

Annual report 2019

We improve global healthcare
through better access to medicine



ABACUS MEDICINE

Better Access · Better Healthcare

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The big picture 2019

Abacus Medicine supplies prescription medicine worldwide to pharmacies, hospitals and pharmaceutical companies. Each day, more than 750 employees improve global access to medicine from offices, warehouses and production facilities in Europe, the US and Asia.

Our core business is known as parallel distribution. We help to reduce healthcare costs by giving patients in multiple European countries access to medicine at a lower price. Founded in 2004, Abacus Medicine is today firmly established among the industry leaders in Europe which represents a market value of approximately EUR 5.4 billion. Under the brand name Aposave, we are building a global presence in pharmaceutical and healthcare services.

We pursue an ambitious growth strategy through selling many types of medicine in many different countries.

To succeed with our multi-market strategy serving many types of customers, we process enormous amounts of data and apply for a record number of product licenses. We consider our data-driven processes and internally developed IT systems for complex data analysis an important long-term competitive advantage.

EMPLOYEES WORLDWIDE

750

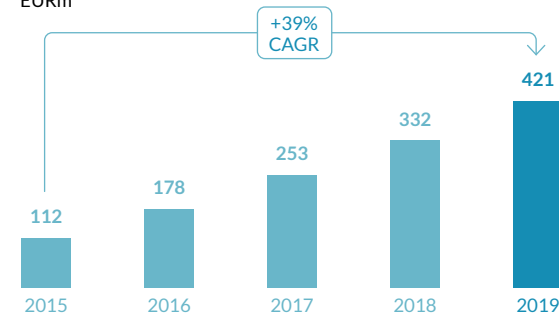
MAJOR SHAREHOLDERS

Wagner Family Holding ApS

Chr. Augustinus Fabrikker A/S

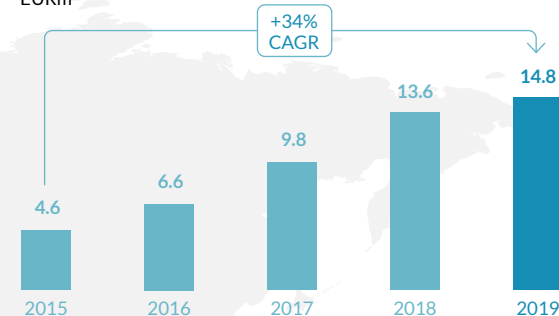
REVENUE

EURm



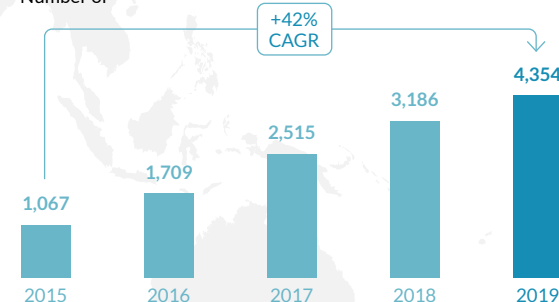
ADJUSTED EBITDA

EURm



PRODUCT LICENCES

Number of



Financial highlights for the Group

In EUR'000, except for per share data	2019	2018*	2017*	2016*	2015*
KEY FIGURES					
Revenue	421,445	332,347	253,056	177,850	111,884
Gross profit	50,038	40,803	29,312	20,665	12,990
Operating profit before depreciations, amortisation and special items (adjusted EBITDA)	14,753	13,645	9,794	6,622	4,576
Special items	-4,104	-1,065	-377	-	-
Operating profit before depreciations and amortisation (EBITDA)	10,649	12,580	9,417	6,622	4,576
Operating profit (EBIT)	5,400	9,868	7,560	5,112	3,321
Financial expenses, net	-2,823	-2,518	-1,428	-638	-596
Profit for the year	829	5,359	4,328	3,259	1,996
Non-current assets	24,868	17,282	11,889	5,498	4,536
Current assets	102,096	79,954	44,618	52,665	40,909
Total assets	126,964	97,236	56,507	58,163	45,445
Portion relating to investments in items of property, plant and equipment	3,269	2,970	1,491	593	359
Portion relating to investments in intangible assets	17,836	13,890	10,218	4,779	4,076
Equity	51,616	14,399	9,671	9,506	8,263
Non-current liabilities	4,563	1,892	2,057	740	769
Current liabilities	70,785	80,945	44,779	47,917	36,413
Cash flow from operating activities	-31,839	13,182	21,029	-263	-14,164
Cash flow from investing activities	-8,464	-9,036	-5,013	-1,343	-1,314
Of which relate to intangible assets	-6,398	-6,513	-3,938	-1,530	-1,039
Of which relate to tangible assets	-1,946	-2,426	-1,350	-509	-265
Cash flow from financing activities	40,933	20,207	-30,128	-937	8,884
Total cash flow	630	24,353	-14,112	-2,543	-6,594

In EUR'000, except for per share data	2019	2018*	2017*	2016*	2015*
FINANCIAL RATIOS					
Revenue growth	26.8%	31.3%	42.3%	59.0%	33.4%
Gross margin	11.9%	12.3%	11.6%	11.6%	11.6%
Adjusted EBITDA margin	3.5%	4.1%	3.9%	3.7%	4.1%
EBITDA margin	2.5%	3.8%	3.7%	3.7%	4.1%
Operating profit (EBIT) margin	1.3%	3.0%	3.0%	2.9%	3.0%
Return on invested capital (ROIC)	2.8%	20.2%	14.5%	9.7%	9.0%
Adj. return on invested capital (Adj. ROIC)	11.2%	23.5%	15.5%	9.7%	9.0%
Solvency ratio	40.7%	14.8%	17.1%	16.3%	18.2%
Return on equity	2.5%	44.5%	45.1%	36.7%	34.6%
Earnings per share, EUR	0.1	0.7	1.6	1.2	0.8
Diluted earnings per share, EUR	0.1	0.7	1.5	1.2	0.8
OTHER FIGURES					
Average number of full-time employees	618	449	349	206	136
Invested capital	86,654	38,197	32,678	41,242	35,755
Net interest-bearing debt	27,609	19,924	23,007	10,256	6,622
Liquidity available	25,941	12,886	2,514	2,523	2,088
Product licences	4,354	3,186	2,515	1,709	1,067

* The comparative figures are not adjusted for the implementation of IFRS 16

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 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 a record year where revenue grew to EUR 421 million, a milestone was reached when Chr. Augustinus Fabrikker invested in Abacus Medicine. We are now well-positioned to continue our strong growth trajectory and fulfil our company purpose of improving global healthcare through better access to medicine.

In September 2019, Abacus Medicine was proud to announce Chr. Augustinus Fabrikker as a new, major shareholder and partner. With an investment of EUR 48 million, Chr. Augustinus Fabrikker acquired an ownership stake of just over one third following the sale of existing shares and issuance of new shares.

It is hard to overstate the importance of this milestone for Abacus Medicine. The capital increase not only lays the financial foundation for the company's future growth, but also brings us the invaluable experience of a loyal, long-term partner.

