

YEAR-END REPORT

JANUARY – DECEMBER 2012

- Net sales amounted to SEK 162.3 million (145.2)
- EBITDA was SEK -52.7 million (-20.1)
- Earnings per share totaled SEK -1.50 (-1.09) before dilution

OCTOBER – DECEMBER 2012

- Net sales amounted to SEK 36.9 million (41.6)
- EBITDA was SEK -25.5 million (-6.6)
- Earnings per share totaled SEK -0.53 (-0.33) before dilution

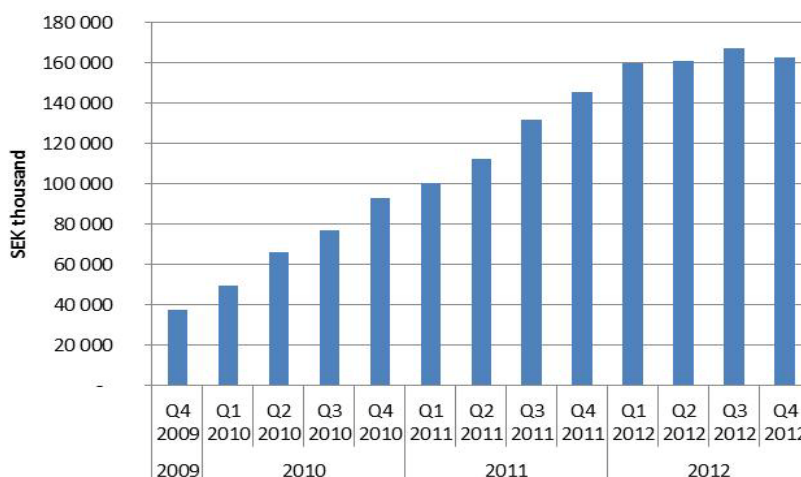
HIGHLIGHTS

- Financial performance hurt by one-off items
 - Net sales growth in 2012 amounted to 12%
 - Major impact on gross margin from inventory writedowns of SEK 15.2 million
- Key initiatives to improve profitability and operational efficiency
 - Close-down of non-performing markets Czech Republic, Romania and Slovakia
 - Improvements in supply chain and logistics to reduce inventory levels
- Outlook 2013
 - Focus on profitable growth
 - Leverage on implemented efficiencies

BUSINESS UPDATE

Bluefish net sales during 2012 amounted to SEK 162.3 million (145.2), corresponding to an increase of 12% compared to 2011. Net sales during the fourth quarter amounted to SEK 36.9 million (41.6), a decline by 11% compared to the same period last year. The company has continued to gain market share, resulting in increased volumes, however, declining prices for parts of the product portfolio in key markets have hampered growth in net sales. The decline in net sales during the fourth quarter primarily reflects price adjustments attributable to previous periods in the Danish market, but also a higher number of holidays in December compared to last year.

Graph 1. Rolling-12-months net sales



Source: Company information

Gross profit amounted to SEK 19.8 million (39.4) for the year 2012, corresponding to a margin of 12.2% (27.1%). The main reasons for the deterioration in gross margin are inventory writedowns and increased competition to some of the blockbuster segment of products resulting in lower prices in key markets.

Total inventory writedowns amounted to SEK 15.2 million (2.4) during 2012, whereof SEK 12.5 million (0.6) was charged to the fourth quarter. The writedown reflects expired goods, and goods with too short shelf life remaining to be able to sell, but also inventory addressing the markets where the company has discontinued its business, including Czech Republic, Romania and Slovakia. During 2012, Bluefish has evaluated different options available for the operations in these countries. However, after careful consideration, the company has decided to close down the activities in these markets as the risk-benefit analysis given the existing market conditions is seen as unfavourable.

Further, an improper conduct of business among Danish pharmacies have resulted in negative margins for some of the company's products on the Danish market. This behavior among a handful of pharmacies in Denmark reached the attention of Danish media in November last year and the regulation for pharmacies' returns and price adjustments of pharmaceuticals on the Danish market is now being investigated by local authorities. Meanwhile, the company has stopped accepting price adjustments from those pharmacies that have been identified to exploit the system.

As expected, operating costs increased at a considerably lower rate during 2012 compared to 2011. Total operating costs, excluding amortization and depreciation, amounted to SEK 72.5 million (59.4) for the full year 2012, which is an increase of 22% compared to 2011. Total operating costs, excluding

amortization and depreciation during the fourth quarter amounted to SEK 21.0 million (17.2), equivalent to an increase of 22% compared to the same period last year.

