BLUEFISH
PHARMACEUTICALS

ANNUAL REPORT 2016

Directors' report

The Board of Directors and CEO of Bluefish Pharmaceuticals AB (publ), registration number 556673-9164, hereby submit the following annual report and consolidated financial statements for the 2016 financial year. All figures pertain to the Group for the 2016 financial year. Unless otherwise stated, comparison figures are for the 2015 financial year.

As of 31 December 2016, the Group consists of 12 companies. The Parent Company for the Group is Bluefish Pharmaceuticals AB.

Bluefish operations

Bluefish strives to make quality pharmaceuticals available to more people. We create value throughout the entire pharmaceuticals value chain, i.e. from product development to manufacturing and marketing of generic pharmaceuticals. We offer a product portfolio that consists of a wide range of high quality generic pharmaceuticals. Part of our long-term strategy is to maintain the product range of patent-free volume products. However, the business has changed such that it also increasingly offers a wider selection of niche products in more specific therapy areas. Bluefish products originate from a generic substance with well-documented safety and results. Our strategy of developing products based on well-known substances gives us a product range with substantial market potential.

Bluefish has established an effective marketing organization that is based on extensive knowledge of the local area and market. It enables the company to take advantage of business opportunities and optimize its growth in each market.

Bluefish currently runs its main operations in 14 European countries and it has a subsidiary in the United Arab Emirates so that it can grow the business in regions outside Europe. There is also a subsidiary in India, tasked with maintaining and optimizing the Group's product portfolio.

In 2016, Bluefish identified several new growth opportunities in certain selected market segments and in some new markets. During the first months of the year, the company began efforts to expand its sales operations aimed at optimizing the higher potential that we believe exists in the product portfolio. We expect to develop and expand the level of expertise and experience of the sales organization throughout the rest of the year.

Group earnings and financial position

Net sales and earnings

Net sales for the full year 2016 were SEK 311.6 (283.2) million representing an increase of 10% as compared to the same period in 2015. With input costs amounting to SEK 152.9 (150.7) million, the gross profit amounted to SEK 158.7 (132.5) million, corresponding to a gross margin of 50.9 (46.8)% for the period. Throughout the 2016 financial year, currency fluctuations have had a positive effect on net sales equal to SEK 1.0 (–1.6) million. There was a positive impact on profitability during the year, which is attributable to items relating to prior years. In total, the impact on gross profit amounts to SEK 12.5 million, of which SEK 10.1 million is attributable to prior provisions related to estimated net sales deductions in the German business.

Operating costs for the year amounted to SEK 155.5 (147.8) million, of which SEK 25.3 (28.1) million was amortization and depreciation. EBITDA for 2016 was SEK 29.1 (12.8) million. During 2016, the effect of currency fluctuations on EBITDA corresponded to SEK –4.0 (1.8) million. The net loss for the period was SEK –3.6 (–22.2) million, which includes currency effects of SEK –3.9 (0.9) million.

Cash & cash equivalents and financing

At the end of the period, cash and cash equivalents amounted to SEK 33.6 million, compared with SEK 65.3 million at the beginning of the year. Cash flow from operating activities amounted to SEK –33.1 (48.5) million in 2016, of which SEK –71.1 (30.1) million was the change in working capital. The change in working capital is due to having received invoices for net sales deductions of significant amounts in the German business. Cash flow from investing activities was SEK 21.8 (–22.6) million in 2016, of which investments in intangible assets, such as product development, licenses and market approval, amounted to SEK –19.9 (–17.8) million.

Cash flow from financing activities in 2016 amounted to SEK 21.7 (–4.0) million, resulting from a shareholder loan that was issued for SEK 15 million and a higher level of utilization on bank overdraft and invoice discounting. As of 31 December 2016, utilized bank credit was SEK 83.6 million, compared with SEK 76.8 million at the beginning of the year. Total available bank credit was SEK 100 million.

Net financial income/expense amounted to SEK –5.2 (–4.6) million for the year, which includes interest expense on the convertible debt, shareholder loan and bank overdraft

Shareholders' equity and equity ratio

At the end of the period, equity was SEK 77.0 million, compared to SEK 79.6 million at the beginning of the year. That corresponds to SEK 0.95 (0.98) per share. At the end of the period, the equity ratio was 20.6%, compared to 19.8% at the beginning of the year.

Multi-year review 2012-2016

SEK million	2016	2015	2014	2013	2012
Net sales	311.6	283.2	187.7	175.5	162.3
Gross profit	158.7	132.5	70.4	57.4	33.2
Gross margin	50.9%	46.8%	37.5%	32.7%	20.5%
EBITDA	29.1	12.8	–34.1	–31.4	–52.7
Profit (loss) before tax	–1.3	–19.9	–61.4	–57.6	–76.4
Cash flow from operating activities	–33.1	48.5	–25.6	29.4	–39.8
Cash flow from investing activities	–21.8	–22.6	–19.8	–21.9	–32.9
Earnings per share, SEK	–0.04	–0.27	–0.82	–0.90	–1.50
Equity per share, SEK	0.95	0.98	1.23	1.55	1.87
Equity ratio	20.6%	19.8%	26.8%	29.3%	30.7%
Number of employees at end of period	108	94	90	85	79

The work of the Board

During the year, the Board held seven (7) meetings. An annual general meeting was held during the year, at which time the Chairman of the Board was reelected, along with all of the Directors. The Board thus consists of the Chairman of the Board and three Directors.

Significant events after the closing date

Additional debt financing

As of 1 January 2017, the company uses invoice discounting in the German business. This is done as part of the credit that the company has with SEB, for a total of SEK 85 million.

At the beginning of the year, the shareholder loan was extended. It was issued in September 2016, with maturity date of 2017-02-28. The new maturity date is 2018-03-31.

The company has convertible debt of SEK 21.7 million. Conversion of Class B shares may occur through 2017-03-31. The loan matures on 2017-06-30. Färna Invest, the company's largest shareholder, has agreed to guarantee repayment of the amount in full.

Product development

The company's product development efforts revolve around new generic formulations. Compilation of the product portfolio is essential in order to ensure an adequate level of continued growth in net sales and profitability. Development efforts are focused on products that the company believes will create value over the long term. In 2016, Bluefish invested SEK 1.5 (5.5) million in pharmaceutical development, not including the costs for registration, side effect management and quality assurance. When it comes to project work, the biggest investment is made during the final phase. Compared to last year, investments were lower in 2016 because many projects are currently in the early phases.

Environmental efforts and work environment

Bluefish strives to comply with all work environment rules and regulations and minimize any negative environmental impact of our operations. We provide a good work environment to all of our employees. The company is not involved in any environmental disputes. Contract manufacturers are used for all of our pharmaceutical production. Factories are located in Spain, Greece, Portugal, Germany, Austria, Turkey and India. All facilities are inspected at regular intervals by the company's quality department to ensure compliance with GMP (Good Manufacturing Practice), as well as compliance with local regulations and regulatory requirements pertaining to the environment.

Parent Company

Bluefish Pharmaceuticals AB is the Parent Company for the Bluefish Pharmaceuticals Group. For 2016, net sales were SEK 283.4 (274.4) million, of which SEK 174.6 (90.7) million was intra-Group sales. Operating profit (loss) amounted to SEK 2.4 (–12.2) million and net financial income/expense amounted to SEK –6.8 (–13.7) million. As of 31 December 2016, cash and cash equivalents amounted to SEK 10.2 million, compared with SEK 33.6 million at the beginning of the year.

Future outlook

In 2017, the company expects an increase in sales growth compared to the prior year. Going forward, sales growth will primarily be fuelled by the sales of newly launched products, along with the effects of efforts made during the current year, i.e. identified subsegments, a fortified sales organization and focus on delivery performance. Sales growth is also expected to contribute to higher profitability compared to the full year 2016.

Risks and uncertainties

Bluefish is exposed to a variety of risks and uncertainty factors that could have a negative impact on the business. The main business risks and financial risks that could have a significant negative impact on the business or its earnings are described below.

Changes in market conditions

There is considerable price competition in several of the markets were Bluefish is active. When market conditions change, compared to the assumptions made when the business opportunity was evaluated, there is a risk that it will not be possible to conduct sales under competitive conditions. With a change in market conditions, there is thus a risk of both impairment losses on investments and inventories. Having a flexible organization, with short decision paths is advantageous in order to cope with changed market conditions.

Bluefish collaborates with a variety of partners. However, the company cannot guarantee that it is able to maintain or develop those partnerships. Cessation of collaboration could result in delays or lost sales.

Development of generic pharmaceuticals is a complicated, risky and lengthy process. Any project could fail or encounter delays at any stage of the process due to a variety of factors. During development, there is a risk that competitors develop the same product or that the market conditions change in some other way. Accordingly, recouping the development costs might not be possible.

Supply of goods

Bluefish does not have any own manufacturing. Therefore, it collaborates with contract manufacturers of pharmaceuticals. Shortages and delivery delays can arise during the manufacture of pharmaceuticals due to both changed conditions relating to delivery of raw materials, resource shortages, priorities, etc. and also force majeure. Delivery delays can cause delayed or lost sales, penalty fees for late delivery, and impairment losses on inventories.

Changes in decisions of authorities

Changes in the regulatory approval process as regards requirements on details, scope of documentation and other requirements cannot be ruled out. Changes is such authoritative decisions could result in higher costs, project delays or project terminations. Bluefish is also exposed to authoritative decisions on the permits that are required for marketing and selling pharmaceuticals, as well as changes in regulations pertaining to prices and discounts on pharmaceuticals or changes having to do with how a particular drug is prescribed. Changes in authoritative decisions could also impact distribution plans and result in delays or lost sales. Bluefish employees have solid knowledge of regulatory requirements and, to remain updated and avoid any surprises, they monitor all ongoing investigations by authorities.

Legislation and regulations

Failure to comply with legislation and regulations could result in civil or criminal proceedings, as well as government sanctions. Bluefish is primarily accountable in the areas of product liability, competition legislation and issues having to do with occupational health & safety, work environment and taxation. Negative outcome in a dispute and/or governmental investigation could result in significant liability. To lower the risk of non-compliance, a strong culture of ethical behavior and compliance with regulations has been created within the company. In addition, all of the company's employees participate in introductory training when they are hired, which includes knowledge of laws and regulations. Supplementary training is then required on an ongoing basis.

Product liability risk is mitigated in part via product liability insurance. However, it can never be entirely eliminated since the amount of cover and compensation from insurance is limited.

Dependence on key individuals

Bluefish is highly dependent and key individuals. There is a risk of the company's projects becoming delayed or not being completed if these individuals leave the company or, for any other reason, are unable to carry out their assignment. The ability to recruit and retain qualified employees is of utmost importance in order to ensure that the company has the required level of expertise.

Financial risks

Bluefish regularly provides information on future financial expectations. All such statements are prospective and based on assumptions and assessments. If we are unsuccessful in implementing our business strategy, it could prevent us from achieving our financial goals and meeting expectations, which, in turn, could have a substantial negative impact on our business, earnings or financial position, including the ability to raise capital and retain existing loans.

For more detailed information on financial risks, such as currency risk, interest rate risk, credit risk, liquidity risk and capital risk, please see Note 3.

Proposed allocation of company profits

The following earnings are at the disposal of the AGM:

SEK	
Share premium reserve	337,126,436
Retained earnings	–284,654,185
Profit (loss) for the year	–4,463,690
Total	**48,008,561**

The Board of Directors and the CEO propose that the profits at the disposal of the general meeting, SEK 48,008,561, be carried forward.

The Board of Directors proposes that no dividends are paid for the 2016 financial year.

Regarding the results and financial position of the Group and the Parent Company at the end of the financial year, as well as financing and use of capital during the financial year, reference is made to the following income statements and balance sheets, specifications and changes in equity, cash flow statements, accounting and valuation principles, and notes. Unless otherwise stated, amounts set forth in the annual report and consolidated financial statements are presented in SEK thousands.

