



INTERIM REPORT

JANUARY – JUNE 2014

- Net sales amounted to SEK 82.8 million (89.9)
- EBITDA was SEK -25.7 million (-10.0)
- Earnings Per Share before dilution totalled SEK -0.55 (-0.36)

APRIL – JUNE 2014

- Net sales amounted to SEK 38.3 million (43.9)
- EBITDA was SEK -15.0 million (-8.5)
- Earnings Per Share before dilution totalled SEK -0.32 (-0.23)

HIGHLIGHTS

- Disappointing net sales development during first six months of 2014
 - Temporary stock-outs and sell-outs
 - Weak topline reduces profitability
- Continued efforts to grow in new territories
 - Iraq order to be delivered in Q4
 - New tender in Spain valid from Q4
- Outlook 2014
 - Strong net sales development by the end of the year
 - New market and product launches will have a positive effect on earnings

BUSINESS UPDATE

Since last year, Bluefish has actively been seeking opportunities to increase revenues in the short- to mid-term, both in existing markets and also in markets outside Europe by entering into partnerships with local companies that take the main responsibility for marketing and distribution as well as assume the inventory risk. During the first six months, the company has continued to strengthen its organisation in order to be able to grow in territories outside the EU. In April, the company received its first order from a new partner in Iraq and efforts continue to identify business opportunities in new markets. To facilitate product deliveries to these new markets, Bluefish has established a logistic hub in Dubai, from where products aimed for non-EU markets will be distributed.

Net sales during the first six months were disappointing. As a result of the temporary withdrawal of the GMP certificate for one of the company's main contract partners providing product analysis for batch release, a significant amount of the company's products could not be released for sale in the EU, resulting in a stock-out situation in several key markets. Major efforts were made to identify alternative suppliers, and by the end of March all products involved had been transferred to a new laboratory. Still, supply in some markets continued to be affected during the second quarter although the impact in Q2 was lower than in Q1. We expect no further effects during the remainder of the year. In addition, due to the imminent expiry of certain goods in combination with an unexpected decline in market prices for these products, the company made the decision to sell these volumes at a loss. This has affected net sales in both the first and second quarters. A reduction in net sales and gross profit has had a negative impact on the company's earnings. In addition, currencies have had a negative effect on EBITDA profitability amounting in total to SEK 4.1 million during the first six months of 2014.

R&D projects are progressing

Several of the company's proprietary formulation projects are reaching the final stages of development. For the most advanced product, the health authorities have confirmed a slot for submission of the registration file in the beginning of 2015. The company expects to submit four of its development products during next year with market launches expected in 2016. On an annual basis, the total net sales value for these four products in Bluefish territories is estimated to be approximately SEK 100 million. Furthermore, discussions are ongoing with potential partners for markets beyond Bluefish's existing territory.

Strengthened capital structure

During the second quarter, the company completed a new share issue of SEK 50 million. Further, the offer to extend the holding in the convertible debt until 30 June 2017 has been accepted by holders and is equivalent to SEK 21.7 million. Following the repayment of SEK 18.4 million in June, total net debt amounted to SEK 39.2 million on 30 June 2014 compared to SEK 60.2 million at the beginning of the year. The net debt to equity ratio amounted to 32.4% on 30 June 2014 compared to 54.6% at the beginning of the year.

OUTLOOK

In July, the company won a new tender contract with Servicio Andaluz de Salud (SAS), the public health service in Andalusia in Spain. Initial deliveries are planned for the fourth quarter.

Several new products will be launched during the fourth quarter in various markets, including Co-amoxiclav 500/125 and 850/125mg, Eplerenone 25/50mg, Escitalopram 5/10/15/20mg, Esomeprazole 10/20mg, Finasteride 1/5mg and Irbesartan 75/150/300mg.

Also, the first order from the company's new partner in Iraq will be delivered during the fourth quarter of 2014. The net sales value of this order is approximately SEK 11 million.

With several new revenue sources added in the fourth quarter, the company expects incremental net sales of approximately SEK 15 million in Q4 2014. This is equivalent to an increase of 35% compared to Q4 2013. Net sales growth for the full year 2014 is expected to be between 5-10%.