Improved operational efficiencies

In the beginning of 2012, the company initiated a number of activities with the aim of improving the logistics functions in order to release capital tied-up in inventory. This has included switching to manufacturers with shorter leadtimes, and optimizing the storage, transportation and distribution of goods by implementing one central warehouse for all products addressing the European market. At the end of the year, inventory amounted to SEK 99.7 million, indicating a reduction of 24% compared to 30 June 2012 (130.7). This is equivalent to 272 days of sales as of 31 December compared to 384 as of 30 June.

The decline in inventory has had a positive impact on the company's cash flow, in particular during the fourth quarter. Cash flow from change in working capital during the fourth quarter amounted to SEK 22.7 million (-27.4), and cash flow from operating activities amounted to SEK 10.5 million (-34.8) during the same period.

Growing niche segment in product portfolio

The acquisition of BMM Pharma in September 2011 was part of Bluefish strategy to expand the product portfolio within the niche segment. The acquired portfolio has now been fully integrated into the company's ongoing business. By the fourth quarter, the majority of the products had been re-launched and supply is now working satisfactorily for all products. The internal targets regarding financial performance of the products have been met, and we believe in continued growth in net sales in 2013 with above average margins.

During 2012, Bluefish initiated a number of new own development projects. The pipeline now consists of nine (9) different products within various niche segments. The initial formulation development and bioequivalence studies are being finalized during 2013 and are, after regulatory approval, expected to reach the market in 2015. The average sales potential for the projects under development is approximately SEK 25 million per product, with an anticipated margin of 50%. In addition, the company has extended the product portfolio by entering into new license agreements for three new niche products on the Nordic market. All three have been submitted for registration. During the year, Bluefish also signed two new distribution agreement for the Nordic market.

In total, the portfolio now consists of 80 products, whereof 51 have been launched.

Outlook

Market shares are expected to increase further in 2013, resulting in a continued growth in net sales. However, the company will prioritize profitability over growth in market share with increased focus on the niche products for which volumes are less volatile and which also enjoy higher margins. Following the operational efficiencies implemented during 2012, Bluefish expects an improvement in gross margins. Also, the existing organizational structure is well prepared for the expected increase in volumes during the year and operating costs should therefore increase only moderately.

AGREEMENTS AND KEY EVENTS

New share issues provided SEK 79 million

During 2012, the company successfully closed three directed new share issues, which together provided SEK 79 million. The new share issues were carried out with the ambition to create the conditions necessary for continued stable growth and opportunities for gradually extending the range of niche products within more narrow disease areas and for regional treatment principles.

The proceeds were partly used to repay a convertible loan amounting to SEK 18.6 million, which matured on 30 June 2012 and another short-term loan from Färna Invest of SEK 25 million, which matured on 30 September 2012.

Products in development or under registration	29
Products on the market	51

FINANCES

	2012	2011		2012	2011	
SEK million	Oct-Dec	Oct-Dec	Change	Jan-Dec	Jan-Dec	Change
Net sales	36.9	41.6	-11%	162.3	145.2	12%
Gross profit	-4.5	10.6	-142%	19.8	39.4	-50%
Gross margin	-12.1%	25.6%		12.2%	27.1%	
EBITDA	-25.5	-6.6		-52.7	-20.1	
Cash flow from operating activities	10.5	-34.8		-39.8	-101.2	
Cash flow from investing activities	-3.9	-5.9		-32.9	-49.0	

The Group generated net sales of SEK 36.9 million (41.6) in the fourth quarter, corresponding to a decrease of 11%. Gross profit was SEK -4.5 million (10.6), equivalent to a gross margin of -12.1% (25.6%) in the period. Gross profit and gross margin have been negatively impacted by an inventory writedown of SEK 12.5 million in the fourth quarter. Adjusted for the writedown, the underlying gross margin amounted to 21.7% in the period. EBITDA was SEK -25.5 million (-6.6) in the fourth quarter.

The Group generated net sales of SEK 162.3 million (145.2) during the year of 2012, equivalent to an annual growth of 12%. Gross profit was SEK 19.8 million (39.4), generating a gross margin of 12.2% (27.1%). The gross profit includes an inventory writedown of SEK 15.2 million. The underlying gross margin, excluding the writedown, amounted to 21.6%. EBITDA amounted to SEK -52.7 million (-20.1).

