

INTERIM REPORT

JANUARY – SEPTEMBER 2017

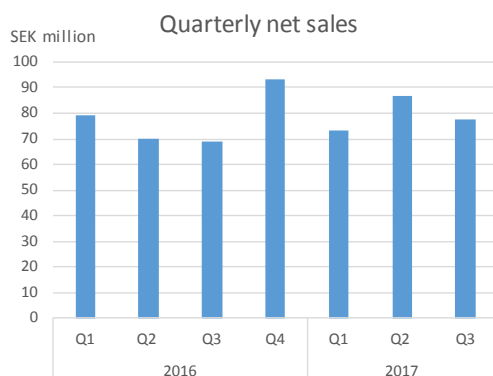
- Net sales amounted to SEK 237.2 (218.3) million
- EBITDA was SEK -2.3 (7.7) million
- Basic earnings per share were SEK -0.36 (-0.19)

JULY – SEPTEMBER 2017

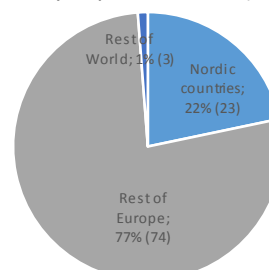
- Net sales amounted to SEK 77.5 (68.8) million
- EBITDA was SEK -3.5 (0.5) million.
- Basic earnings per share were SEK -0.19 (-0.09)

SIGNIFICANT EVENTS

- First launch of inhouse developed product continues in more markets
- Two new launches of licensed products in this quarter and in total 17 new products have been launched 2017.
- SAP roll-out to all European companies completed
- Opened new office in Ireland July 2017 Closed down office in Dubai July 2017
- Two new development projects have been initiated in R&D during this quarter
- New convertible loan of SEK 100 million finalized early July 2017
- Investments has been made by increasing the salesforce in Poland, Portugal and France
- Future outlook 2017
 - Erik Ekman appointed COO in November, 2017
 - Vlastimir Zeman appointed Business Development director October 2017
 - Swedish warehouse will relocate to the south of Sweden by end of 2017



Net sales distribution
January-September 2017 (2016)

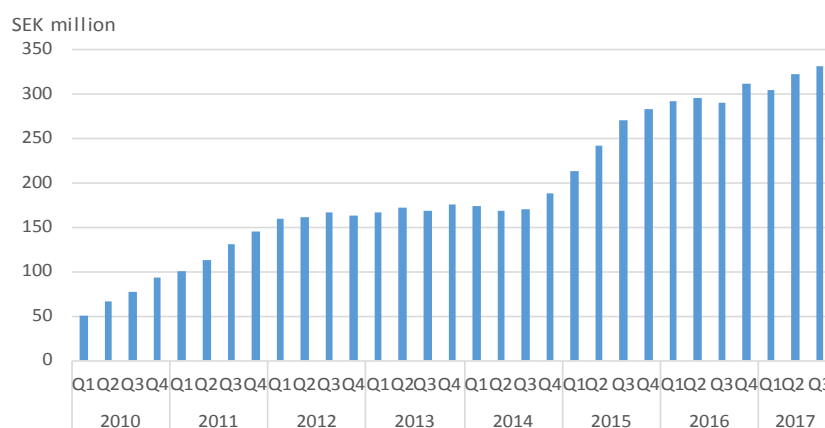


OPERATIONS

Sales increased

Sales increased by 9% during the first nine months of the year compared with the first nine months of 2016. SEK 237.2 (218.3) million, of which SEK 51.5 (49.5) million in the Nordic region, SEK 182.9 (162.2) million in Rest of Europe and SEK 2.8 (6.6) million in Rest of World. The sales have been fuelled by markets outside the Nordic region, eg Spain, Germany, Poland and the UK.

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 Poland, Portugal, France and the Nordics. Our assessment is that we currently have a strong organization in place that has extensive knowledge of both local regions and markets.

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

Optimization of the product portfolio

The composition of the product portfolio in each market stays critical to the company's future growth and profitability. Launches in subsequent countries are progressing according to plan.

The company is continuing to invest in additional new product licenses and in new development projects at our R&D unit. Investments are made selectively and only in the markets where Bluefish see a high potential in terms of both sales and profitability. The expected earnings potential of products is also continually evaluated.

At the rate that Bluefish grows and gains more market share, we become noticed as a potential partner by companies offering unique products.

