ABACUS MEDICINE

Better Access · Better Healthcare

Annual report 2021

Abacus Medicine A/S
Kalvebod Brygge 35
1560 Copenhagen V, Denmark
CVR no. 28 11 15 76

At a glance

The Abacus Medicine Group supplies prescription medicine to thousands of customers across the world. **We improve global healthcare by giving people better access to medicine** and are among the 100 largest Danish companies.

Our core business is known as **parallel distribution.** We are growing within **pharmaceutical services** and also operate as a **medicine wholesaler.**

In 2021 we delivered more than

19,000,000

packs, vials and syringes of medicine

to **5 types of customers**:

- Hospitals
- Pharmacies
- Pharmaceutical wholesalers
- Pharmaceutical companies
- Direct-to-patient

in 33

countries around the world

None of this would be possible without our

1,148

dedicated employees

who reported a high **Employee Satisfaction** Score of

4.0 out of 5

in 2021

Contents

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Financial statements

Outlook 2022: Increasing profitability

After many years of unprecedented growth including 42% growth in 2021, the company has reached a size which brings economies of scale. Going forward, we will continue to grow and focus more on profitability and shareholder return.

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Abacus Medicine Pharma Services is the new name for the business previously known as Aposave. The rebranding emphasises the unique combination of our parallel distribution business and our services to pharmaceutical companies.

Read more on page 15

Risk Management

The Abacus Medicine Group monitors and assesses potential risks on an ongoing basis. Take a look at our risk map.

Read more on page 22

The big picture

REVENUE GROWTH

Revenue for the Abacus Medicine Group grew 42% in 2021 to EUR 941 million.

PANDEMIC EFFECTS

Across Europe, the demand for medicine was weaker for many types of treatments as healthcare systems were forced to prioritize COVID-19.

Financial highlights for the Group

In EUR'000, except for per share data	2021	2020**	2019	2018*	2017*
KEY FIGURES					
Revenue	940,740	663,501	421,445	332,347	253,056
Gross profit	81,535	67,557	50,038	40,803	29,312
Operating profit before depreciations, amortisation and special items (adjusted EBITDA)	16,562	12,959	14,753	13,645	9,794
Special items	0	-476	-4,104	-1,065	-377
Operating profit before depreciations and amortisation (EBITDA)	16,562	12,483	10,649	12,580	9,417
Operating profit (EBIT)	6,404	5,347	5,400	9,868	7,560
Net finance costs	-4,324	-3,929	-2,823	-2,518	-1,428
Profit before tax (EBT)	2,063	1,337	2,577	7,350	6,132
Profit after tax	415	433	829	5,359	4,328
Non-current assets	57,914	51,020	24,868	17,282	11,889
Current assets	157,662	168,507	102,096	79,954	44,618
Total assets	215,576	219,527	126,964	97,236	56,507
Portion relating to investments in items of property, plant and equipment	10,968	11,344	3,269	2,970	1,491
Portion relating to investments in intangible assets	32,440	30,130	17,836	13,890	10,218
Equity	54,646	53,024	51,616	14,399	9,671
Non-current liabilities	16,661	8,167	4,563	1,892	2,057
Current liabilities	144,269	158,336	70,785	80,945	44,779
Cash flow from operating activities	31,405	-12,651	-31,839	13,182	21,029
Cash flow from investing activities	-9,597	-8,968	-8,465	-9,036	-5,013
Of which relate to intangible assets	-7,354	-6,858	-6,398	-6,513	-3,938
Of which relate to tangible assets	-2,327	-2,031	-1,946	-2,426	-1,350
Cash flow from financing activities	-18,138	19,862	40,933	20,207	-30,128
Total cash flow	**3,670**	**-1,757**	**629**	**24,353**	**-14,112**

In EUR'000, except for per share data	2021	2020**	2019	2018*	2017*
FINANCIAL RATIOS					
Revenue growth	41.8%	57.4%	26.8%	31.3%	42.3%
Gross margin	8.7%	10.2%	11.9%	12.3%	11.6%
Adjusted EBITDA margin	1.8%	2.0%	3.5%	4.1%	3.9%
EBITDA margin	1.8%	1.9%	2.5%	3.8%	3.7%
Operating profit (EBIT) margin	0.7%	0.8%	1.3%	3.0%	3.0%
Return on invested capital (ROIC)	1.1%	1.7%	2.9%	20.2%	14.5%
Adjusted return on invested capital (Adjusted ROIC)	1.1%	2.8%	11.7%	23.5%	15.5%
Solvency ratio	25.3%	24.2%	40.7%	14.8%	17.1%
Return on equity	0.8%	0.8%	2.5%	44.5%	45.1%
Earnings per share, EUR	0.0	0.0	0.1	0.7	1.6
Diluted earnings per share, EUR	0.0	0.0	0.1	0.7	1.5
OTHER FIGURES					
Number of employees at year-end	1,148	1,073	770	568	392
Average number of full-time employees	1,052	912	618	449	349
Invested capital	113,013	127,825	81,967	38,197	32,678
Net interest-bearing debt	58,367	74,801	29,269	19,924	23,007
Liquidity available	28,500	27,182	25,941	12,886	2,514
Marketing authorisations (licences)	8,162	6,224	4,354	3,186	2,515

* The comparative figures are not adjusted for the implementation of IFRS 16
**The result from Pluripharm is recognised as from 29 July 2020.

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios except for adjusted EBITDA margin and Adjusted return on invested capital (Adjusted ROIC). For terms and definitions, please see section "Definition of key figures and ratios". The calculation of Earnings per share and Diluted earnings per share is based on the guidance in IAS 33.

Letter to the shareholders

The impact of COVID-19 on our people and our business was very real again this year. In difficult markets, we stuck to our strategy and positioned ourselves for future improved profitability and growth.

The year 2021 became challenging in many ways. Like everywhere else, COVID-19 continued to cast its long shadow on our organization and our markets. Self-isolation and ongoing uncertainty were unwelcome guests in the Abacus Medicine Group where teamwork and vibrant social relations are an ingrained part of our culture.

We also registered a direct impact on our sales, as patients saw treatments postponed and millions of planned operations were cancelled throughout Europe. The constantly changing needs of the healthcare sector required us to adjust our production and supply chain processes frequently, and in doing so we incurred additional costs.

In order to counteract these negative effects on our business, we implemented a range of initiatives to address costs. The Group's revenue growth and EBITDA margin was within our Outlook, but profitability was too low in 2021. Overall we are very satisfied with the extraordinary growth, but the financial result of 2021 was not in line with our long-term ambition.

> "Our strategy is clear: We will continue to strengthen our core business in parallel distribution while investing in new related business segments for the future"

Focus on profitable growth

Following another year of high organic revenue growth, we are now firmly established in the Top 3 of parallel distributors of medicine in Europe, our core business. We have worked determinedly to attain this position because size brings economies of scale, which we have only just started to harvest and believe offer great potential for the coming years. Going forward, the Abacus Medicine Group will continue to grow, but at a somewhat lower rate than previously, and focus more on increasing profitability and shareholder return.

We will also be consciously aware of our stakeholders in society and the environment. This year, we publish a separate sustainability report for the first time. With the new Group Sustainability Report we provide an expanded and more detailed insight, also including

ESG data. We do this to demonstrate our commitment to participate in creating a sustainable future, to offer more transparency, and to accelerate our current and future efforts.

Initiatives for the future

Our strategy is clear: We will continue to strengthen our core business in parallel distribution while investing in new related business segments for the future.

In 2021, we relocated our Copenhagen headquarters to a modern domicile well-equipped for a flexible, hybrid workforce. In 2022, we will open the doors to improved office facilities in Budapest and complete an expansion of our main production site there. This will help us realise further efficiencies from process optimization and an improved flow of goods.

We are also implementing automated and semi-automated production lines to complement our more than 600 employees in Operations, Quality Assurance and Regulatory Affairs in Hungary and the Netherlands.

We will keep on investing in people, hardware and software for advanced data analytics, where we already consider ourselves among the leaders of our industry. We have successfully demonstrated the value of machine learning and other types of artificial intelligence in our data-rich operating model, and we see a vast potential in these technologies.

The turnaround of Pluripharm continues, and we will accelerate our efforts to build scale in our Pharma Services business which holds significant potential and has been rebranded (from Aposave to Abacus Medicine Pharma Services) to make its business offerings more transparent to our customers.

2021 required all of us to be almost endlessly adaptable and flexible. The fact that we saw the Employee Satisfaction score increase from 3.9 to 4.0 out of 5 in such uncertain times is beyond extraordinary. We would like to thank all of the 1,148 dedicated and talented employees in the Abacus Medicine Group for their great efforts.

Our collective achievements were recognised again this year when the Danish business paper Børsen awarded Abacus Medicine the Gazelle award for the 11th time.

We firmly believe that 2022 will deliver significant profitability improvement and continued profitable growth.

Niels Smedegaard
Chairman of the Board

Flemming Wagner
CEO and Co-founder

"2021 required all of us to be almost endlessly adaptable and flexible"

Business review

High revenue growth and tightening margins in challenging markets. Against a backdrop of a global pandemic. The year 2021 demanded the best from everyone in the Abacus Medicine Group.

Revenue for the Abacus Medicine Group grew 42% in 2021 to EUR 940.7 million in line with our Outlook. This is our highest revenue ever and was driven by organic growth from the expansion of our product range, as well as the full-year impact of the Pluripharm acquisition in August 2020.

Group Revenue
EURm

Nonetheless, 2021 proved to be an unusually difficult year for Abacus Medicine and for many of our competitors among the parallel distributors of medicine in Europe.

The ongoing COVID-19 pandemic resulted in generally subdued markets with weaker demand. Across Europe and beyond, healthcare systems were forced to prioritize COVID-19 ahead of many other types of treatments for the second year running. As a supplier of a wide range of prescription medicines this had a negative impact on our business.

On top of this, we saw particularly difficult market conditions in Germany due to price changes. Germany represents more than half of the total sales of parallel distributed medicine in Europe.

The effect of these dynamics and the full year impact of the Pluripharm acquisition was a gross margin for the Group of 8.7% in 2021, down from 10.2% the year before. Gross profit rose to EUR 81.5 million from EUR 67.6 million the year before.

EBITDA of EUR 16.6 million and an EBITDA margin of 1.8% was within our Outlook but not in line with our long-term ambition.

Profit before tax was EUR 2.1 million.

Group EBITDA
EURm

Abacus Medicine including Pharma Services
Revenue in the Abacus Medicine parallel distribution business including Abacus Medicine Pharma Services grew organically by 18% to EUR 676.0 million. Once again, we grew much faster than our industry peers, due to the continued expansion of our product portfolio.

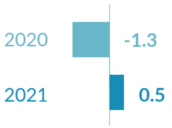
Gross profit grew from EUR 61.2 million in 2020 to EUR 63.5 million in 2021, corresponding to a gross margin decline from 10.8% to 9.4% mainly due to increased competition and price pressure during the COVID-19 pandemic resulting in weaker demand from fewer treatments and fewer prescriptions.

Going forward we expect the pharmaceutical market to normalise which will have a positive effect on gross margins. In the Abacus Medicine Pharma Services business (recently renamed from Aposave) we generated substantial revenue growth despite the effects of COVID-19 on the market for the supply of medicine to clinical trials. We expect continued high growth rates in Pharma Services in the years ahead.

Pluripharm
The turnaround of Pluripharm, our Dutch medicine wholesale business, made good progress. We signed contracts with several new retail pharmacy customers and Pluripharm achieved revenue of EUR 284.6 million in 2021, corresponding to organic growth of 27% for the full year.

In a very competitive market, we took a number of steps to optimise costs, and the EBITDA result for Pluripharm in 2021 improved to EUR 0.5 million. This is an important milestone, as it marks the return to a positive result after consecutive years of negative EBITDA. We plan for Pluripharm to achieve operational profitability in 2022.

Pluripharm EBITDA
EURm



Curbing costs

In 2021, we introduced a wide range of initiatives to reduce our costs and protect EBITDA. We did this in direct response to the negative market developments due to COVID-19, and to the rising costs from measures needed to mitigate the risk of COVID-19 impacting our production.

Together, these initiatives allowed us to reduce Selling, General & Administrative (SG&A) costs from 5.9% of revenue in 2020 to 5.0% in 2021.

SG&A as % of Revenue
EURm

Going forward, we will remain cost conscious, while making the investments necessary to create an inspiring and motivating work environment, to have access to the right talent pool of employees across all functions, and to advance automation and process efficiency to realise the economies of scale that come with our market leading size.

Outlook 2022

We expect 2022 to be a year of solid organic revenue growth and improved profitability.

Our ability to grow the business remains intact despite the COVID-19 pandemic. We expect that the number of prescriptions will revert towards a normalised level during 2022 and that the introduction of new products and services will drive further growth and revenue beyond EUR 1 billion.

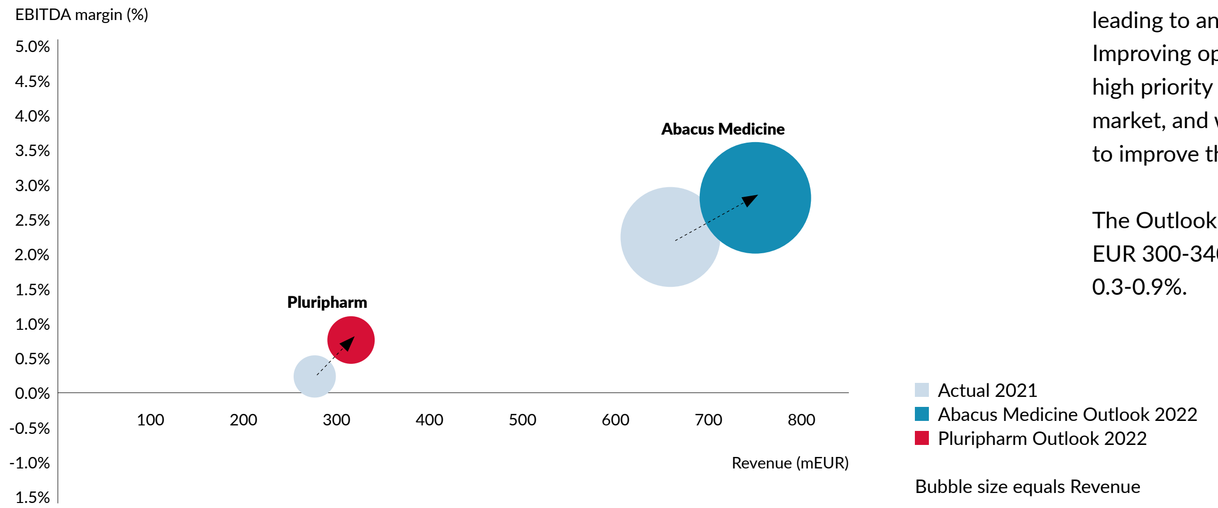
Abacus Medicine including Pharma Services
In the parallel distribution business, we expect to grow revenue organically and gain further market share. A more favourable country and product mix are expected to lead to increasing profitability.

In the Abacus Medicine Pharma Services business we expect strong organic revenue and EBITDA growth driven by broadening the product portfolio and a continued recovery of the market for Clinical Trial Solutions.

The Outlook for Abacus Medicine including Pharma Services in 2022 is revenue of EUR 720-780 million and an EBITDA margin of 2.5-3.4%.

Pluripharm
We expect Pluripharm to gain additional market share in the Dutch retail pharmacy market, leading to another year of strong organic growth. Improving operational profitability remains a high priority in the competitive Dutch wholesale market, and we will continue to launch initiatives to improve the financial performance.

The Outlook for Pluripharm in 2022 is revenue of EUR 300-340 million and an EBITDA margin of 0.3-0.9%.



Group Outlook

ORGANIC REVENUE GROWTH

9-19%

REVENUE, EUR M

1,020-1,120

EBITDA MARGIN

1.9-2.6%

Our business

TOP 3 IN EUROPE

After another year of high revenue growth, we are now among the Top 3 parallel distributors of medicine in Europe.

DIRECT-TO-PATIENT

Pluripharm is active in the growing market for direct-to-patient-deliveries and operates the certified online pharmacy Thuisapotheek.

Business model

One company. 3 brands with valuable synergies

The Abacus Medicine Group provides better access to original medicine for wholesalers, hospitals, pharmacies, pharmaceutical companies and ultimately patients all over the world. Our main markets are in Europe.

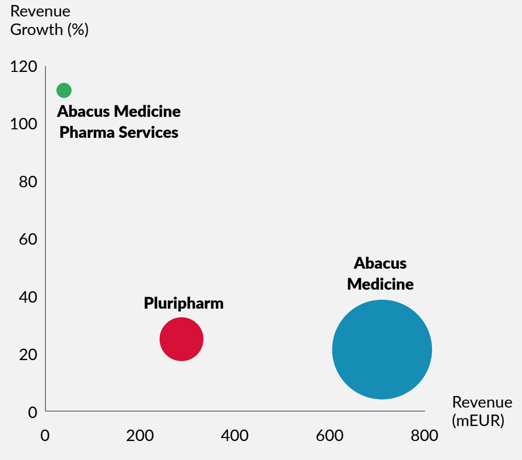
The Group operates from multiple locations, including our headquarters in Denmark and sales offices in Germany, Austria, the Netherlands, Hong Kong and the headquarters for Abacus Medicine Pharma Services in the United Kingdom. Besides our sales offices, the Abacus Medicine Group has production facilities in both Hungary and the Netherlands.

The Group operates as three brands: Abacus Medicine, Abacus Medicine Pharma Services and Pluripharm. Each brand has a distinct core capability that is supported by multiple, cross-unit competencies including logistics, trading data analytics and a strong, pan-European sourcing network.

These shared resources create a range of valuable synergies to the benefit of the company and its customers alike.

	Core capability	Supporting competencies
ABACUS MEDICINE	Data analytics Sourcing	Logistics
ABACUS MEDICINE PHARMA SERVICES	Value added services	Logistics Data analytics Sourcing
Pluripharm	Logistics	Value added services Data analytics

Our 3 brands



Bubble size equals Revenue

- Parallel distribution in Abacus Medicine is an established, European trading business. This is our historical core business.
- Abacus Medicine Pharma Services is a global pharmaceutical services business in the scale-up phase.
- Pluripharm is an established pharmaceutical wholesaler in the Netherlands.

ABACUS MEDICINE

The Abacus Medicine business is firmly established among the market leaders in the European parallel distribution industry. Parallel distribution of medicine is our historical core business and remains the engine of our growth.

At the heart of the business model lies arbitrage trading based on price differences across Europe. In the EU/EEA, the price of prescription medicine varies significantly from one country to another, and price differences of 200% or more on identical packs of medicine are not uncommon.

Abacus Medicine creates value by parallel distributing medicine from EU/EEA countries with lower prices to EU/EEA countries with higher prices to sell at a lower price than the original manufacturer.

Supplying medicine at lower prices not only benefits our customers but also society at large. The existence of the parallel distribution industry provides estimated average savings of 17% per product, or EUR 82 million in Denmark alone.

Creating value in many markets

Abacus Medicine differentiates itself from most competitors through an ambitious, multi-market strategy. With successful execution, we have recorded organic growth at a compound annual rate (CAGR) above 30% over the last 10 years and have won significant market share.

Price differences

The national healthcare systems in Europe are highly regulated, but organized in very different ways.

A complex interplay of multiple factors such as different reimbursement processes, private vs. public sector participation, evaluation of efficacy of new vs. old treatments, and much more, can result in substantial price differences of pharmaceuticals, even between neighboring countries with similar income levels.

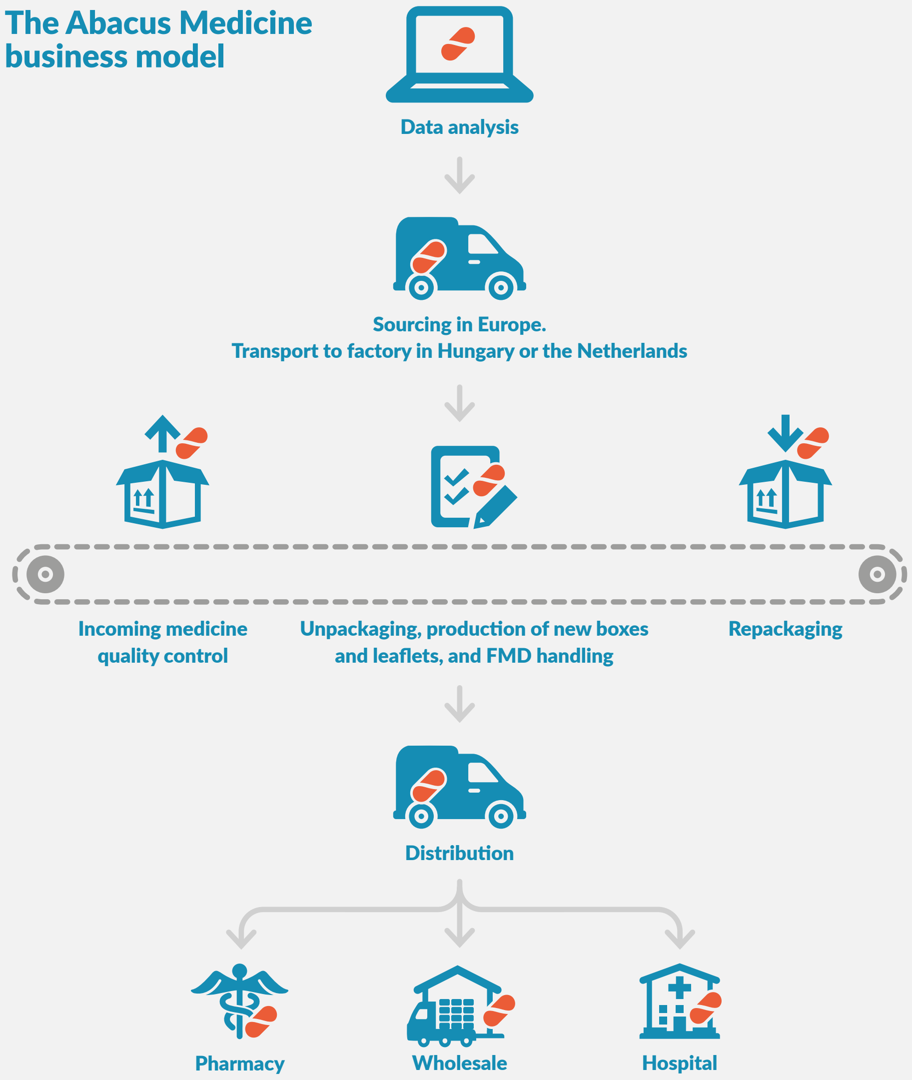
The map shows a snapshot of the public pharmacy purchase price of a single tablet of a specific prescription medicine. The pricing landscape may look quite different for other kinds of medicine, and countries with high prices for some medicines may have low prices for others. Moreover, prices change continuously.

