Annual report 2020

ABACUS MEDICINE

Better Access · Better Healthcare

CVR no. 28 11 15 76

At a glance

The Abacus Medicine Group supplies prescription medicine to thousands of customers across the world. Our core business is known as parallel distribution, and we are growing within pharmaceutical and healthcare services. In 2020, we acquired the Dutch wholesaler Pluripharm.

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

In order to pursue this multi-market strategy, we need **dedicated employees**. This year, we surpassed

1,000

employees at year-end.

The Abacus Medicine Group is established among the leaders in our industry.

In 2020, **we delivered more than**

14,000,000

packs, vials and syringes of medicine.

We follow a successful multi-market strategy, and recorded sales in

33

countries around the world in 2020.

These 1,000 employees are spread across

9

global locations

including offices, warehouses and production facilities.

We supply to 4 main **types of customers:**

- Hospitals
- Pharmacies
- Pharmaceutical companies
- Pharmaceutical wholesalers

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Financial statements

Acquisition of Pluripharm

Our largest single investment ever adds a new element to the business. It will benefit each of the existing business units and offer many new synergies.

Read more on page 7

One company. 3 brands

Our business model is built on synergies. Each of our three brands have a distinct core capability which is supported by multiple, cross-unit competencies.

Read more on page 14

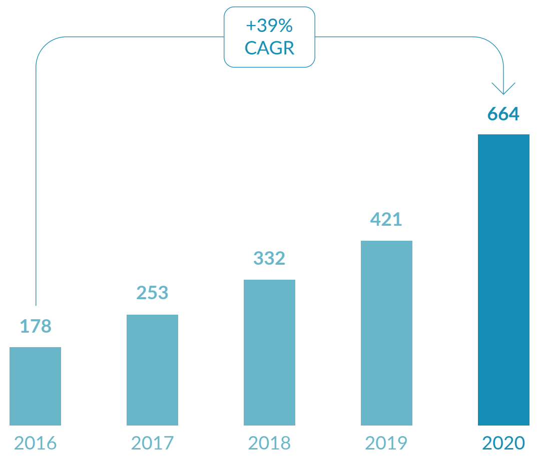
Outlook: Strong organic revenue growth

As the impact of COVID-19 diminishes, we expect organic growth in all business units and improved profitability.

Read more on page 12

The big picture 2020

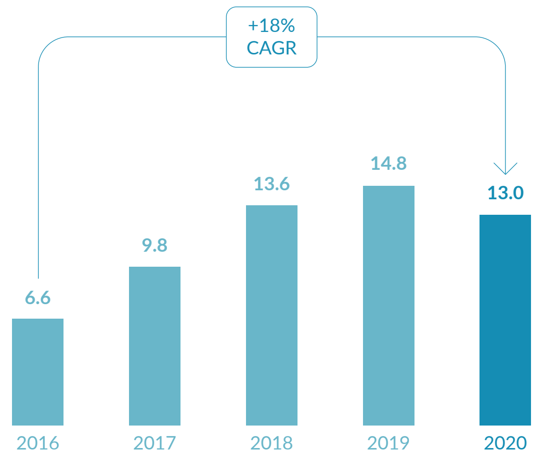
Revenue
EURm



The Abacus Medicine Group achieved combined organic and aquisitive revenue growth of 57% in 2020. Revenue increased to EUR 664 million against EUR 421 million the year before.

The Compound Annual Growth Rate (CAGR) from 2016 to 2020 was 39%.

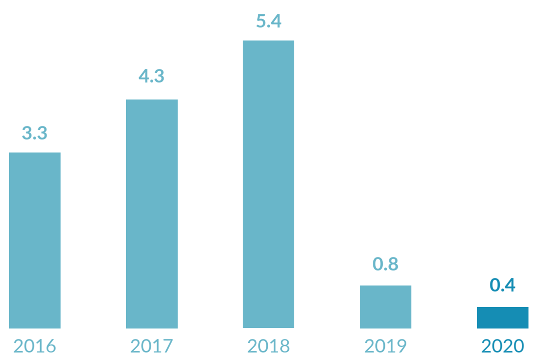
Adjusted EBITDA
EURm



Adjusted EBITDA decreased to EUR 13.0 million from EUR 14.8 million.

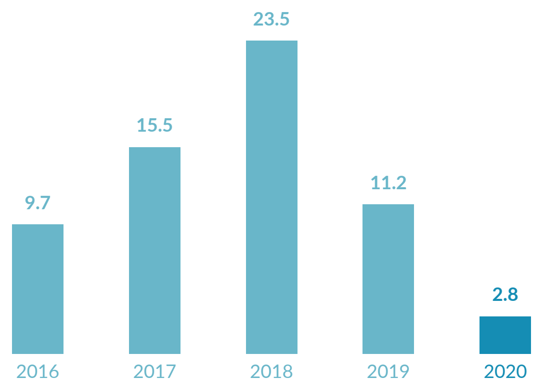
The Compound Annual Growth Rate (CAGR) from 2016 to 2020 was 18%.

Profit for the year
EURm



Profit for the year decreased to EUR 433 thousand. To strengthen profitability, we are taking a number of strategic and operational initiatives.

Adjusted ROIC
%



The Adjusted return on invested capital (Adjusted ROIC) was 2.8%.

Financial highlights for the Group

In EUR'000, except for per share data	2020	2019	2018*	2017*	2016*
KEY FIGURES					
Revenue	663,501	421,445	332,347	253,056	177,850
Gross profit	67,557	50,038	40,803	29,312	20,665
Operating profit before depreciations, amortisation and special items (Adjusted EBITDA)	12,959	14,753	13,645	9,794	6,622
Special items	-476	-4,104	-1,065	-377	-
Operating profit before depreciations and amortisation (EBITDA)	12,483	10,649	12,580	9,417	6,622
Operating profit (EBIT)	5,347	5,400	9,868	7,560	5,112
Net finance costs	-3,929	-2,823	-2,518	-1,428	-638
Profit for the year	433	829	5,359	4,328	3,259
Non-current assets	51,020	24,868	17,282	11,889	5,498
Current assets	168,507	102,096	79,954	44,618	52,665
Total assets	219,527	126,964	97,236	56,507	58,163
Portion relating to investments in items of property, plant and equipment	11,344	3,269	2,970	1,491	593
Portion relating to investments in intangible assets	30,130	17,836	13,890	10,218	4,779
Equity	53,024	51,616	14,399	9,671	9,506
Non-current liabilities	8,167	4,563	1,892	2,057	740
Current liabilities	158,336	70,785	80,945	44,779	47,917
Cash flow from operating activities	-12,651	-31,839	13,182	21,029	-263
Cash flow from investing activities	-8,968	-8,465	-9,036	-5,013	-1,343
Of which relate to intangible assets	-6,858	-6,398	-6,513	-3,938	-1,530
Of which relate to tangible assets	-2,031	-1,946	-2,426	-1,350	-509
Cash flow from financing activities	19,862	40,933	20,207	-30,128	-937
Total cash flow	-1,757	629	24,353	-14,112	-2,543

In EUR'000, except for per share data	2020	2019	2018*	2017*	2016*
FINANCIAL RATIOS					
Revenue growth	57.4%	26.8%	31.3%	42.3%	59.0%
Gross margin	10.2%	11.9%	12.3%	11.6%	11.6%
Adjusted EBITDA margin	2.0%	3.5%	4.1%	3.9%	3.7%
EBITDA margin	1.9%	2.5%	3.8%	3.7%	3.7%
Operating profit (EBIT) margin	0.8%	1.3%	3.0%	3.0%	2.9%
Return on invested capital (ROIC)	1.6%	2.8%	20.2%	14.5%	9.7%
Adjusted return on invested capital (Adjusted ROIC)	2.8%	11.2%	23.5%	15.5%	9.7%
Solvency ratio	24.2%	40.7%	14.8%	17.1%	16.3%
Return on equity	0.8%	2.5%	44.5%	45.1%	36.7%
Earnings per share, EUR	0.0	0.1	0.7	1.6	1.2
Diluted earnings per share, EUR	0.0	0.1	0.7	1.5	1.2
OTHER FIGURES					
Number of employees at year-end	1,073	770	568	392	211
Average number of full-time employees	912	618	449	349	206
Invested capital	127,825	86,654	38,197	32,678	41,242
Net interest-bearing debt	69,417	27,609	19,924	23,007	10,256
Liquidity available	27,182	25,941	12,886	2,514	2,523
Marketing authorisations (licences)	6,224	4,354	3,186	2,515	1,709

* 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 note 1.1 Accounting policies. The calculation of earnings per share and diluted earnings per share is based on the guidance in IAS 33.

Letter from the CEO

In 2020, the global pandemic forced us to act rapidly and see everything in a new perspective. I am proud that the Abacus Medicine Group managed to navigate these troubled waters with an overall understanding of the different needs in different locations, and with a key focus on looking out for and taking care of each other.

“One business-event stood out: The acquisition of Pluripharm. Our largest single investment ever adds a new element to our business.”

After a year unlike any other, I am pleased to note that the Abacus Medicine Group delivered double-digit organic growth in our core business in 2020. We strengthened and developed our operational platform to prepare for future growth, and as always, we continued to explore new business opportunities.

COVID-19 affected all of us, of course. But the entire organisation stood firm and ensured that we kept supplying our many customers throughout the healthcare sector. I wish to thank all employees for their dedication.

Due to the challenging market conditions under COVID-19 and high investment level in 2020, our profit margins declined. We are confident that the profit margins will improve going forward.

One business-event stood out: The acquisition of Pluripharm. Our largest single investment ever adds a new element to our business, and we have an important task ahead of us. We will develop Pluripharm, return the company to profitable operations, and realise the many synergies with the rest of the Group.

In an ever changing world, we must continuously adapt our strategic priorities and operational processes to ensure that we will stay on our long path of market-leading growth.

In 2020, we therefore conducted a comprehensive review of our strategy and markets. The review confirmed that there are multiple opportunities to grow in our core business of parallel distribution, as well as many new opportunities in pharmaceutical services.

The Abacus Medicine Group looks confidently forward to 2021 which we are certain will be positively different from the previous year.

Best regards,

Flemming Wagner
CEO and Co-founder

Our response to COVID-19

Flexibility and a willingness to find solutions together is deeply ingrained in the culture of the Abacus Medicine Group. This stood us well in a difficult year.

While COVID-19 did have an impact, our business model on the whole proved highly resilient. Open borders and the free flow of goods are fundamental to us, and even during the worst public health crisis in living memory, we kept operating at a high level and even grew our top line.

Throughout the pandemic, parallel distribution showed its strength as we could help hospitals in different EU countries which were out of stock of critical medicines, and thereby level out over-stock in some countries and shortages of the same medicine in others. We are proud that we could help patients throughout the EU with better access to medicine and thereby improve healthcare for all.

Cooperation across locations
This result was only made possible by an incredible effort from the entire organisation. The Abacus Medicine Group has proven that together we are strong, and no employee or department can stand alone.

The distance requirements taught us how to work together apart, and in many ways the global pandemic has fostered a stronger cooperation across our different locations. We have learned how to work together in new ways, and really focused on including each other, knowing that for many of us it has been a year of great uncertainty.

Different parts of the Group faced different circumstances. In the UK and the Netherlands, our staff have been working from home practically since spring 2020, while such periods have been fewer and shorter in other locations, like Denmark and Hong Kong. For our many colleagues in production and warehouses, working from home has not been an option at all.

I am proud of the dynamic response from all layers of the organisation. 2020 has given “readiness to change” a whole new meaning, and both managers and employees have shown an incredible dedication to adapt to changes much faster than I could ever have hoped for.

Our company values state that “We are innovative, dedicated, and we care”. Looking back at 2020, I believe we can say that we have proved the meaning of those words.

A winning combination

The acquisition of Pluripharm adds a new element to the Abacus Medicine Group. The combination not only brings benefits to the existing business but also offers many new synergies.

Abacus Medicine has a proud history of organic growth. In August 2020, the Pluripharm Group became our first major acquisition and our largest investment to date.

Pluripharm was founded in 1984 and is well established as a medicine wholesaler and service provider to the independent pharmacies and hospitals in the Netherlands. With 180 employees and estimated full-year revenue of EUR 230 million in 2020, the company represents a substantial expansion of the activities of the Abacus Medicine Group. It is an acquisition that offers great promise for the future.

A known partner

We knew Pluripharm well even before doing our due diligence. The business partnership between the two companies had grown steadily closer since we began trading with each other in 2015, and in early 2019 we formed a strategic alliance when Abacus Medicine invested in Pluripharm. We finally tied the knot fully when Abacus Medicine bought all shares in Pluripharm in a deal combining a cash injection and conversions of loans and trade receivables.

Throughout our negotiations, we enjoyed an open and constructive dialogue with Pluripharm's management team, including Léon Tinke who was appointed CEO in connection with the acquisition.

Strategic rationale

Pluripharm is a turnaround business case. To be successful, it is necessary that we improve the operational and financial performance of the company.

The combination of our activities will bring value through complementary capabilities. It will benefit the existing business and offer many new strategical advantages and operational synergies.

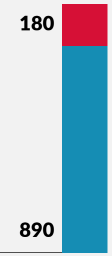
With access to Abacus Medicine's strong and wide network in the EU and the rest of the world, Pluripharm will be able to offer Dutch pharmacies and hospitals better access to a wider range of pharmaceutical products.

This not only makes Pluripharm a more attractive supplier, but also strengthens Abacus Medicine's primary distribution channel for parallel distributed medicine in the Netherlands.

Going forward, we will expand Pluripharm's customer base among independent pharmacies and hospitals by offering new products, services and cooperation models. Supported by the industry-leading capabilities in data analysis of Abacus Medicine, Pluripharm will adopt an increasingly data-driven approach and become a more efficient company. We plan to reach the first milestone in 2021 by returning Pluripharm to profitable operations.

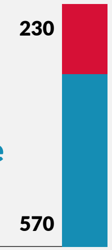
Abacus Medicine and Pluripharm

+ 1,000 employees



Pluripharm
Abacus Medicine

800 million annual revenue



Pluripharm
Abacus Medicine

Headquarters

The Pluripharm Group is headquartered in Alkmaar, the Netherlands, which is also the home of Abacus Medicine Holland.

Note: Full-year impact of Pluripharm in 2020 is estimated

Performance

REVENUE GROWTH

The Abacus Medicine Group recorded combined organic and acquisitive revenue growth of 57% in 2020.

GLOBAL COOPERATION

In 2020, global cooperation, distance management and intercultural learning were on the agenda in the Abacus Medicine Group.

Business review

The Abacus Medicine Group recorded combined organic and acquisitive revenue growth of 57% in 2020. Our extraordinary business growth has put us in a situation where significant economies of scale opportunities lie ahead of us. A prime focus now is to harvest these economies of scale.

The acquisition of the Pluripharm Group has considerable impact on both the results and the balance sheet. Pluripharm has been included in the consolidated statements of the Abacus Medicine Group from August 2020.

Combined revenue for the business units of the Abacus Medicine Group rose 57% to EUR 663.5 million in 2020 against EUR 421.4 million the year before.

Like in previous years, we achieved high organic growth in our core business of parallel distribution. Revenue rose across all parallel distribution sales markets, including markets we have only entered recently. The fact that we continue to win market share in all markets confirms the strength of our multi-market strategy and our wide and rapidly expanding portfolio of product licences.

Gross profit for the Group increased to EUR 67.6 million from EUR 50.0 in 2019, which represents a decline in Gross margin to 10.2% in 2020 from 11.9% in 2019. This was partly due to the inclusion of the lower margin Pluripharm wholesale business, and a continued commitment to invest in building the necessary scale in newer markets.

In the parallel distribution business, we saw a declining Gross margin this year due to a combination of adverse effects in country, customer, and product mix, including increased pricing pressure in Germany, our largest market. We also saw examples of weaker demand from a healthcare sector preoccupied with COVID-19.