The decline in EBITDA in 2012 and in the fourth quarter in particular, is primarily explained by a lower gross profit compared to 2011. Gross profit amounted to SEK 19.8 million in 2012, which is 50% lower than in 2011 (39.4). The main reasons for the deterioration in gross profit are inventory writedowns and increased competition to some of the blockbuster segment of products in key markets. Meanwhile, operating costs, excluding amortization and depreciation increased by 22% to SEK 72.5 million (59.4).

Depreciation and amortization amounted to SEK 2.8 million (2.9) for the fourth quarter and 11.8 million (8.9) for the year 2012. The increase is explained by a larger number of products now having reached the market as well as an increased product portfolio.

Net financial items amounted to SEK -2.4 million (-2.9) for the fourth quarter and SEK -11.9 million (-10.0) for the year 2012, which includes interest payments on the convertible instruments and the credit facility.

Net result has been affected by a negative currency effect of SEK -0.5 million (-0.4) in the fourth quarter and a positive effect of SEK 0.3 million (-2.2) in 2012.

Cash flow

Operating cash flow

Cash flow from operating activities amounted to SEK 10.5 million (-34.8) in the fourth quarter, where change in working capital constitutes SEK 22.7 million (-27.4). The change in working capital is mainly reflecting a decrease in inventory. Accumulated cash flow from operating activities amounted to SEK -39.8 million (-101.2) in 2012, where change in working capital constitutes SEK 4.7 million (-77.0).

Investments and divestments

Cash flow from investing activities amounted to SEK -3.9 (-5.9) in the fourth quarter and SEK -32.9 million (-49.0) accumulated. Accumulated investments includes the final payment related to the acquisition of BMM Pharma AB in September last year, but also investments in products and market approvals.

Financing

Cash flow from financing activities amounted to SEK -4.0 million (54.7) in the fourth quarter, reflecting a lower usage of bank overdraft. Cash flow from financing activities during 2012 amounted to SEK 78.7 million (162.2), which reflects a new share issue totaling SEK 79.1 million, whereof SEK 54.1 million have had an impact on cash flow. The remaining SEK 25 million has been set-off against an existing loan that matured on 30 September, 2012.

Financial position as of 31 December 2012

Cash and cash equivalents

Cash and cash equivalents were at the end of the period SEK 24.3 million compared to SEK 18.7 million at the beginning of the year. Per 31 December 2012, bank overdraft in use totaled SEK 63.0 million and invoices pledged amounted to SEK 13.0 million. Total available credit facilities amounted to SEK 100 million.

Equity

Equity totaled SEK 109.7 million at the end of the period, compared to SEK 108.6 million at the beginning of the year. This is equivalent to SEK 1.87 (2.38) per share.

Equity/Asset ratio

The equity/assets ratio was 30.7 % at the end of the period, compared to 31.6 % at the beginning of the year. Despite the negative result in 2012, the equity/asset ratio is maintained at the same level as last year due to the share issues during the year of SEK 79.1 million, of which SEK 25 million has been set-off against an existing loan.

OTHER

Employees

As of 31 December 2012, the company had 79 employees (78), whereof 18 (17) in Sweden, 53 (53) in India, 3 (3) in Germany, 1 (1) in Italy, 1 (1) in Poland, 1 (1) in Portugal, and 2 (2) in France, compared to 31 December 2011.

Principal risks

The Bluefish Group's business is exposed to financial risks. The Bluefish 2011 annual report describes its risk management on page 17. 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 2011 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 2012.

PARENT COMPANY

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

Net sales in the fourth quarter 2012 totaled SEK 36.4 million (41.1) and the operating result was SEK -28.3 million (-9.8). The parent company's cash and cash equivalents by 31 December 2012 totaled SEK 13.6 million, compared to SEK 15.1 million at the beginning of the year.

FORTHCOMING FINANCIAL REPORTING

Interim report January - March 2013, 23 May 2013

This year-end report has not been reviewed by the company's auditors.