Our rapid, above-market growth has now firmly established Abacus Medicine in the top 3 of our industry. This gives us valuable scale advantages in a relatively low-margin business.

Our dynamic trading business rests on a carefully designed operating model:

- **Trading data analysis:** In order to identify customer value, such as lower prices or better availability, we monitor and analyse thousands of products every day across multiple factors and dozens of countries. We consider our trading expertise and systems for data analysis to be industry-leading.
- **Sourcing:** The sourcing of many types of prescription medicine requires specialist knowledge. We purchase products worth millions of euro each month through our network of more than 200 trusted suppliers across 27 EU countries. We consider this specialised network, built over many years, an important competitive advantage.
- **Production:** To export medicine, it must first be repackaged and supplied with patient information leaflets in the relevant language. Automated and semi-automated production lines increasingly complement our more than 600 employees in Operations & Quality Assurance in Hungary and the Netherlands.
- **Logistics:** Together with our transport partners, we operate a pan-European supply chain in compliance with the strict distribution practices for pharmaceutical products.
- **Sales and Business Development:** Our many markets are not only highly regulated, but also very diverse. Our successful multi-market strategy requires an in-depth knowledge of each national market's healthcare system, including mechanisms for pricing and reimbursement.

The Abacus Medicine business model



The benefits of a multi-market strategy

Our presence in multiple markets equals more arbitrage opportunities and a larger, total addressable market. But the benefits extend beyond these basics.

Sales: Many of our largest customers also have a multi-market presence. When we do business in multiple countries with large wholesale corporations this brings obvious advantages in customer relations.

Sourcing: Many of our medicine suppliers are also our customers. This deepens the business relations and strengthens valuable, long-term partnerships.

Risk management: When market conditions for a specific medicine changes in one country, we can adjust quickly and source or sell it in others. This way, more markets means more options and this helps us mitigate financial risk.

ABACUS MEDICINE
PHARMA SERVICES

A new generation of pharmaceutical and healthcare services

The Abacus Medicine Pharma Services business offers value added pharma services and is built on strong synergies with the Abacus Medicine Group's other business, not least our extensive, international sourcing network.

Abacus Medicine Pharma Services is the new name for the business previously known as Aposave. The rebranding demonstrates the synergies and advantages of the unique combination of competencies in our parallel import business and our services to pharma companies.

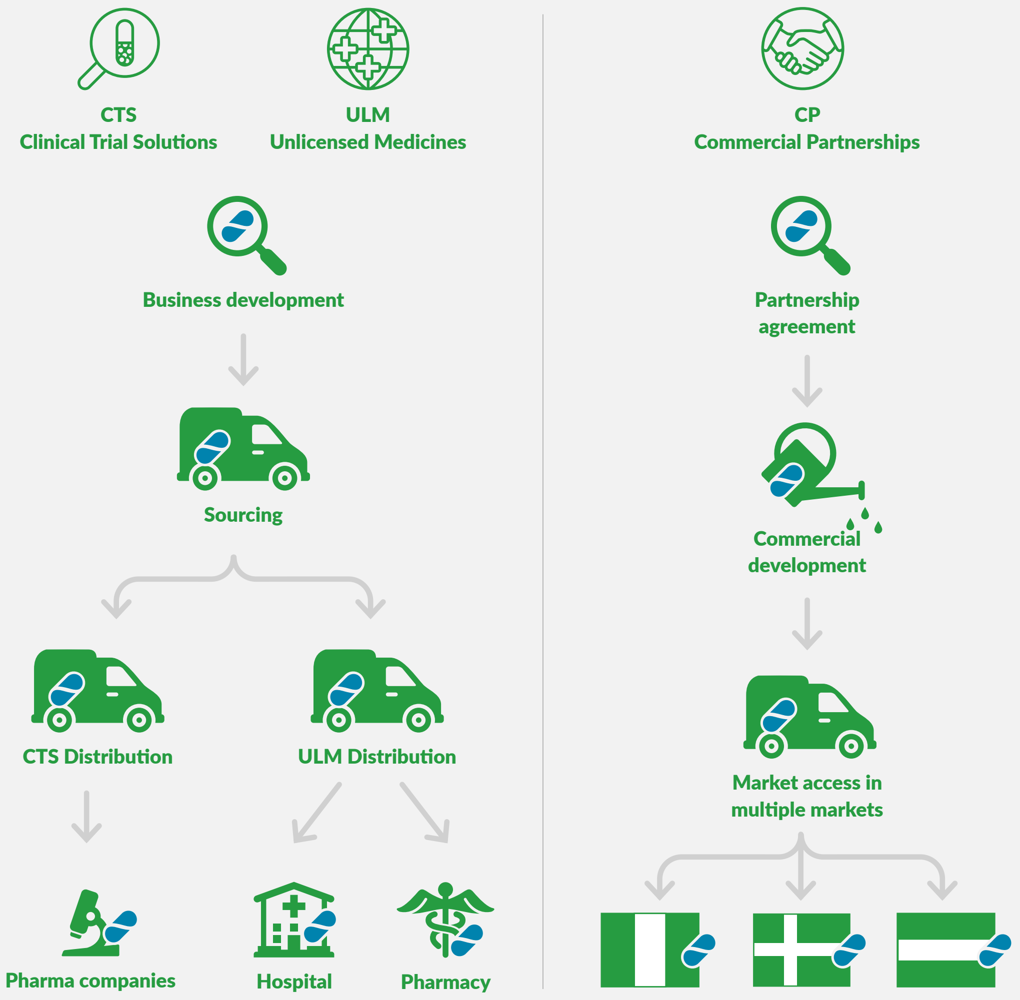
The Abacus Medicine Pharma Services team has decades of experience across three main services.

Clinical Trial Solutions (CTS)
The Abacus Medicine Group holds thousands of marketing authorisations which gives Abacus Medicine Pharma Services unrivalled access to the medicines required to support the running of clinical trials.

Unlicensed Medicine (ULM)
In compliance with the appropriate regulations, Abacus Medicine Pharma Services is able to help healthcare professionals and their patients with access to medicine that may not otherwise be commercially available in the country where they live.

Commercial Partnership
Abacus Medicine Pharma Services has extensive experience in improving access to specialty medicines on behalf of pharmaceutical manufacturers. Supported by the full organisational resources of the Abacus Medicine Group, we engage in partnerships with pharma companies to support them with commercial development and market access in multiple markets.

Abacus Medicine Pharma Services' main services



Pluripharm

Leading medicine wholesaler in the Netherlands

Pluripharm Group, established in 1984, is a supplier to Dutch pharmacies and hospitals, and one of four leading wholesalers in the Netherlands with a full line of medicines, medical devices and services. The company was acquired by the Abacus Medicine Group in 2020, and operates as an independent, fully-owned subsidiary.

Pluripharm provides Abacus Medicine with a strong channel for access to the Dutch market. Simultaneously, Pluripharm is able to offer Dutch pharmacies and hospitals better access to medicine through Abacus Medicine's extensive sourcing network.

The synergies even extend beyond the product level. As Pluripharm is strategically developing a more data-driven organisation, the company can benefit from the industry-leading capabilities in data analysis of Abacus Medicine.

Partner to the independent pharmacies

Pluripharm positions itself in the market as the dedicated partner organisation for independent pharmacies. Other leading Dutch medicine wholesalers primarily serve their own pharmacy chains. Under the name Distrimed, Pluripharm serves as a specialized medicine wholesaler for hospitals and outpatient pharmacies. From its headquarter in Alkmaar, the company supplies pharmacies and hospitals with mainly prescription medicine and medical devices.

The logistics of the wholesale activities are the core revenue driver of the Pluripharm Group. It gives the company a platform that allows it to also offer a wide range of value added services.

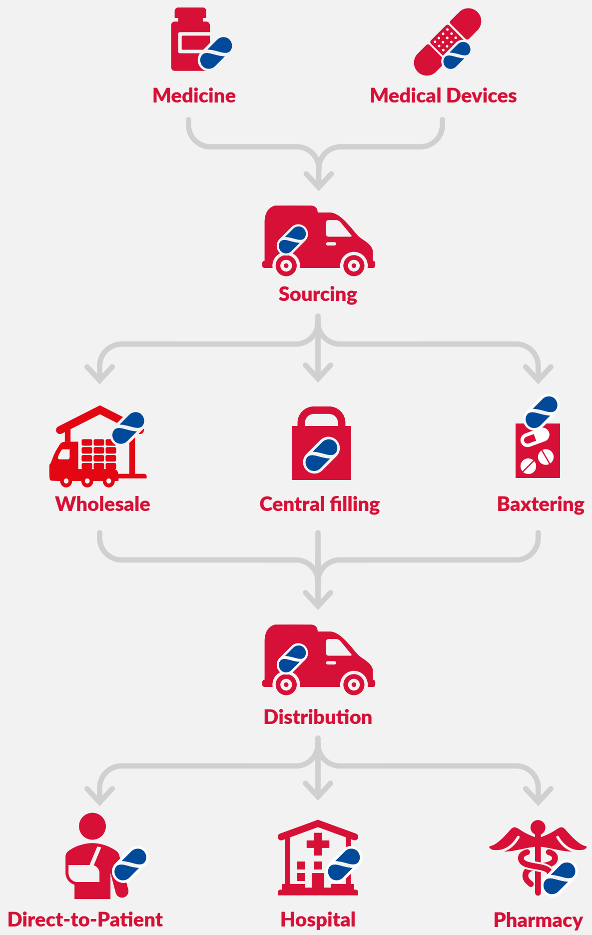
Among the services, which Pluripharm offers professional independent pharmacists to support their day-to-day operations, are:

- **Central filling:** Labelling of medicines at patient level and combining them in one sealed bag, so pharmacies can keep less stock and can focus primarily on their patients.
- **Baxtering:** Packaging of medicines per patient in the right dose per intake. This helps elderly and other vulnerable patients with the right use of medicines and therapy adherence.
- **Contract negotiation with health insurers and data services:** Helps pharmacies fulfil the requirements of many different health insurers, and optimise the return and quality of care in the pharmacies.

Pluripharm is also active in the growing market for direct-to-patient deliveries of medicine and medical devices. The certified online pharmacy Thuisapotheek is growing and operated in collaboration with pharmacies and dispensing doctors.

Wholesale core is platform for services

The wholesale activities are the core revenue driver of the Pluripharm Group. This platform allows the company to offer a wide range of higher-margin, value added services.



Governance

SUSTAINABILITY REPORT

The new Sustainability Report for the Abacus Medicine Group provides an expanded and more detailed insight, also including ESG data.

NEW BOARD MEMBER

The shareholders elected Mrs. Michala Fischer-Hansen as a new member of the Board of Directors this year.

Sustainability in the Abacus Medicine Group

In the Abacus Medicine Group, sustainability is all about dedication and care as with all our operations. We are aware of our impact on society and our stakeholders.

Every day, we transport medicines around Europe, and as our business has grown over the years so has our environmental footprint. Our sustainability efforts aim to contribute to solving the major global challenges being addressed by the UN Sustainable Development Goals.

The Abacus Medicine Group's strategy and overall business goals determine how and where we believe we can create the most positive impact through the knowledge, products and solutions we provide to our customers and society at large.

For 2021, we have introduced a new Sustainability Report. This report is the first of its kind in the Abacus Medicine Group. With the new report, we wish to make our sustainability efforts more visible and clear to society and our stakeholders.

In the new Sustainability Report, we provide detailed information on all our sustainability activities for the year, including ESG impact. Furthermore, we report on all statutory measures around environmental impact, diversity and compliance in accordance with section 99a of the Danish Financial Statements Act and section 54, part 6, of the UK Modern Slavery Act.

More information can be found in our Sustainability Report 2021.

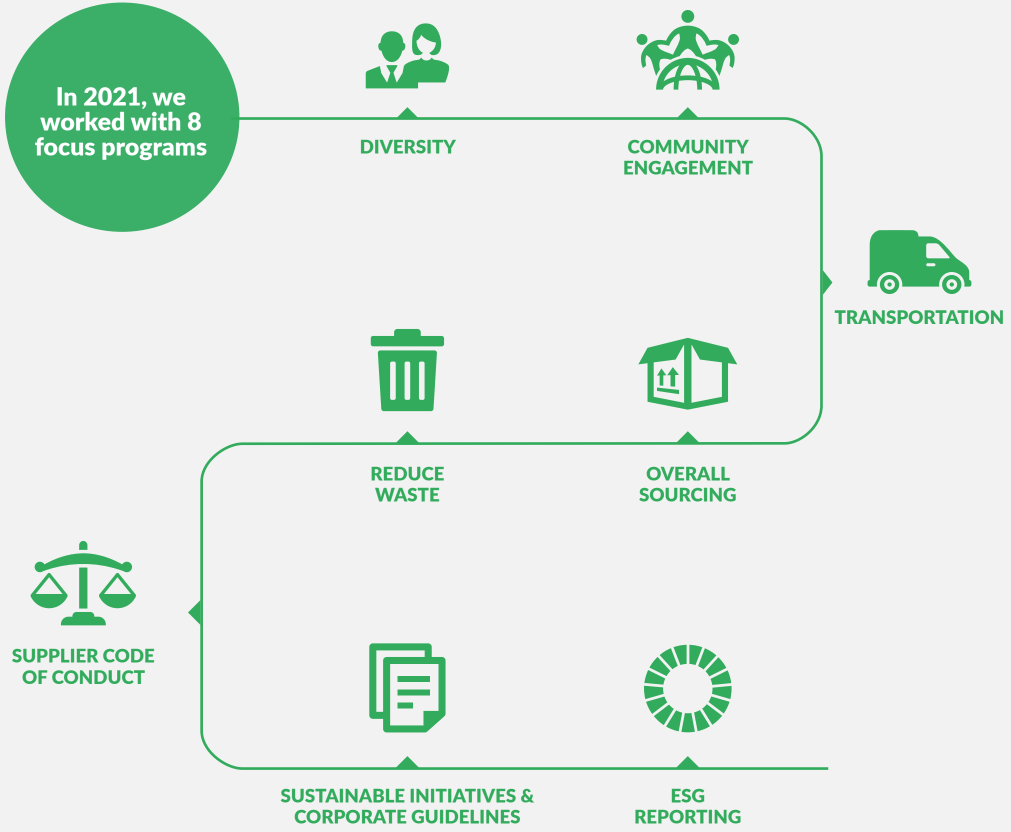
Focus areas

In the Abacus Medicine Group, we work with focus programs. These programs are centered around a selected number of business areas that are the most significant and relevant to our sustainability efforts and environmental impact.

Among our key focus areas is our production. We have successful focus programs concentrated around our waste management processes in our production facilities as well as our sourcing activities in relation to packaging material.

Another key focus area is our transport activities. The transport of medicines is a main driver for

Our focus programs 2021



the Abacus Medicine Group and is basically the foundation of our business model. However, it is also the main contributor to our environmental footprint. As such, we work diligently every year on optimizing our transport activities in the most sustainable way.

Lastly, we work with sustainability in the social area centered around our employees and our surrounding communities. In 2021, we took big steps in relation to our work with diversity and inclusion as well as our community engagement activities.

Sustainability approach

In 2021, we revised our approach to sustainability and implemented new and improved ways to evaluate our progress continuously throughout the year.

In the Abacus Medicine Group, sustainability is governed at executive management level through our Sustainability Steering Committee. The Committee is comprised of relevant top level managers from different areas of our business. Together, the Committee sets the overall direction and strategy for the year and agrees on the focus programs to be executed on.

It is the Committee's responsibility to continuously evaluate the progress of our work throughout the year. The Committee engages in a running dialogue with the Board of Directors on the strategic direction for Sustainability through regular Board meetings and dedicated workshops.

In the Abacus Medicine Group, we believe that sustainability should be a combined effort by the whole organization. Our work with sustainability is highly decentralized as we believe that engaging all departments and employees will create the greatest impact. As such, the daily responsibility for the focus programs is delegated to relevant line functions such as HR, Purchase, Supply Chain and Production.

Key Results in 2021

Reduce Waste

Plastic waste has been included in our recycling system in Hungary.

Research and contact with Hungarian partners for hazardous waste recycling.

Diversity & Inclusion

Evaluation of the current state completed for Operations & QA.

Diversity & Inclusion strategy developed with initial focus areas for Hungary and the Netherlands.

Transportation

Successful evaluation of past and current performance.

Started tracking sources of direct GHG emissions with the ambition of assessing our value chain.

Corporate governance

Abacus Medicine strives to exercise good corporate governance in order to ensure accountability and transparency towards its employees, shareholders and other stakeholders.

Corporate governance structure

Abacus Medicine's management is structured in accordance with Section 111(1) of the Danish Companies Act by having established a Board of Directors and an Executive Management. The corporate governance structure of Abacus Medicine is comprised of the General Meeting, the Board of Directors, the Audit Committee, the Remuneration Committee, the Chief Executive Officer (CEO), the Chief Executive Management Team, and the Executive Management Team.

The General Meeting and Voting

The shareholders of Abacus Medicine A/S exercise their control over the company at the General Meeting and are responsible for electing the members of the Board of Directors. All shares are equal and carry one vote each.

Wagner Family Holding ApS holds around 58% of the shares and is the majority shareholder of Abacus Medicine A/S. Flemming Wagner, who is the CEO of Abacus Medicine A/S and a member of the Board of Directors, is the ultimate majority shareholder of Wagner Family Holding ApS. Chr. Augustinus Fabrikker Aktieselskab, the other majority shareholder, holds around 35% of the shares in Abacus Medicine A/S. Chr. Augustinus Fabrikker Aktieselskab is 100% owned by Augustinus Fonden.

A number of Board members, current and former employees together hold around 8% of the shares.

The Board of Directors

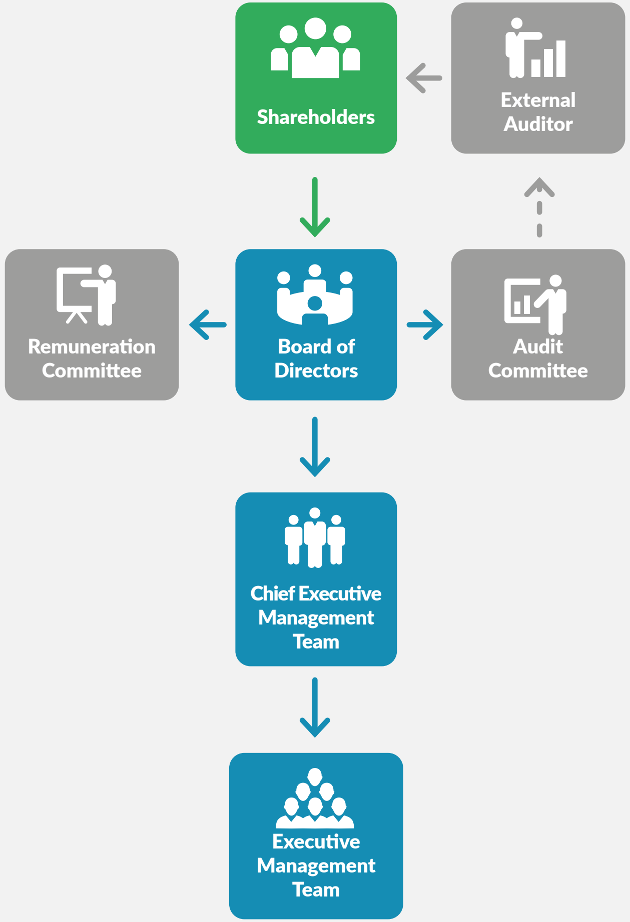
The Board of Directors is responsible for the overall and strategic management and proper organisation of Abacus Medicine's business and operations. In this regard, the Board of Directors supervises Abacus Medicine's activities and ensures that Abacus Medicine is properly operated and observes the Articles of Association, general policies, guidelines and other applicable rules and regulations.
The Board of Directors is comprised of seven members, including Michala Fischer-Hansen who was elected as a new member by the shareholders this year. Mrs. Fischer-Hansen brings valuable experience from the pharmaceutical industry.

Abacus Medicine strives to keep the Board of Directors independent to the greatest extent possible. By the end of 2021, four out of seven of the members of the Board of Directors were considered independent according to the guidelines of the Danish Committee on Corporate Governance.

Audit Committee

The Audit Committee is a supervisory body established by the Board of Directors to provide insight and expertise on matters related to

Corporate Governance structure



financial reporting and internal controls. The committee monitors Abacus Medicine's financial reporting process and internal control measures, revises the financial statement, supervises the external auditors and assesses risks. The Audit Committee works in close collaboration with the Board of Directors and the Group Finance Department. The members of the Audit Committee are appointed among the members of the Board of Directors. The members serve one-year terms.

Remuneration Committee

The Remuneration Committee is an advisory committee established by the Board of Directors to make recommendations on salaries paid to the Board of Directors and the CEO, and to provide advice regarding bonus schemes in accordance with the remuneration policy. The members of the Remuneration Committee are appointed among the members of the Board of Directors. They serve one-year terms.

