

## INTERIM REPORT



### JANUARY – MARCH 2020

- Net sales amounted to SEK 108.2 (83.6) million
- Gross profit SEK 59.4 (36.5) million
- EBITDA was SEK 22.1 (0.4) million.
- Basic earnings per share were SEK 0.09 (-0.17)

### SIGNIFICANT EVENTS

Increased net sales and improved gross profit during the first quarter.

- Net sales increased by 29.4% to 108.2 million and approximately 2.0 million packages were sold.
- Gross margin has increased to 54.9 (43.6) which is significantly higher than expectations.

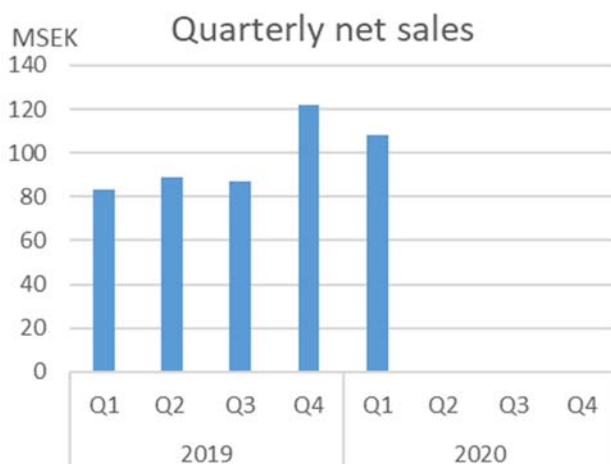
Positive EBITDA of 22.1 million for the first quarter.

Continued growth

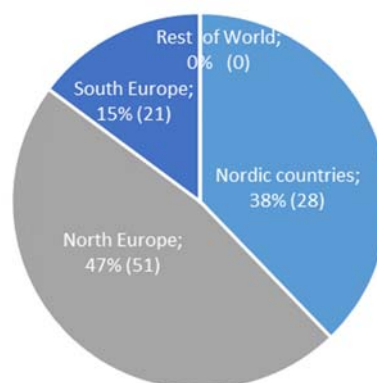
- Sweden together with the other Nordic countries have increased net sales with an improved gross margin and Sweden is Bluefish strongest market in the first quarter
- German sales keeps increasing and Austria has increased its sales with more than 50% this quarter with a stable gross margin.

Future outlook 2020

- Higher sales growth with steady profitability, the won AOK tender in Germany which starts 1 April will further fuel sales.
- Change of 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 stated that Bluefish will not be impacted long term if a global lock down continues



Net sales distribution  
January-March 2020 (2019)



## OPERATIONS

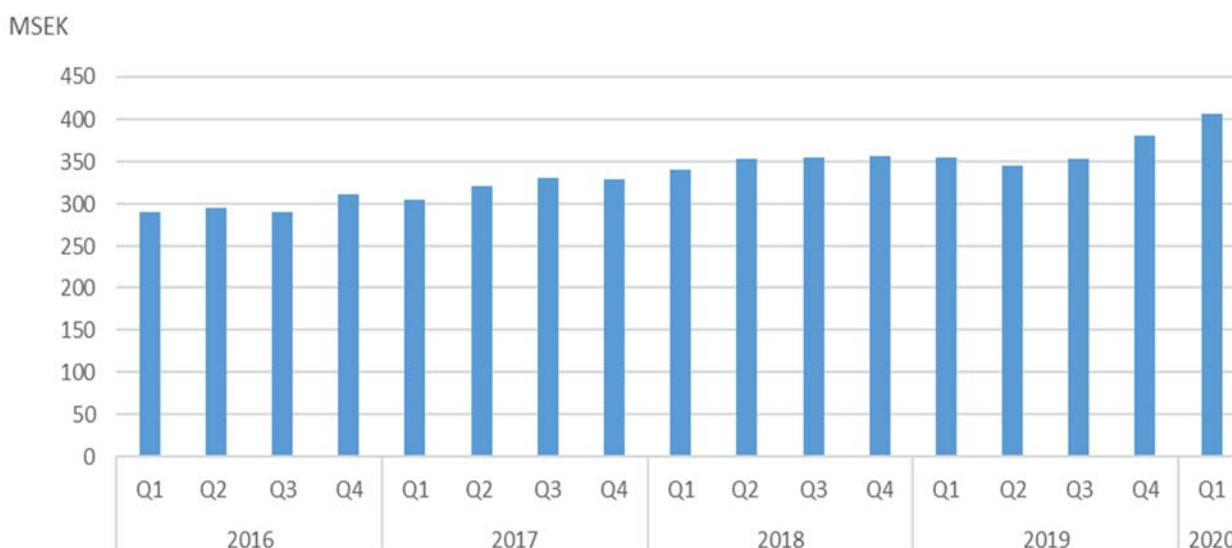
### Stronger platform for continued growth