EBITDA adjusted for Special Items (in the form of costs related to the acquisition of Pluripharm) came to EUR 13.0 million in 2020 from EUR 14.8 million the year before. The corresponding Adjusted EBITDA margin was 2.0% against 3.5% the year previous year.

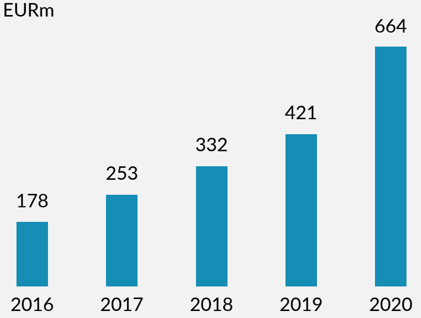
We are confident that the investments in 2020 and the turnaround of Pluripharm will have a positive effect on the margins going forward.

Profit for the year for the Abacus Medicine Group was EUR 433 thousand. The Board of Directors considers this result not satisfactory.

Realising the economies of scale of our expanding business will be a key objective for the Group in 2021 and beyond.

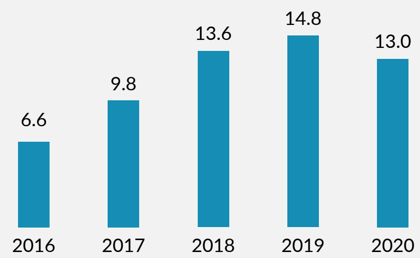
Revenue

EURm



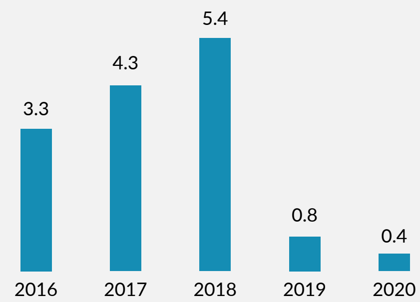
Adjusted EBITDA

EURm



Profit for the year

EURm



To strengthen the financial performance going forward, we have revised the strategic focus areas and operational processes. In Pluripharm, we aim to complete the turnaround which will include both revenue growth and lifting operational efficiency.

Increasing assets
In 2020, we rapidly expanded our portfolio of product licences from 4,354 to 6,224. In combination with investments in IT and goodwill from the acquisition of Pluripharm, the result was an increase in Intangible assets to EUR 29.6 million from 17.8 million the year before.

Assets in the form of Property, plant and equipment also increased from EUR 3.3 million in 2019 to EUR 11.3 million in 2020, first and foremost as the result of the acquisition of Pluripharm.

Current assets, mainly in the form of Inventory and Trade and other receivables, rose in line with the growth of the combined business to EUR 168.5 million against 102.1 the previous year.

All in all, Total Assets increased to EUR 219.5 million from EUR 127.0 million the year before. The Adjusted return on invested capital (Adjusted ROIC) was 2.8% in 2020 against 11.2% the previous year.

Among Current liabilities, the substantial increases in Borrowings (EUR 69.6 million from EUR 29.6 million in 2019) and Trade payables (EUR 62.7 million from EUR 21.0 million in 2019) relate primarily to the acquisition of Pluripharm.

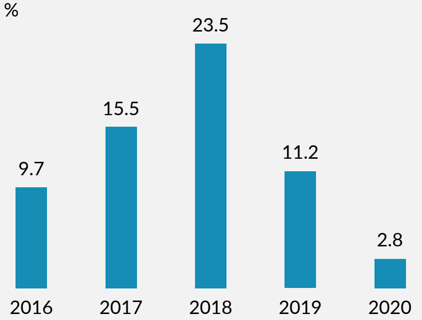
Sufficient credit facilities
The liquidity-intensive business model of parallel distribution requires advanced management of the Group's capital base.

In 2020, the Net cash flow from operating activities improved to EUR -12.7 million from EUR -31.8 million the year before.

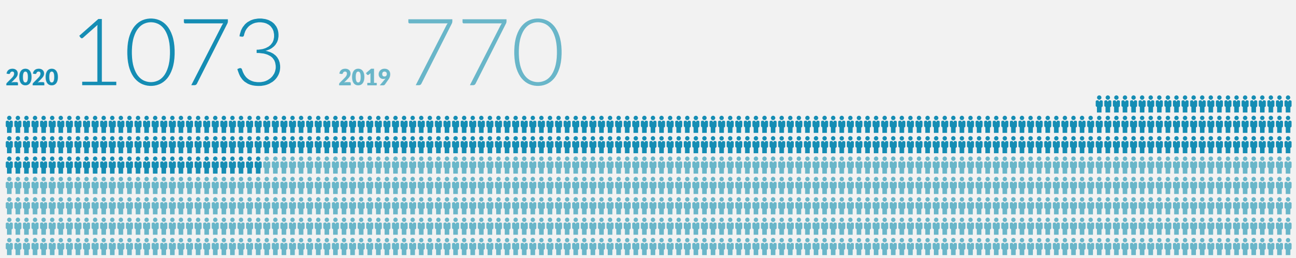
Net cash flow used in investing activities was fundamentally unchanged at a level of EUR -9.0 million in 2020 against EUR -8.5 million in 2019.

Net cash flow from financing activities of EUR 19.9 million in 2020 came predominantly from the increased use of our credit facilities.

Adjusted ROIC
%



Employees at year-end
Number of



Segment performance

Abacus Medicine including Aposave
The parallel distribution business of Abacus Medicine remained the growth engine of the Group in 2020.

In another year of strong, organic growth, revenue including the Aposave business increased 35% to EUR 567.7 million from EUR 421.4 million the year before. All sales markets performed well and contributed to the ongoing diversification of our revenue streams. With the acquisition of Pluripharm, Germany, the largest market for parallel distribution, now accounts for less than 40% of total Group revenue.

Gross profit including Aposave increased to EUR 61.2 million from EUR 50.0 million in 2019, while EBITDA increased to EUR 13.7 million from EUR 10.6 million.

Revenue in the Aposave business grew marginally in 2020.

The expected substantial revenue growth in Clinical Trial Solutions disappeared almost overnight, as COVID-19 stopped or interrupted an estimated 80% of all non-COVID-19 clinical trials, according to the US National Institutes of Health.

Pluripharm
Pluripharm regained market share in the Dutch retail pharmacy market, but the revenue contribution of EUR 98.6 million from August 2020 was negatively impacted by COVID-19. As the Dutch healthcare sector focused on the pandemic, general practitioners issued fewer prescriptions because of more restricted consultations and regular care in hospitals was downsized to be able to treat COVID-19 patients.

Gross profit amounted to EUR 6.3 million while EBITDA was EUR -1.3 million.

Events after the reporting period
No events have occurred after the balance sheet date which could have a material effect on the Abacus Medicine Group's financial position at 31 December 2020.

Milestone: The Group surpassed 1,000 employees this year

Outlook 2021

We expect 2021 to be another year of strong organic revenue growth and with improving profitability.

Despite the COVID-19 pandemic, our ability to grow and develop the business remains intact. We expect that the lower level of prescriptions and thus weaker demand for pharmaceuticals in 2020 will revert to a normalised level during 2021, as vaccines are rolled out and the impact of COVID-19 gradually diminishes.

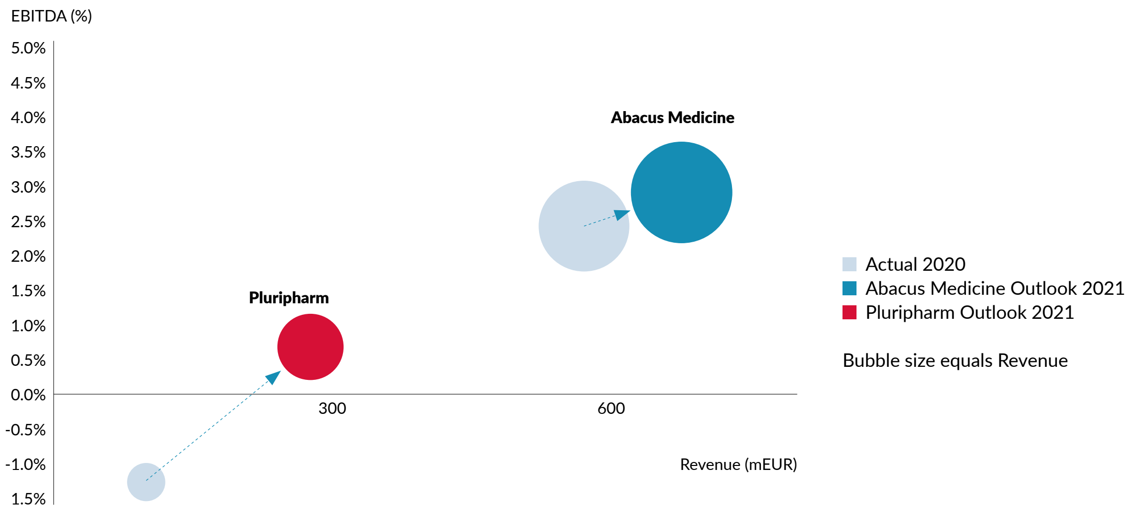
Abacus Medicine
We expect to continue the historical organic revenue growth in parallel distribution by expanding our portfolio of product licences and winning further market share. In addition, a number of strategic and operational initiatives will contribute to increasing profit margins going forward.

In the Aposave business, we expect the Clinical Trial Solutions market to rebound in 2021 and drive strong organic growth.

The Outlook for Abacus Medicine including Aposave in 2021 is revenue of EUR 635-700 million and an EBITDA margin of 2.0-3.8%.

Pluripharm
Since Abacus Medicine acquired Pluripharm, the company has regained market share among Dutch retail pharmacies. We plan for this trend to continue in 2021, leading to strong organic revenue growth. Furthermore, a number of initiatives have been launched to improve the financial performance and the profitability of the company.

The Outlook for Pluripharm in 2021 is revenue of EUR 255-290 million and an EBITDA margin of 0.2-1.0%.



ORGANIC REVENUE GROWTH

15-25%

REVENUE GROWTH

35-50%

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

REVENUE, EUR

890-990 m

EBITDA MARGIN

1.5-3.0%

Our business

THREE BRANDS

The Abacus Medicine Group now operates as three brands, where shared resources create valuable synergies, benefitting the company and customers alike.

OUR CORE BUSINESS

Parallel distribution is at the core of our business. Supplying medicine at lower prices not only benefits our customers but also society at large.

Business model

One company. 3 brands with valuable synergies

The Abacus Medicine Group provides better access to original medicine for hospitals, pharmacies, pharmaceutical companies and ultimately patients all over the world. Our main markets are in Europe with a growing presence in Asia Pacific, Latin America and the US.

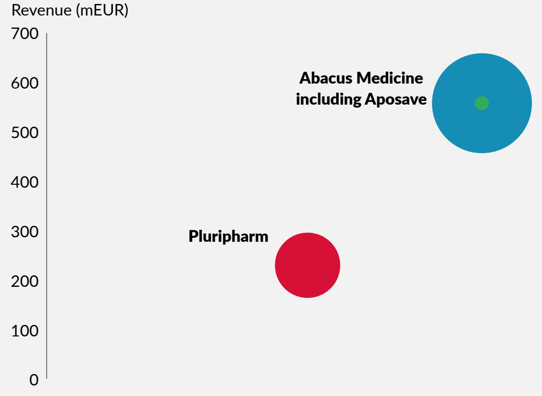
The Group operates at 9 global locations, including our headquarters in Denmark and sales offices in Germany, Austria, the Netherlands, Hong Kong and the headquarters for Aposave in the United Kingdom. Besides our sales offices, the Abacus Medicine Group has production and warehouse facilities in both Hungary and the Netherlands.

The Group operates as three brands: Abacus Medicine, Aposave 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 sourcing network of more than 200 trusted suppliers of prescription medicine.

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	Trading and Sales Sourcing	Logistics
aposave	Value added services	Logistics Sourcing
Pluripharm	Logistics	Value added services

The 3 brands (2020)



Bubble size equals Revenue
Note: Full-year impact of Pluripharm in 2020 is estimated

- Parallel distribution in Abacus Medicine is an established, European trading business. This is our historical core business.
- Aposave is a global pharmaceutical services business in the scale-up phase.
- Pluripharm is an established medicine wholesale and services business 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 and remains the engine of our growth.

At the heart of the business model for parallel distribution 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.

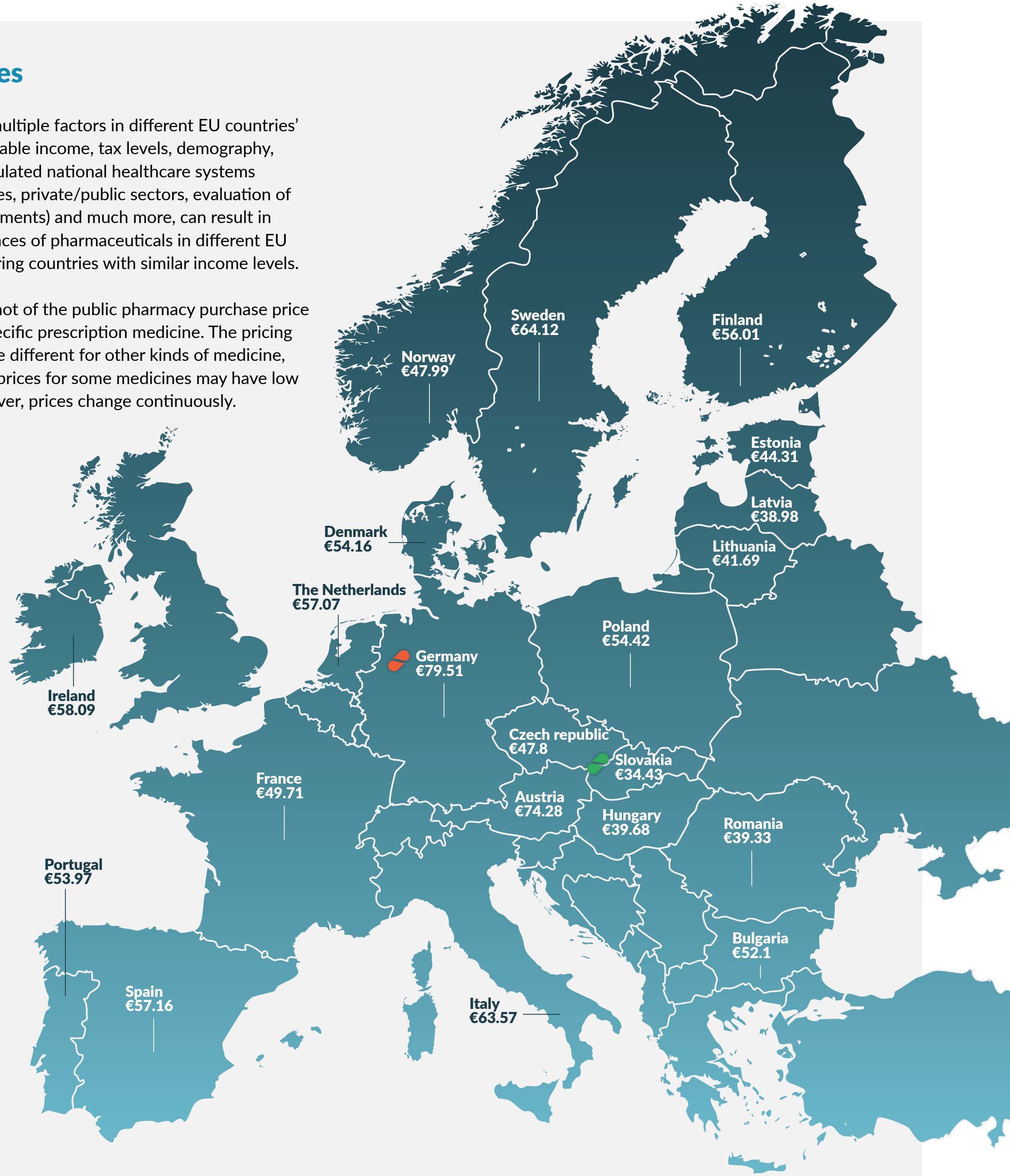
Abacus Medicine creates value by parallel distributing medicine from EU/EEA countries with lower prices to EU/EEA countries with higher prices to sell at a lower price than the original manufacturer. Mastering these trading opportunities is what drives our revenue generation.

