BLUEFISH PHARMACEUTICALS

ANNUAL REPORT 2017

CEO comments

A year of change

For Bluefish Pharmaceuticals, 2017 was a year in which many changes took place. We added additional expertise to our management team so that we are better able to meet the challenges ahead. Joining the team are our Head of Human Resources and Head of Development. Their input will help us make more accurate overall assessments and quicker decisions within the company. Unfortunately, our profitability fell in 2017 compared to the year before, which stems from efforts to make our operations more stable and continue growing the company. We expect 2018 to be a less volatile and successful year, with a return to higher profitability.

Progress during the year

We entered into 2017 with high expectations surrounding the launch of the company's first two proprietary products. One of the launches went better than anticipated. But for the other product, competition increased more than expected and there were significant price cuts in the market. As a result, sales figures were lower than our forecasts, which had a negative impact on operating profit.

Sales increased by 5%, but the margin deteriorated due to higher overhead and scrapping costs in conjunction with moving our warehouse to a new location in Sweden. Overhead costs also increased during the year when we filled a number of open positions and hired some temporary consultants to assist us with operational adjustments.

During the year, our position in Sweden, which is one of our biggest markets, also fell. This was due to overall price erosion in the Swedish market. We are working with new initiatives to restore our sales in the Swedish market to the same high level as the year before.

All of these circumstances resulted in lower net sales and a much lower operating profit in 2017 compared to 2016.

New market office opened

We opened our own market office in Ireland during the year. In 2018, we will strive to increase the product portfolio there and over time, increase revenues from Ireland. Furthermore, a decision was made and implemented during the year to close the company's sales office in Dubai and discontinue operations there, since have not made a positive contribution to the company's profitability. We also fortified the sales organisation in 2017 in a few selected markets, which started to produce results during the last few months of the year.

Operational and environmental improvements

During the year, we moved our inventory from a warehouse in central Sweden to one in southern Sweden. Doing so moves us closer to our markets in Europe. It is also good from an environmental perspective, since it lowers the carbon emissions generated from our transports. We continue working on continual improvements and higher efficiency so that there is better stability and clarity within the company. This has included efforts to ensure that we have a well-functioning and goal-oriented supply chain that focuses on the customer.

Proprietary products and launches

We are continuing our investments in proprietary products, with plans for launching yet another new product in the market during 2018. We have reviewed and strengthened our product portfolio and expect to launch around fifteen products in selected markets during the year. There are continual strategic efforts underway to supplement and develop our product portfolio so that the company remains competitive.

Future outlook

We have started the year stronger than the previous one and expect a positive sales trend in our largest markets, Germany and Spain. Last year, we invested additional resources in our sales organisation with focus on our overall goal of profitable growth. Our partially new Business Development team is making an excellent contribution by helping us identify additional ways of supplementing our portfolio and simultaneously strengthening our market position in selected areas. We are striving to identify new opportunities in existing markets and are optimistic about starting up our own sales in Ireland.

With all of this in mind, we are very confident about the year ahead and anticipate excellent prospects for the future.

Stockholm, May 2018

Berit Lindholm
CEO

Board of Directors

Gerald Engström
Chairman of the Board of Directors (since 2011)
Born 1948
Director (since 2010)

Education:
Technical college engineer, studies in economics, Stockholm University

Other Board assignments:
Chairman of the Board, Systemair AB Director, Färna Invest AB

Shareholding in Bluefish: 28,862,983[1)]

Nivedan Bharadwaj
Director since 2012
Born 1970
Founder of Fortune Stones Ltd.

Education:
MBA

Other Board assignments:
Director, Trustees for Fortune Institute of International Business, New Delhi, India.

Shareholding in Bluefish: –

Erika Kjellberg Eriksson
Director since 2013
Born 1962
Partner, Nexttobe AB

Education:
MBA

Other Board assignments:
Chairman of the Board, Lokon Pharma AB
Director, Linum AB, Q-linea AB, Zetcity AB, Endovascular Development AB, Lumina Adhesives AB, Capilet Genetics AB, Tanea Medical AB

Shareholding in Bluefish: –

Karl Karlsson
Director (since 2005)
Born 1974
President and CEO (2005-2017)

Education:
Owner/President Management Program at Harvard Business School, Boston, USA
Marketing and Business Administration, George Mason University, Virginia, USA

Shareholding in Bluefish: 7,592,854 [1)]

1) Private holding or holdings via the company as of 31 December 2017

List of shareholders as of 2017-12-31

Shareholder	A shares	B shares	Total no. shares	Total no. votes	Share of equity	Share of votes
Färna Invest AB	–	28,862,983	28,862,983	2,886,298	35.7%	35.7%
Nexttobe AB	–	26,539,930	26,539,930	2,653,993	32.8%	32.8%
Karl Karlsson/Newbury HealthCap	–	7,592,854	7,592,854	759,285	9.4%	9.4%
Varenne[2)]	–	3,147,020	3,147,020	314,702	3.9%	3.9%
Other	–	14,799,709	14,799,709	1,479,971	18.3%	18.3%
Total	**–**	**80,942,496**	**80,942,496**	**8,094,250**	**100.0%**	**100.0%**

2) Refers to shares held by Varenne AB (2,397,020 shares) and Varenne Invest I AB (750,000 shares).

Management

Berit Lindholm

President and CEO since 2017
Member of the management group since 2015, employed since 2015
Born 1965

Professional experience:
Head of Planning, AstraZeneca Sweden Operations, Business Relationship Director Operations IT AstraZeneca, Director Global Project and Change Management AstraZeneca, Plant Manager Sterile Solutions Freeze dried products AstraZeneca AB, Manager CMC & Labelling QA/QC Pharmacia & Upjohn Pharma Mälardalen

Education:
BSc Pharm, Faculty of Pharmacy Uppsala University
Helsinki University – Faculty of Pharmacy
University of Warwick – Warwick Business School, UK

Shareholding in Bluefish: –

Anders Svensson

Chief Financial Officer since 2017
Member of the management group since 2017, employed since 2017
Born 1963

Professional experience:
CEO, Aura Light US Ltd, CFO Aura Light Group AB, Group Controller, Aura Light International AB, Consulting Manager, Simple Concepts Scandinavia AB

Education:
Master of Business Administration (MBA), Australian Graduate School of Management, Sydney, Australia
Master of Laws, Lund University

Shareholding in Bluefish: –

Erik Ekman

Chief Operating Officer since 2017
Member of the management group since 2017, employed since 2017
Born 1972

Professional experience:
Erik has more than 15 years of experience from the Pharmaceutical Industry, and he has had various leadership roles in Manufacturing, IT, Change Management, and Process Governance at AstraZeneca and earlier Cambrex. Erik has a background as a Management Consultant from CapGemini Ernst&Young.

Education:
MSc in Industrial Engineering and Management, Institute of Technology at Linköping University, Sweden
Leadership training at Stockholm School of Economics, London Business School, and Warwick University

Shareholding in Bluefish: –

Vlastimir Zeman

Head of Business Development since 2017
Member of the management group since 2017, employed since 2017
Born 1969

Professional experience:
Vlastimir has more than 20 years' experience of leadership in pharmaceutical sales and marketing management for internationally known industry leaders. Areas of expertise include Business Strategy & Marketing Management, Business Development, Lifecycle & Portfolio Management and Commercial Excellence Polpharma S.A.

Education:
Doctor of Medicine (MD), Charles University Prague, Faculty of Medicine Plzen, Czech Republic

Shareholding in Bluefish: –

Kim Kjornas

Regional Manager for Northern Europe since 2016
Member of the management group since 2016, employed as consultant since 2016
Born 1955

Professional experience:
Kim has more than 30 years' experience in the pharmaceutical/biotech industry, working with Sales and Marketing national (Nordic) as well as International (global),Business Development, Portfolio Management, Launch Management and Product Development.

Education:
M.Sc. Pharm. University of Copenhagen
Lean six-sigma (green belt)
Bachelor (HH) Accounting and Economics (Koebmandsskolen Copenhagen)
Statistics for experimenters (University of Copenhagen)

Shareholding in Bluefish: –

Vivekanand Sundaramurthy

Head of R&D since 2011
Member of the management group since 2017, employed since 2011
Born 1977

Professional experience:
Headed Formulation R&D team at Shasun Pharmaceuticals, Manager Technology Transfer operations at Dr. Reddy's Laboratories, Developed formulations for Regulated as well as RoW markets at Medreich Sterilab, Fourrts India

Education:
M.Pharm – Annamalai University
B.Pharm – Dr.M.G.R. Medical University
Project Management Professional (Certified PMP)
Ph.D. in Pharmaceutics from Annamalai University (ongoing)

Shareholding in Bluefish: –

Astha Sehgal

Head of HR since 2016
Member of the management group since 2017, employed since 2016
Born 1984

Professional experience:
Astha has more than 10 years' experience in the field of Human Resources with industries like Direct Selling and Pharmaceuticals, working with the entire gamut of Human Resource activities in the life cycle of an employee. Officer-Human Resources, Avon Beauty Products; Executive-Human Resources, Avon Beauty Products; Assistant Manager--Human Resources, MSD Wellcome Trust Hilleman Laboratories.

Education:
MBA in Human Resources and Finance, Dayalbagh Educational Institute
BBA, Dayalbagh Educational Institute

Shareholding in Bluefish: –

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 2017 financial year. Unless otherwise stated, all figures pertain to the Group for the 2017 financial year. Comparison figures are for the 2016 financial year, unless otherwise stated.

As of 31 December 2017, 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, we are also constantly striving to offer 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 organisation that is based on extensive knowledge of the local conditions and market so that we can optimise business opportunities and growth in each market.