Income statement
Group

SEK thousands	Note	2016	2015
Net sales	2, 4	311,627	283,229
Cost of goods sold		–152,887	–150,730
Gross profit		**158,740**	**132,499**
Selling expenses		–72,092	–65,459
Administrative expenses		–21,246	–20,106
Development costs		–62,114	–62,211
Other revenue		569	–
Operating profit (loss)	5-10	**3,857**	**–15,277**
Financial income	11	324	682
Financial expenses	12	–5,482	–5,262
Financial items – net		**–5,158**	**–4,580**
Profit (loss) before tax		**–1,301**	**–19,857**
Income tax	13	–2,327	–2,318
Net loss for the year, attributable to shareholders of the Parent Company		**–3,628**	**–22,175**

EARNINGS PER SHARE

		2016	2015
Basic earnings per share (SEK)	14	–0.04	–0.27
Diluted earnings per share (SEK)	14	–0.04	–0.27

Statement of comprehensive income

SEK thousands	2016	2015
Profit (loss) for the year	–3,628	–22,175
Other comprehensive income		
Items that may be reclassified to profit or loss		
Translation differences	1,063	864
Cash flow hedges		
Value change for the year	–	334
reclassified to profit (loss) for the year	–	635
Total other comprehensive income	**1,063**	**1,833**
Total comprehensive income for the year	**–2,565**	**–20,342**

The entire amount of comprehensive income for the year is attributable to Parent Company shareholders.

Balance sheet
Group

SEK thousands	Note	2016-12-31	2015-12-31
	27		
ASSETS	2, 20		
Non-current assets			
Intangible assets	8, 15	161,551	165,678
Property, plant and equipment	8, 16	10,981	11,087
Financial assets	18	1,861	1,709
Total non-current assets		**174,393**	**178,474**
Current assets			
Inventories	19	95,042	92,255
Accounts receivable	21	58,772	55,870
Tax receivables	21	750	625
Other receivables	21	7,278	6,191
Prepaid expenses and accrued income		3,848	3,057
Cash and cash equivalents	27	33,607	65,313
Total current assets		**199,297**	**223,311**
TOTAL ASSETS		**373,690**	**401,785**
EQUITY AND LIABILITIES	2, 3, 20		
Equity			
Share capital	22	16,188	16,188
Other contributed capital		343,991	343,991
Reserves		1,450	387
Retained earnings, including profit (loss) for the year		–284,628	–281,000
Total equity		**77,001**	**79,566**
Non-current liabilities			
Borrowings	23	–	21,413
Other non-current liabilities	24	2,729	4,220
Total non-current liabilities		**2,729**	**25,633**
Current liabilities			
Accounts payable		53,623	65,214
Current tax liabilities		666	927
Borrowings	23	120,181	76,833
Other current liabilities	24	9,629	11,125
Current provisions	25	84,434	114,845
Accrued expenses and deferred income	26	25,427	27,642
Total current liabilities and provisions		**293,960**	**296,586**
TOTAL EQUITY AND LIABILITIES		**373,690**	**401,785**

Consolidated statement of changes in equity

	SHAREHOLDERS OF THE PARENT COMPANY				
SEK thousands	**Share capital**	**Other contributed capital**	**Reserves [1]**	**Retained earnings**	**Total equity**
Opening equity, 1 January 2015	**16,188**	**343,991**	**–1,446**	**–258,825**	**99,908**
Profit (loss) for the year	**–**	**–**	**–**	**–22,175**	**–22,175**
Cash flow hedges	–	–	969	–	969
Translation differences	–	–	864	–	864
Total other comprehensive income, net after tax	**–**	**–**	**1,833**	**–**	**1,833**
Total comprehensive income	**–**	**–**	**1,833**	**–22,175**	**–20,342**
Total transactions with shareholders	**–**	**–**	**–**	**–**	**–**
Closing equity, 31 December 2015[1)]	**16,188**	**343,991**	**387**	**–281,000**	**79,566**
Opening equity, 1 January 2016	**16,188**	**343,991**	**387**	**–281,000**	**79,566**
Profit (loss) for the year				**–3,628**	**–3,628**
Translation differences	–	–	1,063	–	1,063
Total other comprehensive income, net after tax	**–**	**–**	**1,063**	**–**	**1,063**
Total comprehensive income	**–**	**–**	**1,063**	**–3,628**	**–2,565**
Total transactions with shareholders	**–**	**–**	**–**	**–**	**–**
Closing equity, 31 December 2016	**16,188**	**343,991**	**1,450**	**–284,628**	**77,001**

1) The hedging reserve consists of commercial cash flow hedges, for which hedge accounting in accordance with IAS 39 Financial Instruments is applied. The translation reserve arises when foreign net assets are translated using the exchange rate valid on the closing date. The positive translation difference for the year of SEK 1,063 (864) thousand resulted from a weakening of the SEK against other important currencies for Bluefish. The translation difference primarily results from a weakening of SEK against EUR. Accumulated translation difference amounts to SEK 1,670 (607) thousand.

Consolidated cash flow statement

SEK thousands	Note	2016	2015
Operating activities			
Operating profit (loss)		3,857	–15,277
Interest paid		–5,071	–2,751
Interest received		324	720
Taxes paid		–2,770	–1,786
Adjustment for items not included in cash flow, etc.	28	11,265	76,711
Cash flow from operating activities before changes in working capital		**7,605**	**57,617**
Cash flow from changes in working capital			
Inventories		–10,067	–22,851
Operating receivables		–2,702	–4,458
Operating liabilities		–27,923	18,206
Cash flow from operating activities		**–33,087**	**48,514**
Investing activities			
Acquisition of intangible assets	15	–19,945	–17,830
Acquisition of property, plant and equipment	16	–1,881	–4,787
Cash flow from investing activities		**–21,826**	**–22,617**
Financing activities			
Bank overdraft	23	3,697	–4,084
Invoice discounting	23	3,049	37
Shareholder loan		15,000	–
Cash flow from financing activities		**21,746**	**–4,047**
Cash flow for the year		**–33,167**	**21,849**
Cash and cash equivalents at beginning of year		65,313	44,165
Exchange rate differences in cash and cash equivalents		1,461	–701
Cash and cash equivalents at year-end		**33,607**	**65,313**

Income statement
Parent Company

SEK thousands	Note	2016	2015
Net sales	2, 4	283,438	274,382
Cost of goods sold		–143,648	–149,561
Gross profit		**139,790**	**124,821**
Selling expenses		–62,829	–64,236
Administrative expenses		–15,574	–18,362
Development costs		–59,585	–54,418
Other revenue		569	–
Operating profit (loss)	5-10	**2,371**	**–12,195**
Financial income	11	117	55
Financial expenses	12	–6,952	–13,705
Financial items – net		**–4,464**	**–13,650**
Profit (loss) before tax		**–4,464**	**–25,845**
Income tax	13	–	–
Profit (loss) for the year		**–4,464**	**–25,845**

Statement of comprehensive income

SEK thousands	2016	2015
Profit (loss) for the year	–4,464	–25,845
Other comprehensive income		
Items that may be reclassified to profit or loss		
Cash flow hedges		
Value change for the year	–	334
reclassified to profit (loss) for the year	–	635
Total other comprehensive income	**–**	**969**
Total comprehensive income for the year	**–4,464**	**–24,876**

Balance sheet
Parent Company

SEK thousands	Note	2016-12-31	2015-12-31
ASSETS	2		
Non-current assets			
Intangible assets	8, 15	160,295	164,474
Property, plant and equipment	8, 16	1,832	599
Participations in Group companies	17	18,374	18,389
Other non-current assets	18	53	–
Total non-current assets		**180,554**	**183,462**
Current assets			
Inventories	19	95,042	92,255
Accounts receivable	21	16,439	29,430
Receivables from Group companies	21	24,705	8,162
Tax receivables	21	326	601
Other receivables	21	656	121
Prepaid expenses and accrued income		2,196	1,543
Cash and bank balances	27	10,246	33,631
Total current assets		**149,610**	**165,743**
TOTAL ASSETS		**330,164**	**349,205**
EQUITY AND LIABILITIES	2, 3		
Equity			
Restricted equity			
Share capital	22	16,188	16,188
Reserve for development expenditures		3,500	–
Total restricted equity		**19,688**	**16,188**
Non-restricted equity	31		
Share premium reserve		337,127	340,627
Retained earnings		–284,654	–258,809
Profit (loss) for the year		–4,464	–25,845
Total non-restricted equity		**48,009**	**55,973**
Total equity		**67,697**	**72,161**
Non-current liabilities			
Borrowings	23	–	21,413
Other non-current liabilities	24	2,599	4,037
Total non-current liabilities		**2,599**	**25,450**
Current liabilities			
Accounts payable		35,691	45,067
Liabilities to Group companies		78,052	102,599
Borrowings	23	120,181	76,833
Other current liabilities	24	8,761	9,029
Accrued expenses and deferred income	26	17,183	18,065
Total current liabilities		**259,868**	**251,594**
TOTAL EQUITY AND LIABILITIES		**330,164**	**349,205**

Statement of changes in equity
Parent Company

	RESTRICTED EQUITY		NON-RESTRICTED EQUITY		
SEK thousands	**Share capital**	**Reserve for development projects**	**Share premium reserve**	**Retained earnings**	**Total equity**
Opening equity, 1 January 2015	**16,188**	**–**	**340,627**	**–259,777**	**97,038**
Profit (loss) for the year	**–**	**–**	**–**	**–25,845**	**–25,845**
Cash flow hedges	–	–	–	969	969
Total other comprehensive income, net after tax	**–**	**–**	**–**	**969**	**969**
Total comprehensive income	**–**	**–**	**–**	**–24,877**	**–24,877**
Transactions with shareholders					
Equity portion of convertible debt (note 23)	–	–	–	–	–
New share issue (note 22)	–	–	–	–	–
Issue expenses	–	–	–	–	–
Total transactions with shareholders	**–**	**–**	**–**	**–**	**–**
Closing equity, 31 December 2015	**16,188**	**–**	**340,627**	**–284,654**	**72,161**
Opening equity, 1 January 2016	**16,188**	**–**	**340,627**	**–284,654**	**72,161**
Profit (loss) for the year	**–**		**–**	**–4,464**	**–4,464**
Cash flow hedges	–		–	–	–
Total other comprehensive income, net after tax	**–**		**–**	**–**	**–**
Total comprehensive income	**–**		**–**	**–4,464**	**–4,464**
Transactions with shareholders					
Transfer, reserve for development projects	–	3,500	–3,500	–	–
Equity portion of convertible debt (note 23)	–	–	–	–	–
New share issue (note 22)	–	–	–	–	–
Issue expenses	–	–	–	–	–
Total transactions with shareholders	**–**	**–**	**–**	**–**	**–**
Closing equity, 31 December 2016	**16,188**	**3,500**	**337,127**	**–289,118**	**67,697**

Cash flow statement
Parent Company

SEK thousands	Note	2016	2015
Operating activities			
Operating profit (loss)		2,371	–12,195
Interest paid		–4,789	–3,416
Interest received		118	55
Taxes paid		275	–23
Adjustment for items not included in cash flow	28	35,294	38,994
Cash flow from operating activities before changes in working capital		**33,269**	**23,415**
Cash flow from changes in working capital			
Inventories		–10,067	–22,851
Operating receivables		–4,403	8,501
Operating liabilities		–42,764	37,068
Cash flow from operating activities		**–23,965**	**46,133**
Investing activities			
Acquisition of intangible assets	15	–19,519	–28,717
Acquisition of property, plant and equipment	16	–1,725	–144
Cash flow from investing activities		**–21,244**	**–28,861**
Financing activities			
Change in bank overdraft	23	3,697	–4,084
Change in invoice discounting	23	3,049	37
Shareholder loan		15,000	–
Cash flow from financing activities		**21,746**	**–4,047**
Cash flow for the year		**–23,463**	**13,225**
Cash and cash equivalents at beginning of year		33,631	20,406
Exchange rate differences in cash and cash equivalents		78	–
Cash and cash equivalents at year-end		10,246	33,631

Note 1 Accounting principles

General information

Bluefish Pharmaceuticals AB (the Parent Company) and its subsidiaries (together, "the Group") develop products and market generic pharmaceuticals via a network of independent wholesalers and pharmacies. The Parent Company is a limited company registered and domiciled in Sweden. The headquarters are located at Gävlegatan 22, 113 30 Stockholm. On 9 March 2017, the Board of Directors approved these consolidated financial statements for publication.

