



INTERIM REPORT

JANUARY – SEPTEMBER 2014

- Net sales amounted to SEK 127.5 million (131.9)
- EBITDA was SEK -32.7 million (-17.1)
- Earnings per share totaled SEK -0.73 (-0.54) before dilution

JULY – SEPTEMBER 2014

- Net sales amounted to SEK 44.7 million (42.0)
- EBITDA was SEK -6.9 million (-7.0)
- Earnings per share totaled SEK -0.19 (-0.18) before dilution

HIGHLIGHTS

- Recovery in net sales and profitability during the third quarter
 - Net sales growth of 6% compared to third quarter last year
 - Increase in gross profit of 9% compared to third quarter last year
- Continued efforts to grow in new territories
 - New sales office established in Dubai
 - Tranzone is logistics partner for Middle East and Africa
- Outlook 2014
 - Strong net sales development by the end of the year
 - Improved profitability from new markets and product launches

BUSINESS UPDATE

Following a challenging period during the first six months of 2014 with stock-outs having a negative impact on both net sales and margins, net sales and gross profit recovered during the third quarter. In fact, the company noted all-time high sales in four different markets with stable margins during September. One of the company's key markets with the strongest sales development during the first nine months of 2014 is Spain. The development in Spain has been particularly strong following the award of a tender with the government in Andalucia in November last year. This has allowed sales in Spain to grow significantly during 2014. The deliveries for the next tender announced earlier this year will begin during the fourth quarter, which will allow Spain to maintain a strong growth also during 2015. The increase in net sales and gross profit during the third quarter have had a positive impact on EBITDA profitability, which improved during the third quarter compared to the first six months.

Since the beginning of the year, the company has made major efforts to improve net sales and profitability by identifying new market and product opportunities. These efforts are expected to materialize during the fourth quarter of this year as we will launch several new products within the niche segment, and deliver significant volumes to the new tender in Spain as well as to our partner in Iraq.

Development projects are progressing

Several of the company's proprietary formulation projects are reaching the final stages of development. The company expects to submit four of its development products during next year with market launches expected in 2016. On an annual basis, the total net sales value for these four products in Bluefish's markets is estimated to be approximately SEK 100 million. Furthermore, discussions are ongoing with potential partners for markets beyond Bluefish's existing territory.

Establishment in new markets

Since last year, Bluefish has actively been seeking opportunities to increase revenues outside Europe by entering into partnerships with local companies that take the main responsibility for marketing and distribution as well as assume the inventory risk. During 2014, Bluefish has established a local company in Dubai, from where we will have a broad coverage of several markets, including the Middle East, North- and Sub-Saharan Africa. Tranzone, our logistics partner in the region, will handle the distribution of products for these markets. The initial deliveries to our new partner in Iraq are planned for the fourth quarter.

OUTLOOK

With several new revenue sources added in the fourth quarter, the company expects incremental net sales of approximately SEK 15 million in Q4 2014. This is equivalent to an increase of 35% compared to Q4 2013. Net sales growth for the full year 2014 is expected to be between 5-10%. The incremental sales is estimated to have a positive impact on profitability in the fourth quarter.

Products in development or under registration	20
Products on the market	57

FINANCIAL PERFORMANCE REVIEW

SEK million	2014		2013		2014		2013	
	Jul-Sep	Jul-Sep	Change	Jan-Sep	Jan-Sep	Change	Jan-Sep	Change
Net sales	44.7	42.0	6 %	127.5	131.9	-3 %		
Gross profit	15.4	14.1	9 %	40.5	46.4	-13 %		
Gross margin	34.6%	33.6%		31.8%	35.2%			
EBITDA	-6.9	-7.0		-32.7	-17.1			
Cash flow from operating activities	-16.3	7.0		-34.6	16.1			
Cash flow from investing activities	-4.5	-5.7		-14.9	-13.2			

Bluefish's net sales during the third quarter amounted to SEK 44.7 million (42.0), corresponding to an increase of 6% compared to the same period in 2013. Gross profit amounted to SEK 15.4 million (14.1), equivalent to a gross margin of 34.6% (33.6%) in the period.

Net sales during the first nine months of 2014 amounted to SEK 127.5 million (131.9), corresponding to a decrease of 3% compared to the same period last year. Gross profit amounted to SEK 40.5 million (46.4), equivalent to a gross margin of 31.8% (35.2%) in the period.

As the issues with stockouts during the first six months were resolved, net sales and gross profit recovered during the third quarter. During September, the company noted all-time high sales in several of our key markets.