Stockholm, 28 February 2013

Karl Karlsson
President & CEO

THE GROUP

Consolidated income statement	2012	2011	2012	2011
SEK thousand	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	36 865	41 555	162 318	145 216
Cost of goods sold	-41 323	-30 914	-142 568	-105 861
Gross profit	-4 458	10 641	19 750	39 355
<i>Gross margin</i>	-12 %	26 %	12 %	27 %
Selling expenses	-11 050	-8 539	-34 870	-29 336
Administration expenses	-4 287	-4 509	-17 474	-15 527
Research and development expenses	-8 506	-7 148	-31 933	-23 441
Operating result¹⁾	-28 301	-9 555	-64 527	-28 949
Net financial items	-2 437	-2 897	-11 892	-9 994
Result after financial items	-30 738	-12 452	-76 419	-38 944
Taxes	-364	-117	-622	-513
Result for the period	-31 102	-12 569	-77 041	-39 457
Earnings per share				
Earnings per share before dilution (SEK)	-0.53	-0.33	-1.50	-1.09
Earnings per share after dilution (SEK)	-0.53	-0.33	-1.50	-1.09
¹⁾ of which				
Amortisation intangible assets	2 602	2 724	10 875	7 928
Depreciation tangible asset	233	223	936	959
EBITDA	-25 466	-6 608	-52 716	-20 062
Statement of comprehensive income				
Result for the period	-31 102	-12 596	-77 041	-39 457
Other comprehensive income				
Hedging reserve	-153	-	-153	-
Exchange rate differences	-173	-591	-591	-1 209
Other comprehensive income, net after tax	-326	-591	-744	-1 209
Total comprehensive income for the period, attributable to shareholders of the Parent company	-31 428	-13 160	-77 785	-40 666

Consolidated balance sheet	2012	2011
SEK thousand	31 Dec	31 Dec
Non-current assets		
Intangible assets	172 323	159 363
Tangible assets	1 973	2 674
Financial assets	473	668
Total non-current assets	174 769	162 705
Current assets		
Inventories	99 745	106 098
Current receivables	59 031	55 507
Cash and cash equivalents	24 332	18 701
Total current assets	183 108	180 306
Total assets	357 877	343 012
Equity	109 707	108 617
Non-current liabilities		
Other liabilities, interest bearing	135 281	76 780
Other liabilities, non-interest bearing	1 705	2 084
Total non-current liabilities	136 986	78 864
Current liabilities		
Other current liabilities, interest bearing	15 046	73 875
Other current liabilities, non-interest bearing	96 138	81 656
Total current liabilities	111 184	155 531
Total equity and liabilities	357 877	343 012

Consolidated statement of changes in equity	2012	2011	2012	2011
SEK thousand	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Opening balance	141 135	62 485	108 617	90 801
Equity portion of convertible loan	-	-	-	1 492
Conversion of convertible loan	-	-	8	-
New share issue	-	59 500	79 126	59 500
Issue expenses	-	-208	-259	-2 510
Total comprehensive income for the period	-31 428	-13 160	-77 785	-40 666
Closing balance	109 707	108 617	109 707	108 617

Shares	2012	2011	2012	2011
Thousand	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Number of shares on closing day before dilution	58 803	45 615	58 803	45 615
Average number of shares before dilution	58 803	37 898	51 487	36 252
Average number of shares after dilution	58 842	37 969	51 526	36 323
Equity per share (SEK)	1.87	2.38	1.87	2.38
Equity/assets ratio (%)	30.7 %	31.6 %	30.7 %	31.6 %

Consolidated cash flow statement	2012	2011	2012	2011
SEK thousand	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Cash flow from operating activities before change in working capital	-12 199	-7 375	-44 511	-24 177
Change in working capital	22 652	-27 392	4 668	-76 990
Cash flow from operating activities	10 453	-34 767	-39 843	-101 167
Cash flow from investing activities	-3 866	-5 922	-32 947	-49 017
Cash flow from financing activities	-4 030	54 725	78 700	162 213
Cash flow from the period	2 557	14 037	5 910	12 029
Cash and cash equivalents at period's start	21 724	4 844	18 701	6 852
Translation difference	51	-180	-279	-180
Cash and cash equivalents at period's end	24 332	18 701	24 332	18 701

PARENT COMPANY



Parent company income statement	2012	2011	2012	2011
SEK thousand	Oct-Dec	Oct-Dec	Jan-Dec	Jan-Dec
Net sales	36 398	41 131	158 624	142 899
Operating result	-28 317	-9 785	-65 996	-29 262
Net result for the period	-31 383	-12 804	-78 532	-39 277

Parent company balance sheet	2012	2011
SEK thousand	31 Dec	31 Dec
Non-current assets	205 986	192 550
Current assets	167 625	173 480
Total assets	373 611	366 030
Equity	108 040	107 887
Non-current liabilities	136 986	78 818
Current liabilities	128 585	179 325
Total equity and liabilities	373 611	366 030