Basis of preparation for the financial statements

The consolidated financial statements of the Bluefish Pharmaceuticals Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the EU. In addition, the standard RFR 1 issued by the Swedish Financial Reporting Board and the Swedish Annual Accounts Act have been applied. The consolidated financial statements have been prepared in accordance with the cost method. The financial statements of the Parent Company have been prepared in accordance with the same accounting principles as for the Group, subject to the exceptions described in the section entitled "Parent Company's accounting principles."

Prerequisites for preparation of the financial statements

The Parent Company's functional currency is SEK, which is also the reporting currency for the Parent Company and the Group. Consequently, the financial statements are presented in SEK. Unless otherwise stated, all amounts are rounded off to the nearest thousand.

Non-current assets and non-current liabilities primarily consist of amounts that are expected to be recovered or paid more than 12 months after the closing date.

The preparation of financial statements in accordance with IFRS requires that Group management makes a number of important assessments, estimations and assumptions which affect the application of the accounting principles and of the reported amounts of assets, liabilities, revenues and expenses. The areas which include a high degree of assessment, which are complex, or such areas where assumptions and estimations are of material significance for the consolidated financial statements are described in Note 2. Estimates and assessments are reviewed regularly. Changes in estimations are reported in the period in which the change is made if the change only effects that period, or in the period in which the changes are made and future periods, if the change affects both the current period and future periods.

Unless otherwise stated below, the accounting principles below have been applied consistently in all presented years. The Group's accounting principles have been applied consistently to the reporting and consolidation of subsidiaries.

Certain comparison figures have been reclassified to conform with the presentation in the current year's financial statements. Where the reclassification relates to significant amounts, separate information thereon is provided.

New or amended reporting standards during the 2016 financial year

A number of new or updated accounting standards and interpretations have entered into force for financial years beginning on 1 January 2016. The rules in IFRS which entered into force for the financial year which began on 1 January 2016 did not affect the consolidated financial statements.

New and revised accounting standards that are not yet effective and have not been early adopted by the Group

A number of new and amended IFRS have not yet come into force and they have not been early adopted in preparing these financial statements for the Group and Parent Company. Described below are the IFRS that could affect the Group's or Parent Company's financial statements. Other new or amended standards or interpretations that IASB has published are not expected to have any impact on the Group's or Parent Company's financial statements.

IFRS 9 Financial instruments covers accounting of financial assets and liabilities. It replaces IAS 39. Like IAS 39, it classifies financial assets in different categories, some of which are measured at amortized cost and others at fair value. To determine how the financial assets shall be reported in accordance with IFRS 9, a company must consider the contractual cash flows and the business model under which the instrument is held. IFRS 9 also introduces a new model for impairment of financial assets. Compared to IAS 39, the new model results in an earlier recognition of credit losses. For financial liabilities, IFRS 9 and IAS 39 are essentially the same. The revised criteria for hedge accounting could result in more financial hedging strategies meeting the requirements for hedge accounting as per IFRS 9 as compared to IAS 9. IFRS 9 enters into force on 1 January 2018. The standard will be applied by the Group and Parent Company as of 1 January 2018. The preliminary assessment is that the standard will not have a material impact on the Group's or Parent Company's financial statements.

IFRS 15 Revenue from Contracts with Customers provides an overall model for revenue recognition and it supersedes all previously issued standards and interpretations on revenue. The standard is based on the principle that revenue should be recognized when a promised good or service has been transferred to the customer, i.e. when the customer gains control over it, which may occur over time or at a certain point in time. The amount of recognized revenue should be the amount that the company expects to receive in exchange for delivered goods or services. IFRS 15 enters into force for financial years beginning on 1 January 2018 or later. The standard will be applied by the Group and Parent Company as of 1 January 2018. During the year, the Group began evaluating the effects of the standard. The preliminary assessment is that the standard will not have an impact on the Group's or Parent Company's financial statements.

IFRS 16 Leases will replace IAS 17 Leases. With the new standard, most leased assets will be recognized in the balance sheet, with the lessee apportioning the cost between interest payments and depreciation of the asset. The EU is expected to approve the standard in 2017. IFRS 16 is expected to come into force for financial years beginning 1 January 2019 or later, with an expectation that early application will permitted if the entity is also applying IFRS 15. It is expected that the standard will be applied by the Group and Parent Company as of 1 January 2019. During the year, the Group began evaluating the effects of the standard. Preliminary assessment of the effect of implementing the standard is that the majority of lease agreements that are reported in these financial statements as operating leases will instead be reported in the balance sheet. It also means that the associated costs will be apportioned between interest payments and depreciation.

Non-applicable standards

As allowed by IFRIC in respect of unlisted companies, Bluefish does not apply IFRIC 8 (Operating Segments).

Consolidation principles

Subsidiaries are companies in which Bluefish Pharmaceuticals AB has a controlling influence. 'Controlling influence' entails a right, directly or indirectly, to determine a company's financial and operational strategies, which normally means that the Parent Company owns more than 50% of the voting rights for all shares and participating interests. When determining whether a controlling influence exists, consideration must be given to whether there are any potential voting shares which are currently possible to utilize or convert. Subsidiaries are included in the consolidated financial statements as of the date on which the Group obtains control. They are excluded from the consolidated financial statements as of the date on which the controlling influence ceases.

The acquisition method is applied to the reporting of the Group's business acquisitions. Consideration for the acquisition of a subsidiary is comprised of the fair value of the transferred assets and liabilities for which the Group has an obligation to the prior owners of the acquired company. Consideration also includes the fair value of all assets or liabilities resulting from an agreement regarding contingent consideration. Identifiable acquired assets and assumed liabilities in a business acquisition are initially valued at fair value on the acquisition date. Acquisition-related costs are expensed as incurred.

Goodwill is initially valued at the amount by which the total consideration and fair value for non-controlling interests exceeds the fair value of identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the acquired company's net assets, the difference is reported directly in profit or loss.

Intra-Group receivables and liabilities, revenues and expenses, together with unrealized profits or losses arising from transactions between Group companies, are eliminated in their entirety when preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized profits, but only to the extent that there is no need for impairment.

Translation of foreign currency

Transactions in foreign currency have been translated to the functional currency at the exchange rate applicable on the date of the transaction. Monetary assets and liabilities in foreign currency have been measured at the closing day rate. Exchange differences which arise are reported in the income statement for the period. The consolidated financial statements are prepared in Swedish kronor (SEK), which is the functional currency and presentation currency of the Parent Company.

The balance sheets of foreign subsidiaries have been translated to SEK at the closing day rate. The income statements have been translated at the average rate for the year. The translation difference arising in connection with currency translation is recognized in other comprehensive income.

Non-monetary assets are reported in the functional currency for the business where initial recognition occurred. This also applies if the asset, at a later point in time, is transferred to a business within the Group that has a different functional currency. Translation of reporting currency occurs in the same way as for foreign subsidiaries.

Applied exchange rates relative to the Group's reporting currency (SEK):

		Average rate		Closing day rate	
Country	Currency	2016	2015	2016	2015
Denmark	DKK	1.2720	1.2544	1.2869	1.2242
EUR countries	EUR	9.4704	9.3562	9.5669	9.1350
Hungary	HUF	0.0304	0.0302	0.0308	0.0292
India	INR	0.1274	0.1317	0.1340	0.1258
Norway	NOK	1.0199	1.0465	1.0540	0.9556
Poland	PLN	2.1711	2.2370	2.1662	2.1545
United Arab Emirates	USD	8.5613	8.4350	9.0971	8.3524

Upon the full or partial divestment of foreign operations, the exchange rate differences which were previously reported in other comprehensive income are recognised in profit or loss for the period as part of the gain or loss on disposal.

Net sales

Net sales comprise the fair value of what is received or will be received for goods and services sold in conjunction with the Group's operating activities. Net sales is reported excluding VAT, returns and discounts, and after the elimination of intra-Group sales. The Group reports net sales when the amount can be measured in a reliable manner, when it is probable that future economic benefits will accrue to the Company, and when special criteria have been fulfilled for each of the Group's operations as described below. It is considered impossible to measure the amount of revenue in a reliable manner until all obligations in respect of the sale have been fulfilled or have fallen due. An assessment as to whether any reserve is necessary is made for each individual transaction. The Group bases its assessments on historical outcome, and thus takes into account the type of customer, type of transaction and special circumstances in each individual case.

The Group markets and sells a selection of generic pharmaceutical preparations, primarily on the wholesale market. Revenue is recognized upon the sale of goods when a Group company has delivered products to a wholesaler, the wholesaler can exercise its discretion to select a sales channel and price for the product, and there are no unfulfilled obligations which could affect the wholesaler's approval of the products. Delivery does not occur until the products have been sent to the designated location, the risks of obsolescence and loss have passed to the wholesaler, and either the wholesaler has approved the products in accordance with the sales agreement, the conditions for approval have expired, or the Group has objective proof that all criteria for approval have been met.

Pharmaceutical preparations with quantity discounts are often sold on the wholesale market, and the customers are entitled to return products. Sales revenue is recognized on the basis of the price set forth in the sale agreement, net after estimated quantity discounts and returns on the date of sale. Accumulated experience is used to assess and reserve for discounts, price adjustments and returns. No financing component is considered to exist, because sales are made with a maximum credit period of 60 days, which conforms to market practice.

See also note 2, Estimates and Assessments.

Taxes

The Group's total income tax includes tax which is to be paid or received for the current year, adjustments to previous years' taxes and changes in deferred tax.

The current tax expense is calculated on the basis of the tax rules which, on the closing date, have been issued or announced in those countries where the Parent Company's subsidiaries operate and generate taxable revenue.

For items reported in the income statement, the associated tax effects are also reported in the income statement. Tax effects of items recognized directly in equity are recognized in equity.

Deferred tax is calculated based on temporary differences which arise between the carrying amount and tax base of assets and liabilities.

The valuation of deferred tax is based on the manner in which underlying assets or liabilities are expected to be realized or settled. Deferred tax is calculated using the tax rates and tax rules announced as of the closing date. If the calculation gives rise to a deferred tax asset, such asset is reported only to the extent it is likely that it will be realized.

Derivative instruments and hedging measures

Derivative instruments are reported in the balance sheet on the contract day and valued at fair value, both initially and in conjunction with subsequent revaluations. The method for reporting the profit or loss which arises in conjunction with revaluation depends upon whether the derivative is identified as a hedging instrument and, where this is the case, the nature of the item to be hedged. Forecast sales in foreign currency that are hedged with currency forward contracts are deemed to be very probable and they are classified as cash flow hedges.

When the transaction is entered into, the Group documents the relationship between the hedging instrument and the hedged item, as well as the Group's goals for risk management and the risk management process for hedging. The Group also documents its assessment, both when the hedge is entered into and on an ongoing basis, of whether the derivative instruments which are used in the hedging transactions are effective in counteracting changes in fair value or cash flows which are related to the hedged items.

Information on the fair value of various derivative instruments that were used for hedging purposes is available in note 15. Changes in the hedging reserve in equity are shown in the Report of changes in equity. The entire fair value of a derivative hedging instrument is classified as a non-current asset or non-current liability when the remaining term of the hedged item is greater than 12 months. It is classified as a current asset or current liability when the remaining term of the hedged item is less than 12 months.

