

INTERIM REPORT

JANUARY – JUNE 2011

- Net sales amounted to SEK 64.9 million (45.4)
- EBITDA was SEK -9.2 million (0.4)
- Earnings per share totaled SEK -0.48 (-0.17) before dilution

APRIL – JUNE 2011

- Net sales amounted to SEK 37.5 million (25.9)
- EBITDA was SEK -5.5 million (-0.5)
- Earnings per share totaled SEK -0.31 (-0.11) before dilution

HIGHLIGHTS

- Continued top-line growth
 - Net sales growth of 43 % compared to first six months in 2010
 - Increase in market share behind revenue growth
- Profitability affected by growing organization and currency movements
 - Number of employees now 71 (50)
 - Currency effect of SEK -0.5 million (3.2) during first six months
- Acquisition of Biophausia's generic company BMM Pharma AB
 - Portfolio of 19 niche products in the Nordic markets expected to generate net sales of about SEK 30 million on annual basis
 - Purchase price of approximately SEK 38 million



BUSINESS UPDATE

During the first six months of 2011, Bluefish has continued to grow the local portfolios by launching additional products. After product introductions on Ireland in March and in France in July, Bluefish products are now available in 19 European markets. In contrast to 2010, when Bluefish key focus was to enter additional European markets, during 2011, the company has expanded its marketing operation with the focus to increase market share in all markets.

Net sales for the first six months 2011 amounted to SEK 64.9 million, an increase by 43% compared to the first half of 2010. At the same time, operating costs have increased by 78% compared to the corresponding period last year. To meet the increased demand that results from managing a broad European presence with rapid launches of new products and expansion of the total product portfolio, the company has further expanded its workforce, and Bluefish now has a total of 71 employees compared to 50 at the end of June last year. The increased size of the organization explains the increase in operating costs.

During 2010, the company started two new initiatives to secure sustainable growth of the company. The first was to start development of its own product formulations within chosen niche segments. Today, Bluefish has 5 niche products under development. The second initiative was a preferred partner program with other pharmaceutical companies seeking a partner to market and sell products in Europe on a profit-split basis. Bluefish has successfully entered into another nine of these distribution agreements during the first six months of 2011, resulting in a substantially increased portfolio of distribution products. Bluefish is expecting the market approval for Levetiracetam by the end of September 2011, after this, the company will have received market approvals for all of its 31 licensed products. Looking at the whole product portfolio, it currently consists of 49 products, compared to 33 at the end of June 2010.

The company's ambition is to balance growth opportunities with a consistency of EBITDA profitability. However, the effect of new market activities typically has an impact on the cost structure approximately six to nine months prior to the effect on the topline. In addition, compared to the same period last year, when currencies benefited net result by SEK 3.2 million, during the first half of 2011, the corresponding amount was SEK -0.5 million, i.e. a net difference of SEK -3.7 million. As a result, EBITDA for the first six months amounted to SEK -9.2 million, compared to SEK 0.4 in the corresponding period last year.

The increased magnitude of the company's business has led to a significant increase in working capital through increased inventory during the period. Cash flow from operating activities amounted to SEK -61.5 million during the first six months of 2011, whereof change in working capital amounted to SEK -50.0 million. The increase is explained by a generally broader product offering in all of Bluefish 19 markets, and an increase in inventory of products that will be launched during the coming months. The inventory level is expected to stabilize during the second half of 2011.

Outlook

As market shares increase and the product offering grows, Bluefish expects a gradual increase in net sales throughout the year. For 2011, the company expects net sales to reach SEK 150 million, excluding the BMM portfolio (described in more detail under Key events after the period's end), corresponding to an annual growth of approximately 60%. With the expected increase in net sales during the second half of 2011, gross profit is expected to match the operating costs towards the end of the year.

