

INTERIM REPORT



JANUARY – SEPTEMBER 2020

- Net sales amounted to SEK 103.9 (88.3) million in the third quarter of 2020 and 307.5 (261.0) million as per September.
- Gross profit for the third quarter was SEK 48.3 (46.1) million and as per September 158.0 (125.5) million
- EBITDA was SEK 12.4 (-2.9) million in the third quarter of the year and 51.7 (6.6) million as per September.
- Basic earnings per share for the third quarter amounted to SEK 0.00 (-0.05) and as per September to 0.14 (-0.30).

SIGNIFICANT EVENTS

Increased net sales and improved gross profit during the nine months of the year.

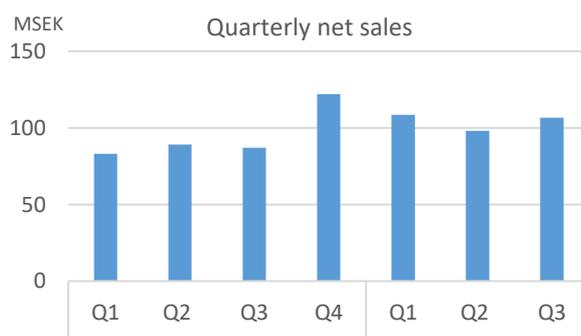
- Net sales increased by 17.8% to SEK 307.5 million and approximately 7.5 million packages were sold.
- Gross margin has increased to 51.4% (48.1%).
- Positive EBITDA of SEK 51.7 million as per September.
- Jonas Nylander has joined Bluefish as VP Sales & Marketing in September 2020.
- Stock build is due to new tender business and future sales growth

Continued growth:

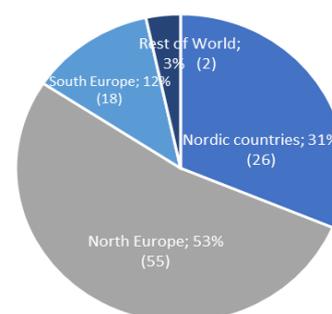
- Germany and Sweden are still Bluefish strongest markets and sales keeps increasing ahead of plans. German sales are ahead of sales in Sweden as per September.

Outlook:

- High sales growth with steady profitability. The won AOK (Allgemeine Ortskrankenkasse, Germany's largest statutory Health Insurer) tender in Germany which started in April will further keep sales at a higher level in Germany compared to last year.
- A successful go live with a new ERP system in the first half of the year will improve efficiency and timelines for internal reporting.
- Covid -19 has so far not had any negative impact on Bluefish result, however it can't be ruled out- that Bluefish will not be impacted long term.



Net sales distribution
January-September 2020 (2019)