Bluefish runs its main business in 13 European countries, along with some export activities to countries outside Europe. We also have a subsidiary in India, with focus on maintaining and streamlining the Group's product portfolio.

In 2016, Bluefish identified several new growth opportunities in both specific, selected market segments as well as some entirely new markets. In 2017, the company worked to expand its sales organisation so that it can optimise the higher potential we see in the product portfolio. For this reason, we opened a new sales office in Ireland during the year and launched two proprietary product in various markets. Hydroxyzine has been successful, but Aspirin has failed to live up to expectations due to delays in the project and a significantly higher level of price erosion in the Swedish market. The latter explains the dip in our earnings trend in 2017.

We also discontinued operations in Dubai during the year, which was part of the effort to streamline operations and sharpen the focus.

In 2018, we expect to continue adding expertise and experience to the sales organisation.

Group earnings and financial position

Net sales and earnings

Net sales for the full year 2017 were SEK 329.2 (311.6) million representing an increase of 6% as compared to the same period in 2016. With input costs of SEK 182.7 (152.9) million, the gross profit amounted to SEK 146.6 (158.7) million, corresponding to a gross margin of 44.5% (50.9) for the period. Throughout the 2017 financial year, currency fluctuations have had a positive effect on net sales equal to SEK 0.5 (1.0) million.

Operating costs for the year amounted to SEK 175.9 (155.5) million, of which SEK 32.1 (25.3) million was amortisation, depreciation and impairment losses. EBITDA for 2017 was SEK 3.1 (29.1) million. During 2017, currency fluctuations had an effect on EBITDA equal to SEK –4.3 (–4.0) million. The net loss for the period was SEK –42.4 (–3.6) million, which includes currency effects of SEK –3.9 (–4.0) million.

Cash & cash equivalents and financing

At the end of the period, cash and cash equivalents amounted to SEK 44.7 million, compared with SEK 33.6 million at the beginning of the year. Cash flow from operating activities amounted to SEK –58.4 (–33.1) million in 2017, of which SEK –50.8 (–40.7) million was the change in working capital. The change in working capital is primarily attributable to an increase in inventory value which occurred with the ramp-up prior to product launches. It was also affected when we moved the inventory to a new warehouse at the end of the year. In several markets, gross sales were higher at the end of the year, which meant that our balance in accounts receivable increased and was at a relatively high level at year-end. Cash flow from investing activities was SEK –22.3 (–21.8) million in 2017, of which investments in intangible assets, such as product development, licenses and market approval, amounted to SEK –21.4 (–19.9) million.

For 2017, cash flow from financing activities was SEK 90.9 (21.7) million, which is the net effect of a newly acquired convertible loan amounting to SEK 100 million along with repayment of a prior convertible loan and a higher level of utilisation on bank overdraft and invoice discounting. As of 31 December 2017, utilised bank credit was SEK 99.4 million, compared with SEK 83.6 million at the beginning of the year. Total available bank credit was SEK 126.5 million (SEK 97 million + EUR 3 million).

Net financial income/expense amounted to SEK –10.9 (–5.2) million for the year, which includes interest expense on the convertible debt and bank overdraft.

Shareholders' equity and equity ratio

At the end of the period, equity was SEK 42.0 million, compared to SEK 77.0 million at the beginning of the year. That corresponds to SEK 0.52 (0.95) per share. At the end of the period, the equity ratio was 10.0%, compared to 20.6% at the beginning of the year.

Multi-year review 2013-2017

SEK million	2017	2016	2015	2014	2013
Net sales	329.2	311.6	283.2	187.7	175.5
Gross profit/loss	146.6	158.7	132.5	70.4	57.4
Gross margin	44.5%	50.9%	46.8%	37.5%	32.7%
EBITDA	3.1	29.1	12.8	–34.1	–31.4
Profit (loss) before tax	–39.9	–1.3	–19.9	–61.4	–57.6
Cash flow from operating activities	–58.4	–33.1	48.5	–25.6	29.4
Cash flow from investing activities	–22.3	–21.8	–22.6	–19.8	–21.9
Earnings per share, SEK	–0.52	–0.04	–0.27	–0.82	–0.90
Equity per share, SEK	0.52	0.95	0.98	1.23	1.55
Equity ratio	10.0%	20.6%	19.8%	26.8%	29.3%
Number of employees at end of period	119	108	94	90	85

The work of the Board

The Board held seven meetings during the year. An annual general meeting was held during the year, at which time the Chairman of the Board was re-elected, along with all of the Directors. The Board thus consists of the Chairman of the Board and three Directors.

Significant events after year-end

Extended loan financing

The shareholder loan maturing on 2018-03-31 was extended at the beginning of the year. The new maturity date is 2019-03-31. The loan has been subordinated against credit granted by SEB, which involves certain restrictions on such things as repayment. Accordingly, it can be classified as equity when the bank assesses compliance with covenants.

Loan terms

SEB's covenant review at 2018-03-31 revealed that the company had deviated from the loan agreement. Having subordinated the shareholder loan as explained in the previous paragraph, the bank has adjusted the terms and approved the deviation from the loan agreement.

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 2017, Bluefish invested SEK 5.1 (1.5) million in drug development, not including the costs for registration, side effect management and quality assurance. The investment in a project is largest during the final phase. Investments increased in 2017 compared to the prior year because two of the company's products were in the final phase and they were also launched during the year.

Environmental efforts and work environment

Bluefish strives to comply with all work environment rules and regulations and minimise 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 2017, net sales were SEK 308.8 (283.4) million, of which SEK 193.4 (174.6) million was intra-Group sales. Operating profit (loss) amounted to SEK –43.8 (2.4) million and net financial income/expense amounted to SEK –15.3 (–6.8) million. As of 31 December 2017, cash and cash equivalents amounted to SEK 14.6 million, compared with SEK 10.2 million at the beginning of the year.

Future outlook

In 2018, the company expects that its growth in sales will be higher than the previous year. Sales growth will primarily be fuelled by the investments that were made in the current year, along with the impact from sales of newly launched products later in the year. It is also expected that sales growth will contribute to higher profitability compared to the 2017 financial year, but the full effect is expected to occur during the period 2018 – 2020.

Risks and uncertainties

Bluefish faces many risks and uncertainties 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 very tough price competition in several of the markets where Bluefish operates. With a change in market conditions compared to what was assumed when a business opportunity was evaluated, there is a risk that sales will not be on competitive terms. There is thus a risk of impairment losses on the investment and inventories. In order to manage changed market conditions, it is advantageous to have a flexible organisation that can quickly make decisions.

Bluefish also collaborates with a number of partners. We cannot, however, guarantee that we can maintain and develop these collaborations. A discontinued collaboration could cause delays or lost sales.

Development of generic pharmaceuticals is a complicated, risky, and time-consuming process. Any project could fail or incur a delay at any stage in 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. If that happens, it may not be possible to recover the development costs.

Supply chain

Bluefish does not have any own manufacturing, which is why the company collaborates with contract manufacturers for its pharmaceutical production. During the manufacturing process of pharmaceuticals, there could be shortages or delivery delays resulting from changed conditions pertaining to raw material deliveries, resource shortages, priorities etc. or force majeure. Delivery delays could cause a delay or loss in sales, penalty fees for delayed delivery or impairment losses on inventories.

Changes to regulatory decisions

It cannot be ruled out that the regulatory approval process at the government level could change with respect to requirements regarding the details, scope of documentation or other items. Such regulatory decisions could lead to higher costs, project delays or even termination of a project. Bluefish is also exposed to regulatory decisions pertaining to the required permits for commercialisation of pharmaceuticals and changes in the rules on pricing and discounting of pharmaceuticals, along with changed conditions having to do with the prescription of a particular drug. Changed regulatory decisions could impact the established plans for distribution and cause delays or even lost sales. Bluefish employees are well acquainted with the regulations and to prevent any surprises having to do with regulatory changes, Bluefish employees are proactive in collecting information on updates to ongoing investigations by the authorities.

Legislation and regulations

Failure to comply with applicable laws and regulations can lead to civil and/or criminal proceedings and sanctions. Primarily, Bluefish has responsibility for product liability, competition law, environmental issues, employment, work environment/health & safety and tax issues. A negative outcome on disputes and/or government investigations could lead to significant liability claims. To counteract negligence, the company has created a strong culture for ethics and compliance. In addition, all employees attend training when they first join the company, which includes knowledge of laws and regulations. Afterwards, they participate in regular training to update their knowledge.

The risk of product liability claims is limited in part through product liability insurance. However, it can never entirely be eliminated since the insurance cover and amount of compensation are limited.

Dependence on key employees

Bluefish is highly dependent on key employees. There is a risk that the company's projects become delayed or that they cannot be completed if these individuals were to leave the company or, for some other reason, were unable to fulfil their duties. The ability to recruit and retain qualified employees is of utmost importance to ensure that the company has the necessary level of expertise.

Financial risks

Bluefish regularly provides information on future financial expectations. All such statements are forward-looking and they are based on assumptions and assessments. If we are unable to successfully implement our business strategy, it could prevent us from achieving our financial goals and meeting expectations. That, in turn, could have a negative impact on the business, earnings or financial position, including the ability to raise funds and retain existing credit.

For an in-depth account of financial risks, along with currency risk, interest rate risk, credit risk, liquidity risk and capital risk, please see Note 3.

Proposed appropriation of the company's earnings

The following earnings are at the disposal of the annual general meeting:

SEK	
Share premium reserve	338,020,229
Retained earnings	–289,117,875
Profit (loss) for the year	–59,105,771
Total	**–10,203,417**

The Board of Directors and the CEO propose that the unappropriated earnings, SEK –10,203,417, are brought forward.