CEO and Chief Executive Management Team

The CEO is responsible for the day-to-day management of Abacus Medicine. In the day-to-day management, the CEO is supported by the Chief Financial Officer (CFO), the Chief Legal Officer (CLO) and the Chief Commercial Officer (CCO), who together form the Chief Executive Management Team. The responsibilities and obligations of the Chief Executive Management Team are set out in the Management Instructions adopted by the Board of Directors.

Executive Management Team

The CEO is assisted in the daily work by the Executive Management Team, which currently consists of 9 members: The Chief Executive Management Team, the Executive Vice Presidents and Managing Directors of the Abacus Medicine Group.

Internal control measures

The Board of Directors is responsible for the existence of adequate internal control measures. In Abacus Medicine, the internal control measures consist of three tiers:

- The first tier provides the employees with guidance on how to act in accordance with applicable law and provides a platform to report any concerns. Abacus Medicine's Compliance Framework including policies on Anti-Corruption, Anti-Bribery, Diversity and Anti-Discrimination help create transparency and allow employees to better navigate in the legal landscape. Abacus Medicine's Whistleblowing Scheme functions as a channel for anonymous reporting.

- The second tier represents the maintenance of the internal control measures and the ongoing compliance monitoring performed by the Group Finance Department to ensure that compliance issues are identified and dealt with.

- The final and top tier involves the testing of the functionality of the control measures along with internal auditing.

Monitoring

The internal monitoring is supported by our Enterprise Resource Planning system (ERP) which offers fast and efficient control measures.

External auditor

According to the Articles of Association, Abacus Medicine's annual report must be audited by a state-authorised public accountant elected by the General Meeting for a one-year term.

For 2021, Abacus Medicine has appointed EY as its external auditor to perform the audit of the financial statements.

Risk management

The Abacus Medicine Group monitors and assesses potential risks on an ongoing basis. Our aim is to know and regularly report on relevant risks, mitigate the risks where feasible, and create a general risk awareness.

Our risk management approach
Abacus Medicine's risk management structure is rooted in processes for early risk identification followed by processes for risk analysis, risk assessment and risk mitigation planning. This structure provides a detailed and quarterly updated overview of the key short- and long-term risks. Every quarter the Chief Executive Management Team presents the updated key risks to the Board of Directors and recommends the necessary risk-mitigating activities and action plans for approval. The Audit Committee oversees that the Chief Executive Management Team has established a risk management process capable of addressing all relevant risks.

Our risk management structure
The Board of Directors approves the overall risk framework. Further, the Board of Directors monitors the development of the total strategic risk exposures, the individual risk factors and verifies compliance with the overall risk policy.

The Chief Executive Management Team determines risk management policies and strategies for the individual risks and implements risk mitigating actions. Further, the Chief Executive Management Team ensures consistency between the risk management framework and the business objectives, monitors the development in key risks and makes risk management resources available to implement efficient risk management.

The Risk Management Board consists of members from the Chief Executive Management Team and the Senior Management Team. The Risk Management Board monitors the development in key risks and risk mitigating activities, and reports to the Chief Executive Management Team and the Board of Directors on risk mitigating activities. Local risk owners identify, assess, quantify and record risks, which are reported regularly to the Risk Management Board. The local risk owners make suggestions on how to address risks and monitor initiated risk management activities.

Our risk assessment in 2021
In 2021, the identified risks and risk mitigation plans were reviewed and assessed by the Risk Management Board and Chief Executive Management Team. The key risks were presented to the Board of Directors. The Board of Directors then investigated ways to best implement the necessary risk-mitigating measures with a focus on ensuring optimum realisation of Abacus Medicine's strategic objectives.

Our key risks in 2021
The Abacus Medicine Group prioritises risks in order to focus on the most relevant ones. Risks are evaluated on the basis of an impact and likelihood analysis from which relevant actions are planned and implemented to manage and mitigate the respective risks.

The key risks for the Abacus Medicine business are:

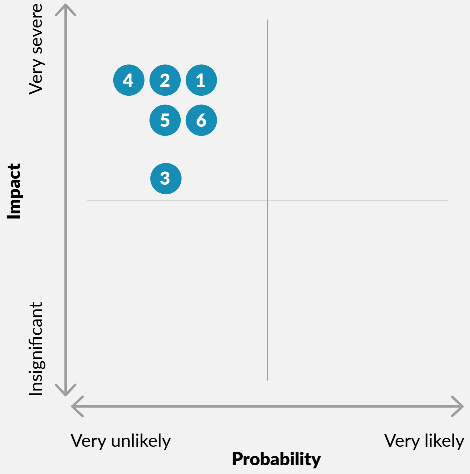
- Compliance and regulatory risks
- Supply chain and sourcing
- Capacity constraints
- Funding and liquidity risks
- IT risks
- Market and commercial risks

A detailed description of the financial risks of Abacus Medicine is provided in note 4.5.

Key risk factors in 2021

Abacus Medicine risk map

1. Compliance and regulatory risks
2. Supply chain and sourcing
3. Capacity constraints
4. Funding and liquidity risks
5. IT risks
6. Market and commercial risks



1 Compliance and regulatory risks

Description

Abacus Medicine is required to meet all legal standards set by national and EU authorities. Abacus Medicine is approved as a company for parallel distribution of pharmaceuticals by the responsible authorities and holds a manufacturer and distribution licence, which entitles Abacus Medicine to repack and distribute pharmaceuticals. Abacus Medicine is subject to the same strict quality and safety requirements as the original manufacturer of pharmaceuticals. Failure to comply with regulation may result in prosecution, fines or ultimately loss of licences.

Mitigating activities

- Abacus Medicine's Quality Management System (QMS) describes our policies and commitment to Quality. It ensures compliance and our license to operate.
- Standard procedures and training are in place to ensure adherence and compliance with applicable laws and regulations as well as continuous improvements and prevention of breaches.
- Authority inspections and internal quality audits are conducted routinely at the production sites in Hungary and the Netherlands. When issues are found, root causes are identified and necessary corrective and preventive actions are implemented.
- The effectiveness of the QMS is verified twice a year in the Quality Management Review (QMR). Any findings are corrected and tracked.

The potential financial impact and likelihood of compliance and regulatory risks occurring remain unchanged from last year.

2 Supply chain and sourcing

Description

Abacus Medicine is highly dependent on a reliable network of suppliers. A loss of key suppliers, interruptions in the availability of sufficient supply, disruption to the supply chain or the inability of Abacus Medicine to source the required number of pharmaceutical products within a given price range could adversely affect Abacus Medicine's business operations.

In addition, a few National Competent Authorities (NCA) of EU member states could enforce non-compliant or unproportionate export bans, which could limit the access to medicine for a given time.

Mitigating activities

- Agile purchasing orders to have the possibility to switch purchase orders to other suppliers or countries without export bans.

Overall, the assessment of the potential financial impact and likelihood of supply chain and sourcing risks remains unchanged compared to last year.

Key risk factors in 2021

3 Capacity constraints

Description

The continued growth of the company puts pressure on our production capacity, including the human workforce of Abacus Medicine. In 2021, the COVID-19 pandemic has put further pressure on the capacity due to the local restrictions in Hungary and the Netherlands.

Mitigating activities

- Constant focus on expanding our production facilities and implementing new automatic processes.
- Due to the restrictions of COVID-19, a two-shift schedule has been implemented at the production facilities to secure stable production.

Based on the above, the assessment of the potential financial impact and likelihood of capacity constraint risks remains unchanged compared to last year.

4 Funding and liquidity risks

Description

Fundamental liquidity risks may occur if the Abacus Medicine Group does not manage to have sufficient liquidity at its disposal. For instance, such a risk could materialise as a result of the unavailability of lines of credit, the loss of existing cash resources, the inability to access the financial markets or strong fluctuations in the operating business.

In addition, Abacus Medicine's existing financial liabilities could limit the cash flows available for the operating business and defaults on the payment of financial liabilities could result in insolvency on Abacus Medicine's part.

Mitigating activities

- The objective of liquidity management is to ensure solvency at all times, to ensure compliance with bank covenants as well as to ensure sufficient financial flexibility by holding adequate liquidity reserves and free lines of credit.
- The credit and factoring facilities are continuously being monitored in order to secure that they develop with the business needs.

The funding and liquidity risk remains unchanged from last year in respect of the potential financial impact.

5 IT risks

Description

The threat of IT criminals is still increasing, and with Abacus Medicine's continuous increase of activities in several countries, new business areas and new IT platforms, the IT risk pattern continues to change and becomes even more critical.

Mitigating activities

- Constantly focus on the threat of cyber attacks, and Abacus Medicine continues to invest in the protection of data and IT systems.
- IT security technologies and controls are in place and have been further strengthened in 2021.
- IT security status is continuously evaluated and on a quarterly basis presented to the Audit Committee.

The assessment of the potential financial impact and likelihood of IT risks remains unchanged compared to last year.

6 Market and commercial risks

Description

The financial performance of Abacus Medicine Group is impacted by market and commercial development; such as potential market commodization, patent expiry of products, new legislation, product price adjustments, and the risk of expiry of products in inventory.

Mitigating activities

- Our multi-European market approach provides flexibility in case of changes in one market.
- We seek to optimize our inventories to be least possible impacted by unexpected price changes.
- We have a proactive approach, which highlights products in inventory that approach expiry. Additionally our increasing stock turnover reduces risk of expiry on products.

Board of Directors

Niels Smedegaard
Chairman since 2020

Member of the Remuneration Committee

Mr. Smedegaard is a professional board member. He was the CEO of shipping company DFDS from 2007-2019, and today serves as Chairman of the Board of ISS, Falck, Bikubenfonden and MOLSLINJEN. He is also a member of the board of DSV.

Flemming Wagner
Member since 2009

Member of the Remuneration Committee

Prior to founding Abacus Medicine A/S, Mr. Wagner was the CEO of RAMCON A/S.

Mark Johnston
Member since 2019

Member of the Audit Committee and the Remuneration Committee

Mr. Johnston is Managing Director at Chr. Augustinus Fabrikker Aktieselskab. Previously, Mr.Johnston was Director at Nordic Capital, and Investment Banker at Morgan Stanley.

Troels Peter Troelsen
Member since 2009

Chairman of the Audit Committee

Mr. Troelsen is a professional board member, CEO, and former Associate Professor at Copenhagen Business School (CBS).

Jens Albert Harsaae
Member since 2017

Mr. Harsaae is a professional board member and former Partner and Managing Director at the Boston Consulting Group, and Marketing Director with Procter & Gamble.

Anders K. Bønding
Member since 2019

Member of the Audit Committee

Mr. Bønding is founder and partner at Greystone Capital Partners, an experienced Chairman and Board member, and former Global Head of Corporate Finance with Danske Bank.

Michala Fischer-Hansen
Member since 2021

Mrs. Fischer-Hansen is Executive Vice President at Falck and member of the Executive Management. She brings pharma experience from a 19-year international career at Novo Nordisk.

Chief Executive Management Team

Flemming Wagner
Chief Executive Officer (CEO), co-founder and majority shareholder.

Prior to founding Abacus Medicine A/S, Mr. Wagner was the CEO of RAMCON A/S. He holds an Executive MBA and an M.Sc. in biochemistry.

Lene B. McCormick
Chief Legal Officer (CLO)

Mrs. McCormick has been with Abacus Medicine since 2015. Mrs. McCormick is an Attorney and Qualified as a UK solicitor (QLTT) with previous experience from law firms in Denmark and the United Kingdom.

Peter Rønnest Andersen
Chief Financial Officer (CFO)

Mr. Rønnest Andersen joined in 2021. He has extensive CFO experience from Maersk Tankers, Maersk Drilling, Maersk Line and Haldor Topsoe A/S. He holds an Executive MBA and an M. Sc. in Advanced Economics and Finance.

Frederik Heupel
Chief Commercial Officer (CCO)

Mr. Heupel has been with Abacus Medicine since 2013. Prior to becoming CCO in 2021, Mr. Heupel was Director of Sales & Business Development.

Financial review

HISTORICALLY LOW WORKING CAPITAL

Working capital decreased significantly during the year and ended historically low at 9% of revenue.

LEVERAGE REDUCED

By the end of 2021, leverage was reduced to 3.5.

Financial review

2021 marked yet another year of strong organic revenue growth. Despite headwind in the early part of the year, caused by external market impacts, the EBITDA reported a record of EUR 16.6 million. For 2022 we are confident that EBITDA will grow even faster and provide a new record.

Group performance

In 2021, COVID-19 once again had a negative impact on demand as fewer prescriptions were issued. In this difficult market, the Abacus Medicine Group managed to deliver strong organic growth in both parallel distribution, pharma services and the wholesale businesses.

Overall, the Abacus Medicine parallel distribution business saw organic growth in almost all markets. The result is a more favourable and balanced country mix.

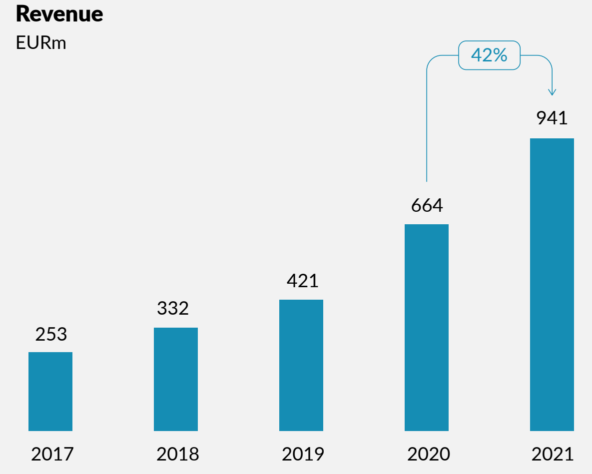
In the beginning of 2022, we rebranded our activities in Aposave to Abacus Medicine Pharma Services to better reflect towards our customers the nature of the services. We continued to have significant growth within these services.

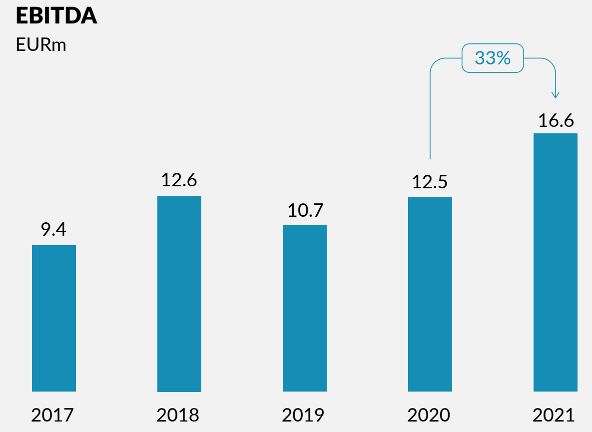
In a competitive Dutch market environment, Pluripharm successfully attracted more new pharmacy customers. Since Abacus Medicine acquired the company in August 2020, many new pharmacies have chosen Pluripharm as their wholesale supplier.

Pluripharm also managed to grow its business in a broad range of value-added services, including the jointly owned online pharmacy Thuisapotheek, which delivered impressive growth in revenue. The Netherlands have experienced repeated periods of lockdown during the COVID-19 pandemic, and this has shifted demand towards higher online sales.

Revenue EUR'000	2021	2020	Growth	Organic Growth
Abacus Medicine	672,073	567,730	18%	18%
Pluripharm	284,647	98,592	189%	27%
Eliminations	-15,980	-2,821		
Revenue	940,740	663,501	42%	19%

Pluripharm is included the full year in 2021 against 5 months in 2020.





Group Profitability

Gross margin for 2021 came in at 8.7% and was down by 1.5%-point compared to 2020. The decline was primarily driven by a negative impact from COVID-19, price changes on the German parallel distribution market, increasing price competition on the Dutch wholesale market, and the full year impact of the Pluripharm acquisition.

Gross Profit EUR'000	2021	2020	Growth
Revenue	940,740	663,501	42%
Cost of sales	-859,205	-595,944	44%
Gross Profit	**81,535**	**67,557**	**21%**
Gross Margin	**8.7%**	**10.2%**	

Selling, General, and Administrative (SG&A) expenses increased by 19% compared to 2020, mainly due to the full-year impact of the Pluripharm acquisition. We also incurred extra production costs from mitigating COVID-19 risks by dividing production staff into separate shifts and working overtime.

SG&A grew at a lower rate than revenue. Compared to revenue, the SG&A margin decreased from 8.2% to 6.9%.

SG&A Expenses EUR'000	2021	2020	Growth
Other external costs	-22,975	-20,371	13%
Staff costs	-41,998	-34,227	23%
SG&A Expenses	**-64,973**	**-54,598**	**19%**
SG&A Margin	**6.9%**	**8.2%**	

EBITDA grew by 33% to a new record of EUR 16.6 million in 2021. Despite a lower SG&A margin, this was not enough to offset the negative impact from the lower Gross margin, and the EBITDA margin decreased by 0.1%-point to 1.8%. This level is not in line with our long-term ambition, and improving profitability is a key focus area in 2022.

EBITDA EUR'000	2021	2020	Growth
Gross Profit	81,535	67,557	21%
SG&A Expenses	-64,973	-54,598	19%
Special items	0	-476	-
EBITDA	**16,562**	**12,483**	**33%**
EBITDA Margin	**1.8%**	**1.9%**	

> "EBITDA grew by 33% to a new record of EUR 16.6 million in 2021."

Segment performance

In Abacus Medicine including Parallel Distribution and Pharma Services the EBITDA margin was unchanged at 2.4%.

During the first half of the year, the market was still heavily impacted by conditions related to external factors, however during the second half of 2021, the market gradually improved and performance for the 4th quarter was fully in line with budget.

Pluripharm delivered a positive EBITDA in 2021. The EBITDA margin increased by 1.5%-point driven by strong organic revenue growth and tight cost control.

EBITDA EUR'000	2021	2020	Growth
Abacus Medicine	16,104	13,749	17%
Pluripharm	458	-1,266	-

EBITDA Margin %	2021	2020	Growth
Abacus Medicine	2.4%	2.4%	0.0%
Pluripharm	0.2%	-1.3%	1.5%

Pluripharm is included the full year in 2021 against 5 months in 2020.

Cash-flow and Working capital

Despite significant investments in new licences and automation equipment, the free cash flow was positive for the year. The positive cash flow generation was primarily driven by substantial improvements in working capital.

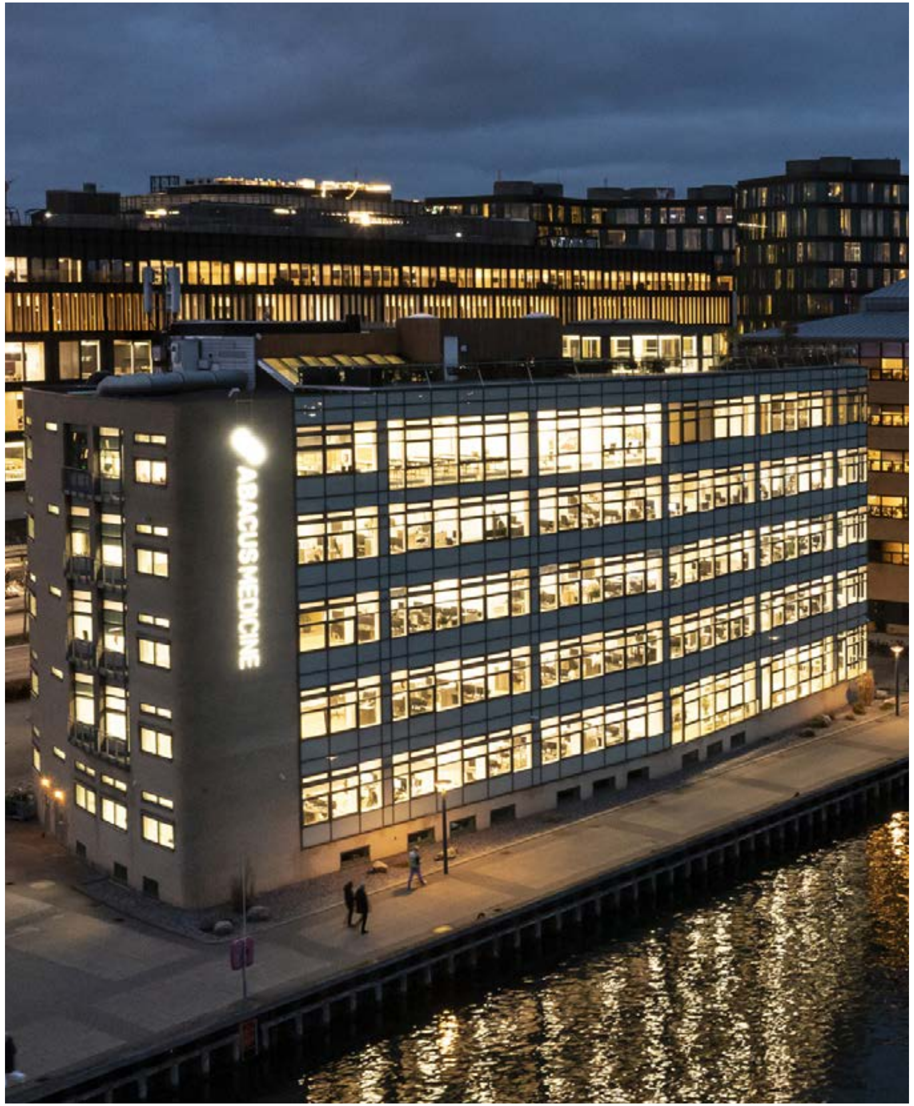
Cash flow EUR'000	2021	2020
Cash flow from operation	31,405	-12,651
Cash flow from investment	-9,597	-8,968
Free cash flow	**21,808**	**-21,619**

As a consequence of the Pluripharm acquisition the Group leverage measured as net debt compared to EBITDA increased in 2020, and it has been a priority to reduce to the leverage of the Group.

