

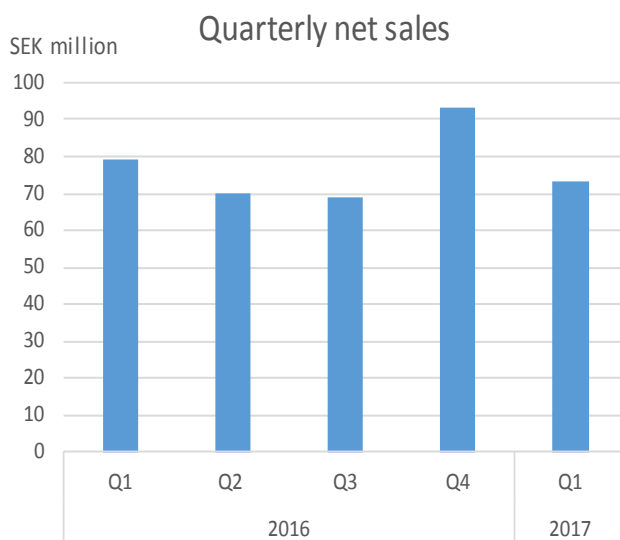
INTERIM REPORT

JANUARY – MARCH 2017

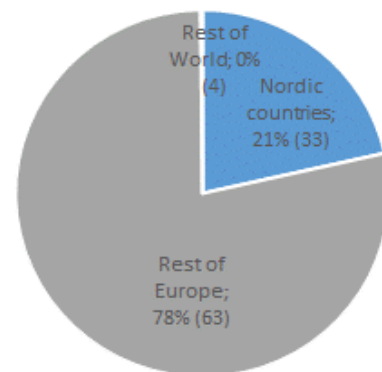
- Net sales amounted to SEK 73.0 (79.3) million
- EBITDA was SEK -2.9 (5.2) million.
- Basic earnings per share were SEK -0.14 (-0.02)

SIGNIFICANT EVENTS

- There was a lower level of net sales and gross profit during the period
 - Net sales fell by 8% to SEK 73.0 million
 - Gross profit fell by 21% to SEK 30.2 million
- Negative EBITDA of SEK -2.9 million for the period
- Future outlook 2017
 - Karl Karlsson, CEO and Susanna Urdmark, CFO left the company in April 2017. Berit Lindholm is the newly appointed CEO.
 - Higher sales growth
 - Improved profitability



Net sales distribution
January-March 2017 (2016)

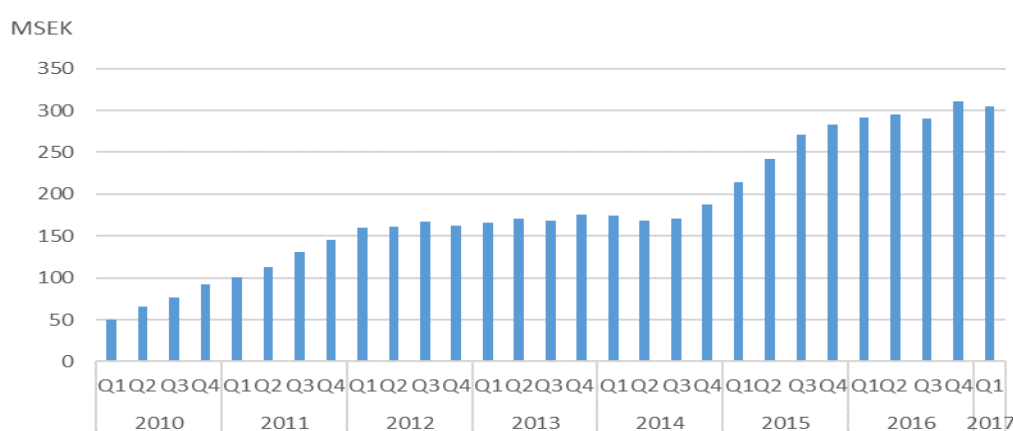


OPERATIONS

Stronger platform despite lower growth

Sales weakened during the first quarter of the year compared with the first quarter of 2016. For the first quarter of the year, net sales were SEK 73.0 (79.3) million, of which SEK 15.7 (19.4) million in the Nordic region, SEK 29.2 (30.5) million in Northern Europe, SEK 27.9 (24.3) million in Southern Europe and SEK 0.2 (5.1) million in Rest of World. The sales has been fueled by markets outside the Nordic region, like Spain, Germany, Ireland, UK and Austria, while sales in the Nordic countries fell during the period. Sales in the Nordic countries fell due to such things as price volatility.