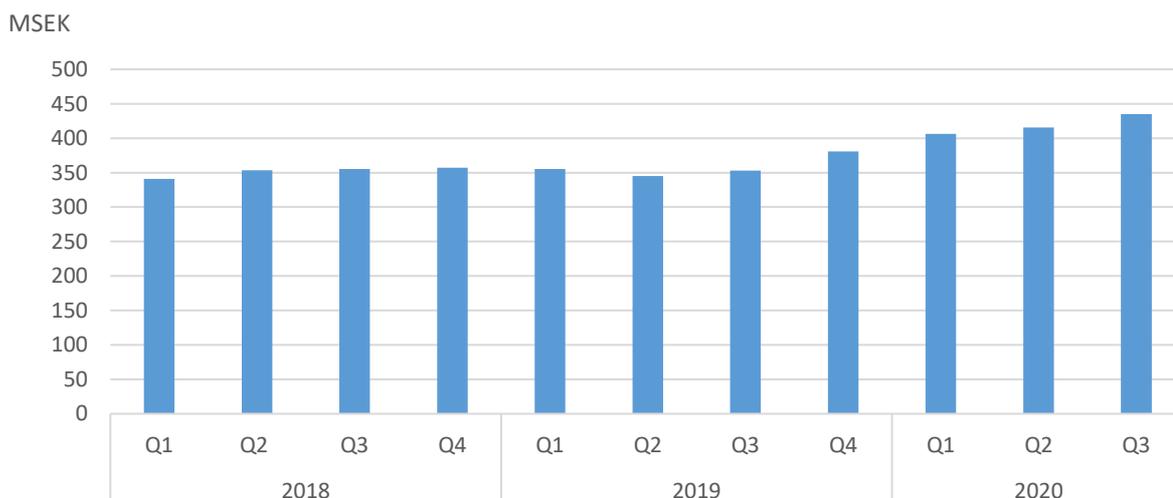
OPERATIONS

Stronger platform for continued growth

Sales increased by 17.8% as per September compared with the same period 2019. SEK 307.5 (261.0) million, of which Germany SEK 82.6 (59.9) million, SEK 73.6 (46.5) million in Sweden, Poland SEK 29.0 (35.2) million, Spain SEK 26.6 (30.1) million, SEK 93.0 (85.0) million in Rest of Europe and SEK 2.7 (4.0) million in Rest of World. Germany was Bluefish largest market during the third quarter with Sweden as our second largest market. Sweden, Germany and Ireland have together with the other Nordic countries been driving the increased sales. Bluefish Business to Business sales has also increased during the period where Bluefish own products are marketed and sold by others in regions where Bluefish does not have its own presence.

Since December 2019, a new corona virus, Covid-19, has spread throughout the world. The disease is very contagious, and many countries have tried various ways to limit its spreading. One of the measures that some countries have taken is to close country borders and to introduce curfews. The current situation is strained for all people and all industries, and despite the fact that the need for medicines is not decreasing, these preventive measures can have long-term negative consequences, such as shortages of medicines. Bluefish has, through proactive decisions, managed to minimize the negative impact on the availability of the drugs that the company provides. The company stays updated of the situation and aims as far as possible to ensure its product supply despite the current circumstances.

Graph 1. Rolling net sales



Investments in continued growth

During the year Bluefish evaluates growth opportunities with regards to new products, new segments in existing markets and collaboration opportunities to identify appropriate investment possibilities. Bluefish is continuing its own development of products and have new products to be launched in each quarter going forward.

Bluefish own developed that have been marketed, Hydroxyzine (antihistamine drug) and Anagrelide (treatment for thrombocythemia), have proven to be successful with expected increased sales in 2020 and onwards.

Process improvements and simplifications play an important role in growing the business to ensure effectiveness and control of the cost base while growing. Our assessment is that we currently have a strong organization in place with extensive knowledge in operations and market dynamics. Bluefish is proud to deliver products at a very high service level.

Bluefish has implemented a new ERP system replacing the old finance and ordering system. During the year other smaller IT investments will continue in 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 nine months this year launched seven new products. Bluefish continues to evaluate each products lifecycle, including profitability, in different markets and is also withdrawing products when needed to secure profitability.

The company continues to invest in additional new product licenses and in new development projects in 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.

New development projects are continuously being selected to further strengthen the future portfolio and growth. New products are also identified as in-licensing opportunities and existing products chosen for further territory extension.

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 its 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. Service levels have now reached a good and stable level where we have managed to accommodate stronger sales, primarily as a result of improved supply chain excellence initiatives.

FUTURE OUTLOOK

In the next twelve months, the company expects an increase in sales growth. Sales growth will primarily be fueled by continued strong development in key markets like Germany, Sweden and Poland and will also be aided by newly launched products, a result of investments that were made in earlier years. Ireland is now showing a stable increase and have further sales potential after the first years of establishment. In Germany the won AOK tender period started April 1st which secures a continued growth. B2B segment is also starting to grow with Bluefish own developed products.

New product launches for 2020 are implemented throughout the year and additional launches are planned in parallel. Sales from launches in 2020 will continue to increase during the last quarter of the year. Bluefish is continuing to strengthen its sales organization with Jonas Nylander, VP Sales & Marketing, based in Stockholm. Initiatives are fortifying the sales teams in targeted markets and focus is on high delivery performance.