This has been achieved by a combination of improved financial performance and reduced net debt to the effect that 2021 ended with a leverage ratio of 3.5 compared to 6.0 by the end of 2020. In 2022, the ambition is to reduce the leverage even further.

Working capital decreased significantly during the year and ended historically low at 9% of revenue.

Working capital EUR'000	2021	2020	Growth	% of revenue 2021	% of revenue 2020
Inventory	113,465	108,536	5%	12%	16%
Trade and other receivables	40,308	59,753	-33%	4%	9%
Trade payables	66,915	62,699	7%	7%	9%
Working capital	**86,858**	**105,590**	**-18%**	**9%**	**16%**



Financial statements

PLURIPHARM FULLY INCLUDED

This year, Pluripharm is included in the financial statements for a full 12-month period.

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ACCOUNTING POLICIES

Policies, judgments and estimations are now presented in the notes that deal with the relevant subject.

Contents

Primary statements

Sections

Income statement

Note	EUR'000	2021	2020
2.1	Revenue	940,740	663,501
2.2	**Cost of sales**	**-859,205**	**-595,944**
	Gross profit	**81,535**	**67,557**
	Other external costs	-22,975	-20,371
2.3	Staff costs	-41,998	-34,227
	Operating profit before depreciations, amortisation and special items (adjusted EBITDA)	**16,562**	**12,959**
2.5	Special items	0	-476
	Operating profit before depreciations and amortisation (EBITDA)	**16,562**	**12,483**
2.6	Depreciation and amortisation	-10,158	-7,136
	Operating profit (EBIT)	**6,404**	**5,347**
5.3	Share of profit (loss) in associates	-17	-81
2.7	Finance income	82	168
2.7	Finance expenses	-4,406	-4,097
	Profit before tax	**2,063**	**1,337**
2.8	Tax	-1,648	-904
	Profit for the year	**415**	**433**

Statement of other comprehensive income

Note	EUR'000	2021	2020
	Profit for the year	**415**	**433**
	Other comprehensive income		
	Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
4.5	Cash flow hedges – effective portion of changes in fair value	73	-209
	Exchange differences on translation of foreign operations	-259	-2
2.8	Income tax effect	-16	46
		-202	**-165**
	Other comprehensive income/(loss) for the year, net of tax	**-202**	**-165**
	Total other comprehensive income	**213**	**268**

Balance sheet

Note	EUR'000	2021	2020
	ASSETS		
	Non-current assets		
3.1	Intangible assets	32,440	30,130
3.2	Property, plant and equipment	10,968	11,344
3.3	Right-of-use assets	9,808	5,352
5.3	Investments in associates	123	72
5.3	Other securities	0	0
3.5	Other receivables	396	465
2.8	Deferred tax assets	4,179	3,657
	Total non-current assets	**57,914**	**51,020**
	Current assets		
3.4	Inventory	113,465	108,536
3.5	Trade and other receivables	40,308	59,753
4.3	Cash	3,889	218
	Total current assets	**157,662**	**168,507**
	TOTAL ASSETS	**215,576**	**219,527**

Note	EUR'000	2021	2020
	EQUITY AND LIABILITIES		
	Equity		
4.1	Share capital	515	510
	Other reserves	-407	-205
	Retained earnings	54,538	52,719
	Total equity	**54,646**	**53,024**
	Non-current liabilities		
2.8	Deferred tax liabilities	4,252	3,308
4.4	Borrowings	1,838	0
3.3	Lease liabilities	7,791	3,608
3.7	Other payables	2,780	1,251
	Total non-current liabilities	**16,661**	**8,167**
	Current liabilities		
4.4	Borrowings	50,274	69,635
3.3	Lease liabilities	2,353	1,776
3.8	Provisions	4,134	6,008
3.6	Trade payables	66,915	62,699
2.8	Income tax payable	721	779
3.7	Other payables	19,872	17,439
	Total current liabilities	**144,269**	**158,336**
	Total liabilities	**160,930**	**166,503**
	Total EQUITY AND LIABILITIES	**215,576**	**219,527**

Cash flow statement

Note	EUR'000	2021	2020
	Operating activities		
	Profit before tax	2,063	1,337
	Adjustments to reconcile profit before tax to net cash flow:		
2.6	Depreciation and amortisation	10,158	7,136
	Share of profit (loss) in associates	17	81
2.7	Finance income	-82	-168
2.7	Finance expenses	4,406	4,096
3.9	Changes in working capital	19,599	-21,395
	Interest received	82	168
	Interest paid	-3,537	-3,056
2.8	Income tax paid	-1,301	-850
	Net cash flow from operating activities	**31,405**	**-12,651**

Note	EUR'000	2021	2020
	Investing activities		
3.1	Purchase of intangible assets	-7,354	-6,858
3.2	Purchase of property, plant and equipment	-2,327	-2,031
5.5	Acquisition of subsidiary	0	0
	Paid deposits regarding buildings etc.	69	-79
	Disposals, non-current assets	15	-
	Net cash flow used in investing activities	**-9,597**	**-8,968**
	Financing activities		
	Proceeds from borrowings (credit facility)	-17,671	20,625
	Proceeds from exercise of warrants	247	1,373
3.3	Repayment of lease liabilities	-2,213	-1,504
	Sale/purchase of treasury shares	0	415
	Deposits regarding bank agreement	1,499	-1,047
	Net cash flow from financing activities	**-18,138**	**19,862**
	Cash flow for the year	**3,670**	**-1,757**
	Cash at beginning of the year	218	1,975
	Effect of exchange rate changes on cash in a foreign currency	1	-
4.3	**Cash at 31 December**	**3,889**	**218**

Statement of changes in equity

EUR'000	Share capital	Cash flow hedge reserve	Foreign currency translation reserve	Treasury shares	Retained earnings	Total
Equity 1 January 2021	**510**	**-42**	**-163**	**-**	**52,719**	**53,024**
Total comprehensive income 2021						
Profit for the year	-	-	-	-	415	415
Other comprehensive income						
Cash flow hedges – effective portion of changes in fair value	-	73	-	-	-	73
Exchange differences on translation of foreign operations	-	-	-259	-	-	-259
Tax on other comprehensive income	-	-16	-	-	-	-16
Total other comprehensive income	**-**	**57**	**-259**	**-**	**-**	**-202**
Total comprehensive income for the period	**-**	**57**	**-259**	**-**	**415**	**213**
Transactions with owners						
Capital increase	5	-	-	-	1,221	1,226
Equity-settled share-based payments	-	-	-	-	183	183
Total transactions with owners	**5**	**-**	**-**	**-**	**1,404**	**1,409**
Equity 31 December 2021	**515**	**15**	**-422**	**-**	**54,538**	**54,646**

EUR'000	Share capital	Cash flow hedge reserve	Foreign currency translation reserve	Treasury shares	Retained earnings	Total
Equity 1 January 2020	**506**	**121**	**-161**	**-415**	**51,565**	**51,616**
Total comprehensive income 2020						
Profit for the year	-	-	-	-	433	433
Other comprehensive income						
Cash flow hedges – effective portion of changes in fair value	-	-209	-	-	-	-209
Exchange differences on translation of foreign operations	-	-	-2	-	-	-2
Tax on other comprehensive income	-	46	-	-	-	46
Total other comprehensive income	**-**	**-163**	**-2**	**-**	**-**	**-165**
Total comprehensive income for the period	**-**	**-163**	**-2**	**-**	**433**	**268**
Transactions with owners						
Capital increase	4	-	-	-	389	393
Purchase of treasury shares	-	-	-	415	-	415
Equity-settled share-based payments	-	-	-	-	332	332
Total transactions with owners	**4**	**-**	**-**	**415**	**721**	**1,140**
Equity 31 December 2020	**510**	**-42**	**-163**	**-**	**52,719**	**53,024**

Overview of notes for the consolidated financial statements

Section 1

Basis of preparation

Section 2

Result of the year

Section 3

Invested capital and Working capital items

Section 4

Capital structure and Net financials

Section 5

Other disclosures

Section 1 – Basis of preparation

1.1 Accounting policies

Abacus Medicine A/S is a private limited company registered in Denmark. The financial statements section of the annual report, for the period 1 January – 31 December 2021, comprises both the consolidated financial statements of Abacus Medicine A/S and its subsidiaries (Abacus Medicine) and the separate Parent Company financial statements.

The consolidated financial statements for Abacus Medicine A/S for 2021 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements according to the Danish Financial Statements Act applying to large reporting class C entities. The accounting policies are consistent with the policies set out in the Annual Report 2020 of Abacus Medicine A/S, except for the implementation of new and amended standards (see below).

The consolidated income statement and the consolidated statement of financial positions separately present items that are considered individually significant or are required under the minimum presentation of IAS 1. When determining whether an item is individually significant, both quantitative and qualitative factors are considered. If the presentation or disclosure of an item is not decision-useful, the information is considered insignificant. Explanatory disclosure notes related to the consolidated financial statements are presented for individually significant items. Where separate presentation of a line item is made solely due to minimum presentation requirements in IAS 1, no further disclosures are provided in respect of that line item.

The Board of Directors and the Chief Executive Officer (CEO) have on 16 March 2022 discussed and approved the annual report for Abacus Medicine A/S for 2021. The annual report will be presented to the shareholders of Abacus Medicine A/S for adoption at the annual general meeting on 5 April 2022.

Accounting policies, management judgements and sources of estimation uncertainty are presented together with other related disclosures in the notes that deal with the relevant subject. Accounting policies, judgments and estimates that do not relate to a specific subject are presented in this section.

Basis of preparation
The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments, which have been measured at fair value.

The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand (EUR'000), except when otherwise indicated.

Consolidated financial statements
The consolidated financial statements comprise the financial statements of Abacus Medicine A/S (the Parent) and the subsidiaries controlled by the Parent, as at 31 December 2021. Abacus Medicine A/S controls an entity when it is exposed to or has rights to variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity.

On consolidation, intra-Group income and expenses, shareholdings, balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated.

Foreign currency translation
Abacus Medicine's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity, Abacus Medicine determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. Abacus Medicine uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

Transactions and balances
Transactions in foreign currencies are initially recorded by Abacus Medicine's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which Abacus Medicine initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, Abacus Medicine determines the transaction date for each payment or receipt of advance consideration.

Current versus non-current classification
Abacus Medicine presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is either:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when, either:

- It is expected to be settled in the normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Section 1 – Basis of preparation

1.1 Accounting policies (continued)

Liabilities
Financial liabilities are initially recognised at fair value less transaction costs. Subsequently, the financial liabilities are measured at amortised cost using the effective interest method, whereby transaction costs and any premium or discount are recognised as financial expenses over the term of the liabilities.

Other liabilities are measured at net realised value.

Fair value
All assets and liabilities which are measured at fair value, or whose fair value is disclosed, are classified based on the fair value hierarchy, see below:

Level 1: Value in an active market for similar assets/liabilities.

Level 2: Value based on recognised valuation methods on the basis of observable market information.

Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

Fair value measurements are based on the principal market. If no principal market exists, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability less transaction and/or transport costs.

Cash flow statement
The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in Cash as well as Cash at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of entities is shown separately in cash flows from investing activities. Cash flows from corporate acquisitions are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of entities are recognised up until the date of disposal.

Cash flows are presented using the indirect method.

Cash flow from operating activities
Cash flow from operating activities is calculated as Abacus Medicine's share of the profit/loss adjusted for non-cash operating items, changes in working capital and income taxes paid.

Cash flow from investing activities
Cash flow from investing activities comprises payments in connection with acquisitions and disposals of entities, activities and intangible assets, property, plant and equipment and financial assets.

Cash flow from financing activities
Cash flow from financing activities comprises changes in the size or composition of Abacus Medicine's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and lease liabilities, and payment of dividends to shareholders.

1.2 New accounting policies and disclosures

Abacus Medicine has implemented the standards and amendments that are effective for the financial year 2021. The new standards and amendments have not affected Abacus Medicine's recognition or measurement of financial items for 2021, nor are they expected to have any significant future impact.

1.3 Standards issued but not yet effective

The IASB has issued a number of new standards and amendments not yet in effect or endorsed by the EU and therefore not relevant for the preparation of the 2021 consolidated financial statements. Abacus Medicine expects to implement these standards when they take effect.

None of the new standards issued are currently expected to have any significant impact on the consolidated financial statements when implemented.

1.4 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Management continuously reassesses these estimates and judgements based on a number of factors in the given circumstances.

The primary financial statements items for which more significant accounting estimates are applied are listed below:

- Revenue (note 2.1)
- Share-based payments (note 2.4)
- Intangible assets (note 3.1)
- Inventories (note 3.4)
- Business combinations (note 5.5)

Additional description of management judgements and estimates made are described in the relevant notes.

Section 2 – Result of the year

2.1 Revenue

§ Accounting policies

Revenue
Revenue from the sale of goods is recognised when the performance obligation is satisfied, i.e. when control of the goods have passed to the buyer. All sales of goods are recognised at one-point-of-time. Due to factoring agreements, the receivables are sold and the payments are in general received from the factoring company within one day. Revenue is measured at fair value of the agreed consideration, excluding VAT and taxes charged on behalf of third parties. Provisions for rebates and discounts granted to customers are recognised as a reduction of revenue, whereas the effect of expected returns is recorded as a reduction of gross profit, i.e. revenue and cost of sales.

Rights of return
Certain contracts provide our customers with a right to return the goods. The expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which Abacus Medicine will be entitled. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Assets and liabilities arising from rights of return:

Right of return assets
A right of return asset represents the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decrease in the value of the returned goods. The measurement of the asset is updated and recorded for any revisions to its expected level of returns, as well as any additional decrease in the value of the returned products. The right of return asset is presented under inventory.

Rights of return liabilities
A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount Abacus Medicine ultimately expects it will have to return to the customer. The estimates of refund liabilities are updated (along with the corresponding change in the transaction price) at the end of each reporting period. The right of return liability is presented under provisions.

Other external costs
Other external costs include expenses in regards to the principal activities arising during the year. This includes expenses for sales, advertisement, administration, services relating to office buildings, etc.

Changes in accounting policies
In 2021 Abacus Medicine has decided to adopt the accounting policies in IFRS 15 instead of IFRS 8 due to change in internal reporting. The change mainly impact the presentation of segments and does not impact recognition and measurement. Comparable figures has been changed.

≈ Significant accounting judgements, estimates and assumptions

Customer rebates, discounts and price adjustments
Certain contracts for the sale of products include customer rebates, discounts and price adjustments that give rise to variable consideration. Customer rebates and discounts vary across distribution channels, and price adjustments are in some cases dependent on future market price development. In estimating the variable consideration, Abacus Medicine considers the contract information, historical experience, business forecast and the current economic conditions. The provisions for rebates, discounts and price adjustments granted to customers are recognized as a reduction of revenue.

Presentation
The presentation of revenue for Abacus Medicine is defined by the operational structure which is derived from the types of activities we are engaged in. Abacus Medicine Pharma Services (previously named Aposave) accounts for less than 10% of the revenue, gross profit and assets in the Group, and due to similar characteristics, Abacus Medicine Pharma Services has been presented in combination with Abacus Medicine - Parallel Distribution.

Revenue in business operations
Our business operations are carried out by the following activities.

Abacus Medicine - Parallel Distribution and Pharma Services
Supplies prescription medicine to pharmacies, hospitals and pharmaceutical companies and delivers pharmaceutical and healthcare services.

Pluripharm
Conducts wholesale trade in pharmaceutical and related products and provides related services to pharmacies, hospitals, healthcare institutions and other wholesalers.

Section 2 – Result of the year

2.1 Revenue (continued)

Operating information

EUR'000	Abacus Medicine	Pluri-pharm	Elimi-nations	Total
2021				
Revenue	672,073	284,647	-15,980	940,740
Gross Profit	63,483	18,053	-	81,535
EBITDA	16,104	458	-	16,562
Total Assets	172,659	42,917	-	215,576
Total Liabilities	127,413	33,517	-	160,930

EUR'000	Abacus Medicine	Pluri-pharm*	Elimi-nations	Total
2020				
Revenue	567,730	98,592	-2,821	663,501
Gross Profit	61,243	6,314	-	67,557
EBITDA	13,749	-1,266	-	12,483
Total Assets	157,793	61,734	-	219,527
Total Liabilities	118,135	48,368	-	166,503

* Pluripharm result as from 29 July 2020.

In 2021, Abacus Medicine had one customer in Denmark/Sweden/Norway with 14% of the Group revenue (2020: one customer in Denmark/Sweden, 16%). However, customers in the pharmaceutical industry are mainly whole-salers which act on behalf of the pharmacies. The pharmacies are therefore the actual customers, and in this aspect no customers represent more than 10% of the Group revenue individually.

2.2 Cost of sales

Cost of sales comprise of the following:

EUR'000	2021	2020
Cost of inventories recognised as an expense	852,249	592,045
Write-down of inventory, net	6,956	3,899
Total	**859,205**	**595,944**

2.3 Staff costs

§ Accounting policies

Staff costs include wages and salaries, including share-based payments, holiday pay and pensions, as well as other expenses for social security etc., relating to Abacus Medicine's employees. Within staff costs, any compensation received from public authorities has been deducted.

Incentive programs, under which the employee has the opportunity for net settlement, are recognised on a regular basis with the share of the earned value and are, similarly, recognised under Other payables. The value of the underlying agreement is defined in the contracts and depends on Abacus Medicine's earnings.

EUR'000	2021	2020
Wages and salaries	36,629	29,371
Pensions, defined contribution plans	2,550	2,234
Other social security costs	655	539
Other staff costs	2,998	2,672
Share-based payment expense	183	332
Total employee benefit expenses	**43,015**	**35,148**
Of which are capitalised as intangible assets	-1,017	-921
Total employee benefit expense in the income statement	**41,998**	**34,227**
Average number of full-time employees	1,052	912

The below amounts are included in the total staff costs.

EUR'000	2021	2020
Board of Directors and Chief Executive Officer		
Wages and salaries	688	702
Pensions, defined contribution plans	46	41
Share-based payments	-	10
Social security costs	1	1
Total	**735**	**754**
Average number	7	6

Section 2 – Result of the year

2.3 Staff costs (continued)

EUR'000	2021	2020
Key Management Personnel		
Wages and salaries	1,959	1,696
Pensions, defined contribution plans	156	128
Share-based payments	44	156
Social security costs	129	9
Total	**2,288**	**1,989**
Average number	9	9

Key Management Personnel is defined as the members of daily management, and includes CFO, CLO, CCO, VPs and the HR Director.

Remuneration to the Chief Executive Officer and Board of Directors represents EUR 735 thousand (2020: EUR 754 thousand). Abacus Medicine has entered into warrant agreements with members of the Board of Directors and Executive Management Team. For further details on remuneration to the Board of Directors and Executive Management Team, refer to note 2.4 regarding share-based payments.

2.4 Share-based payments

§ Accounting policies

Certain employees of Abacus Medicine receive remuneration in the form of share-based payments, whereby program participants render services as consideration for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions is determined by the fair value at the date when the grant is made, using an appropriate valuation model.

That cost is recognised in staff costs, together with a corresponding increase in equity (other capital reserves) for equity-settled programs, over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and Abacus Medicine's best estimate of the number of equity instruments that will ultimately vest. The expense or income in the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

≈ Significant accounting judgements, estimates and assumptions

Estimating fair value for warrant program transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the share price of Abacus Medicine A/S at the grant date, the expected life of the warrant, volatility and dividend yield and making assumptions about them.

Abacus Medicine A/S has established share plans in 2018, 2020 and 2021, which are all still open. The decision to grant warrants is made by the Board of Directors in accordance with the general guidelines. Warrants have been granted to members of the Board of Directors, Key Management Personnel and other employees in the company. For the 2018, 2020 and 2021 program, the employees only receive equity instruments.

Share-based payments
The decision to grant warrants to subscribe for shares in Abacus Medicine A/S is made by the Board of Directors in accordance with general guidelines on incentive pay for Abacus Medicine. Warrants have been granted to members of the Board of Directors, Key Management Personnel and other employees in Abacus Medicine.

Warrant agreements entered into in December 2018 allow those eligible to subscribe for up to 164,719 new shares of EUR 0.05 each in Abacus Medicine A/S. This warrant agreement only allows settlement with shares which must take place in December 2020 (85,107 shares, subscription price EUR 16.22), July 2021 (39,799 shares, subscription price EUR 10.42) and February 2022 (39,813 shares, subscription price EUR 10.16).

Warrant agreements entered into in April 2020 allow those eligible to subscribe for up to 98,200 new shares of EUR 0.05 each in Abacus Medicine A/S. The subscription price is EUR 10.16 per share, corresponding to a total potential subscription price of approximately EUR 998 thousand. This warrant agreement only allows settlement with shares which must take place in April 2025 at the latest. The warrant scheme has been accounted for as an equity-settled program.

Warrant agreements entered into in July 2020 allow those eligible to subscribe for up to 66,700 new shares of EUR 0.05 each in Abacus Medicine A/S. The subscription price is EUR 10.16 per share, corresponding to a total potential subscription price of approximately EUR 678 thousand. This warrant agreement only allows settlement with shares which must take place in December 2020 (45,700 shares) and April 2025 at the latest

Section 2 – Result of the year

2.4 Share-based payments (continued)

(21,000 shares). The warrant scheme has been accounted for as an equity-settled program.

Warrant agreements entered into in July and December 2020 allow those eligible to subscribe for up to 45,308 new shares of EUR 0.05 each in Abacus Medicine A/S. The subscription price is EUR 13.49 per share, corresponding to a total potential subscription price of EUR 611 thousand. This warrant agreement was only allowed to be settled with shares in December 2020. The warrant scheme has been accounted for as an equity-settled program.