The Board proposes that no dividends are issued for the 2017 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	2017	2016
Net sales	2, 4	329,208	311,627
Cost of goods sold		–182,651	–152,887
Gross profit/loss		**146,557**	**158,740**
Selling expenses		–77,523	–72,092
Administration costs		–24,469	–21,246
Development costs		–73,945	–62,114
Other revenue		417	569
Operating profit (loss)	5-10	**–28,963**	**3,857**
Financial income	11	600	324
Financial expenses	12	–11,502	–5,482
Financial items – net		**–10,902**	**–5,158**
Profit (loss) before tax		**–39,865**	**–1,301**
Income tax	13	–2,530	–2,327
Net loss for the year, attributable to shareholders of the Parent Company		**–42,395**	**–3,628**

EARNINGS PER SHARE

		2017	2016
Basic earnings per share (SEK)	14	–0.52	–0.04
Diluted earnings per share (SEK)	14	–0.52	–0.04

Statement of comprehensive income

SEK thousands	2017	2016
Profit (loss) for the year	–42,395	–3,628
Other comprehensive income		
Items that may be reclassified to profit or loss		
Translations difference	261	1,063
Total other comprehensive income	**261**	**1,063**
Total comprehensive income for the year	**–42,134**	**–2,565**

Of the total comprehensive income for the year, the entire amount is attributable to the Parent Company's shareholders.

Balance sheet
Group

SEK thousands	Note	2017-12-31	2016-12-31
	27		
ASSETS	2, 20		
Non-current assets			
Intangible assets	8, 15	153,866	161,551
Property, plant and equipment	8, 16	8,283	10,981
Financial assets	18	1,840	1,861
Total non-current assets		**163,989**	**174,393**
Current assets			
Inventories	19	125,371	95,042
Accounts receivable	21	80,011	58,772
Tax receivables	21	654	726
Other receivables	21	3,907	7,769
Prepaid expenses and accrued income		3,087	3,848
Cash and cash equivalents	27	44,675	33,607
Total current assets		**257,705**	**199,765**
TOTAL ASSETS		**421,694**	**374,158**
EQUITY AND LIABILITIES	2, 3, 20		
Equity			
Share capital	22	16,188	16,188
Other contributed capital		351,093	343,991
Reserves		1,711	1,450
Retained earnings including loss for the year		–327,023	–284,628
Total equity		**41,969**	**77,001**
Non-current liabilities			
Borrowings	23	89,870	–
Other non-current liabilities	24	3,647	2,729
Total non-current liabilities		**93,517**	**2,729**
Current liabilities			
Accounts payable		54,636	53,624
Current tax liabilities		897	666
Borrowings	23	114,346	120,181
Other current liabilities	24	10,661	10,096
Current provisions	25	73,890	84,434
Accrued expenses and deferred income	26	31,778	25,427
Total current liabilities and provisions		**286,208**	**294,428**
TOTAL EQUITY AND LIABILITIES		**421,694**	**374,158**

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 2016	**16,188**	**343,991**	**387**	**–281,000**	**79,566**
Profit (loss) for the year	**–**	**–**	**–**	**–3,628**	**–3,628**
Translations difference	–	–	1,063	–	1,063
Total other comprehensive income, net after tax	**–**	**–**	**1,063**	**–**	**1,063**
Total comprehensive income	**–**	**–**	**1,450**	**–3,628**	**–2,565**
Total transactions with shareholders	**–**	**–**	**–**	**–**	**–**
Closing equity, 31 December 2016	**16,188**	**343,991**	**1,450**	**–284,628**	**77,001**
Opening equity, 1 January 2017	**16,188**	**343,991**	**1,450**	**–284,628**	**77,001**
Profit (loss) for the year				**–42,395**	**–42,395**
Translations difference	–	–	261		261
Total other comprehensive income, net after tax	**–**	**–**	**261**	**–**	**261**
Total comprehensive income		**–**	**1,711**	**–42,395**	**–42,134**
Transactions with shareholders					
Equity portion of convertible debt		7,466			7,466
Issue costs for convertible debt		–363			–363
Total transactions with shareholders	**–**	**7,102**	**–**	**–**	**7,102**
Closing equity, 31 December 2017	**16,188**	**351,093**	**1,711**	**–327,023**	**41,969**

Consolidated cash flow statement

SEK thousands	Note	2017	2016
Operating activities			
Operating profit (loss)		–28,963	3,857
Interest paid		–11,601	–5,071
Interest received		600	324
Taxes paid		–2,369	–2,770
Adjustment for items not included in cash flow, etc.	28	55,633	11,265
Cash flow from operating activities before changes in working capital		**13,300**	**7,605**
Cash flow from changes in working capital			
Inventories		–43,572	–10,067
Operating receivables		–14,617	–2,702
Operating liabilities		–14,747	–27,923
Cash flow from operating activities		**–59,636**	**–33,087**
Investing activities			
Acquisition of intangible assets	15	–20,152	–19,945
Acquisition of property, plant and equipment	16	–1,037	–1,881
Cash flow from investing activities		**–21,189**	**–21,826**
Financing activities			
New convertible debt	23	96,972	0
Repaid convertible debt		–21,601	0
Other non-current liabilities	24	55	0
Increase of bank overdraft facility	23	9,531	3,697
Increase of invoice discounting	23	6,236	3,049
Shareholder loan	23	0	15,000
Cash flow from financing activities		**91,193**	**21,746**
Cash flow for the year		**10,368**	**–33,167**
Cash and cash equivalents at beginning of year		33,607	65,313
Exchange rate differences in cash and cash equivalents		700	1,461
Cash and cash equivalents at year-end		**44,675**	**33,607**

Income statement
Parent Company

SEK thousands	Note	2017	2016
Net sales	2, 4	308,781	283,438
Cost of goods sold		–180,629	–143,648
Gross profit/loss		**128,152**	**139,790**
Selling expenses		–67,980	–62,829
Administration costs		–31,856	–15,574
Development costs		–72,516	–59,585
Other revenue		417	569
Operating profit/loss	5-10	**–43,783**	**2,371**
Financial income	11	106	117
Financial expenses	12	–15,428	–6,952
Financial items – net		**–15,322**	**–6,835**
Profit (loss) before tax		**–59,106**	**–4,464**
Income tax	13	–	–
Profit (loss) for the year		**–59,106**	**–4,464**

Statement of comprehensive income

SEK thousands	2017	2016
Profit (loss) for the year	–59,106	–4,464
Other comprehensive income		
Items that may be reclassified to profit or loss		
Total other comprehensive income	**–**	**–**
Total comprehensive income for the year	**–59,106**	**–4,464**

Balance sheet
Parent Company

SEK thousands	Note	2017-12-31	2016-12-31
	27		
ASSETS	2		
Non-current assets			
Intangible assets	8, 15	152,246	160,295
Property, plant and equipment	8, 16	1,622	1,832
Participations in Group companies	17	15,742	18,374
Other non-current liabilities	18	94	53
Total non-current assets		**169,705**	**180,554**
Current assets			
Inventories	19	125,371	95,042
Accounts receivable	21	30,307	16,439
Receivables from Group companies	21	23,043	24,705
Tax receivables	21	286	303
Other receivables	21	1,735	1,145
Prepaid expenses and accrued income		2,193	2,196
Cash and bank	27	14,647	10,246
Total current assets		**197,582**	**150,076**
TOTAL ASSETS		**367,287**	**330,630**
EQUITY AND LIABILITIES	2, 3		
Equity			
Restricted equity			
Share capital	22	16,188	16,188
Fund for development expenditures		9,709	3,500
Total restricted equity		**25,897**	**19,688**
Non-restricted equity	31		
Share premium reserve		338,021	337,127
Retained earnings		–289,118	–284,654
Profit (loss) for the year		–59,106	–4,464
Total non-restricted equity		**–10,203**	**48,009**
Total equity		**15,694**	**67,697**
Non-current liabilities			
Borrowings	23	89,870	–
Other non-current liabilities	24	3,592	2,599
Total non-current liabilities		**93,461**	**2,599**
Current liabilities			
Accounts payable		41,354	35,690
Liabilities to Group companies		78,646	78,052
Borrowings	23	105,031	120,181
Other current liabilities	24	8,960	9,228
Accrued expenses and deferred income	26	24,141	17,183
Total current liabilities		**258,131**	**260,334**
TOTAL EQUITY AND LIABILITIES		**367,287**	**330,630**

Statement of changes in equity
Parent Company

	RESTRICTED EQUITY		NON-RESTRICTED EQUITY		
SEK thousands	**Share capital**	**Fund for development projects**	**Share premium reserve**	**Retained earnings**	**Total equity**
Opening equity, 1 January 2016	**16,188**		**340,627**	**–284,654**	**72,161**
Profit (loss) for the year	**–**	**–**	**–**	**–4,464**	**–4,464**
Total other comprehensive income, net after tax	**–**	**–**	**–**	**–4,464**	**–4,464**
Total comprehensive income	**–**	**–**	**–**	**–289,118**	**67,697**
Transactions with shareholders					
Transfer of fund for development projects		3,500	–3,500		
Total transactions with shareholders	**–**	**–**	**–**	**–**	**–**
Closing equity, 31 December 2016	**16,188**	**3,500**	**337,127**	**–289,118**	**67,697**
Opening equity, 1 January 2017	**16,188**	**3,500**	**337,127**	**–289,118**	**67,697**
Profit (loss) for the year	**–**		**–**	**–59,106**	**–59,106**
Total other comprehensive income, net after tax	**–**		**–**	**–59,106**	**–59,106**
Total comprehensive income	**–**		**–**	**–348,224**	**8,591**
Transactions with shareholders					
Transfer of fund for development projects	–	6,209	–6,209	–	–
Equity portion of convertible debt (note 23)	–	–	7,465	–	7,465
Issue costs for convertible debt	–	–	–363		–363
Total transactions with shareholders	**–**	**–**	**893**	**–**	**7,102**
Closing equity, 31 December 2017	**16,188**	**9,709**	**338,020**	**–348,224**	**15,694**