Supplying medicine at lower prices not only benefits our customers but also society at large. Abacus Medicine creates competition in a market characterised by rising healthcare costs to the benefit of patients and public budgets alike. Patients gain access to life-critical medicines at more affordable prices, and public spending on medicine is significantly reduced.

Price differences

A complex interplay of multiple factors in different EU countries' financial systems (disposable income, tax levels, demography, currency) and highly regulated national healthcare systems (reimbursement processes, private/public sectors, evaluation of efficacy of new/old treatments) and much more, can result in substantial price differences of pharmaceuticals in different EU countries, even 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.



Creating value through managing complexity
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. Today, we are firmly established in the top 5 of our industry.

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

- **Data analysis:** In order to identify potential 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:** Many prescription medicines can be difficult to source. 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.

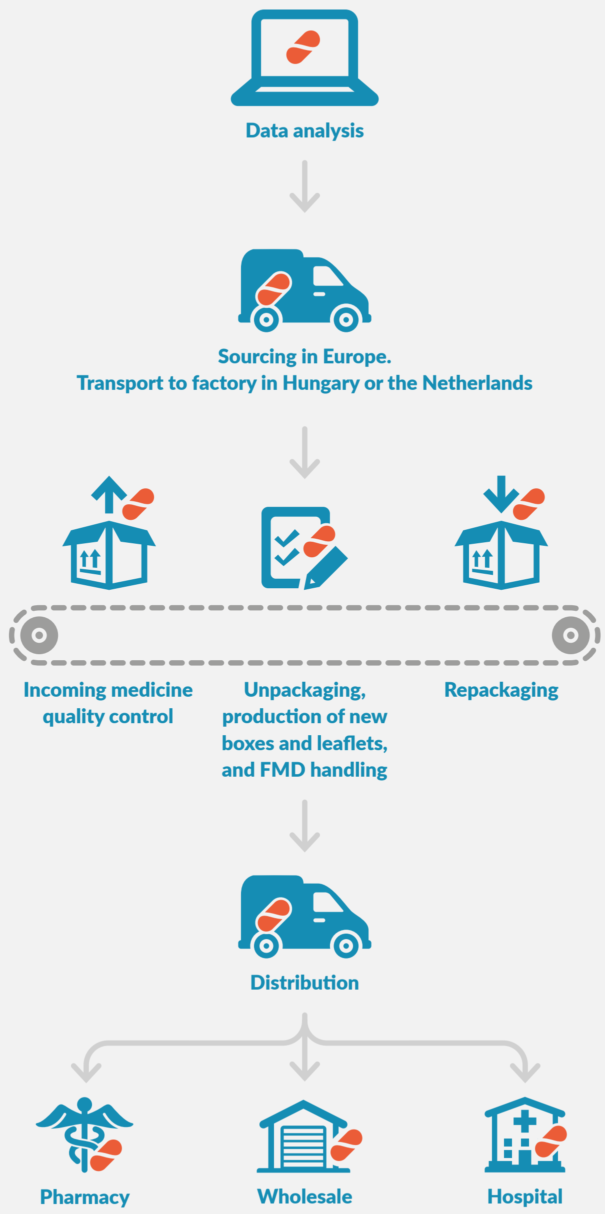
- **Production:** To export medicine, it must first be repackaged and supplied with patient information leaflets in the relevant language. With more than 600 employees in Hungary and the Netherlands, our Operations & Quality Assurance department is the largest of the company by a wide margin.

- **Logistics:** Together with our transport partners, we operate a pan-European supply chain in compliance with the strict regulations and 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.

We expect the high, profitable organic growth of the parallel distribution business to continue in the coming years. With Abacus Medicine as the growth engine of the Group, we are well positioned to expand in new, connected segments, including pharmaceutical services and wholesale.

The Abacus Medicine business model



aposave

A new generation of pharmaceutical and healthcare services

The Aposave business offers value added pharma services and is built on strong synergies with the existing Abacus Medicine business, not least our extensive, international sourcing network.

The Aposave team has decades of experience across four main services:

Unlicensed Medicine
Aposave 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, in compliance with the appropriate regulations.

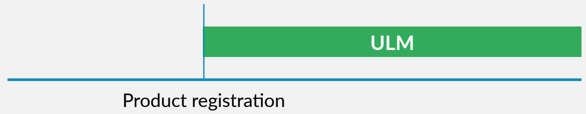
Managed Access Programmes
Aposave is a strategic partner to the pharmaceutical and biotech industry. Managed Access Programs provide a framework where Aposave on behalf of a manufacturer provides access to their medicine in countries where it is not commercially available.

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

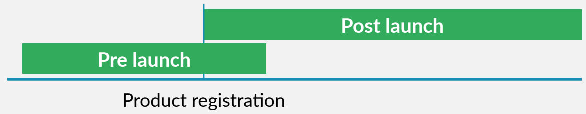
Commercial Partnership
Aposave has extensive knowledge and experience in managing the global distribution of specialty medicines on behalf of drug manufacturers. Aposave can deliver these specialty medicines directly to healthcare establishments in a timely and compliant manner.

Aposave's four main services

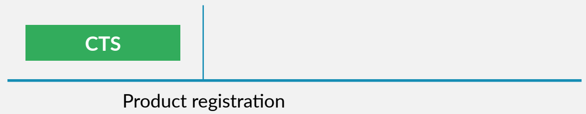
Unlicensed Medicine
Medicine source: Open market
Customer: Healthcare Professionals / tender
Commercial: Buy sell



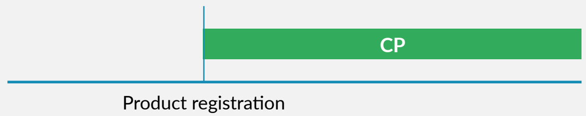
Managed Access Programmes
Medicine source: Manufacturer
Customer: Healthcare Professionals
Commercial: Fee for service / buy sell



Clinical Trial Solutions
Medicine source: Open market / manufacturer
Customer: Drug developer
Commercial: Fee for service / buy sell



Commercial Partnership
Medicine source: Manufacturer
Customer: Healthcare Professionals
Commercial: Fee for service / buy sell



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 Abacus Medicine in August 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 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 of a wide range of higher-margin, value added services.

Pluripharm Direct

Pluripharm

Pluriplus

Pluripack

Governance

REMUNERATION COMMITTEE

In 2020, the Group established a Remuneration Committee. It will oversee and advise on matters relating to salaries and bonus schemes.

RISK MANAGEMENT BOARD

The Group established a Risk Management Board in 2020. It will monitor and assess potential risks, and report to the Board of Directors.

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.

During 2020, the company acquired Pluripharm Groep B.V., situated in the Netherlands.

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

The Board of Directors

The Board of Directors is responsible for setting the corporate strategy, ensuring adequate internal control measures of the company, electing the CEO, and supervising the day-to-day management of the company. In 2020, the Board of Directors elected a new chairman. The Board of Directors is comprised of six members.

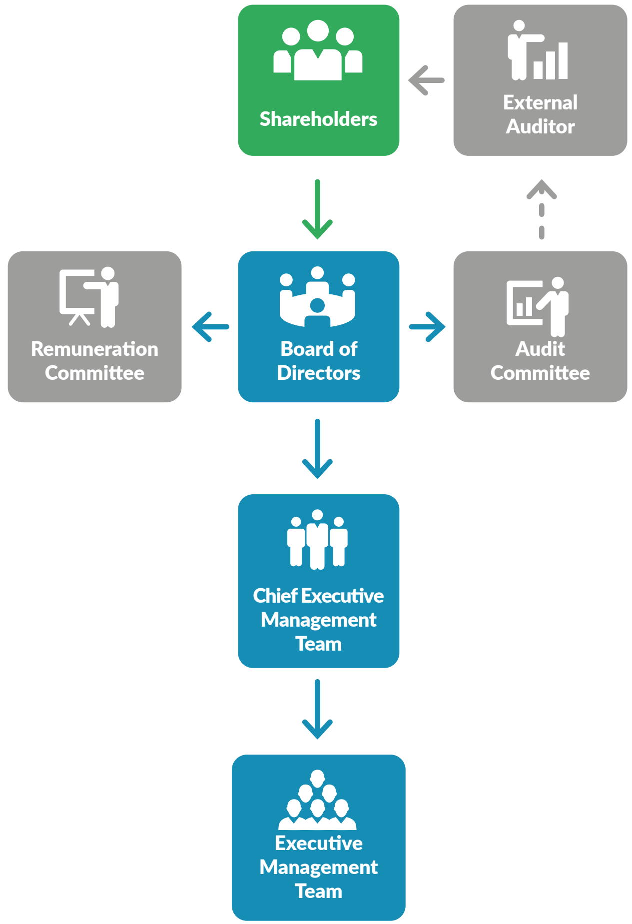
Abacus Medicine strives to keep the Board of Directors independent to the greatest extent possible. By the end of 2020, two-thirds of the members of the Board of Directors were considered independent according to the guidelines of the Danish Committee on Corporate Governance.

Audit Committee

The Audit Committee is a supervisory body established by the Board of Directors to provide insight and expertise on matters related to 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 Finance Department. The members of the Audit Committee are appointed among the members of the Board of Directors, except for the chairman who is elected by the General Meeting. The members serve one-year terms.

CORPORATE GOVERNANCE STRUCTURE



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 and warrant 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 from 2021, 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 consists of C-level, Executive Vice Presidents and Managning 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 Code of Conduct and policies on Anti-Corruption and Anti-Bribery help create transparency and allow employees to better navigate in the legal landscape. Abacus Medicine's Whistleblowing Scheme continues to function 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 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 themselves along with internal auditing.

Monitoring

The internal monitoring has been greatly strengthened by the implementation of an Enterprise Resource Planning system (ERP), which has allowed for better, faster and more 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 2020, Abacus Medicine has appointed EY as its external auditor to perform the audit of the financial statements.

Corporate Social Responsibility

CSR in Abacus Medicine is centred around Focus Programs with measurable goals. Our CSR Steering Committee sets the strategic direction and delegates daily responsibility to the relevant line functions.

Corporate Social Responsibility (CSR) at Abacus Medicine is governed at the chief executive management level. Our CSR Steering Committee evaluates progress and sets the strategic direction in the form of so-called Focus Programs: a handful or more projects agreed each year with action plans and measurable goals.

The daily responsibility for these Focus Programs is delegated to the relevant line functions such as Supply Chain, Purchase, HR and Production, who report back to the CSR Steering Committee.

We do not operate with a central CSR department, staff function or similar, but did in 2020 hire an employee with specific responsibility for developing a framework for Environmental, Social and Governance (ESG) reporting.

Among the 17 Sustainable Development Goals, we consider three as particularly relevant for Abacus Medicine:

Goal #3:
Good Health and Well-being, including:

Target 3.8: "achieve universal health coverage (UHC), including financial risk protection, access to quality essential health care services, and access to safe, effective, quality, and affordable essential medicines and vaccines for all."

At the core of everything we do is our purpose of providing better access to medicine to ensure better healthcare for all. This purpose lies at the very centre of our business model and is supported by all our activities.

Goal #8:
Decent Work and Economic Growth, including:

Target 8.5: "by 2030 achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value."

In Abacus Medicine, we believe in having a corporate culture that centres around diversity and openness. We are proud of the culture we have provided for our young student assistants and our overall diversity across the entire Abacus Medicine Group, supported by our well-established Anti-Discrimination Policy.

Goal #12:
Responsible production and consumption, including:

Target 12.5: "by 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse."

Target 12.6: "encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle."

In Abacus Medicine, we recognise the impact of our business on the environment. We work to reduce our environmental footprint in all parts of our value chain, as represented in two of our Focus Programs: Packaging Material and Environment.

Our progress

During 2020, we worked with seven Focus Programs. We started the year with high ambitions for our continued work with CSR, and while the global COVID-19 pandemic did affect some of the programs directly or indirectly, we do not consider the results completely satisfying overall.

Packaging Material – Sourcing

After changing our production process to almost 100% reboxing, we decided to partner with one or more additional suppliers of carton. The goal of this program was to produce an assessment of the environmental impact of a new supplier's solutions, in order to include this information in the overall recommendation of one or more new suppliers of carton material.

The program has achieved this goal to a satisfying degree. The search for a new supplier has been narrowed down to one final option. The Program now awaits the results of an audit before a final recommendation and decision can be made.

COMPLETION RATE

75%

Reduce transport footprint

The goal of this program was to establish concrete measurement tools and benchmarks in order to document Abacus Medicine's transport footprint going forward.

The program has investigated ways to measure our transport footprint, but no concrete initiatives or benchmarks have yet been implemented. Given the importance of the program, it will continue in 2021.

COMPLETION RATE

25%

Supplier code of conduct

The goal of this program was to define an official Supplier Code of Conduct with a set of standards that all suppliers to Abacus Medicine must acknowledge and follow.

The program achieved its overall goal for 2020. A Supplier Code of Conduct has been drafted and approved. In 2021, the next steps in this 2-year program will be to enforce the Code and communicate it to all suppliers.

COMPLETION RATE

100%

Environment

The goal of this program was to measure and reduce the relative environmental impact of our production sites in Budapest, Hungary, and in Alkmaar, the Netherlands. Significant optimisations have already been made at our site in Hungary in 2018 and 2019, which continued in 2020 with a full lighting modernisation and an official energy certification. Similar initiatives were to be rolled out at Abacus Medicine's site in the Netherlands in a cooperation between Dutch and Hungarian colleagues.

The program was delayed, as a crucial first step was a visit from Hungary to the Dutch site. This became impossible due to travel restrictions connected to the COVID-19 outbreak in Europe.

COMPLETION RATE

25%

Employees

Our Global Employee Satisfaction Survey from 2019 had a high satisfaction score with an average of 3.9 out of 5.

In 2020, the focus of the program was to investigate ways to optimise global cooperation and information flows. A set of focus group discussions were held to get relevant input from the employees on these matters.

Moreover, a global internal communication platform was launched in January 2021, which will further seek to enhance the global company culture.

COMPLETION RATE

75%

Valuable input from employees

The results from the Employee Satisfaction Survey from 2019 were positive and showed a high overall satisfaction score. In the coming years, the Abacus Medicine Group will have a particular focus on global coorperation and information flows. The Group is on a fast-paced growth curve, and it is therefore only natural that the global communication flow will have to be further developed to keep up with demands from the organisation.

To gain a greater insight into how the Abacus Medicine Group could improve on global information flow and communication, HR arranged a set of focus groups with selected employees and managers at our offices in Denmark, Hungary and the Netherlands.

Head of HR, Marianne Juhl Christensen, says, "as a growing global company with lots of cross-country collaboration, it is important that we understand each other's cultural work DNA and differences. The feedback we received from the focus groups elaborated on the need for transparency, knowledge of cultural differences and resource optimisation to ensure a better cooperation across countries and cultures."

With the results at hand, HR then initiated a Global Leadership Training-course for managers, which had a particular focus on intercultural learning. Additionally, HR plans to launch further intercultural initiatives during 2021 that revolves around the specific work cultures and customs of the countries we operate in.

All in all, Marianne Juhl Christensen says that the focus groups have provided HR with valuable insights for initiatives in 2021, and that HR is thankful for the open and honest communication received from both employees and managers in connection with this topic.

The Abacus Medicine Group will conduct the next Employee Satisfaction Survey during the first half of 2021.

Medicine donation

The overall goal of this program was to ensure that any overstock or non-saleable medicines are offered to non-profit organisations. A specific goal for 2020 was to have at least 2-4 shipments over the course of the year as well as outline relevant documentation and key internal processes.