Sales increased by 29.4% during the first quarter compared with the same period 2019. SEK 108.2 (83.6) million, of which SEK 27.9 (14.8) million in Sweden, Germany SEK 19.9 (16.1) million, Spain SEK 11.3 (11.0) million, Poland 10.8 (12.3) million SEK 38.3 (28.3) million in Rest of Europe and SEK 0.0 (0.1) million in Rest of World. In 2020 Sweden grows stronger and overtakes the position as the biggest market for the first quarter together with Germany where sales again have increased compared to same quarter last year. Sweden, Germany and Austria has together with the other Nordic countries been driving increased sales. The lost tenders in Andalusia is slowly being compensated by sales in other parts of Spain where Bluefish introduced its new platform to even further regain the market shares in the Spanish market.

Since December 2019, a new corona virus has spread throughout the world. The disease caused by the virus was named Covid-19 and the first known case in Sweden was registered in 2020-01-31. Most people become mildly ill with a cough and fever, but some become seriously ill with difficulties in breathing and pneumonia. Most of those who have a more serious illness are older people, but also people with chronic heart and lung disease or people with cancer can become seriously ill.

The disease is very contagious, and many countries has tried various ways of decreasing the infectiveness. One of the measures that has been taken is, among other things, to close country borders and to introduce curfews. The current situation is strained for all people and all industries, and despite that the need for medicines is not decreasing, the preventive measures for the spread of infection can have long-term negative consequences, like 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 changes that occur from day to day to evaluate its consequences both in the short and long term and aims as far as possible to ensure adequate medicine supply despite 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 from 2021 and onwards. All together Bluefish own developed products on the market, Hydroxyzine and Anagrelide, have proven to be highly successful projects with expected continued increased sales in 2020 and onwards.

Process improvements and simplification 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 that has extensive knowledge of both operations and market dynamics. Bluefish is proud to deliver products at a very high service level.

Bluefish is in its final stage of implementing a new ERP system replacing the current 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 first quarter launched one new product as planned. Bluefish continues to evaluate each products lifecycle, including profitability, in different markets and is also withdrawing products when needed to avoid losses.

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 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 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.

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 2020, the company expects an increase in sales growth compared to the prior year. Sales growth will primarily be fueled by continued strong development in key markets like Germany, Sweden, Poland and Spain and will also be aided by newly launched products, which is a result of investments that were made in earlier years. Ireland is now showing a stable growth and have sales potential for growth after the first years of establishment. In Germany the won AOK tender period will start April 1<sup>st</sup> which secures a continued growth.

New product launches for 2020 are implemented trough out the year and additional launches are planned in parallel. Sales from launches in 2020 increase 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. Many products were approved in 2019 and the increasing sales impact will still be visible in first half of 2020, especially for products launched late in 2019.