Graph 1. Rolling 12-month net sales



Investments in continued growth

During the year, ongoing evaluations of the business were made, resulting in newly identified growth opportunities as regards both subsegments and expansion into new markets. Efforts were also made to fortify the sales organization with additional expertise and experience, with particular emphasis on the company's operations in Northern Europe, including the markets in the Nordic region. Our assessment is that we currently have a strong organization in place that has extensive knowledge of both local regions and markets.

With the aim of ensuring successful product launches and maintaining a competitive supply chain, the company initiated efforts during the year to add a new contract manufacturer, which will be implemented during 2017.

Bluefish also made additional investments in IT systems that support marketing, quality and finance activities, all of which is aimed at strengthening the platform for continued growth.

Optimization of the product portfolio

During the period, efforts have progressed according to plan with the company's third product that has been developed in-house. The product will be submitted for registration to the authorities early in the second quarter of 2017. The company now has two products developed in-house that are in the launch phase, Hydroxyzine Bluefish and Acetylsalicylic acid Bluefish. Each launch is progressing as planned and introduction to the market will occur in 2017.

Besides the two products developed in-house that will be launched in 2017, another four newly licensed products will be launched and an additional five existing products will be launched in more European markets.

During 2016, Bluefish signed its first licensing agreements for Hydroxyzine. Product licensing provides the company with opportunities to create sales in markets where Bluefish does not have its own operations. The launches are expected to occur approximately 18-24 months after the contracts have been signed.

The composition of the product portfolio in each market is critical to the company's future growth and profitability. The expected earnings potential of products is also continually evaluated. The company is continuing to invest in additional new product licenses and in new development projects at our R&D unit. At the rate that Bluefish grows and gains more market share, we become noticed as a potential partner by companies offering unique products. Investments are made selectively and only in the markets where Bluefish feels there is high potential in terms of both sales and profitability. During the first quarter, the product portfolio grew with the addition of two licensed products for a diverse number of markets in the EU.

FUTURE OUTLOOK

In 2017, the company expects an increase in sales growth compared to the prior year. Sales growth will primarily be fueled by sales of newly launched products, which is a result of efforts that were made in 2016. Bluefish is fortifying its sales organization in selected markets and going forward, it will be focusing on higher delivery performance. Sales growth is also expected to contribute to higher profitability compared to the full year 2016.

	31 March 2017	31 March 2016
Products under development or registration	24	21
Products in the market	60	63

FINANCIAL OVERVIEW

SEK million	2017	2016	change	2016
	Jan-March	Jan-March		Jan-Dec
Net sales	73.0	79.3	-8%	311.6
Gross profit	30.2	38.4	-21%	158.7
Gross margin	41.4%	48.4%	-7 p.p.	50.9%
EBITDA	-2.9	5.2	-156%	29.1
Cash flow from operating activities	-4.1	-2.0		-33.1
Cash flow from investing activities	-5.5	-4.6		-21.8

Bluefish generated net sales of SEK 73.0 (79.3) million during the first quarter of the year, which corresponds to a decrease of 8% compared to the same period in 2016. Gross profit was SEK 30.2 (38.4) million, with a corresponding gross margin of 41.4 (48.4)% for the period.

Economies of scale enhance profitability

Total operating costs during the first quarter, not including depreciation/amortization and impairment of property, plant and equipment and intangible assets, amounted to SEK 33.1 (33.7) million, which corresponds to a decrease of 2% compared to the same period last year. Adjusted for currency effects, the change is an increase of 3%.

EBITDA for the first quarter amounted to SEK -2.9 (5.2) million. Currency fluctuations have had a positive impact on EBITDA corresponding to SEK 0.1 (-1.2) million for the first quarter of 2017 compared to the first quarter of 2016.

Net loss for the first quarter of the year

Depreciation/amortization and impairment of property, plant and equipment and intangible assets was SEK 5.9 (5.8) million for the first quarter, of which impairment losses on intangible assets was SEK 1.5 (1.7) million for the period. The composition of the product portfolio is evaluated on an ongoing basis.

Net financial expenses amounted to SEK -1.8 (-0.6) million for the first quarter, which includes interest expenses associated with the convertible debentures as well as bank overdraft facilities.

Net loss was SEK -11.3 (-1.8) million for the first quarter. The currency effect on earnings was positive at SEK 0.1 (-1.0) for the first quarter, of which -0.7 (-0.6) million is unrealized.