The effective portion of the change in fair value of the derivatives identified as cash flow hedges and which qualifies for hedge accounting is recognized in other comprehensive income. Accumulated amounts in equity are reversed and reported in the income statement in those periods during which the hedged item affects earnings, for example when the forecasted sales which are hedged take place. The profit or loss related to the ineffective part is immediately recognized in profit or loss under the item Other gains/losses – net.

When a hedging instrument falls due or when the hedge no longer fulfills the criteria for hedge accounting and accumulated gains or losses regarding the hedge have been reported in equity, these gains/losses remain in equity and they are recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the accumulated gain or loss which is reported under equity is recognized in profit or loss as part of Other gains/losses – net.

Intangible assets

Development costs

Expenditures incurred in development projects relating to in-house development of generic products are reported as intangible assets, provided that the likelihood of future economic benefit and useful life is considered to be high. An intangible asset is reported only to the extent the product can be sold on existing markets and resources exist to complete the development. Only those expenses which relate directly to the development of the new product are capitalized.

Other development expenditures which do not satisfy these conditions are recognized as expenses when incurred. Development expenditures which have previously been reported as an expense are not reported as an asset in a subsequent period. Capitalized development costs are amortized according to plan over the useful life.

Licenses and market approvals

Acquired licenses and related market approvals are capitalized. Market approvals consist of fees for registration of licenses with authorities and directly related expenditures. Licenses and expenses associated with obtaining market approval are reported at cost less accumulated amortization.

Licenses and market approvals have a determinable useful life and are depreciated on a straight-line basis over that period, which is calculated to be 10-15 years. As of 1 January 2011, the assessment of the useful life changed from 10 years to 10-15 years, in respect of existing licenses and market approvals.

Software and trademarks

Acquired software licenses are capitalized based on acquisition and implementation fees. The fees are amortized on a straight-line basis over the useful life, which is 4-10 years.

Impairment of intangible assets

Intangible assets are tested for impairment at least once per year or whenever events or changes in circumstances indicate that the carrying amount is not recoverable.

An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the fair value of the asset, less selling expenses, or its value in use, whichever is higher.

When assessing impairment, assets are grouped at the lowest levels where there are separate, identifiable cash flows (cash-generating units).

Property, plant and equipment

Property, plant and equipment is mainly comprised of equipment and computers, which are reported at cost less accumulated depreciation. Cost includes expenditures which can be directly attributed to the acquisition of the asset.

Additional expenditures for improvements in the performance of the assets in excess of original level increase the asset’s carrying amount. All other forms of repairs and maintenance are expensed in the income statement during the period in which they are incurred.

Property, plant and equipment are depreciated on a straight-line basis over the assessed useful life of the assets, which is 3-5 years.

Impairment of non-current assets

On each closing date, the Group assesses whether there are any indications that a non-current asset has diminished in value. If such is the case, the Group makes an assessment regarding the recoverable amount of the asset. Recoverable amount is the fair value of an asset, less any sales costs, or its value-in-use, whichever is higher. The value-in-use is the present value of the assessed future cash flow attributable to the asset. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds the recoverable amount. Discounting rates reflect the capital cost and other financial parameters in the country or region in which the asset is used

Leasing

A finance lease is a leasing agreement in which the economic risks and advantages associated with ownership of an asset are in all essential respects transferred from the lessor to the lessee. Title may, but need not, ultimately pass to the lessee. Operating leases are all leasing arrangements other than finance leases.

Assets held under finance leases are reported in the balance sheet at the fair value of the leased item or the present value of minimum leasing fees, whichever is lower, and future leasing fees are reported as a loan. Expenses for the period are comprised of depreciation on the leased asset and interest expenses for the loan.

Non-current assets held under finance leases are depreciated over the useful life of the asset or the leasing period, whichever is shorter.

For operating leases, payments made during the leasing period are expensed in the income statement on a straight-line basis over the leasing period.

Inventories

Inventories are reported at the lower of cost and net realizable value. The cost amount is calculated using the weighted average method and it includes expenses associated with acquisition and transport of inventory assets.

The net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventory impairment occurs within the scope of normal business operations and is recognized in costs of goods sold.

See also note 2, Estimates and Assessments.

Financial instruments

Purchases and sales of financial assets are recognized on the trade date, which is the date on which the Group commits to purchase or sell the asset. Financial instruments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets at fair value via profit or loss are initially recognized at fair value, while the attributable transaction costs are recognized in profit or loss. Financial asset are derecognized when the contractual rights to the cash flows from the financial asset expire or are transferred and the Group has transferred essentially all the risks and rewards associated with ownership. Available-for-sale financial assets and financial assets measured at fair value via profit or loss are subsequently carried at fair value. Loan receivables and accounts receivable are recognized at the time of acquisition at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of any assets in the category ‘financial assets at fair value through profit or loss’ are reported in the income statement as 'Other gains/losses – net' in the same period that the gain or loss arises.

Upon initial recognition of a financial asset or liability, it is measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability. This applies to financial assets or liabilities that do not belong to the category "measured at fair value through the statement of comprehensive income". After initial recognition, measurement is based on how the instrument is classified.

The Group classifies its financial assets as follows: financial assets measured at fair value through profit or loss, loan receivables, accounts receivable and available-for-sale financial assets. Classification is based on the purpose for which the financial asset was acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it was acquired primarily for the purpose of selling it in the short-term. Derivatives are classified as held for trading if they have not been identified as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months. Otherwise, they are classified as non-current assets.

In accordance with IFRS 13 Financial Instruments: There are three levels for measurement at fair value and categorization depends on the extent to which fair value is based on observable inputs, as per the following hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than the quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. from prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

(b) Loan receivables and accounts receivable

Loan receivables and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for items that fall due more than

12 months after the end of the reporting period. In such case, they are classified as non-current assets. The Group's loan receivables and accounts receivable consist of 'Accounts receivable and other receivables' and 'Cash and cash equivalents' in the balance sheet.

Accounts receivable are initially recognized at fair value and subsequently at amortized cost using the effective interest method, less provision for impairment. Provision for impairment of accounts receivable is made when there is objective evidence that the Group will not be able to collect the total outstanding amount in accordance with the original terms. The size of the provision corresponds to the difference between the carrying amount of the asset and the present value of assessed future cash flows, discounted using the effective interest rate. Any change in the provision is reported via profit or loss in selling expenses.

(c) Available-for-sale financial assets

AFS (available-for-sale) financial assets are any non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified in the other categories. They are included in non-current assets, unless management does not intend to divest the asset within 12 months of the end of the reporting period.

Cash and cash equivalents

Cash and cash equivalents include cash, bank balances and other short-term investments maturing within three months from the date of acquisition.

Bank guarantees are restricted cash included in cash and cash equivalents.

Share capital

Ordinary shares are classified as equity. Transaction expenses which are directly attributable to an issue of new shares or options are reported, net after tax, in equity as a deduction from the issue proceeds.

Accounts payable

Accounts payables are obligations to pay for goods or services which have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if they fall due for payment within one year or earlier. If not, they are reported as non-current liabilities.

Accounts payables are initially recognized at fair value and subsequently at amortized cost applying the effective interest method.

Borrowings

Borrowing are initially recognized at fair value net after transaction costs. Afterwards, borrowing costs are reported at amortized cost and any difference between the received amount (net after transaction costs) and the repayment amount is reported in profit or loss allocated over the loan period, applying the effective interest method.

The fair value of the liability component of convertible debt instruments is determined using the market rate for an equivalent non-convertible debt instrument. This amount is recognized as a liability at amortized cost until the debt ceases through conversion or redemption. The remaining part of the amount received is attributed to the option component. This is reported in shareholders' equity, net after tax.

Bank overdraft and invoice discounting are reported as borrowings, among current liabilities, in the balance sheet.

Other liabilities

Other liabilities are classified as current liabilities if they fall due for payment within one year or earlier. If not, they are reported as non-current liabilities.

Other liabilities consist primarily of liabilities incurred in connection with purchases of licenses. Payment in respect of licenses takes place upon agreed milestones, usually depending on the market approval procedure.

Other liabilities are reported initially at fair value and thereafter at amortized cost applying the effective interest method.

Parent Company

The Parent Company has compiled its Annual Report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's Recommendation RFR 2, Accounting for Legal Entities. RFR 2 entails that the Parent Company, in its annual report of a legal entity, shall apply all of the IFRS and interpretations approved by the EU to the extent possible, within the framework of the Swedish Annual Accounts Act, and taking into account the connection between accounting and taxation. The Recommendation sets out the exceptions and additions to be made from/to IFRS. The difference between the Group's and the Parent Company's accounting principles are set forth below.

The stated accounting principles of the Parent Company set forth below have been applied consistently in all periods presented in the Parent Company's financial statements.

Subsidiaries

Shares and participations in subsidiaries are reported at cost less any impairment. Cost includes any acquisition-related costs and any additional consideration. Received dividends are reported as financial income.

The recoverable amount is calculated when there are indications that shares and participations in subsidiaries have diminished in value. An impairment loss is recognised whenever the recoverable amount is less than the carrying amount. Impairment losses are reported in the items, Profit (loss) from participations in Group companies.

Group contributions and shareholder contributions

Group contributions made or received by the Parent Company, with the aim of minimizing the Group's total tax, are reported as appropriations in accordance with the alternative rule. Shareholder contributions provided by the Parent Company are reported in shares and participations and tested for impairment as set forth above.

Property, plant and equipment

Property, plant and equipment in the Parent Company are reported at cost less accumulated depreciation and any impairment in the same way as for the Group, but with the addition of any revaluations.

For leased assets, all leasing agreements in the Parent Company are reported in accordance with the rules for operating leases.

Reserve for development expenditures

Companies that capitalize development costs in their balance sheet must set aside the equivalent amount in a restricted reserve that is a component of equity. The reserve is dissolved in conjunction with amortization or impairment of the capitalized development expenditures. The reserve is also dissolved when the company divests the asset.

Presentation in the annual report

The income statement and balance sheet in the Parent Company's annual report have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's Recommendation, RFR 2.

Note 2 Estimates and assessments

The preparation of financial statements in accordance with generally accepted accounting principles requires that management make assumptions and assessments which affect the reported assets and liabilities at that time and the amount of revenue and expense recognized during the reporting period. Given the uncertainty associated with these estimates, the actual results may deviate from such assumptions and assessments, which can affect the Group's consolidated financial statements.

In the description of accounting principles, the areas where assessments and calculations need to be made are stated. In light of the Group's business operations, the management of Bluefish Pharmaceuticals believes that the most important of these are revenue recognition, accounting for inventories and assessing impairment of intangible assets.

Net sales

The company's gross sales consist of the number of packaging units delivered during a specific period at the price prevailing on the relevant market.

According to the practice within the pharmaceuticals industry, gross sales are affected by various deductions, which include discounts and deductions for public authorities, wholesalers, and health insurance companies, as well as returns. These deductions represent assessments of the related obligations which, in turn, require the company to make estimates regarding the effect on sales for a particular reporting period. Consequently, when reporting net sales, a deduction from gross sales is made for these estimates. The assessment of the need for such deductions is made in conjunction with each individual transaction.

Normally, there is a time delay of several months from the point in time at which the estimate of the deduction is made and the final reporting of the obligation. Net sales represents, in turn, our best estimates on cash flow from revenues.

Deductions for discounts, price adjustments and returns

Discounts arise when the Group has an agreement with an indirect customer, such as a purchasing organization or health insurance company, to sell products at a price which is lower than the price invoiced to the wholesaler. The discount represents the difference between the invoiced price to the wholesaler and the contracted price to the indirect customer. The company reports such discounts by reducing gross sales by an amount which corresponds to our estimate of the discount which is related to a particular sale. Reserves for estimated discounts are calculated by using a combination of factors, including the terms and conditions of each individual contract, historical experience, and expected product growth.

When reducing the price of a product, we offer the customer compensation for the difference in price for the customer's existing inventory for the product in question. The estimate of such compensation is determined at the time of the price change and is based on estimated inventory levels for the product.

When a product is sold on the wholesale market where the customer is entitled to return products, a reserve is booked for estimated returns which is based on anticipated changes in market conditions and the remaining time until the product's expiration date.