Cash flow statement
Parent Company

SEK thousands	Note	2017	2016
Operating activities			
Operating profit (loss)		–43,783	2,371
Interest paid		–8,629	–4,789
Interest received		106	118
Taxes paid		17	275
Adjustment for items not included in cash flow	28	57,357	35,294
Cash flow from operating activities before changes in working capital		**5,068**	**33,269**
Cash flow from changes in working capital			
Inventories		–43,475	–10,067
Operating receivables		–24,679	–4,403
Operating liabilities		13,940	–42,764
Cash flow from operating activities		**–49,146**	**–23,965**
Investing activities			
Acquisition of intangible assets	15	–20,766	–19,519
Acquisition of property, plant and equipment	16	–463	–1,725
Other financial assets		–42	0
Cash flow from investing activities		**–21,272**	**–21,244**
Financing activities			
Increase of bank overdraft facility	23	2,530	3,697
Increase of invoice discounting	23	3,921	3,049
New convertible debt	23	89,870	0
Repaid convertible debt	23	–21,601	0
Shareholder loan	23	0	15,000
Cash flow from financing activities		**74,719**	**21,746**
Cash flow for the year		**4,302**	**–23,463**
Cash and cash equivalents at beginning of year		10,246	33,631
Exchange rate differences in cash and cash equivalents		99	78
Cash and cash equivalents at year-end		14,647	10,246

Note 1 Accounting policies

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 May 2018, 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) 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. Unless otherwise stated, 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 balance sheet 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. Estimations 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 2017 financial year.

A number of new or updated accounting recommendations and interpretations enter into force for fiscal years commencing 1 January 2017. The IFRS that have entered into force for the financial year commencing on 1 January 2017 have not impacted the Group's 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 entered into force and have not been early adopted when preparing the financial statements for the Group and Parent Company. Below is a description of the IFRS that could impact the Group's or the Parent Company's financial statements. Other new or amended standards or interpretations published by the IASB are not expected to affect the Group or Parent Company's financial statements.

IFRS 9 Financial instruments covers accounting for financial assets and liabilities. It replaces IAS 39. Similar to IAS 39, financial assets are classified in different categories, some of which are measured at amortised cost and others at fair value. To assess how a financial instrument should be reported in accordance with IFRS 9, a company must look at the contractual cash flows along with the business model under which the instrument is held. IFRS 9 also introduces a new model for impairment of financial assets. The objective of the new model is to, among others, ensure that credit losses are reported earlier than they were under IAS 39. For financial liabilities, IFRS 9 is essentially the same as IAS 39. Changed criteria for hedge accounting can result in more financial hedging strategies meeting the requirements for hedge accounting under IFRS 9 than in IAS 39. 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 standard is not expected to have a significant impact on the Group's or the Parent Company's financial statements.

IFRS 15 Revenue from contracts with customers replaces prior issued standards and interpretations on revenue with a single model for revenue recognition. The standard is based on the principle that revenue should be recognized when the promised good or service has been transferred to the customer, i.e. when the customer has obtained control over it, which could occur over time, or at a specific point in time. Revenue shall consist of the amount that the company expects to be reimbursed for in exchange for the delivered goods or services. IFRS 15 enters into force for financial years starting 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 continued evaluating the effects of the standard. The initial assessment is that the standard will not have a significant impact on the Group's or the Parent Company's financial statements.

IFRS 16 Leases will replace IAS 17. According to the new standard, most leased assets will be reported in the balance sheet, with the lessee recognising depreciation of the right-of-use asset and interest on the lease liability. The EU is expected to adopt the standard in 2017. The standard enters into force on 1 January 2019. It will be applied by the Group and Parent Company as of 1 January 2019. During the year, the Group started evaluating the effects of the standard. The initial impact is that most of the rental agreements reported as operating leases in these financial statements will be reported in the balance sheet. Furthermore, the costs associated with these leases will be recognised as depreciation and interest.

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 utilise 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 a 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 unrealised profits or losses arising from transactions between Group companies, are eliminated in their entirety when preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised 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 valued at the closing day rate. Exchange rate 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 recognised in other comprehensive income.

Non-monetary assets are reported in the functional currency of the business in which they were originally reported. This applies even if the asset is, later on, transferred to a business within the Group that has a different functional currency. Translation to the reporting currency occurs in the corresponding way as for foreign subsidiaries.

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

		Average rate		Closing day rate	
Country	Currency	2017	2016	2017	2016
Denmark	DKK	1.2949	1.2720	1.3229	1.2869
EUR countries	EUR	9.6326	9.4704	9.8497	9.5669
Hungary	HUF	0.0311	0.0304	0.0317	0.0308
India	INR	0.1312	0.1274	0.1286	0.1340
Norway	NOK	1.0330	1.0199	1.0011	1.0540
Poland	PLN	2.2626	2.1711	2.3606	2.1662
United Arab Emirates	USD	8.5380	8.5613	8.2322	9.0971

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 the course of the Group's business operations. 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. Revenue amounts cannot be measured in a reliable manner until all obligations in respect of the sale have been fulfilled or expired. An assessment as to whether any provision 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 recognised 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 recognised 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 make provisions 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 balance sheet date, have been issued or in practice have been decided upon in those countries where the Parent Company's subsidiaries operate and generate taxable revenue.

For items which are reported in the income statement, associated tax effects are also reported in the income statement. Tax effects of items recognised directly in equity is recognised 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 realised or settled. Deferred tax is calculated applying the tax rates and tax rules decided upon as of the balance sheet 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 realised.

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 capitalised.

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

Licences and market approvals

Acquired licenses and related market approvals are capitalised. Market approvals consist of fees for registration of licences with authorities and directly related expenditures. Licences and expenses associated with obtaining market approval are reported at cost less accumulated amortisation.

Licences 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.

Software and trademarks

Acquired software licences are capitalised based on acquisition and implementation fees. The fees are amortised 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 recognised 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 recognised as expenses in profit or loss 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 balance sheet 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 current value of the assessed future cash flow attributable to the asset. An impairment loss is recognised 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 leasing object 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 valued at the lower of cost and net realisable value. Cost is calculated using the weighted average method and it includes expenses associated with the acquisition, along with transport of inventory assets.

The net realisable 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 recognised in costs of goods sold.

See also Note 2, Estimates and Assessments.

Financial instruments

Purchases and sales of financial assets are recognised on the trade date, which is the date on which the Group commits to purchase or sell the asset. Financial instruments are initially recognised 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 recognised at fair value, while the attributable transaction costs are recognised in profit or loss. Financial assets are removed from the balance sheet when the right to receive the cash flows generated by the instrument has expired or been transferred and the Group has transferred essentially all of the risks and rewards associated with ownership. Financial assets that can be sold and financial assets valued at fair value via profit or loss are reported at fair value subsequent to the acquisition date. Loan receivables and accounts receivable are recognised at the time of acquisition at amortised 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 financial assets held for sale. Financial assets are classified according to the purpose for which they were acquired. The management team establishes the classification of financial assets at the first reporting occasion.

a) Financial assets valued at fair value through profit or loss

Financial assets valued 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 hedging instruments. Assets in this category are classified as current assets if settlement is expected within twelve months. Otherwise they are classified as non-current assets.

For financial instruments, three categories are used for valuation, which is based on the extent to which fair value is based on observable inputs.

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

Level 2: Other observable market inputs for assets or liabilities besides Level 1 inputs. Such data may either be directly observable (e.g. prices) or indirectly observable (i.e. derived from prices).

Level 3: Inputs for assets or liabilities that are not based on observable market data (i.e. non-observable data).

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 recognised at fair value and subsequently at amortised 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 applying the effective interest rate. Any change in the provision is reported via profit or loss in selling expenses.

(c) Financial assets available for sale

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.

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 recognised at fair value and subsequently at amortised cost applying the effective interest method.

Borrowings

Borrowing are initially recognised at fair value net after transaction costs. Afterwards, borrowing costs are reported at amortised cost and any difference between 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 a equivalent non-convertible debt instrument. This amount is recognised as a liability at amortised 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 non-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 licences. Payment in respect of licences takes place upon agreed milestones, usually depending on the market approval procedure.

Other liabilities are reported initially at fair value and thereafter at amortised 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 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 minimising 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.

Fund for development expenditures

Companies that capitalise development expenditures in the balance sheet must reserve the corresponding amount in a restricted fund that is a component of equity. The fund is then gradually dissolved at the rate that the company amortises or recognises impairment on the capitalised development expenditures. The fund is also dissolved in conjunction with disposal of 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 judgements

The preparation of annual accounts in accordance with generally accepted accounting principles requires that management make assumptions and assessments which affect the reported assets and liabilities at the time of the preparation of the annual accounts and the reported revenues and expenses 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 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 estimate of the revenue that will be received.

Deductions for discounts, price adjustments and returns

Discounts arise when the Group has an agreement with an indirect customer, such as a purchasing organisation 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 fair 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.

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. Assessment of whether there is an indication of impairment is also based on the asset's forecasted contribution to earnings. It 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 the present value calculation of the expected future cash flows is the Group's current WACC (weighted average cost of capital). Given these extensive assumptions, 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 recognised for the corresponding amount. All impairment losses are immediately recognised 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 utilisation of accumulated Group loss carry-forwards. For the time being, deferred tax assets for loss carry-forwards are not recognised as assets.

Note 3 Financial risk management

In running the business, the Group is exposed to a variety of financial risks: currency risk, interest rate risk in cash flow and fair value, 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 minimise potential unfavourable 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.