Optimization in operations

Alongside investments in marketing personell there is also an increase in personell cost during the last three quarters, this has been caused by overlap of manpower during a period of change as well as use of consultants to bridge vacancies. The company is adresssing the increased cost by replacing consultants with own employees and get the right manning in place.

Increase in stock levels is seen during this quarter due to stock build for new launches, tech transfers and earlier shipments due to planning around the warehosue shift in Q4 and regaining stock levels for certain products. Operations team is addressing the high stock levels to reduce them to a more feasible level.

FUTURE OUTLOOK

In 2017, the company expects an increase in sales growth compared to the prior year. Sales growth will primarily be fuelled by sales of newly launched products, which is a result of investments 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. In line with this a new sales office was opened in Ireland in July 2017. Some of our launches have been delayed, for variousg reasons, which will lead the positive sales effect to be more consistently shown in 2018.

A strategic decision was also made to close our Dubai office inorder to focus resources and efforts on the European markets. The Dubai office was closed in July 2017.

	30 Sep 2017	30 Sep 2016
Products under development or registration	30	20
Products in the market	69	65

FINANCIAL OVERVIEW

SEK million	2017 Jul-Sep	2016 Jul-Sep	Change	2017 Jan-Sep	2016 Jan-Sep	Change
Net sales	77.4	68.8	13%	237.2	218.3	9%
COGS	-46.1	-36.0	28%	-134.3	-112.2	20%
Gross profit	31.3	32.8	-5%	102.9	106.1	-3%
Gross margin	40.4%	47.7%		43.4%	48.6%	-9%
EBITDA	-3.5	0.5		-2.3	7.7	
Cash flow from operating activities	-40.7	-19.6		-58.9	-42.2	
Cash flow from investing activities	-5.5	-6.8		-18.2	-18.0	

Bluefish generated net sales of SEK 77.4 (68.8) million during the third quarter of the year, which corresponds to an increase of 13% compared to the same period in 2016. Gross profit was SEK 31.3 (32.8) million, with a corresponding gross margin of 40.4% (47.7%) for the period. This margin development is largely in line with expectations with one of the drivers being price erosion in the Swedish market coupled with delayed launches.

Operating costs and EBITDA

Total operating costs during the third quarter, not including depreciation/amortization and impairment of property, plant and equipment and intangible assets, amounted to SEK 41.5 (38.0) million, which corresponds to a increase of 9% compared to the same period last year.

EBITDA for the third quarter amounted to SEK -3.5 (0.5) million and EBITDA for the first nine months of the year was SEK -2.3 (7.7) million.

Net loss for the third quarter of the year

Depreciation/amortization and impairment of property, plant and equipment and intangible assets was SEK 6.7 (5.8) million for the third quarter and SEK 18.7 (17.7) million for the first nine months.

We are currently in the process of carrying out our impairment test of intangible assets where initial indications suggest a potential need for write-downs. The finalized test will be reviewed by our auditors at the end of November, after which final evaluations and decisions will be made. The effects of such decisions will impact on the Q4 results.

For the third quarter net financial expenses amounted to SEK -4.3 (-1.5) million and SEK -6.2 (-3.5) million for the first nine months. Net loss was SEK -15.0 (-7.5) million for the third quarter and SEK -29.2 (-15.3) million for the first nine months.

Cash flow

Cash flow from operating activities amounted to SEK -40.7 (-19.6) million for the third quarter of 2017, of which SEK -29.7 (-23.4) million was the change in working capital. Cash flow from accounts receivable and other current receivables was flat SEK -0.1 (-1.8) million, and cash flow from accounts payable and other operating liabilities decreased by SEK -11.5 (-16.0) million during the third quarter of 2017.

Cash flow from operating activities amounted to SEK -58.9 (-42.2) million for the first nine months of 2017, of which SEK -46.2 (-61.1) million was the change in working capital. Cash flow from accounts receivable and other current receivables decreased by SEK -23.0 (-2.0) million, and cash flow from accounts payable and other operating liabilities increased by SEK 14.4 (-46.1) million during the first nine months of 2017.

As of 30 September 2017, inventory was SEK 122.2 million, compared with SEK 96.9 million at 30 September 2016, which represents an increase of 26%. The increase is driven mainly by stock build in preparation for new launches and stock level replenishment, in order to avoid the 2016 situation with stock-outs and the consequential loss of sales and imposed penalties. A higher sales level also contributes to the inventory increase.