The investment further marks the successful conclusion of our prolonged effort to raise capital for growth. The demanding process has required considerable focus from the organisation in general and from the Senior Management in particular. We are now ready to realise our ambitious plans for future growth through continued investments and the further globalisation of our business.

Chr. Augustinus Fabrikker

AKTIESELSKAB



High growth, high costs

Over the year, we achieved strong revenue growth of 27% to reach EUR 421.4 million. Year after year, we have grown much faster than the average of our industry, and 2019 was no exception.

We entered the year with the expectation of higher costs as we invested in a number of big projects, including the implementation of a new ERP system. Further, rising costs overall and one-off costs connected to the capital increase impacted our profitability. The resulting Adjusted EBITDA margin of 3.5% in 2019 for the parallel distribution business was below our historical level and rebounding will be a priority in 2020.

We have many reasons to be optimistic for the future. During 2019, we successfully implemented not only the new ERP system but also software, hardware and new work routines necessary to fulfil the requirements of the EU's Falsified Medicines Directive (FMD) – together the largest ever changes in our production and wider operations. Our productivity improved gradually and consistently throughout the year, and we have already initiated the next wave of change and automation projects that will help us realise further efficiencies in 2020.



“ We are now ready to realise our ambitious plans for future growth and the further globalisation of our business. ”

Since the company was founded in 2004, the purpose of Abacus Medicine has been better access to medicine. The Senior Management team and more than 750 colleagues are dedicated to deliver on our ambitious goals while improving global healthcare through better access to medicine.

Best regards,

Flemming Wagner
CEO and Co-founder



Performance

Business review

Abacus Medicine delivered revenue growth in line with expectations and significantly above average for our industry, as revenue grew 27% in 2019. Profitability was influenced by higher costs, including one-off costs related to specific projects.

Revenue grew by 27% to EUR 421.4 million in 2019 against EUR 332.3 million the previous year. This was in line with our Outlook, and a solid achievement in a year when the organisation successfully implemented several major projects including a new ERP system and a new IT and production system to fulfill the FMD directive, and completed a capital increase.

EBITDA adjusted for special items grew to EUR 14.8 million against EUR 13.6 million the previous year, corresponding to an Adjusted EBITDA margin of 3.5% in 2019 against 4.1% in 2018. This was below our Outlook for 2019 and was the result of a combination of slightly lower gross profit margin of 11.9% in 2019 compared with the record 12.3% in 2018, and an increase in staff and external costs.

The year's result was further influenced by Special items of EUR 4.1 million in the form of one-off advisory and consultancy fees connected to our IPO projects and the capital increase by Chr. Augustinus Fabrikker. The EBITDA margin came to 2.5% against 3.8% the previous year.

Profit before tax amounted to EUR 2.6 million against EUR 7.4 million the previous year, resulting in a Profit for the year of EUR 0.8 million in 2019 against EUR 5.4 million in 2018.

Even though the majority of the increase in costs are specifically related to the implementation of two large projects and capital increase activities, the result does not fulfil our ambitions, and we are convinced we can and will improve profitability in 2020. We will be implementing a range of

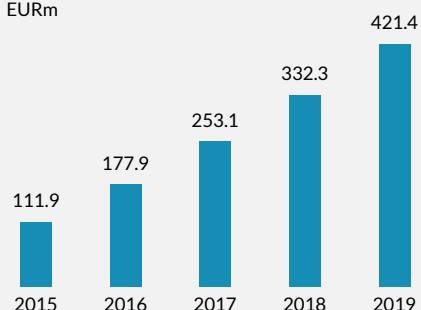
new measures to bolster our gross profit and improve cost control.

Continued diversification

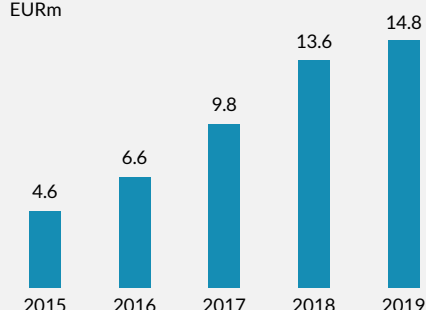
As one of very few companies in our industry, Abacus Medicine pursues a multi-market strategy. As we grow in more than a dozen sales markets in Europe and in the global Aposave business, our revenue stream is becoming increasingly diversified.

Germany, our largest market, is a case in point. Revenue in Germany grew by 18% to EUR 224.3 million, but still contributed a smaller percentage of total revenue, namely 53% in 2019 against 57% in 2018. Among all other markets, only Denmark (11%) accounted for more than 10% of total

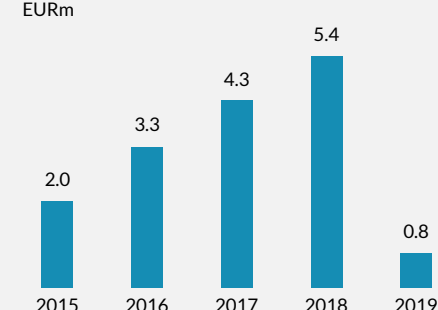
REVENUE
EURm



ADJUSTED EBITDA
EURm



PROFIT FOR THE YEAR
EURm



revenue in 2019. We expect this gradual diversification of our business to continue in the coming years.

An asset light approach

Our ability to identify and obtain licences to distribute attractive products in relevant markets is a key competence. During 2019, we obtained 1,168 new product licences – up from 671 new licences in 2018 – to reach a total of 4,354. Product licences represent the majority of our intangible assets, which rose from EUR 13.9 million in 2018 to EUR 17.8 million.

Software licences, including licences for ERP (Dynamics 365), represent another noteworthy investment in an otherwise asset light business model. Our Assets in the form of Property, plant and equipment amounted to EUR 3.3 million by the end of 2019 and represented 9% of Total non-current assets.

Parallel distribution can be considered a liquidity-intensive business model and we note as a positive that Abacus Medi-

cine achieved a general improvement in liquidity over the course of the year.

In line with the overall growth of the company, our Inventory rose by 14% to EUR 67.8 million compared to EUR 59.6 million the previous year. In Q4 2019, following the capital increase, we increased our sourcing of medicine to support the projected sales growth from the beginning of 2020.

Abacus Medicine operates on the basis of a factoring agreement for the sale of trade receivables and suffered no losses on customers in 2019. Our non-financed Trade and other receivables rose to EUR 27.6 million from EUR 15.1 million, mostly due to a temporary rise in invoices in process at our factoring partner at the end of December.

Total Equity amounted to EUR 51.6 million at the end of 2019 against EUR 14.4 million the previous year as a direct result of higher Retained earnings following the investment by Chr. Augustinus Fabrikker. Our Solvency ratio rose accordingly to 40.7% from 14.8%.

Our Trade payables rose to EUR 16.2 million in 2019 from EUR 11.4 million in 2018. After settling German VAT, our Other payables were reduced to EUR 18.6 million from EUR 45.2 million the previous year.

Stable cash-flow

Cash at 31 December remained fundamentally unchanged at EUR 2.0 million in 2019 against EUR 1.3 million the previous year, while there was more development in the contribution from the underlying activities.

