

## YEAR-END REPORT

### JANUARY – DECEMBER 2014

- Net sales amounted to SEK 187.7 million (175.5)
- EBITDA adjusted for currencies was SEK -25.9 million (-26.8)
- Earnings per share totaled SEK -0.82 (-0.90) before dilution

### OCTOBER – DECEMBER 2014

- Net sales amounted to SEK 60.3 million (43.6)
- EBITDA adjusted for currencies was SEK 1.9 million (-11.4)
- Earnings per share totaled SEK -0.09 (-0.35) before dilution

## HIGHLIGHTS

- Increase in net sales and gross margin during 2014
  - Net sales increased by 7% to SEK 187.7 million
  - Gross profit increased by 23% to SEK 70.4 million
- Focus on new growth opportunities
  - Establishment in new markets
  - Extending the product portfolio with niche products
- Outlook 2015
  - Continued growth in net sales and expansion in gross margin
  - Improved EBITDA profitability

## BUSINESS UPDATE

After a challenging period during the first six months of the year when net sales declined due to significant stock-outs, the development in net sales improved during the last six months of the year, and in particular during the last quarter. As the incremental revenue added during the fourth quarter was associated with a higher than average gross margin, this increase in net sales had a fundamental impact on the company's results as we were able to achieve a better leverage of our existing organizational structure. Adjusted for currencies, the company achieved an important internal ambition by presenting a positive EBITDA of SEK 1.9 million for the fourth quarter. The increase in net sales during the fourth quarter primarily resulted from the new tender in Spain, where the first volumes were supplied during the period, as well as the initial deliveries to our partner in Iraq but also a general increase in contribution from other markets.

### Establishment in new markets

During 2014, the company signed an agreement with a local distributor in Iraq for marketing of a selection of Bluefish products in this region. The initial deliveries were supplied during the fourth quarter, and the remaining goods will be shipped during the first six months of 2015. During the year, Bluefish has also 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. We have established a partnership with Tranzone, a local logistics company, who will handle the distribution of products for these markets. The aim is to grow the business in this territory together with existing and new partners by launching additional products as well as securing new and repeat orders.

### Development projects progressing

Several of the company's proprietary formulation projects are reaching the final stages of development. For the most advanced product, the health authorities in Sweden have confirmed a slot for submission of the registration file in March 2015. The procedure will include several of Bluefish key markets, with market launches expected in 2016. In addition, the company is actively seeking partners for this product in markets outside Bluefish territories. The development project pipeline is expected to contribute to net sales growth in 2016 and beyond.

### New share issue and extension of convertible debt

During the second quarter of 2014, the company completed a new share issue of SEK 50 million with funds primarily provided by the company's largest shareholders. Further, the offer to extend the holding in the convertible debt until 30 June 2017 was accepted by holders of debt equivalent to SEK 21.7 million, while SEK 18.4 million was repaid in June 2014. At the end of the year, total net debt amounted to SEK 56.4 million compared to SEK 60.2 million at the beginning of the year.

## OUTLOOK

The relative contribution from each market will fluctuate over time, however, we expect that net sales in 2015 will grow. The increase will come from already secured tenders, planned new product launches as well as a general increase in market share. The expansion in gross margin is expected to continue, however, not in parity with that of the fourth quarter of 2014. With an expected increase in revenues, together with an expansion of the gross margin, we anticipate a positive EBITDA in 2015.

## KEY EVENTS AFTER THE REPORTING PERIOD

### Bluefish wins another tender auction in Spain

In February, Bluefish was selected as the semi-exclusive provider for Metformin 850 mg and as the exclusive provider for Topiramate 200 mg in a two-year supply contract with SAS (Servicio Andaluz de Salud), which is the governmental health service organization in Andalusia, the largest of Spain's 17 autonomous regions. Initial supply is planned for the second quarter of 2015. The net sales value from the contract is estimated to approximately SEK 40 million over a two-year period. Bluefish has previously been selected as the semi-exclusive as well as the exclusive provider of a number of products to SAS.

Products in development or under registration	16
Products on the market	61

## BLUEFISH IN BRIEF

### Business concept

Bluefish business concept is to provide affordable generic pharmaceuticals at the highest quality and safety standards.