The program made 2 successful donations but has yet to summarise all relevant internal processes.

COMPLETION RATE

25%

Environmental, Social and Governance (ESG) reporting

The goal of this program was to define a complete set of reportable ESG metrics to be included in the 2020 Annual Report.

The program has not been able to complete this goal, as the internal resources dedicated to the program had to be prioritized for the acquisition of Pluripharm instead.

New internal resources have been employed in order for the program to continue its development successfully in 2021.

COMPLETION RATE

0%

Conclusion

We started 2020 with the most ambitious target yet for our CSR efforts. While there were success stories to tell throughout the year, the overall results were not fully satisfying. Performance was uneven across the seven Focus Programs, and it became clear that we needed to rethink our work with CSR.

As a result, an adjusted Sustainability governance structure and reporting scheme were approved and will be effective from 2021 and onwards.

From 2021, the overall responsibility for each Focus Program will be placed with an individual member of the Sustainability Steering Committee to ensure the necessary guidance and motivation and a higher level of governance. The decentralised structure where the daily responsibility for the Focus Programs is delegated to the relevant line functions will continue.

Focus Programs for 2021:

- **ESG Reporting**
  The program will seek to define relevant ESG metrics, collect relevant data, and analyse this data to help us set targets for the future.
- **Optimising transport while reducing emissions**
  The program will continue to investigate ways to measure and optimise the environmental impact of our transport activities.
- **Diversity**
  The program will seek to investigate and focus on diversity in all its forms through various internal activities and programs.
- **Supplier Code of Conduct**
  The program continues from 2020 and will work towards enforcing the Code with our suppliers.
- **Sustainable initiatives and corporate guidelines**
  The program will seek to codify key internal processes to reduce our overall environmental footprint.
- **Overall sourcing**
  The program will look more broadly into sustainable sourcing of various goods, equipment and services.
- **Waste**
  The program will continue to investigate sustainable waste handling and seek to further improve on our waste management.
- **Philanthropy**
  The program will seek to codify our internal processes for philanthropical work and donations. The Medicine Donation program will fall under this new program.

Diversity

The Abacus Medicine Group recognises the importance of promoting diversity, including gender, at all management levels. The purpose of our Diversity Policy is to ensure equal opportunities through encouragement of diversity including age, gender, ethnicity, nationality, religion, education and sexual orientation.

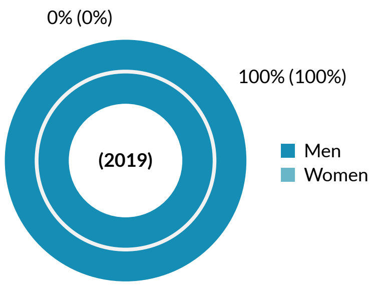
We seek to be an attractive and inclusive workplace for all employees and to ensure equal opportunities in career advancement and the prospect of occupying management positions. Abacus Medicine employs candidates for management positions with profiles and qualifications best suited for the position and the company.

The development in gender representation from 2019 to 2020 has shown an increase of 4.5% in women at the general management level in Abacus Medicine. We have a strong focus on equal opportunities for women and men in the company, and we will continue to focus on the development of all genders through succession planning and management training.

From our Global Satisfaction Surveys in 2018 and 2019, it is clear that the employees of Abacus Medicine feel that they have equal opportunities, regardless of gender. The question concerning equal opportunities had the 4th highest score of all questions (4.3 out of 5) in both 2018 and 2019. This is a result that Abacus Medicine is very proud of and will work to maintain and improve further.

Representation on the Board of Directors
In 2020, Abacus Medicine welcomed a new chairman, Niels Smedegaard. The candidate was chosen due to his extensive experience as a board member in Denmark and internationally. Unfortunately, Abacus Medicine has not been able to find a female candidate offering the right match for the current competencies in the Board, but we continue to look for a qualified candidate and hope to fulfill the goal of electing a female member to the Board in 2021.

Board of Directors
Gender representation (%)

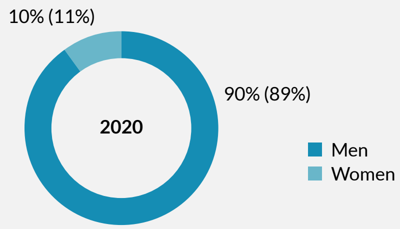


Diversity in numbers

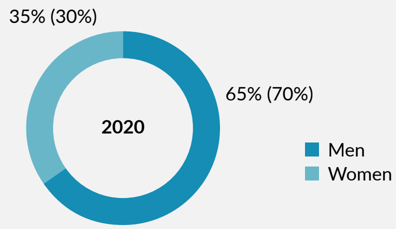
Abacus Medicine and Aposave

The percentages in parentheses indicate 2019 figures. 2019 figures are not available for Pluripharm as it was acquired in July 2020.

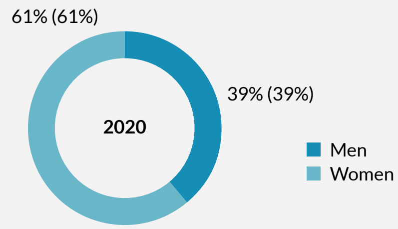
Executive Management of Abacus Medicine and Aposave (excluding Pluripharm)



General Management of Abacus Medicine and Aposave (excluding Pluripharm)

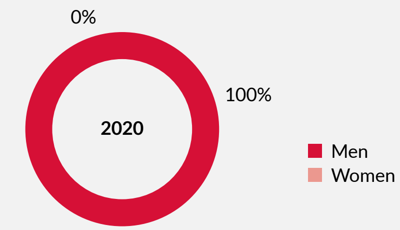


Total Headcount of Abacus Medicine and Aposave (excluding Pluripharm)

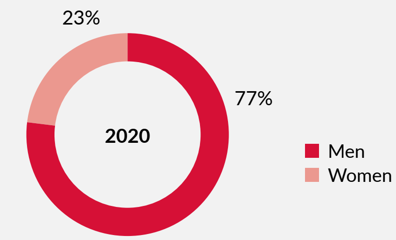


Pluripharm

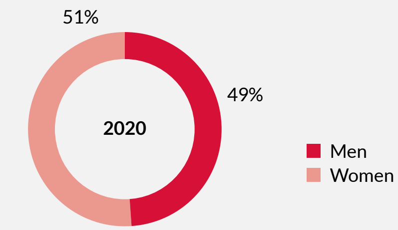
Executive Management of Pluripharm



General Management of Pluripharm

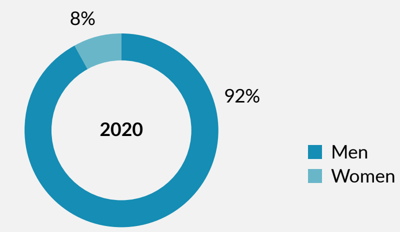


Total Headcount of Pluripharm

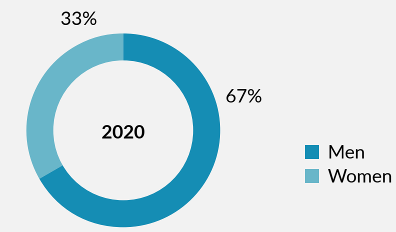


The Abacus Medicine Group including Pluripharm

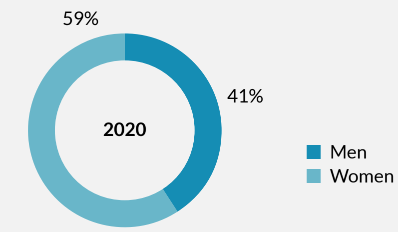
Executive Management of the Abacus Medicine Group (including Pluripharm)



General Management of the Abacus Medicine Group (including Pluripharm)



Total Headcount of the Abacus Medicine Group (including Pluripharm)



Policies and guidelines

In addition to CSR and Diversity, we report on other relevant policies and guidelines in accordance with section 99a of the Danish Financial Statements Act and section 54, part 6, of the UK Modern Slavery Act.

Anti-Corruption

As a global company, Abacus Medicine is in contact with a large variety of stakeholders every day. While corruption has not historically been an issue for our business, we are fully aware of the risk it poses.

Our Anti-Corruption Policy is set in place to counter corruption in all its forms and applies to all employees and representatives of the Abacus Medicine Group. Further to this policy, we also have an Employee Code of Conduct and a Whistleblower Scheme to ensure that all employees work with the highest standards of personal and organisational integrity.

We continue to stay updated and monitor the regulatory climate on anti-corruption. In 2020, we expanded employee training and made minor changes to our Anti-Corruption Policy.

During 2020, we developed a Supplier Code of Conduct, which will be formally implemented in 2021.

Employees and working environment

Abacus Medicine has always strived to provide a safe, healthy and secure working environment for all its employees. At our core is our diverse workforce and a dedication to be completely free of discrimination in all aspects with our well-established Anti-Discrimination Policy.

Our Student Board is continuing its operations with the goal of developing our many student workers both personally and professionally. In the beginning of 2020, the Student Board held an internal Case Competition, which emerged as a great success. Later in the year, a mentor/mentee program was launched to help students develop internally in the organisation as well.

The constant prioritisation of the physical and psychological working environment is the responsibility of our Health and Safety Committee, which includes employee representatives.

In response to the COVID-19 situation, we provided online management training on remote management and created guidelines for managing employees from a distance. Material was created for both managers and employees to support them in the very unusual situation that COVID-19 placed everyone in, and the HR departments at all locations made sure to follow up with both managers and employees to ensure a good working environment during the crisis.

Environment and climate

As Abacus Medicine continues to grow, we become more and more aware of our societal impact and the responsibilities we have to ensure well-documented processes and compliance with a wide range of environmental legislation, including waste management, handling of hazardous materials and responsible destruction of expired medicine.

We are aware of our environmental footprint as part of the pharmaceutical supply chain. Today, our largest environmental impact comes from the use of electricity at our production facilities, paper and cardboard waste from the repackaging of medicine, and lastly, transport, which is carried out by sub-suppliers. These areas will continue to be addressed in Focus Programs in 2021 and will continue to remain central in our commitment towards the environment and climate in the future.

Human Rights

Abacus Medicine has zero tolerance regarding slavery and human trafficking. In 2020, we adopted a policy for Humans Rights. This includes an Anti-Human Trafficking Policy and an Anti-Slavery Policy. These policies are further supplemented by Abacus Medicine's Supplier Code of Conduct.

With our core business in the highly regulated business of buying and selling prescription medicine in the EU, we have not identified Human Rights abuses as a critical risk in our CSR risk and materiality analysis. We have still decided to formalise the Policy and Code of Conduct to eliminate any risk of slavery and human trafficking.

Risk management

Risks are a natural part of our business. Our aim is to mitigate risks, reduce them to an acceptable level through risk management, and adequately report them at all times. Policies and procedures have been determined to ensure efficient management, to the widest extent possible, of the identified risks.

Abacus Medicine 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
- M&A Integration

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

Risk management structure

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 overview of the key short- and long-term risks. Twice a year, the Chief Executive Management Team presents the 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.

The overall risk management structure is outlined as follows:

Board of Directors

- Approves the overall risk policy and framework.
- Monitors the development of the total strategic risk exposures, monitors the individual risk factors and verifies compliance with the overall risk policy.

Chief Executive Management Team

- Determines risk management policies and strategies for the individual risks and ensures implementation.
- Ensures consistency between the risk management framework and the business objectives.
- Monitors risk management and the development in key risks.
- Ensures that adequate resources are available to implement efficient risk management.

Risk Management Board

- Monitors the development in key risks and risk mitigating activities.
- Reports to Chief Executive Management Team and the Board of Directors on risk mitigating activities.

Local risk owners, staff functions and business units

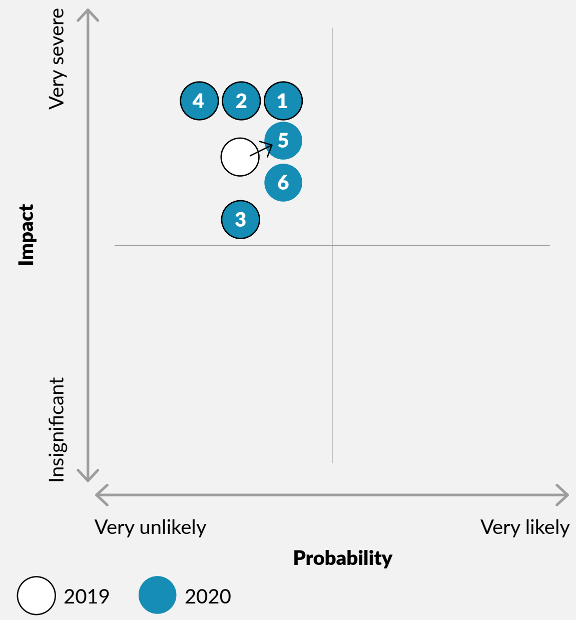
- Identifies, assess, quantifies and records risks.
- Makes suggestions on how to address risks.
- Monitors initiated risk management activities.
- Reports regularly to the Risk Management Board.

Risk assessment in 2020

The process of quantifying, assessing, executing and monitoring risks has been strengthened in 2020 with the establishment of a Risk Management Board. The identified risks and risk mitigation plans were reviewed and assessed by the Risk Management Board and Chief Executive Management Team and 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.

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. M&A - Integration



Key risk factors in 2020

Area	Description	Risk assessment and mitigation 2020
Compliance and regulatory risk	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. Compliance with these requirements is closely monitored by national and European institutions such as the European Medicines Agency (EMA). Failure to comply with regulation may result in prosecution, fines or ultimately loss of licences.	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.
Supply chain and sourcing	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, National Competent Authorities (NCA) of EU member states enforce non-compliant or unproportionate export bans, which could limit the access to medicine for a given time. Further, Abacus Medicine relies on our suppliers' quality systems to prevent falsified medicine from entering our supply chain. However, the number of falsification cases in the legal supply chain where parallel distribution takes place is very low, which is also a result of the FMD implementation in 2019.	Abacus Medicine continuously maintains high quality standards, extensive qualification of suppliers and comprehensive incoming control procedures, while the requirements of the FMD further minimise the risk of counterfeit. Abacus Medicine makes agile purchasing orders to have the possibility to switch purchase orders to countries without export bans, and so far actual export bans have only been enforced for a very short period of time. Overall, the potential financial impact and likelihood of supply chain and sourcing risks occurring remain unchanged from last year.
Capacity constraints	Increased sales and demand for products from Abacus Medicine put pressure on our production capacity, including the human workforce of Abacus Medicine. Further, the COVID-19 pandemic has in 2020 put further pressure on the capacity due to the local restrictions in Hungary and the Netherlands.	To mitigate the risk of capacity constraints in production, Abacus Medicine constantly focuses 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. Therefore, the production in 2020 was not significanty affected by the worldwide pandemic. In 2021, the implementation of a new semi-automated production line is planned, which will improve the capacity of the Hungarian production site. Based on the above, the assessment of the potential financial impact and likelihood of capacity constraint risks remains unchanged compared to last year.
Funding and liquidity risks	Fundamental liquidity risks may occur if Abacus Medicine 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. An increase in the level of the company's debt could also have a detrimental effect on Abacus Medicine's business.	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. A new agreement with the bank in 2020 has improved Abacus Medicine's funding and liquidity position. For further information please refer to note 4.4. The funding and liquidity risk remains unchanged from last year in respect of the potential financial impact.
IT risks	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.	Management has in 2020 continued to increase the focus on the threat of cyber attacks, and Abacus Medicine continues to invest in the protection of data and IT systems. The acquisition of Pluripharm in 2020 has implied the takeover of new data centers, an ERP-system and other operational systems. In 2020, the Abacus Medicine Group experienced stable performance from our IT infrastructure - both in terms of operational stability and successful mitigation of potential cyber attacks. IT security technologies and controls are in place and have been strengthened in 2020. Although there is continued focus on IT risks, the acquisition of Pluripharm and increasing risk of cyber attacks do imply an increased IT risk as reflected in the 2020 risk map.
M&A – Integration	Acquisitions entail a risk of unsuccessful integration of the acquired company, which could result in costly synergies and strategic advantages being delayed or not fully realised. Deciding on and carrying out the wrong acquisition may be costly and take up valuable resources that could have been spent on other potential acquisition candidates. Due to the acquisition of Pluripharm in 2020, this is a new identified risk in 2020.	Abacus Medicine acquired Pluripharm in 2020, marking the largest acquisition in the history of the Abacus Medicine Group. An acquisition of this size renders the potential financial impact from a failed integration and presents a significant risk for the Group. The integration work is progressing according to plan without any significant surprises. However, there is still a long way to go before the full integration is completed, hence a risk of unsuccessful integration still exists.