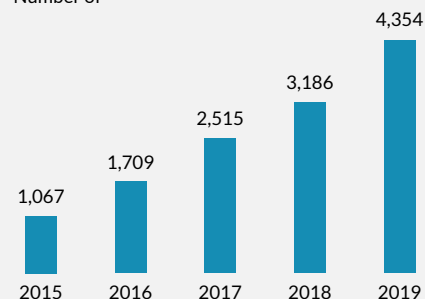
The increase in Net working capital of EUR 42 million in 2019 corresponds with the increase in Inventory and settlement of German VAT.

Net cash flow used in investing activities came to EUR 8.5 million against EUR 9.0 million the previous year.

Following the capital increase, Net cash flow from financing activities increased from EUR 20.2 million to EUR 40.6 million in 2019.

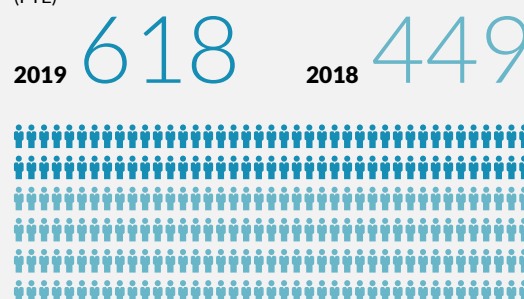
PRODUCT LICENCES

Number of



AVERAGE FULL-TIME EMPLOYEES

(FTE)



Events after the reporting period

In July 2020, Abacus Medicine A/S acquired the Dutch wholesaler Pluripharm Groep B.V. and all shares in its parent company, Goofy-Sam Holding B.V., in a deal combining a cash injection and conversions of loans and trade receivables. The acquisition secures Abacus Medicine's main distribution channel in the Netherlands. Abacus Medicine and Pluripharm expect to realise substantial strategical advantages and operational synergies from the partnership between the two companies.

No other events have occurred after the balance sheet date which could have a material effect on Abacus Medicine's financial position at 31 December 2019.

Material recognition and measurement uncertainties

In preparing the consolidated financial statements, Management makes various accounting estimates and assumptions that form the basis of the presentation, recognition and measurement of Abacus Medicine's assets and liabilities.

The areas which involve a high degree of judgement and estimation and which are material to the financial statements are described in more detail in note 1.4.

Outlook 2020

ORGANIC REVENUE GROWTH

15-25%

REVENUE GROWTH

40-50%

REVENUE, EUR

600-635 M

EBITDA MARGIN

3.5-4.0%

Comments on the Outlook 2020

As a consequence of the global COVID-19 pandemic, the reporting deadline for the Annual Report 2019 was postponed from May 31, 2020 to August 31, 2020. Because of this, our Outlook for 2020 is based on the results of the first half of 2020.

Like everywhere else, the global COVID-19 pandemic forced Abacus Medicine to rethink our routines. Many of our employees worked from home for long periods and some still do. During this challenging period, our organisation and fundamental business model have both proved themselves highly resilient. It is our opinion that the COVID-19 pandemic will not have a material impact on our results in 2020.

In July 2020, Abacus Medicine acquired the Dutch wholesaler Pluripharm, and our Outlook for 2020 includes the Pluripharm business from the date of acquisition for the first time. We draw notice to the fact that accounting for the acquisition is still ongoing. In this respect, net assets, goodwill and contingent assets and liabilities at the reporting date should be considered provisional.

For the parallel distribution business, we expect an EBITDA margin of 4.0 – 4.5% for 2020.

Corporate Social Responsibility

CSR is gradually becoming an established discipline in Abacus Medicine and results in 2019 were promising. We have adopted a decentralised structure where the daily responsibility for CSR is delegated to the relevant line functions.

CSR in Abacus Medicine is rooted in the UN Global Compact and the UN Sustainable Development Goals. From 2020, we further expect to develop the reporting of our sustainability performance in accordance with the rapidly evolving ESG framework.

Our main efforts in support of the Sustainable Development Goals are organised in Focus Programs: A handful of

projects agreed each year with action plans and specific, measurable goals.

Abacus Medicine does not operate with a central CSR department, staff function or similar. Instead, we prefer a decentralized structure where the daily responsibility for CSR is delegated to the relevant line functions such as Purchase, Production, Supply Chain or Sales.

Our CSR Steering Committee sets the overall direction for CSR and prioritises our Focus Programs annually, but the line functions have responsibility for defining the Focus Programs and implementing the specific change initiatives necessary to reach the stated goals.

Among the 17 Sustainable Development Goals, we consider three as particularly relevant to 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"



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"



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"

Our progress

During 2019, we worked on five Focus Programs for CSR. Results were generally satisfying.

In the beginning of 2019, we made a substantial change to our production process. Where we previously used to put new labels on the original manufacturer's boxes, we now discard these boxes and print entirely new ones. This allows us to deliver a much higher and more uniform quality, but is not necessarily climate friendly. Today, we use more paper and cardboard to print new boxes and we also create more waste in the form of discarded boxes.

To address these issues, we defined two projects:



PACKAGING MATERIAL - WASTE

The goal of the program was to find a more sustainable destruction method, preferably recycling, for large amounts of paper and cardboard waste.

This program has been a success.

The program has introduced several new waste management processes, including a shredder that cuts used boxes into tiny pieces. With proper sorting and shredding of the waste, it is now possible to recycle the used packaging materials. Each month, we now supply more than 10 tonnes of packaging material waste to be recycled into new paper products.

COMPLETION RATE

100%



PACKAGING MATERIAL - SOURCING

The goal of the project was to assess the environmental impact of different packaging material solutions from relevant suppliers, and to document the environmental impact of the chosen solution.

The project was significantly delayed by events outside of its control but was re-started at the end of 2019 and is on track for completion during 2020.

COMPLETION RATE

25%

Paper products made from Abacus Medicine waste

Packaging materials played a prominent part in CSR this year. We phased out putting new labels on the original manufacturer's boxes from most of our production and introduced replica boxes instead. This enables us to provide products of a high and consistent quality to our customers.

But the new solution also brought us new environmental challenges. As Abacus Medicine now discards large amounts of used packaging materials, we wanted to find a more sustainable destruction method.

During 2019, we invested in a shredder that cuts used boxes into small pieces. By sorting and shredding the waste it is now possible to recycle the old

packaging materials into new paper. During the last four months of 2019, Abacus Medicine sold 37 tonnes of paper waste for recycling.

After leaving Abacus Medicine, the shredded paper goes through various phases of preparation and shaping by several companies to become ready for use in the production of new paper products such as napkins and toilet paper.

The new solution also has positive, if modest, economic benefits. By selling our waste as raw material for recycling we gain a small income and save on destruction costs for a combined total of around EUR 1,000 per month.

FROM WASTE ...



... TO NEW PAPER PRODUCTS





MEDICINE DONATION

The goal of the program was to ensure that overstock or non-saleable medicine is offered to non-profit organisations. This would have the dual benefit of making medicine available to patients in developing countries and help reduce the costs we incur when we send medicine for destruction.

The program achieved its primary goal. Over the course of the year, we successfully made two donations worth a total of approximately EUR 75,000 to organisations in Ghana.

The program did not fully manage to codify the relevant internal processes and calculate the benefits.