Warrant agreements entered into in November and December 2021 allow those eligible to subscribe for up to 129,082 new shares of EUR 0.05 each in Abacus Medicine A/S. The subscription price is EUR 10.93 per share, corresponding to a total potential subscription price of approximately EUR 1,411 thousand. This warrant agreement only allows settlement with shares which must take place in April 2026 at the latest. The warrant scheme has been accounted for as an equity-settled program.

EUR'000	2021	2020
Equity-settled expense	183	332
Total share-based payment expense	**183**	**332**

	Board of Directors	Key Personnel	Other employees	Total number	Average exercise price per option (EUR)
Specification of outstanding share options					
Outstanding at 31 December 2019	**45,309**	**74,855**	**115,699**	**235,863**	
Granted	45,308	46,350	118,550	210,208	
Forfeited	-52,364	-22,710	-18,181	-93,255	
Exercised	-38,253	-64,099	-61,470	-163,822	8.38
Outstanding at 31 December 2020	**-**	**34,396**	**154,598**	**188,994**	
Granted	-	34,763	94,319	129,082	
Forfeited	-	-3,830	-24,200	-28,030	
Exercised	-	-17,090	-6,504	-23,594	
Transfer between categories	-	11,264	-11,264	-	10.42
Outstanding at 31 December 2021	**0**	**59,503**	**206,949**	**266,452**	
Exercisable 31 December 2021	-	-	-	-	-

Section 2 – Result of the year

2.4 Share-based payments (continued)

The average remaining contractual life for the share options outstanding at 31 December 2021 was 3.1 years (2020: 2.5 years). The exercise prices are between EUR 10.16 - EUR 10.93 per share option (2020: EUR 10.16 - EUR 10.42).

In 2021, the expense in regards to share-based payments recognised in the income statement amounts to EUR 183 thousand (2020: EUR 332 thousand).

The following table lists the inputs to the models used for the plan for the different programs:

	2021 Equity Settled	2020 Equity Settled	2018 Equity Settled
Weighted average fair values at measurement date	5.1	2.7	1.7
Weighted average share price	14.6	12.0	10.8
Exercise price	10.9	10.2-13.5	16.2
Expected volatility (%)	35%	35%	25%
Expected life of share options	52-53 months	1-60 months	25-39 months
Dividend yield (%)	0.0%	0.0%	0.0%
Risk-free interest rate (%)	-0.5%/-0.6%	-0.4-0.6 %	0.0%
Valuation method	Black-Scholes	Black-Scholes	Black-Scholes

The expected volatility reflects 35%, which is based on a peer group median.

2.5 Special items

§ Accounting policies

Special items are used in connection with the presentation of profit or loss for the year to distinguish consolidated operating profit from exceptional items, which by their nature are not related to Abacus Medicine's ordinary operations. Special items consist of costs related to seeking new capital, i.e. IPO and private equity projects, and transaction costs related to acquisition of enterprises.

EUR'000	2021	2020
Transaction costs relating to the acquisition of the Pluripharm Group	0	476
Total	**0**	**476**

2.6 Depreciation and amortisation

EUR'000	2021	2020
Amortisation and write-downs, intangible assets	5,260	3,842
Depreciation, property, plant and equipment	2,422	1,793
Depreciation, right-of-use assets	2,476	1,501
Total	**10,158**	**7,136**

2.7 Net finance costs

§ Accounting policies

Finance income and expenses comprise interest income and expenses, interests relating to leases, exchange gains and losses on transactions denominated in foreign currencies etc., as well as surcharges and allowances under the on-account tax scheme, etc.

EUR'000	2021	2020
Finance income		
Other finance income	82	168
Total finance income	**82**	**168**

Finance income related to balance sheet items recognised at amortised cost amounts to EUR 82 thousand (2020: EUR 168 thousand).

EUR'000	2021	2020
Finance expenses		
Other finance costs	3,324	3,097
Interests, lease liabilities	197	95
Amortised loan costs	207	228
Foreign exchange loss, net	678	677
Total finance expenses	**4,406**	**4,097**

Finance expenses related to balance sheet items recognised at amortised cost (the credit facility and lease liabilities) amount to EUR 1,992 thousand (2020: EUR 1,398 thousand).

Section 2 – Result of the year

2.8 Income tax

§ Accounting policies

Tax for the year
Tax for the year comprises current tax on the expected taxable income for the year and the year's deferred tax adjustments. The tax expense relating to the profit for the year is recognised in the income statement, and the tax expense relating to transactions recognised in equity is recognised in equity.

The Parent Company is jointly taxed with its Danish Group entities including the ultimate parent of Abacus Medicine A/S, FTW Holding ApS, which is also the administration company of the Danish Group entities towards the Danish Tax authorities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption). Jointly taxed entities entitled to a tax refund are, as a minimum, reimbursed by the administration company based on the current rates applicable to interest allowances, and jointly taxed entities having less tax paid, as a maximum, a surcharge based on the current rates applicable to interest surcharges to the administration company.

Current income tax and deferred tax
Current tax payable and receivable is recognised in the balance sheet as tax computed on the expected taxable income for the year, adjusted for tax on the taxable income of prior years and for prepaid tax.

Provisions for deferred tax are calculated, based on the liability method, on all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity.

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Corporation tax receivable" or as "Corporation tax payable".

EUR'000	2021	2020
Current income tax		
Current income tax charge	1,173	1,043
Adjustment in respect of current income tax of previous year	71	-318
Deferred tax		
Relating to origination and reversal of temporary difference	404	179
Income tax expense reporting in the income statement	**1,648**	**904**

EUR'000	2021	2020
Statement of other comprehensive income		
Deferred tax related to items recognized in other comprehensive income during the year		
Net gain/loss on revaluation of cash flow hedges	-16	46
Income tax recognised in other comprehensive income	**-16**	**46**

Tax on profit for the year can be explained as follows:

EUR'000	2021	2020
Accounting profit before income tax		
Calculated 22% tax on profit for the year	454	294
Utilisation of previously unrecognized losses	0	13
Deferred tax asset not recognised	522	426
Tax effect of:		
Deviation in foreign subsidiaries' tax rates compared with the Danish rate	256	-19
Adjustment in respect of current income tax of previous year	71	-318
Other non-deductible expenses, etc.	341	490
Share of profit (loss) in associates	4	18
Total	**1,648**	**904**
Effective tax (%)	79.9%	67.6%

Section 2 – Result of the year

2.8 Income tax (continued)

EUR'000	2021	2020
Deferred tax		
Deferred tax 1 January	349	-2,579
Addition from business combination	-	3,075
Currency translation	-2	-14
Deferred tax for the year recognised in profit for the year	-404	-179
Deferred tax for the year recognised in other comprehensive income	-16	46
Deferred tax 31 December	**-73**	**349**
Reflected in the statement of financial position as follows:		
Deferred tax assets	4,179	3,657
Deferred tax liabilities	-4,252	-3,308
Deferred tax 31 December, net	**-73**	**349**

Of the recognized deferred tax assets, EUR 4,000 thousand (2020: EUR 3,471 thousand) relates to tax losses to be carried forward. The utilization of tax loss carryforwards is subject to the expected future positive taxable income against which the losses may be offset.

There are unrecognized deferred tax assets relating to tax losses in the group amounting to EUR 1,113 thousand (2020: EUR 893 thousand). The deferred tax assets have not been recognised due to uncertainties on the timing of the realisation.

EUR'000	2021	2020
Deferred tax relates to:		
Intangible assets	-4,566	-3,751
Tangible assets	444	243
Tax losses carried forward	4,000	3,471
Other assets and liabilities, net	49	386
Total	**-73**	**349**

EUR'000	2021	2020
Income tax payable		
Income tax payable 1 January	779	882
Current tax for the year	1,173	1,043
Adjustment in respect of current income tax of previous year	71	-318
Exchange rate adjustments, interests etc.	-1	22
Corporation tax paid during the year	-1,301	-850
Income tax payable 31 December	**721**	**779**

Section 3 – Invested capital and Working capital items

3.1 Intangible assets

§ Accounting policies

Goodwill
Goodwill is initially recognised at the amount by which the purchase price for a business combination exceeds the recognised value of the identifiable assets and liabilities assumed. Goodwill comprises future growth expectations, buyer-specific synergies, the workforce in place and know-how. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment at least yearly, and impairment losses charged in previous years cannot be reversed.

Licences and Software
Licences relate to marketing permits and product approvals. Licences are measured at cost less accumulated amortisation and impairment losses. Cost comprises of the purchase price and salaries directly attributable until the date when the marketing permits and product approvals are available for use. The basis of amortisation is cost. The licences are set with no residual value. Amortisation is provided on a straight-line basis over the expected useful lives of the assets. The basis of amortisation is reduced by impairment losses, if any. In case of changes in the amortisation period, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

Software is measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

On initial recognition, the costs of licences and IP rights are recognised in the balance sheet and measured at cost and subsequently at cost less accumulated amortisation and impairment losses.

Amortisation periods are as follows:

Licences	5 - 8 years
Software	3-10 years

The assets have no scrap value.

Gains and losses on the disposal of rights and licences are made up as the difference between the selling price less selling costs and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as Other operating income or Other operating expenses, respectively.

Development costs
Development expenditures on an individual project are recognised as an intangible asset when the following can be demonstrated:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Impairment of non-current assets
At each reporting date, it is assessed whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of an asset's or Cash generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies, or other available fair value indicators.

The impairment calculation is based on detailed budgets and forecast calculations. The budget and forecast calculation generally covers a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the asset's recoverable amount is estimated.

Section 3 – Invested capital and Working capital items

3.1 Intangible assets (continued)

Goodwill is tested for impairment annually at year-end and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

≈ Significant accounting judgements, estimates and assumptions

Valuation of intangible assets
The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement as amortisation.

Intangible assets with indefinite useful lives (goodwill) and development projects in progress are not amortised, but are tested for impairment at least annually.

The estimated values of intangible assets are based on management estimations and assumptions and are by nature subject to uncertainty.

EUR'000	Development costs	Software	Licences	Goodwill	Total
Cost 1 January 2021	-	14,725	20,046	5,506	40,277
Currency translation	-	3	20	1	24
Additions	-	123	2,939	-	3,062
Additions internally developed	895	-	3,397	-	4,292
Reclassification	-895	1,015	-83	-	37
Cost 31 December 2021	-	15,866	26,319	5,507	47,692
Amortisation and impairment 1 January 2021	-	2,286	7,861	-	10,147
Currency translation	-	-	-39	-	-39
Amortisation	-	2,329	2,708	-	5,037
Write-downs	-	-	223	-	223
Reclassification	-	-75	-41	-	-116
Amortisation and impairment 31 December 2021	-	4,540	10,712	-	15,252
Carrying amount 31 December 2021	**0**	**11,326**	**15,607**	**5,507**	**32,440**

Section 3 – Invested capital and Working capital items

3.1 Intangible assets (continued)

EUR'000	Development costs	Software	Licences	Goodwill	Total
Cost 1 January 2020	316	5,719	15,859	2,905	24,799
Additions from business combinations	-	6,650	-	2,590	9,240
Currency translation	-	23	-14	11	20
Additions	-	42	2,246	-	2,288
Additions internally developed	1,975	-	2,595	-	4,570
Reclassification	-2,291	2,291	-	-	-
Disposals	-	-	-640	-	-640
Cost 31 December 2020	0	14,725	20,046	5,506	40,277
Amortisation and impairment 1 January 2020	-	871	6,092	-	6,963
Currency translation	-	6	-36	-	-30
Amortisation	-	1,409	2,272	-	3,681
Write-downs	-	-	161	-	161
Disposals	-	-	-628	-	-628
Amortisation and impairment 31 December 2020	-	2,286	7,861	-	10,147
Carrying amount 31 December 2020	**0**	**12,439**	**12,185**	**5,506**	**30,130**

Development costs comprise capitalised expenses for the ERP system for Abacus Medicine Group taken into use in 2020.

Software is amortised over 3-10 years and Licences are amortised over 5-8 years. Licences has been written down with EUR 223 thousand in 2021 (2020: EUR 161 thousand). There have been no further indications of impairment of the intangible assets.

Goodwill was recognised as a part of the acquisition of the Abacus Medicine Pharma Services (previously named Aposave) entities on 21 December 2017 and the Pluripharm Group on 29 July 2020. The carrying amount of goodwill as of 31 December 2021 amounts to EUR 2,917 thousand regarding Abacus Medicine Pharma Services (2020: EUR 2,916 thousand) and EUR 2,590 thousand regarding Pluripharm (2020: EUR 2,590 thousand). Since goodwill is not amortised, the carrying amount is at least tested for impairment annually. The impairment test in 2021 did not give rise to recognising any impairment losses.

Assumptions
The calculation of the recoverable amount is based on a value-in-use calculation of the Abacus Medicine Pharma Services business and the Pluripharm business, which comprises of the following key assumptions:

- Revenue growth in budget period
- Gross profit
- Development in net working capital
- Discount rate
- Growth rate in terminal period

The revenue growth and the gross profit figures used in the impairment tests are based on the budget for 2022 prepared by the management and approved by the Board of Directors, and outlook for the subsequent 2 years.

The average yearly revenue growth applied in the period 2022-2024 is 55% (2020: 134%) for Abacus Medicine Pharma Services and 19% for Pluripharm in the period 2022-2024 (2020: 14 %). Further, we have applied gross margin for Abacus Medicine Pharma Services of 20% and for Pluripharm 5% until the

Section 3 – Invested capital and Working capital items

3.1 Intangible assets (continued)

terminal periods based on the estimates in the approved budgets and outlook for the coming years. In nature, these projections are subject to judgement and estimates that are uncertain. The actual revenue in 2021 amounted to EUR 25 million for Abacus Medicine Pharma Services and EUR 285 million for Pluripharm.

Net working capital in the budget, relative to the revenue, is based on the best estimation and increases on a linear basis as the activity level increases.

We have used a pre-tax discount rate of 14.1% for Abacus Medicine Pharma Services (2020: 15.0 %) and 12.0% for Pluripharm (2020: 12.0%), which represent the current market assessment of the risks specific to the Abacus Medicine Pharma Services and Pluripharm business, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is derived from the weighted average cost of capital (WACC) of Abacus Medicine Pharma Services and Pluripharm. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by Abacus Medicine's investors. The cost of debt is based on the interest-bearing borrowings Abacus Medicine is obliged to service, which is considered to be on market terms. Industry specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

We have applied a growth rate of 2% (2020: 2%), which is an estimate of the expected average inflation in the terminal period. As such, no real growth is applied to the terminal period when calculating the recoverable amount.

3.2 Property, plant and equipment

§ Accounting policies

Property, plant and equipment consists of land and buildings, leasehold improvements and other fixtures and fittings. Land and buildings, leasehold improvements and other fixtures and fittings are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

The cost for a total asset is split in separate components, which are depreciated separately, if the useful life of each of the components differ.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets/components. The expected useful lives are as follows:

Land and buildings	30 years
Leasehold improvements	3-5 years
Other fixtures and fittings	2-10 years

Depreciation is calculated on cost price less residual value and impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. If the residual value exceeds the carrying amount, no further depreciation charges are recognised.

When the depreciation period or the residual value is changed, the effect on depreciation is recognised prospectively as a change in accounting estimates.

Gains and losses at sale of property, plant and equipment are calculated as the difference between the sales price less the sales expenses and the carrying amount at the date of sale. Gains or losses are recognised in the income statement as the items Other operating income and Other operating expenses, respectively.

EUR'000	Land and buildings	Leasehold improve-ments	Other fix-tures and fittings, plant and equipment	Total
Cost 1 January 2021	3,804	1,423	10,116	15,343
Currency translation	-	-94	-325	-419
Additions for the year	19	204	2,104	2,327
Reclassification	-27	-	-10	-37
Disposals	-	-	-15	-15
Cost 31 December 2021	3,796	1,533	11,870	17,199
Depreciation and impairment 1 January 2021	113	765	3,121	3,999
Currency translation	-	-99	-203	-302
Depreciation	215	172	2,035	2,422
Reclassification	-4	-	121	117
Disposals	-	-	-5	-5
Depreciation and impairment 31 December 2021	324	838	5,069	6,231
Carrying amount 31 December 2021	**3,472**	**695**	**6,801**	**10,968**

Section 3 – Invested capital and Working capital items

3.2 Property, plant and equipment (continued)

EUR'000	Land and buildings	Leasehold improve-ments	Other fix-tures and fittings, plant and equipment	Total
Cost 1 January 2020	-	1,381	4,228	5,609
Additions from business combinations	3,750	-	4,216	7,966
Currency translation	-	-71	-192	-263
Additions for the year	54	113	1,864	2,031
Cost 31 December 2020	3,804	1,423	10,116	15,343
Depreciation and impairment 1 January 2020	-	595	1,745	2,340
Currency translation	-	-44	-90	-134
Depreciation	113	214	1,466	1,793
Depreciation and impairment 31 December 2020	113	765	3,121	3,999
Carrying amount 31 December 2020	**3,691**	**658**	**6,995**	**11,344**

There have been no indications of impairment of the tangible assets.

3.3 Leases

§ Accounting policies

Right-of-use assets
Right-of-use assets are recognised at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless Abacus Medicine is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term (1-5 years). Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, lease liabilities are recognised measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by Abacus Medicine and payments of penalties for terminating a lease, if the lease term reflects Abacus Medicine exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the incremental borrowing rate at the lease commencement date is used if the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The short-term lease recognition exemption is applied to short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as other external costs on a straight-line basis over the lease term.

Section 3 – Invested capital and Working capital items

3.3 Leases (continued)

EUR'000	Buildings	Other fixed assets	Total
Right-of-use assets			
Opening balance at 1 January 2021	4,077	1,275	5,352
Additions	5,887	953	6,840
Disposals	-	-	-
Depreciation	-1,913	-563	-2,476
Remeasurement of lease liabilities	92	-	92
Carrying amount at 31 December 2021	**8,143**	**1,665**	**9,808**
Opening balance at 1 January 2020	2,115	535	2,650
Additions from business combinations	272	206	478
Additions	287	1,235	1,522
Disposals	-	-303	-303
Depreciation	-1,103	-398	-1,501
Remeasurement of lease liabilities	2,506	-	2,506
Carrying amount at 31 December 2020	**4,077**	**1,275**	**5,352**

EUR'000	2021	2020
Lease liabilities		
Maturity analysis - contractual undiscounted cash flows		
Less than 1 year	2,634	1,825
Between 1 and 5 years	8,217	3,649
More than 5 years	-	-
The undiscounted cash flows	**10,851**	**5,474**
Lease liability recognised on the balance sheet	**10,144**	**5,384**
Current lease liability	2,353	1,776
Non-current lease liability	7,791	3,608

EUR'000	2021	2020
Amount recognised in the income statement		
Interest expense from lease liabilities	197	95
Lease expenses for short-term leases	0	26
Total	**197**	**121**

In 2021, Abacus Medicine paid EUR 2,367 thousand (2020: EUR 1,599 thousand) on lease contracts of which interest payments related to lease liabilities amount to EUR 154 thousand (2020: EUR 95 thousand) and down payments on lease liabilities amounts to EUR 2,213 thousand (2020: EUR 1,504 thousand).

Costs recognised in the period for short-term leases were EUR 0 thousand (2020: EUR 26 thousand) and low-value leases were EUR 0 thousand (2020: EUR 0 thousand). Expenses are recognised on a straight-line basis as Other external costs.

3.4 Inventories

§ Accounting policies

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

The cost of goods for resale, as well as materials and consumables, comprises the cost of acquisition plus delivery costs and, for finished goods, indirect production overheads, including packaging material, are added.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

≈ Significant acccounting judgements, estimates and assumptions

Inventory write-downs
The valuation of the inventory per the balance sheet date involves judgements and estimates on the provision for write-downs. The provision is based on the ageing of the products, i.e. the expiration date, and evaluation of the commercial possibilities of selling the products.

Section 3 – Invested capital and Working capital items

3.4 Inventories

EUR'000	2021	2020
Raw materials and consumables	41,281	31,152
Manufactured goods and goods for resale	72,184	77,384
Total inventories at the lower of cost and net realisable value	**113,465**	**108,536**

During 2021, EUR 6,956 thousand (2020: EUR 3,899 thousand) was recognised as an expense for inventories carried at net realisable value due to expired goods. This is recognised in cost of sales, please refer to note 2.2.

EUR'000	2021	2020
Inventory write-downs at 1 January	2,272	1,937
Utilised and reversed during the year	-2,272	-1,937
Additional write-downs during the year	2,653	2,272
Inventory write-downs at 31 December	**2,653**	**2,272**

3.5 Trade and other receivables

§ Accounting policies

Receivables
Receivables are measured at amortised cost.

The measurement of the provison for bad debt for receivables is based on the expected credit loss and the lifetime expected loss for all trade receivables. Where there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised at the individual receivable level.

Prepayments
Prepayments recognised under Current assets comprise expenses incurred concerning subsequent financial years.

EUR'000	2021	2020
Non-current		
Other receivables	396	465
Total non-current	**396**	**465**
Current		
Receivables from sales and services	21,105	43,700
Receivables from associates	1,349	206
Deposits regarding factoring agreement	4,235	5,734
VAT receivables	8,565	6,997
Other receivables	3,856	1,948
Prepayments	1,198	1,168
Total current	**40,308**	**59,753**

Abacus Medicine's customers are mainly wholesalers and pharmacies. In general, all Abacus Medicine's invoices to customers are sold to a factoring company which limits the trade receivable risk and days. We refer to section 4.5 on liquidity risks for further description of the factoring agreements. Further, management monitors payment patterns of the customers and estimates the need for writedowns. Credit ratings, insurance of customers and market-specific development are taken into account in order to assess the need for further write-downs. Abacus Medicine has historically not suffered any significant losses. Allowance for bad debt amounts to EUR 0.5 million as of 31 December 2021 (2020: EUR 0.5 million).

