

## INTERIM REPORT

### JANUARY – MARCH 2015

- Net sales were SEK 70.8 (44.5) million.
- EBITDA for the period, adjusted for currency effects, was SEK 2.8 (-10.0) million.
- Basic earnings per share amounted to SEK -0.06 (-0.24)

### SIGNIFICANT EVENTS

- Increase in net sales and gross profit
  - Net sales increased 59% to SEK 70.8 million
  - Gross profit increased 144% to SEK 32.9 million
- Growth potential in the product portfolio
  - First registration application for internal development project submitted
  - Three products licensed during the first quarter
- Outlook for 2015
  - Continued growth in net sales and improved gross margin
  - Positive EBITDA

## OPERATIONS

For the first quarter of 2015, net sales were significantly higher than the same period last year and growth also continued beyond the fourth quarter of 2014. Growth in net sales during the first quarter is, for the most part, due to the launch of existing products in new markets, primarily Spain, along with higher market share in established markets such as Sweden. Revenue in the first quarter is also associated with a higher-than-average gross margin. Furthermore, gross profit in the first quarter was higher than the level for fourth quarter 2014, which has resulted in positive EBITDA of SEK 3.7 million for the period.

### Continued success in Spain

In January 2014, Servicio Andaluz de Salud (SAS), the state health authority in Spanish Andalusia, became one of Bluefish's most important customers. The first contract with SAS runs from January 2014 and the second from November 2014. Both are valid for a two-year period. These contracts make Bluefish an exclusive and semi-exclusive supplier of a number of products to Andalusia, which is the largest of Spain's 17 independent regions. During the first quarter of 2015, Bluefish was again selected as supplier for another two products in a contract with two-year duration. The first deliveries are planned for the second quarter of 2015. The agreements with SAS add major growth potential for the company's operations in Spain, where the value of net sales for the three contracts amount to a total of SEK 110 million.

### Growth potential in the product portfolio

During the quarter, the product portfolio grew with the addition of three licensed products that are expected to be launched in 2016. Several of the company's own development projects are now in the final phase of development. At the end of March, the company submitted the registration dossier for one of its development products. This decentralised procedure will include several of Bluefish's most important markets, with launches expected during 2016. The registration applications for another development project is planned for the third quarter of 2015. The development project is expected to contribute to growth in net sales starting in 2016. For competitive reasons, the company has decided not to release the names of the new products prior to their launch. However, several of the newly licensed products and in-house development projects are focused on regional or country-specific opportunities, typically in niche areas where lower competition and higher gross margins prevail.

To increase competitiveness and improve gross margins, the company continually strives to optimise the product portfolio by, for example, introducing additional commodity manufacturers and consolidating manufacturing for existing products. As part of that effort, and to both better utilise and improve the level of company expertise, Bluefish has set up a formulation and analysis lab that also has equipment for conducting stability studies for internal tests and requirements from new markets. It is located at the company's technology and development centre in Bangalore. The new development centre also makes it possible for the company to, each year, pursue a limited number of own development projects. It is also possible to increase the size of the centre in line with future expansion.

## OUTLOOK

Over the year, net sales will fluctuate from quarter to quarter. However, the company expects net sales for the full year 2015 to increase compared to 2014. Growth originates from prior contracts, planned product launches and an overall increase in market share. Additionally, gross margin is expected to surpass last year's level.

## SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD

### Additions to the management team

The company has hired Berit Lindholm as Chief Operating Officer. Berit has acquired many years of experience working in the pharmaceuticals industry with both quality and production. Her most recent position was at AstraZeneca, where she worked as Head of Planning. At Bluefish, she will lead efforts aimed at coordinating our interdisciplinary functions to ensure efficient delivery of high quality products to all of our markets. Berit will also participate in the management team. She will begin working at Bluefish on 17 August. Another addition to the management team is Grzegorz Harackiewicz, Head of Business Development. Grzegorz has been employed at Bluefish since June 2014. Accordingly, as of 1 September 2015, the management team will consist of Karl Karlsson, CEO, Susanna Urdmark CFO, Berit Lindholm, COO and Grzegorz Harackiewicz, Head of Business Development.