	31 Mar 2020	31 Mar 2019
Products under development or registration	9	17
Products in the market	80	81

## FINANCIAL OVERVIEW

SEK million	2020 Jan-Mar	2019 Jan-Mar	2019 Jan-Dec
Net sales	108.2	83.6	379.9
COGS	-48.8	-47.1	-183.5
Gross profit	59.4	36.5	196.4
Gross margin	54.9%	43.6%	51.7%
EBITDA	22.1	0.4	47.0
Cash flow from operating activities	-12.4	5.3	9.1
Cash flow from investing activities	-3.9	-3.1	-10.3

Net sales for the first quarter were SEK 108.2 (83.6) million, which corresponds to an increase of 29.4 % compared to last year. Gross profit was SEK 59.4 (36.5) million, with a corresponding gross margin of 54.9 (43.6) % for the period.

### Economies of scale enhance profitability

Total operating costs during the last quarter of the year, not including depreciation/amortization and impairment of property, plant and equipment and intangible assets, amounted to SEK 37.3 (36.1) million, which corresponds to an increase of 3.2% compared to the same period last year.

EBITDA for the first quarter amounted to SEK 22.1 (0.4) million

### Net profit in the first quarter of the year

For the first quarter of the year, amortization/impairment of property, plant and equipment and intangible assets, amounted to SEK 8.2 (7.2) million, whilst depreciation of the same amounted to SEK 1.8 (2.0) million. The composition of the product portfolio is evaluated on an ongoing basis.

For the first quarter, net financial income/expense was SEK -2.4 (-4.4) million, which includes interest expense on the convertible debentures and bank overdraft facilities.

The net profit was SEK 9.3 (-13.8) million for the first quarter of the year.

## Cash flow

Cash flow from operating activities amounted to SEK -12.4 (5.3) million for the first quarter of 2020, of which SEK -40.0 (-10.0) million was the change in working capital. The decrease in cash flow is a result of increased inventory levels to fulfill the demand of the biggest tender in Germany which was won by Bluefish and begins in April 2020. As of 31 March 2020, we maintained an inventory level of SEK 163.0 (105.0) million which is an increase of 55% comparing to the same period last year. The current inventory level is estimated to correspond to 301 days of expected sale, compared to 201 days as of 31 March 2019.

Cash flow from accounts receivable and other current receivables was negative SEK -20.3 (-9.8) million, whereas cash flow from accounts payable and other operating liabilities amounted to SEK -0.6 (-15.8) million during the first quarter of 2019. The receivables have increased due to finalization of the factoring agreement in Germany, resulting in a one-month payment lag from invoiced sales.

Cash flow from investing activities was SEK -3.9 (-3.1) 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 -10.4 (4.0) million for the first quarter of 2020. Net change in cash flow year to date amounted to SEK -26.7 (6.2) million.

## Financial position as of 31 March 2020

### Cash and cash equivalents

At the end of the period, cash and cash equivalents amounted to SEK 32.5 million, compared with SEK 57.8 million at the end of last year. This decrease mainly arise from the finalization of the factoring agreement in Germany which leads to a lag of one month in payments from customers compared to previous periods. However, this will result in decreased interest fees and will be beneficial in the long run. As of 31 March 2020, utilized bank credit was SEK 72.7 million, compared to SEK 79.6 million at the end of last year, excluding SEK 58.4 million, which corresponds to the current remaining of the original SEK 100 million convertible loan secured in July 2017.

### Equity

At the end of the period, equity was SEK 92.9 million, compared to SEK 81.7 million at the beginning of the year. That corresponds to SEK 0.86 (0.16) per share.

### Equity ratio

At the end of the period, the equity ratio was 18.6 %, compared to 16.7% at the end of last year. For bank credit agreement purposes, the gearing ratio, obtained via a specific calculation (see Leveraging conditions, below) was 0.44 compared to 1.23 during same period last year.

## OTHER

### Employees

As of 31 March 2020, the company had 124 (116) employees, of which 26 (27) in Sweden, 72 (66) in India, 4 (4) in Germany, 10 (9) in Poland, 2 (3) in Portugal, 2 (2) in France, 2 (2) in Austria, 3 (2) in Ireland and 3 (1) in Spain, compared to 31 March 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 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.