Profitability improves due to higher gross profit

During the third quarter, total operating costs, excluding amortisation, depreciation and writedowns amounted to SEK 22.4 million (21.0). This corresponds to an increase of 7% compared to the same period last year. The increase is primarily explained by higher selling costs related to sales activities in markets where the company has sales consultants.

During the first nine months of the year, total operating costs, excluding amortisation, depreciation and writedowns amounted to SEK 73.2 million (63.5), equivalent to an increase of 15% compared to the same period in 2013. This increase is explained by higher selling costs as well as an increase in personnel costs.

During the third quarter EBITDA amounted to SEK -6.9 million (-7.0), whereas EBITDA during the first nine months of 2014 amounted to SEK -32.7 million (-17.1). Currencies have had a negative impact on EBITDA equivalent to SEK -0.7 million (-1.0) in the third quarter and to SEK -4.8 million (-1.7) during the first nine months of the year.

Amortisation, depreciation and writedowns amounted to SEK 6.1 million (3.8) for the third quarter and to SEK 17.0 million (10.3) for the first nine months of 2014, of which writedown of intangible assets amounted to SEK 2.2 million (0.4) for the third quarter and to SEK 5.5 million (0.4) for the first nine months of 2014. Writedowns reflect the decision to deregister market approvals for specific products in markets in which Bluefish sees limited potential to generate revenues.

Net financial items amounted to SEK -1.4 million (-1.8) for the third quarter and SEK -4.2 million (-6.1) for the first nine months of 2014, which includes interest payments on the convertible instruments and the credit facility.

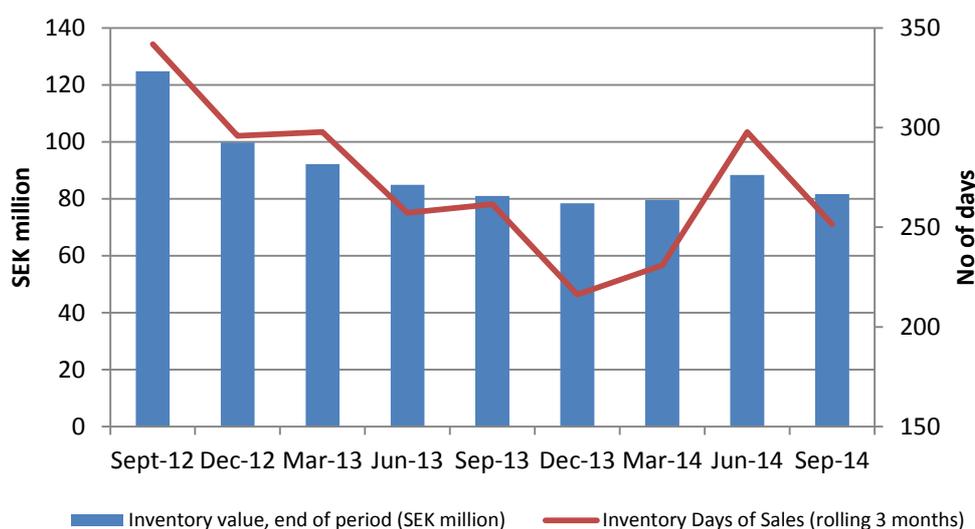
Net result has been affected by a negative currency effect of SEK -0.5 million (-0.9) during the third quarter of 2014 and SEK -4.2 million (-1.5) during the first nine months.

Cash flow affected by losses and increased working capital

Cash flow from operating activities amounted to SEK -16.3 million (7.0) during the third quarter and to SEK -34.6 million (13.2) during the first nine months of the year. Cash flow from change in working capital amounted to SEK -10.9 million (11.6) during the third quarter and to SEK -9.8 million (32.9) during the first nine months. During the first nine months of 2014, inventory increased by SEK 11.1 million compared to a reduction in inventory of SEK 12.5 million during the same period last year. Similarly, accounts payable and shortterm liabilities decreased by SEK 15.7 million during the first nine months of 2014 whereas they increased by SEK 18.1 million in the same period in 2013.

During the third quarter of 2014, inventory declined compared to 30 June 2014. As per 30 September 2014, inventory amounted to SEK 81.7 million, compared to SEK 78.4 million as of 31 December 2013. At current inventory level, volumes cover 252 days of sales. This is expected to decline further during the remainder of 2014.