Johan Florin, Head of Marketing and also previously part of the management team, terminated his employment in April to pursue new opportunities. His position has evolved and been allocated to several regional marketing and sales managers, all of whom report directly to the CEO.

Products under development or in the process of registration	18
Launched products	62

## 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 organisation 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 by increasing gross margin via a more advantageous product and market mix, along with better leverage of the company structure.

### Bluefish organisation

Bluefish has an efficient organisation, 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 centre in Bangalore, India.

## FINANCIAL EARNINGS TREND

SEK million	2015	2014	change	2014
	Jan-March	Jan-March		Jan-Dec
Net sales	70.8	44.5	59 %	187.7
Gross profit	32.9	13.5	144%	70.4
Gross margin	46.5%	30.3%	16.2 pp	37.5%
EBITDA	3.7	-10.7		-34.1
Cash flow from operating activities	8.8	-18.5		-25.6
Cash flow from investing activities	-7.1	-6.2		-19.8

During the first quarter of 2015, Bluefish generated net sales of SEK 70.8 (44.5) million, which corresponds to an increase of 59% compared to the same period last year. Gross profit was SEK 32.9 (13.5) million, with a corresponding gross margin of 46.5 (30.3)% for the period. During the first quarter of 2014, both net sales and gross profit were negatively impacted by the inventory shortage caused by the temporary suspension of the GMP certificate for one of the company's main contract partners for batch analysis, by amounts estimated at approximately SEK 5.5 million and SEK 3.5 million respectively.

The increase in net sales and gross profit is primarily explained by increased sales in Spain, but also Sweden along with additional deliveries to our partner in Iraq. The improvement in gross margin of 16.2 percentage points was primarily due to an enhanced product and market mix. During the period, currency fluctuations had a negative effect on net sales equal to SEK -0.8 (-0.8) million.

### Positive EBITDA

Total operating costs for the first quarter, not including amortisation and impairment losses on intangible assets, amounted to SEK 29.3 (24.2) million, which corresponds to an increase of 21% compared to the same period last year. The increase is due to higher net sales, which has also resulted in higher distribution costs, higher annual fees and higher accruals for profit distribution for products where the company is involved in marketing collaborations.

For the first quarter, EBITDA was SEK 3.7 (-10.7) million. The improvement in EBITDA is primarily attributable to an increase in gross profit of SEK 19.4 million compared to the same period last year. During the first quarter, currency fluctuations had a positive effect on EBITDA equal to SEK 0.8 (-0.7) million.

Amortisation and impairment losses on intangible assets amounted to SEK 7.1 (4.6) million during the first quarter, of which impairment loss on intangible assets was SEK 3.0 (0.9) million for the period. The impairment losses on intangible assets are a result of the company's decision to de-register certain products on markets where the sales potential has been assessed to be limited.

Net financial income/expense amounted to SEK -0.6 (-1.3) million for the first quarter, which includes interest payments on convertible debt as well as bank overdraft facilities.

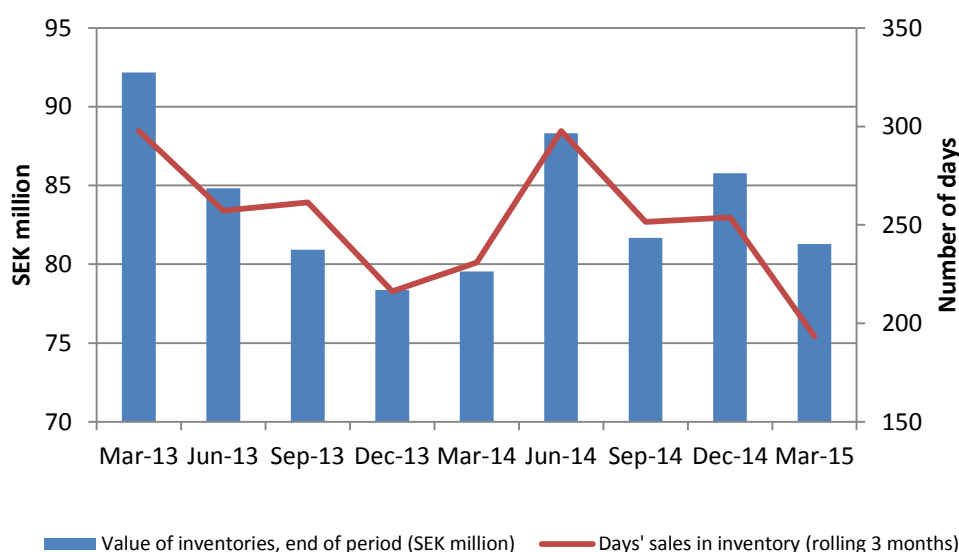
Net profit/loss for the first quarter was SEK -4.1 (-16.6) million. There was also a positive impact on net profit/loss from currency fluctuations of SEK 1.0 (-0.6) million during the first quarter, of which SEK 1.5 (-0.4) is unrealised. Unrealised currency effects arise from revaluation of certain balance sheet items that are held in other currencies than SEK.