The incremental sales from new product launches and new market opportunities will have a positive impact on the company's profit already this year.

KEY EVENTS AFTER THE REPORTING PERIOD

Bluefish wins tender auction in Spain

In July, Bluefish was selected as the semi-exclusive provider of Escitalopram 10mg and Losartan HCTZ 100/25mg and exclusive provider of Escitalopram 5mg/20mg, Levetiracetam 1mg, Levofloxacin 500mg, Mirtazapine ODT 15/30/45mg and Quetiapine SR 50/200/300/400mg in a two-year supply contract with the SAS (Servicio Andaluz de Salud). With a total of 15 references awarded, Bluefish ranked as second in the Andalusia tender for offers submitted in June 2014. The initial supply is planned for the end of 2014.

The net sales value from the contract is estimated to be approximately SEK 70 million over a two-year period.

Bluefish has previously been selected as the exclusive provider of certain oncology products to SAS. While tender auctions for pharmaceuticals are common practice throughout Europe, so far, Andalusia is the only one of Spain's 17 regions in which this method is applied.

Bluefish wins tender auctions in Germany

Bluefish has been selected as the exclusive provider of Ibandronate 50/150mg, Levocetirizine 5mg and Valaciclovir 500mg and as the non-exclusive provider of Bicalutamide 50/150mg, Finasteride 5mg, Letrozole 2.5mg, Ondansetron 4/8mg and Sumatriptan 50/100mg in supply contracts with four different insurance companies, Barmer-GEK, IKK Classic, Knappschaft-Bahn-See and Techniker Krankenkasse. Each contract is valid for two years, with the initial supply planned for the end of 2014. The total net sales value from these contracts is estimated to be approximately SEK 5 million over a two-year period.

Bluefish already has an established supply relationship with all four insurance companies for various products. Tender auctions for pharmaceuticals are common practice throughout Europe, and in particular in Germany.

Products in development or under registration	26
Products on the market	54

FINANCIAL PERFORMANCE REVIEW

SEK million	2014	2013	Change	2014	2013	Change
	Apr-Jun	Apr-Jun		Jan-Jun	Jan-Jun	
Net sales	38.3	43.9	-13%	82.8	89.9	-8%
Gross profit	11.6	14.2	-18%	25.1	32.3	-22%
Gross margin	30.3%	32.4%		30.3%	35.9%	
EBITDA	-15.0	-8.5		-25.7	-10.0	
Cash flow from operating activities	0	-6.9		-18.3	9.1	
Cash flow from investing activities	-4.1	-4.2		-10.3	-7.5	

Bluefish's net sales during the second quarter amounted to SEK 38.3 million (43.9), corresponding to a decrease of 13% compared to the same period in 2013. Gross profit amounted to SEK 11.6 million (14.2), equivalent to a gross margin of 30.3% (32.4%) in the period.

Net sales during the first six months of 2014 amounted to SEK 82.8 million (89.9), corresponding to a decrease of 8% compared to the same period last year. Gross profit amounted to SEK 25.1 million (32.3), equivalent to a gross margin of 30.3% (35.9%) in the period.

Net sales and gross profit have been negatively impacted by stock-outs due to the temporary withdrawal of the GMP certificate for one of the company's main contract partners for batch analysis during the first quarter. In addition, the company made the decision to sell out goods with limited shelf life at a loss during the first six months of 2014.

Negative sales development reduces profitability

During the second quarter, total operating costs, excluding amortisation, depreciation and writedown of intangible assets, amounted to SEK 26.7 million (22.8). This corresponds to an increase of 17% compared to the same period last year and an increase of 10% compared to the first quarter of 2014.

During the first six months of the year, total operating costs, excluding amortisation, depreciation and write down of intangible asset, amounted to SEK 50.8 million (42.6), equivalent to an increase of 19% compared to the same period in 2013. This increase is partly explained by higher marketing expenses, but also by replacement recruitments within R&D, Finance and Business Development.

