2 (2) in Spain, compared to 30 June 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 terms to date for the SEB credit, the company has been 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. Due to the breach of the ratio agreed and after negotiations with the bank, the company was granted a waiver from the bank, expiring 2019-06-30. The new issuing of shares brought the ratio down to -0.33.

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 had shareholder loans totaling 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. The shareholder loans were converted to share capital in the new share issue.

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, apart from new or revised standards, interpretations and improvements that have been adopted by the EU and which come into effect as of 1 January 2018. The Group commenced to apply IFRS 16 Leases as of January 1, 2019.

IFRS 16 Leases

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. The new standard requires lessees to recognize the obligation to pay leasing fees as a leasing liability in the balance sheet. The right to use the underlying asset during the leasing period is reported as an asset in the same. Depreciation of the asset is recognized in the profit or loss statement as well as the calculated interest on the leasing liability. Leasing fees paid are reported partly as interest payment and partly as amortization of the lease liability. The standard's exceptions are leasing agreements with a lease term of less than 12 months (short-term leases) and leasing agreements for underlying assets that have a low value. The group has decided to use the exceptions. IFRS 16 enters into force for fiscal years beginning January 1, 2019 or later and is applied by the Group as of January 1, 2019.

The standard entails that most of the leases that are reported in the company's financial reports as operating leases will be reported as right-of-use assets and lease liabilities in the balance sheet. This will also entail that the expenses for these will be reported broken down into interest expenses and depreciation. In the parent company, the exemption in RFR 2 regarding leasing agreements will be applied. This implies that the parent company's principles for accounting for lease agreements will be unchanged. The Group applies the modified retrospective approach, which implies that no restatement is made of prior year comparative figures.

The weighted average interest rate used is estimated at 2.2 per cent. At the transition to IFRS 16, the Group reported new right-of-use assets at SEK 17,923 thousand. Lease liabilities were calculated at SEK 18,109 thousand, where the total amount of debt consisted of a long-term debt of SEK 12,753 thousand and a short-term debt of SEK 5,357 thousand as of January 1, 2019. The difference between assets and liabilities derives from prepaid leasing payments reported as assets as of December 31, 2018 and was reclassified to right-of-use assets as of January 1, 2019.

Changes in right-of-use assets and leasing liabilities during the first quarter of 2019 are reported below:

Amount in SEK	Right-of-use assets	Leasing liabilities
Opening balance January 1, 2019	17,923,075	-18,109,366
Additions (+)		
Depreciation (-)	-2,985,567	
Interest expenses (-)		-195,951
Exchange rate effects	631,135	-632,115
Paid Leasing Fees (+)		3,120,271
Outgoing balance on June 30, 2019	15,568,643	-15,817,161

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 (condition granted until 2019-06-30), 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.

PARENT COMPANY

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

For the second quarter of 2019 net sales were SEK 85.5 (97.0) million and operating loss was SEK -7.1 (-1.9) million. For the first half of the year, net sales were SEK 166.1 (175.9) million, and operating loss was -18.2 (-1.1) million. As of 30 June 2019, cash and cash equivalents for the parent company amounted to SEK 57.1 million, compared with SEK 18.1 million at the beginning of the year.

This year-end report has not been audited by the company's auditors.

Stockholm, 23 August 2019

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	2019	2018	2019	2018	2018
SEK thousands	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Net sales	89 131	99 212	172 735	184 160	357 234
Cost of goods sold	-46 179	-54 869	-93 295	-93 980	-175 945
Gross profit	42 952	44 343	79 440	90 180	181 289
<i>Gross margin</i>	<i>48,2%</i>	<i>44,7%</i>	<i>46,0%</i>	<i>49,0%</i>	<i>50,7%</i>
Selling expenses	-24 542	-24 666	-46 261	-46 873	-92 125
Administrative expenses	-6 453	-7 176	-12 548	-14 224	-23 035
Research and development expenses	-17 544	-13 779	-35 231	-27 499	-66 458
Other operating expenses/income	0	0	0	0	511
Operating expenses	-48 539	-45 621	-94 040	-88 596	-181 107
EBIT Operating profit (loss)¹⁾	-5 587	-1 278	-14 600	1 584	182
Net financial income/expense	-5 498	-4 711	-9 924	-4 932	-13 784
Profit (loss) after financial items	-11 085	-5 989	-24 524	-3 348	-13 602
Income tax	-1 330	-1 225	-1 739	-1 765	-3 519
Profit (loss) for the period	-12 415	-7 214	-26 263	-5 113	-17 121
¹⁾ of which					
Amortization and impairment of intangible assets	7 321	5 151	14 543	10 500	25 070
Depreciation of property, plant and equipment	8 913	801	9 571	1 602	2 715
EBITDA	10 647	4 674	9 514	13 686	27 967
Statement of comprehensive income					
Profit (loss) for the period	-12 415	-7 214	-26 263	-5 113	-17 121
Other comprehensive income					
Hedging reserve	-	-	-	-	-
Exchange rate differences	208	215	1 941	406	418
Other comprehensive income, net after tax	208	215	1 941	406	418
Comprehensive income for the period, attributable to parent company shareholders	-12 207	-6 999	-24 322	-4 707	-16 703
No. Of shares	107 923	80 942	107 923	80 942	80 942
Earnings per share	-0,12	-0,09	-0,24	-0,06	-0,21