COMPLETION RATE

75%

Medicine donations for Ghana

During 2019, Abacus made two donations of medicine to Ghana worth a total of approximately EUR 75,000. The first donation was made in January to Wenchi Methodist Hospital and distributed to several local hospitals. The second donation was made in October to facilities within the Ghana Baptist Convention Health Service and the Christian Health Association.

All items from both donations were useful to the recipient hospitals. A majority of the medicine is not covered by the National Health Insurance System in Ghana, thus the donations are making a big difference for local patients who will receive the medicine free of charge.

Dr. Boateng Bosomtwi, Medical Director of Wenchi Methodist Hospital, expressed his appreciation after receiving the donation. He explained that the free medicine is a welcome relief as many families are unable to afford the medicine themselves.

The medicine is donated as it cannot be sold in Abacus Medicine's traditional markets due to an approaching expiry date. But it is important to emphasise that all products offered by Abacus Medicine is of sufficient quality and has a remaining expiry period of at least two to six months.



To ensure our ability to donate medicine, Abacus Medicine cooperates with the non-governmental organisation Global Medical Aid, an organisation with the purpose of supporting developing countries with medicine and functional hospital equipment.

Furthermore, our donations comply with the World Health Organisation's (WHO) "Guidelines for Medicine Donations". The compliance with these guidelines enables us to guarantee that the medicine is relevant, of sufficient quality and does not influence local markets and competition.

We are proud to provide medicine free of charge to hospitals and patients in need. Abacus Medicine plans to continue our donations of medicine to non-profit organisations in the future.



EMPLOYEES

Our global Employee Satisfaction survey from 2018 showed a high satisfaction rate among employees overall, but also some areas with room for improvement, including "Compensation and benefits". The goal of the Employees program was to address these issues.

The program fulfilled its goals.

During 2019, a number of employment terms such as pensions, sick leave and travel compensation were updated and improved.

A further KPI was 75% employee participation in the Satisfaction and Engagement Survey 2019. This was fully achieved with responses from 87% of all employees.

COMPLETION RATE

95%



CLIMATE AND ENVIRONMENT

The goal of the program was to assess the electricity, gas and water consumption of our main production facility in Budapest, Hungary, and subsequently implement measures to reduce the consumption overall.

The program succeeded in establishing ongoing measurements of the electricity, gas and water consumption. It did not manage to fully implement the measures needed to reduce consumption, so this work continues in 2020.

COMPLETION RATE

50%



CONCLUSION

In a year that saw considerable change for Abacus Medicine, the CSR Steering Committee considers the results in CSR generally satisfying. Performance was somewhat uneven across the five Focus Programs, but the net result is multiple instances of meaningful, permanent changes.

CSR is gradually becoming an established discipline in Abacus Medicine with tangible success stories to learn from across the organisation.

To build on the positive momentum, we have defined seven Focus Programs for 2020. This is our most ambitious target for CSR ever.

- **Medicine donation**
The program for donating medicine to developing countries continues from 2019
- **ESG reporting**
The program will seek to raise our reporting on non-financial matters to meet internationally recognised standards in accordance with the ESG framework
- **Supplier Code of Conduct**
A 2-year program to develop, implement and rate the performance of our suppliers according to a Supplier Code of Conduct
- **Employees**
The program will pursue initiatives to strengthen global internal communication and cooperation between departments
- **Responsible production**
The program will seek to reduce the environmental impact of our production sites in Hungary and in the Netherlands
- **Transport**
The program will seek ways to reduce the impact of our transport activities
- **Packaging material – Sourcing**
The program continues from 2019 with fundamentally the same KPI's

Diversity

Abacus Medicine 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 workplace for all employees and focus on ensuring equal opportunities in career advancement and the prospect of occupying management positions. Abacus Medicine employs candidates for management positions with profiles and qualifications best suitable for the company. In this context, gender will be considered when appointing candidates for management positions while taking into account other relevant recruitment criteria, including professional qualifications, relevant experience, educational background, etc.

The development in the gender representation from 2018 to 2019 has shown a small decrease in the underrepresented gender at management level in Abacus Medicine. This, however, is due to restructuring and mergers of departments globally. Abacus Medicine has a strong focus

on equal opportunities for women and men in the company, and we will continue to focus on the development of both genders through succession planning and management training.

From our Global Satisfaction Surveys from 2018 and 2019, it is apparent that the employees of Abacus Medicine feel 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 develop even further.

Representation on the Board of Directors

Abacus Medicine welcomed two new members to the Board of Directors in 2019 but did not achieve our aim of

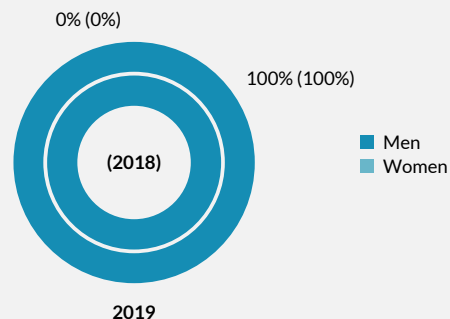


having one female board member by 2020. Mr. Anders Bønding and Mr. Mark Johnston were both selected based on specific competences valuable to Abacus Medicine as opposed to an open search process.

During 2020, we will evaluate our aim of having one female board member and our process for achieving this goal.

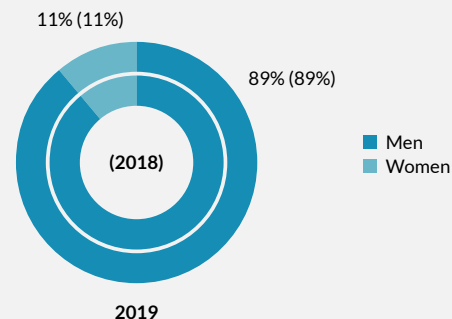
BOARD OF DIRECTORS

Gender representation (%)



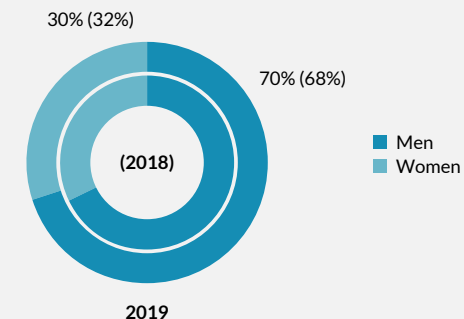
EXECUTIVE MANAGEMENT TEAM

Gender representation (%)



MANAGERS

Gender representation (%)



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

While corruption has in practice not been an issue for our business historically, we are fully aware of the potential risk it poses. We disassociate ourselves from all forms of bribery, nepotism or similar dishonest business practices.

Abacus Medicine has implemented a wide range of internal guidelines and governance systems to prevent improper behaviour, including an Anti-Corruption Policy, an Employee Code of Conduct and a Whistleblower scheme. During 2020 and 2021, we plan to develop and implement a Supplier Code of Conduct that will include required standards on business ethics.

We continue to stay updated and monitor the regulatory climate on anti-corruption. In 2019, we expanded employee training and made minor changes to our Anti-Corruption Policy. We received no reports through our Whistleblowing Scheme in 2019.