### Business model

Bluefish has a strong European platform from which it offers a broad range of high-quality pharmaceutical products. The company's operations are efficient and quickly adapted to changes in market dynamics, which allows Bluefish to take advantage of new market opportunities but also to expand the business to new territories.

### Strategy

The company's strategy for achieving its financial goals to increase net sales and improve profitability is to expand the product portfolio and continue to grow market shares in existing and new territories. Profitability will improve through an expansion of the gross margin due to a more favourable product and market mix, as well as an increased leverage of the operations.

### Bluefish organization

Bluefish has an efficient organization with the majority of business activities managed centrally. While keeping small local sales offices with in-depth knowledge about each specific market, most of the activities ranging from product development, product procurement and supply, quality assurance and pharmacovigilance, are performed either at the headquarters in Stockholm, Sweden, or at the company's technology and development centre in Bangalore, India.

## FINANCIAL PERFORMANCE REVIEW

SEK million	2014	2013	Change	2014	2013	Change
	Oct-Dec	Oct-Dec		Jan-Dec	Jan-Dec	
Net sales	60.3	43.6	38 %	187.7	175.5	7 %
Gross profit	29.8	11.0	171%	70.4	57.4	23 %
Gross margin	49.5%	25.3%	24.2 pp	37.5%	32.7%	4.8 pp
EBITDA	-1.4	-14.3		-34.1	-31.4	
Cash flow from operating activities	9.0	13.3		-25.6	29.4	
Cash flow from investing activities	-4.8	-8.7		-19.8	-21.9	

Net sales during the fourth quarter amounted to SEK 60.3 million (43.6), an increase of 38% compared to the same period last year. Gross profit amounted to SEK 29.8 million (11.0), equivalent to a gross margin of 49.5% (25.3%) in the period. The increase in net sales and gross profit is primarily a result from the new tender in Spain, where the first volumes were supplied during the period, as well as the initial deliveries to our partner in Iraq but also an increase in contribution from other markets. The improvement in gross margin of 24.2 percentage points is mainly explained by an improved product/market mix, but is also due to lower scrapping of goods compared to Q4 2013. Currencies had a negative impact on net sales during the fourth quarter of SEK -0.5 million (-0.6).

Bluefish net sales during 2014 amounted to SEK 187.7 million (175.5), an increase of 7% compared to the same period in 2013. Gross profit amounted to SEK 70.4 million (57.4), equivalent to a gross margin of 37.5% (32.7%) in the period. After a challenging period during the first six months of the year when net sales declined due to significant stock-outs, the development in net sales improved during the last six months of the year, and in particular during the last quarter. Currencies had a negative impact on net sales during 2014 of SEK -2.4 million (-2.1).

### Improved results during fourth quarter

During the fourth quarter, total operating costs, excluding amortisation, depreciation and writedowns amounted to SEK 31.3 million (25.4). This corresponds to an increase of 23% compared to the same period last year. The increase is explained by the improvement in net sales, which is associated with increased distribution costs, higher annual fees to health authorities as well as higher accruals for profit splits associated with certain products for which we have a marketing partnership.

During 2014, total operating costs, excluding amortisation, depreciation and writedowns amounted to SEK 104.5 million (88.7), an increase of 18% compared to the same period in 2013.

During the fourth quarter EBITDA amounted to SEK -1.4 million (-14.3), whereas EBITDA for the year amounted to SEK -34.1 million (-31.4). The improvement in EBITDA during Q4 2014 is explained by the increase in gross profit of SEK 18.8 million compared to the fourth quarter in 2013. Currencies have had a negative impact on EBITDA equivalent to SEK -3.4 million (-2.9) in the fourth quarter and to SEK -8.2 million (-4.6) for the year.

Amortisation, depreciation and writedowns amounted to SEK 5.0 million (8.1) for the fourth quarter and to SEK 22.0 million (18.4) for the full year 2014, of which write-downs of intangible assets amounted to SEK 1.0 million (4.4) for the fourth quarter and to SEK 6.5 million (4.8) for the year. Write-downs reflect the decision to de-register specific products in markets in which Bluefish sees limited potential to generate revenues.

Net financial items amounted to SEK -1.1 million (-1.7) for the fourth quarter and SEK -5.3 million (-7.8) for the year, which includes interest payments on the convertible instruments and the credit facility.