### Positive cash flow from operating activities in the first quarter

Cash flow from operating activities amounted to SEK 8.8 (-18.5) million during the first quarter, of which SEK 2.4 (-11.1) million was the change in working capital. The impact on cash flow from change in inventories amounted to SEK -0.8 (-4.9) million for the first quarter of 2015. Accounts receivable increased by SEK 10.9 (-1.7) million during the first quarter, while accounts payable and operating liabilities increased by SEK 14.1 (-4.5) million.

As of 31 March 2015, inventory amounted to SEK 81.3 million, compared with SEK 85.8 million at the beginning of the year. Impairment loss on inventories was SEK 5.3 (3.7) million for the quarter. Days' sales in inventory is currently 193 days.

**Graph 1. Inventories and days sales**



Source: Company information

Cash flow from investing activities amounted to SEK -7.1 (-6.2) million for the first quarter, of which investments in intangible assets amount to SEK -2.9 (-4.3) million, which includes product development, licences and market approval. Investments in property, plant and equipment amounted to SEK -4.2 (-2.0) million, which are attributable to lab equipment for the company's development and analysis activities.

Cash flow from financing activities amounted to SEK -8.5 (-6.6) million during the first quarter, which was due to lower level of utilisation on bank overdraft facilities.

## Financial position as of 31 March 2015

### Cash and cash equivalents

At the end of the period, cash and cash equivalents amounted to SEK 37.7 million, compared with SEK 44.2 million at the beginning of the year. As of 31 March 2015, utilised bank credit was SEK 71.2 million, compared with SEK 79.4 million at the beginning of the year. Total available bank credit was SEK 100 million.

### Financing

In conjunction with the audit of the 2014 annual report, bank credit at SEB, pertaining to inventories financing and invoice discounting was reclassified as a loan with maturity up to 12 months, since this loan is equivalent to a bank overdraft facility. In the past, the Company has recognised bank credit as a loan with maturity between one and two years because Bluefish and SEB view their relationship as long-term. That has not changed and neither side intends to cancel the agreement. At the end of the period, bank credit at SEB amounted to SEK 56.2 million, compared with SEK 64.4 million at the beginning of the year.

### Equity

At the end of the period, equity was SEK 98.3 million, compared to SEK 99.9 million at the beginning of the year. That corresponds to SEK 1.21 (1.23) per share.

### Equity ratio

At the end of the period, the equity ratio was 26.4%, compared to 26.8% at the beginning of the year.

## OTHER

### Employees

As of 31 March 2015 the Company had 93 (85) employees, of which 23 (19) in Sweden, 55 (54) in India, 4 (4) in Germany, 1 (1) in Italy, 3 (2) in Poland, 1 (1) in Portugal, 1 (2) in France, 2 (2) in Spain and 3 (2) in Dubai, compared to 31 December 2014.

### Risks and uncertainties

The Group is exposed to financial risks when carrying out its operations. How it manages these risks is described on page 20 of the 2013 Annual Report. In addition, the Group's operations are impacted by several other factors that are not fully within its control. Factors that are of particular importance in terms of Bluefish's future development are: competitors and pricing, actions by authorities, collaboration with partners, market assessments, key employees and recruiting, product liability and patents/brands.