The decline in net sales and gross profit, in combination with increased operating costs compared to the same period last year, has resulted in reduced profitability. During the second quarter EBITDA amounted to SEK -15.0 million (-8.5) and during the first six months of 2014, EBITDA amounted to SEK -25.7 million (-10.0). Currencies have had a negative impact on EBITDA equivalent to SEK -3.4 million (-1.2) for the second quarter and to SEK -4.1 million (-0.8) for the first six months of the year.

Amortisation, depreciation and write down of intangible assets amounted to SEK 6.3 million (3.2) for the second quarter and to SEK 10.9 million (6.4) for the first six months of 2014, of which write down of intangible assets amounted to SEK 2.4 million (-) for the second quarter and to SEK 3.3 million (-) for the first six months of 2014. Write downs reflect the decision to deregister market approvals for specific products in markets in which Bluefish sees limited potential to generate revenues.

Net financial items amounted to SEK -1.4 million (-1.5) for the second quarter and SEK -2.7 million (-4.3) for the first six months of 2014, which includes interest payments on the convertible instruments and the credit facility.

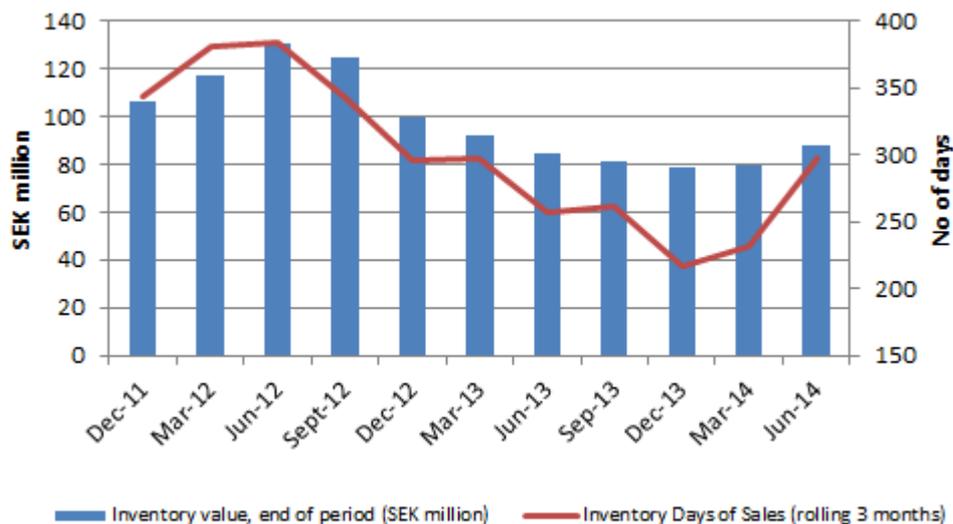
Net result has been affected by a negative currency effect of SEK -3.1 million (-0.4) during the second quarter of 2014 and SEK -3.7 million (-0.6) during the first six months.

Cash flow

Cash flow from operating activities amounted to SEK 0.2 million (-6.9) during the second quarter and to SEK -18.3 million (9.1) during the first six months of the year. Cash flow from change in working capital amounted to SEK 12.2 million (3.5) during the second quarter and to SEK 1.1 million (21.3) during the first six months.

During the second quarter of 2014, inventory has increased due to an anticipated increase in net sales during the second half of 2014. As per 30 June 2014, inventory amounted to SEK 88.3 million, compared to SEK 78.4 million as of 31 December 2013. Given the decrease in net sales during Q2, at current inventory level, volumes cover 298 days of sales. This is expected to decline during the second half of 2014.

Graph 1. Inventory and number of days of sales



Cash flow from investing activities amounted to SEK -4.1 million (-4.2) during the second quarter and to SEK -10.4 million (-7.5) during the first six months, of which investments in intangible assets amounted to SEK -3.6 million (-4.0) during the second quarter and to SEK 7.9 million (-7.1) during the the first six months. These investments include, but are not limited to, progress in development projects, licence milestone payments and market approvals.