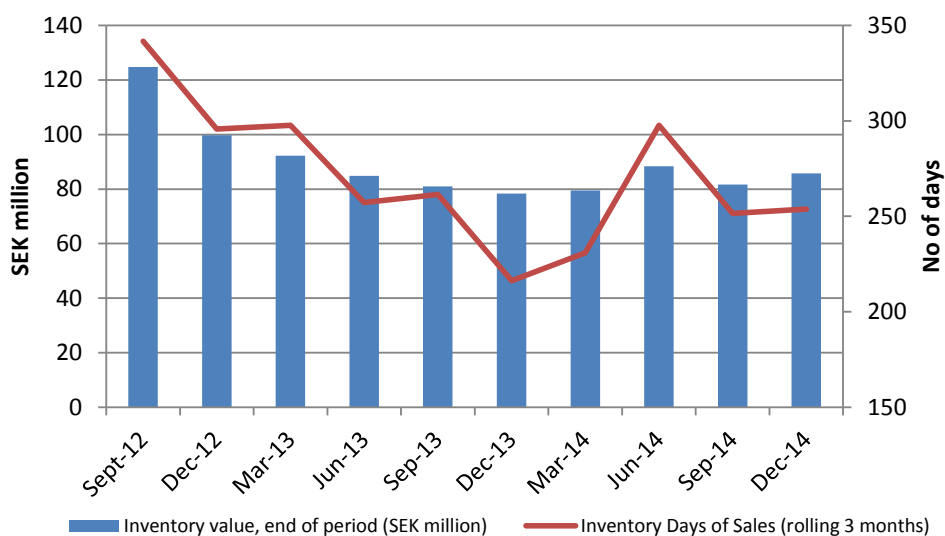
Net result amounted to SEK -7.6 million (-24.7) for the fourth quarter and to SEK -62.5 (-58.5) for the full year, respectively. Net result has been affected by a negative currency effect of SEK -3.4 million (-2.7) during the fourth quarter of 2014 and SEK -7.5 million (-4.1) during the year, whereof SEK -3.2 million (-2.5) and SEK -6.1 million (-3.1) respectively are unrealized effects. The unrealized currency effects result from recalculations of certain balance sheet items that are held in other currencies than SEK.

### Positive cash flow from operating activities during fourth quarter

Cash flow from operating activities amounted to SEK 9.0 million (13.3) in the fourth quarter, where change in working capital constitutes SEK 4.8 million (16.9). Accumulated cash flow from operating activities amounted to SEK -25.6 million (29.4) during 2014, where change in working capital constitutes SEK -5.0 million (49.8). The change in inventory affecting cash flow amounted to SEK -18.9 during 2014 compared to SEK 7.0 during 2013. Similarly, accounts payable and shortterm liabilities increased by SEK 18.8 million during 2014, which was considerably less than the increase in 2013 of SEK 40.4 million.

As per 31 December 2014, inventory amounted to SEK 85.8 million, compared to SEK 78.4 million at the beginning of the year. Inventory write-downs amounted to SEK 11.5 million (14.4) during the year. At the current inventory level, volumes cover approximately 254 days of sales.

**Graph 1. Inventory and number of days of sales**



Source: Company information

Cash flow from investing activities amounted to SEK -4.8 million (-8.7) in the fourth quarter and to SEK -19.8 million (-21.9) for the full year. Investments in intangible assets amounted to SEK -4.5 million (-5.1) in the fourth quarter and to SEK -15.5 million (-17.5) during 2014. The investments include, but are not limited to, progress in development projects, license milestone payments and market approvals.

Cash flow from financing activities amounted to SEK -4.9 million (-4.0) in the fourth quarter, which is due to a lower utilisation of the credit facility. Accumulated cash flow from financing activities during

2014 amounted to SEK 24.9 million (31.3), which includes a new share issue of SEK 50 million, the repayment of a convertible loan of SEK 18.4 million and a lower utilisation of the credit facility by SEK 6.6 million.

## Financial position as of 31 December 2014

### Cash and cash equivalents

Cash and cash equivalents were at the end of the period SEK 44.2 million compared to SEK 63.1 million at the beginning of the year. Per 31 December 2014, the credit facility in use totaled SEK 79.4 million, compared to SEK 83.5 million in the beginning of the year. Total available credit facilities amounted to SEK 100 million. The Board proposes that there will be no dividend to shareholders for 2014.