On certain markets, the company offers cash discounts in order to encourage customers to pay on time. Reserves are made for cash discounts at the time of invoicing and a corresponding deduction is made from gross sales.

The company adjusts the reserves for deductions from gross sales on a regular basis in order to reflect the actual values. In order to evaluate the sufficiency of the reserves, the company uses internal and external estimates of inventory levels, actual discount factors received, and the time delay from sales of goods to the time such discount invoices are received.

As of 1 January 2016, a reservation for discounts and returns is reported as a current provision. There has been a reclassification from accrued expenses, along with an adjustment to the comparison figures for 2015. Reclassification for 2015 amounts to SEK 114.8 million. See Note 25.

Inventory obsolescence

The company's purchases of new goods are based on anticipated sales volumes and prices. On most markets, the wholesalers require a remaining time until the expiration date of at least six months for all deliveries. Based on historical sales and forecast volumes, the company makes continuous assessment of whether there is a risk of impairment due to short shelf life of the product, or in cases where the market price has changed and the product can no longer be sold at a profit. Such estimates of obsolescence are reported as cost of goods sold. Reconciliation against actual destruction of inventories is carried out on a regular basis.

Intangible assets

The Group's intangible assets consist primarily of licensing rights, market approvals, and products under development.

All intangible assets are continuously assessed for impairment. The Group considers in this context whether there is any indication that an asset has decreased in value. The asset's forecasted contribution to earnings is used when making such assessment. If the asset's contribution to earnings is low, the Group makes an assessment regarding the recoverable amount of the asset. Recoverable amount is the fair value of an asset, less any sales costs, or its value-in-use, whichever is higher. In most cases, the market information needed to estimate the fair value of the asset is lacking. Consequently, the value-in-use is used in order to assess the asset's value. This consists of the present value of the estimated future cash flows attributable to the asset. The estimated value-in-use reflects assumptions about market trends, forecast sales and margins, future tax rates, and the discount rate. The discount rate used in calculating the present value of the expected future cash flows is the current weighted average cost of capital (WACC) established for the Group. Given these extensive assumptions, the actual cash flows can deviate significantly from the values obtained from the projected cash flows.

In those cases where the carrying amount of the asset exceeds the recoverable amount, an impairment loss is recognized for the corresponding amount. All impairment losses are immediately recognized in profit or loss. Intangible assets associated with the company's development projects for which development has been discontinued are assessed for impairment at that time and written down to their fair value (which is normally zero).

Income taxes

Deferred tax assets are calculated on the basis of future utilization of accumulated Group loss carry-forwards. For the time being, deferred tax assets for loss carry-forwards are not recognized as assets.

Note 3 Financial risk management

Through its operations, the Group is exposed to a variety of financial risks: currency risk, interest rate risk in cash flows and fair values, credit risk, liquidity risk and capital risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and it attempts to minimize potential unfavorable effects on the Group's financial results.

Risk management is conducted by a central treasury department in accordance with policies established by the Board. The treasury function identifies, evaluates and hedges financial risks in close co-operation with the Group's operational units.

The Board prepares written policies, both for general risk management and for specific areas, such as currency risk, interest rate risk, credit risk, use of derivatives and non-derivative financial instruments and investment of surplus liquidity.

Currency risk

The Group operates internationally and is exposed to currency risks which arise from various currency exposures, primarily against the EUR. Currency risk arises through future commercial transactions, reported assets and liabilities and net investments in foreign operations.

Note 3 Financial risk management (cont.)

Had the SEK weakened/strengthened by 10 % in relation to the EUR, with all other variables held constant, net earnings for the year as of 31 December 2016 would have been SEK 5,486 (3,371) thousand higher/lower, mainly as a result of gains/losses upon translation of receivables and liabilities in EUR after the liabilities arose. As of the closing date, unrealized currency gains of SEK –4,850 (1,812) thousand had been recognized.

Interest rate risk in cash flows and fair values

Because the Group has no substantial interest-bearing assets, the Group's revenues and cash flow from operating activities are, in all essential respects, independent of changes in market interest rates.

The Group's interest rate risk arises through long-term borrowing. Borrowing which takes place at variable interest rates exposes the Group to interest rate risk as regards cash flow. Borrowing at fixed interest rates exposes the Group to interest rate risk in respect of fair value.

Credit risk

Credit risk is managed at the Group level. Credit risk arises through balances at banks and financial institutions, as well as credit exposure vis-á-vis wholesalers, including outstanding receivables and contracted transactions. Only banks and financial institutions with a credit rating of at least AAA from an independent rating agency are accepted. The Group's main bank as of the closing date is Skandinaviska Enskilda Banken AB (publ). As of 31 December 2016, the Group's balances with SEB amounted to SEK 16,664 (38,962) thousand out of its total bank balances of SEK 33,607 (65,313) thousand. For wholesalers, the Group uses credit ratings from independent rating agencies whenever such are available. If there is no independent credit rating, a risk assessment is made of the customer's creditworthiness in which its financial position is taken into account, together with previous experience and other factors. Individual risk limits are set based on internal or external credit assessments in accordance with the limits which are established by the Board. Use of credit limits is monitored regularly.

Bluefish has an agreement with SEB regarding working capital credit designed to meet the company's increased need for working capital. As of 31 December 2016, the working capital credit includes SEK 75 million, for which the Nordic inventories have been used as collateral, and an additional SEK 10 million from invoice discounting. The SEB credit is conditional on the Group maintaining a gearing ratio below 1 and available liquidity of at least SEK 5 million. In April 2015, the new covenant came into force of maintaining a gearing ratio below 1 and it replaced the prior covenant, requiring the company to maintain an equity ratio of at least 25%.

Liquidity risk

Cash flow forecasts are prepared regularly. The Group's central finance department carefully monitors rolling forecasts regarding the Group's liquidity reserve in order to ensure that the Group has sufficient cash on hand for operating activities, along with maintaining adequate available amounts from its unused credit facilities.

The table below analyses the Group's financial liabilities broken down by the time remaining from the closing date until the contractual due date. The amounts stated in the table are the contracted, undiscounted cash flows regarding all amounts except convertible debt, which has been discounted. These amounts correspond to book values, since the discounting effect is negligible.

Inventory credit and invoice discounting do not take interest rate into consideration, because interest is difficult to assess due to fluctuations in the size of the liability from month to month. The working capital credit with SEB is a running agreement (no fixed termination date) that remains in force as long as inventory is held in the Nordic region and there are Nordic accounts receivable that can be pledged. The period of notice is 3 months for both parties. According to the agreement with SEB, the Nordic inventory may be pledged for an amount equal to 65% of AIP (Pharmacy Purchase Price) and Nordic accounts receivable may be pledged for up to 80% of the total invoice amount.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
As of 31 December 2016				
Convertible debt	21,601	–	–	–
Inventory credit	65,457	–	–	–
Invoice discounting	3,123	–	–	–
Liabilities to credit institutions	15,144	–	–	–
Shareholder loan	15,600	–	–	–
Accounts payable and other liabilities	63,918	2,729	–	–
As of 31 December 2015				
Convertible debt	–	21,413	–	–
Inventory credit	61,760	–	–	–
Invoice discounting	73	–	–	–
Liabilities to credit institutions	15,215	–	–	–
Shareholder loan	–	–	–	
Accounts payable and other liabilities	77,266	4,220	–	–

The Board of Directors and CEO continually monitor the company's forecasts and have concluded that the Group's projected cash flows for the next 12 months meet the business' liquidity needs and allow the company to pursue its business plan.

Capital risks

For capital structure, the goal is to secure the Group's capacity to continue its activities, so that it can keep generating a return for shareholders and benefits other stakeholders, and to maintain an optimal capital structure in order to keep capital costs down.

In order to maintain or adjust the capital structure, the Group can issue new shares or sell assets to reduce liabilities.

Similarly to other companies in the industry, the Group assesses capital on the basis of the debt/equity ratio. This key ratio is calculated as net debt divided by shareholders' equity. Net debt is calculated as total borrowing (including the items current borrowings and non-current borrowings in the consolidated balance sheet) less cash and cash equivalents.

Debt/equity ratio as of 31 December:

	2016	2015
Total borrowings	120,181	98,246
Less cash and cash equivalents	–33,607	–65,313
Net debt	86,574	32,933
Total equity	77,001	79,566
Debt/equity ratio	112%	41%

Note 4 Geographic distribution of net sales

Net sales are distributed across geographic markets as follows:

Group	2016	2015
Nordic region	63,190	91,469
Southern Europe	105,344	84,875
Northern Europe	135,722	101,171
Rest of the world	7,371	5,714
Total	**311,627**	**283,229**

Parent Company	2016	2015
Nordic region	63,190	91,469
Southern Europe	90,961	78,896
Northern Europe	126,440	98,638
Rest of the world	2,847	5,390
Total	**283,438**	**274,382**

The geographic market of net sales is determined by the location of customers.

Note 5 Remuneration to auditors

Group	2016	2015
Remuneration to auditors		
E&Y		
Audit engagement[1]	264	250
Auditing work other than audit engagement	–	–
Other services	87	122
Tax advice	69	372
Total	**420**	**744**
Other auditors		
Audit engagement[1]	235	60
Auditing work other than audit engagement	16	15
Other services	–	–
Tax advice	152	161
Total	**403**	**236**
Total	**823**	**980**

Parent Company	2016	2015
Remuneration to auditors		
E&Y		
Audit engagement[1]	264	250
Auditing work other than audit engagement	–	–
Other services	87	122
Tax advice	69	375
Total	**420**	**744**
Other auditors		
Audit engagement[1]	–	–
Auditing work other than audit engagement	–	–
Other services	–	–
Tax advice	55	70
Total	**55**	**70**
Total	**475**	**814**

1) "Audit engagement" refers to fees for the statutory audit, i.e. such work as is necessary for the issuance of an auditor's report, as well as audit advice provided in connection with the audit engagement

Note 6 Employees and employee benefit expenses

Average number of employees

Group	2016		2015	
	Average number of employees	Of which men	Average number of employees	Of which men
Sweden	24	29%	23	23%
France	1	100%	1	100%
Portugal	1	100%	1	100%
Spain	3	33%	3	39%
India	62	66%	55	69%
Germany	4	25%	4	25%
Italy	–	–	1	100%
Poland	3	100%	3	100%
United Arab Emirates	3	40%	3	21%
Total	**101**	**56%**	**94**	**56%**

Parent Company	2016		2015	
	Average number of employees	Of which men	Average number of employees	Of which men
Sweden	24	29%	23	23%
France	1	100%	1	100%
Portugal	–	–	1	100%
Total	**25**	**32%**	**25**	**30%**

Wages, other remuneration, and payroll overhead

	2016		2015	
	Salaries and remuneration	Payroll overhead	Salaries and remuneration	Payroll overhead
Parent Company	15,171	6,626	13,764	5,792
(of which pension expenses)[1]		(1,488)		(1,342)
Subsidiaries	19,682	1,175	14,556	1,352
(of which pension expenses)[1]		(–256)		(56)
Total Group	**34 853**	**7,801**	**28,320**	**7,144**
(of which pension expenses)[1]		**(1,232)**		**(1,398)**

1) Of the Group's and Parent Company's pension expenses, SEK 247 (21) thousand relates to the Group's

The Group has only defined contribution pension plans. Pension costs relate to the cost which affects not profit (loss) for the year.

Salaries and other remuneration by country and between Board members, etc., and other employees

Parent Company	2016		2015	
	Board of Directors and CEO	Other employees	Board of Directors and CEO	Other employees
Sweden	–	14,775	1,227	11,456
Other countries	–	396	–	1,081
Total Parent Company	**–**	**15,171**	**1,227**	**12,537**

Subsidiaries	2016		2015	
	Board of Directors and CEO	Other employees	Board of Directors and CEO	Other employees
India	–	8,394	650	6,857
United Arab Emirates	2,823	1,794	129	1,759
Other countries	–	6,671	–	5,161
Total subsidiaries	**2,823**	**16,859**	**779**	**13,777**
Total Group	**2,823**	**32,030**	**2,006**	**26,314**

Note 6 Employees and personnel costs (cont.)