Graph 1. Inventory and number of days of sales



Source: Company information

Cash flow from investing activities amounted to SEK -4.5 (-5.7) in the third quarter and to SEK -14.9 million (-13.2) during the first nine months of the the year, of which investments in intangible assets amounted to SEK -3.1 million (-5.5) during the third quarter and to SEK -11.0 million (-12.6) during the the first nine months. These investments include, but are not limited to, progress in development projects, licence milestone payments and market approvals.

Cash flow from financing activities amounted to SEK 4.9 million (36.9) in the third quarter and to SEK 29.8 (35.4) during the first nine months. The increase in the third quarter this year is related to an increased utilisation of the credit facility. The increase during the first nine months of 2014 is a result of a new share issue of SEK 50 million, the repayment of a convertible loan of SEK 18.4 million as well as a lower utilisation of the credit facility by SEK 1.7 million.

Financial position as of 30 September 2014

Cash and cash equivalents

Cash and cash equivalents were at the end of the period SEK 44.0 million compared to SEK 63.1 million at the beginning of the year. Per 30 September 2014, the credit facility in use totaled SEK 83.3 million. Total available credit facilities amounted to SEK 100 million.

Equity

Equity totaled SEK 107.3 million at the end of the period, compared to SEK 110.1 million at the beginning of the year. This is equivalent to SEK 1.33 per share compared to SEK 1.55 in the beginning of the year.

Equity/Asset ratio

The equity/assets ratio was 29.8% at the end of the period, compared to 29.3% at the beginning of the year.

OTHER

Employees

As of 30 September 2014, the company had 90 employees (85), whereof 23 (19) in Sweden, 55 (55) in India, 3 (4) in Germany, 1 (1) in Italy, 3 (2) in Poland, 1 (1) in Portugal, 1 (2) in France, 2 (1) in Spain and 1 (0) in Dubai, compared to 31 December 2013.

Principal risks

The Bluefish Group's business is exposed to financial risks. The Bluefish 2013 annual report describes its risk management on page 20. Several other factors, which Bluefish cannot fully control, affect the Group. Factors that are particularly significant for Bluefish's future growth are; competitors and pricing, actions by authorities, partnerships, market valuations, key individuals and recruitment, product liability, patents and trademarks.

Accounting principles

Bluefish Pharmaceuticals complies with International Financial Reporting Standards (IFRS) and IFRIC interpretations as endorsed by the European Union, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's RFR 1, Supplementary Accounting Rules for Corporate Groups, and RFR 2, Accounting for legal entities. This interim report is prepared in accordance with IAS 34, Interim Financial Reporting. The Group applies the same accounting principles as those applied in the 2013 Annual Report with the exception of new or amended standards, interpretations or improvements that have been adopted by the EU and are to be applied from 1 January 2014.

PARENT COMPANY

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

Net sales in the third quarter 2014 totaled SEK 46.7 million (41.5) and the operating result was SEK -9.9 million (-10.2). Net sales in the first nine months of 2014 totaled SEK 127.9 million (130.4) and the operating result was SEK -46.8 (-26.4). The parent company's cash and cash equivalents by 30 September 2014 totaled SEK 28.7 million, compared to SEK 55.0 million at the beginning of the year.

FORTHCOMING FINANCIAL REPORTING

Year-end report January - December 2014, 27 February 2015

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

Stockholm, 14 November 2014

Karl Karlsson
President & CEO

THE GROUP

Consolidated income statement		2014	2013	2014	2013	2013
SEK thousand		Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Net sales		44 671	41 960	127 477	131 856	175 505
Cost of goods sold		-29 228	-27 855	-86 939	-85 446	-118 068
Gross profit		15 443	14 105	40 538	46 410	57 437
<i>Gross margin</i>		34.6 %	33.6 %	31.8 %	35.2 %	32.7 %
Selling expenses		-12 656	-11 836	-41 005	-36 085	-50 159
Administration expenses		-3 877	-3 898	-13 096	-11 614	-16 374
Research and development expenses		-11 937	-9 005	-36 093	-26 059	-40 731
Other operating expenses/revenues		-	-224	-2	24	24
Operating result¹⁾		-13 027	-10 858	-49 658	-27 324	-49 803
Net financial items		-1 403	-1 786	-4 151	-6 082	-7 782
Result after financial items		-14 430	-12 644	-53 809	-33 406	-57 585
Taxes		-703	-218	-1 064	-387	-909
Result for the period		-15 133	-12 862	-54 873	-33 793	-58 494
Earnings per share						
Earnings per share before dilution (SEK)		-0.19	-0.18	-0.73	-0.54	-0.90
Earnings per share after dilution (SEK)		-0.19	-0.18	-0.73	-0.54	-0.90
¹⁾ of which						
Amortisation and write-downs intangible assets		5 650	3 634	15 940	9 585	17 494
Depreciation tangible assets		445	213	1 055	686	908
EBITDA		-6 932	-7 011	-32 663	-17 053	-31 401
Statement of comprehensive income						
Result for the period		-15 133	-12 862	-54 873	-33 793	-58 494
Other comprehensive income						
Hedging reserve		819	1 403	559	-618	-879
Exchange rate differences		611	-407	1 232	-634	-456
Other comprehensive income, net after tax		1 430	996	1 791	-1 252	-1 335
Total comprehensive income for the period, attributable to shareholders of the Parent company		-13 703	-11 866	-53 082	-35 045	-59 829