Had the SEK weakened/strengthened by 10% in relation to the EUR, with all other variables held constant, the effect on the carrying amount of assets and liabilities as of 31 December 2017 would have been SEK 3,621 (5,486) thousand higher/lower, mainly as a result of gains/losses upon translation of receivables and liabilities in EUR.

As of the balance sheet date, unrealised currency losses of SEK 2,835 (4,850) thousand had been recognised.

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 is Skandinaviska Enskilda Banken AB (publ). As of 31 December 2017, the Group's balances with SEB amounted to SEK 29,839 (16,664) thousand out of its total bank balances of SEK 44,675 (33,607) 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 entered into an agreement with SEB regarding working capital credit designed to meet the company's increased need for working capital. As of 31 December 2017, working capital credit includes SEK 72 million, for which the Nordic inventories have been used as collateral, and an additional SEK 10 million for invoice discounting. The SEB credit is conditional on the Group maintaining bank leverage under 1 and available liquidity of at least SEK 5 million. In addition to this, Bluefish GmbH also has a factoring agreement in place with SEB Germany, where the credit limit is EUR 3 million.

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 balance sheet 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 (with a 3-month notice of termination required from each side) that remains in force as long as inventory is held in the Nordic region and there are Nordic accounts receivable that can be pledged. 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 2017				
Convertible debt	–	–	89,870	–
Inventory credit	67,987	–	–	–
Invoice discounting	16,359	–	–	–
Liabilities to credit institutions	15,152	–	–	–
Shareholder loan	–	16,200	–	–
Accounts payable and other liabilities	66,195	3,647	–	–
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	64,385	2,729	–	–

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

Capital risk

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 a 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 was as follows:

	2017	2016
Total borrowings	204,216	120,181
Less cash and cash equivalents	–44,675	–33,607
Net debt	159,541	86,574
Total equity	41,969	77,001
Debt/equity ratio	380%	112%

Note 4 Geographic distribution of net sales

Net sales are distributed across geographic markets as follows:

Group	2017	2016
Nordic region	70,465	63,190
Southern Europe	115,693	105,344
Northern Europe	139,685	135,722
Rest of the world	3,365	7,371
Total	**329,208**	**311,627**

Parent Company	2017	2016
Nordic region	70,465	63,190
Southern Europe	107,522	90,961
Northern Europe	129,929	126,440
Rest of the world	865	2,847
Total	**308,781**	**283,438**

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

Note 5 Remuneration to auditors

Group	2017	2016
Remuneration to auditors		
EY		
Audit engagement[1)]	542	264
Audit services other than audit engagement	78	87
Tax advice	34	69
Total	**654**	**420**
Other auditors		
Audit engagement[1)]	126	235
Auditing work other than audit engagement	17	16
Tax advice	103	152
Total	**246**	**403**
Total	**900**	**823**

Parent Company	2017	2016
Remuneration to auditors		
EY		
Audit engagement[1)]	476	264
Audit services other than audit engagement	78	87
Tax advice	34	69
Total	**588**	**420**
Other auditors		
Audit engagement[1)]	–	–
Auditing work other than audit engagement	–	–
Other services	–	–
Tax advice	86	55
Total	**86**	**55**
Total	**674**	**475**

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	2017		2016	
	Average number of employees	Of which men	Average number of employees	Of which men
Sweden	29	38%	24	29%
France	3	100%	1	100%
Portugal	2	57%	1	100%
Spain	3	28%	3	33%
India	71	66%	62	66%
Germany	4	0%	4	25%
Poland	7	48%	3	100%
Ireland	1	100%	–	–
Austria	–	100%	–	–
United Arab Emirates	2	55%	3	40%
Total	**121**	**55%**	**101**	**56%**

Parent Company	2017		2016	
	Average number of employees	Of which men	Average number of employees	Of which men
Sweden	29	38%	24	29%
France	3	100%	1	100%
Total	**32**	**43%**	**25**	**32%**

Salaries, other remuneration, and payroll overhead

	2017		2016	
	Salaries and remuneration	Payroll overhead	Salaries and remuneration	Payroll overhead
Parent Company	16,886	8,002	15,024	6,613
(of which pension expenses)1)		(1,775)		(1,475)
Subsidiaries	22,804	1,580	19,682	1,175
(of which pension expenses)1)		(0)		(–256)
Total Group	**39,690**	**9,582**	**34,706**	**7,788**
(of which pension expenses)1)		**(1,775)**		**(1,219)**

1) Of the Group's and Parent Company's pension expenses, SEK 313 (247) thousand relates to the Group's Board of Directors and CEO. The Group's outstanding pension obligations to these individuals amounts to SEK 313 (247) thousand.

The Group has only defined contribution pension plans. Pension expenses relate to the cost which affects the earnings for the year.

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

Parent Company	2017		2016	
	Board of Directors And CEO	Other employees	Board of Directors And CEO	Other employees
Sweden	1,791	14,071	–	14,628
Other countries	–	1,024	–	396
Total Parent Company	**1,791**	**15,095**	**–**	**15,024**

Subsidiaries	2017		2016	
	Board of Directors And CEO	Other employees	Board of Directors And CEO	Other employees
India	1,035	11,230	–	8,394
United Arab Emirates	472	2,231	2,823	1,794
Other countries	–	7,836	–	6,671
Total subsidiaries	**1,507**	**21,297**	**2,823**	**16,859**
Total Group	**3,298**	**36,392**	**2,823**	**31,883**

Note 6 Employees and employee benefit expenses (cont.)

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

2017	Basic salary/ Directors' fee	Other benefits[1)]	Pension expenses	Total
Board Chairman, Gerald Engström	–	–	–	–
Director, Nivedan Bharadwaj	–	–	–	–
Director, Erika Kjellberg Eriksson	–	–	–	–
CEO, Karl Karlsson (through 2017-04-15)	436	35	54	525
CEO, Berit Lindholm (as of 2017-04-16)	2,087	739	245	3,071
Other senior executives	6,594	–	105	6,699
Total	**9,117**	**774**	**404**	**10,295**

If the company gives notice of termination to the CEO, severance pay of 24 months will be granted. If the CEO gives notice of termination, fixed salary will be paid during the 6-month notice period.
No bonuses have been paid to management or the Board of Directors.

1) Other benefits include car, rent and schooling

2016	Basic salary/ Directors' fee	Other benefits[1)]	Pension expenses	Total
Board Chairman, 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**

1) Other benefits include car, rent and schooling

Shareholdings of the Board and senior executives

2017	B shares	Holding, %	Votes, %
Board Chairman, Gerald Engström[1)]	28,862,983	35.7%	35.7%
Director, Nivedan Bharadwaj[1)]	–	–	–
Director, Erika Kjellberg Eriksson[1)]	–	–	–
Director, Karl Karlsson[1)]	7,592,854	9.4%	9.4%
CEO, Berit Lindholm	–	–	–

2016	B shares	Holding, %	Votes, %
Board Chairman, 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) Privately or via the company

Gender breakdown in the Board and management

Group	2017	2016
Board of Directors		
Men	3	3
Women	1	1
Total	**4**	**4**
CEO and senior executives		
Men	5	4
Women	2	2
Total	**7**	**6**

Note 7 Allocation of costs by nature of expense

Group	2017	2016
Costs of goods sold	182,651	152,887
Other external expenses	89,940	84,343
Employee benefit expenses	54,966	45,828
Depreciation/amortisation and impairment loss on property, plant and equipment and intangible assets	31,030	25,281
Total	**358,587**	**308,339**

Parent Company	2017	2016
Costs of goods sold	180,629	143,648
Other external expenses	115,635	91,722
Employee benefit expenses	27,228	23,181
Depreciation/amortisation and impairment loss on property, plant and equipment and intangible assets	29,489	23,085
Total	**352,981**	**281,636**

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

Group	2017	2016
Depreciation, amortisation and impairment by type of asset:		
Goodwill	0	624
Licences	6,283	3,894
Pharmaceutical approvals	21,004	17,447
Other intangible assets	984	747
Equipment and computers	2,759	2,569
Total	**31,030**	**25,281**
Depreciation, amortisation and impairment by function:		
Selling expenses	622	638
Administration costs	578	486
Development costs	29,830	24,157
Total	**31,030**	**25,281**

Parent Company	2017	2016
Depreciation, amortisation and impairment by type of asset:		
Licences	5,198	3,894
Pharmaceutical approvals	22,633	17,953
Other intangible assets	984	747
Equipment and computers	674	491
Total	**29,489**	**23,085**
Depreciation, amortisation and impairment by function:		
Selling expenses	388	297
Administration costs	343	240
Development costs	28,758	22,548
Total	**29,489**	**23,085**

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 extend for a period of 3 years at a time.

Leasing costs for 2017 amounted to SEK 3,224 (4,355) thousand.

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

Group	2017	2016
Within 1 year	3,554	2,708
Between 2 and 5 years	14,732	12,553
More than 5 years	0	2,961
Total	**18,286**	**18,222**

Parent Company	2017	2016
Within 1 year	1,750	1,420
Between 2 and 5 years	6,854	7,000
More than 5 years	0	1,604
Total	**8,604**	**10,024**

Note 10 Purchases and sales within the Group

Of the total operating expenses for the financial year, 7 (9)% was purchases from Group companies.

Of the total net sales for the financial year, 63 (62)% was sales to Group companies.