EMPLOYEES AND WORKING ENVIRONMENT

Abacus Medicine has a long-standing tradition of employing student workers, many of whom go on to become full-time employees. At the end of 2019, we established a Student Committee to facilitate the continuous personal and professional development of our student workers. The members of the Committee are selected each year among student workers across the entire organisation.

The constant prioritisation of the physical and psychological working environment is the responsibility of our Health & Safety committees which include employee representatives.



ENVIRONMENT AND CLIMATE

As part of the pharmaceutical supply chain, Abacus Medicine is required to have very well-documented processes for transport, repackaging, storage and all other handling of medicine. This entails being compliant with a wide range of environmental legislation including waste management, handling of hazardous materials and responsible destruction of out-of-date medicine.

Today, the largest part of our environmental impact consists of electricity use for production and cold storage at our production facilities, paper and cardboard waste, and emissions from transport, which is carried out by sub-suppliers. These three issues are all addressed in Focus Programs in 2020 and are expected 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, but at this point, we have not defined a policy for Human Rights. With 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.

Our business model

Significant price differences on medicine between EU countries combined with the EU principle of free movement of goods create a sustainable parallel distribution business model for Abacus Medicine.

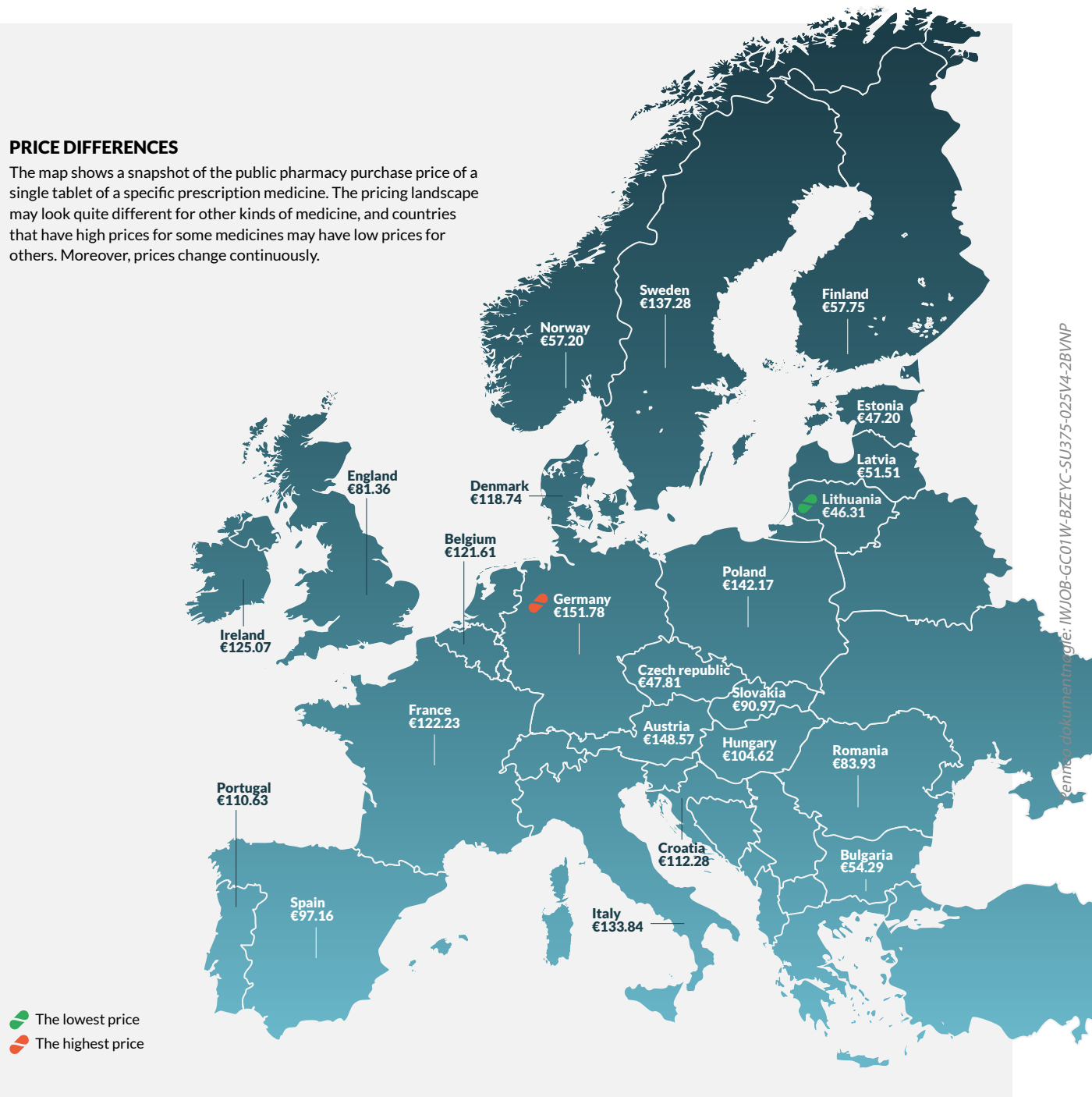
As a positive consequence of the Abacus Medicine business model, patients in multiple EU countries gain access to medicine at lower prices and thereby reduce health care costs. Additionally parallel distribution can provide access to medicine in case of shortages.

The pharmaceutical industry is known for its complex pricing mechanism where governments, original manufacturers, wholesalers, and sometimes insurance companies negotiate prices. In each member state of the European Economic Area (EEA), the prices for pharmaceutical products are set based on different market conditions and national regulation. The result is that medicine prices vary significantly across EEA countries.

In combination with the EU principle of the free movement of goods, the price differences create trading opportunities for Abacus Medicine. This business model is generally known as parallel distribution.

PRICE DIFFERENCES

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 that have high prices for some medicines may have low prices for others. Moreover, prices change continuously.



Abacus Medicine is one of the largest suppliers of parallel distributed medicine in the EU. Parallel distribution companies buy medicine in EU countries with lower prices and sell the same medicine in EU countries with higher prices, but still sold at prices lower than the manufacturer. This creates substantial healthcare savings.

Despite the lower prices, parallel distributed pharmaceuticals are identical to the original medicine even though this is repackaged or sometimes sold under a different name.

Abacus Medicine operates in a very dynamic and complex industry. We buy thousands of different products each month from 27 countries in Europe and sell them directly in 13 EU countries. A large part of our success is therefore based on our strong ability to analyse and process large amounts of data, in order to buy and sell in the right markets at the right time.

As a positive consequence of the Abacus Medicine business model, patients in multiple European countries gain access to medicine at a lower price and health care costs are reduced.