AGREEMENTS AND KEY EVENTS

New distribution agreements

During the second quarter, Bluefish signed distribution agreements for five new products; Tetrabenazine, Droperidol, Levocetirizine, Fentanyl patch and Sildenafil. Tetrabenazine is used to treat involuntary movements associated with Huntington's disease. Droperidol is used for prevention and treatment of post-operative nausea and vomiting. Levocetirizine is an anti-histamine and is used to treat allergies, while Fentanyl is used to treat patients with severe pain. Sildenafil is used to treat erectile dysfunction.

KEY EVENTS AFTER PERIOD'S END

Acquisition of BioPhausia's generic company BMM Pharma AB

On 26 August, Bluefish acquisition of BioPhausia's generic company BMM Pharma AB was made public. By adding products within several niche segments, Bluefish is enhancing the value of its existing product portfolio. With an extended product offering, Bluefish is further strengthening its market presence in important local Nordic markets. It is a strategic acquisition that takes advantage of Bluefish solid platform and efficient and flexible organization.

Closing will take place on 1 September, and gives Bluefish access to a portfolio of 19 products within niche segments of the pain, inflammation and gastrointestinal therapeutic areas. Adding the BMM products creates a total portfolio of 68 products, whereof 41 have been launched. The acquisition does not include any personnel.

The acquisition of BMM will have an estimated SEK 30 million positive impact on net sales on an annual basis from 2012 and onwards.

The purchase of BMM confirms Bluefish positioning as the fastest growing generic company in the Nordic markets. The improved scale following the acquisition, together with the company's broad presence in the rest of Europe, offers new pan-European business opportunities. The existing platform facilitates the addition of new products.

The purchase price for the shares in BMM Pharma AB is SEK 26 million, with an estimated additional SEK 12 million for inventory. The acquisition will be financed by a bridge loan of SEK 40 million from Färna Invest AB, who has also entered a guarantee agreement for a new share issue with a corresponding amount.

Market launch in France

In July, the company launched its initial products in France. Bluefish strategic focus will initially be on the hospital market segment. The product offering will be extended over time, and will also include the retail market.

Licensed products	31	Products under registration	1
Distribution products	13	Approved licensed products	30
Products in development	5	Products on the market	26
Total number of products	49		

SEK million	2011 Apr-Jun	2010 Apr-Jun	Change	2011 Jan-Jun	2010 Jan-Jun	Change
Net sales	37.5	25.9	45 %	64.9	45.4	43 %
Gross profit	10.1	7.5	35 %	18.7	14.9	26 %
Gross margin	26.8 %	28.9 %		28.8 %	32.8 %	
EBITDA	-5.5	-0.5		-9.2	0.4	
Cash flow from operating activities	-44.2	-19.9		-61.5	-17.5	
Cash flow from investing activities	-2.7	-10.4		-8.1	-20.4	

The Group generated net sales of SEK 37.5 million (25.9) in the second quarter, corresponding to an annual increase of 45%. Gross profit was SEK 10.1 million (7.5), generating a gross margin of 26.8% (28.9%) in the period, which includes inventory write downs of SEK 0.6 million. EBITDA was SEK -5.5 million (-0.5) in the second quarter.

The Group generated net sales of SEK 64.9 million (45.4) during the first half of 2011, equivalent to an annual growth of 43 %. Gross profit was SEK 18.7 million (14.9), generating a gross margin of 28.8 % (32.8 %). Accumulated EBITDA amounted to SEK -9.2 million (0.4).

The increase in net sales for the second quarter and for the first six months is explained by growing product portfolios in all local markets. Adjusted for currencies, operating expenses in the second quarter were 10% higher than in the first quarter primarily due to increased consultant and recruitment costs. Depreciation and amortization amounted to SEK 2.0 million (1.7) for the second quarter and SEK 3.7 million (3.2) for the first six months. The increase is explained by a larger number of products now having reached the market.

Net financial items amounted to SEK -3.3 million (-1.1) for the second quarter and SEK -4.2 million (-2.3) for the first six months, which includes interest payments on the convertible instruments and on the credit facility.

Net result has been affected by a negative currency effect of SEK -1.8 million (1.3) in the second quarter and of SEK -1.4 million (3.2) in the first six months.