	30 Sep 2020	30 Sep 2019
Products under development or registration	17	14
Products on the market	78	81

FINANCIAL OVERVIEW

SEK million	2020	2019	Change	2020	2019	2019
	Jul-Sep	Jul-Sep		Jan-Sep	Jan-Sep	Jan-Dec
Net sales	104.0	88.3	18%	307.5	261.0	379.9
COGS	-55.6	-42.2	32%	-149.5	-135.5	-183.5
Gross profit	48.3	46.1	5%	158.0	125.5	196.4
Gross margin	46.5%	52.2%		51.4%	48.1%	51.7%
EBITDA	12.4	-2.9		51.7	6.6	47.1
Cash flow from operating activities	-40.0	-4.3		8.2	9.1	9.2
Cash flow from investing activities	-4.7	-3.8		-11.7	-6.8	-10.3

Net sales for the third quarter was SEK 104.0 (88.3) million, which corresponds to an increase of 17.8% compared to last year. Gross profit was SEK 48.3 (46.1) million, with a corresponding gross margin of 46.5 (52.2) % for the period.

Economies of scale enhance profitability

Total operating costs during the third quarter of the year, including depreciation/amortization and impairment of property, plant and equipment and intangible assets, amounted to SEK 43.9 (48.8) million, which corresponds to a decrease of 10% compared to the same period last year.

EBITDA for the third quarter amounted to SEK 12.4 (-2.9) million, and as per September SEK 51.7 (6.6) million.

Net profit for the first three quarters

As per September, amortization/impairment of property, plant and equipment and intangible assets, amounted to SEK -21.1 (-23.9) million, whilst depreciation of the same amounted to SEK -4.9 (-1.9) million. The composition of the product portfolio is evaluated on an ongoing basis.

Net financial income/expense was SEK -9.3 (-13.5) million, which includes interest expense on the convertible debentures for the first half of the year, interest rate on the bank loan quarter three and bank overdraft facilities.

The net result for the third quarter is SEK 0.4 (-5.9) million and as per September SEK 15.1 (-32.2) million.

Cash flow

Cash flow from operating activities amounted to SEK 8.2 (9.1) million as per September, of which SEK -66.9 (-62.4) million was change in working capital.

As of 30 Sep 2020, we maintained an inventory level of SEK 193.8 (109.3) million which is an increase of 77% comparing to the same period last year. The current inventory level is estimated to correspond to 313 days of historic sales, compared to 233 days as of 30 Sep 2019. Due to the new ERP system stock in transit is now included which gives a higher stock value compared to earlier quarters. Bluefish transports goods from outside EU via sea shipment with an average transit lead-time of 40 days. Stock has also increased due to our German tenders alongside new launches and increased sales numbers.

Cash flow from accounts receivable and other current receivables were positive SEK 7.8 (-32.1) million, whereas cash flow from accounts payable and other operating liabilities amounted to SEK -18.4 (-30.9) million during the nine months of 2020.

Cash flow from investing activities was SEK -11.8 (-6.8) million, most of which relates to investments in intangible assets. Investments comprise product development, licenses, and market approvals.

Cash flow from financing activities amounted to SEK -17.1 (53.0) million as per September. Net change in cash flow year to date amounted to SEK -20.6 (55.3) million. Difference between periods is related to Bluefish Pharmaceuticals paid convertible loan and amortization of existing loan.

Financial position as of 30 September 2020

Cash and cash equivalents

As per September, cash and cash equivalents amounted to SEK 36.2 million, compared with SEK 56.9 million at the end of last year. This decrease mainly arises as a result of delayed payment in June alongside late invoicing to customers all due to a new ERP system implementation. The Convertible loan of 59.5 mSEK was repaid 30 June and a new funding solution was issued through a SEB bank loan of 58.0 mSEK, after amortization quarter three the remaining loan by end of the period amounted to 54.4 mSEK. The bank loan has a constant amortization plan over 4 years. Färna Invest AB, which is the Group's largest shareholder, has provided a guarantee for a part of this credit.

Equity

As per September, equity was SEK 94.3 million, compared to SEK 81.7 million at the beginning of the year. That corresponds to SEK 0.87 (0.51) per share.