### 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. IFRS 16 is applied by the Group as of January 1, 2019. According to the new standard, the lessee must report the obligation to pay lease fees as a lease liability in the balance sheet. The right to use the leased asset during the lease period is reported as an asset. Depreciation of the asset is reported in the income statement, along with interest on the lease liability. Paid lease fees are reported in part as interest payment and in part as amortisation of the lease liability. The standard allows an exemption whereby lease agreements with a duration of less than 12 months (short-term leases) and leases of assets with a low value do not need to be reported. The Parent Company applies the RFR 2 exception for lease agreements. It means that the Parent Company's principles for reporting leases are unchanged.

Changes in right-of-use assets and leasing liabilities as per the first quarter of 2020 are reported below:

Amount in SEK	Right-of-use assets	Leasing liabilities
<b>Opening balance January 1, 2020</b>	13 160 075	-13 436 430
Additions (+)	597 532	-597 532
Depreciation (-)	-1 483 285	
Interest expenses (-)		-69 609
Exchange rate effects	121 160	-124 575
Paid leasing fees (+)		1 546 934
<b>Outgoing balance on March 31, 2020</b>	12 395 482	-12 681 212

### 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 1.0 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 first quarter of 2020 net sales were SEK 104.6 (80.6) million and operating profit was SEK 6.6 (-11.1) million. As of 31 March 2020, cash and cash equivalents for the parent company amounted to SEK 7.2 million, compared with SEK 38.5 million at the beginning of the year. The decrease in liquidity mainly comes from increased receivables from group companies.

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

*Stockholm, 22 April 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			
SEK thousands	2020 Jan-Mar Actual	2019 Jan-Mar Actual	2019 Jan-Dec
<b>Net sales</b>	108 195	83 604	379 897
Cost of goods sold	-48 786	-47 116	-183 523
<b>Gross profit</b>	<b>59 408</b>	<b>36 488</b>	<b>196 375</b>
<i>Gross margin</i>	<i>54,9%</i>	<i>43,6%</i>	<i>51,7%</i>
Selling expenses	-21 838	-21 715	-89 298
Administrative expenses	-9 142	-6 095	-24 777
Research and development expenses	-16 311	-17 686	-67 330
Other operating expenses/income	0	-1	129
<b>Operating expenses</b>	<b>-47 290</b>	<b>-45 497</b>	<b>-181 276</b>
<b>EBIT Operating profit (loss)<sup>1)</sup></b>	<b>12 118</b>	<b>-9 009</b>	<b>15 099</b>
Net financial income/expense	-2 444	-4 420	-16 836
<b>Profit (loss) after financial items</b>	<b>9 675</b>	<b>-13 429</b>	<b>-1 738</b>
Income tax	-345	-409	-2 115
<b>Profit (loss) for the period</b>	<b>9 329</b>	<b>-13 838</b>	<b>-3 853</b>
1) of which			
Amortization and impairment of intangible assets	8 201	7 222	23 878
Depreciation of property, plant and equipment	1 825	2 180	8 037
<b>EBITDA</b>	<b>22 144</b>	<b>393</b>	<b>47 014</b>
<b>Statement of comprehensive income</b>			
Profit (loss) for the period	9 329	-13 838	-3 853
<b>Other comprehensive income</b>			
Hedging reserve	-	-	-
Exchange rate differences	1 851	1 682	885
<b>Other comprehensive income, net after tax</b>	<b>1 851</b>	<b>1 682</b>	<b>885</b>
<b>Comprehensive income for the period, attributable to parent company shareholders</b>	<b>11 180</b>	<b>-12 156</b>	<b>-2 968</b>
<b>No. Of shares</b>	107 923	80 942	107 923
<b>Earnings per share</b>	0,09	-0,17	-0,04