Cash flow from investing activities was SEK -5.5 (-6.8) million for the third quarter, of which investments in intangible assets were SEK -5.0 (-6.4) million. Cash flow from investing activities was SEK -18.2 (-18.0) million for the first nine months of the year, of which investments in intangible assets were SEK -17.6 (-16.1) million. Investments comprise product development, licenses, and market approvals. Investments in property, plant and equipment amounted to SEK -0.5 (-0.4) million for the third quarter and SEK -0.6 (-1.9) million for the first nine months of the year.

Cash flow from financing activities amounted to SEK 66.3 (7.7) million for the third quarter and SEK 90.4 (22.0) million for the first nine months of the year. The increase in cash flow results mainly from a new SEK 100 million convertible loan but also from repayment of previous shareholder and convertible loans, as well as a decreased utilization level of our asset pledge.

Financial position as of 30 September 2017

Cash and cash equivalents

At the end of the period, cash and cash equivalents amounted to SEK 46.7 million, compared with SEK 33.6 million at the beginning of the year. As of 30 September 2017, utilized bank credit was SEK 95.5 million, compared to SEK 83.6 million at the beginning of the year.

Aside from the bank credit, there are also shareholder loans of SEK 15.0 million, which results in total loans of SEK 110.5 million. A convertible loan of SEK 21.7 million matured on 30 June 2017. Bluefish secured new financing through a new convertible loan of SEK 100 million, with cash being available in early July 2017. This additional capital will ensure the company's future growth and planned investments. The new convertible loan was partly offset by repayment of a shareholder loan of SEK 25 million.

Equity

At the end of the period, equity was SEK 54.7 million, compared to SEK 77.0 million at the beginning of the year. That corresponds to SEK 0.68 (0.80) per share.

Equity ratio

At the end of the period, the equity ratio was 12.6%, 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 0.65 compared to 0.49 at the beginning of the year.

OTHER

Employees

As of 30 September 2017, the company had 124 (108) employees, of which 29 (25) in Sweden, 74 (67) in India, 4 (4) in Germany, 8 (3) in Poland, 2 (1) in Portugal, 3 (1) in France, 1 (0) in Ireland, 0 (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 third quarter of 2017, net sales were SEK 79.0 (61.2) million, and operating loss was -4.8 (-5.7) million. For the first nine months of the year, net sales were SEK 222.8 (199.2) million, and operating loss was -22.5 (-11.8) million. As of 30 September 2017, cash and cash equivalents for the Parent Company amounted to SEK 25.4 million, compared with SEK 10.2 million at the beginning of the year.

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

Stockholm, xxx November 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. 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	2017	2016	2016
SEK thousands	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Net sales	77 452	68 804	237 248	218 305	311 627
Cost of goods sold	-46 147	-36 006	-134 389	-112 184	-152 887
Gross profit	31 305	32 798	102 859	106 121	158 740
<i>Gross margin</i>	<i>40,4%</i>	<i>47,7%</i>	<i>43,4%</i>	<i>48,6%</i>	<i>50,9%</i>
Selling expenses	-19 165	-18 042	-55 435	-55 657	-72 092
Administrative expenses	-6 301	-4 773	-18 015	-15 252	-21 246
Research and development expenses	-16 026	-15 157	-50 335	-45 744	-62 114
Other operating expenses/income	-	-49	-	593	569
Operating profit (loss)¹⁾	-10 187	-5 223	-20 926	-9 939	3 857
Net financial income/expense	-4 251	-1 542	-6 162	-3 521	-5 158
Profit (loss) after financial items	-14 438	-6 765	-27 088	-13 460	-1 301
Income tax	-546	-690	-2 099	-1 826	-2 327
Profit (loss) for the period	-14 984	-7 455	-29 187	-15 286	-3 628
Earnings per share					
Basic earnings per share (SEK)	-0.19	-0.09	-0.36	-0.19	-0.04
Diluted earnings per share (SEK)	-0.19	-0.09	-0.36	-0.19	-0.04
¹⁾ of which					
Amortization and impairment of intangible assets	5 702	5 094	16 133	15 738	22 713
Depreciation of property, plant and equipment	1020	666	2 541	1 935	2 569
EBITDA	-3 465	537	-2 252	7 734	29 139
Statement of comprehensive income					
Profit (loss) for the period	-14 984	-7 455	-29 187	-15 286	-3 628
Other comprehensive income					
Hedging reserve	-	-	-	-	-
Exchange rate differences	-656	743	-204	863	1 063
Other comprehensive income, net after tax	-656	743	-204	863	1 063
Comprehensive income for the period, attributable to parent company shareholders	-15 640	-6 712	-29 391	-14 423	-2 565

