

## INTERIM REPORT



### JANUARY – SEPTEMBER 2018

- Net sales amounted to SEK 263.3 (237.2) million
- EBITDA was SEK 15.6 (-2.3) million
- Basic earnings per share were SEK -0.17 (-0.32)

### JULY – SEPTEMBER 2018

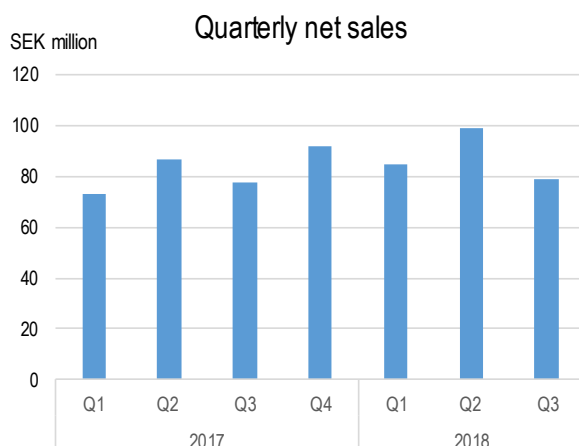
- Net sales amounted to SEK 79.1 (77.5) million
- EBITDA was SEK 1.9 (-3.5) million
- Basic earnings per share were SEK -0.11 (-0.14)

### SIGNIFICANT EVENTS

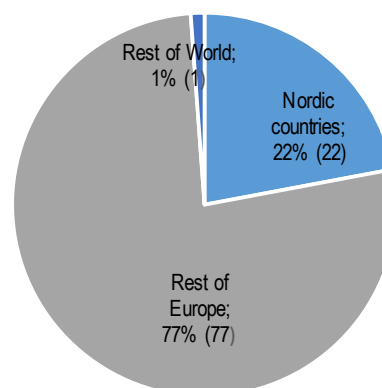
- Four new launches of in-licensed products this quarter in addition to the 5 new products earlier launched in 2018.
- Bluefish Serialization project is continuing to progress according to plan
- Tenders in Spain and Germany have been renewed for another two years with a different product mix in Spain.
- Ireland sales have now started to increase with a broader portfolio in our own regime.
- New hospital tenders in the Nordics will contribute positively
- Saftey, Health and Environment audits and certification of suppliers is continuing to ensure Bluefish products are manufactured according to the highest standards.

### OUTLOOK 2018

- Another 5 products are planned to be launched during 2018 including revitalizing existing products in some markets.
- Bluefish has got all approvals and are ready to launch our third in-house developed product in Q4 2018



Net sales distribution  
January-September 2018 (2017)