Note 11 Financial income

Group	2017	2016
Interest income on current bank deposits	494	215
Exchange gains	106	109
Total	**600**	**324**

Parent Company	2017	2016
Intra-Group interest income	0	6
Interest income on current bank deposits	0	2
Exchange gains	106	109
Total	**106**	**117**

Note 12 Financial expenses

Group	2017	2016
Interest expenses		
Bank loans	3,587	2,480
Convertible debt (note 20)	5,503	1,986
Discounted interest, convertible debt	1,913	188
Other interest expenses	407	160
Other financial expenses	269	665
Currency	–177	3
Total	**11,502**	**5,482**

Parent Company	2017	2016
Interest expenses		
Bank loans	3,587	2,480
Convertible debt (note 20)	5,503	1,986
Discounted interest, convertible debt	1,913	188
Intra-group interest expenses	1,287	1,745
Other interest expenses	17	58
Other financial expenses	490	480
Waived Group receivable	2,631	–
Impairment of shares in subsidiaries (Note 17)		15
Currency	–	–
Total	**15,428**	**6,952**

Note 13 Income tax

Group	2017	2016
Current tax	–2,530	–2,327
Deferred tax	–	–
Total	**–2,530**	**–2,327**
Current tax		
Profit (loss) before tax	–39,865	–1,301
Tax under the prevailing tax rate, 22%	8,771	286
Effect of foreign tax	1,431	–1,238
Tax effect of:		
Non-deductible expenses	–3,141	–328
Non-taxable income	270	20
Unrecognised tax assets for loss carryforwards	–9,861	–1,067
Tax on profit for the year according to the income statement	**–2,530**	**–2,327**

Parent Company	2017	2016
Current tax	–	–
Deferred tax	–	–
Total	**–**	**–**
Current tax		
Profit (loss) before tax	–59,106	–4,464
Tax under the prevailing tax rate, 22%	13,003	982
Tax effect of:		
Non-deductible expenses	–3,142	–91
Non-taxable income	–	–
Unrecognised tax assets for loss carryforwards	–9,861	–891
Tax on profit for the year according to the income statement	**0**	**0**

Loss carryforward

Group	2017	2016
Unlimited in time	407,305	362,483
Total	**407,305**	**362,483**

Parent Company	2017	2016
Unlimited in time	394,044	349,221
Total	**394,044**	**349,221**

Of the Group's total loss carryforward, SEK 89,220 (89,220) thousand is blocked Group contribution and merger deficit.

Swedish loss carryforwards can be utilised for an unlimited period. Total loss carryforwards as of the balance sheet date may be utilised 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 and 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 result in a dilutive effect.

	2017	2016
Profit (loss) for the year attributable to the shareholders of the Parent Company	–42,395	–3,628
Earnings per share, SEK		
Basic	–0.52	–0.04
Diluted [1)]	–0.52	–0.04
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

	2017-12-31						2016-12-31					
Group	Goodwill	Development projects	Licences	Pharmaceutical approvals	Other intangible assets	Total	Goodwill	Development projects	Licensing rights	Pharmaceutical approvals	Other intangible assets	Total
Opening cost	624	18,443	57,065	156,915	10,939	243,986	624	16,240	55,212	154,412	8,499	234,987
Acquisitions		5,077	4,018	10,002	1,055	20,152	–	1,541	3,252	10,691	2,440	17,924
Sales/disposals		–4,859	–5,136	–11,053		–21,048	–	–	–1,399	–8,188	–	–9,587
Exchange difference		434				434	–	662	–	–	–	662
Closing cost	**624**	**19,095**	**55,947**	**155,864**	**11,994**	**243,524**	**624**	**18,443**	**57,065**	**156,915**	**10,939**	**243,986**
Opening amortisation and impairment	–624	–1,084	–19,485	–55,238	–6,003	–82,434	–	–1,084	–16,990	–45,978	–5,257	–69,309
Amortisation according to plan			–2,847	–11,233	–985	–15,065	–	–	–2,608	–10,782	–747	–14,137
Impairment		–4,859	–3,436	–4,912		–13,207	–624	–	–1,286	–6,665	–	–8,575
Sales/disposals		4,859	5,136	11,053		21,048	–	–	1,399	8,188	–	9,587
Closing amortisation and impairment	**–624**	**–1,084**	**–20,632**	**–60,330**	**–6,988**	**–89,658**	**–624**	**–1,084**	**–19,485**	**–55,238**	**–6,004**	**–82,435**
Carrying amount at end of period	**0**	**18,011**	**35,315**	**95,534**	**5,006**	**153,866**	**–**	**17,359**	**37,580**	**101,677**	**4,935**	**161,551**
As of 31 December												
Cost	624	19,095	55,947	158,897	11,995	246,558	624	18,443	57,065	156,915	10,939	243,986
Accumulated amortisation and impairment	–624	–1,084	–20,632	–63,363	–6,989	–92,692	–624	–1,084	–19,485	–55,238	–6,004	–82,435
Carrying amount at end of period	**0**	**18,011**	**35,315**	**95,534**	**5,006**	**153,866**	**0**	**17,359**	**37,580**	**101,677**	**4,935**	**161,551**

Note 15 Intangible assets (cont.)

During the year, SEK 7,266 (4,866) thousand was capitalised for research and development costs. The amount has been reported in drug approvals and development projects. During the year, SEK 21,141 (19,945) thousand was paid in cash for acquisitions of intangible assets.

Impairment loss has also been recognised in cases where the asset's carrying amount exceeds its recoverable amount. The impairment loss is for the corresponding amount of that difference. All impairment losses are immediately recognised 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 licences, pharmaceutical approvals and development projects during the year amounted to SEK 13,207 (7,951) thousand.

	2017-12-31					2016-12-31				
Parent Company	Development projects	Licensing rights	Pharmaceutical approvals	Other intangible assets	Total	Development projects	Licensing rights	Pharmaceutical approvals	Other intangible assets	Total
Opening cost	17,105	57,065	158,402	8,977	241,549	15,564	55,212	155,408	6,537	232,721
Acquisitions	5,077	4,018	10,616	1,055	20,766	1,541	3,252	11,182	2,440	18,415
Sales/disposals	–4,859	–5,136	–11,053	–	–21,048		–1,399	–8,188		–9,587
Closing cost	**17,323**	**55,946**	**157,966**	**10,032**	**241,267**	**17,105**	**57,065**	**158,402**	**8,977**	**241,549**
Opening amortisation and impairment	–	–19,485	–57,727	–4,042	–81,254	–	–16,990	–47,962	–3,295	–68,247
Amortisation according to plan	–	–2,847	–11,777	–984	–15,608	–	–2,608	–11,288	–747	–14,643
Impairment	–4,859	–3,436	–4,912	–	–13,207	–	–1,286	–6,665	–	–7,951
Sales/disposals	4,859	5,136	11,053	–	21,048	–	1,399	8,188	–	9,587
Closing amortisation and impairment	**–**	**–20,631**	**–63,363**	**–5,026**	**–89,021**	**–**	**–19,485**	**–57,727**	**–4,042**	**–81,254**
Carrying amount at end of period	**17,323**	**35,315**	**94,602**	**5,006**	**152,246**	**17,105**	**37,580**	**100,675**	**4,935**	**160,295**
As of 31 December										
Cost	17,323	55,946	157,966	10,032	241,267	17,105	57,065	158,402	8,977	241,549
Accumulated amortisation and impairment	–	–20,631	–63,363	–5,026	–89,021	–	–19,485	–57,727	–4,042	–81,254
Carrying amount at end of period	**17,323**	**35,315**	**94,602**	**5,006**	**152,246**	**17,105**	**37,580**	**100,675**	**4,935**	**160,295**

Note 16 Property, plant and equipment

Group	2017-12-31	2016-12-31
Equipment and computers		
Opening cost	23,505	20,093
Acquisitions	1,036	2,590
Sales/disposals	–91	–285
Translation difference for the year	–733	1,107
Closing cost	**23,717**	**23,505**
Opening depreciation	–12,524	–9,006
Depreciation according to plan	–2,758	–2,569
Sales/disposals	38	158
Translation difference for the year	–190	–1,107
Closing depreciation	**–15,434**	**–12,524**
Carrying amount at end of period	**8,283**	**10,981**
Equipment and computers held under finance lease agreements are included at the following amounts:	none	none

Parent Company	2017-12-31	2016-12-31
Equipment and computers		
Opening cost	4,520	2,920
Acquisitions	463	1,849
Sales/disposals	0	–249
Closing cost	**4,983**	**4,520**
Opening depreciation	–2,688	–2,321
Depreciation according to plan	–674	–491
Sales/disposals	0	124
Closing depreciation	**–3,362**	**–2,688**
Carrying amount at end of period	**1,622**	**1,832**

Note 17 Participations in Group companies

	2017-12-31	2016-12-31
Book value at beginning of the year	18,374	18,389
Impairment of shares in subsidiaries	–2,632	–15
Shareholder contributions to subsidiaries	–	–
Book value at year end	**15,742**	**18,374**

Impairment of shares in subsidiaries amounted to SEK 0 for the companies that were liquidated during the year (Bluefish Pharma Srl and Bluefish Pharma Holding Ltd).

Subsidiaries	Corporate registration number	Registered office	Share of equity/ votes (%)	Book value 2017	Book value 2016
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	0	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	–	–
BFPH Portugal Unipessoal Lda	509426590	Lisbon, Portugal	100	48	48
Bluefish Pharma Holding Ltd	C 50712	Sliema, Malta	100	0	2,165
Bluefish Pharma France Sarl	529 131 245 R.C.S. Paris	Paris, France	100	9	9
Bluefish Pharma AB (previously BMM Pharma AB)	556618-5210	Stockholm, Sweden	100	50	50
Bluefish Pharma FZ-LLC	92341	Dubai, United Arab Emirates	100	94	94
Bluefish Pharma Ltd	608058	Dublin, Ireland	100	0	0
Total book value				**15,742**	**18,374**

Note 18 Other non-current liabilities

Group	2017-12-31	2016-12-31
Opening amount	1,861	1,709
Net change for receivables	51	41
Exchange rate differences for the year	–72	111
Carrying amount at year-end	**1,840**	**1,861**

Other non-current receivables primarily consist of rent deposits.