Macro trends that impact our industry

Rising healthcare costs

The pharmaceutical parallel distribution industry had a value of approximately EUR 5.4 billion in 2017 and is expected to grow to EUR 6.2 billion by 2022 (IQVIA MIDAS Quantum, 2017). Industry growth is driven by a number of trends:

- **An ageing population**

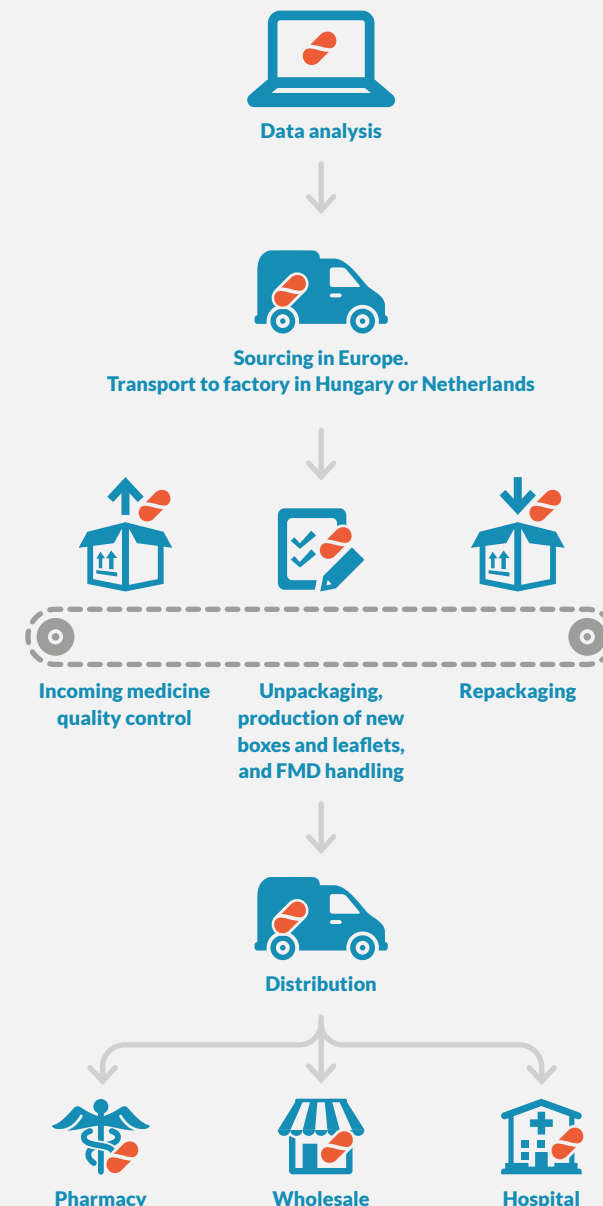
In Western Europe, about one in five people are aged 65 or older. By 2030, this proportion will climb to one in four. This is important for the healthcare expenditures as people above 65 years of age generally utilize more medicine than the younger population.

- A continuous increase in **healthcare spending**

From 2015 to 2030, healthcare expenditure per capita is projected to increase by 1.9% in Germany, by 2.4% in Denmark, by 2.8% in Sweden, and by more than 2.0% in countries such as the United Kingdom, the Netherlands, France, and Finland, according to the OECD.

- In view of the rising healthcare costs, parallel distribution operates with a high degree of **legislative support**.

The Abacus Medicine business model





A new source of growth in pharmaceutical and healthcare services

Our proven business platform in parallel distribution allows us to develop new, complementary revenue streams. The Aposave business unit has strong synergies with our existing business, not least our extensive sourcing network.

Our ambition is clear: We will develop the business and establish Aposave as one of the leading, global players within pharmaceutical and healthcare services. The Aposave team has decades of experience across four core services:

Individual Access Requests (IAR)

Patients with an unmet medical need often require access to a medicine that is not commercially available in the country where they live. When we receive such a request from a healthcare professional, we find a source of the product if we do not already have it in stock, and ensure that we deliver it, in compliance with appropriate regulations, to the relevant medical establishment ready for the patient to receive treatment. The term we use for this service is Individual Access Request.

Aposave Access Programmes (AAP)

Aposave is a strategic partner to the pharmaceutical and biotech industry. AAPs provide a framework for a partnership where Aposave creates, implements and manages a programme on behalf of a drug manufacturer to provide access to their drug in countries where it is not commercially available. This can be either in the prelaunch or the

postlaunch stage of the product lifecycle. Each programme is designed to meet the specific needs of the manufacturer.

Clinical Trial Solutions (CTS)

Aposave has a range of services to support the efficient running of clinical trials. The Abacus Medicine Group holds over 4,000 marketing authorisations which gives Aposave unrivalled access to the medicines required to support the running of clinical trials. Aposave has also developed some unique approaches to minimising wastage of products which have expired, or are no longer required for a trial.

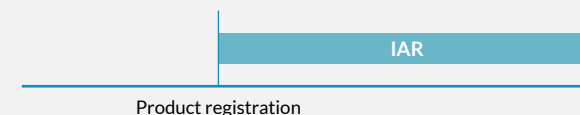
Specialty Commercial Distribution (SCD)

Aposave has extensive knowledge and experience in managing the distribution of specialty medicines. Higher value, lower volumes of specialty medicines often do not sit well with the traditional distribution model. In addition, we are able to provide ancillary services such as labelling and packaging. Aposave can provide a high-touch, specialty distribution service for these medicines, delivering directly to healthcare establishments in a timely and compliant manner.

UNLICENSED MEDICINE

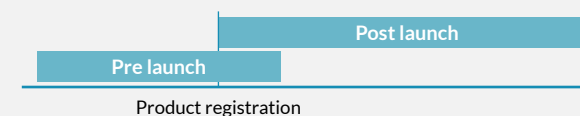
Individual Access Request (IAR)

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



Aposave Access Programme (AAP)

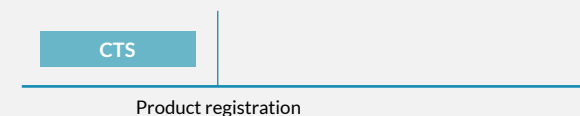
Medicine source: Manufacturer
Customer: Healthcare Professionals
Commercial: Fee for service / buy sell



LICENSED MEDICINE

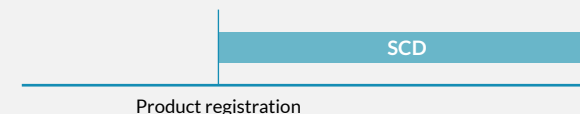
Clinical Trial Solutions (CTS)

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



Specialty Commercial Distribution (SCD)

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





Governance

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 Executive Management, the Senior Management and the Non-Executive Directors.