Remuneration and other benefits to the Board, CEO and other senior executives

2016	Basic salary/ Directors' fee	Other benefits[1]	Pension expenses	Total
Chairman of the Board, Gerald Engström	–	–	–	–
Director, Nivedan Bharadwaj	–	–	–	–
Director, Erika Kjellberg Eriksson	–	–	–	–
CEO, Karl Karlsson	1,455	1,368	247	3,070
Other senior executives	5,713	709	298	6,720
Total	**7,168**	**2,077**	**545**	**9,790**

Termination of the CEO's employment that has been issued by the company would result in severance payment for 24 months. When termination has been at the request of the CEO, fixed salary is paid during the notice period of 6 months.
No bonuses were paid to management or the Board of Directors.

1) Other benefits are cars, rent and tuition fees

2015	Basic salary/ Directors' fee	Other benefits[1]	Pension expenses	Total
Chairman of the Board, Gerald Engström	–	–	–	–
Director, Nivedan Bharadwaj	–	–	–	–
Director, Erika Kjellberg Eriksson	–	–	–	–
CEO, Karl Karlsson	1,336	670	21	2,027
Other senior executives	2,895	124	88	3,107
Total	**4,231**	**794**	**109**	**5,134**

Shareholdings of the Board and senior executives

2016	B shares	Holding, %	Votes, %
Chairman of the Board, Gerald Engström[1]	28 862 983	35,7%	35,7%
Director, Nivedan Bharadwaj[1]	–	–	–
Director, Erika Kjellberg Eriksson[1]	–	–	–
CEO, Karl Karlsson[1]	7 592 854	9,4%	9,4%
Other senior executives	180 000	0,2%	0,2%

The CEO has 2,000,000 (2,000,000) convertible debt instruments via company.

2015	B shares	Holding, %	Votes, %
Chairman of the Board, Gerald Engström[1]	28 862 983	35,7%	35,7%
Director, Nivedan Bharadwaj[1]	–	–	–
Director, Erika Kjellberg Eriksson[1]	–	–	–
CEO, Karl Karlsson[1])	7 592 854	9,4%	9,4%
Other senior executives	180 000	0,2%	0,2%

The CEO has 2,000,000 (2,000,000) convertible debt instruments via company.

1) Private or via company

Gender distribution of the Board and management

Group	2016	2015
Board of Directors		
Men	3	3
Women	1	1
Total	**4**	**4**
CEO and other senior executives		
Men	4	2
Women	2	2
Total	**6**	**4**

Note 7 Allocation of costs by nature of expense

Group	2016	2015
Costs of goods sold	152,887	150,730
Other external expenses	84,343	82,253
Employee benefit expenses	45,828	37,466
Depreciation/amortization and impairment loss on property, plant and equipment and intangible assets	25,281	28,057
Total	**308,339**	**298,506**

Parent Company	2016	2015
Costs of goods sold	143,648	149,561
Other external expenses	91,722	90,703
Employee benefit expenses	23,181	20,362
Depreciation/amortization and impairment loss on property, plant and equipment and intangible assets	23,085	25,951
Total	**281,636**	**286,577**

Note 8 Depreciation/amortization and impairment loss on property, plant and equipment and intangible assets

Group	2016	2015
Depreciation, amortization and impairment by type of asset:		
Goodwill	624	–
License rights	3,894	2,398
Market approvals	17,447	22,085
Development projects	–	168
Other intangible assets	747	729
Equipment and computers	2,569	2,677
Total	**25,281**	**28,057**
Depreciation, amortization and impairment by function:		
Selling expenses	638	875
Administrative expenses	486	557
Development costs	24,157	26,625
Total	**25,281**	**28,057**

Parent Company	2016	2015
Depreciation, amortization and impairment by type of asset:		
License rights	3,894	2,398
Market approvals	17,953	22,562
Other intangible assets	747	697
Equipment and computers	491	294
Total	**23,085**	**25,951**
Depreciation, amortization and impairment by function:		
Selling expenses	297	228
Administrative expenses	240	193
Development costs	22,548	25,530
Total	**23,085**	**25,951**

Note 9 Operating leases

The Group leases offices as part of an non-cancellable operating lease. The leasing period is 3-7 years. Notice of termination must be made at least 1-9 months before the contractual end date. Otherwise, the agreement is extended for a period of 3 years at a time.

Future total minimum lease fees for non-cancellable operating leases are as follows:

Leasing costs for 2016 amounted to SEK 4,355 (4,481) thousand.

Group	2016	2015
Within 1 year	2,708	5,088
Between 2 and 5 years	12,553	8,925
More than 5 years	2,961	3,354
Total	**18,222**	**17,367**

Parent Company	2016	2015
Within 1 year	1,420	3,615
Between 2 and 5 years	7,000	8,925
More than 5 years	1,604	3,354
Total	**10,024**	**15,894**

Note 10 Purchases and sales within the Group

9 (8) % of operating expenses during the financial year relate to purchases from Group companies.

Of the total net sales for the financial year, 62 (33)% was sales to Group companies.

Note 11 Financial income

Group	2016	2015
Interest income on current bank deposits	215	682
Exchange gains	109	–
Total	**324**	**682**

Parent Company	2016	2015
Intra-Group interest income	6	46
Interest income on current bank deposits	2	9
Exchange gains	109	–
Total	**117**	**55**

Note 12 Financial expenses

Group	2016	2015
Interest expenses		
Bank loans	2,480	1,725
Convertible debt (note 20)	1,986	1,980
Discounted interest, convertible debt	188	171
Other interest expenses	160	109
Other financial expenses	665	421
Currency	3	856
Total	**5,482**	**5,262**

Parent Company	2016	2015
Interest expenses		
Bank loans	2,480	1,725
Convertible debt (note 20)	1,986	1,980
Discounted interest, convertible debt	188	171
Intra-Group interest expenses	1,745	1,835
Other interest expenses	58	53
Other financial expenses	480	453
Waived Group receivable	–	6,455
Impairment of shares in subsidiaries (Note 17)	15	178
Currency	–	855
Total	**6,952**	**13,705**

Note 13 Income tax

Group	2016	2015
Current tax	–2,327	–2,319
Deferred tax	–	–
Total	**–2,327**	**–2,319**
Current tax		
Profit (loss) before tax	–1,301	–19,855
Tax under the prevailing tax rate, 22%	286	4,368
Effect of foreign tax	–1,238	–356
Tax effect of:		
Non-deductible expenses	–328	–1,749
Non-taxable revenue	20	1
Unrecognized tax assets for loss carry-forwards	–1,067	–4,583
Tax on profit for the year according to the income statement	**–2,327**	**–2,319**

Parent Company	2016	2015
Current tax	–	–
Deferred tax	–	–
Total	**–**	**–**
Current tax		
Profit (loss) before tax	–4,464	–25,845
Tax under the prevailing tax rate, 22%	982	5,686
Tax effect of:		
Non-deductible expenses	–91	–1,530
Non-taxable revenue	–	1
Unrecognized tax assets for loss carry-forwards	–891	–4,156
Tax on profit for the year according to the income statement	**–**	**–**

Loss carry-forward

Group	2016	2015
Unlimited in time	362,483	358,429
Total	**362,483**	**358,429**

Parent Company		2015
Unlimited in time	349,221	345,167
Total	**349,221**	**345,167**

Of the Group's total loss carry-forward, SEK 89,218 (89,218) thousand is blocked Group contribution and merger deficit.

Swedish loss carry-forwards can be utilized for an unlimited period. Total loss carry-forwards as of the closing date may be utilized in subsequent years.

Deferred tax assets and tax liabilities

Deferred tax assets and tax liabilities are offset only if there is a legal right to settle the current tax assets and liabilities on a net basis. There are no deferred tax assets or tax liabilities for the financial year.

Temporary differences

Temporary differences occur when there are differences between the carrying amount of assets and liabilities and their tax base. There are no temporary differences for the financial year or the comparison period.

Note 14 Earnings per share

Basic earnings per share are calculated by dividing the net profit/loss for the year attributable to the shareholders of the Parent Company by the weighted average of the number of outstanding ordinary shares during the period. To calculate diluted earnings per share, the weighted average number of outstanding ordinary shares is adjusted for the dilutive effect of all potential ordinary shares. The Parent Company has convertible debt that could have a dilutive effect.

	2016	2015
Profit (loss) for the year attributable to the shareholders of the Parent Company	–3,628	–22,175
Earnings per share, SEK		
Basic	–0.04	–0.27
Diluted[1)]	–0.04	–0.27
Average number of shares, thousands		
Basic	80,942	80,942
Convertible debt	–	–
Diluted	80,942	80,942

1) No impact on earnings per share from dilution has been allowed because it would result in a higher earnings per share.

Note 15 Intangible assets

	2016-12-31						2015-12-31					
Group	Goodwill	Development projects	Licensing rights	Market approval	Other intangible assets	Total	Goodwill	Development projects	Licensing rights	Market approval	Other intangible assets	Total
Opening cost	624	16,240	55,212	154,412	8,499	234,987	624	10,996	49,188	158,344	8,301	227,453
Acquisitions	–	1,541	3,252	10,691	2,440	17,924	–	5,513	6,024	10,449	199	22,184
Sales/disposals	–	–	–1,399	–8,188	–	–9,587	–	–	–	–14,380	–	–14,380
Exchange difference	–	662	–	–	–	662	–	–269	–	–	–	–269
Closing cost	**624**	**18,443**	**57,065**	**156,915**	**10,939**	**243,986**	**624**	**16,240**	**55,212**	**154,412**	**8,499**	**234,987**
Opening amortization and impairment	**–**	**–1,084**	**–16,990**	**–45,978**	**–5,257**	**–69,309**	**–**	**–916**	**–14,592**	**–38,273**	**–4,528**	**–58,309**
Amortization according to plan	–	–	–2,608	–10,782	–747	–14,137	–	–	–2,398	–10,572	–729	–13,699
Impairment	–624	–	–1,286	–6,665	–	–8,575	–	–168	–	–11,513	–	–11,681
Sales/disposals	–	–	1,399	8,188	–	9,587	–	–	–	14,380	–	14,380
Closing amortization and impairment	**–624**	**–1,084**	**–19,485**	**–55,238**	**–6,004**	**–82,435**	**–**	**–1,084**	**–16,990**	**–45,978**	**–5,257**	**–69,309**
Carrying amount at end of period	**–**	**17,359**	**37,580**	**101,677**	**4,935**	**161,551**	**624**	**15,156**	**38,222**	**108,434**	**3,242**	**165,678**
As of 31 December												
Cost	624	18,443	57,065	156,915	10,939	243,986	624	16,240	55,212	154,412	8,499	234,987
Accumulated amortization and impairment	–624	–1,084	–19,485	–55,238	–6,004	–82,435	–	–1,084	–16,990	–45,978	–5,257	–69,309
Carrying amount at end of period	**–**	**17,359**	**37,580**	**101,677**	**4,935**	**161,551**	**624**	**15,156**	**38,222**	**108,434**	**3,242**	**165,678**

Note 15 Intangible assets (cont.)

Impairment loss has been recognized for licensing rights and market approvals in markets where the products are no longer registered for sale. Since future economic benefits can no longer be generated, impairment loss for the facility has been recognized to bring book value down to zero. Impairment loss has also been recognized in cases where the asset's carrying amount exceeds its recoverable amount. Impairment loss has been recognized for the corresponding amount. All impairment losses are immediately recognized in profit or loss. Intangible assets associated with the company's development projects for which development has been discontinued are assessed for impairment at that time and written down to their fair value (which is normally zero). Total impairment losses for licensing rights, market approvals and development projects during the year amounted to SEK 7,951 (11,681) thousand. Specific assets do not amount to significant amounts, which is why aggregate amounts are stated instead.