Cash flow

Operating cash flow

Cash flow from operating activities amounted to SEK -44.2 million (-19.9) for the quarter, where change in working capital constitutes SEK -36.7 million (-16.8). The increase in working capital is explained by an increase in the company's inventory and accounts receivables, but primarily a decrease in the account payables. Accumulated cash flow from operating activities amounted to SEK -61.5 million (-17.5) during the first six months of 2011.

Investments and divestments

Cash flow from investing activities amounted to SEK -2.7 million (-10.4) in the period and SEK -8.1 million (-20.4) accumulated. Investments are primarily related to investments in products and market approvals.

Financing

Cash flow from financing activities amounted to SEK 43.9 million (24.5) in the second quarter, reflecting the capital raised in the convertible bond issue in May.

Financial position as of 30 June 2011

Cash and cash equivalents

Cash and cash equivalents were at the end of the period SEK 3.5 million compared to SEK 6.9 million at the beginning of the year. Per 30 June 2011, bank overdraft in use totaled SEK 21.0 million and invoices pledged amounted to SEK 15.7 million. Total available credit facilities amounted to SEK 45 million.

Equity

Equity totaled SEK 72.2 million at the end of the period, compared to SEK 90.8 million at the beginning of the year. This is equivalent to SEK 2.02 (2.54) per share.

Equity/Asset ratio

The equity/asset ratio was 29.3 % at the end of the period, compared to 43.3 % at the beginning of the year.

OTHER

Employees

As of 30 June 2011, the company had 71 employees (57), whereof 16 (17) in Sweden, 48 (35) in India, 3 (3) in Germany, 1 (1) in Italy, 1 (1) in Poland and 2 (-) in France, compared to beginning of the year.

Principal risks

The Bluefish Group's business is exposed to financial risks. The Bluefish 2010 annual report describes its risk management on page 31. 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 applies International Financial Reporting Standards (IFRS) as endorsed by the European Union, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation 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 2010 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 2011.

As from 1 January 2011, a useful life of 10-15 years is applied regarding licences and market approvals.

PARENT COMPANY

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

Net sales in the second quarter 2011 totaled SEK 36.8 million (25.8) and the operating result was SEK -7.8 million (-3.9). The parent company's cash and cash equivalents by 30 June 2011 totaled SEK 0.1 million, compared to SEK 1.4 million at the beginning of the year.

FORTHCOMING FINANCIAL REPORTING

Interim report July-September 2011, 18 November 2011

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

Stockholm, 26 August 2011

Karl Karlsson
President & CEO

THE GROUP

Consolidated income statement SEK thousand	2011 Apr-Jun	2010 Apr-Jun	2011 Jan-Jun	2010 Jan-Jun	2010 Jan-Dec
Net sales	37 490	25 861	64 944	45 437	92 720
Cost of goods sold	-27 437	-18 384	-46 234	-30 553	-63 887
Gross profit	10 053	7 477	18 710	14 884	28 833
<i>Gross margin</i>	27 %	29 %	29 %	33 %	31 %
Selling expenses	-7 374	-4 304	-13 987	-8 107	-20 506
Administration expenses	-4 027	-1 995	-7 183	-3 577	-8 281
Research and development expenses	-6 150	-3 377	-10 366	-6 032	-14 171
Other operating expenses/revenues	-	-	-	-	285
Operating result¹⁾	-7 498	-2 199	-12 826	-2 832	-13 840
Net financial items	-3 266	-1 120	-4 165	-2 257	-5 128
Result after financial items	-10 764	-3 319	-16 991	-5 089	-18 968
Taxes	-224	-21	-228	-21	-45
Result for the period	-10 988	-3 340	-17 219	-5 110	-19 013
Earnings per share					
Earnings per share before dilution (SEK)	-0.31	-0.11	-0.48	-0.17	-0.60
Earnings per share after dilution (SEK)	-0.31	-0.11	-0.48	-0.17	-0.60
¹⁾ of which					
Amortisation intangible assets	1 764	1 648	3 272	3 048	6 691
Depreciation tangible asset	202	78	390	151	313
EBITDA	-5 532	-473	-9 164	367	-6 837
Statement of comprehensive income					
Result for the period	-10 988	-3 340	-17 219	-5 110	-19 013
Other comprehensive income					
Exchange rate differences	-140	-88	-576	-19	-355
Other comprehensive income, net after tax	-140	-88	-576	-19	-355
Total comprehensive income for the period,	-11 128	-3 428	-17 795	-5 129	-19 368
attributable to shareholders of the Parent company					