Equity ratio

As per September, the equity ratio in consolidation level is 18.9 %. For the new bank credit agreement purposes parent Equity/Share capital is 2.24 and Net Debt/EBITDA is 1.19 obtained via a specific calculation (see Leveraging conditions, below).

OTHER

Employees

As of 30 September 2020, the company had 123 (125) employees, of which 25 (27) in Sweden, 71 (70) in India, 4 (4) in Germany, 11 (11) in Poland, 3 (3) in Portugal, 2 (2) in France, 2 (2) in Austria, 3 (3) in Ireland and 2 (3) in Spain, compared to 30 September 2019.

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 2019 Annual Report, apart from any new or revised standards, interpretations and improvements that have been adopted by the EU since then. 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. IFRS 16 is applied by the Group as of January 1, 2019. The Parent Company applies the RFR 2 exception for lease agreements.

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 consolidation level should always be 15% or higher. Bluefish Pharmaceuticals AB parent Equity/Share capital should never be below 1.20. Net Debt/EBITDA should be below stated levels in the covenant agreement for the period, in accordance with a special calculation, along with available liquidity of SEK 5 million. The new SEB bank loan of SEK 58.0 million is conditional to keep a Net Debt/EBITDA with maximum 3.5 to be reduced end of loan period to 2.5.

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.

PARENT COMPANY

Bluefish Pharmaceuticals AB is the Parent Company for the Bluefish Pharmaceuticals Group. For the third quarter of 2020 net sales were SEK 101.0 (83.3) million and operating profit was SEK 2.7 (-5.1) million. As per September, net sales were SEK 296.2 (249.4) million, and operating profit was 19.1 (-23.3) million. As of 30 Sep 2020, cash and cash equivalents for the parent company amounted to SEK 8.6 million, compared with SEK 37.6 million at the beginning of the year.

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

Stockholm, 5 November 2020

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	2020	2019	2020	2019	2019
SEK thousands	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Net sales	103,987	88,277	307,515	261,011	379,897
Cost of goods sold	-55,649	-42,220	-149,515	-135,515	-183,523
Gross profit	48,338	46,057	158,000	125,496	196,375
<i>Gross margin</i>	46.5%	52.2%	51.4%	48.1%	51.7%
Selling expenses	-19,382	-22,461	-60,620	-68,723	-89,298
Administrative expenses	-6,012	-5,923	-18,764	-18,471	-24,777
Research and development expenses	-18,494	-20,378	-52,905	-55,609	-67,330
Other operating expenses/income	-	-	-	-1	129
Operating expenses	-43 888	-48 762	-132 289	-142 804	-181 276
EBIT Operating profit (loss)¹⁾	4,450	-2,706	25,711	-17,308	15,099
Net financial income/expense	-3,518	-3,554	-9,300	-13,478	-16,836
Profit (loss) after financial items	932	-6,260	16,411	-30,786	-1,738
Income tax	-576	354	-1,275	-1,385	-2,115
Profit (loss) for the period	356	-5,906	15,136	-32,171	-3,853
1) of which					
Amortization and impairment of intangible assets	6,505	7,356	21,051	21,899	23,878
Depreciation of property, plant and equipment	1,472	-7,578	4,933	1,993	8,037
EBITDA	12,427	-2,928	51,695	6,585	47,014
Statement of comprehensive income					
Profit (loss) for the period	356	-5,906	15,136	-32,171	-3,853
Other comprehensive income					
Hedging reserve	-	-	-	-	-
Exchange rate differences	-690	702	-2,522	2 641	885
Other comprehensive income, net after tax	-690	702	-2,522	2 641	885
Comprehensive income for the period, attributable to parent company shareholders	-335	-5,204	12,614	-29 530	-2,968
No. Of shares	107,923	107,923	107,923	107,923	107,923
Earnings per share	0.00	-0.05	0.14	-0.30	-0.04