In October 2015, the Parent Company acquired the development projects that had been capitalized by one of the subsidiaries. Consideration amounted to EUR 1,533 thousand, which corresponds to the book value.

Finance leases

The item "Other intangible assets" includes leased items held by the Group under finance lease agreements for the following amounts:

	2016-12-31	2015-12-31
Historical cost – capitalized finance leases	–	1,963
Accumulated amortization and impairment	–	–1,963
Carrying amount	**–**	**–**

	2016-12-31					2015-12-31				
Parent Company	Development projects	Licensing rights	Market approvals	Other intangible assets	Total	Development projects	Licensing rights	Market approvals	Other intangible assets	Total
Opening cost	15,564	55,212	155,408	6,537	232,721	–	49,188	159,013	6,338	214,539
Acquisitions	1,541	3,252	11,182	2,440	18,415	15,564	6,024	10,775	199	32 562
Sales/disposals	–	–1,399	–8,188	–	–9,587	–	–	–14,380	–	–14,380
Closing cost	**17,105**	**57,065**	**158,402**	**8,977**	**241,549**	**15,564**	**55,212**	**155,408**	**6,537**	**232,721**
Opening amortization and impairment	–	–16,990	–47,962	–3,295	–68,247	–	–14,592	–39,780	–2,598	–56,970
Amortization according to plan	–	–2,608	–11,288	–747	–14,643	–	–2,398	–11,049	–697	–14,144
Impairment	–	–1,286	–6,665	–	–7,951	–	–	–11,513	–	–11,513
Sales/disposals	–	1,399	8,188	–	9,587	–	–	14,380	–	14,380
Closing amortization and impairment	**–**	**–19,485**	**–57,727**	**–4,042**	**–81,254**	**–**	**–16,990**	**–47 962**	**–3,295**	**–68,247**
Carrying amount at end of period	**17,105**	**37,580**	**100,675**	**4,935**	**160,295**	**15,564**	**38,222**	**107,446**	**3,242**	**164,474**
As of 31 December										
Cost	17,105	57,065	158,402	8,977	241,549	15,564	55,212	155,408	6,537	232,721
Accumulated amortization and impairment	–	–19,485	–57,727	–4,042	–81,254	–	–16,990	–47,962	–3,295	–68,247
Carrying amount at end of period	**17,105**	**37,580**	**100,675**	**4,935**	**160,295**	**15,564**	**38,222**	**107,446**	**3,242**	**164,474**

Note 16 Property, plant and equipment

Group	2016-12-31	2015-12-31
Equipment and computers		
Opening cost	20,093	14,902
Acquisitions	2,590	4,937
Sales/disposals	–285	–
Translation difference for the year	1,107	254
Closing cost	**23,505**	**20,093**
Opening depreciation	–9,006	–6,007
Depreciation according to plan	–2,569	–2,677
Sales/disposals	158	–
Translation difference for the year	–1,107	–322
Closing depreciation	**–12,524**	**–9,006**
Carrying amount at end of period	**10,981**	**11,087**
Equipment and computers held under finance lease agreements are included at the following amounts:	none	none

Parent Company	2016-12-31	2015-12-31
Equipment and computers		
Opening cost	2,920	2,776
Acquisitions	1,849	144
Sales/disposals	–249	–
Closing cost	**4,520**	**2,920**
Opening depreciation	–2,321	–2,027
Depreciation according to plan	–491	–294
Sales/disposals	124	–
Closing depreciation	**–2,688**	**–2,321**
Carrying amount at end of period	**1,832**	**599**

Note 17 Participations in Group companies

	2016-12-31	2015-12-31
Book value at beginning of the year	18 389	18 289
Impairment of shares in subsidiaries	–15	–178
Shareholder contributions to subsidiaries	–	278
Book value at year end	**18 374**	**18 389**

Impairment of shares in subsidiaries amounted to SEK 0 for the company that was liquidated during the year (Bluefish Pharma Kft. in Hungary). In April 2015, Bluefish Pharmaceuticals AB gave a shareholder contribution EUR 30,000 to Bluefish Pharma Srl (Italy) in order to restore its equity.

Subsidiaries	Corporate registration number	Domicile	Share of equity/ votes (%)	Book value 2016	Book value 2015
Bluefish Pharmaceuticals Pvt Ltd	U02423KA2006PTC049950	Bangalore, India	100	14,678	14,678
Bluefish Pharma Incentive AB	556731-3704	Stockholm, Sweden	100	100	100
Bluefish Pharma SL	B-64813389	Madrid, Spain	100	29	29
Bluefish Pharma GmbH	HRB 9827	Griesheim, Germany	100	232	232
Bluefish Pharma Srl	MI-1867060	Milan, Italy	100	467	467
Bluefish Pharma GmbH	FN32626a	Vienna, Austria	100	375	375
Bluefish Pharma sp z o o	142220504	Warsaw, Poland	100	127	127
Bluefish Pharma Kft.	01-09-939500	Budapest, Hungary	100	–	15
BFPH Portugal Unipessoal Lda	509426590	Lisbon, Portugal	100	48	48
Bluefish Pharma Holding Ltd	C 50712	Sliema, Malta	100	2,165	2,165
Bluefish Pharma France Sarl	529 131 245 R.C.S. Paris	Paris, France	100	9	9
Bluefish Pharma AB (tidigare BMM Pharma AB)	556618-5210	Stockholm, Sweden	100	50	50
Bluefish Pharma FZ-LLC	92341	Dubai, United Arab Emirates	100	94	94
Total book value				**18,374**	**18,389**

Note 18 Other non-current liabilities

Group	2016-12-31	2015-12-31
Opening amount	1,709	1,700
Net change for receivables	41	–29
Exchange rate difference for the year	111	38
Carrying amount at year-end	**1 861**	**1,709**

Other non-current receivables primarily consist of rent deposits.

Parent Company	2016-12-31	2015-12-31
Opening amount	–	–
Net change for receivables	53	–
Carrying amount at year-end	**53**	**–**

Note 19 Inventories

Group/Parent Company	2016-12-31	2015-12-31
Finished products	89 772	82 355
Goods in transit	5 270	9 900
Total	**95 042**	**92 255**

Obsolescence reserve amounts to SEK 11,155 (14,613) thousand.

Inventory impairment is primarily related to discontinued products and products with such a short shelf life that they cannot be sold. Impairment for the year amounts to SEK 7,281 (16,373) thousand. See Note 28.

Note 20 Financial instruments by category

Group 2016-12-31	Loan receivables and accounts receivable	Financial assets valued at fair value through profit or loss	Derivatives used for hedging	Financial assets available for sale	Total
Assets in the balance sheet					
Accounts receivable and other receivables	60,396	–	–	–	60,396
Cash and cash equivalents (Note 27)	33,607	–	–	–	33,607
Total	**94,003**	**–**	**–**	**–**	**94,003**
2015-12-31					
Assets in the balance sheet					
Accounts receivable and other receivables	57,325	–	–	–	57,325
Cash and cash equivalents (Note 27)	65,313	–	–	–	65,313
Total	**122,638**	**–**	**–**	**–**	**122,638**

Group 2016-12-31	Liabilities measured at fair value via profit or loss	Derivatives used for hedging	Other financial liabilities	Total
Liabilities in the balance sheet				
Borrowings	–	–	120,181	120,181
Accounts payables and other liabilities excluding non-financial liabilities	–	–	156,770	156,770
Total	**–**	**–**	**276,951**	**276,951**
2015-12-31				
Liabilities in the balance sheet				
Borrowings	–	–	98,246	98,246
Accounts payables and other liabilities excluding non-financial liabilities	–	–	203,717	203,717
Total	**–**	**–**	**301,963**	**301,963**

In accordance with IFRS 13 Financial Instruments: There are three levels for measurement at fair value and categorization depends on the extent to which fair value is based on observable inputs, as per the following hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than the quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. from prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs)

Derivatives measured at fair value that are used for hedging purposes and borrowings classified in Level 2. Because loans to credit institutions carry a variable rate of interest, and loans to shareholders carry a fixed rate of interest, which is essentially the same as current market interest rates, it is concluded that the book value of loans is essentially the same as the fair value. As of 2015-12-31, the company did not have any remaining hedges, which is why the value is 0.

Loan receivables and accounts receivable have short maturities and are assessed in all material respects as equivalent to fair value. No assets have been revalued at fair value.

Note 21 Accounts receivable and other receivables

Group	2016-12-31	2015-12-31
Accounts receivable	59,240	55,870
Less: provision for doubtful debts	–468	–
Accounts receivable – net	**58,772**	**55,870**
Other receivables	8,028	6,816
Total other receivables	**8,028**	**6,816**
Total accounts receivable and other receivables	**66,800**	**62,686**

Parent Company	2016-12-31	2015-12-31
Accounts receivable	16,439	29,430
Less: provision for doubtful debts	–	–
Accounts receivable – net	**16,439**	**29,430**
Receivables from Group companies	24,705	8,162
Other receivables	982	722
Total other receivables	**25,687**	**8,884**
Total accounts receivable and other receivables	**42,126**	**38,314**

The confirmed bad debt losses for the company during the year amount to SEK 394 (0) thousand.

As of 31 December 2016, overdue accounts receivable amounted to SEK 12,278 (15,190) thousand. Of the total for overdue accounts receivable, a provision of SEK 468 (0) thousand for doubtful debts was made. Creditworthiness has been assessed as good, with no further need for impairment. The overdue receivables pertain to a number of customers who have not previously had any difficulty making payment.

The age analysis of these accounts receivable is set forth below:

Group	2016-12-31	2015-12-31
Less than 30 days	8,771	9,087
Older than 30 days	3,507	6,103
	12,278	**15,190**

Parent Company	2016-12-31	2015-12-31
Less than 30 days	5,896	4,701
Older than 30 days	1,442	2,260
	7,338	**6,961**

For the Group, overdue invoices amount to SEK 12,278 (15,190) thousand as of 31 December 2016. As of 31 January 2017, invoices totaling SEK 8,712 (9,103) thousand had been paid. The outstanding amount is SEK 3,565 (6,087) thousand.

For the Parent Company, overdue invoices amount to SEK 7,338 (6,961) as of 31 December 2016. As of 31 January 2017, invoices totaling SEK 5,656 (3,785) thousand had been paid. The outstanding amount is SEK 1,682 (3,176) thousand.

Note 22 Share capital

According to the Articles of Association, the Company's share capital shall be not less than SEK 9,000 thousand and not more than SEK 36,000 thousand. The minimum number of shares is 45,000,000 and the maximum number is 180,000,000. As of 31 December 2016, the Parent Company's share capital was SEK 16,188 thousand. The total number of shares amounts to 80,942,496. As of 31 December 2016, all shares entitled the holder to 1/10 of a vote, with quotient value of SEK 0.20.

	A shares	B shares	Total no. shares
As of 31 December 2015	–	80,942,496	80,942,496
As of 31 December 2016	–	80,942,496	80,942,496

Share capital information

	Number of shares (000s)	Share capital
1 January 2015	80,942	16,188
New share issue	–	–
Repayment of convertible debt	–	–
31 December 2015	**80,942**	**16,188**
1 January 2016	80,942	16,188
New share issue	–	–
Repayment of convertible debt	–	–
31 December 2016	**80,942**	**16,188**

Note 23 Borrowings

Group	2016-12-31	2015-12-31
Long-term borrowings		
Convertible debt	–	21,413
Carrying amount	**–**	**21,413**
Short-term borrowings		
Convertible debt	21,601	–
Inventory credit	65,457	61,760
Invoice discounting	3,123	73
Bank loans	15,000	15,000
Shareholder loan	15,000	–
Carrying amount	**120,181**	**76,833**
Total carrying amount of borrowings	**120,181**	**98,246**

Parent Company	2016-12-31	2015-12-31
Long-term borrowings		
Convertible debt	–	21 413
Carrying amount	**–**	**21 413**
Short-term borrowings		
Convertible debt	21,601	–
Inventory credit	65,457	61,760
Invoice discounting	3,123	73
Bank loans	15,000	15,000
Shareholder loan	15,000	–
Carrying amount	**120,181**	**76,833**
Total carrying amount of borrowings	**120,181**	**98,246**

(a) Convertible debt instrument

Convertible debt 2013-2017

At the extraordinary general meeting on 5 July 2013, it was decided that all holders of the convertible debt instrument 2011/2014 would be given the option to extend under the same conditions, but with a new due date of 30 June 2017. Otherwise, they could convert to B shares at a subscription price of SEK 5 per share. Holders of convertible debt totaling SEK 8,000 thousand chose to execute redemption and subscribe to the new convertible debt series 2013/17 with a maturity date of 30 June 2017. On 3 July 2013, the Parent Company issued a convertible debt instrument with a total nominal value of SEK 8,100 thousand. Annual interest on convertible debt is 9% payable once a year on 30 June, with the first occasion being 30 June 2014. The debt instrument falls due on 30 June 2017.