### Accounting principles

Bluefish Pharmaceuticals applies International Financial Reporting Standards (IFRS) and IFRIC that have been adopted by the EU, the Swedish Annual Accounts Act and Swedish Financial Reporting Board's RFR 1, Supplementary Accounting Rules for Groups, and RFR 2, Accounting for Legal Entities. This interim report was prepared in accordance with IAS 34, Interim Financial Reporting. The Group applies the same accounting policies as in the 2013 Annual Report, except for new and revised standards, interpretations and improvements that have been adopted by the EU and which enter into force as of 1 January 2014.

### Transactions with related parties

Transactions between Bluefish Pharmaceuticals AB and its subsidiaries, which are companies closely affiliated with Bluefish Pharmaceuticals AB, have been eliminated when preparing the consolidated financial statements. 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 for the Bluefish Pharmaceuticals Group.

For the first quarter of 2014, net sales were SEK 68.8 (44.0) million, of which -2.6 (-15.0) million was operating profit/loss. Cash and cash equivalents for the Parent Company as of 31 March 2015 amounted to SEK 22.1 million, compared with SEK 20.4 million at the beginning of the year.

## FINANCIAL CALENDAR

Annual general meeting, 16 June 2015

Interim Report, January – June, 27 August 2015

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

*Stockholm, 21 May 2015*

Karl Karlsson  
CEO

## The Group

The Group's income statement SEK thousands	2015 Jan-March	2014 Jan-March	2014 Jan-Dec
<b>Net sales</b>	<b>70 782</b>	<b>44 490</b>	<b>187 748</b>
Cost of goods sold	-37 850	-31 013	-117 364
<b>Gross profit/loss</b>	<b>32 932</b>	<b>13 477</b>	<b>70 384</b>
<i>Gross margin</i>	<i>46.5%</i>	<i>30.3 %</i>	<i>37.5%</i>
Selling expenses	-16 455	-13 102	-60 257
Administration costs	-5 101	-4 393	-17 846
Research and development expenses	-14 871	-11 249	-48 381
Other operating expenses/income	-	-2	-2
<b>Operating profit/loss<sup>1)</sup></b>	<b>-3 495</b>	<b>-15 269</b>	<b>-56 102</b>
Net financial items	-608	-1 348	-5 275
<b>Profit/loss after financial items</b>	<b>-4 103</b>	<b>-16 617</b>	<b>-61 377</b>
Income tax	-500	-195	-1 142
<b>Profit/loss for the period</b>	<b>-4 603</b>	<b>-16 812</b>	<b>-62 519</b>
 <b>Earnings per share</b>			
Basic earnings per share (SEK)	-0.06	-0.24	-0.82
Diluted earnings per share (SEK)	-0.06	-0.24	-0.82
 <sup>1)</sup> of which			
Amortisation of intangible assets	6 445	4 385	20 429
Depreciation of Property, Plant and Equipment	703	197	1 564
<b>EBITDA</b>	<b>3 653</b>	<b>-10 687</b>	<b>-34 109</b>
 <b>Statement of comprehensive income</b>			
Profit/loss for the period	-4 603	-16 812	-62 519
<b>Other comprehensive income</b>			
Hedging reserve	829	146	64
Exchange rate differences	2 131	146	2 014
<b>Other comprehensive income, net after tax</b>	<b>2 960</b>	<b>292</b>	<b>2 078</b>
<b>Comprehensive income for the period, attributable to the Parent Company's shareholders</b>	<b>-1 643</b>	<b>-16 520</b>	<b>-60 441</b>