Parent Company	2017-12-31	2016-12-31
Opening amount	53	–
Net change for receivables	41	53
Carrying amount at year-end	**94**	**53**

Note 19 Inventories

Group/Parent Company	2017-12-31	2016-12-31
Finished products	116,057	89,772
Goods in transit	9,320	5,270
Total	**125,377**	**95,042**

Obsolescence reserve amounts to SEK 10,371 (11,155) thousand.

Inventory impairment is primarily related to discontinued products and products with such a short shelf life that they cannot be sold. Impairment loss for the year is SEK 13,146 (7,281) thousand. See Note 28.

Note 20 Financial instruments by category

Group

2017-12-31	Loan receivables and accounts receivable	Total
Assets in the balance sheet		
Accounts receivable and other receivables	81,253	81,253
Cash and cash equivalents (Note 27)	44,675	44,675
Total	**125,928**	**125,928**
2016-12-31		
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**

Group

2017-12-31	Other financial liabilities	Total
Liabilities in the balance sheet		
Borrowings	204,216	204,216
Accounts payables and other liabilities excluding non-financial liabilities	153,827	153,827
Total	**358,043**	**358,043**
2016-12-31		
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**

According to IFRS 13 Financial instruments: Disclosures, there are three levels for measurement at fair value, depending on the extent to which fair value is based on observable input data according to a hierarchy with the following levels:

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

Level 2: Other observable market inputs for assets or liabilities besides Level 1 inputs. Such data may either be directly observable (e.g. prices) or indirectly observable (i.e. derived from prices).

Level 3: Inputs for assets or liabilities that are not based on observable market data (i.e. non-observable data).

Derivatives measured at fair value that are used for hedging purposes and borrowing are classified in Level 2. Loans to credit institutions carry a variable interest rate and loans to shareholders carry a fixed interest rate corresponding to current market interest rates. Accordingly, the book value of loans essentially corresponds to fair values. As of 2015-12-31, the company did not have any remaining hedges and the value is thus 0.

Loan receivables and accounts receivable have a short maturity and fair value is a good assessment of their value. No assets have been revalued to fair value.

Note 21 Accounts receivable and other receivables

Group	2017-12-31	2016-12-31
Accounts receivable	81,052	59,240
Less: provision for doubtful debts	–1,041	–468
Accounts receivable – net	**80,011**	**58,772**
Other receivables	4,561	8,028
Total other receivables	**4,561**	**8,028**
Total accounts receivable and other receivables	**84,572**	**66,800**

Parent Company	2017-12-31	2016-12-31
Accounts receivable	30,869	16,439
Less: provision for doubtful debts	–562	–
Accounts receivable – net	**30,307**	**16,439**
Receivables from Group companies	23,043	24,705
Other receivables	2,021	1,450
Total other receivables	**25,064**	**26,155**
Total accounts receivable and other receivables	**55,371**	**42,594**

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

As of 31 December 2017, overdue accounts receivable amounted to SEK 29,540 (12,278) thousand. Of the overdue accounts receivable, SEK 1,041 (468) thousand has been set aside as a provision for doubtful debts. Creditworthiness is assessed as good and it has been concluded that no impairment loss needs to be recognised. 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	2017-12-31	2016-12-31
Less than 30 days	22,692	8,771
Older than 30 days	6,848	3,507
	29,540	**12,278**

Parent Company	2017-12-31	2016-12-31
Less than 30 days	11,007	5,896
Older than 30 days	4,721	1,442
	15,728	**7,338**

In the Group, overdue invoices as of 31 December 2017 were SEK 29,540 (12,278) thousand. As of 31 January 2018, invoices for a total of SEK 13,772 (8,712) thousand had been paid. The outstanding amount is SEK 15,768 (3,565) thousand.

In the Parent Company, overdue invoices as of 31 December 2017 were SEK 15,728 (7,338) thousand. As of 31 January 2018, invoices for a total of SEK 8,687 (5,656) thousand had been paid. The outstanding amount is SEK 7,040 (1,682) 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 2017, 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 2017, all shares carry 1/10 vote and a quotient value of SEK 0.20.

	A shares	B shares	Total no. shares
As of 31 December 2016	–	80,942,496	80,942,496
As of 31 December 2017	–	80,942,496	80,942,496

Growth trend, share capital

	Number of shares (000s)	Share capital
1 January 2016	80,942	16,188
New share issue	–	–
Repayment of convertible debt	–	–
31 December 2016	**80,942**	**16,188**
1 January 2017	80,942	16,188
New share issue	–	–
Repayment of convertible debt	–	–
31 December 2017	**80,942**	**16,188**

Note 23 Borrowings

Group	2017-12-31	2016-12-31
Long-term borrowings		
Convertible debt	89,870	–
Carrying amount	**89,870**	**–**
Short-term borrowings		
Convertible debt	0	21,601
Inventory credit	67,988	65,457
Invoice discounting	16,359	3,123
Bank loans	15,000	15,000
Shareholder loan	15,000	15,000
Carrying amount	**114,346**	**120,181**
Total carrying amount of borrowings	**204,216**	**120,181**

Parent Company	2017-12-31	2016-12-31
Long-term borrowings		
Convertible debt	89,870	–
Carrying amount	**89,870**	**–**
Short-term borrowings		
Convertible debt	–	21,601
Inventory credit	67,987	65,457
Invoice discounting	7,044	3,123
Bank loans	15,000	15,000
Shareholder loan	15,000	15,000
Carrying amount	**105,031**	**120,181**
Total carrying amount of borrowings	**194,900**	**120,181**

Change in borrowings for the year

Group	2017-12-31	2016-12-31
Opening amount	120,181	98,246
Change in inventory credit	2,531	3,697
Change in invoice discounting	13,236	3,050
Change in shareholder loans	0	15,000
Change in bank loans	0	0
New convertible debt, net	88,055	0
Discounted interest on convertible debt	1,814	188
Repayment of prior convertible debt	–21,601	0
Closing amount	**204,216**	**120,181**

Parent Company	2017-12-31	2016-12-31
Opening amount	120,181	98,246
Change in inventory credit	2,530	3,697
Change in invoice discounting	3,921	3,050
Change in shareholder loans	0	15,000
Change in bank loans	0	0
New convertible debt, net	88,055	0
Discounted interest on convertible debt	1,814	188
Repayment of prior convertible debt	–21,601	0
Closing amount	**194,900**	**120,181**

(a) Convertible debt instrument

Convertible debt 2017-2020

At the annual general meeting on 21 June 2017, it was decided to issue convertibles for a total amount of at most SEK 100,000,000. The convertibles will have maturity of three (3) years, with an interest rate of nine (9) percent per year. The conversion rate for convertibles will be SEK 9 per share. The maturity period for convertible debt begins upon registration with the Swedish Companies Registration Office and runs through 30 June 2020. If all of the holders of convertibles demand conversion, share capital will increase by at most SEK 2,222,222.22 upon conversion of all the convertibles.

As of 31 December 2017, the total outstanding amount of convertible debt was SEK 89,870 (21,601) thousand.

Group/Parent Company	2017-12-31	2016-12-31
Opening amount	21,601	21,413
Convertible debt, nominal value	95,157	–
Conversion to ordinary shares, nominal value	–	–
Repayment of convertible debt	–21,601	–
Equity portion	–7,102	–
Discounted rate	1,814	188
Closing amount	**89,870**	**21,601**

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 balance sheet 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.

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 72 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).

Bank credit with SEB, pertaining to inventory financing and invoice discounting was reclassified as a current liability with maturity up to 12 months, since this loan is equivalent to a bank overdraft facility. The working capital credit with SEB is a running agreement (with a 3-month notice of termination required from each side) that remains in force as long as inventory is held in the Nordic region and there are Nordic accounts receivable that can be pledged. Although the loan is classified as a current liability, both Bluefish and SEB regard their collaboration as long-term.

Group/Parent Company	2017-12-31	2016-12-31
Inventory credit		
Granted inventory credit	72,000	75,000
Utilized inventory credit	–67,987	–65,457
Granted, unutilised inventory credit	**4,013**	**9,543**
Invoice discounting		
Granted invoice discounting	39,549	10,000
Utilised invoice discounting	–16,359	–3,123
Granted, unutilised invoice discounting	**23,190**	**6,877**
Total granted, non-utilised facility	**27,203**	**16,420**

(c) Bank loans and other loans

In September 2016, the company received a shareholder loan of SEK 15,000 thousand from the company's two main owners, Färna and Nexttobe, each of whom has loaned the company SEK 7,500 thousand. The loan matures on 31 March 2018 and carries an annual interest rate of 8%. In February, the maturity date was extended to 31 March 2019. Interest will be paid when the loan is repaid.

The company has credit from Nordea of SEK 15,000 thousand, for which Färna Invest has a guarantee commitment. The credit runs at an annual interest rate of STIBOR + 1.5% plus a contractual interest rate of 0.5% of the credit amount. Compensation of 3.5% of the credit 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	2017-12-31	2016-12-31
Maturity, within one year of balance sheet date	10,661	10,096
Maturity, between 1-5 years from balance sheet date	3,647	2,729
Total	**14,308**	**12,825**

Parent Company	2017-12-31	2016-12-31
Maturity, within one year of balance sheet date	8,960	9,228
Maturity, between 1-5 years from balance sheet date	3,592	2,599
Total	**12,552**	**11,827**

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	2017-12-31	2016-12-31
Provision for net sales deduction	73,706	84,256
Provision for returns	184	178
Total	**73,890**	**84,434**

Group	2017-12-31	2016-12-31
Opening balance	84,434	114,845
New provision	149,176	158,064
Amount used during the period	–161,837	–193,906
Translation difference for the year	2,117	5,431
Closing balance	**73,890**	**84,434**

As of 31 December 2017, 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 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 estimate of the revenue that will be received.