By the due date of 30 June 2014, the offer had been accepted by the convertible debt holders for a total amount of SEK 21,700 thousand.

According to the convertible debt terms, there is an entitlement to convert at any time whatsoever up to and including 31 March 2017, at a conversion price of SEK 7.50 per share. The convertible debt holder will thereupon receive one new Class B share for each full amount corresponding to the conversion price.

If all convertible debt holders demand conversion, the number of class B shares will increase by not more than 1,080,000 shares and the share capital will increase by SEK 216 thousand, resulting in maximum dilution of 2% (calculated on the number of outstanding shares as of 31 December 2013).

As of 31 December 2016, the remaining nominal amount of convertible debt is SEK 21,700 thousand, which requires an increase of the company's share capital by a maximum of SEK 578,666.60 by issuing at most 2,893,333 B shares. All convertible debt matures on 30 June 2017.

As of 31 December 2016, the total outstanding amount of convertible debt was SEK 21,601 (21,413) thousand.

Group/Parent Company	2016-12-31	2015-12-31
Opening amount	21,413	21,242
Convertible debt, nominal value	–	–
Conversion to ordinary shares, nominal value	–	–
Repayment of convertible debt	–	–
Equity portion	–	–
Discounted rate	188	171
Closing amount	**21,601**	**21,413**

The fair value of the liability and equity portion was determined at the time of the issuance of the convertible debt. The fair value of the liability portion, including non-current liabilities, has been calculated applying a market interest rate for comparable non-convertible debt. Remaining amounts, which represent the value of the equity portion, are included under Shareholders' Equity.

The carrying amount on the closing date for the liability portion of the convertible debt is a good approximation of the fair value. The interest expense for convertible debt is calculated as an effective return through use of the effective interest rate of 10-12% for similar, non-convertible debt regarding the liability portion of the convertible debt.

(b) Inventory credit and invoice discounting

Since November 2011, Bluefish has had an agreement with SEB regarding working capital credit designed to meet the company's increased need for working capital. The working capital credit includes SEK 75 million, for which the Nordic inventories have been used as collateral, and an additional SEK 10 million from invoice discounting.

According to the agreement with SEB, the total value of customer invoices is used to pledge up to 80% of the total customer invoice value for invoices issued to Nordic customers. Nordic region inventory may be pledged for an amount up to 65% of AIP (Pharmacy Purchase Price).

Credit at SEB that is for inventory financing and factoring is classified as a current liability with maturity of up to 12 months since it is regarded as a bank overdraft facility. The working capital credit with SEB is a running agreement (no fixed termination date) that remains in force as long as inventory is held in the Nordic region and there are Nordic accounts receivable that can be pledged. The period of notice is 3 months for both parties. Although the loan is classified as a current liability, both Bluefish and SEB regard the arrangement as long-term.

Group/Parent Company	2016-12-31	2015-12-31
Inventory credit		
Granted inventory credit	75,000	75,000
Utilized inventory credit	–65,457	–61,760
Granted, unutilized inventory credit	**9,543**	**13,240**
Invoice discounting		
Granted invoice discounting	10,000	10,000
Utilized invoice discounting	–3,123	–73
Granted, unutilized invoice discounting	**6,877**	**9,927**
Total granted, non-utilized facility	**16,420**	**23,167**

(c) Bank loans and other loans

In September 2016, the company received a shareholder loan for SEK 15,000 thousand from its two main owners, Färna and Nexttobe, who have committed to lend SEK 7,500 thousand each. The loan matures on 28 February 2017 and carries an annual interest rate of 8%. In February, the loan was extended until 2018-03-31. Interest will be paid in conjunction with repayment of the principle.

The company has a bank loan from Nordea for SEK 15,000 thousand, for which Färna Invest has a guarantee commitment. The loan carries annual interest of STIBOR + 1,5% and contractual interest of 0.5% of the loan amount. Renegotiation of the terms is once per year, on 31 December. Compensation of 1% of the loan amount is paid each year to Färna Invest for its guarantee commitment.

The fair value of short-term borrowing is approximately the same as the carrying amount, since the discount rate is insignificant.

See Note 3.

Note 24 Other liabilities, non-current and current

Group	2016-12-31	2015-12-31
Maturity, within one year of closing date	9,629	11,125
Maturity, between 1-5 years from closing date	2,729	4,220
Total	**12,358**	**15,345**

Parent Company	2016-12-31	2015-12-31
Maturity, within one year of closing date	8,761	9,029
Maturity, between 1-5 years from closing date	2,599	4,037
Total	**11,360**	**13,066**

Liabilities primarily consist of the fees for purchasing licensing rights. Payment for licensing rights takes place upon agreed milestones, usually depending on the process for market approval.

Note 25 Current provisions

Group	2016-12-31	2015-12-31
Reserve for net sales deduction	84,256	114,845
Reserve for returns	178	–
Total	**84,434**	**114,845**

Group	2016-12-31	2015-12-31
Opening balance	114,845	75,678
New provision	158,064	205,693
Amount utilized during the period	–193,906	–163,500
Translation difference for the year	5,431	–3,026
Closing balance	**84,434**	**114,845**

As of 2016-12-31, there were no current provisions in the Parent Company.

The company's gross sales consist of the number of packaging units delivered during a specific period at the price prevailing on the relevant market.

According to the practice within the pharmaceuticals industry, gross sales are affected by various deductions, which include discounts and deductions for public authorities, wholesalers, and health insurance companies, as well as returns. These deductions represent assessments of the related obligations which, in turn, require the company to make estimates regarding the effect on sales for a particular reporting period. Consequently, when reporting net sales, a deduction from gross sales is made for these estimates. The assessment of the need for such deductions is made in conjunction with each individual transaction.

Normally, there is a time delay of several months from the point in time at which the estimate of the deduction is made and the final reporting of the obligation. Net sales represents, in turn, our best estimates on cash flow from revenues.

See Note 2.

Note 26 Accrued expenses and deferred income

Group	2016-12-31	2015-12-31
Accrued employee benefit expenses	2,915	2,853
Accrued interest expenses	4,727	4,487
Reserve for price adjustments and penalty fees	1,368	2,585
Other accrued expenses	16,417	17,717
Total	**25,427**	**27,642**

Parent Company	2016-12-31	2015-12-31
Accrued employee benefit expenses	2,678	2,785
Accrued interest expenses	4,727	4,487
Reserve for price adjustments and penalty fees	1,368	2,585
Other accrued expenses	8,410	8,208
Total	**17,183**	**18,065**

Note 27 Pledged assets and contingent liabilities

Group	2016-12-31	2015-12-31
Pledged assets		
Bank guarantees	1,770	3,356
Inventories	34,666	29,078
Accounts receivable	3,877	5
Chattel mortgage	30,000	30,000
Total	**70,313**	**62,439**
Contingent liabilities	none	none

Parent Company	2016-12-31	2015-12-31
Pledged assets		
Bank guarantees	1,770	3,356
Inventories	34,666	29,078
Accounts receivable	3,877	5
Chattel mortgage	30,000	30,000
Total	**70,313**	**62,439**
Contingent liabilities	none	none

The amount of pledged inventory and accounts receivable is based on utilized credit in relation to the assets book value.

Bank guarantees are restricted cash included in cash and cash equivalents.

Note 28 Supplementary disclosures to the cash flow statements

Group	2016	2015
Adjustment for items not included in cash flow		
Depreciation/amortization and impairment of PPE and intangible assets	25,282	28,057
Inventory impairment	7,281	16,373
Change in discount reserve	–30,411	39,168
Unrealized exchange differences	9,113	–6,887
Total	**11,265**	**76,711**

Parent Company	2016	2015
Adjustment for items not included in cash flow		
Depreciation/amortization and impairment of PPE and intangible assets	23,085	25,951
Inventory impairment	7,281	16,373
Unrealized exchange differences	4,928	–3,330
Total	**35,294**	**38,994**

Note 29 Events after the closing date

Additional debt financing

As of 1 January 2017, the company uses invoice discounting in the German business. This is done as part of the credit that the company has with SEB, for a total of SEK 85 million.

At the beginning of the year, the shareholder loan was extended. It was issued in September 2016, with maturity date of 2017-02-28. The new maturity date is 2018-03-31.

The company has convertible debt of SEK 21.7 million. Conversion of Class B shares may occur through 2017-03-31. The loan matures on 2017-06-30. Färna Invest, the company's largest shareholder, has agreed to guarantee repayment of the amount in full.

Note 30 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 and are not included in this note.

The company has a bank loan of SEK 15 million from Nordea. Färna Invest has provided a guarantee for this loan. It is believed that market conditions govern this.

The company also received a shareholder loan for SEK 15,000 thousand from its two main owners, Färna and Nexttobe, who have committed to lend SEK 7,500 thousand each. It is believed that market conditions govern this.

See Note 6 regarding remuneration to senior executives.

Purchases and sales within the Group, see note 10.

Note 31 Appropriation of profits

Proposed allocation of company profits

The following earnings are at the disposal of the AGM:

SEK	2016-12-31	2015-12-31
Share premium reserve	337,126,436	340,626,664
Retained earnings	–284,654,185	–258,808,877
Profit (loss) for the year	–4,463,690	–25,845,307
Total	**48,008,561**	**55,972,480**

The Board of Directors and the CEO propose that the unappropriated earnings, SEK 48,008,561 (55,972,480), are brought forward.

The Board of Directors proposes that no dividends are paid for the 2016 financial year.

The Board of Directors and CEO affirm that the consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and that they provide a true and fair view of the Group's financial position and results. The annual report has been prepared in accordance with generally accepted accounting principles and provides a fair and true view of the financial position and earnings of the Parent Company.

The Directors' report for the Group and Parent Company provides a true and fair overview of the Group's and the Parent Company's operations, financial position and results and also describes material risks and uncertainties faced by the Parent Company and the companies that comprise the Group.

The income statements and balance sheets will be presented to the annual general meeting for adoption.

Stockholm, 9 March 2016

Gerald Engström
Chairman of the Board

Nivedan Bharadwaj
Director

Erika Kjellberg Eriksson
Director

Karl Karlsson
CEO

Our audit report was submitted on 10 March 2017

Ernst & Young AB

Anna Svanberg
Certified Public Accountant

Auditors' report

To the general meeting of the shareholders of Bluefish Pharmaceuticals AB (publ), corporate identity number 556673-9164

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Bluefish Pharmaceuticals AB (publ) for the year 2016.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditors' responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts.

- We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Bluefish Pharmaceuticals AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditors' responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Stockholm 10 March 2017
Ernst & Young AB

Anna Svanberg
Authorized Public Accountant

Definitions of key figures

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

Equity ratio
Equity divided by total assets

Gross margin
Gross profit as a percentage of sales

Gross profit
Operating revenue less the cost of goods sold

Net debt
Interest-bearing non-current and current liabilities less cash assets in the bank

Net sales
Gross sales less any discounts, price adjustments and returns

BLUEFISH
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