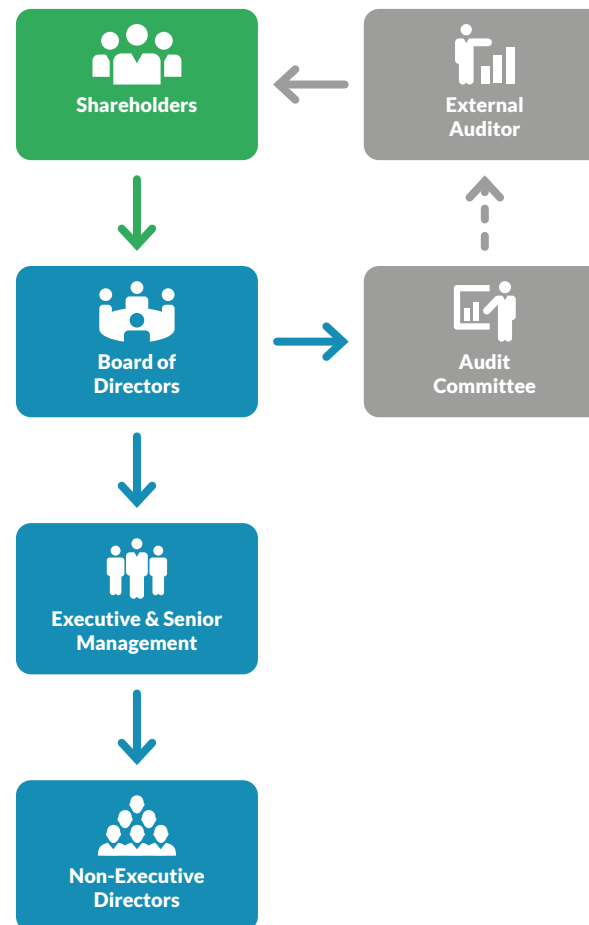
The General Meeting and Voting

The shareholders of Abacus Medicine 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 2019, the company saw a major change in its ownership structure as Chr. Augustinus Fabrikker Aktieselskab acquired a stake in the company. Abacus Medicine A/S now has two major shareholders, Wagner Family Holding ApS and Chr. Augustinus Fabrikker Aktieselskab.

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.

CORPORATE GOVERNANCE STRUCTURE



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 Executive Management and supervising the day-to-day management of the company. In 2019, two new members were elected to the Board of Directors, and the Board of Directors is now comprised of a total of six members.

Independence of the Board of Directors

Abacus Medicine strives to keep the Board of Directors independent to the greatest extent possible. By the end of 2019, 50% 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's work involves monitoring the company's financial reporting process and internal control measures, revising the financial statement, supervising the external auditors and assessing 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 Board of Directors, except for the chairman who is elected by the General Meeting. The members serve one-year terms.

Executive and Senior Management

The Executive Management is responsible for the day-to-day management of the company. Flemming Wagner, Chief Executive Officer, is the sole member of the Executive Management. In the day-to-day management, the CEO is supported by the Chief Financial Officer (CFO) and the Chief Legal Officer (CLO) who together form the Senior Management. The responsibilities and obligations of the Senior Management are set out in the Management Instructions adopted by the Board of Directors.

Executive Management Team

The Executive Management is assisted in its daily work by the Executive Management Team, which consists of managers selected based on their knowledge and expertise in their respective field of business.

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. The company'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 2019, Abacus Medicine has appointed EY as its external auditor to perform the audit of the financial statements.

Risk management

At Abacus Medicine, risk management is essential to the business, and it is Management's aim that the Group's risks should be adequately reported 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. 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 Abacus Medicine's business are:

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

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. On a yearly basis, the Senior Management presents the key risks to the Board of Directors and recommends the necessary risk-mitigating activities and action plans for approval.

The overall risk management structure is outlined as follows:

Board of Directors

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

Senior Management

- 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

Staff functions and business units

- Identifies, assesses, quantifies and records risks
- Makes suggestions for addressing risks
- Monitors risk management activities initiated
- Reports regularly to the Senior Management

Local risk owners

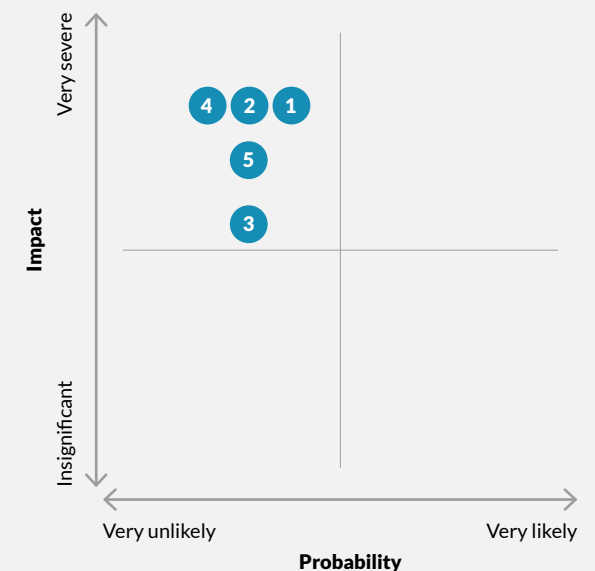
- Continuously monitors and reduces risks through risk-mitigating activities

Risk assessment in 2019

The identified risks and risk mitigations plans were reviewed and assessed by the Group's management, and the key risks were presented to the Board of Directors. The Board of Directors then resolved to implement the necessary risk-mitigating measures with a view to ensuring optimum realisation of Abacus Medicine's strategic objectives. The process of quantifying, assessing, executing and monitoring risks is planned to be strengthened even further in 2020.

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



Key risk factors in 2020

Area	Description	Risk mitigation
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 which ensure compliance and our licence 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 to prevent 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).
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. Further, Abacus Medicine relies on our suppliers' quality system 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 and expected to continue to decrease due to the FMD implementation in Q1 2019.	Abacus Medicine continuously maintains high quality standards, extensive qualification of suppliers and comprehensive incoming control procedures. In 2019, Abacus Medicine successfully implemented the requirements of the FMD which further minimise the risk of counterfeit.
Capacity constraints	Increased sales and demand for products from Abacus Medicine put pressure on our production capacity including the human workforce of Abacus Medicine.	To mitigate the risk of capacity constraints in production, Abacus Medicine constantly expands production facilities. We have recently expanded our production facility in Hungary and opened a new production facility in the Netherlands.
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, compliance with the bank covenants as well as sufficient financial flexibility by holding adequate liquidity reserves and free lines of credit. The capital increase and a new agreement with the bank has improved Abacus Medicine's funding and liquidity position.
IT risks	The threat of IT criminals is increasing, and with Abacus Medicine's continuous increase in activities in several countries, new business areas and new IT platforms, the IT risk pattern continues to change and become even more critical.	Management has an increased focus on the threat of cyber attacks, and Abacus Medicine continues to invest in the protection of data and IT systems. IT security technologies and controls are in place to help prevent intruders from causing damage to systems and gaining access to critical data and systems. Continuity plans are being prepared in the event of non-availability of IT systems, and to minimise the potential impact on the business.

Board of Directors and Senior Management

Board of Directors



Troels Peter Troelsen
Chairman since 2009

Member of
the Audit Committee

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



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.



Ole Jensen
Member since 2014

Member of
the Audit Committee

Mr. Jensen has CEO and CFO experience and is Partner in the M&A adviser Business Broker A/S.



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.



Mark Johnston
Member since 2019

Member of
the Audit 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.



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.

Senior Management



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.



Lene B. McCormick
Chief Legal Officer (CLO)
since 2015

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



Henrik Knudsen
Chief Financial Officer (CFO)
since 2013

Mr. Knudsen has previous experience from positions including CFO with Rockwool and Finance Director with Ruukki.