See Note 2.

Note 26 Accrued expenses and deferred income

Group	2017-12-31	2016-12-31
Accrued employee benefit expenses	2,477	2,915
Accrued interest expenses	7,544	4,727
Provision for price adjustments and penalty fees	674	1,368
Other accrued expenses	21,083	16,417
Total	**31,778**	**25,427**

Parent Company	2017-12-31	2016-12-31
Accrued employee benefit expenses	2,477	2,678
Accrued interest expenses	7,544	4,727
Provision for price adjustments and penalty fees	674	1,368
Other accrued expenses	13,446	8,410
Total	**24,141**	**17,183**

Note 27 Pledged assets and contingent liabilities

Group	2017-12-31	2016-12-31
Pledged assets		
Bank guarantees	1,735	1,770
Inventories	61,856	34,666
Accounts receivable	18,725	3,877
Chattel mortgage	30,000	30,000
Total	**112,316**	**70,313**
Contingent liabilities	none	none

Parent Company	2017-12-31	2016-12-31
Pledged assets		
Bank guarantees	1,110	1,770
Inventories	61,856	34,666
Accounts receivable	8,776	3,877
Chattel mortgage	30,000	30,000
Total	**101,742**	**70,313**
Contingent liabilities	none	none

The amount of pledged inventory and accounts receivable is based on utilised 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	2017	2016
Adjustment for items not included in cash flow		
Depreciation/amortisation and impairment of PPE and intangible assets	31,643	25,282
Inventory impairment	13,236	7,281
Profit (loss) from disposal of fixed assets	53	0
Change in net sales deduction	7,194	–30,411
Unrealized exchange differences	3,507	9,113
Total	**55,633**	**11,265**

Parent Company	2017	2016
Adjustment for items not included in cash flow		
Depreciation/amortisation and impairment of PPE and intangible assets	29,489	23,085
Impairment of receivables	11,325	
Impairment of accounts receivable	562	0
Inventory impairment	13,146	7,281
Unrealized exchange differences	2,835	4,928
Total	**57,357**	**35,294**

Note 29 Events after the balance-sheet date

Extended loan financing

The shareholder loan maturing on 2018-03-31 was extended at the beginning of the year. The new maturity date is 2019-03-31.

The loan has been subordinated against credit granted by SEB, which involves certain restrictions on such things as repayment. Accordingly, it can be classified as equity when the bank assesses compliance with covenants.

Loan terms

SEB's covenant review at 2018-03-31 revealed that the company had deviated from the loan agreement. Having subordinated the shareholder loan as explained in the previous paragraph, the bank has adjusted the terms and approved the deviation from the loan agreement.

Note 30 Transactions with related parties

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.

The company also received a shareholder loan of SEK 15,000 thousand from the company's two main owners, Färna and Nexttobe, each of whom has loaned the company SEK 7,500 thousand.

See Note 6 regarding remuneration to senior executives.

Purchases and sales within the Group, see Note 10.

Note 31 Appropriation of earnings

Proposed appropriation of the company's earnings

The following earnings are at the disposal of the annual general meeting:

SEK	2017-12-31
Share premium reserve	338,020,229
Retained earnings	–289,117,875
Profit (loss) for the year	–59,105,771
Total	**–10,203,417**

The Board of Directors and the CEO propose that the unappropriated earnings, SEK –10,203,417, are brought forward.

The Board proposes that no dividends are issued for the 2017 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, 30 April 2018

Gerald Engström
Chairman of the Board

Nivedan Bharadwaj
Director

Erika Kjellberg Eriksson
Director

Karl Karlsson
Director

Berit Lindholm
CEO

Our audit report was submitted on 2 May 2018

Ernst & Young AB

Anna Svanberg
Authorised Public Accountant

Auditor's report

To the Annual General Meeting of Bluefish Pharmaceuticals AB (publ) CIN 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 2017. The company's annual accounts and consolidated accounts are included on pages 5-35 of this document.

In our opinion, the annual accounts have been prepared accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company and Group as of 31 December 2017 and of its financial performance and its cash flow for the year 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 2017 and of its financial performance and its cash flow for the year in accordance with International Financial Reporting Standards (IFRS) adopted by the EU and the Annual Accounts Act. The Directors' report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopt the income statement and balance sheet for the Parent Company and Group.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibility in accordance with these standards is described in the section, Auditor's responsibility. We are independent of the Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities under these requirements.

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

Other information than the annual accounts and consolidated accounts

The Board of Directors and CEO are responsible for this other information. Other information is the information included on pages 1-4 of this document.

Our opinion regarding the annual accounts and the consolidated accounts does not include this information and we do not provide an opinion with assurance on this other information.

In conjunction with our audit of the annual accounts and consolidated accounts, it is our responsibility to read the information identified above and consider whether the information is to a significant extent inconsistent with the annual accounts and consolidated accounts. During this review, we also take into consideration the knowledge that we otherwise gained during the audit and we assess whether the information otherwise appears to contain any material misstatements.

If we, based on the efforts pertaining to this information, conclude that the other information contains a material misstatement, we are obligated to report it. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and CEO are responsible for ensuring that the annual accounts and consolidated accounts are prepared such that they provide a true and fair view in accordance with the Annual Accounts Act and, as regards the consolidated accounts, in accordance with International Financial Reporting Standards (IFRS) that have been adopted by the EU. The Board of Directors and CEO are also responsible for the establishing the level of internal control they consider necessary for preparing annual accounts and consolidated accounts that do not contain any material misstatements, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and CEO are responsible for assessing the company's ability to continue operations. They must report, when applicable, any conditions that could impact the ability to continue operations and to apply the assumption of continued operation. The assumption of continued operation is, however, not applied, if the Board of Directors and CEO intend to liquidate the company, discontinue operations or have no realistic alternative to doing either of these.

Auditor's responsibility

Our goal is to obtain a reasonable degree of assurance on whether the annual accounts and consolidated accounts as a whole contain any material misstatements, whether due to fraud or error, and to submit an audit report that contains our opinions. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit performed in accordance with ISA and generally accepted auditing standards in Sweden will always discover a material misstatement, if one exists. Material misstatements can arise due to fraud or error and they are deemed to be material if they, individually or jointly, can reasonably be expected to impact the financial decisions made by users of the annual accounts and consolidated accounts.

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

- Identify and assess the risks for material misstatements in 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 missions, 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 CEO.
- conclude on the appropriateness of the Board of Directors' and CEO'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 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 or, if such disclosures are inadequate, to modify our opinion on 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 the company 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.

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 CEO for Bluefish Pharmaceuticals AB (Publ) for the 2017 financial year and the proposed appropriations of the company’s profit or loss.

We recommend to the general meeting of shareholders that the loss is appropriated in accordance with the proposal in the Directors’ report and that the members of the Board of Directors and CEO are discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibility in accordance with these standards is described in the section, Auditor's responsibility. We are independent of the Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities under these requirements.

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

Responsibilities of the Board of Directors and the Chief Executive Officer

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 organisation 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 organisation is designed so that the accounting, management of assets and the company’s financial affairs otherwise are controlled in a reassuring manner. The CEO is responsible for running the business in accordance with the Board of Directors’ guidelines and instructions, which includes taking the necessary measures for ensuring that the company’s accounting complies with law and that its assets are managed in a reassuring way.

Auditor's 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 CEO 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 judgement 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 judgement 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's proposed appropriation of the company’s profit or loss, we examined whether the Board's proposal complies with the Swedish Companies Act.

Remark

On several occasions during the financial year, employee withholding taxes and employers’ contributions were not paid on time. However, since the company did not suffer any significant damages, it did not impact our opinion on discharge from liability.

Stockholm, 2 May 2018
Ernst & Young AB

Anna Svanberg
Authorised Public Accountant

Definitions of key figures

EBIT
Profit/loss before financial items and tax (Operating profit/loss)

EBITDA
Operating profit/loss before depreciation, amortisation and impairment of property, plant and equipment and intangible assets

Equity per share
Equity per share divided by the number of shares

Equity ratio
Equity divided by total assets

Gross margin
Operating profit/loss as a percentage of sales

Gross profit/loss
Operating income less cost of goods sold

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

Net sales
Gross sales adjusted for discounts, price adjustments and returns

Information to the shareholders

Future reports

Interim report	January-March	16 May 2018
Interim report	April-June	29 August 2018

Annual general meeting

The annual general meeting will be held on 16 May 2018 at 3 pm at the Company's offices, Gävlegatan 22, Stockholm.

Shareholders who wish to participate at the annual general meeting must:

be entered in the share register maintained by Euroclear Sweden AB on 8 May 2018 and must notify the Company of their participation.

Notification may be by email to tanya.hesse@bluefishpharma.com or regular mail to Bluefish Pharmaceuticals AB, Gävlegatan 22, 113 30 Stockholm.

Mark the envelope "Annual general meeting".

Notification may also be given by telephone at +46 8 519 116 00.

Notification

Notification must be received by Bluefish Pharmaceuticals no later than 8 May 2018 and must include the shareholder's name, personal ID number or corporate identity number, address, telephone number and shareholding. Shareholders who are represented by a proxy must issue a written proxy form for the proxy. If the proxy form is issued by a legal entity, a certified copy of the certificate of registration for the legal entity must be enclosed. Proxy forms and certificates of registration may not be issued earlier than one year prior to the general meeting.

Registration

In order to be entitled to participate at the annual general meeting, shareholders whose shares are nominee-registered must request that the shares be temporarily registered in the share register maintained by Euroclear Sweden AB. Re-registration must take place not later than 8 May 2018.

Address

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