The Group's balance sheet	2015	2014	2014
SEK thousands	31 March	31 March	31 Dec
<b>Non-current assets</b>			
Intangible assets	165 660	172 153	169 144
Property, plant and equipment	13 414	7 154	8 895
Financial assets	1 903	1 819	1 700
<b>Total non-current assets</b>	<b>180 977</b>	<b>181 126</b>	<b>179 739</b>
<b>Current assets</b>			
Inventories	81 290	79 540	85 778
Current receivables	72 852	57 161	62 573
Cash and cash equivalents	37 735	31 761	44 165
<b>Total current assets</b>	<b>191 877</b>	<b>168 462</b>	<b>192 516</b>
<b>Total assets</b>	<b>372 854</b>	<b>349 588</b>	<b>372 255</b>
<b>Equity</b>	<b>98 265</b>	<b>93 609</b>	<b>99 908</b>
<b>Non-current liabilities</b>			
Non-current liabilities, interest-bearing	21 282	8 124	21 242
Non-current liabilities, non interest-bearing	2 962	2 079	2 863
<b>Total non-current liabilities</b>	<b>24 244</b>	<b>10 203</b>	<b>24 105</b>
<b>Current liabilities</b>			
Current liabilities, interest-bearing	71 153	109 248	79 362
Current liabilities, non interest-bearing	179 192	136 528	168 880
<b>Total current liabilities</b>	<b>250 345</b>	<b>245 776</b>	<b>248 242</b>
<b>Total equity and liabilities</b>	<b>372 854</b>	<b>349 588</b>	<b>372 255</b>

Change in equity, Group	2015	2014	2014
SEK thousands	Jan-March	Jan-March	Jan-Dec
Opening balance	99 908	110 129	110 129
Equity portion of convertible debt	-	-	338
Conversion of convertible debt	-	-	-
New share issue	-	-	50 000
Emission expenses	-	-	-118
Other comprehensive income for the period	-1 643	-16 520	-60 441
<b>Closing balance</b>	<b>98 265</b>	<b>93 609</b>	<b>99 908</b>

Share Information	2015	2014	2014
Number, 000s	Jan-March	Jan-March	Jan-Dec
Number of shares at the end of the period before dilution	80 942	70 942	80 942
Average number of shares before dilution	80 942	70 942	76 312
Average number of shares after dilution	80 942	70 942	76 312
Equity per share (SEK)	1.21	1.32	1.23
Equity ratio (%)	26.4%	26.8%	26.8%

Consolidated statement of cash flows	2015	2014	2014
SEK thousands	Jan-March	Jan-March	Jan-Dec
Cash flow from operating activities before change in working capital	6 432	-7 394	-20 619
Change in working capital	2 363	-11 150	-5 012
<b>Cash flow from operating activities</b>	<b>8 795</b>	<b>-18 544</b>	<b>-25 632</b>
Cash flow from investing activities	-7 099	-6 241	-19 752
Cash flow from financing activities	-8 512	-6 635	24 913
<b>Cash flow for the period</b>	<b>-6 816</b>	<b>-31 420</b>	<b>-20 471</b>
<b>Cash equivalents at the beginning of the period</b>	<b>44 165</b>	<b>63 065</b>	<b>63 065</b>
Exchange rate differences in cash and cash equivalents	386	116	1 571
<b>Cash equivalents at the end of the period</b>	<b>37 735</b>	<b>31 761</b>	<b>44 165</b>

## PARENT COMPANY

The Parent Company's income statement	2015	2014	2014
SEK thousands	Jan-March	Jan-March	Jan-Dec
Net sales	68 796	43 961	185 148
Operating profit/loss	-2 556	-14 963	-54 217
Net profit/loss for the period	-3 851	-17 155	-61 951

The Parent Company's balance sheet	2015	2014	2014
SEK thousands	31 March	31 March	31 Dec
Non-current assets	172 583	202 684	176 607
Current assets	158 480	151 999	161 445
<b>Total assets</b>	<b>331 063</b>	<b>354 682</b>	<b>338 052</b>
Equity	94 015	91 694	97 038
Non-current liabilities	23 998	9 964	23 872
Current liabilities	213 050	253 024	217 142
<b>Total equity and liabilities</b>	<b>331 063</b>	<b>354 682</b>	<b>338 052</b>

## DEFINITIONS OF KEY FIGURES

### Gross margin

Operating profit/loss as a percentage of sales

### Gross profit/loss

Operating income less cost of goods sold

### EBIT

Profit/loss before financial items and tax (Operating profit/loss)

### EBITDA

Operating profit/loss before depreciation, amortisation and impairment of property, plant and equipment and intangible assets

### Equity per share

Equity per share divided by the number of shares

### Net sales

Gross sales adjusted for discounts, price adjustments and returns

### Net debt

Interest-bearing non-current and current liabilities less cash in bank

### Equity ratio

Equity divided by total assets