Cash flow

Cash flow from operating activities amounted to SEK -4.1 (-2.0) million for the first quarter of 2017, of which SEK 3.4 (-11.8) million was the change in working capital. Cash flow from accounts receivable and other current receivables fell by SEK -12.5 (-12.4) million, and cash flow from accounts payable and other operating liabilities increased by SEK 22.7 (5.4) million during the first quarter of 2017.

As of 31 March 2017, inventory was SEK 98.5 million, compared with SEK 93.8 million at 31 March 2016, which represents an increase of 5%. The increase results from the lower sales level and lower volumes, to some extent as a result of new launches compared to the previous quarter. Inventory impairment was SEK -3.3 (-3.2) million for the first quarter. The current inventory level is estimated as corresponding to 207 days sale, as compared to 210 days as of 31 December 2016.

Cash flow from investing activities was SEK -5.5 (-4.6) million for the first quarter, of which investments in intangible assets were SEK -5.3 (-3.7) million. Investments comprise product development, licenses, and market approvals. Investments in property, plant and equipment amounted to SEK -0.1 (-0.8) million during the period.

Cash flow from financing activities amounted to SEK 2.5 (-6.0) million for the first quarter of 2017. The higher cash flow is attributable to increase in the utilization level on bank overdraft, for which Nordic inventories have been pledged as collateral. As of 31 March 2017, SEK 71.1 million of the maximum amount of SEK 85.0 million in credit had been utilized.

Financial position as of 31 March 2017

Cash and cash equivalents

At the end of the period, cash and cash equivalents amounted to SEK 26.5 million, compared with SEK 33.6 million at the beginning of the year. As of 31 March 2017, utilized bank credit was SEK 86.1 million, compared with SEK 83.6 million at the beginning of the year. Total available bank credit was SEK 100 (100) million as of 31 March 2017.

Besides the bank credit and existing convertible loan, there are also shareholder loans of SEK 15 million, which results in total loans of SEK 136.7 million compared to SEK 136.7 million at the beginning of the year. The convertible loan of SEK 21.7 million matures on 30 June 2017. Efforts are underway to obtain additional capital as well, in order to ensure the company's future growth and planned investments.

Equity

At the end of the period, equity was SEK 66.5 million, compared to SEK 77.0 million at the beginning of the year. That corresponds to SEK 0.82 (0.95) per share.

Equity ratio

At the end of the period, the equity ratio was 17.4 %, compared to 20.6% at the beginning of the year. At the end of the period, the gearing ratio, obtained via a specific calculation (see Leveraging conditions, below) was 0.99 compared to 0.49 at the beginning of the year.

OTHER

Employees

As of 31 March 2017, the company had 113 (108) employees, of which 26 (25) in Sweden, 70 (67) in India, 4 (4) in Germany, 3 (3) in Poland, 1 (1) in Portugal, 2 (1) in France, 4 (4) in United Arab Emirates and 3 (3) in Spain, compared to 31 December 2016.

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 2016 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 2017.

Leveraging conditions

Inventory credit and invoice factoring from SEB is conditional on the company maintaining a certain gearing ratio and liquidity. According to the terms for SEB credit, the company must maintain a gearing ratio, in accordance with a special calculation, of at most one (1), 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 loan of SEK 15 million from Nordea. Färna Invest AB, which is one of the Group's largest shareholders, has provided a guarantee for this loan. The company also has shareholder loans totaling SEK 15 million from two of the Group's major shareholders, 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 first quarter of 2017, net sales were SEK 69.7 (73.0) million, and operating loss was -8,8 (-1,8) million. As of 31 March 2017, cash and cash equivalents for the Parent Company amounted to SEK 8.1 million, compared with SEK 10.2 million at the beginning of the year.

FINANCIAL CALENDAR

Interim report for April-June 2017, 24 August 2017.

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

Stockholm, 17 May 2017

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, as well as an office in Dubai. 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	2017	2016	2016
SEK thousands	Jan- March	Jan- March	Jan-Dec
Net sales	73 042	79 299	311 627
Cost of goods sold	-42 837	-40 890	-152 887
Gross profit	30 205	38 409	158 740
<i>Gross margin</i>	<i>41.4%</i>	<i>48.4%</i>	<i>50.9%</i>
Selling expenses	-16 832	-19 463	-72 092
Administrative expenses	-5 954	-5 164	-21 246
Research and development expenses	-16 192	-14 838	-62 114
Other operating expenses/income	-	487	569
Operating profit (loss)¹⁾	-8 773	-569	3 857
Net financial income/expense	-1 843	-595	-5 158
Profit (loss) after financial items	-10 616	-1 164	-1 301
Income tax	-698	-597	-2 327
Profit (loss) for the period	-11 314	-1 761	-3 628
Earnings per share			
Basic earnings per share (SEK)	-0.14	-0.02	-0.04
Diluted earnings per share (SEK)	-0.14	-0.02	-0.04
¹⁾ of which			
Amortization and impairment of intangible assets	5 152	5 180	22 713
Depreciation of property, plant and equipment	709	606	2 569
EBITDA	-2 912	5 217	29 139
Statement of comprehensive income			
Profit (loss) for the period	-11 314	-1 761	-3 628
Other comprehensive income			
Hedging reserve	-	-	-
Exchange rate differences	794	-273	1 063
Other comprehensive income, net after tax	794	-273	1 063
Comprehensive income for the period, attributable to parent company shareholders	-10 520	-2 034	-2 565