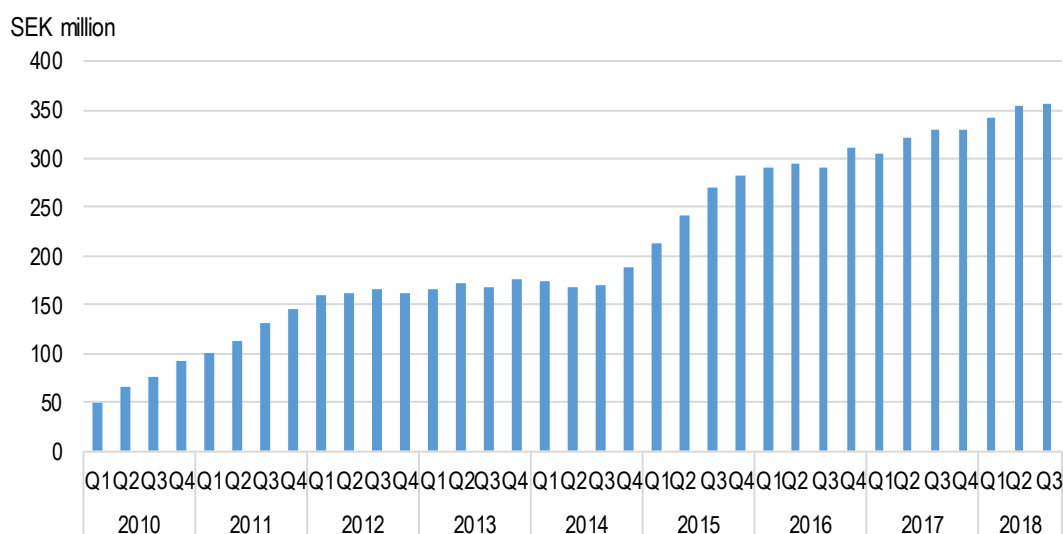


## OPERATIONS

### Sales increased

Sales increased by 11% during the first nine months of the year compared with the first nine months of 2017, aided by favourable exchange rates. SEK 263.3 (237.2) million, of which SEK 58.5 (51.5) million in the Nordic region, SEK 201.8 (182.9) million in Rest of Europe and SEK 3.1 (2.8) million in Rest of World. The first nine months of 2018 have seen Sweden return to higher growth, driving sales primarily together with Germany and Poland.

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 high at the end of this quarter, primarily as a result of sales growth, our new Ireland operations and serialization effects. We believe our ordinary stock will continue to develop in line with sales and operations whilst we will see continued serialization effects 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 Sweden, Germany and Poland 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 only started in May 2018, with some continued delay effects. A strategic decision to consolidate our sales efforts will lead to an increased focus on our European markets this year.

	30 Sep 2018	30 Sep 2017
Products under development or registration	22	30
Products in the market	75	69

## FINANCIAL OVERVIEW

SEK million	2018 Jul-Sep	2017 Jul-Sep	Change	2018 Jan-Sep	2017 Jan-Sep	Change
Net sales	79.1	77.4	2%	263.3	237.2	11%
COGS	-41.4	-46.1	-10%	-135.4	-134.3	1%
Gross profit	37.7	31.3	20%	127.9	102.9	24%
Gross margin	47.7%	40.4%		48.6%	43.4%	
EBITDA	1.9	-3.4	-156%	15.6	-2.2	-809%
Cash flow from operating activities	24.0	-40.6		9.1	-58.9	
Cash flow from investing activities	-2.5	-5.5		-8.6	-18.2	

Bluefish generated net sales of SEK 79.1 (77.4) million during the third quarter of the year, which corresponds to an increase of 2% compared to the same period in 2017. Gross profit was SEK 37.7 (31.3) million, which results in a gross margin of 47.7% (40.4%) for the period. This margin development is in line with expectation as an improvement over a low 2017.

Corresponding figures for the first nine months were net sales of SEK 263.3 (237.2) million, or 11% growth, with a gross profit of SEK 127.9 (102.9) million and a gross margin of 48.6% (43.4%), coming from a higher margin early in the year due to positive exchange rate factors.

### Operating costs and EBITDA

Total operating costs during the third quarter, not including depreciation/amortization and impairment of property, plant and equipment and intangible assets, amounted to SEK 35.8 (34.8) million, which corresponds to an increase of 3% compared to the same period last year. Corresponding figures for the first nine months were SEK 112.3 (105.1) million, thus increasing by 7%. This increase is driven largely by currency exchange rate effects.

EBITDA for the third quarter amounted to SEK 1.9 (-3.4) million and EBITDA for the first nine months of the year was SEK 15.6 (-2.2) million, both of which are significant improvements on last year. Higher in the first six months, primarily sales growth related.

### Net loss for the period

Depreciation/amortization and impairment of property, plant and equipment and intangible assets was SEK 5.7 (6.7) million for the third quarter and SEK 17.8 (18.7) million for the first nine months.

For the third quarter net financial expenses amounted to SEK -3.7 (-4.3) million and SEK -8.6 (-6.2) million for the first nine months. Net loss was SEK -8.7 (-15.0) million for the third quarter and SEK -13.8 (-29.2) million for the first nine months.