Board of Directors and Chief Executive Management Team

Board of Directors

Niels Smedegaard
Chairman since 2020

Member of the Remuneration Committee

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

Flemming Wagner
CEO, Co-founder and majority shareholder. Member since 2009

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

Mark Johnston
Member since 2019

Member of the Audit Committee and the Renumeration 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

Member of the Audit Committee

Mr. Troelsen is an experienced 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 with previous positions as Partner and Managing Director at the Boston Consulting Group, and Marketing Director with Procter & Gamble.

Anders K. Bønding
Member since 2019

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.

Chief Executive Management Team

Flemming Wagner
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) since 2017

Mrs. McCormick is an Attorney and Qualified Lawyer (QLTT) with previous experience from lawfirms in Denmark and the United Kingdom.

Peter Rønnest Andersen
Chief Financial Officer (CFO) since 2021

Mr. Rønnest Andersen took over as CFO on April 1, 2021. Mr. Rønnest Andersen has extensive CFO experience from more than 20 years as CFO in Maersk Tankers, Maersk Drilling, Maersk Line and Haldor Topsoe A/S.

Frederik Heupel
Chief Commercial Officer (CCO) since 2021

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

Financial statements

INCLUSION OF PLURIPHARM

The acquisition of the Pluripharm Group had a significant impact on both the results and the balance sheet in this year's financial statements.

SHARE-BASED PAYMENTS

Abacus Medicine granted new warrants to subscribe for shares to board members, managers and employees this year.

Contents

Primary statements

Sections

Income statement

Note	EUR'000	2020	2019
2.1	Revenue	663,501	421,445
2.2	Cost of sales	-595,944	-371,407
	Gross profit	**67,557**	**50,038**
	Other external costs	-20,371	-10,715
2.3	Staff costs	-34,227	-24,570
	Operating profit before depreciations, amortisation and special items (adjusted EBITDA)	**12,959**	**14,753**
2.5	Special items	-476	-4,104
	Operating profit before depreciations and amortisation (EBITDA)	**12,483**	**10,649**
2.6	Depreciation and amortisation	-7,136	-5,249
	Operating profit (EBIT)	**5,347**	**5,400**
5.3	Share of profit (loss) in associates	-81	-
2.7	Finance income	168	150
2.7	Finance expenses	-4,097	-2,973
	Profit before tax	**1,337**	**2,577**
2.8	Tax	-904	-1,748
	Profit for the year	**433**	**829**
4.2	Earnings per share, EUR	0.0	0.1
	Diluted earnings per share, EUR	0.0	0.1

Statement of other comprehensive income

Note	EUR'000	2020	2019
	Profit for the year	**433**	**829**
	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	-209	946
	Exchange differences on translation of foreign operations	-2	-111
2.8	Income tax effect	46	-208
		-165	627
	Other comprehensive income/(loss) for the year, net of tax	**-165**	**627**
	Total other comprehensive income	**268**	**1,456**
	Earnings per share, EUR	0.0	0.1
	Diluted earnings per share, EUR	0.0	0.1

Balance sheet

Note	EUR'000	2020	2019
	ASSETS		
	Non-current assets		
3.1	Intangible assets	30,130	17,836
3.2	Property, plant and equipment	11,344	3,269
3.3	Right-of-use assets	5,352	2,650
5.3	Investments in associates	72	-
5.3	Other securities	0	-
3.5	Other receivables	465	1,035
2.8	Deferred tax assets	3,657	78
	Total non-current assets	**51,020**	**24,868**
	Current assets		
3.4	Inventory	108,536	67,873
3.5	Trade and other receivables	59,753	32,248
4.3	Cash	218	1,975
	Total current assets	**168,507**	**102,096**
	Total ASSETS	**219,527**	**126,964**

Note	EUR'000	2020	2019
	EQUITY AND LIABILITIES		
	Equity		
4.1	Share capital	510	506
	Other reserves	-205	121
	Retained earnings	52,719	50,989
	Total equity	**53,024**	**51,616**
	Non-current liabilities		
2.8	Deferred tax liabilities	3,308	2,657
4.4	Borrowings	-	-
3.3	Lease liabilities	3,608	1,494
3.7	Other payables	1,251	412
	Total non-current liabilities	**8,167**	**4,563**
	Current liabilities		
4.4	Borrowings	69,635	29,584
3.3	Lease liabilities	1,776	1,248
3.8	Provisions	6,008	4,243
3.6	Trade payables	62,699	21,038
2.8	Income tax payable	779	882
3.7	Other payables	17,439	13,790
	Total current liabilities	**158,336**	**70,785**
	Total liabilities	**166,503**	**75,348**
	Total EQUITY AND LIABILITIES	**219,527**	**126,964**

Cash flow statement

Note	EUR'000	2020	2019
	Operating activities		
	Profit before tax	1,337	2,577
	Adjustments to reconcile profit before tax to net cash flow:		
2.6	Depreciation and amortisation	7,136	5,249
	Share of profit (loss) in associates	81	-
2.7	Finance income	-168	-150
2.7	Finance expenses	4,096	2,973
3.9	Changes in working capital	-21,395	-39,158
	Interest received	168	150
	Interest paid	-3,056	-2,273
2.8	Income tax paid	-850	-1,207
	Net cash flow from operating activities	**-12,651**	**-31,839**

Note	EUR'000	2020	2019
	Investing activities		
3.1	Purchase of intangible assets	-6,858	-6,398
3.2	Purchase of property, plant and equipment	-2,031	-1,946
5.5	Acquisition of subsidiary	0	-
	Paid deposits regarding buildings etc.	-79	-121
	Disposals, non-current assets	-	-
	Net cash flow used in investing activities	**-8,968**	**-8,465**
	Financing activities		
	Capital increases	-	34,500
	Proceeds from borrowings (credit facility)	20,625	8,214
	Proceeds from exercise of warrants	1,373	510
3.3	Repayment of lease liabilities	-1,504	-1,065
	Sale/purchase of treasury shares	415	-415
	Deposits regarding bank agreement	-1,047	-811
	Net cash flow from financing activities	**19,862**	**40,933**
	Cash flow for the year	**-1,757**	**629**
	Cash at beginning of the year	1,975	1,346
4.3	**Cash at 31 December**	**218**	**1,975**

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 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
Sale 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**

EUR'000	Share capital	Cash flow hedge reserve	Foreign currency translation reserve	Treasury shares	Retained earnings	Total
Equity 1 January 2019	**373**	**-617**	**-50**	**-**	**14,693**	**14,399**
Total comprehensive income 2019						
Profit for the year	-	-	-	-	829	829
Other comprehensive income						
Cash flow hedges – effective portion of changes in fair value	-	946	-	-	-	946
Exchange differences on translation of foreign operations	-	-	-111	-	-	-111
Tax on other comprehensive income	-	-208	-	-	-	-208
Total other comprehensive income	**-**	**738**	**-111**	**-**	**-**	**627**
Total comprehensive income for the period	**-**	**738**	**-111**	**-**	**829**	**1,456**
Transactions with owners						
Capital increase	133	-	-	-	35,943	36,076
Purchase of treasury shares	-	-	-	-415	-	-415
Equity-settled share-based payments	-	-	-	-	100	100
Total transactions with owners	**133**	**-**	**-**	**-415**	**36,043**	**35,761**
Equity 31 December 2019	**506**	**121**	**-161**	**-415**	**51,565**	**51,616**

Overview of notes for the consolidated financial statements

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 2020, 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 2020 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 2019 of Abacus Medicine A/S, except for the implementation of new and amended standards (see below) and reclassification of customer bonus liabilities from Other Payables to Trade Payables.

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 have on 08 June 2021 discussed and approved the annual report for Abacus Medicine A/S for 2020. The annual report will be presented to the shareholders of Abacus Medicine A/S for adoption at the annual general meeting on 29 June 2021.

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 2020. 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, intra-Group 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.

Business combinations
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

Section 1 – Basis of preparation

1.1 Accounting policies (continued)

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 recognised 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.

Derivative financial instruments
Initial recognition
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.

Income Statement
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 recognized at one-point-of-time. Due to factoring agreements, the receivables are either sold or financed, 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:

Rights of return assets
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 decreases in the value of the returned goods. The measurement of the asset is updated recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

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 (and the corresponding change in the transaction price) at the end of each reporting period.

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, service relating to office buildings, etc.

Staff costs
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.

Section 1 – Basis of preparation

1.1 Accounting policies (continued)

Share-based payments
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") or cash ("cash-settled transactions"), which is relevant for the program where the employees have the option to choose between equity instruments or cash. 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. The cost of cash-settled transactions is determined by the expected payment to the employees.

That cost is recognised in staff costs, together with a corresponding increase in equity (other capital reserves) for equity-settled programs or other payables for cash-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.

A liability is recognised for the fair value of cash-settled transactions, within other payables (current). The fair value is measured initially and at each reporting date up to and including the settlement date, with changes in fair value recognised in employee benefits expense. The fair value is expensed over the period until the vesting date with recognition of a corresponding liability.

Special items
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.

Finance income and expenses
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.

Income tax
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 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.

Balance sheet
Intangible assets
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 licenses 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 amortisaion 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 licenses 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:

Licenses	5-8 years
Software	3-10 years

The assets have no scrap value.

Gains and losses on the disposal of rights and licenses 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

Section 1 – Basis of preparation

1.1 Accounting policies (continued)

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.

Property, plant and equipment
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

The assets have no scrap value.

Depreciation is calculated on cost price less scrap 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.

Leases
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.

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 1 – Basis of preparation

1.1 Accounting policies (continued)

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.

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.

Inventories
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.

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 receivables.

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

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

Equity
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).

Taxation
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, of 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".

Section 1 – Basis of preparation

1.1 Accounting policies (continued)

Provisions
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.

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 the 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 dividend to shareholders.

Segment disclosures
The segment disclosures provided reflect the information for the reportable segments which the management receives monthly in its capacity as decision maker as defined in IFRS 8. The allocation of resources and the segment performance are evaluated based on revenue, gross profit and profitability measured on earnings before interest, taxes, depreciations and amortisation (EBITDA)

Section 1 – Basis of preparation

1.1 Accounting policies (continued)

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

Section 1 – Basis of preparation

1.2 New accounting policies and disclosures

Abacus Medicine has implemented the standards and amendments that are effective for the financial year 2020. The new standards and amendments have neither affected Abacus Medicine's recognition or measurement of financial items for 2020, 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 2020 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, and 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.

Sales return
Certain contracts for the sale of products include a right of return that gives rise to variable consideration. In estimating the variable consideration, Abacus Medicine considers the historical experience, business forecast and the current economic conditions. The provision is presented gross under provisions and inventory.

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.

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.

Warrants program
Estimating fair value for Warrant programs 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 2016, 2017, 2018 and 2020, of which the plans from 2018 and 2020 are 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 2017, 2018 and 2020 program, the employees only receive equity instruments. For the accounting principles, please refer to the section on "share based payments" in the accounting policies.

Receivables
The Group applies the simplified approach to measure expected credit losses which uses lifetime expected credit losses for all trade receivables at each reporting date. The provision for expected credit losses is based on days past due for groups of customer with similar credit risk characteristics as well as an individual assessments. An analysis of overdue trade receivables and movements in the provisions for bad debts is included in note 3.5.

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. Please refer to note 5.5 for information about business combinations.

Section 2 – Result of the year

2.1 Segment information

The presentation of the reportable operating segments for Abacus Medicine is defined by the operational structure which is derived from the types of activities we are engaged in and our geographical presence throughout Europe, which is in line with the internal management reporting. Aposave accounts for less than 10% of the revenue, gross profit and assets in the Group, and due to similar characteristics, Aposave has been reported in combination with Abacus Medicine - Parallel Distribution.

Operating Segments
Our business operations are carried out by the following reportable segments, forming the basis of our segment reporting.

Abacus Medicine - Parallel Distribution and Aposave
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.

Operating information

	2020				2019			
EUR'000	Abacus Medicine	Pluri-pharm*	Elimi-nations	Total	Abacus Medicine	Pluri-pharm	Elimi-nations	Total
Revenue	567,730	98,592	-2,821	663,501	421,445	-	-	421,445
Gross Profit	61,243	6,314	-	67,557	50,038	-	-	50,038
EBITDA	13,749	-1,266	-	12,483	10,649	-	-	10,649
Total Assets	157,793	61,734	-	219,527	126,964	-	-	126,964

* Pluripharm result as from 29 July 2020.

Geographical allocation of revenue and non-current operating assets

	2020		2019	
EUR'000	Revenue	Non-current operating assets	Revenue	Non-current operating assets
Geographical allocation of revenue and non-current operating assets				
Denmark	54,554	18,139	56,243	15,518
Germany	258,886	167	224,280	196
The Netherlands	148,437	18,014	33,651	2,262
Sweden	58,812	0	33,968	0
Other countries	142,812	10,506	73,303	5,779
Total	**663,501**	**46,826**	**421,445**	**23,755**

Non-current assets for this purpose consists of property, plant and equipment, intangible assets and right-of-use assets.

In 2020, Abacus Medicine had one customer in Denmark/Sweden with 16% of the Group revenue (2019: one customer in Germany, 11% and one customer Denmark/Sweden, 13%). However, customers in the pharmaceutical industry are mainly wholesalers which act on behalf of the pharmacies.

Section 2 – Result of the year

2.2 Cost of sales

Cost of sales comprise of the following:

EUR'000	2020	2019
Cost of inventories recognised as an expense	592,045	367,237
Write-down of inventory, net	3,899	4,170
Total	**595,944**	**371,407**

2.3 Staff costs

EUR'000	2020	2019
Wages and salaries	29,371	20,927
Pensions, defined contribution plans	2,234	1,915
Other social security costs	539	517
Other staff costs	2,672	1,811
Share-based payment expense	332	357
Total employee benefit expenses	**35,148**	**25,527**
Of which are capitalised as intangible assets	-921	-957
Total employee benefit expense in the income statement	**34,227**	**24,570**
Average number of full-time employee	**912**	**618**

2.3 Staff costs (continued)

The below amounts are included in the total staff costs.

EUR'000	2020	2019
Board of Directors and Chief Executive Officer		
Wages and salaries	702	669
Pensions, defined contribution plans	41	38
Share-based payments	10	15
Social security costs	1	1
Total	**754**	**723**
Average number	6	6
Key Management Personnel		
Wages and salaries	1,696	1,671
Pensions, defined contribution plans	128	130
Share-based payments	156	65
Social security costs	9	15
Total	**1,989**	**1,881**
Average number	9	8

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

Remuneration to the Key Management Personnel and other employees
Remuneration to the Chief Executive Officer and Board of Directors represents EUR 754 thousand (2019: EUR 723 thousand). Abacus Medicine has entered into warrant agreements with members of the Board of Directors and Key Management Personnel. For further details on remuneration to the Board of Directors and Key Management Personnel, refer to note 2.4 regarding share-based payments.

Section 2 – Result of the year

2.4 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 2017 allow those eligible to subscribe for up to 81,211 new shares of EUR 0.05 each in Abacus Medicine A/S. The subscription price is EUR 4.92 per share, corresponding to a total potential subscription price of EUR 400 thousand. This warrant agreement was only allowed to be settled with shares in June 2020. The warrant scheme has been accounted for as an equity-settled program.