Consolidated balance sheet	2017	2016	2016
SEK thousands	30 Sep	30 Sep	31 Dec
Non-current assets			
Intangible assets	162 605	165 325	161 551
Property, plant and equipment	8 530	11 264	10 981
Financial assets	1 780	1 798	1 861
Total non-current assets	172 915	178 387	174 393
Current assets			
Inventories	122 245	96 888	95 042
Current receivables	93 730	70 994	70 648
Cash and cash equivalents	46 749	28 427	33 607
Total current assets	262 724	196 309	199 297
Total assets	435 639	374 696	373 690
Equity	54 750	65 143	77 001
Non-current liabilities			
Non-current liabilities, interest-bearing	93 060	-	-
Non-current liabilities, non interest-bearing	4 382	4 993	2 729
Total non-current liabilities	97 442	4 993	2 729
Current liabilities			
Current liabilities, interest-bearing	110 549	120 431	120 181
Current liabilities, non interest-bearing	172 897	184 129	173 779
Total current liabilities	283 446	304 560	293 960
Total equity and liabilities	435 638	374 696	373 690
Pledged assets	80 549	69 271	70 313
Contingent liabilities	None	None	None

Change in equity, Group	2017	2016	2017	2016	2016
SEK thousands	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Opening balance	63 250	71 855	77 001	79 566	79 566
Equity portion of convertible loan	7 140	-	7 140	-	-
Other comprehensive income for the period	-15 640	-6 712	-29 391	-14 423	-2 565
Closing balance	54 750	65 143	54 750	65 143	77 001

Share data	2017	2016	2017	2016	2016
Number, thousands	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Number of shares at end of period before dilution	80 942	80 942	80 942	80 942	80 942
Average number of shares before dilution	80 942	80 942	80 942	80 942	80 942
Average number of shares after dilution	80 942	80 942	80 942	80 942	80 942
Equity per share (SEK)	0.68	0.80	0.68	0.80	0.95
Equity ratio (%)	12.6	17.4	12.6	17.4	20.6

Consolidated cash flow statement	2017	2016	2017	2016	2016
SEK thousands	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Cash flow from operating activities before change in working capital	-10 951	3 846	-12 693	18 959	38 016
Change in working capital	-29 729	-23 412	-46 254	-61 118	-71 103
Cash flow from operating activities	-40 680	-19 566	-58 947	-42 159	-33 087
Cash flow from investing activities	-5 504	-6 778	-18 210	-17 994	-21 826
Cash flow from financing activities	66 258	7 717	90 356	22 046	21 746
Cash flow for the period	20 074	-18 627	13 199	-38 107	-33 167
Cash and cash equivalents at beginning of period	26 788	46 530	33 607	65 313	65 313
Exchange rate differences in cash and cash equivalents	-113	523	-57	1 221	1 461
Cash and cash equivalents at end of period	46 749	28 426	46 749	28 427	33 607

PARENT COMPANY

Parent Company income statement	2017	2016	2017	2016	2016
SEK thousands	Jul-Sep	Jul-Sep	Jan-Sep	Jan-Sep	Jan-Dec
Net sales	78 995	61 224	222 779	199 208	283 438
Cost of goods sold	-45 969	-32 544	-132 177	-106 172	-143 648
Gross profit	33 026	28 680	90 602	93 036	139 790
<i>Gross margin</i>	<i>41,8%</i>	<i>46,8%</i>	<i>40,7%</i>	<i>46,7%</i>	<i>49,3%</i>
Operating costs	-37 784	-34 352	-113 086	-105 459	-137 988
Other operating expenses/income	-	-49	-	593	569
Operating profit (loss)	-4 758	-5 721	-22 484	-11 830	2 371
Net financial income/expense	-4 105	-1 861	-7 611	-5 049	-6 835
Profit (loss) after financial items	-8 863	-7 582	-30 095	-16 879	-4 464
Income tax	-	-	-	-	-
Profit (loss) for the period	-8 863	-7 582	-30 095	-16 879	-4 464

Parent Company income statement	2017	2016	2016
SEK thousands	30 Sep	30 Sep	31 Dec
Non-current assets	181 502	183 594	180 554
Current assets	185 108	151 082	149 610
Total assets	366 610	334 676	330 164
Equity	44 740	55 282	67 697
Non-current liabilities	97 372	4 851	2 599
Current liabilities	224 498	274 543	259 867
Total equity and liabilities	366 610	334 676	330 163
Pledged assets	80 549	69 271	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