Section 3 – Invested capital and Working capital items

3.6 Trade payables

EUR'000	2021	2020
Trade payables	66,915	62,699
Total	**66,915**	**62,699**

3.7 Other payables

EUR'000	2021	2020
Non-current		
VAT payables	1,535	-
Employee related payables	1,245	1,251
Total non-current	**2,780**	**1,251**
Current		
VAT payables	14,578	11,679
Employee related payables	3,139	4,626
Other payables	1,383	1,134
Payables to other related parties	772	-
Total current	**19,872**	**17,439**

3.8 Provisions

§ **Accounting policies**

Provisions comprise anticipated expenses for returned goods. Provisions are recognised when Abacus Medicine has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation.

EUR'000	Return provisions
At 1 January 2021	6,008
Arising during the year	4,134
Utilised	-6,008
At 31 December 2021	**4,134**
Current	4,134

Provisions comprise provisions for sold products expected to be returned in the coming year. The return provision is utilised during the financial year.

3.9 Change in working capital

EUR'000	2021	2020
Change in inventory	-6,432	-28,334
Change in receivables	18,035	-6,639
Change in trade payables etc.	9,135	12,847
Change in provisions etc., non-cash items	-1,874	1,251
Other non-cash items	735	-520
Total	**19,599**	**-21,395**

Section 4 – Capital structure and Net financials

4.1 Equity

§ Accounting policies

Foreign currency translation reserve
The exchange adjustment reserve in the consolidated financial statements comprises exchange differences arising on the translation of the financial statements of foreign enterprises from their functional currencies into EUR. On realisation, accumulated value adjustments are taken from equity to financial items in the income statement.

Cash flow hedge reserve
The hedge transaction reserve contains the accumulated net change in the fair value of hedging transactions that meet the criteria for hedging future cash flows and for which the hedged transaction has yet to be realised.

Dividend
Dividend proposed for the year is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date).

Capital management
For the purpose of Abacus Medicine's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of Abacus Medicine A/S. Abacus Medicine manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The primary objective of Abacus Medicine's capital management is to maximise the shareholder value. Abacus Medicine intends on retaining all future earnings to finance future growth, however Abacus Medicine may pay dividends to shareholders, return capital to shareholders or issue new shares to maintain or adjust the capital structure. Abacus Medicine monitors capital using a solvency ratio, which is total equity divided by total equity and liabilities. Abacus Medicine's long term target is to achieve the solvency ratio at minimum 30% (end 2021: 26%, end 2020: 24%).

To achieve the overall objective, Abacus Medicine's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. The calculation of the covenants in the bank agreement is based on the inventory level compared to credit utilisation, solvency and leverage. The financial covenants in the current bank agreement have in 2021 been updated. The financial covenants for the mortgage loan and factoring agreement in Pluripharm is based on EBITDA for the Pluripharm Group. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

			Number		
	2021	2020	2019	2018	2017
Equity					
Issued shares					
1 January	10,193,114	10,113,245	7,450,000	2,774,747	2,642,617
Additions	107,547	79,869	2,663,245	-	132,130
Increase in shares due to decrease of nominal value per share	-	-	-	4,675,253	-
31 December – fully paid	**10,300,661**	**10,193,114**	**10,113,245**	**7,450,000**	**2,774,747**

			Nominal value (EUR)		
	2021	2020	2019	2018	2017
1 January	509,656	505,662	372,500	372,500	354,714
Additions	5,377	3,994	133,162	-	17,736
Impact of conversion of registered share capital from DKK to EUR	-	-	-	-	50
31 December – fully paid	**515,033**	**509,656**	**505,662**	**372,500**	**372,500**

The share capital consists of 10,300,661 shares with a nominal value of 0.05 EUR each. None of the shares are assigned with special rights.

Section 4 – Capital structure and Net financials

4.2 Earnings per share and dividend

EUR'000	2021	2020
Profit attributable to equity holders	**415**	**433**
Weighted average number of ordinary shares	10,300,661	10,193,114
Effect of share options	227,723	212,429
Weighted average number of ordinary shares adjusted for the effect of dilution	**10,528,384**	**10,405,543**
Basic earnings per share, EUR	0.04	0.04
Diluted earnings per share, EUR	0.04	0.04

At 2nd of March 2022 a capital increase of 23,368 shares and nominal value of EUR 1,168 has been completed as a result of the vesting of warrants granted to employees. There have been no other transactions between the reporting date and the date of completion of the Annual Report involving shares that would have significantly changed the number of shares or potential shares in Abacus Medicine A/S.

4.3 Cash

§ Accounting policies

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand.

EUR'000	2021	2020
Cash at bank and in hand	3,889	218
Total cash	**3,889**	**218**

4.4 Borrowings

EUR'000	2021	2020
Non-current liabilities		
Credit institutions and banks	1,838	-
Current liabilities		
Credit institutions and banks	50,406	51,361
Amortized costs	-132	-280
Factoring	-	18,554
Total current liabilites	**50,274**	**69,635**
Carrying amount, Non-current and Current liabilities	**52,112**	**69,635**
Nominal amount	52,244	69,915

Abacus Medicine has a committed credit facility with Danske Bank, with a maximum credit limit of EUR 74 million (DKK 550 million). The bank credit facility is renegotiated on a three year basis. Next renegotiation is in 2023. The Group has in 2021 entered a new non-recourse factoring agreement with ABN AMRO for the activities in Pluripharm, hence the factoring liability at 31 December 2021 amounts to EUR 0 (2020: EUR 18,554 thousand).

Section 4 – Capital structure and Net financials

4.5 Financial risk and financial instruments

§ Accounting policies

Derivative financial instruments
Forward currency contracts (derivative financial instruments) are used to hedge foreign currency risks relating to receivables and payables. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to the income statement when the hedged item affects the income statement.

Risk management policy
Abacus Medicine's principal financial liabilities, other than derivatives, comprise borrowings, trade payables, other payables and lease liabilities. The main purpose of these financial liabilities is to finance and support the Group's operations. Abacus Medicine's principal financial assets include trade and other receivables, and cash and short-term deposits that derive directly from its operations.

Abacus Medicine is exposed to market risk, credit risk and liquidity risk. Management oversees the control of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

We also refer to the Risk Management section in the Management's review.

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Financial instruments affected by market risk include borrowings, deposits and derivative financial instruments. Abacus Medicine is not considered to be directly affected by an equity price risk or a commodity risk (price volatility of certain commodities, i.e. oil prices, metal prices etc.).

Currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. Abacus Medicine's exposure to the risk of changes in foreign exchange rates relates primarily to the operating activities (when revenue or expense is denominated in a foreign currency) and net investments in foreign subsidiaries. Abacus Medicine sells finished products and purchases products in currencies other than EUR and is therefore exposed to a currency risk. The currency policy must ensure that the risk is hedged, either by buying and selling in the same currencies or by making use of financial hedging. At the same time, the currency policy must in an operational manner describe how the risk is assessed when a possible hedging is entered and who is responsible for entering into currency hedging agreements with the bank.

Sales/receivables: Abacus Medicine enters sales agreements with customers, which will result in invoicing in DKK, EUR, SEK, NOK and GBP. The exposure to fluctuations in EUR/DKK is considered to be limited due to Denmark's fixed exchange rate policy towards EUR and is consequently not hedged. Sales in SEK, NOK and GBP are considered a risk, as the currency historically has been unstable compared to EUR/DKK.

Purchase/payables: On the purchase side, EUR is the main currency, but products and freight services are also purchased in other currencies. All the purchase currencies used have historically been volatile. In the medium and long term, a change in the value of these currencies will lead to an adjustment of the purchase prices in the local currencies, thereby eliminating the currency risk. In the short term, i.e. from the date of invoice to the payment, the price is fixed in currency and an increase (strengthening) of these currencies will result in a loss. However, the time from order delivery to payment is limited and thereby the currency risk exposure is also limited and therefore the company does not enter forward transactions.

Production costs (repackaging costs): the largest repackaging facility is located in Hungary, and therefore employee expenses, rent of premises etc. are in Hungarian HUF, which historically has been volatile compared to the EUR.

Group Finance enters the hedges with the bank on the basis of confirmed customer orders or in some cases on the budgeted sales. Foreign exchange forward contracts are designated as hedging instruments in cash flow hedges of forecasted sales in foreign currencies, mainly SEK. These forecast transactions are highly probable. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange and commodity forward contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). Abacus Medicine has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange and commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, Abacus Medicine uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Section 4 – Capital structure and Net financials

4.5 Financial risk and financial instruments (continued)

The hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments

It is Abacus Medicine's policy that no trading in derivatives for speculative purposes may be undertaken.

Below is an illustration of the impact on profit before tax from a change in Abacus Medicine's primary foreign currencies.

EUR'000	Change in exchange rate	Profit before tax 2021	Profit before tax 2020
SEK	5%	15	8
GBP	5%	319	361
NOK	5%	154	169
PLN	5%	86	84
HUF	5%	1	1

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Abacus Medicine's exposure to the risk of changes in market interest rates relates primarily to the Abacus Medicine's credit facility with Danske Bank with a credit limit of EUR 74 million (DKK 550 million) and the factoring agreement with AL Finans with a limit of EUR 114 million (DKK 850 million). Further, the Group has entered a new factoring agreement with ABN AMRO in 2021 with a limit of EUR 40 million for the activites in Pluripharm. The Group has not hedged interest rate risks.

A change in the interest rate by 1 percentage point in comparison to the interest rate at the balance sheet date would all other things being equal affect Abacus Medicine's income statement by EUR 1.7 million (2020: EUR 1.4 million) and equity by EUR 1.7 million (2020: EUR 1.4 million).

Liquidity risk

Parallel distribution is a very liquidity-intensive industry, as most of the raw material purchases are to be paid in advance or with very short payment terms, while the customer side is characterized by normal and often long payment terms. This creates a liquidity requirement in the period between payment to suppliers and receipt of customer payments. On the other hand, wholesale activity is less liquidity dependent than parallel distribution because payment terms from suppliers and to customers are more aligned.

The Abacus Medicine Group aims to have sufficient credit facilities that can accommodate the fluctuations that occur in day-to-day operations, and that within these facilities Abacus Medicine has sufficient reserves to account for unforeseen liquidity needs.

This objective is met through building and maintaining sound and trustworthy relationships with bank and factoring companies, which have resulted in the existence of sufficiently large credit lines for factoring and credit facilities.

Abacus Medicine has a committed credit facility at Danske Bank with a credit limit of EUR 74 million (DKK 550 million). The bank credit facility is renegotiated on a three year basis. Abacus Medicine has a factoring agreement with AL Finans with a limit of EUR 114 million (DKK 850 million). Further, the Group has in 2021 entered a new non-recourse factoring agreement with ABN AMRO with a limit of EUR 40 million for the activities in Pluripharm. Factoring is chosen because it allows for financing of nearly all sales invoices no later than the day after the invoice has been issued.

Section 4 – Capital structure and Net financials

4.5 Financial risk and financial instruments (continued)

(EUR'000)	Contractual cash flows	< 1 year	1 - 3 years	3 - 5 years	>5 years
Maturity analysis					
2021					
Non-derivative financial instruments					
Credit institutions and banks	52,244	50,406	700	700	438
Trade payables	66,915	66,915	-	-	-
Other payables	22,652	19,872	1,535	-	1,245
Lease liabilities	10,851	2,634	4,849	3,368	-
Derivative financial instruments					
Exchange rate hedging	-	-	-	-	-
31 December 2021	**152,662**	**139,827**	**7,084**	**4,068**	**1,683**

(EUR'000)	Contractual cash flows	< 1 year	1 - 3 years	3 - 5 years	>5 years
2020					
Non-derivative financial instruments					
Credit institutions and banks	69,915	69,915	-	-	-
Trade payables	62,699	62,699	-	-	-
Other payables	18,637	17,386	-	-	1,251
Lease liabilities	5,474	1,825	2,095	1,554	-
Derivative financial instruments					
Exchange rate hedging	53	53	-	-	-
31 December 2020	**156,778**	**151,878**	**2,095**	**1,554**	**1,251**

The disclosed financial derivative instruments in the above table are the gross undiscounted cash flows. However, those amounts may be settled gross or net.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Abacus Medicine is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade receivables
The customers in the medical industry are in general considered to be very creditworthy, and Abacus Medicine has historically not had any material write downs on receivables. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits and credit insurances are defined in accordance with this assessment. Nearly all trade receivables are sold to factoring companies and thereby the credit risk is limited. A reference is also made to note 3.5 Trade and other receivables. Any outstanding customer receivables and contract assets are regularly monitored, and any shipments to major customers are generally covered by credit insurance.

Allowance for bad debt amounts to EUR 0.5 million as of 31 December 2021 (2020: EUR 0.5 million).

Section 4 – Capital structure and Net financials

4.5 Financial risk and financial instruments (continued)

	Carrying amount		Fair value	
EUR'000	2021	2020	2021	2020
Categories of financial instruments				
Financial assets at fair value – hedging instruments				
Derivative financial instruments	20	-	20	-
Total	**20**	**0**	**20**	**0**
Financial assets measured at amortised cost				
Trade receivables	40,288	59,753	40,288	59,753
Cash	3,889	218	3,889	218
Total	**44,177**	**59,971**	**44,177**	**59,971**
Financial liabilities at fair value – hedging instruments				
Derivative financial instruments	-	53	-	53
Total	**0**	**53**	**0**	**53**
Financial liabilities measured at amortised cost				
Borrowings	52,112	69,635	52,244	69,915
Lease liabilities	10,144	5,384	10,144	5,384
Trade payables	66,915	62,699	66,915	62,699
Other payables	22,652	18,637	22,652	18,637
Total	**151,823**	**156,355**	**151,955**	**156,635**

The derivative financial instruments are measured at level 2 (observable input) of the fair value hierarchy. The instruments are recognised in the related line item, when effective, i.e. inventories on derivaties related to purchases (EUR 0 million; 2020: EUR 0 million), revenue for derivatives related to sales (EUR 0.1 million; 2020: EUR 0.0 million) and production costs (EUR 0.0 million; 2020: EUR 1.0 million).

Section 4 – Capital structure and Net financials

4.5 Financial risk and financial instruments (continued)

EUR'000	1 January 2021	Non-cash movements	Financing cash-flow	31 December 2021
Net financing cash flow				
Borrowings	69,635	148	-17,671	52,112
Lease liabilities	5,384	6,973	-2,213	10,144
Total	**75,019**	**7,121**	**-19,884**	**62,256**

Methods and assumptions for calculating fair value
The applied methods and assumptions for calculating the fair values of financial instruments are described for each class of financial instruments.

Abacus Medicine uses hedging instruments to hedge non-recognised transactions. Abacus Medicine's purchases are mainly in EUR. Abacus Medicine's sales are effected in currencies other than EUR and DKK, which are partially hedged.

Cash flow hedging
Foreign currency risk
Derivatives designated as hedging instruments reflect the positive change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable forecast sales and purchases in other currencies than EUR. Historically this has mainly been SEK, GBP and NOK. The fair value of the hedges has been recognised under "Other payables" and equity under the FX hedge reserve. The table below shows the timing of the nominal values of Abacus Medicine's hedging items:

	Nominal value (local currency '000)	Expiry below 1 year	Expiry 1-5 years	Expiry above 5 years	Average hedging price	Fair value at year-end recognised in other comprehensive income / other receivables	Fair value at year-end recognised in other comprehensive income / other payables	Change in fair value used for measuring cash flow hedge reserve
2021								
SEK/EUR	30,048	30,048	-	-	1 SEK/1 EUR	20	-	20
						20	**0**	**20**
2020								
SEK/EUR	32,119	32,119	-	-	1 SEK/1 EUR	-	53	-53
						0	**53**	**-53**

Section 5 – Other disclosures

5.1 Contractual obligations and contingencies

Contingent liabilities
Abacus Medicine A/S is jointly taxed with the Danish entities within the FTW Holding ApS group, with FTW Holding ApS as the administrative company. The company is, together with the other Danish companies in FTW Holding ApS group, liable for corporate taxes and withholding taxes on dividends, interests and royalties.

In December 2021, Abacus Medicine Hungary Kft. entered into a rent contract for a new administration building in Budapest. With the new contract the company has made a commitment of at least five years, totalling a contingent liability of EUR 1.5 million.

Abacus Medicine Group is currently party to certain lawsuits, disputes etc. of various scopes. In management's opinion, apart from items recognised in the statement of financial position or disclosed in the financial statements, the outcome of these lawsuits, disputes etc., individually and in the aggregate, is not expected to have a material impact on Abacus Medicine's financial position.

5.2 Mortgage and collateral

Bank debt of EUR 49 million within Abacus Medicine has been secured by way of a pledge on all of Abacus Medicine's existing as well as future receivables, totalling EUR 31 million (2020: EUR 31 million), in intangible assets totalling EUR 21 million (2020: EUR 17 million), plant and equipment totaling EUR 2 million (2020: EUR 2 million) and inventories totalling EUR 89 million (2020: EUR 95 million).

In addition, the shares in the subsidiary Abacus Medicine Hungary Kft., totalling EUR 2.5 million (2020: EUR 2.4 million), and the shares in the subsidiary Abacus Medicine Berlin Gmbh, totalling EUR 0.5 million (2020: EUR 0.4 million), have been provided as collateral.

Bank debt of EUR 3 million (2020: EUR 4 million) within Pluripharm has been secured by way of a pledge on the property totalling EUR 4 million (2020: EUR 4 million).

5.3 Investments in subsidiaries, associates and other securities

§ Accounting policies

Investments in associates
Investments in associates are recognized initially at cost and subsequently measured using the equity method.

Under the equity method, an investment in an associated company is initially recognised at cost. The carrying amount of the investment is adjusted to recognize changes in Abacus Medicine's share of net assets of the associated company since the acquisition date. Goodwill relating to the associated company is included in the carrying amount of the investment and is not tested for impairment separately, however the carrying amount of the investments in associated companies is subject to an annual test for indications of impairment.

Investments in associated companies with negative net asset values are measured at EUR 0 (nil). The associated company's proportionate share of any negative equity is set off against receivables from the investment to the extent that the receivable is deemed irrecoverable. If the Group has a constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Other securities
Other equity investments that are not investments in associates are classified as Other securities. On initial recognition, Other securities are measured at fair value, and subsequently measured at fair value at the balance sheet date. The fair value is based on recognised valuation methods and reasonable estimates (non-observable market information). Both realized and unrealized gains and losses are recognized in the income statement under finance income and finance expenses.

Section 5 – Other disclosures

5.3 Investments in subsidiaries, associates and other securities (continued)

Name	Registered office	Ownership 2021 and voting rights	Ownership 2020 and voting rights
Abacus Medicine Hungary Kft.	Hungary	100%	100%
Abacus Medicine B.V.	The Netherlands	100%	100%
+365 Medicines GmbH	Germany	100%	100%
Abacus Medicine Berlin GmbH	Germany	100%	100%
Abacus Medicine Ltd	United Kingdom	100%	100%
Abacus Medicine Austria GmbH	Austria	100%	100%
Abacus Medicine France S.A.S.	France	100%	100%
Abacus Medicine Finland Oy	Finland	100%	100%
Abacus Medicine Ireland Ltd.	Ireland	100%	100%
PharmaSave BVBA	Belgium	100%	100%
Originalis B.V.	The Netherlands	100%	100%
Zdrave Med Ltd.	Bulgaria	100%	100%
Abacus Medicine Pharma Services ApS	Denmark	100%	100%
Abacus Medicine Pharma Services Ltd.	United Kingdom	100%	100%
Abacus Medicine Pharma Services Asia Ltd.	Hong Kong	100%	100%
Abacus Medicine Pharma Services Inc.	USA	100%	100%
Abacus Medicine Pharma Services B.V.	The Netherlands	100%	100%
Aposave Mexico S de RL de	Mexico	100%	100%
ApoSave Peru	Peru	100%	100%
Pluripharm Holding B.V.	The Netherlands	100%	100%
Pluripharm Groep B.V.	The Netherlands	100%	100%
Thuis-apotheek B.V.	The Netherlands	50%	50%
Clinic Care Services B.V.	The Netherlands	17%	17%
Pluripharm B.V.	The Netherlands	100%	100%

Name	Registered office	Ownership 2021 and voting rights	Ownership 2020 and voting rights
Pluripack Alkmaar	The Netherlands	100%	100%
Pluripack Zwolle	The Netherlands	100%	100%
Pluripack Breda	The Netherlands	100%	100%
Pluriplus B.V.	The Netherlands	100%	100%
Distrimed B.V.	The Netherlands	100%	100%
Pluripharm Apotheek Beheer B.V.	The Netherlands	100%	100%
Apotheekfonds Pharmaconnect B.V.	The Netherlands	50%	50%
Pluripharm Direct B.V.	The Netherlands	100%	100%
Risus Financieringen B.V.*	The Netherlands	-	100%
Phardis B.V.	The Netherlands	100%	100%
Instellingsapotheek B.V.	The Netherlands	100%	100%
Instellingsapotheek Gelderse Vallei B.V.*	The Netherlands	-	100%
Instellingsapotheek Oost B.V.*	The Netherlands	-	100%
Instellingsapotheek Zuidwest B.V.*	The Netherlands	-	100%

* Company liquidated in 2021.

Section 5 – Other disclosures

5.4 Related party disclosures

Controlling Influence
Wagner Family Holding ApS, Kalvebod Brygge 35, 1560 Copenhagen, Denmark, has a controlling interest in the Parent company. FTW Holding ApS is the ultimate owner. The Parent company is part of the consolidated financial statements of FTW Holding ApS.