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 to be settled 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 eligble 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 to be settled with shares which must take place in April 2025 the latest. The warrant scheme has been accounted for as an equity-settled program.

Warrant agreements entered into in July 2020 allow those eligble 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 to be settled with shares which must take place in December 2020 (45,700 shares) and April 2025 the latest (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 eligble 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.

Section 2 – Result of the year

2.4 Share-based payments (continued)

EUR'000	2020	2019
Equity-settled expense	332	100
Cash-settled expense	-	257
Total share-based payment expense	**332**	**357**

	Board of Directors	Key Personnel	Other employees	Total number	Average exercise price per option (EUR)
Specification of outstanding share options					
Outstanding at 31 December 2018	**45,309**	**61,752**	**236,380**	**343,441**	
Additions relating to previous year (2018 program)	-	37,267	-	37,267	
Forfeited	-	-	-18,390	-18,390	
Exercised	-	-24,164	-102,291	-126,455	4.82
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**	
Exercisable 31 December 2020	-	-	-	-	

	Other employees (2016 program)	Total number
Specification of outstanding warrants with cash settlement alternative		
Outstanding at 31 December 2018	**134,778**	**134,778**
Granted	-	-
Forfeited	-8,323	-8,323
Exercised	-126,455	-126,455
Expired	-	-
Outstanding at 31 December 2019	**-**	**-**
Outstanding at 31 December 2020	**-**	**-**
Exercisable at 31 December 2020	**-**	**-**

The average remaining contractual life for the share options outstanding at 31 December 2020 was 2.5 years (2019: 2 years). The exercise prices are between EUR 10.16 - EUR 10.42 per share option (2019: EUR 4.92 - EUR 16.22).

In 2020, the expense in regards to share-based payments recognised in the income statement amounts to EUR 332 thousand (2019: EUR 357 thousand).

Section 2 – Result of the year

2.4 Share-based payments (continued)

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

	2020 Equity Settled	2018 Equity Settled	2017 Equity Settled
Weighted average fair values at measurement date	2.7	1.7	1.7
Weighted average share price	12.0	10.8	4.7
Exercise price	10.2-13.5	16.2	4.9
Expected volatility (%)	35%	25%	25%
Expected life of share options	1-38 months	25-39 months	30 months
Dividend yield (%)	0.0%	0.0%	0.0%
Risk-free interest rate (%)	-0.4-0.6 %	0.0%	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

EUR'000	2020	2019
IPO project related expenses	-	1,537
Private equity related expenses	-	2,567
Transaction costs relating to the acquisition of the Pluripharm Group	476	-
Total	**476**	**4,104**

2.6 Depreciation and amortisation

EUR'000	2020	2019
Amortisation and write-downs, intangible assets	3,842	2,959
Depreciation, property, plant and equipment	1,793	1,132
Depreciation, right-of-use assets	1,501	1,158
Total	**7,136**	**5,249**

2.7 Net finance costs

EUR'000	2020	2019
Finance income		
Other finance income	168	150
Total finance income	**168**	**150**

Finance income related to balance sheet items recognised at amortised cost amount to EUR 168 thousand (2019: EUR 150 thousand).

EUR'000	2020	2019
Finance expenses		
Other finance costs	3,097	2,122
Interests, lease liabilities	95	89
Amortised loan costs	228	162
Foreign exchange loss, net	677	600
Total finance expenses	**4,097**	**2,973**

Finance expenses related to balance sheet items recognised at amortised cost (the credit facility and lease liabilities) amount to EUR 1,398 thousand (2019: EUR 875 thousand).

Section 2 – Result of the year

2.8 Income tax

EUR'000	2020	2019
Current income tax		
Current income tax charge	1,043	1,191
Adjustment in respect of current income tax of previous year	-318	-
Deferred tax		
Relating to origination and reversal of temporary difference	179	557
Income tax expense reporting in the income statement	**904**	**1,748**

EUR'000	2020	2019
Statement of other comprehensive income		
Deferred tax related to items recognised in other comprehensive income during the year		
Net gain/loss on revaluation of cash flow hedges	46	-208
Income tax recognised in other comprehensive income	**46**	**-208**

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

EUR'000	2020	2019
Accounting profit before income tax		
Calculated 22% tax on profit for the year	294	567
Utilisation of previously unrecognised losses	13	163
Deferred tax asset not recognised	426	-
Tax effect of:		
Deviation in foreign subsidiaries' tax rates compared with the Danish rate	-19	75
Adjustment in respect of current income tax of previous year	-318	0
Other non-deductible expenses, etc.	490	943
Share of profit (loss) in associates	18	-
Total	**904**	**1,748**
Effective tax (%)	**67.6%**	**67.8%**

EUR'000	2020	2019
Deferred tax		
Deferred tax 1 January	-2,579	-1,814
Addition from business combination	3,075	-
Currency translation	-14	0
Deferred tax for the year recognised in profit for the year	-179	-557
Deferred tax for the year recognised in other comprehensive income	46	-208
Deferred tax 31 December	**349**	**-2,579**
Reflected in the statement of financial position as follows:		
Deferred tax assets	3,657	78
Deferred tax liabilities	-3,308	-2,657
Deferred tax 31 December, net	**349**	**-2,579**

Of the recognized deferred tax assets, EUR 3,471 thousand (2019: EUR 0 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 893 thousand (2019: EUR 467 thousand). The deferred tax assets have not been recognised due to uncertainties on the timing of the realisation.

Deferred tax relates to:	2020	2019
Intangible assets	-3,751	-2,969
Cash flow hedge reserve	12	-34
Tax losses carried forward	3,471	-
Other assets and liabilities, net	617	424
Total	**349**	**-2,579**

EUR'000	2020	2019
Income tax payable		
Income tax payable 1 January	882	897
Current tax for the year	1,043	1,191
Adjustment in respect of current income tax of previous year	-318	-
Exchange rate adjustments, interests, etc.	22	1
Corporation tax paid during the year	-850	-1,207
Income tax payable 31 December	**779**	**882**

Section 3 – Invested capital and Working capital items

3.1 Intangible assets

EUR'000	Development costs	Software	Licenses	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	-	-	0
Disposals	-	-	-640	-	-640
Cost 31 December 2020	-	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**

EUR'000	Development costs	Software	Licenses	Goodwill	Total
Cost 1 January 2019	2,946	-	16,697	2,905	22,548
Currency translation	-	-	0	-	0
Additions	-	-	1,708	-	1,708
Additions internally developed	316	2,093	2,281	-	4,690
Reclassification	-2,946	3,626	-		680
Disposals	-	-	-4,827	-	-4,827
Cost 31 December 2019	316	5,719	15,859	2,905	24,799
Amortisation and impairment 1 January 2019	-	-	8,658	-	8,658
Currency translation	-	-	-1	-	-1
Amortisation	-	726	2,053	-	2,779
Write-downs	-	-	180	-	180
Reclassification	-	145	-	-	145
Disposals	-	-	-4,798	-	-4,798
Amortisation and impairment 31 December 2019	-	871	6,092	-	6,963
Carrying amount 31 December 2019	**316**	**4,848**	**9,767**	**2,905**	**17,836**

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

Software is amortised over 3-10 years and Licences are amortised over 5-8 years. There have been no indications of impairment of the intangible assets.

Goodwill was recognised as a part of the acquisition of the Aposave entities on 21 December 2017 and the Pluripharm Group on 29 July 2020. The carrying amount of goodwill as of 31 December 2020 amounts to EUR 2,916 thousand regarding Aposave (2019: EUR 2,905 thousand) and EUR 2,590 thousand regarding Pluripharm. Since goodwill is not amortised, the carrying amount is at least tested for impairment annually. The impairment test in 2020 did not give rise to recognising any impairment losses.

Section 3 – Invested capital and Working capital items

3.1 Intangible assets (continued)

Assumptions
The calculation of the recoverable amount is based on a value-in-use calculation of the Aposave 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 2021 prepared by the management and approved by Board of Directors, and outlook for the subsequent 2-4 years.

The average yearly revenue growth applied in the period 2021-2023 is 134% (2019: 59%) for Aposave and 14% for Pluripharm in the period 2021-2025. Further, we have applied increasing gross margin for Aposave to above 15% and for Pluripharm to above 5% until the terminal periods based on the estimates in the approved budget and outlook for the coming years. In nature, these projections are subject to judgement and estimates that are uncertain. The actual revenue in 2020 amounted to EUR 12 million for Aposave and EUR 232 million for Pluripharm (full year).

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 15.0% (2019: 15.1%) for Aposave and 12.0% for Pluripharm, which represent the current market assessment of the risks specific to the Aposave 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 Aposave 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, which 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% (2019: 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.

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3.2 Property, plant and equipment

EUR'000	Land and buildings	Leasehold improvements	Other fixtures 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
Disposals	-	-	-	-
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
Disposals	-	-	-	-
Depreciation and impairment 31 December 2020	113	765	3,121	3,999
Carrying amount 31 December 2020	**3,691**	**658**	**6,995**	**11,344**
Cost 1 January 2019	-	1,139	3,534	4,673
Currency translation	-	-6	22	16
Additions	-	270	1,676	1,946
Reclassification	-	0	-680	-680
Disposals	-	-22	-324	-346
Cost 31 December 2019	-	1,381	4,228	5,609
Depreciation and impairment 1 January 2019	-	415	1,288	1,703
Currency translation	-	1	-11	-10
Depreciation	-	201	931	1,132
Reclassification	-	0	-145	-145
Disposals	-	-22	-318	-340
Depreciation and impairment 31 December 2019	-	595	1,745	2,340
Carrying amount 31 December 2019	**0**	**786**	**2,483**	**3,269**

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

Section 3 – Invested capital and Working capital items

3.3 Leases

EUR'000	Buildings	Other fixed assets	Total
Right-of-use assets			
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
Re-measurement of lease liabilities	2,506	-	2,506
Carrying amount at 31 December 2020	**4,077**	**1,275**	**5,352**
Opening balance at 1 January 2019	-	-	-
Impact of accounting policy change	2,537	740	3,277
Additions	468	63	531
Depreciation	-890	-268	-1,158
Carrying amount at 31 December 2019	**2,115**	**535**	**2,650**

Please refer to note 1.1 for description of the following:

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

EUR'000	2020	2019
Lease liabilities		
Maturity analysis - contractual undiscounted cash flows		
Less than 1 year	1,825	1,311
Between 1 and 5 years	3,649	2,670
More than 5 years	-	-
The undiscounted cash flows	**5,474**	**3,981**
Lease liability recognised on the balance sheet	**5,384**	**2,742**
Current lease liability	1,776	1,248
Non-current lease liability	3,608	1,494

EUR'000	2020	2019
Amount recognised in the income statement		
Interest expense from lease liabilities	95	89
Lease expenses for short-term leases	26	90
Total	**121**	**179**

In 2020, Abacus Medicine paid EUR 1,599 thousand (2019: EUR 1,154 thousand) on lease contracts of which interest payments related to lease liabilities amount to EUR 95 thousand (2019: EUR 89 thousand) and down payments on lease liabilities amounts to EUR 1,504 thousand (2019: EUR 1,065 thousand).

Costs recognised in the period for short-term leases were EUR 26 thousand (2019: EUR 90 thousand) and low-value leases were EUR 0 thousand (2019: EUR 0 thousand). Expenses are recognised on a straight-line basis as Other external costs.

3.4 Inventories

EUR'000	2020	2019
Raw materials and consumables	31,152	27,341
Manufactured goods and goods for resale	77,384	40,532
Total inventories at the lower of cost and net realisable value	108,536	67,873

During 2020, EUR 3,899 thousand (2019: EUR 4,170 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	2020	2019
Inventory write-downs at 1 January	1,937	1,793
Utilised and reversed during the year	-1,937	-1,793
Additional write-downs during the year	2,272	1,937
Inventory write-downs at 31 December	**2,272**	**1,937**

Section 3 – Invested capital and Working capital items

3.5 Trade and other receivables

EUR'000	2020	2019
Non-current		
Other receivables	465	1,035
Total non-current	**465**	**1,035**
Current		
Receivables from sales and services	43,700	23,318
Receivables from associates	206	-
Deposits regarding factoring agreement	5,734	4,687
VAT receivables	6,997	3,117
Other receivables	1,948	397
Receivable from parent company	-	-
Prepayments	1,168	729
Total current	**59,753**	**32,248**

Abacus Medicine's customers are mainly wholesalers and pharmacies. In general, all Abacus Medicine's invoices to customers are sold to or financed by 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 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 2020 (2019: EUR 0 million).

3.6 Trade payables

EUR'000	2020	2019
Trade payables	62,699	21,038
Total	**62,699**	**21,038**

3.7 Other payables

EUR'000	2020	2019
Non-current		
Employee-related payables	1,251	412
Total non-current	**1,251**	**412**
Current		
VAT payables	11,679	9,482
Employee-related payables	4,626	1,829
Other payables	1,134	2,479
Total current	**17,439**	**13,790**

Section 3 – Invested capital and Working capital items

3.8 Provisions

	Return provisions
At 1 January 2020	4,243
Arising during the year	6,008
Utilised	-4,243
At 31 December 2020	**6,008**
Current	6,008

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	2020	2019
Change in inventory	-28,334	-6,202
Change in receivables	-6,639	-12,987
Change in trade payables etc.	12,847	-20,434
Change in provisions etc., non-cash items	1,251	0
Other non-cash items	-520	465
Total	**-21,935**	**-39,158**

Section 4 – Capital structure and Net financials

4.1 Equity

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 intend to retain 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 2020: 27%, end 2019: 41%).

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 is based on the inventory level compared to the credit utilisation, the solvency and leverage. The financial covernants in the current bank agreement have in 2020 been updated. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

	Number				
	2020	2019	2018	2017	2016
Equity					
Issued shares					
1 January	10,113,245	7,450,000	2,774,747	2,642,617	2,642,617
Additions	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	**10,193,114**	**10,113,245**	**7,450,000**	**2,774,747**	**2,642,617**

	Nominal value (EUR)				
	2020	2019	2018	2017	2016
1 January	505,662	372,500	372,500	354,714	354,714
Additions	3,994	133,162	-	17,736	-
Impact of conversion of registered share capital from DKK to EUR	-	-	-	50	-
31 December – fully paid	**509,656**	**505,662**	**372,500**	**372,500**	**354,714**

The share capital consist of 10,193,114 shares with a nominal value of 0.05 EUR each. None of the shares are assigned with special rights.

	No. of shares	Nom. Value	% of share capital
Treasury shares			
1 January 2020	30,743	1,537	0.3%
Sold to Board member	-30,743	-1,537	-0.3%
31 December 2020	**0**	**0**	**0.0%**

Section 4 – Capital structure and Net financials

4.2 Earnings per share and dividend

EUR'000	2020	2019
Profit attributable to equity holders	**433**	**829**
Weighted average number of ordinary shares	10,193,114	10,113,245
Effect of share options	212,429	289,652
Weighted average number of ordinary shares adjusted for the effect of dilution	**10,405,543**	**10,402,897**
Basic earnings per share, EUR	0.0	0.1
Diluted earnings per share, EUR	0.0	0.1

At 15th of January 2021 a capital increase of 83,983 shares and nominel value of EUR 4,198 has been completed. 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

EUR'000	2020	2019
Cash at bank and in hand	218	1,975
Total cash	**218**	**1,975**

4.4 Borrowings

EUR'000	2020	2019
Non-current liabilities		
Credit institutions and banks	-	-
Current liabilities		
Credit institutions and banks	51,361	29,883
Amortized costs	-280	-299
Factoring	18,554	-
Total current liabilities	**69,635**	**29,584**
Carrying amount, Non-current and Current liabilities	**69,635**	**29,584**
Nominal amount	69,915	29,883

4.4 Borrowings (continued)

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. As of 31 December 2020 the leverage covenant of the committed facility was breached. Abacus Medicine has received a waiver for the breach.