Consolidated balance sheet	2011	2010	2010
SEK thousand	30 Jun	30 Jun	31 Dec
Non-current assets			
Intangible assets	128 830	117 723	124 133
Tangible assets	2 763	3 155	2 908
Financial assets	520	529	448
Total non-current assets	132 113	121 407	127 489
Current assets			
Inventories	66 118	37 150	44 535
Current receivables	45 085	34 897	30 763
Cash and cash equivalents	3 505	6 063	6 852
Total current assets	114 708	78 110	82 150
Total assets	246 821	199 517	209 639
Equity	72 196	64 820	90 801
Non-current liabilities			
Other liabilities, interest bearing	95 498	51 139	45 785
Other liabilities, non-interest bearing	2 909	5 862	3 254
Total non-current liabilities	98 407	57 001	49 039
Current liabilities			
Other current liabilities, interest bearing	18 616	11 116	520
Other current liabilities, non-interest bearing	57 602	66 580	69 279
Total current liabilities	76 218	77 696	69 799
Total equity and liabilities	246 821	199 517	209 639

Consolidated statement of changes in equity	2011	2010	2010
SEK thousand	Jan-Jun	Jan-Jun	Jan-Dec
Opening balance	90 801	69 939	69 939
Equity portion of convertible loan	1 492	9	9
Conversion of convertible loan	-	-	15 781
New share issue	-	-	25 025
Issue expenses	-2 302	-	-585
Total comprehensive income for the period	-17 795	-5 129	-19 368
Closing balance	72 196	64 820	90 801

Shares	2011	2010	2010
Thousand	Jan-Jun	Jan-Jun	Jan-Dec
Number of shares on closing day before dilution	35 698	29 549	35 698
Average number of shares before dilution	35 698	29 549	31 498
Average number of shares after dilution	35 804	29 549	31 516
Equity per share (SEK)	2.02	2.19	2.54
Equity/assets ratio (%)	29.3%	32.5%	43.3%

Consolidated cash flow statement	2011	2010	2011	2010	2010
SEK thousand	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Cash flow from operating activities before change in working capital	-7 564	-3 107	-11 509	-4 179	-15 120
Change in working capital	-36 681	-16 753	-50 002	-13 363	-11 555
Cash flow from operating activities	-44 245	-19 860	-61 511	-17 542	-26 675
Cash flow from investing activities	-2 741	-10 365	-8 112	-20 376	-33 797
Cash flow from financing activities	43 914	24 537	66 333	29 849	53 534
Cash flow from the period	-3 072	-5 688	-3 290	-8 069	-6 938
Cash and cash equivalents at period's start	6 508	11 861	6 852	14 474	14 474
Translation difference	69	-110	-57	-342	-684
Cash and cash equivalents at period's end	3 505	6 063	3 505	6 063	6 852

PARENT COMPANY

Parent company income statement	2011	2010	2011	2010	2010
SEK thousand	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Net sales	36 768	25 836	63 741	44 745	90 989
Operating result	-7 831	-3 935	-12 958	-3 966	-15 161
Net result for the period	-11 008	-5 053	-17 030	-6 223	-20 195

Parent company balance sheet	2011	2010	2010
SEK thousand	30 Jun	30 Jun	31 Dec
Non-current assets	131 763	121 431	127 499
Current assets	111 457	79 504	78 025
Total assets	243 220	200 935	205 524
Equity	70 834	62 406	88 659
Non-current liabilities	98 088	56 089	48 344
Current liabilities	74 298	82 441	68 521
Total equity and liabilities	243 220	200 935	205 524