### Equity

Equity totaled SEK 99.9 million at the end of the period, compared to SEK 110.1 million at the beginning of the year. This is equivalent to SEK 1.23 (1.55) per share.

### Equity/Asset ratio

The equity/assets ratio was 26.8% at the end of the period, compared to 29.3% at the beginning of the year.

## OTHER

### Employees

As of 31 December 2014, the company had 90 employees (85), whereof 22 (19) in Sweden, 54 (55) in India, 4 (4) in Germany, 1 (1) in Italy, 3 (2) in Poland, 1 (1) in Portugal, 1 (2) in France, 2 (1) in Spain and 2 (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.

### Transactions with closely related parties

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 and are not included in this note. The company has a bank loan of SEK 15 million from Nordea. Färna Invest has provided a guarantee for this loan.



## PARENT COMPANY

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

Net sales in the fourth quarter 2014 totaled SEK 57.3 million (42.1) and the operating result was SEK -7.4 million (-23.2). Net sales in the year of 2014 totaled SEK 185.1 million (172.5) and the operating result was SEK -54.2 (-49.5). The parent company's cash and cash equivalents by 31 December 2014 totaled SEK 20.4 million, compared to SEK 55.0 million at the beginning of the year.

## FINANCIAL CALENDAR

Interim report January - March 2015, 21 May 2015

Annual General Meeting, 16 June 2015

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

*Stockholm, 27 February 2015*

Karl Karlsson  
President & CEO

## THE GROUP

Consolidated income statement SEK thousand	2014 Oct-Dec	2013 Oct-Dec	2014 Jan-Dec	2013 Jan-Dec
<b>Net sales</b>	<b>60 271</b>	<b>43 649</b>	<b>187 748</b>	<b>175 505</b>
Cost of goods sold	-30 425	-32 622	-117 364	-118 068
<b>Gross profit</b>	<b>29 846</b>	<b>11 027</b>	<b>70 384</b>	<b>57 437</b>
<i>Gross margin</i>	<i>49.5%</i>	<i>25.3 %</i>	<i>37.5%</i>	<i>32.7 %</i>
Selling expenses	-19 252	-14 074	-60 257	-50 159
Administration expenses	-4 750	-4 760	-17 846	-16 374
Research and development expenses	-12 288	-14 672	-48 381	-40 731
Other operating expenses/revenues	-	-	-2	24
<b>Operating result<sup>1)</sup></b>	<b>-6 444</b>	<b>-22 479</b>	<b>-56 102</b>	<b>-49 803</b>
Net financial items	-1 125	-1 700	-5 275	-7 782
<b>Result after financial items</b>	<b>-7 569</b>	<b>-24 179</b>	<b>-61 377</b>	<b>-57 585</b>
Taxes	-78	-522	-1 142	-909
<b>Result for the period</b>	<b>-7 647</b>	<b>-24 701</b>	<b>-62 519</b>	<b>-58 494</b>
<b>Earnings per share</b>				
Earnings per share before dilution (SEK)	-0.09	-0.35	-0.82	-0.90
Earnings per share after dilution (SEK)	-0.09	-0.35	-0.82	-0.90
<sup>1)</sup> of which				
Amortisation and write-downs intangible assets	4 489	7 909	20 429	17 494
Depreciation tangible assets	509	222	1564	908
<b>EBITDA</b>	<b>-1 446</b>	<b>-14 348</b>	<b>-34 109</b>	<b>-31 401</b>
<b>Statement of comprehensive income</b>				
Result for the period	<b>-7 647</b>	<b>-24 701</b>	<b>-62 519</b>	<b>-58 494</b>
<b>Other comprehensive income</b>				
Hedging reserve	-495	-261	64	-879
Exchange rate differences	783	178	2 014	-456
<b>Other comprehensive income, net after tax</b>	<b>288</b>	<b>-83</b>	<b>2 078</b>	<b>-1 335</b>
<b>Total comprehensive income for the period, attributable to shareholders of the Parent company</b>	<b>-7 359</b>	<b>-24 784</b>	<b>-60 441</b>	<b>-59 829</b>