Consolidated balance sheet	2019	2018	2018
SEK thousands	30 Jun	30 Jun	31 Dec
Non-current assets			
Intangible assets	127 095	148 313	138 091
Property, plant and equipment	19 793	6 755	5 169
Financial assets	1 533	1 800	1 465
Total non-current assets	148 421	156 868	144 725
Current assets			
Inventories	102 707	127 313	125 754
Current receivables	124 468	109 308	93 019
Cash and cash equivalents	112 530	29 462	51 898
Total current assets	339 705	266 083	270 671
Total assets	488 127	422 951	415 396
Equity	60 343	38 137	25 311
Non-current liabilities			
Non-current liabilities, interest-bearing	96 007	91548	93 697
Non-current liabilities, non interest-bearing	14 063	487	796
Total non-current liabilities	110 070	92 035	94 493
Current liabilities			
Current liabilities, interest-bearing	106 720	118 801	116 632
Current liabilities, non interest-bearing	210 995	173 978	178 960
Total current liabilities	317 715	292 779	295 592
Total equity and liabilities	488 127	422 951	415 396
Pledged assets	97 158	87 382	69 944
Contingent liabilities	None	None	None

Change in equity, Group SEK thousands	2019 Apr-Jun	2018 Apr-Jun	2019 Jan-Jun	2018 Jan-Jun	2018 Jan-Dec
Opening balance	13 191	44 691	25 311	41 969	41 969
New share issue	59 358	-	59 358	-	-
Other comprehensive income for the period	-12 206	-6 554	-24 326	-3 832	-16 703
Closing balance	60 343	38 137	60 343	38 137	25 311

Share data Number, thousands	2019 Apr-Jun	2018 Apr-Jun	2019 Jan-Jun	2018 Jan-Jun
Number of shares at end of period before dilution	80 942	80 942	107 923	80 942
Average number of shares after dilution	107 923	80 942	107 923	80 942
Equity per share (SEK)	0.56	0.47	0.56	0.47
Equity ratio (%)	12.4	9.0	12.4	9.0

PARENT COMPANY

Parent Company income statement SEK thousands	2019 Apr-Jun	2018 Apr-Jun	2019 Jan-Jun	2018 Jan-Jun	2018 Jan-Dec
Net sales	85 509	96 956	166 098	175 868	339 470
Cost of goods sold	-46 192	-54 825	-93 354	-94 121	-177 453
Gross profit	39 317	42 131	72 744	81 747	162 017
<i>Gross margin</i>	<i>46,0%</i>	<i>43,5%</i>	<i>43,8%</i>	<i>46,5%</i>	<i>47,7%</i>
Operating costs	-46 463	-44 009	-90 967	-82 860	-171 204
Other operating expenses/income	0	-	-1	-	511
Operating profit (loss)	-7 146	-1 878	-18 224	-1 113	-8 676
Net financial income/expense	-9 439	-4 611	-9 439	-5 348	-15 017
Profit (loss) after financial items	-16 585	-6 489	-27 663	-6 461	-23 693
Income tax	-	-	-	-	-
Profit (loss) for the period	-16 586	-6 489	-27 663	-6 461	-23 693

Parent Company balance sheet SEK thousands	2019 Jun	2018 Jun	2018 Dec
Non-current assets	140 680	162 840	152 818
Current assets	251 516	178 414	206 618
Total assets	392 196	341 254	359 436
Equity	23 696	9 233	-7 999
Non-current liabilities	96 952	92 017	94 493
Current liabilities	271 548	240 004	272 942
Total equity and liabilities	392 196	341 254	359 436
Pledged assets	60 302	77 412	63 152
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