Consolidated balance sheet	2014	2013	2013
SEK thousand	30 Sep	30 Sep	31 Dec
Non-current assets			
Intangible assets	166 979	175 043	172 390
Tangible assets	8 730	1 944	5 151
Financial assets	1 615	1 715	1 756
Total non-current assets	177 324	178 702	179 297
Current assets			
Inventories	81 680	80 923	78 363
Current receivables	56 475	53 381	55 376
Cash and cash equivalents	43 952	62 571	63 065
Total current assets	182 107	196 875	196 804
Total assets	359 431	375 577	376 101
Equity	107 267	135 106	110 129
Non-current liabilities			
Other liabilities, interest bearing	89 470	79 279	76 360
Other liabilities, non-interest bearing	1 854	2 471	2 645
Total non-current liabilities	91 324	81 750	79 005
Current liabilities			
Other current liabilities, interest bearing	15 000	46 782	46 855
Other current liabilities, non-interest bearing	145 840	111 939	140 112
Total current liabilities	160 840	158 721	186 967
Total equity and liabilities	359 431	375 577	376 101

Consolidated statement of changes in equity	2014	2013	2014	2013	2013
SEK thousand	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Opening balance	120 995	86 528	110 129	109 707	109 707
Equity portion of convertible loan	0	2	338	2	2
Conversion of convertible loan	0	20 000	0	20 000	20 000
New share issue	0	40 697	50 000	40 697	40 697
Issue expenses	-25	-255	-118	-255	-448
Total comprehensive income for the period	-13 703	-11 866	-53 082	-35 045	-59 829
Closing balance	107 267	135 106	107 267	135 106	110 129

Shares	2014	2013	2014	2013	2013
Thousand	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Number of shares on closing day before dilution	80 942	70 942	80 942	70 942	70 942
Average number of shares before dilution	80 942	70 547	75 304	62 761	64 823
Average number of shares after dilution	80 942	70 547	75 304	62 761	64 823
Equity per share (SEK)	1.33	1.90	1.33	1.90	1.55
Equity/assets ratio (%)	29.8%	36.0%	29.8%	36.0%	29.3%

Consolidated cash flow statement	2014	2013	2014	2013	2013
SEK thousand	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Cash flow from operating activities before change in working capital	-5 432	-4 641	-24 849	-16 839	-20 482
Change in working capital	-10 870	11 620	- 9 777	32 932	49 845
Cash flow from operating activities	-16 302	6 980	-34 625	16 092	29 363
Cash flow from investing activities	-4 540	-5 653	-14 914	-13 172	-21 915
Cash flow from financing activities	4 942	36 857	29 787	35 357	31 323
Cash flow from the period	-15 900	38 183	-19 752	38 277	38 771
Cash and cash equivalents at period's start	59 707	24 373	63 065	24 332	24 332
Translation difference	145	15	639	-38	-38
Cash and cash equivalents at period's end	43 952	62 571	43 952	62 571	63 065

PARENT COMPANY



Parent company income statement SEK thousand	2014 Jul-Sep	2013 Jul-Sep	2014 Jan-Sep	2013 Jan-Sep	2013 Jan-Dec
Net sales	46 671	41 507	127 889	130 396	172 521
Operating result	-9 871	-10 169	-46 770	-26 359	-49 516
Net result for the period	-12 066	-11 953	-53 175	-32 477	-58 707

Parent company balance sheet SEK thousand	2014 30 Sep	2013 30 Sep	2013 31 Dec
Non-current assets	203 742	206 786	203 895
Current assets	162 272	176 676	184 677
Total assets	366 014	383 462	388 572
Equity	106 308	135 388	108 704
Non-current liabilities	91 089	81 750	78 764
Current liabilities	168 617	166 324	201 104
Total equity and liabilities	366 014	383 462	388 572