## Cash flow

Cash flow from operating activities amounted to SEK 24.0 (-40.7) million for the third quarter of 2018, of which SEK 5.0 (-29.7) million was the change in working capital. Cash flow from accounts receivable and other current receivables was positive SEK 19.9 (-0.1) million, whereas cash flow from accounts payable and other operating liabilities decreased by SEK -9.3 (-11.5) million during the third quarter of 2018.

Cash flow from operating activities amounted to SEK 9.1 (-58.9) million for the first nine months of 2018, of which SEK -37.2 (-46.2) million was the change in working capital. Cash flow from accounts receivable and other current receivables increased by SEK 1.0 (-23.0) million, whereas cash flow from accounts payable and other operating liabilities decreased by SEK -24.3 (14.4) million during the first nine months of 2018.

As of 30 September 2018, inventory was SEK 129.9 million, compared with SEK 122.2 million at 30 September 2017, which represents an increase of 6%. The increase is driven by sales growth, our new Ireland operations and a serialization stock build.

Cash flow from investing activities was SEK -2.5 (-5.5) million for the third quarter, of which investments in intangible assets were SEK -2.5 (-5.0) million. Cash flow from investing activities was SEK -8.6 (-18.2) million for the first nine months of the year, of which investments in intangible assets were SEK -9.0 (-17.6) million. Investments comprise product development, licenses, and market approvals. Investments in property, plant and equipment amounted to SEK 0 (-0.5) million for the third quarter and SEK 0.4 (-0.6) million for the first nine months of the year, positive due to exchange rate effects.

Cash flow from financing activities amounted to SEK 2.0 (66.3) million for the third quarter and SEK 6.3 (90.4) million for the first nine months of the year.

## Financial position as of 30 September 2018

### Cash and cash equivalents

At the end of the period, cash and cash equivalents amounted to SEK 52.8 million, compared with SEK 44.7 million at the beginning of the year. As of 30 September 2018, utilized bank credit was SEK 103.5 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 118.5 million, excluding the SEK 100 million convertible loan secured in July 2017.

### Equity

At the end of the period, equity was SEK 27.6 million, compared to SEK 42.0 million at the beginning of the year. That corresponds to SEK 0.34 (0.52) per share.

### Equity ratio

At the end of the period, the equity ratio was 6.5%, 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 0.88 compared to 0.72 at the beginning of the year.

## OTHER

### Employees

As of 30 September 2018, the company had 119 (123) employees, of which 26 (27) in Sweden, 69 (74) in India, 4 (4) in Germany, 8 (8) in Poland, 4 (2) in Portugal, 2 (3) in France, 2 (1) in Austria, 2 (1) in Ireland, 0 (0) in United Arab Emirates and 2 (3) in Spain, compared to 30 September 2017.

An employee incentive program was launched in Q3, as a warrant issue to key employees.

### 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 third quarter of 2018, net sales were SEK 76.7 (79.0) million, and operating loss was -3.2 (-4.8) million. For the first nine months of the year, net sales were SEK 252.6 (222.8) million, and operating loss was -4.3 (-22.5) million. As of 30 September 2018, cash and cash equivalents for the Parent Company amounted to SEK 13.7 million, compared with SEK 14.6 million at the beginning of the year.

Due to the equity development in the parent company we have performed the required balance sheet test on market value of assets. The test has been satisfactorily reviewed by our auditors.