Consolidated balance sheet	2017	2016	2016
SEK thousands	31 March	31 March	31 Dec
Non-current assets			
Intangible assets	161 322	165 110	161 551
Property, plant and equipment	10 648	11 103	10 981
Financial assets	1 912	1 302	1 861
Total non-current assets	173 882	177 515	174 393
Current assets			
Inventories	98 512	93 769	95 042
Current receivables	83 381	78 877	70 648
Cash and cash equivalents	26 541	53 077	33 607
Total current assets	208 434	225 723	199 297
Total assets	382 316	403 238	373 690
Equity	66 481	77 532	77 001
Non-current liabilities			
Non-current liabilities, interest-bearing	-	21 458	-
Non-current liabilities, non interest-bearing	3 120	4 669	2 729
Total non-current liabilities	3 120	26 127	2 729
Current liabilities			
Current liabilities, interest-bearing	122 734	70 842	120 181
Current liabilities, non interest-bearing	189 981	228 737	173 779
Total current liabilities	312 715	299 579	293 960
Total equity and liabilities	382 316	403 238	373 690
Pledged assets	65 143	57 591	70 313
Contingent liabilities	None	None	None

Change in equity, Group	2017	2016	2016
SEK thousands	Jan-March	Jan-March	Jan-Dec
Opening balance	77 001	79 566	79 566
Other comprehensive income for the period	-10 520	-2 034	-2 565
Closing balance	66 481	77 532	77 001

Share data	2017	2016	2016
Number, 000s	Jan-March	Jan-March	Jan-Dec
Number of shares at end of period before dilution	80 942	80 942	80 942
Average number of shares before dilution	80 942	80 942	80 942
Average number of shares after dilution	80 942	80 942	80 942
Equity per share (SEK)	0.82	0.96	0.95
Equity ratio (%)	17.4	19.2	20.6

Consolidated cash flow statement	2017	2016	2016
SEK thousands	Jan-March	Jan-March	Jan-Dec
Cash flow from operating activities before change in working capital	-7 541	9 793	38 016
Change in working capital	3 393	-11 776	-71 103
Cash flow from operating activities	-4 149	-1 983	-33 087
Cash flow from investing activities	-5 471	-4 577	-21 826
Cash flow from financing activities	2 503	-5 991	21 746
Cash flow for the period	-7 117	-12 551	-33 167
Cash and cash equivalents at beginning of period	33 607	65 313	65 313
Exchange rate differences in cash and cash equivalents	51	315	1 461
Cash and cash equivalents at end of period	26 541	53 077	33 607

PARENT COMPANY

Parent Company income statement	2017	2016	2016
SEK thousands	Jan-March	Jan-March	Jan-Dec
Net sales	69 651	72 974	283 438
Cost of goods sold	-42 765	-39 537	-143 648
Gross profit	26 886	33 437	139 790
<i>Gross margin</i>	38.6%	45.8%	49.3%
Operating costs	-35 675	-35 770	-137 988
Other operating expenses/income	-	487	569
Operating profit (loss)	-8 789	-1 845	2 371
Net financial income/expense	-1 823	-1 308	-6 835
Profit (loss) after financial items	-10 612	-3 153	-4 464
Income tax	-	-	-
Profit (loss) for the period	-10 612	-3 153	-4 464

Parent Company balance sheet	2017	2016	2016
SEK thousands	31 March	31 March	31 Dec
Non-current assets	180 445	183 391	180 554
Current assets	157 486	161 122	149 610
Total assets	337 931	344 513	330 164
Equity	57 086	69 008	67 697
Non-current liabilities	3 004	25 962	2 599
Current liabilities	277 841	249 543	259 867
Total equity and liabilities	337 931	344 513	330 164
Pledged assets	65 143	57 591	70 313
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