Consolidated balance sheet	2020	2019	2019
SEK thousands	31 Mar	31 Mar	31 Dec
<b>Non-current assets</b>			
Intangible assets	114 854	132 438	119 347
Property, plant and equipment	16 660	22 464	17 724
Financial assets	1 472	1 527	1 458
<b>Total non-current assets</b>	<b>132 986</b>	<b>156 429</b>	<b>138 528</b>
<b>Current assets</b>			
Inventories	162 985	105 070	148 731
Current receivables	169 794	93 480	144 073
Cash and cash equivalents	32 527	69 718	57 845
<b>Total current assets</b>	<b>365 306</b>	<b>268 268</b>	<b>350 649</b>
<b>Total assets</b>	<b>498 292</b>	<b>424 697</b>	<b>489 177</b>
<b>Equity</b>	<b>92 881</b>	<b>13 191</b>	<b>81 701</b>
<b>Non-current liabilities</b>			
Non-current liabilities, interest-bearing	0	107 451	0
Non-current liabilities, non interest-bearing	7 277	808	8 386
<b>Total non-current liabilities</b>	<b>7 277</b>	<b>108 259</b>	<b>8 386</b>
<b>Current liabilities</b>			
Current liabilities, interest-bearing	146 064	127 555	152 923
Current liabilities, non interest-bearing	252 070	175 692	246 168
<b>Total current liabilities</b>	<b>398 134</b>	<b>303 246</b>	<b>399 091</b>
<b>Total equity and liabilities</b>	<b>498 292</b>	<b>424 697</b>	<b>489 177</b>
Pledged assets	66 012	60 611	74 520
Contingent liabilities	None	None	None
<b>Shares</b>	<b>107 923</b>	<b>80 942</b>	<b>107 923</b>
<b>Equity per share</b>	<b>0,86</b>	<b>0,16</b>	<b>0,76</b>

<b>Change in equity, Group</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
<b>SEK thousands</b>	<b>Jan-Mar</b>	<b>Jan-Mar</b>	<b>Jan-Dec</b>
Opening balance	81 701	25 115	25 311
Equity portion of convertible loan	-	-	-
New share issue	-	-	59 358
Other comprehensive income for the period	11 181	-12 155	-2 968
<b>Closing balance</b>	<b>92 881</b>	<b>13 191</b>	<b>81 701</b>

<b>Share data</b>	<b>2019</b>	<b>2019</b>	<b>2019</b>
<b>Number, thousands</b>	<b>Jan-Mar</b>	<b>Jan-Mar</b>	<b>Jan-Dec</b>
Number of shares at end of period before dilution	107 923	80 942	107 923
Average number of shares after dilution	107 923	80 942	107 923
Equity per share (SEK)	0.86	0.16	0.76
Equity ratio (%)	18.6	3.1	16.7

## PARENT COMPANY

Parent Company income statement	2020	2019	2019
SEK thousands	Jan-Mar	Jan-Mar	Jan-Dec
<b>Net sales</b>	<b>104 588</b>	<b>80 589</b>	<b>365 127</b>
Cost of goods sold	-48 786	-47 162	-183 523
<b>Gross profit</b>	<b>55 802</b>	<b>33 427</b>	<b>181 605</b>
<i>Gross margin</i>	53,4%	41,5%	49,7%
Operating costs	-45 917	-44 504	-176 167
Other operating expenses/income	0	-1	129
<b>Operating profit (loss)</b>	<b>9 885</b>	<b>-11 077</b>	<b>5 566</b>
Net financial income/expense	-3 306	0	-16 725
<b>Profit (loss) after financial items</b>	<b>6 579</b>	<b>-11 077</b>	<b>-11 159</b>
Income tax	-	-	-
<b>Profit (loss) for the period</b>	<b>6 579</b>	<b>-11 077</b>	<b>-11 159</b>

Parent Company balance sheet	2020	2019	2019
SEK thousands	Mar	31 Mar	Dec
Non-current assets	128 259	146 560	133 135
Current assets	307 519	217 762	286 475
<b>Total assets</b>	<b>435 779</b>	<b>364 322</b>	<b>419 610</b>
Equity	46 779	-23 340	40 201
Non-current liabilities	107	95 507	98
Current liabilities	388 893	292 155	379 311
<b>Total equity and liabilities</b>	<b>435 779</b>	<b>364 322</b>	<b>419 610</b>
Pledged assets	66 012	52 567	66 764
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