Abacus Medicine carried through the following related party transactions:

EUR'000	2021	2020
Service fees to other related parties	7	19
Receivables from other related parties	0	1
Payables to other related parties	772	0

Terms and conditions of transactions with related parties
The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2021, Abacus Medicine has not recorded any impairment of receivables relating to amounts owed by related parties (2020: EUR 0). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Executives
Abacus Medicine's related parties with significant influence include Abacus Medicine's Board of Directors and Chief Executive Officer (CEO) in the parent company, including these employees' family members, and entities in which these executives have a significant influence.

The remuneration to executives is disclosed in note 2.3.

5.5 Business combinations

§ Accounting policies

Business combinations are accounted for by using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, Abacus Medicine decides whether it will measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

Acquisition costs incurred are expensed and included in the income statement.

When Abacus Medicine acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date.

Subsequent changes in the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IFRS 9 in the income statement.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recog-nised for the non-controlling interest over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in such circumstances is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

≈ Significant accounting judgements, estimates and assumptions

Business combinations
The allocation of the acquisition cost to the fair value of the acquired assets, liabilities and contingent liabilities and thus to goodwill, including the allocation to cash-generating units, may have a significant impact on future profits. Fair values are based on estimates using information available at the time control was obtained. When part of the acquisition cost for entities acquired is dependent on the development in future profits, estimates are made of the most probable value of the contingent acquisition cost based on current forecasts.

Acquisition of Pluripharm Holding B.V. (previously Goofy-Sam Holding B.V.)
In July 2020, Abacus Medicine A/S acquired the Dutch wholesaler Pluripharm Groep B.V. and all shares in its parent company, Pluripharm Holding B.V., in a deal combining a cash injection and conversions of loans and trade receivables. Pluripharm is a full-range wholesaler of pharmaceuti-

Section 5 – Other disclosures

5.5 Business combinations (continued)

cals, medical devices and related products and services to pharmacies and hospitals.

Strategic rationale and synergies
Pluripharm is both a customer and a supplier to Abacus Medicine. As a customer, Pluripharm serves as an important bridge into the Dutch parallel distribution market.

Consideration transferred
The consideration transferred for the shares in Pluripharm Holding B.V. was EUR 1 and subsequently a capital contribution in cash (EUR 8.5 million) and remission of debt (EUR 7.2 million) have been made.

Earnings impact
Please refer to note 2.1 for the impact from the Pluripharm acquisition.

If the acquisition had occurred on 1 January 2020, consolidated pro forma revenue and gross profit before special items of the combined Abacus Medicine Group for the period ended 31 December 2020 would have been approximately EUR 800 million and EUR 79 million, respectively.

Transaction costs
The total transaction costs recognised amounts to EUR 476 thousand and have been recognised as special items cost in the income statement in 2020.

Fair value of acquired net assets and recognised goodwill
The fair value of the acquired net assets, goodwill and contingent assets and liabilities recognised at the reporting date are no longer provisional. No measurement period adjustment to the acquisitional opening balance has been made in 2021. The goodwill is not tax deductible.

The fair value of identified net assets and goodwill recognised comprises as follows:

EUR'000	Fair value at date of acquisition
Net assets and goodwill	
Intangible assets	6,650
Property, plant and equipment	7,966
Right of use assets	478
Deferred tax assets	3,075
Inventory	11,926
Trade and other receivables	26,582
Total assets	**56,677**
Lease liabilities	478
Borrowings	34,848
Trade paybles	19,843
Other payables	4,098
Total liabilities	**59,267**
Acquired net assets	**-2,590**
Fair value of total consideration transferred	0
Goodwill arising from the acquisition	**2,590**

Fair value measurement
Material net assets acquired for which significant estimates have been applied in the fair value assessment have been recognised using the following valuation techniques:

Property, plant and equipment
Fair value of property, plant and equipment relating to material individual assets is measured based on external market valuations carried out by professional appraisers.

Customer relationships
The customer relationships have in some cases been running for several years, and relationships are to a wide extent governed by short term contracts. The short term contracts are not controllable. Customer relationships have no impact on the opening balance.

Trade receivables and payables, contract assets and accrued cost of services
Fair value of trade receivables and trade payables, contract assets and accrued cost of services has been measured at the contractual amount expected to be received or paid. In addition, collectability has been taken into consideration on trade receivables. The amounts have not been discounted, as maturity on receivables and payables is generally very short and the discounted effect therefore immaterial.

Financial liabilities
Lease liabilities have been measured at the present value of the remaining lease payments at the acquisition date discounted using an appropriate incremental borrowing rate.

Section 5 – Other disclosures

5.6 Events after the reporting period

No events have occurred after the balance sheet date which could have a material effect on Abacus Medicine's financial position at 31 December 2021.

5.7 Fees paid to auditors appointed at the annual general meeting

Fees payable to Abacus Medicine's auditor for the audit of Abacus Medicine's financial statements and other non-audit services are specified as below.

EUR'000	2021	2020
Audit	272	318
Other assurance engagements	1	2
Total audit related services	**273**	**320**
Tax consultancy	0	33
Other non-audit services	4	4
Total fee to EY	**277**	**357**

The costs are recognised in the consolidated income statement as Other external costs.

Definition of key figures and ratios

Financial ratios
Key figures and financial ratios stated in the consolidated financial statements have been calculated in accordance with the Danish Finance Society's guidelines:

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
EBITDA margin	$\frac{\text{Operating profit excl. amortisation and depreciation x 100}}{\text{Revenue}}$
Operating profit (EBIT) margin	$\frac{\text{Operating profit (EBIT) x 100}}{\text{Revenue}}$
Revenue growth	$\frac{\text{Current year revenue - prior year revenue x 100}}{\text{Revenue}}$
Return on invested capital (ROIC)	$\frac{\text{Operating profit (EBIT) x (1 - effective tax rate) x 100}}{\text{Average invested capital}}$

Invested capital consists of intangible assets, PP&E, right-of-use assets, inventory, trade and other receivables, deferred tax, provisions, trade payables, income tax payables and other payables.

Solvency ratio	$\frac{\text{Closing equity x 100}}{\text{Total}}$
Return on equity	$\frac{\text{Profit for the year after tax x 100}}{\text{Average equity}}$
Earnings per share, EUR	$\frac{\text{Net profit}}{\text{Average number of shares outstanding}}$
Diluted earnings per share, EUR	$\frac{\text{Net profit}}{\text{Average number of shares outstanding, including the dilutive effect of share options}}$

Net interest-bearing debt consists of the net amount of cash, borrowings and lease liabilities.

Liquidity available consists of the net amount of cash and borrowings deducted from the credit limit.

Alternative performance measures
Abacus Medicine presents financial measures in the Annual Report that are not defined according to IFRS. Abacus Medicine believes these non-GAAP measures provide valuable information to investors and Abacus Medicine's management when evaluating performance. Since other companies may calculate these differently from Abacus Medicine, they may not be comparable to the measures used by other companies. These financial measures should therefore not be considered to be a replacement for measures defined under IFRS. For definitions of the alternative performance measures, please see below.

Adjusted EBITDA margin	$\frac{\text{Operating profit (EBIT) excl. amortisation, depreciation and special items x 100}}{\text{Revenue}}$
Adjusted return on invested capital (Adjusted ROIC)	$\frac{\text{Operating profit (EBIT) excl. special items x (1 - effective tax rate adjusted for special items) x 100}}{\text{Adjusted invested capital}}$

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Income statement

Note	EUR'000	2021	2020
2.1	Revenue	671,129	558,971
2.2	Cost of sales	-626,794	-512,963
	Gross profit	**44,335**	**46,008**
	Other external costs	-14,202	-17,623
2.3	Staff costs	-15,904	-15,133
	Operating profit before depreciations, amortisation and special items (adjusted EBITDA)	**14,229**	**13,252**
2.5	Special items	0	-476
	Operating profit before depreciations and amortisation (EBITDA)	**14,229**	**12,776**
2.6	Depreciation and amortisation	-4,799	-3,865
	Operating profit (EBIT)	**9,430**	**8,911**
3.4	Share of profit (loss) from subsidiaries accounted under the equity method	-4,095	-4,297
2.7	Finance income	477	134
2.7	Finance expenses	-3,838	-3,215
	Profit before tax	1,974	1,533
2.8	Tax	-1,559	-1,100
	Profit for the year	**415**	**433**

Statement of other comprehensive income

Note	EUR'000	2021	2020
	Profit for the year	**415**	**433**
	Other comprehensive income		
	Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
4.4	Cash flow hedges – effective portion of changes in fair value	73	-209
	Exchange differences on translation of foreign operations	-259	-2
2.8	Income tax effect	-16	46
		-202	-165
	Other comprehensive income/(loss) for the year, net of tax	**-202**	**-165**
	Total other comprehensive income	**213**	**268**

Balance sheet

Note	EUR'000	2021	2020
	ASSETS		
	Non-current assets		
3.1	Intangible assets	20,794	17,051
3.2	Property, plant and equipment	512	670
3.3	Right-of-use assets	5,315	585
3.4	Investments in subsidiaries	17,685	20,465
3.6	Other receivables	44	131
	Total non-current assets	**44,350**	**38,902**
	Current assets		
3.5	Inventory	90,555	95,391
3.6	Trade and other receivables	37,777	32,417
4.2	Cash	2	2
	Total current assets	**128,334**	**127,810**
	TOTAL ASSETS	**172,684**	**166,712**

Note	EUR'000	2021	2020
	EQUITY AND LIABILITIES		
	Equity		
4.1	Share capital	515	510
	Reverse for net revaluation according to the equity method	0	0
	Other reserves	15	-42
	Retained earnings	54,116	52,556
	Total equity	**54,646**	**53,024**
	Non-current liabilities		
2.8	Deferred tax liabilities	4,243	3,304
3.3	Lease liabilities	4,670	157
3.8	Other payables	1,245	1,251
	Total non-current liabilities	**10,158**	**4,712**
	Current liabilities		
4.3	Borrowings	48,919	46,920
3.3	Lease liabilities	845	430
3.9	Provisions	4,134	6,008
3.7	Trade payables	36,668	41,947
2.8	Income tax payable	548	739
3.8	Other payables	16,766	12,932
	Total current liabilities	**107,880**	**108,976**
	Total liabilities	**118,038**	**113,688**
	Total EQUITY AND LIABILITIES	**172,684**	**166,712**

Cash flow statement

Note	EUR'000	2021	2020
	Operating activities		
	Profit before tax	1,974	1,533
	Adjustments to reconcile profit before tax to net cash flow:		
2.6	Depreciation and amortisation	4,799	3,865
3.4	Share of profit from subsidiaries	4,095	4,297
2.7	Finance income	-477	-134
2.7	Finance expenses	3,838	3,215
3.10	Changes in working capital	-6,340	-11,926
	Interest received	477	134
	Interest paid	-2,999	-2,474
2.8	Income tax paid	-827	-544
	Net cash flow from operating activities	**4,540**	**-2,034**

Note	EUR'000	2021	2020
	Investing activities		
3.1	Purchase of intangible assets	-7,155	-6,290
3.2	Purchase of property, plant and equipment	-345	-535
	Acquisition of and capital increase in subsidiary	-	-8,500
	Paid deposits regarding buildings etc.	87	-24
	Disposals, non-current assets	0	0
	Net cash flow used in investing activities	**-7,413**	**-15,349**
	Financing activities		
	Capital increases	-	-
	Proceeds from borrowings (credit facility)	1,850	17,109
	Proceeds from exercise of warrants	247	1,373
3.3	Repayment of lease liabilities	-723	-513
	Sale/purchase of treasury shares	-	415
	Deposits regarding bank agreement	1,499	-1,047
	Net cash flow from financing activities	**2,873**	**17,337**
	Cash flow for the year	**0**	**-46**
	Cash at beginning of the year	2	48
	Effect of exchange rate changes on cash in a foreign currency	0	0
4.2	**Cash at 31 December**	**2**	**2**

Statement of changes in equity

EUR'000	Share capital	Cash flow hedge reserve	Reverse for net revaluation according to the equity method	Treasury shares	Retained earnings	Total
Equity 1 January 2021	**510**	**-42**	**-**	**-**	**52,556**	**53,024**
Total comprehensive income 2021						
Profit for the year	-	-	231	-	184	415
Other comprehensive income						
Cash flow hedges – effective portion of changes in fair value	-	73	-	-	-	73
Exchange differences on translation of foreign operations and other adj.	-	-	-231	-	-28	-259
Tax on other comprehensive income	-	-16	-	-	-	-16
Total other comprehensive income	**-**	**57**	**-231**	**-**	**-28**	**-202**
Total comprehensive income for the period	**-**	**57**	**-**	**-**	**156**	**213**
Transactions with owners						
Capital increase	5	-	-	-	1,221	1,226
Equity-settled share-based payments	-	-	-	-	183	183
Total transactions with owners	**5**	**-**	**-**	**-**	**1,404**	**1,409**
Equity 31 December 2021	**515**	**15**	**-**	**-**	**54,116**	**54,646**

EUR'000	Share capital	Cash flow hedge reserve	Reverse for net revaluation according to the equity method	Treasury shares	Retained earnings	Total
Equity 1 January 2020	**506**	**121**	**1,916**	**-415**	**49,488**	**51,616**
Total comprehensive income 2020						
Profit for the year	-	-	-1,800	-	2,233	433
Other comprehensive income						
Cash flow hedges – effective portion of changes in fair value	-	-209	-	-	-	-209
Exchange differences on translation of foreign operations	-	-	-116	-	114	-2
Tax on other comprehensive income	-	46	-	-	-	46
Total other comprehensive income	**-**	**-163**	**-116**	**-**	**114**	**-165**
Total comprehensive income for the period	**-**	**-163**	**-1,916**	**-**	**2,347**	**268**
Transactions with owners						
Capital increase	4	-	-		389	393
Sale/Purchase of treasury shares	-	-	-	415	-	415
Equity-settled share-based payments	-	-	-	-	332	332
Total transactions with owners	**4**	**-**	**-**	**415**	**721**	**1,140**
Equity 31 December 2020	**510**	**-42**	**-**	**-**	**52,556**	**53,024**

Overview of notes for the Parent Company financial statements

Section 1
Basis of Preparation

Section 2
Result of the Year

Section 3
Invested Capital and Working Capital Items

Section 4
Capital Structure and Net Financials

Section 5
Other Disclosures

Section 1 – Basis of preparation

1.1 Accounting policies

For general information about the Parent Company, Abacus Medicine A/S, including description of its principal activities, reference is made to note 1.1 in the consolidated financial statements.

Basis of preparation
The separate financial statements of the Parent Company have been included in the annual report as required by the Danish Financial Statements Act.

The separate financial statements of the Parent Company for 2021 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements according to the Danish Financial Statements Act applying to large reporting class C entities.

The financial statements have been prepared on a historical cost basis.

Financial statements of the Parent Company
The accounting policies of the Parent Company are unchanged from last year and consistent with those applied in the consolidated financial statements, including the accounting policies for investments in group subsidiaries as described in note 3.4.

1.2 New accounting policies and disclosures

Abacus Medicine has implemented the standards and amendments that are effective for the financial year 2021. The new standards and amendments have not affected Abacus Medicine's recognition or measurement of financial items for 2021, nor are they expected to have any significant future impact.

1.3 Standards issued but not yet effective

The IASB has issued a number of new standards and amendments not yet in effect or endorsed by the EU and therefore not relevant for the preparation of the 2021 financial statements. Abacus Medicine expects to implement these standards when they take effect.

None of the new standards issued are currently expected to have any significant impact on the financial statements when implemented.

1.4 Significant accounting judgements, estimates and assumptions

Management assesses that, in respect of the financial reporting for the Parent Company, no accounting estimates or judgements are made when applying the Parent Company's accounting policies which are significant to the financial reporting apart from those disclosed in note 1.4 to the consolidated financial statements.

Section 2 – Result of the Year

2.1 Revenue

Revenue in business opreations includes the activities in Abacus Medicine - Parallel Distribution and Pharma Service.

EUR'000	2021	2020
Abacus Medicine	671,129	558,971
	671,129	**558,971**

2.2 Cost of sales

Cost of sales comprise of the following:

EUR'000	2021	2020
Cost of inventories recognised as an expense	622,500	509,341
Write-down of inventory, net	4,294	3,622
	626,794	**512,963**

2.3 Staff costs

EUR'000	2021	2020
Wages and salaries	14,318	13,698
Pensions, defined contribution plans	1,250	1,037
Other social security costs	162	112
Other staff costs	1,031	966
Share-based payment expense	160	241
Total employee benefit expenses	**16,921**	**16,054**
Of which are capitalised as intangible assets	-1,017	-921
Total employee benefit expense in the income statement	**15,904**	**15,133**
Average number of full-time employees	197	167

The below amounts are included in the total staff costs.

EUR'000	2021	2020
Board of Directors and Chief Executive Officer		
Wages and salaries	688	702
Pensions, defined contribution plans	46	41
Share-based payments	-	10
Social security costs	1	1
Total	**735**	**754**
Average number	7	6

EUR'000	2021	2020
Key Management Personnel		
Wages and salaries	1,465	1,470
Pensions, defined contribution plans	128	116
Share-based payments	44	90
Social security costs	9	9
Total	**1,646**	**1,685**
Average number	7	8

Key Management Personnel is defined as the members of daily management, and includes CFO, CLO, CCO, VPs and the HR Director.

Remuneration to the Chief Executive Officer and Board of Directors represents EUR 735 thousand (2020: EUR 754 thousand). Abacus Medicine has entered into warrant agreements with members of the Board of Directors and Executive Management Team. For further details on remuneration to the Board of Directors and Executive Management Team, refer to note 2.4 regarding share-based payments.

Section 2 – Result of the Year

2.4 Share-based payments

Abacus Medicine A/S has granted warrants to members of the Board of Directors, Key Management Personnel and other employees in Abacus Medicine.

Please refer to note 2.4 to the consolidated financial statements for a list of current warrant programmes and a description of the assumptions used for the valuation of the warrants granted.

In 2021, the expense in regards to share-based payments recognised in the income statement amounts to EUR 160 thousand (2020: EUR 241 thousand).

The average share price for the warrants exercised during the financial year was EUR 10.42 per share.

The Parent Company has entered into warrant agreements with employees in some of the company's foreign subsidiaries. The total share-based payment expense at group level is EUR 183 thousand in 2021 (2020: EUR 332 thousand). The agreements are recognised as equity-settled schemes.

2.5 Special items

For details of special items, see Note 2.5 to the consolidated financial statements.

2.6 Depreciation and amortisation

EUR'000	2021	2020
Amortisation and write-downs, intangible assets	3,418	2,755
Depreciation, property, plant and equipment	503	609
Depreciation, right-of-use assets	878	501
Total	**4,799**	**3,865**

2.7 Net finance costs

EUR'000	2021	2020
Finance income		
Other finance income	0	29
Intercompany interest income	477	105
Total finance income	**477**	**134**

Finance income related to balance sheet items recognised at amortised cost EUR 477 thousand (2020: EUR 134 thousand).

EUR'000	2021	2020
Finance expenses		
Other finance costs	2,917	2,445
Interests, lease liabilities	65	29
Amortised loan costs	207	228
Foreign exchange loss, net	649	513
Total finance expenses	**3,838**	**3,215**

Finance expenses related to balance sheet items recognised at amortised cost (the credit facility and lease liabilities) amounts to EUR 1,911 thousand (2020: EUR 1,332 thousand).

2.8 Income tax

EUR'000	2021	2020
Income statement		
Current income tax		
Current income tax charge	628	736
Adjustment in respect of current income tax of previous year	9	-318
Deferred tax		
Relating to origination and reversal of temporary difference	922	682
Income tax expense reporting in the income statement	**1,559**	**1,100**

EUR'000	2021	2020
Statement of other comprehensive income		
Deferred tax related to items recognized in other comprehensive income during the year		
Net gain/loss on revaluation of cash flow hedges	-16	46
Income tax recognised in other comprehensive income	**-16**	**46**

Section 2 – Result of the Year

2.8 Income tax (continued)

Tax on profit for the year can be explained as follows:

EUR'000	2021	2020
Accounting profit before income tax		
Calculated 22% tax on profit for the year	434	337
Tax effect of:		
Adjustment in respect of current income tax of previous year	9	-318
Non-taxable income	0	0
Other non-deductible expenses, etc.	1,116	1,081
Total	**1,559**	**1,100**
Effective tax (%)	79.0%	71.8%

EUR'000	2021	2020
Deferred tax		
Deferred tax 1 January	-3,304	-2,657
Deferred tax for the year recognised in profit for the year	-922	-682
Deferred tax for the year recognised in other comprehensive income	-16	46
Other adjustments	-1	-11
Deferred tax 31 December	**-4,243**	**-3,304**
Reflected in the statement of financial position as follows:		
Deferred tax assets	0	0
Deferred tax liabilities	-4,243	-3,304
Deferred tax 31 December, net	**-4,243**	**-3,304**

EUR'000	2021	2020
Deferred tax relates to		
Intangible assets	-4,566	-3,751
Tangible assets	264	243
Other assets and liabilities, net	59	204
Total	**-4,243**	**-3,304**

EUR'000	2021	2020
Income tax payable		
Income tax payable 1 January	739	857
Current tax for the year	628	736
Adjustment in respect of current income tax of previous year	9	-318
Exchange rate adjustments, interests etc.	-1	8
Corporation tax paid during the year	-827	-544
Income tax payable 31 December	**548**	**739**

Section 3 – Invested Capital and Working Capital Items

3.1 Intangible assets

EUR'000	Devel-opment costs	Software	Licences	Total
Cost 1 January 2021	-	8,033	16,960	24,993
Currency translation	-	3	5	8
Additions	-	-	2,863	2,863
Additions internally developed	895	-	3,397	4,292
Reclassification	-895	895	-	-
Cost 31 December 2021	**0**	**8,931**	**23,225**	**32,156**
Amortisation and impairment 1 January 2021	-	1,626	6,316	7,942
Currency translation	-	1	1	2
Amortisation	-	885	2,310	3,195
Write-downs	-	-	223	223
Amortisation and impairment 31 December 2021	-	2,512	8,850	11,362
Carrying amount 31 December 2021	**0**	**6,419**	**14,375**	**20,794**

EUR'000	Devel-opment costs	Software	Licences	Total
Cost 1 January 2020	316	5,719	13,216	19,251
Currency translation	-	23	44	67
Additions	-	-	1,720	1,720
Additions internally developed	1,975	-	2,595	4,570
Reclassification	-2,291	2,291	-	-
Disposals	-	-	-615	-615
Cost 31 December 2020	**-**	**8,033**	**16,960**	**24,993**
Amortisation and impairment 1 January 2020	-	871	4,914	5,785
Currency translation	-	6	11	17
Amortisation	-	749	1,845	2,594
Write-downs	-	-	161	161
Disposals	-	-	-615	-615
Amortisation and impairment 31 December 2020	-	1,626	6,316	7,942
Carrying amount 31 December 2020	**-**	**6,407**	**10,644**	**17,051**

Development costs comprise capitalised expenses for the ERP system for Abacus Medicine Group.