Cash flow from financing activities amounted to SEK 31.5 million (6.5) in the second quarter and to SEK 24.8 million (-1.5) during the first six months. This includes a new share issue of SEK 50 million carried out in June, as well as repayment of convertible debt amounting to SEK 18.4 million as of 30 June 2014.

Financial position as of 30 June 2014

Cash and cash equivalents

Cash and cash equivalents were at the end of the period SEK 59.7 million compared to SEK 63.1 million at the beginning of the year. Per 30 June 2014, the credit facility in use totalled SEK 77.8 million. Total available credit facilities amounted to SEK 100 million.

Equity

During the second quarter, the company completed a new share issue of SEK 50 million. Following the new share issue, the company's share capital has increased by SEK 2 000 000 through the issue of 10 000 000 Class B shares. The subscription price was SEK 5 per share.

Equity totalled SEK 121.0 million at the end of the period, compared to SEK 110.1 million at the beginning of the year. This is equivalent to SEK 1.49 (1.47) per share.

Equity/Asset ratio

The equity/assets ratio was 31.4% at the end of the period, compared to 29.3% at the beginning of the year.

OTHER

Employees

As of 30 June 2014, the company had 89 employees (85), whereof 23 (19) in Sweden, 53 (55) in India, 4 (4) in Germany, 1 (1) in Italy, 3 (2) in Poland, 1 (1) in Portugal, 2 (2) in France and 2 (1) in Spain, compared to 31 December 2013.

Principal risks

The Bluefish Group's business is exposed to financial risks. The Bluefish 2013 annual report describes its risk management on page 20. 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 complies with International Financial Reporting Standards (IFRS) and IFRIC interpretations as endorsed by the European Union, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's RFR 1, Supplementary Accounting Rules for Corporate Groups, and 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 2013 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 2014.

PARENT COMPANY

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

Net sales in the second quarter of 2014 totalled SEK 37.3 million (43.4) and the operating result was SEK -21.9 million (-11.6). Net sales in the first six months of 2014 totalled SEK 81.2 million (88.9) and the operating result was SEK -36.9 million (-16.2). The parent company's cash and cash equivalents on 30 June 2014 totalled SEK 45.2 million, compared to SEK 55.0 million at the beginning of the year.

FORTHCOMING FINANCIAL REPORTING

Interim report July - September 2014, 14 November 2014

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

Stockholm, 28 August 2014

Karl Karlsson
President & CEO

THE GROUP

Consolidated income statement	2014	2013	2014	2013	2013
SEK thousand	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Net sales	38 316	43 906	82 806	89 896	175 505
Cost of goods sold	-26 698	-29 677	-57 711	-57 591	-118 068
Gross profit	11 618	14 229	25 095	32 305	57 437
<i>Gross margin</i>	<i>30.3 %</i>	<i>32.4 %</i>	<i>30.3 %</i>	<i>35.9 %</i>	<i>32.7 %</i>
Selling expenses	-15 247	-12 664	-28 349	-24 249	-50 159
Administration expenses	-4 826	-4 133	-9 219	-7 716	-16 374
Research and development expenses	-12 907	-9 193	-24 156	-17 054	-40 731
Other operating expenses/revenues	-	-	-2	248	24
Operating result¹⁾	-21 362	-11 761	-36 631	-16 466	-49 803
Net financial items	-1 400	-1 492	-2 748	-4 296	-7 782
Result after financial items	-22 762	-13 253	-39 379	-20 762	-57 585
Taxes	-166	-89	-361	-169	-909
Result for the period	-22 928	-13 342	-39 740	-20 931	-58 494
Earnings per share					
Earnings per share before dilution (SEK)	-0.32	-0.23	-0.55	-0.36	-0.90
Earnings per share after dilution (SEK)	-0.32	-0.23	-0.55	-0.36	-0.90
¹⁾ of which					
Amortisation and write downs intangible assets	5 905	3 022	10 290	5 951	17 494
Depreciation tangible assets	413	214	610	473	908
EBITDA	-15 044	-8 525	-25 731	-10 042	-31 401
Statement of comprehensive income					
Result for the period	-22 928	-13 342	-39 740	-20 931	-58 494
Other comprehensive income					
Hedging reserve	-406	-2 645	-260	-2 021	-879
Exchange rate differences	475	-146	621	-227	-456
Other comprehensive income, net after tax	69	-2 791	361	-2 248	-1 335
Total comprehensive income for the period, attributable to shareholders of the parent company	-22 859	-16 133	-39 379	-23 179	-59 829