Consolidated balance sheet	2014	2013
SEK thousand	31 Dec	31 Dec
<b>Non-current assets</b>		
Intangible assets	169 144	172 390
Tangible assets	8 895	5 151
Financial assets	1 700	1 756
<b>Total non-current assets</b>	<b>179 739</b>	<b>179 297</b>
<b>Current assets</b>		
Inventories	85 778	78 363
Current receivables	62 573	55 376
Cash and cash equivalents	44 165	63 065
<b>Total current assets</b>	<b>192 516</b>	<b>196 804</b>
<b>Total assets</b>	<b>372 255</b>	<b>376 101</b>
<b>Equity</b>	<b>99 908</b>	<b>110 129</b>
<b>Non-current liabilities</b>		
Other liabilities, interest bearing	85 604	76 360
Other liabilities, non-interest bearing	2 863	2 645
<b>Total non-current liabilities</b>	<b>88 467</b>	<b>79 005</b>
<b>Current liabilities</b>		
Other current liabilities, interest bearing	15 000	46 855
Other current liabilities, non-interest bearing	168 880	140 112
<b>Total current liabilities</b>	<b>183 880</b>	<b>186 967</b>
<b>Total equity and liabilities</b>	<b>372 255</b>	<b>376 101</b>

Consolidated statement of changes in equity	2014	2013	2014	2013
SEK thousand	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Opening balance	107 267	135 106	110 129	109 707
Equity portion of convertible loan	-	-	338	2
Conversion of convertible loan	-	-	-	20 000
New share issue	-	-	50 000	40 697
Issue expenses	-	-193	-118	-448
Total comprehensive income for the period	-7 359	-24 784	-60 441	-59 829
<b>Closing balance</b>	<b>99 908</b>	<b>110 129</b>	<b>99 908</b>	<b>110 129</b>

Shares	2014	2013	2014	2013
Thousand	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Number of shares on closing day before dilution	80 942	70 942	80 942	70 942
Average number of shares before dilution	80 942	70 942	76 312	64 823
Average number of shares after dilution	80 942	70 942	76 312	64 823
Equity per share (SEK)	1.23	1.55	1.23	1.55
Equity/assets ratio (%)	26.8%	29.3%	26.8%	29.3%

Consolidated cash flow statement	2014	2013	2014	2013
SEK thousand	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Cash flow from operating activities before change in working capital	4 229	-3 643	-20 619	-20 482
Change in working capital	4 764	16 913	-5 012	49 845
<b>Cash flow from operating activities</b>	<b>8 994</b>	<b>13 270</b>	<b>-25 632</b>	<b>29 363</b>
Cash flow from investing activities	-4 838	-8 743	-19 752	-21 915
Cash flow from financing activities	-4 874	-4 033	24 913	31 323
<b>Cash flow for the period</b>	<b>-719</b>	<b>494</b>	<b>-20 471</b>	<b>38 771</b>
<b>Cash and cash equivalents at period's start</b>	<b>43 952</b>	<b>62 571</b>	<b>63 065</b>	<b>24 332</b>
Translation difference	932	0	1 571	-38
<b>Cash and cash equivalents at period's end</b>	<b>44 165</b>	<b>63 065</b>	<b>44 165</b>	<b>63 065</b>

## PARENT COMPANY

Parent company income statement	2014	2013	2014	2013
SEK thousand	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	57 259	42 125	185 148	172 521
Operating result	-7 447	-23 157	-54 217	-49 516
Net result for the period	-8 776	-26 230	-61 951	-58 707

Parent company balance sheet	2014	2013
SEK thousand	31 Dec	31 Dec
Non-current assets	176 607	203 895
Current assets	161 445	184 677
<b>Total assets</b>	<b>338 052</b>	<b>388 572</b>
Equity	97 038	108 704
Non-current liabilities	88 234	78 764
Current liabilities	152 780	201 104
<b>Total equity and liabilities</b>	<b>338 052</b>	<b>388 572</b>

## DEFINITIONS OF KEY FIGURES

### EBIT

Earnings Before Interest and Taxes (Operating profit/loss)

### EBITDA

Earnings before Interest, Taxes, Depreciation and Amortisation

### Equity/assets ratio

Shareholders' equity as a proportion of total assets

### Gross margin

Gross profit as a percentage of sales

### Gross profit

Net sales less cost of goods sold

### Net debt

Interest bearing long term and short term debt less cash at bank

### Net sales

Gross sales adjusted for discounts, price adjustments and returns

### Shareholders' equity per share

Shareholders' equity divided by the number of shares