Abacus Medicine A/S acquired Pluripharm Group 29 July 2020. Loan facility in Pluripharm Group was as of the acquisition date in technical breach with its covenant related to the loan. Pluripharm Group has received a waiver for the breach. Consequently, the facility is presented as current in the balance sheet at 31 December 2020.

4.5 Financial risk and financial instruments

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 management of these risks. The Board of Directors reviews and approves 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.

Section 4 – Capital structure and Net financials

4.5 Financial risk and financial instruments (continued)

Sales/receivables: Abacus Medicine enters into 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 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, and 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 and therefore the company does not enter into 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 and GBP, forecasted purchases and production costs, HUF. 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.

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 in EUR thousand on profit before tax from a change in Abacus Medicine's primary foreign currencies.

EUR'000	Change in exchange rate	Profit before tax 2020	Profit before tax 2019
SEK	5%	8	-55
GBP	5%	361	114
NOK	5%	169	165
PLN	5%	84	89
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 101 million (DKK 750 million). Further, the Group has a factoring agreement with ABN AMRO with a limit of EUR 35 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 1.4 million (2019: EUR 0.8 million) and equity by EUR 1.4 million (2019: EUR 0.8 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 due to 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 for account 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.

Section 4 – Capital structure and Net financials

4.5 Financial risk and financial instruments (continued)

Abacus Medicine has a committed credit facility with Danske Bank with a credit limit of EUR 74 million (DKK 550 million) with a three-year term and a factoring agreement with AL Finans with a limit of EUR 101 million (DKK 750 million). Further, the Group has a factoring agreement with ABN AMRO with a limit of EUR 35 million for the activities in Pluripharm. Factoring is chosen because it allows for financing of nearly all sales invoices, where 100% of invoice amounts of the invoices that are sold to or financed by a factoring company are paid to Abacus Medicine no later than the day after the invoice has been issued.

As of 31 December 2020 the leverage covenant of the committed facility with Danske Bank was breached. Abacus Medicine has received a waiver for the breach.

Loan facility in Pluripharm Group was as of the acquisition date in technical breach with its covenant. Pluripharm Group has received a waiver for the breach. Renegotiations with the bank regarding financing and terms has been initiated.

EUR'000	Contractual cash flows	< 1 year	1 - 3 years	3 - 5 years	>5 years
Maturity analysis					
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**

EUR'000	Contractual cash flows	< 1 year	1 - 3 years	3 - 5 years	>5 years
2019					
Non-derivative financial instruments					
Credit institutions and banks	29,883	29,883	-	-	-
Trade payables	21,038	21,038	-	-	-
Other payables	14,202	13,790	-	-	412
Lease liabilities	3,981	1,311	2,670	-	-
Derivative financial instruments					
Exchange rate hedging	-	-	-	-	-
31 December 2019	**69,104**	**66,022**	**2,670**	**0**	**412**

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 or financed by 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 2020 (2019: EUR 0 million).

Section 4 – Capital structure and Net financials

4.5 Financial risk and financial instruments (continued)

	Carrying amount		Fair value	
EUR'000	2020	2019	2020	2019
Categories of financial instruments				
Financial assets at fair value – hedging instruments				
Derivative financial instruments	-	156	-	156
Total	**0**	**156**	**0**	**156**
Financial assets measured at amortised cost				
Trade receivables	59,753	32,092	59,753	32,092
Cash	218	1,975	218	1,975
Total	**59,971**	**34,067**	**59,971**	**34,067**
Financial liabilities at fair value – hedging instruments				
Derivative financial instruments	53	-	53	-
Total	**53**	**0**	**53**	**0**
Financial liabilities measured at amortised cost				
Borrowings	69,915	29,584	69,915	29,584
Lease liabilities	5,384	2,742	5,384	2,742
Trade payables	62,699	21,038	62,699	21,038
Other payables	18,637	14,202	18,637	14,202
Total	**156,635**	**67,566**	**156,635**	**67,566**

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; 2019: EUR 0 million), revenue for derivatives related to sales (EUR 0.0 million; 2019: EUR 0.1 million) and production costs (EUR 1.0 million; 2019: EUR 0.1 million).

EUR'000	1 January 2020	Non-cash movements	Addition from business combination	Financing cash-flow	31 December 2020
Net financing cash flow					
Borrowings	29,584	-	19,706	20,625	69,915
Lease liabilities	2,742	4,146	-	-1,504	5,384
Total	**32,326**	**4,146**	**19,706**	**19,121**	**75,299**

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

4.5 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. Historically this has mainly been SEK, GBP and NOK. Hedge of HUF relates to the production costs in Hungary. 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
2020								
SEK/EUR	32,119	32,119	-	-	1 SEK/1 EUR	-	53	-53
						0	**53**	**-53**
2019								
SEK/DKK	20,388	20,388	-	-	1 SEK/1 DKK	-	17	-17
DKK/GBP	8,400	8,400	-	-	1 DKK/1 GBP	108	-	108
DKK/HUF	78,000	78,000	-	-	1 DKK/1 HUF	65	-	65
						173	**17**	**156**

Section 5 – Other disclosures

5.1 Contractual obligations and contingencies etc

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 2020, Abacus Medicine A/S entered into a new rent contract for a new headquarters of Abacus Medicine A/S. With the new contract the company has made a commitment of at least three years with a 12-month notice of termination, totalling a contingent liability of EUR 5.1 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 47 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 (2019: EUR 32 million), in intangible assets totalling EUR 17 million (2019: EUR 18 million), plant and equipment totalling EUR 2 million (2019: EUR 3 million) and inventories totalling EUR 95 million (2019: EUR 68 million).

In addition, the shares in the subsidiary Abacus Medicine Hungary KFT, totalling EUR 2.4 million (2019: EUR 1.1 million), and the shares in the subsidiary Abacus Medicine Berlin Gmbh, totalling EUR 0.4 million (2019: EUR 0.5 million), have been provided as collateral. Bank debt of EUR 4 million within Pluripharm has been secured by way of a pledge on the property totalling EUR 4 million. Further Pluripharm has factoring arrangements of EUR 19 million with ABN AMRO, which has dedicated trade receivables as collateral.

5.3 Investments in subsidiaries, associates and other securities

Name	Registered office	Ownership 2020 and voting rights	Ownership 2019 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%

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

Name	Registered office	Ownership 2020 and voting rights	Ownership 2019 and voting rights
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%
Aposave ApS	Denmark	100%	100%
Aposave Ltd.	United Kingdom	100%	100%
Aposave Asia Ltd.	Hong Kong	100%	100%
Aposave USA Inc.	USA	100%	100%
Aposave 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%	-
Pluripharm Groep B.V.	The Netherlands	100%	-
Thuis-apotheek B.V.	The Netherlands	50%	-
Clinic Care Services B.V.	The Netherlands	17%	-
Pluripharm B.V.	The Netherlands	100%	-
Pluripack Alkmaar	The Netherlands	100%	-
Pluripack Zwolle	The Netherlands	100%	-
Pluripack Breda	The Netherlands	100%	-
Pluriplus B.V.	The Netherlands	100%	-
Distrimed B.V.	The Netherlands	100%	-
Pluripharm Apotheek Beheer B.V.	The Netherlands	100%	-
Apotheekfonds Pharmaconnect B.V.	The Netherlands	50%	-
Pluripharm Direct B.V.	The Netherlands	100%	-
Risus Financieringen B.V.	The Netherlands	100%	-
Phardis B.V.	The Netherlands	100%	-
Instellingsapotheek B.V.	The Netherlands	100%	-
Instellingsapotheek Gelderse Vallei B.V.	The Netherlands	100%	-
Instellingsapotheek Oost B.V.	The Netherlands	100%	-
Instellingsapotheek Zuidwest B.V.	The Netherlands	100%	-

Section 5 – Other disclosures

5.4 Related party disclosures

Controlling Influence
Wagner Family Holding ApS, Vesterbrogade 149, 1620 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	2020	2019
Service fees to other related parties	19	14
Interest income from other related parties	0	78
Receivables from Parent	0	0
Receivables from other related parties	1	16
Payables to other related parties	-	-

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 2020, Abacus Medicine has not recorded any impairment of receivables relating to amounts owed by related parties (2019: 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 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

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 pharmaceuticals, 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.

Abacus Medicine expects to increase its annual revenue in the Dutch hospital and pharmacy market.

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

Earnings impact
Please refer to note 2.1 for the impact of 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.

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

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 still provisional. Adjustments can be applied to these amounts for a period of up to twelve months from the acquisition date in accordance with IFRS 3.

Section 5 – Other disclosures

5.5 Business combinations (continued)

The provisional 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 have 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.

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 2020.

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	2020	2019
Audit	318	76
Other assurance engagements	2	33
Total audit related services	**320**	**109**
Tax consultancy	33	49
Other non-audit services	4	191
Total fee to EY	**357**	**349**

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

Contents

Primary statements

Sections

Income statement

Note	EUR'000	2020	2019
2.1	Revenue	558,971	420,103
2.2	Cost of sales	-512,963	-382,163
	Gross profit	**46,008**	**37,940**
	Other external costs	-17,623	-12,847
2.3	Staff costs	-15,133	-13,573
	Operating profit before depreciations, amortisation and special items (adjusted EBITDA)	**13,252**	**11,520**
2.5	Special items	-476	-4,104
	Operating profit before depreciations and amortisation (EBITDA)	**12,776**	**7,416**
2.6	Depreciation and amortisation	-3,865	-3,782
	Operating profit (EBIT)	**8,911**	**3,634**
3.4	Share of profit (loss) from subsidiaries accounted under the equity method	-4,297	856
2.7	Finance income	134	319
2.7	Finance expenses	-3,215	-2,566
	Profit before tax	**1,533**	**2,243**
2.8	Tax	-1.100	-1,414
	Profit for the year	**433**	**829**

Statement of other comprehensive income

Note	EUR'000	2020	2019
	Profit for the year	**433**	**829**
	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	-209	946
	Exchange differences on translation of foreign operations	-2	-111
2.8	Income tax effect	46	-208
		-165	627
	Other comprehensive income/(loss) for the year, net of tax	**-165**	**627**
	Total other comprehensive income	**268**	**1,456**

Balance sheet

Note	EUR'000	2020	2019
	ASSETS		
	Non-current assets		
3.1	Intangible assets	17,051	13,466
3.2	Property, plant and equipment	670	744
3.3	Right-of-use assets	585	1,308
3.4	Investments in subsidiaries	20,465	4,682
3.6	Other receivables	131	757
	Total non-current assets	**38,902**	**20,957**
	Current assets		
3.5	Inventory	95,391	67,781
3.6	Trade and other receivables	32,417	37,571
4.2	Cash	2	48
	Total current assets	**127,810**	**105,400**
	Total ASSETS	**166,712**	**126,357**

Note	EUR'000	2020	2019
	EQUITY AND LIABILITIES		
	Equity		
4.1	Share capital	510	506
	Reverse for net revaluation according to the equity method	0	1,916
	Other reserves	-42	121
	Retained earnings	52,556	49,073
	Total equity	**53,024**	**51,616**
	Non-current liabilities		
2.8	Deferred tax liabilities	3,304	2,657
3.3	Lease liabilities	157	728
3.8	Other payables	1,251	412
	Total non-current liabilities	**4,712**	**3,797**
	Current liabilities		
4.3	Borrowings	46,920	29,584
3.3	Lease liabilities	430	595
3.9	Provisions	6,008	4,243
3.7	Trade payables	41,947	24,140
2.8	Income tax payable	739	857
3.8	Other payables	12,932	11,525
	Total current liabilities	**108,976**	**70,944**
	Total liabilities	**113,688**	**74,741**
	Total EQUITY AND LIABILITIES	**166,712**	**126,357**

Cash flow statement

Note	EUR'000	2020	2019
	Operating activities		
	Profit before tax	1,533	2,243
	Adjustments to reconcile profit before tax to net cash flow:		
2.6	Depreciation and amortisation	3,865	3,782
	Share of profit from subsidiaries	4,297	-856
2.7	Finance income	-134	-319
2.7	Finance expenses	3,215	2,566
3.10	Changes in working capital	-11,926	-39,680
	Interest received	134	319
	Interest paid	-2,474	-1,900
2.8	Income tax paid	-544	-868
	Net cash flow from operating activities	**-2,034**	**-34,713**

Note	EUR'000	2020	2019
	Investing activities		
3.1	Purchase of intangible assets	-6,290	-5,712
3.2	Purchase of property, plant and equipment	-535	-1,095
	Acquisition of and capital increase in subsidiary	-8,500	-
	Paid deposits regarding buildings etc.	-24	-33
	Disposals, non-current assets	-	-
	Net cash flow used in investing activities	**-15,349**	**-6,840**
	Financing activities		
	Capital increases	-	34,500
	Proceeds from borrowings (credit facility)	17,109	8,111
	Proceeds from exercise of warrants	1,373	510
3.3	Repayment of lease liabilities	-513	-495
	Sale/purchase of treasury shares	415	-415
	Deposits regarding bank agreement	-1,047	-811
	Net cash flow from financing activities	**17,337**	**41,400**
	Cash flow for the year	**-46**	**-153**
	Cash at beginning of the year	48	201
4.2	**Cash at 31 December**	**2**	**48**

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 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 and other adj.	-	-	-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**

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 2019	**373**	**-617**	**1,132**	**-**	**13,511**	**14,399**
Total comprehensive income 2019						
Profit for the year	-	-	856	-	-27	829
Other comprehensive income						
Cash flow hedges – effective portion of changes in fair value	-	946	-	-	-	946
Exchange differences on translation of foreign operations	-	-	-72	-	-39	-111
Tax on other comprehensive income	-	-208	-	-	-	-208
Total other comprehensive income	**-**	**738**	**-72**	**-**	**-39**	**627**
Total comprehensive income for the period	**-**	**738**	**784**	**-**	**-66**	**1,456**
Transactions with owners						
Capital increase	133	-	-	-	35,943	36,076
Purchase of treasury shares	-	-	-	-415	-	-415
Equity-settled share-based payments	-	-	-	-	100	100
Total transactions with owners	**133**	**-**	**-**	**-415**	**36,043**	**35,761**
Equity 31 December 2019	**506**	**121**	**1,916**	**-415**	**49,488**	**51,616**

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 for the Parent Company for 2020 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, note 1.1 in the consolidated financial statements, including the below accounting policies for investments in group subsidiaries.

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 recognises 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 1 – Basis of preparation

1.2 New accounting policies and disclosures

Abacus Medicine has implemented the standards and amendments that are effective for the financial year 2020. The new standards and amendments have not affected Abacus Medicine's recognition or measurement of financial items for 2020, 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 2020 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 section 1.4 to the consolidated financial statements.

Section 2 – Result of the year

2.1 Revenue

Revenue are attributed to geographical segment based on the location of the customer.

EUR'000	2020	2019
Germany	258,886	224,280
Denmark	54,554	56,243
Other countries	245,531	139,580
	558,971	**420,103**

2.2 Cost of sales

Cost of sales comprise of the following:

EUR'000	2020	2019
Cost of inventories recognised as an expense	509,341	377,993
Write-down of inventory, net	3,622	4,170
Total	**512,963**	**382,163**

2.3 Staff costs

EUR'000	2020	2019
Wages and salaries	13,698	12,304
Pensions, defined contribution plans	1,037	858
Other social security costs	112	115
Other staff costs	966	896
Share-based payment expense	241	357
Total employee benefit expenses	**16,054**	**14,530**
Of which are capitalised as intangible assets	-921	-957
Total employee benefit expense in the income statement	**15,133**	**13,573**
Average number of full-time employee	**167**	**141**

2.3 Staff costs (continued)

The below amounts are included in the total staff costs.