Consolidated balance sheet	2014	2013	2013
SEK thousand	30 Jun	30 Jun	31 Dec
Non-current assets			
Intangible assets	169 763	173 657	172 390
Tangible assets	7 452	2 144	5 151
Financial assets	1 544	402	1 756
Total non-current assets	178 759	176 203	179 297
Current assets			
Inventories	88 315	84 829	78 363
Current receivables	58 211	58 566	55 376
Cash and cash equivalents	59 707	24 373	63 065
Total current assets	206 233	167 768	196 804
Total assets	384 992	343 971	376 101
Equity	120 995	86 528	110 129
Non-current liabilities			
Other liabilities, interest bearing	83 947	74 369	76 360
Other liabilities, non-interest bearing	2 244	2 175	2 645
Total non-current liabilities	86 191	76 544	79 005
Current liabilities			
Other current liabilities, interest bearing	15 000	74 455	46 855
Other current liabilities, non-interest bearing	162 806	106 444	140 112
Total current liabilities	177 806	180 899	186 967
Total equity and liabilities	384 992	343 971	376 101

Consolidated statement of changes in equity	2014	2013	2014	2013	2013
SEK thousand	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Opening balance	93 609	102 661	110 129	109 707	109 707
Equity portion of convertible loan	338	-	338	-	2
Conversion of convertible loan	-	-	-	-	20 000
New share issue	50 000	-	50 000	-	40 697
Issue expenses	-93	-	-93	-	-448
Total comprehensive income for the period	-22 859	-16 133	-39 379	-23 179	-59 829
Closing balance	120 995	86 528	120 995	86 528	110 129

Shares	2014	2013	2014	2013	2013
Thousand	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Number of shares on closing day before dilution	80 942	58 803	80 942	58 803	70 942
Average number of shares before dilution	72 261	58 803	71 605	58 803	64 823
Average number of shares after dilution	72 261	58 803	71 605	58 803	64 823
Equity per share (SEK)	1.49	1.47	1.49	1.47	1.55
Equity/assets ratio (%)	31.4 %	25.2 %	31.4 %	25.2 %	29.3%

Consolidated cash flow statement	2014	2013	2014	2013	2013
SEK thousand	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Cash flow from operating activities before change in working capital	-12 023	-10 410	-19 417	-12 199	-20 482
Change in working capital	12 243	3 541	1 093	21 311	49 845
Cash flow from operating activities	220	-6 869	-18 324	9 112	29 363
Cash flow from investing activities	-4 133	-4 222	-10 374	-7 519	-21 915
Cash flow from financing activities	31 480	6 476	24 845	-1 500	31 323
Cash flow from the period	27 567	-4 615	-3 853	94	38 771
Cash and cash equivalents at period start	31 761	28 831	63 065	24 332	24 332
Translation difference	379	157	494	-53	-38
Cash and cash equivalents at period end	59 707	24 373	59 707	24 373	63 065

PARENT COMPANY

Parent company income statement	2014	2013	2014	2013	2013
SEK thousand	Apr-Jun	Apr-Jun	Jan-Jun	Jan-Jun	Jan-Dec
Net sales	37 256	43 419	81 218	88 889	172 521
Operating result	-21 936	-11 609	-36 899	-16 190	-49 516
Net result for the period	-23 954	-13 108	-41 109	-20 524	-58 707

Parent company balance sheet	2014	2013	2013
SEK thousand	30 June	30 June	31 Dec
Non-current assets	207 104	206 754	203 895
Current assets	181 986	153 940	184 677
Total assets	389 089	360 694	388 572
Equity	117 580	85 495	108 704
Non-current liabilities	85 955	135 999	78 764
Current liabilities	185 554	139 201	201 104
Total equity and liabilities	389 089	360 694	388 572