Software is amortised over 3-10 years and Licences are amortised over 5-8 years. Licences has been written down with EUR 223 thousand in 2021 (2020: EUR 161 thousand). There have been no further indications of impairment of the intangible assets.

Section 3 – Invested Capital and Working Capital Items

3.2 Property, plant and equipment

EUR'000	Leasehold improvements	Other fixtures and fittings, plant and equipment	Total
Cost 1 January 2021	52	2,298	2,350
Currency translation	0	1	1
Additions	139	206	345
Cost 31 December 2021	**191**	**2,505**	**2,696**
Depreciation and impairment 1 January 2021	43	1,637	1,680
Currency translation	0	1	1
Depreciation and impairment	18	485	503
Depreciation and impairment 31 December 2021	61	2,123	2,184
Carrying amount 31 December 2021	**130**	**382**	**512**

EUR'000	Leasehold improvements	Other fixtures and fittings, plant and equipment	Total
Cost 1 January 2020	47	1,763	1,810
Currency translation	0	5	5
Additions	5	530	535
Cost 31 December 2020	**52**	**2,298**	**2,350**
Depreciation and impairment 1 January 2020	36	1,030	1,066
Currency translation	1	4	5
Depreciation and impairment	6	603	609
Depreciation and impairment 31 December 2020	43	1,637	1,680
Carrying amount 31 December 2020	**9**	**661**	**670**

There have been no indications of impairment of the tangible assets.

3.3 Leases

EUR'000	Building	Other fixed assets	Total
Right-of-use assets			
Opening balance at 1 January 2021	**531**	**54**	**585**
Additions	5,672	-	5,672
Disposals	-	-	-
Depreciation	-853	-25	-878
Remeasurement of lease liabilities	-64	-	-64
Carrying amount at 31 December 2021	**5,286**	**29**	**5,315**
Opening balance at 1 January 2020	**964**	**344**	**1,308**
Additions	90	77	167
Disposals	-	-296	-296
Depreciation	-430	-71	-501
Remeasurement of lease liabilities	-93	-	-93
Carrying amount at 31 December 2020	**531**	**54**	**585**

Please refer to note 3.3 in the consolidated financial statement for description of the following:

- The scope of the Parent Company's leasing contracts
- Process for determining the incremental borrowing rate

Section 3 – Invested Capital and Working Capital Items

3.3 Leases (continued)

EUR'000	2021	2020
Lease liabilities		
Maturity analysis - contractual undiscounted cash flows		
Less than 1 year	998	438
Between 1 and 5 years	4,950	160
More than 5 years	-	-
The undiscounted cash flows	**5,948**	**598**
Lease liability recognised on the balance sheet	**5,515**	**587**
Current lease liability	845	430
Non-current lease liability	4,670	157

EUR'000	2021	2020
Amount recognised in the income statement		
Interest expense from lease liabilities	65	29
Total	**65**	**29**

In 2021, Abacus Medicine paid EUR 745 thousand (2020: EUR 542 thousand) on lease contracts of which interest payments related to lease liabilities amount to EUR 22 thousand (2020: EUR 29 thousand) and down payments on lease liabilities amount to EUR 723 thousand (2020: EUR 513 thousand).

There have been no material costs recognised in the period for short-term and low-value leases in the Company.

3.4 Investments in subsidiaries, associates and other securities

§ Accounting policies

Investments in Group subsidiaries

The Parent Company's investments in its subsidiaries are accounted for using the equity method.

Under the equity method, an investment in the subsidiary is initially recognised at cost. The carrying amount of the investment is adjusted to recognize changes in the parent's share of net assets of the subsidiary since the acquisition date. Goodwill relating to the subsidiary is included in the carrying amount of the investment and is not tested for impairment separately; however, the carrying amount of the investments in subsidiaries is subject to an annual test for indications of impairment.

The statement of profit or loss reflects the parent's share of the results of operations of the subsidiaries. Any change in other comprehensive income of those subsidiaries is presented as part of the parent's other comprehensive income. In addition, where a change has been recognised directly in the equity of the subsidiary, the Parent Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Parent Company and the subsidiary are eliminated.

Investments in subsidiaries with negative net asset values are measured at EUR 0 (nil). The subsidiary's proportionate share of any negative equity is set off against receivables from the investment to the extent the receivable is deemed irrecoverable. If the Parent Company has a constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluations of the investments in subsidiaries are transferred to the reserve for net revaluation, according to the equity method, to the extent that the carrying amount exceeds the acquisition value.

Reserve for net revaluation according to the equity method

Net revaluation of investments in subsidiaries is recognised at cost in the reserve for net revaluation according to the equity method if the earnings amount exceeds the costs.

The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates.

The reserve cannot be recognised at a negative amount.

Section 3 – Invested Capital and Working Capital Items

3.4 Investments in subsidiaries, associates and other securities (continued)

Name	Registered office	Ownership 2021 and voting rights	Ownership 2020 and voting rights
Abacus Medicine Hungary Kft.	Hungary	100%	100%
Abacus Medicine B.V.	The Netherlands	100%	100%
+365 Medicines GmbH	Germany	100%	100%
Abacus Medicine Berlin GmbH	Germany	100%	100%
Abacus Medicine Ltd	United Kingdom	100%	100%
Abacus Medicine Austria GmbH	Austria	100%	100%
Abacus Medicine France S.A.S.	France	100%	100%
Abacus Medicine Finland Oy	Finland	100%	100%
Abacus Medicine Ireland Ltd.	Ireland	100%	100%
PharmaSave BVBA	Belgium	100%	100%
Originalis B.V.	The Netherlands	100%	100%
Zdrave Med Ltd.	Bulgaria	100%	100%
Abacus Medicine Pharma Services ApS	Denmark	100%	100%
Abacus Medicine Pharma Services Ltd.	United Kingdom	100%	100%
Abacus Medicine Pharma Services Asia Ltd.	Hong Kong	100%	100%
Abacus Medicine Pharma Services Inc.	USA	100%	100%
Abacus Medicine Pharma Services B.V.	The Netherlands	100%	100%
Aposave Mexico S de RL de	Mexico	100%	100%
ApoSave Peru	Peru	100%	100%

Name	Registered office	Ownership 2021 and voting rights	Ownership 2020 and voting rights
Pluripharm Holding B.V.	The Netherlands	100%	100%
Pluripharm Groep B.V.	The Netherlands	100%	100%
Thuis-apotheek B.V.	The Netherlands	50%	50%
Clinic Care Services B.V.	The Netherlands	17%	17%
Pluripharm B.V.	The Netherlands	100%	100%
Pluripack Alkmaar	The Netherlands	100%	100%
Pluripack Zwolle	The Netherlands	100%	100%
Pluripack Breda	The Netherlands	100%	100%
Pluriplus B.V.	The Netherlands	100%	100%
Distrimed B.V.	The Netherlands	100%	100%
Pluripharm Apotheek	The Netherlands	100%	100%
Apotheekfonds Pharmaconnect B.V.	The Netherlands	50%	50%
Pluripharm Direct B.V.	The Netherlands	100%	100%
Risus Financieringen B.V.*	The Netherlands	-	100%
Phardis B.V.	The Netherlands	100%	100%
Instellingsapotheek B.V.	The Netherlands	100%	100%
Instellingsapotheek Gelderse Vallei B.V.*	The Netherlands	-	100%
Instellingsapotheek Oost B.V.*	The Netherlands	-	100%
Instellingsapotheek Zuidwest B.V.*	The Netherlands	-	100%

* Company liquidated in 2021.

Section 3 – Invested Capital and Working Capital Items

3.4 Investments in subsidiaries, associates and other securities (continued)

EUR'000	2021	2020
Cost as at 1 January	22,887	2,660
Additions	23	20,291
Foreign exchange adjustments	-26	-64
Cost as at 31 December	**22,884**	**22,887**
Value adjustments as at 1 January	-2,497	1,916
Profit (loss) for the year	-4,095	-4,297
Foreign exchange adjustment	-233	3
Other adjustments	2	-119
Value adjustments as at 31 December	-6,823	-2,497
Carrying value as at 31 December	**16,061**	**20,390**
Which are presented as follows:		
Investments in subsidiaries	17,685	20,465
Offset in receivables	-1,624	-75
As at 31 December	**16,061**	**20,390**

Investments in subsidiaries are measured using the equity method.

3.5 Inventories

EUR'000	2021	2020
Raw materials and consumables	41,281	31,152
Manufactured goods and goods for resale	49,274	64,239
Total inventories at the lower of cost and net realisable value	**90,555**	**95,391**

During 2021, EUR 4,294 thousand (2020: EUR 3,622 thousand) was recognised as an expense for inventories carried at net realisable value due to expired goods. This is recognised in cost of sales, please refer to note 2.2.

EUR'000	2021	2020
Inventory write-downs at 1 January	1,995	1,937
Utilised and reversed during the year	-1,995	-1,937
Additional write-downs during the year	1,197	1,995
Inventory write-downs at 31 December	**1,197**	**1,995**

3.6 Trade and other receivables

EUR'000	2021	2020
Non-current		
Other receivables	44	131
Total non-current	**44**	**131**
Current		
Receivables from sales and services	10,250	11,072
Receivables from group entities	22,511	15,015
Deposits regarding factoring agreement	4,235	5,734
Other receivables	150	109
Prepayments	631	487
Total current	**37,777**	**32,417**

Abacus Medicine's customers are mainly distributors and pharmacies. In general, all Abacus Medicine's invoices to customers are sold to the factoring company which limits the trade receivable risk and days. We refer to section 4.5 on liquidity risks in the notes for the Group for further description of the factoring agreement. Further, management monitors payment patterns of the customers and estimates the need for write-downs. Credit ratings, insurance of customers and market-specific development are taken into account in order to assess the need for further write-downs. Abacus Medicine has historically not suffered any significant losses. Allowance for bad debt amounts to EUR 0.5 million as of 31 December 2021 (2020: EUR 0.5 million).

Section 3 – Invested Capital and Working Capital Items

3.7 Trade payables

EUR'000	2021	2020
Trade payables	28,496	37,296
Payables to group entities	8,172	4,651
Total	**36,668**	**41,947**

3.8 Other payables

EUR'000	2021	2020
Non-current		
Employee related payables	1,245	1,251
Total non-current	**1,245**	**1,251**
Current		
VAT payables	14,401	8,761
Employee related payables	1,593	3,139
Other payables	0	1,032
Payables to other related parties	772	-
Total current	**16,766**	**12,932**

3.9 Provisions

EUR'000	Return provisions
At 1 January 2021	6,008
Arising during the year	4,134
Utilised	-6,008
At 31 December 2021	**4,134**
Current	4,134
Non-current	-

Provisions comprise provisions for sold products expected to be returned in the coming year. The return provision is utilised during the financial year.

3.10 Change in working capital

EUR'000	2021	2020
Change in inventory	3,332	-27,204
Change in receivables	-5,325	-4,743
Change in trade payables etc.	-406	18,998
Change in provisions etc., non-cash items	-1,874	1,251
Other non-cash items	-2,067	-228
Total	**-6,340**	**-11,926**

Section 4 - Capital Structure and Net Financials

4.1 Equity

Share capital
For disclosure regarding equity, refer to note 4.1 in the consolidated financial statements.

4.2 Cash

EUR'000	2021	2020
Cash at bank and in hand	2	2
Total cash	**2**	**2**

4.3 Borrowings

EUR'000	2021	2020
Current liabilities		
Credit institutions and banks	49,051	47,200
Amortized costs	-132	-280
Carrying amount	**48,919**	**46,920**
Nominal amount	49,051	47,200

Abacus Medicine has a committed credit facility with Danske Bank, with a maximum credit limit of EUR 74 million (DKK 550 million). The bank credit facility is renegotiated on a three year basis. Next renegotiation is in 2023.

4.4 Financial risk and financial instruments

Risk management policy
The Company's principal financial liabilities, other than derivatives, comprise bank credit facility, trade and other payables. Management of market, currency, credit, interest rate and liquidity and pricing risk is consistent with the policies in place at the Group level. Please see note 4.5 to the Group financial statements for detailed information related to these risk management policies, practices and assumptions.

Maturity analysis

(EUR'000)	Contractual cash flows	< 1 year	1 - 3 years	3 - 5 years	5 years
2021					
Non-derivative financial instruments					
Credit institutions and banks	49,051	49,051	-	-	-
Trade payables	36,668	36,668	-	-	-
Other payables	18,011	16,766	-	-	1,245
Lease liabilities	5,948	998	2,512	2,438	-
Derivative financial instruments					
Exchange rate hedging	-	-	-	-	-
31 December 2021	**109,678**	**103,483**	**2,512**	**2,438**	**1,245**
2020					
Non-derivative financial instruments					
Credit institutions and banks	47,200	47,200	-	-	-
Trade payables	41,947	41,947	-	-	-
Other payables	14,130	12,879	-	-	1,251
Lease liabilities	598	438	157	3	-
Derivative financial instruments					
Exchange rate hedging	53	53	-	-	-
31 December 2020	**103,928**	**102,517**	**157**	**3**	**1,251**

The disclosed financial derivative instruments in the above table are the gross undiscounted cash flows. However, those amounts may be settled gross or net.

Section 4 - Capital Structure and Net Financials

4.4 Financial risk and financial instruments (continued)

	Carrying amount		Fair value	
EUR'000	2021	2020	2021	2020
Categories of financial instruments				
Financial assets at fair value – hedging instruments				
Derivative financial instruments	20	-	20	-
Total	**20**	**0**	**20**	**0**
Financial assets measured at amortised cost				
Trade receivables	37,757	32,417	37,757	32,417
Cash	2	2	2	2
Total	**37,759**	**32,419**	**37,759**	**32,419**
Financial liabilities at fair value – hedging instruments				
Derivative financial instruments	-	53	-	53
Total	**0**	**53**	**0**	**53**

	Carrying amount		Fair value	
EUR'000	2021	2020	2021	2020
Financial liabilities measured at amortised cost				
Borrowings	48,919	46,920	49,051	47,200
Lease liabilities	5,515	587	5,515	587
Trade payables	36,668	41,947	36,668	41,947
Other payables	18,011	14,130	18,011	14,130
Total	**109,113**	**103,584**	**109,245**	**103,864**

The derivative financial instruments are measured at level 2 (observable input) of the fair value hierarchy. The instruments are recognised in the related line item, when effective, i.e. inventories on derivaties related to purchases (EUR 0.0 million; 2020: EUR 0.0 million), revenue for derivatives related to sales (EUR 0.1 million; 2020: EUR 0.0 million) and production costs (EUR 0.0 million; 2020: EUR 1.0 million).

Methods and assumptions for calculating fair value
The applied methods and assumptions for calculating the fair values of financial instruments are described for each class of financial instruments.

Abacus Medicine uses hedging instruments to hedge non-recognised transactions. Abacus Medicine's purchases are mainly in EUR. Abacus Medicine's sales are effected in currencies other than EUR and DKK, which are partially hedged.

Section 4 - Capital Structure and Net Financials

4.4 Financial risk and financial instruments (continued)

Cash flow hedging
Foreign currency risk
Derivatives designated as hedging instruments reflect the positive change in fair value of foreign exchange forward contracts, designated as cash flow hedges to hedge highly probable forecast sales and purchases in other currencies than EUR, mainly SEK. The table below shows the timing of the nominal values of the Company's hedging items:

	Nominal value (local currency '000)	Expiry below 1 year	Expiry 1-5 years	Expiry above 5 years	Average hedging price	Fair value at year-end recognised in other comprenhensive income / other receivables	Fair value at year-end recognised in other comprehensive income / other payables	Change in fair value used for measuring cash flow hedge reserve
2021								
SEK/EUR	30,048	30,048	-	-	1 SEK /1 EUR	20	-	20
						20	**0**	**20**
2020								
SEK/EUR	32,119	32,119	-	-	1 SEK /1 EUR	-	53	-53
						0	**53**	**-53**

Section 5 - Other Disclosures

5.1 Contractual obligations and contingencies

Contingent liabilities
Abacus Medicine A/S is jointly taxed with the Danish entities within the FTW Holding ApS group, with FTW Holding ApS as the administrative company. The company is, together with the other Danish companies in FTW Holding ApS group, liable for corporate taxes and withholding taxes on dividends, interests and royalties.

Abacus Medicine A/S is currently party to certain lawsuits, disputes etc. of various scopes. In management's opinion, apart from items recognised in the statement of financial position or disclosed in the financial statements, the outcome of these lawsuits, disputes etc., individually and in the aggregate, is not expected to have a material impact on Abacus Medicine's financial position.

Abacus Medicine A/S has issued letters of support to certain subsidiaries.

5.2 Mortgage and collateral

For information on mortgage and collateral, please refer back to the section 5.2 in the consolidated financial statements.

5.3 Related party disclosures

Controlling Influence
Wagner Family Holding ApS, Kalvebod Brygge 35, 1560 Copenhagen, Denmark, has a controlling interest in the Parent company. FTW Holding ApS is the ultimate owner. The Parent company is part of the consolidated financial statements of FTW Holding ApS.

Abacus Medicine carried through the following related party transactions:

EUR'000	2021	2020
Sale of goods to subsidiaries	292,323	322,311
Service fees from subsidiaries	19,658	18,831
Service fees to other related parties	7	19
Interest income from subsidiaries	477	105
Receivables from subsidiaries	22,511	15,015
Receivables from other related parties	0	1
Payables to subsidiaries	8,172	4,651
Payables to other related parties	772	0

Terms and conditions of transactions with related parties
The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free and settled in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2021, Abacus Medicine has not recorded any impairment of receivables relating to amounts owed by related parties (2020: EUR 0). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

Executives
Abacus Medicine's related parties with significant influence include Abacus Medicine's Board of Directors and Chief Executive Officer (CEO) in the parent company, including these employees' family members, and entities in which these executives have a significant influence.

The remuneration to executives is disclosed in note 2.3.

Section 5 - Other Disclosures

5.4 Events after the reporting period

No events have occurred after the balance sheet date which could have a material effect on the Company's financial position at 31 December 2021.

5.5 Fees paid to auditors appointed at the annual general meeting

Fees payable to the parent's auditor for the audit of the parent company's financial statements and other non-audit services are specified as below.

EUR'000	2021	2020
Audit	134	186
Other assurance engagements	1	2
Total audit related services	**135**	**188**
Tax consultancy	0	32
Other non-audit services	4	3
Total fee to EY	**139**	**223**

The costs are recognised in the income statement as Other external costs.

Statements

A YEAR UNLIKE ANY OTHER

Flexibility and a willingness to find solutions together is deeply ingrained in our company culture. This stood us well in a difficult year.

STRONG GROUP VALUES

Our purpose and beliefs are simple. We believe that we improve global healthcare by providing people with better access to medicine.

Statement by Management on the annual report

Today, the Board of Directors and Chief Executive Officer have discussed and approved the Annual Report of Abacus Medicine A/S for the financial year 1 January – 31 December 2021.

The Annual Report is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2021 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2021.

In our opinion, the Management's review includes a true and fair review of the development in the Group's and the Parent Company's operations and financial conditions, of the results for the year and of the financial position of the Group and the Parent Company, as well as a description of the more significant risks and uncertainties facing the Group and the Parent Company.

We recommend that the Annual Report be approved at the Annual General Meeting.

Copenhagen, 16 March 2022

Chief Executive Officer

Flemming Wagner

Board of Directors

Niels Smedegaard Chairman	Flemming Wagner	Mark Johnston	Troels Peter Troelsen
Michala Fischer-Hansen	Jens Albert Harsaae	Anders K. Bønding	

Independent auditor’s report

To the shareholders of Abacus Medicine A/S

Opinion
We have audited the consolidated financial statements and the parent company financial statements of Abacus Medicine A/S for the financial year 1 January – 31 December 2021, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2021 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Statement on the Management's review
Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the financial statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the 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 Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent 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 financial statements or, if such disclosures are inadequate, to modify our opinion. 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 Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 16 March 2022

EY
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jan C. Olsen	Ole Becker
State Authorised	State Authorised
Public Accountant	Public Accountant
mne33717	mne33732

CVR no. 28 11 15 76

ABACUS MEDICINE

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Executive Board
On behalf of: Abacus Medicine A/S
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Anders Kunze Bønding
Board of Directors
On behalf of: Abacus Medicine A/S
Serial number: PID:9208-2002-2-433131696546
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Niels Smedegaard
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2022-03-16 11:50:35 UTC
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Troels Peter Troelsen
Board of Directors
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Mark Johnston
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Ole Becker
State Authorised Public Accountant
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2022-03-16 14:36:58 UTC
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Jan C Olsen
State Authorised Public Accountant
On behalf of: EY Godkende Revisionspartnerselskab
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IP: 145.62.xxx.xxx
2022-03-16 14:46:33 UTC
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Lene Bech McCormick
Chairman
On behalf of: Abacus Medicine A/S
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