EUR'000	2020	2019
Board of Directors and Chief Executive Officer		
Wages and salaries	702	669
Pensions, defined contribution plans	41	38
Share-based payments	10	15
Social security costs	1	1
Total	**754**	**723**
Average number	6	6
Key Management Personnel		
Wages and salaries	1,470	1,553
Pensions, defined contribution plans	116	120
Share-based payments	90	2
Social security costs	9	9
Total	**1,685**	**1,684**
Average number	**8**	**7**

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

Remuneration to the Key Management Personnel and other employees.
Remuneration to the Chief Executive Officer and Board of Directors represents EUR 754 thousand (2019: EUR 723 thousand). Abacus Medicine has been entered into warrant agreements with members of the Board of Directors and Key Management Personnel. For further details on remuneration to the Board of Directors and Key Management Personnel, 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 2020, the expense in regards to share-based payments recognised in the income statement amounts to EUR 241 thousand (2019: EUR 357 thousand).

The average share price for the warrants exercised during the financial year was EUR 7.69 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 332 thousand (2019: EUR 357 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	2020	2019
Amortisation and write-downs, intangible assets	2,755	2,596
Depreciation, property, plant and equipment	609	677
Depreciation, right-of-use assets	501	509
Total	**3,865**	**3,782**

2.7 Net finance costs

EUR'000	2020	2019
Finance income		
Other finance income	134	24
Intercompany interest income	-	295
Total finance income	**134**	**319**

Finance income related to balance sheet items recognised at amortised cost EUR 134 thousand (2019: EUR 319 thousand).

EUR'000	2020	2019
Finance expenses		
Other finance costs	2,445	1,799
Interest, lease liabilities	29	39
Amortised loan costs	228	162
Foreign exchange loss, net	513	566
Total finance expenses	**3,215**	**2,566**

Finance expenses related to balance sheet items recognised at amortised cost (the credit facility and lease liabilities) amount to EUR 1,332 thousand (2019: EUR 825 thousand).

Section 2 – Result of the year

2.8 Income tax

EUR'000	2020	2019
Income statement		
Current income tax		
Current income tax charge	736	857
Adjustment in respect of current income tax of previous year	-318	-
Deferred tax		
Relating to origination and reversal of temporary difference	682	557
Income tax expense reporting in the income statement	**1,100**	**1,414**

EUR'000	2020	2019
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	46	-208
Income tax recognised in other comprehensive income	**46**	**-208**

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

EUR'000	2020	2019
Accounting profit before income tax		
Calculated 22% tax on profit for the year	337	493
Tax effect of:		
Adjustment in respect of current income tax of previous year	-318	-
Non-taxable income	-	-188
Other non-deductible expenses, etc.	1,081	1,109
Total	**1,100**	**1,414**
Effective tax (%)	**71.8%**	**63.0%**

EUR'000	2020	2019
Deferred tax		
Deferred tax 1 January	-2,657	-1,892
Deferred tax for the year recognised in profit for the year	-682	-557
Deferred tax for the year recognised in other comprehensive income	46	-208
Other adjustments	-11	0
Deferred tax 31 December	**-3,304**	**-2,657**
Reflected in the statement of financial position as follows:		
Deferred tax assets	-	-
Deferred tax liabilities	-3,304	-2,657
Deferred tax 31 December, net	**-3,304**	**-2,657**

EUR'000	2020	2019
Deferred tax relates to:		
Intangible assets	-3,751	-2,969
Cash flow hedge reserve	12	-34
Other assets and liabilities, net	435	346
Total	**-3,304**	**-2,657**

EUR'000	2020	2019
Income tax payable		
Income tax payable 1 January	857	867
Current tax for the year	736	857
Adjustment in respect of current income tax of previous year	-318	-
Exchange rate adjustments, interests etc.	8	1
Corporation tax paid during the year	-544	-868
Income tax payable 31 December	**739**	**857**

Section 3 – Invested capital and Working capital items

3.1 Intangible assets

EUR'000	Development 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	-	0
Disposals	-	-	-615	-615
Cost 31 December 2020	0	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	**0**	**6,407**	**10,644**	**17,051**

3.1 Intangible assets

EUR'000	Development costs	Software	Licenses	Total
Cost 1 January 2019	2,946	-	14,743	17,689
Currency translation	-	-	-3	-3
Additions	-	-	1,022	1,022
Additions internally developed	316	2,093	2,281	4,690
Reclassification	-2,946	3,626	0	680
Disposals	-	-	-4,827	-4,827
Cost 31 December 2019	316	5,719	13,216	19,251
Amortisation and impairment 1 January 2019	-	-	7,842	7,842
Currency translation	-	-	0	0
Amortisation	-	726	1,690	2,416
Write-downs	-	-	180	180
Reclassification	-	145	0	145
Disposals	-	-	-4,798	4,798
Amortisation and impairment 31 December 2019	-	871	4,914	5,785
Carrying amount 31 December 2019	**316**	**4,848**	**8,302**	**13,466**

Development costs comprise capitalised expenses for the new ERP system for the Abacus Medicine Group, which was be taken into use in 2020.

Software is amortised over 3-10 years and Licences are amortised over 5-8 years. There have been no 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 2020	47	1,763	1,810
Currency translation	0	5	5
Additions	5	530	535
Disposals	-	-	-
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
Disposals	-	-	-
Depreciation and impairment 31 December 2020	43	1,637	1,680
Carrying amount 31 December 2020	**9**	**661**	**670**

3.2 Property, plant and equipment

EUR'000	Leasehold improvements	Other fixtures and fittings, plant and equipment	Total
Cost 1 January 2019	58	2,613	2,671
Additions	11	1,084	1,095
Reclassification	-	-680	-680
Disposals	-22	-1,254	-1,276
Cost 31 December 2019	47	1,763	1,810
Depreciation and impairment 1 January 2019	51	956	1,007
Currency translation	0	1	1
Depreciation and impairment	7	670	677
Reclassification	-	-145	-145
Disposals	-22	-452	-474
Depreciation and impairment 31 December 2019	36	1,030	1,066
Carrying amount 31 December 2019	**11**	**733**	**744**

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

Section 3 – Invested capital and Working capital items

3.3 Leases

EUR'000	Buildings	Other fixed assets	Total
Right-of-use assets			
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**
Opening balance at 1 January 2019	-	-	-
Impact of accounting policy change	815	537	1,352
Net interest-bearing debt consists of the net amount of cash, borrowings and lease liabilities.	465	-	465
Depreciation	-316	-193	-509
Carrying amount at 31 December 2019	**964**	**344**	**1,308**

Please refer to note 1.1 in the consolidated financial statements for description of the following:

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

EUR'000	2020	2019
Lease liabilities		
Maturity analysis - contractual undiscounted cash flows		
Less than 1 year	438	579
Between 1 and 5 years	160	166
More than 5 years	-	-
The undiscounted cash flows	**598**	**745**
Lease liability recognised on the balance sheet	**587**	**1,323**
Current lease liability	430	595
Non-current lease liability	**157**	**728**

EUR'000	2020	2019
Amount recognised in the income statement		
Interest expense from lease liabilities	29	39
Total	**29**	**39**

In 2020, Abacus Medicine paid EUR 542 thousand (2019: EUR 534 thousand) on lease contracts of which interest payments related to lease liabilities amounted to EUR 29 thousand (2019: EUR 39 thousand) and down payments on lease liabilities amounted to EUR 513 thousand (2019: EUR 495 thousand).

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

Section 3 – Invested capital and Working capital items

3.4 Investments in subsidiaries, associates and other securities

Name	Registered office	Ownership 2020 and voting rights	Ownership 2019 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%
Aposave ApS	Denmark	100%	100%
Aposave Ltd.	United Kingdom	100%	100%
Aposave Asia Ltd.	Hong Kong	100%	100%
Aposave USA Inc.	USA	100%	100%
Aposave 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%	-
Pluripharm Groep B.V.	The Netherlands	100%	-
Thuis-apotheek B.V.	The Netherlands	50%	-
Clinic Care Services B.V.	The Netherlands	17%	-
Pluripharm B.V.	The Netherlands	100%	-
Pluripack Alkmaar	The Netherlands	100%	-
Pluripack Zwolle	The Netherlands	100%	-
Pluripack Breda	The Netherlands	100%	-
Pluriplus B.V.	The Netherlands	100%	-
Distrimed B.V.	The Netherlands	100%	-
Pluripharm Apotheek Beheer B.V.	The Netherlands	100%	-
Apotheekfonds Pharmaconnect B.V.	The Netherlands	50%	-
Pluripharm Direct B.V.	The Netherlands	100%	-
Risus Financieringen B.V.	The Netherlands	100%	-
Phardis B.V.	The Netherlands	100%	-
Instellingsapotheek B.V.	The Netherlands	100%	-
Instellingsapotheek Gelderse Vallei B.V.	The Netherlands	100%	-
Instellingsapotheek Oost B.V.	The Netherlands	100%	-
Instellingsapotheek Zuidwest B.V.	The Netherlands	100%	-

EUR'000	2020	2019
Cost as at 1 January	2,660	2,682
Additions	20,291	1
Foreign exchange adjustments	-64	-23
Cost as at 31 December	22,887	2,660
Value adjustments as at 1 January	1,916	1,132
Profit (loss) for the year	-4,297	856
Foreign exchange adjustment	3	-72
Other adjustments	-119	0
Value adjustments as at 31 December	-2,497	1,916
Carrying value as at 31 December	**20,390**	**4,576**
Which are presented as follows:		
Investments in Subsidiaries	20,465	4,682
Offset in receivables	-75	-106
As at 31 December	**20,390**	**4,576**

Investments in subsidiaries are measured using the equity method.

Section 3 – Invested capital and Working capital items

3.5 Inventories

EUR'000	2020	2019
Raw materials and consumables	31,152	27,341
Manufactured goods and goods for resale	64,239	40,440
Total inventories at the lower of cost and net realisable value	**95,391**	**67,781**

During 2020, EUR 3,622 thousand (2019: EUR 4,170 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 2.1.

EUR'000	2020	2019
Inventory write-downs at 1 January	1,937	1,793
Utilised and reversed during the year	-1,937	-1,793
Additional write-downs during the year	1,995	1,937
Inventory write-downs at 31 December	**1,995**	**1,937**

3.6 Trade and other receivables

EUR'000	2020	2019
Non-current		
Other receivables	131	757
Total non-current	**131**	**757**
Current		
Receivables from sales and services	11,072	21,402
Receivables from group entities	15,015	10,763
Deposits regarding factoring agreement	5,734	4,687
Other receivables	109	268
Prepayments	487	451
Total current	**32,417**	**37,571**

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 2020 (2019: EUR 0 million).

Section 3 – Invested capital and Working capital items

3.7 Trade payables

EUR'000	2020	2019
Trade payables	37,296	18,812
Payables to group entities	4,651	5,328
Total	**41,947**	**24,140**

3.8 Other payables

EUR'000	2020	2019
Non-current		
Employee-related payables	1,251	412
Total non-current	**1,251**	**412**
Current		
VAT payables	8,761	9,481
Employee-related payables	3,139	1,218
Other payables	1,032	826
Total current	**12,932**	**11,525**

3.9 Provisions

EUR'000	Return provisions
At 1 January 2020	4,243
Arising during the year	6,008
Utilised	-4,243
At 31 December 2020	**6,008**
Current	6,008
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	2020	2019
Change in inventory	-27,204	-6,227
Change in receivables	-4,743	-17,076
Change in trade payables etc.	18,998	-18,293
Change in provisions etc., non-cash items	1,251	-
Other non-cash items	-228	1,916
Total	**-11,926**	**-39,680**

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	2020	2019
Cash at bank and in hand	2	48
Total cash	**2**	**48**

4.3 Borrowings

EUR'000	2020	2019
Current liabilities		
Credit institutions and banks	47,200	29,883
Amortised costs	-280	-299
Carrying amount	**46,920**	**29,584**
Nominal amount	**47,200**	**29,883**

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. As of 31 December 2020 the leverage covenant of the committed facility was breached. Abacus Medicine has received a waiver for the breach.

Section 4 – Capital structure and Net financials

4.4 Financial risk and financial instruments

Risk management policy
The Company's principal financial liabilities, other than derivatives, comprise bank credit facility and 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 4.4 to the Group financial statements for detailed information related with these risk management policies, practices and assumptions.

EUR'000	Contractual cash flows	< 1 year	1 - 3 years	3 - 5 years	>5 years
Maturity analysis					
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**
2019					
Non-derivative financial instruments					
Credit institutions and banks	29,883	29,883	-	-	-
Trade payables	24,140	24,140	-	-	-
Other payables	11,937	11,525	-	-	412
Lease liabilities	745	579	166	-	-
Derivative financial instruments					
Exchange rate hedging	-	-	-	-	-
31 December 2019	**66,705**	**66,127**	**166**	**-**	**412**

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

	Carrying amount		Fair value	
EUR'000	2020	2019	2020	2019
Categories of financial instruments				
Financial assets at fair value – hedging instruments				
Derivative financial instruments	-	156	-	156
Total	**0**	**156**	**0**	**156**
Financial assets measured at amortised cost				
Trade receivables	32,417	37,415	32,417	37,415
Cash	2	48	2	48
Total	**32,419**	**37,463**	**32,419**	**37,463**
Financial liabilities at fair value – hedging instruments				
Derivative financial instruments	53	-	53	-
Total	**53**	**0**	**53**	**0**
Financial liabilities measured at amortised cost				
Borrowings	46,920	29,584	46,920	29,584
Lease liabilities	587	1,323	587	1,323
Trade payables	41,947	24,140	41,947	24,140
Other payables	14,130	11,937	14,130	11,937
Total	**103,584**	**66,984**	**103,584**	**66,984**

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 derivatives related to purchases (EUR 0 million; 2019: EUR 0 million), revenue for derivatives related to sales (EUR 0.0 million; 2019: EUR 0.1 million) and production costs (EUR 1.0 million; 2019: EUR 0.1 million).

Section 4 – Capital structure and Net financials

4.4 Financial risk and financial instruments (continued)

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, mainly SEK and NOK. 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
2020								
SEK/EUR	32,119	32,119	-	-	1 SEK /1 EUR	-	53	-53
						-	**53**	**-53**
2019								
SEK/DKK	20,388	20,388	-	-	1 SEK /1 DKK	-	17	-17
DKK/GBP	8,400	8,400	-	-	1 DKK /1 GBP	108	-	108
DKK/HUF	78,000	78,000	-	-	1 DKK /1 HUF	65	-	65
						173	**17**	**156**

Section 5 – Other disclosures

5.1 Contractual obligations and contingencies etc.

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 2020, Abacus Medicine A/S entered into a new rent contract for a new headquarters of Abacus Medicine A/S. With the new contract the company has made a commitment of at least three years with a 12-month notice of termination, totalling a contingent liability of EUR 5.1 million.

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.

5.2 Mortgage and collateral

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

5.3 Related party disclosures

Controlling Influence
Wagner Family Holding ApS, Vesterbrogade 149, 1620 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	2020	2019
Sale of goods to subsidiaries	322,311	262,780
Service fees from subsidiaries	18,831	19,320
Service fees to other related parties	19	14
Interest income from subsidiaries	105	217
Interest income from other related parties	0	78
Receivables from subsidiaries	15,015	10,747
Receivables from other related parties	1	16
Payables to subsidiaries	4,651	5,328
Payables to other related parties	-	-

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 2020, Abacus Medicine has not recorded any impairment of receivables relating to amounts owed by related parties (2019: 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 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 2020.

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 below.

EUR'000	2020	2019
Audit	186	76
Other assurance engagements	2	33
Total audit related services	**188**	**109**
Tax consultancy	32	49
Other non-audit services	3	191
Total fee to EY	**223**	**349**

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 2020.

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 2020 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 2020.

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, 08 June 2021

Chief Executive Officer

Flemming Wagner

Board of Directors

Niels Smedegaard Chairman	Flemming Wagner	Mark Johnston
Troels Peter Troelsen	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 2020, 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 2020 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 2020 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' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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, 08 June 2021

EY
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

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State Authorised
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ABACUS MEDICINE

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