Consolidated balance sheet	2020	2019	2019
SEK thousands	30 Sep	30 Sep	31 Dec
Non-current assets			
Intangible assets	116,228	121,717	119,347
Property, plant and equipment	12,387	18,433	17,724
Financial assets	1,306	1,557	1,458
Total non-current assets	129,920	141,708	138,528
Current assets			
Inventories	193,775	109,298	148,731
Current receivables	138,621	129,487	144,073
Cash and cash equivalents	36,230	107,437	57,845
Total current assets	368,626	346,223	350,649
Total assets	498,546	487,931	489,177
Equity	94,314	55,139	81,701
Non-current liabilities			
Non-current liabilities, interest-bearing	54,375	87,879	-
Non-current liabilities, non-interest-bearing	6,619	14,217	8,386
Total non-current liabilities	60,994	102,096	8,386
Current liabilities			
Current liabilities, interest-bearing	87,011	105,080	152,923
Current liabilities, non-interest-bearing	256,227	225,616	246,168
Total current liabilities	343,238	330,695	399,091
Total equity and liabilities	498,546	487,931	489,177
Pledged assets	85,345	65,136	74,520
Contingent liabilities	None	None	None
Shares	107,923	107,923	107,923
Equity per share	0.87	0.51	0.76

Change in equity, Group SEK thousands	2020 Jul-Sep	2019 Jul-Sep	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Opening balance	94,649	60,343	81,701	25,311	25,311
Equity portion of convertible loan	-	-	-	-	-
New share issue	-	-	-	59,358	59,358
Other comprehensive income for the period	-335	-5,204	12,614	-29,530	-2,968
Closing balance	94,314	55,139	94,314	55,139	81,701

Share data Number, thousands	2020 Jul-Sep	2019 Jul-Sep	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Number of shares at end of period before dilution	107,923	107,923	107,923	107,923	107,923
Average number of shares after dilution	107,923	107,923	107,923	107,923	107,923
Equity per share (SEK)	0.87	0.51	0.87	0.51	0.76
Equity ratio (%)	18.9	11.3	18.9	11.3	16.7

Consolidated cash flow statement SEK thousands	2020 Jul-Sep	2019 Jul-Sep	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Cash flow from operating activities before change in working capital	23 186	32 448	75 140	71 457	101 941
Change in working capital	-63 204	-36 778	-66 918	-62 357	-92 723
Cash flow from operating activities	-40 018	-4 330	8 222	9 099	9 218
Cash flow from investing activities	-4 700	-3 808	-11 716	-6 787	-10 258
Cash flow from financing activities	-4 423	1 684	-17 068	53 033	6 011
Cash flow for the period	-49 141	-6 454	-20 562	55 345	4 971
Cash and cash equivalents at beginning of period	84 634	112 530	56 880	50 933	50 933
Exchange rate differences in cash and cash equivalents	737	1 360	-89	1 158	976
Cash and cash equivalents at end of period	36 230	107 436	36 230	107 436	56 880

PARENT COMPANY

Parent Company income statement	2020	2019	2020	2019	2019
SEK thousands	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Net sales	101,042	83,345	296,245	249,443	365,127
Cost of goods sold	-56,099	-42,161	-149,515	-135,515	-183,523
Gross profit	44,943	41,184	146,729	113,928	181,604
<i>Gross margin</i>	<i>46.0%</i>	<i>49.4%</i>	<i>49.5%</i>	<i>45.7%</i>	<i>49.7%</i>
Operating costs	-42,205	-46,272	-127,608	-137,239	-176,167
Other operating expenses/income	-	-	-	-1	129
Operating profit (loss)	2,737	-5,088	19,121	-23,312	5,566
Net financial income/expense	-3,980	-4,217	-11,073	-13,656	-16,725
Profit (loss) after financial items	-1,243	-9,305	8,049	-36,968	-11,159
Income tax	-	-	-	-	-
Profit (loss) for the period	-1,243	-9,305	8,049	-36,968	-11,159

Parent Company balance sheet	2020	2019	2019
SEK thousands	Sep	Sep	Dec
Non-current assets	129,241	135,341	133,134
Current assets	312,369	294,086	286,475
Total assets	441,610	429,427	419,609
Equity	48,249	14,391	40,200
Non-current liabilities	56,299	88,846	98
Current liabilities	337,062	326,190	379,311
Total equity and liabilities	441,610	429,427	419,609

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