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

*Stockholm, 22 November 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	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
<b>Net sales</b>	<b>79 099</b>	<b>77 452</b>	<b>263 259</b>	<b>237 248</b>	<b>329 208</b>
Cost of goods sold	-41 383	-46 147	-135 363	-134 389	-181 935
<b>Gross profit</b>	<b>37 716</b>	<b>31 305</b>	<b>127 896</b>	<b>102 859</b>	<b>147 273</b>
<i>Gross margin</i>	<i>47,7%</i>	<i>40,4%</i>	<i>48,6%</i>	<i>43,4%</i>	<i>44,7%</i>
Selling expenses	-19 022	-19 165	-65 895	-55 435	-77 523
Administrative expenses	-3 409	-6 301	-17 633	-18 015	-24 468
Research and development expenses	-19 069	-16 026	-46 568	-50 335	-74 245
Other operating expenses/income	0	0	0	0	0
<b>Operating expenses</b>	<b>-41 500</b>	<b>-41 492</b>	<b>-130 096</b>	<b>-123 785</b>	<b>-176 236</b>
<b>EBIT Operating profit (loss)<sup>1)</sup></b>	<b>-3 784</b>	<b>-10 187</b>	<b>-2 200</b>	<b>-20 926</b>	<b>-28 963</b>
Net financial income/expense	-3 697	-4 251	-8 629	-6 162	-10 902
<b>Profit (loss) after financial items</b>	<b>-7 481</b>	<b>-14 438</b>	<b>-10 829</b>	<b>-27 088</b>	<b>-39 865</b>
Income tax	-1 192	- 546	-2 957	-2 099	-2 530
<b>Profit (loss) for the period</b>	<b>-8 673</b>	<b>-14 984</b>	<b>-13 786</b>	<b>-29 187</b>	<b>-42 395</b>
<b>Earnings per share</b>					
Basic earnings per share (SEK)	-0.11	-0.19	-0.17	-0.36	-0.52
Diluted earnings per share (SEK)	-0.11	-0.19	-0.17	-0.36	-0.52
<sup>1)</sup> of which					
Amortization and impairment of intangible assets	5 394	5 701	15 894	16 132	28 815
Depreciation of property, plant and equipment	310	1 020	1 912	2 541	3 312
<b>EBITDA</b>	<b>1 920</b>	<b>-3 466</b>	<b>15 606</b>	<b>-2 253</b>	<b>3 163</b>
<b>Statement of comprehensive income</b>					
Profit (loss) for the period	-8 673	-14 984	-13 786	-29 187	-42 395
<b>Other comprehensive income</b>					
Hedging reserve	-	-	-	-	-
Exchange rate differences	-1 871	-656	-590	-204	261
<b>Other comprehensive income, net after tax</b>	<b>-1 871</b>	<b>-656</b>	<b>-590</b>	<b>-204</b>	<b>261</b>
<b>Comprehensive income for the period, attributable to parent company shareholders</b>	<b>-10 544</b>	<b>-15 640</b>	<b>-14 376</b>	<b>-29 391</b>	<b>-42 134</b>



<b>Consolidated balance sheet</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
<b>SEK thousands</b>	<b>30 Sep</b>	<b>30 Sep</b>	<b>31 Dec</b>
<b>Non-current assets</b>			
Intangible assets	144 845	162 605	153 866
Property, plant and equipment	5 729	8 530	8 283
Financial assets	1 401	1 780	1 840
<b>Total non-current assets</b>	<b>151 975</b>	<b>172 915</b>	<b>163 989</b>
<b>Current assets</b>			
Inventories	129 947	122 245	125 371
Current receivables	88 609	93 730	87 659
Cash and cash equivalents	52 786	46 749	44 675
<b>Total current assets</b>	<b>271 342</b>	<b>262 724</b>	<b>257 705</b>
<b>Total assets</b>	<b>423 317</b>	<b>435 639</b>	<b>421 694</b>
<b>Equity</b>	<b>27 593</b>	<b>54 750</b>	<b>41 969</b>
<b>Non-current liabilities</b>			
Non-current liabilities, interest-bearing	95 327	93 060	89 870
Non-current liabilities, non interest-bearing	283	4 382	3 647
<b>Total non-current liabilities</b>	<b>95 610</b>	<b>97 442</b>	<b>93 517</b>
<b>Current liabilities</b>			
Current liabilities, interest-bearing	118 477	110 549	114 346
Current liabilities, non interest-bearing	181 637	172 898	171 862
<b>Total current liabilities</b>	<b>300 114</b>	<b>283 447</b>	<b>286 208</b>
<b>Total equity and liabilities</b>	<b>423 317</b>	<b>435 639</b>	<b>421 694</b>
Pledged assets	72 989	80 549	80 581
Contingent liabilities	None	None	None

Change in equity, Group	2018	2017	2018	2017	2017
SEK thousands	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Opening balance	38 137	63 250	41 969	77 001	77 001
Equity portion of convertible loan		7 140		7 140	7 103
Other comprehensive income for the period	-10 544	-15 640	-14 376	-29 391	-42 135
<b>Closing balance</b>	<b>27 593</b>	<b>54 750</b>	<b>27 593</b>	<b>54 750</b>	<b>41 969</b>

Share data	2018	2017	2018	2017	2017
Number, thousands	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	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)	0.34	0.68	0.34	0.68	0.52
Equity ratio (%)	6.5	12.6	6.5	12.6	10.0

Consolidated cash flow statement	2018	2017	2018	2017	2017
SEK thousands	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Cash flow from operating activities before change in working capital	18 980	-10 951	46 280	-12 693	13 300
Change in working capital	4 988	-29 729	-37 222	-46 254	-72 936
<b>Cash flow from operating activities</b>	<b>23 968</b>	<b>-40 680</b>	<b>9 058</b>	<b>-58 947</b>	<b>-59 636</b>
Cash flow from investing activities	-2 472	-5 504	-8 646	-18 210	-21 189
Cash flow from financing activities	2 037	66 258	6 254	90 356	91 193
<b>Cash flow for the period</b>	<b>23 533</b>	<b>20 074</b>	<b>6 666</b>	<b>13 199</b>	<b>10 368</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>29 462</b>	<b>26 788</b>	<b>44 675</b>	<b>33 607</b>	<b>33 607</b>
<b>Cash and cash equivalents at end of period</b>	<b>52 786</b>	<b>46 749</b>	<b>52 786</b>	<b>46 749</b>	<b>44 675</b>

## PARENT COMPANY

Parent Company income statement	2018	2017	2018	2017	2017
SEK thousands	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
<b>Net sales</b>	<b>76 712</b>	<b>78 995</b>	<b>252 580</b>	<b>222 779</b>	<b>308 781</b>
Cost of goods sold	-40 237	-45 969	-134 358	-132 177	-180 629
<b>Gross profit</b>	<b>36 475</b>	<b>33 026</b>	<b>118 222</b>	<b>90 602</b>	<b>128 152</b>
<i>Gross margin</i>	<i>47,5%</i>	<i>41,8%</i>	<i>46,8%</i>	<i>40,7%</i>	<i>41,5%</i>
Operating costs	-39 695	-37 784	-122 555	-113 086	-172 352
Other operating expenses/income	-	-	-	-	417
<b>Operating profit (loss)</b>	<b>-3 220</b>	<b>-4 758</b>	<b>-4 333</b>	<b>-22 484</b>	<b>-43 783</b>
Net financial income/expense	-4 368	-4 105	-9 716	-7 611	-15 322
<b>Profit (loss) after financial items</b>	<b>-7 588</b>	<b>-8 863</b>	<b>-14 049</b>	<b>-30 095</b>	<b>-59 106</b>
Income tax	-	-	-	-	-
<b>Profit (loss) for the period</b>	<b>-7 588</b>	<b>-8 863</b>	<b>-14 049</b>	<b>-30 095</b>	<b>-59 106</b>

Parent Company balance sheet	2018	2017	2017
SEK thousands	30 Sep	30 Sep	31 Dec
Non-current assets	160 266	181 502	169 705
Current assets	214 375	185 108	197 582
<b>Total assets</b>	<b>374 641</b>	<b>366 610</b>	<b>367 287</b>
Equity	1 645	44 740	15 694
Non-current liabilities	95 610	97 372	93 461
Current liabilities	277 386	224 498	258 131
<b>Total equity and liabilities</b>	<b>374 641</b>	<b>366 610</b>	<b>367 287</b>
Pledged assets	66 480	80 549	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