Financial statements

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Income statement

Note	EUR'000	2019	2018*
2.1	Revenue	421,445	332,347
2.2	Cost of sales	-371,407	-291,544
	Gross profit	50,038	40,803
	Other external costs	-10,715	-8,189
2.3	Staff costs	-24,570	-18,969
	Operating profit before depreciations, amortisation and special items (adjusted EBITDA)	14,753	13,645
2.5	Special items	-4,104	-1,065
	Operating profit before depreciations and amortisation (EBITDA)	10,649	12,580
2.6	Depreciation and amortisation	-5,249	-2,712
	Operating profit (EBIT)	5,400	9,868
2.7	Finance income	150	108
2.7	Finance expenses	-2,973	-2,626
	Profit before tax	2,577	7,350
2.8	Tax	-1,748	-1,991
	Profit for the year	829	5,359
4.2	Earnings per share, EUR	0.1	0.7
	Diluted earnings per share, EUR	0.1	0.7

* The comparative figures are not adjusted for the implementation of IFRS 16

Statement of other comprehensive income

Note	EUR'000	2019	2018*
	Profit for the year	829	5,359
	Other comprehensive income		
	<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
	Cash flow hedges – effective portion of changes in fair value	946	-757
	Exchange differences on translation of foreign operations	-111	-60
2.8	Income tax effect	-208	167
		627	-650
	Other comprehensive income/(loss) for the year, net of tax	627	-650
	Total other comprehensive income	1,456	4,709
	Earnings per share, EUR	0.1	0.6
	Diluted earnings per share, EUR	0.1	0.6

* The comparative figures are not adjusted for the implementation of IFRS 16

Balance sheet

Note	EUR'000	2019	2018*
ASSETS			
Non-current assets			
3.1	Intangible assets	17,836	13,890
3.2	Property, plant and equipment	3,269	2,970
3.3	Right-of-use assets	2,650	-
3.5	Other receivables	1,035	344
2.8	Deferred tax assets	78	78
	Total non-current assets	24,868	17,282
Current assets			
3.4	Inventory	67,873	59,587
3.5	Trade and other receivables	32,248	19,021
4.3	Cash	1,975	1,346
	Total current assets	102,096	79,954
	TOTAL ASSETS	126,964	97,236

Note	EUR'000	2019	2018*
EQUITY AND LIABILITIES			
Equity			
4.1	Share capital	506	373
	Other reserves	121	-667
	Retained earnings	50,989	14,693
	Total equity	51,616	14,399
Non-current liabilities			
2.8	Deferred tax liabilities	2,657	1,892
3.3	Lease liabilities	1,494	-
3.7	Other payables	412	-
	Total non-current liabilities	4,563	1,892
Current liabilities			
4.4	Borrowings	29,584	21,270
3.3	Lease liabilities	1,248	-
3.8	Provisions	4,243	2,159
3.6	Trade payables	16,187	11,442
2.8	Income tax payable	882	897
3.7	Other payables	18,641	45,177
	Total current liabilities	70,785	80,945
	Total liabilities	75,348	82,837
	Total EQUITY AND LIABILITIES	126,964	97,236

* The comparative figures are not adjusted for the implementation of IFRS 16

Cash flow statement

Note	EUR'000	2019	2018*
Operating activities			
	Profit before tax	2,577	7,350
	Adjustments to reconcile profit before tax to net cash flow:		
2.6	Depreciation and amortisation	5,249	2,712
2.7	Finance income	-150	-108
2.7	Finance expenses	2,973	2,626
	Working capital adjustments:		
	Non-cash items, net	465	1,633
3.9	Changes in working capital, net	-39,623	2,427
	Interest received	150	108
	Interest paid	-2,273	-2,120
	Income tax paid	-1,207	-1,446
	Net cash flow from operating activities	-31,839	13,182

Note	EUR'000	2019	2018*
Investing activities			
	Purchase of intangible assets	-6,398	-6,513
	Purchase of property, plant and equipment	-1,946	-2,426
	Paid deposits	-120	-164
	Disposals, non-current assets	-	67
	Net cash flow used in investing activities	-8,464	-9,036
Financing activities			
	Capital increases	34,500	-
	Proceeds from borrowings (credit facility)	8,214	21,270
	Proceeds from exercise of warrants	510	-
3.3	Repayment of lease liabilities	-1,065	-
	Purchase of treasury shares	-415	-
	Deposits regarding bank agreement	-811	-1,063
	Net cash flow from financing activities	40,933	20,207
	Cash flow for the year	630	24,353
	Cash at beginning of the year	1,346	-23,007
4.3	Cash at 31 December	1,976	1,346

* The comparative figures are not adjusted for the implementation of IFRS 16

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 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

EUR'000	Share capital	Cash flow hedge reserve	Foreign currency translation reserve	Treasury shares	Retained earnings	Total
Equity 1 January 2018	373	-27	10	-	9,315	9,671
Total comprehensive income 2018						
Profit for the year	-	-	-	-	5,359	5,359
Other comprehensive income						
Cash flow hedges – effective portion of changes in fair value	-	-757	-	-	-	-757
Exchange differences on translation of foreign operations	-	-	-60	-	-	-60
Tax on other comprehensive income	-	167	-	-	-	167
Total other comprehensive income	-	-590	-60	-	-	-650
Total comprehensive income for the period	-	-590	-60	-	5,359	4,709
Transactions with owners						
Equity-settled share-based payments	-	-	-	-	19	19
Total transactions with owners	-	-	-	-	19	19
Equity 31 December 2018	373	-617	-50	-	14,693	14,399

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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 2019, 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 2019 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 2018 of Abacus Medicine A/S, except for the implementation of new and amended standards (see below).

The consolidated income statement and the consolidated statement of financial positions separately present items that are considered individually significant or are required under the minimum presentation of IAS 1. When determining whether an item is individually significant, Abacus Medicine A/S considers both quantitative and qualitative factors. 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 Executive Management have on 11 August 2020 discussed and approved the annual report for Abacus Medicine A/S for 2019. The annual report will be presented to the shareholders of Abacus Medicine A/S for adoption at the annual general meeting on 26 August 2020.

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 2019. 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 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

Abacus Medicine classifies all other liabilities 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

Section 1 – Basis of Preparation

1.1 Accounting policies (continued)

and the amount of any non-controlling interest in the acquiree. For each business combination, Abacus Medicine decides whether it will measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets.

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

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

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

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

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount 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 each of Abacus Medicine's 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

Abacus Medicine uses forward currency contracts (derivative financial instruments) to hedge its 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 hedge 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 the factoring agreement, the receivables are sold, and the payments are in general received from the factoring company within one day. Revenue is measured at fair value of the agreed consideration, excluding VAT and taxes charged on behalf of third parties. Provisions for rebates and discounts granted to customers are recognised as a reduction of revenue, whereas the effect of expected returns is recorded as a reduction of gross profit, i.e. revenue and cost of sales.

Rights of return

Certain contracts provide our customers with a right to return the goods. Abacus Medicine uses the expected value method 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, Abacus Medicine recognises a refund liability. 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 Abacus Medicine's 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. Abacus Medicine updates the measurement of the asset 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. Abacus Medicine updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to above accounting policy on variable consideration.

Other external costs

Other external costs include expenses in regards to Abacus Medicine's 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 have 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.

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 Group Parent, 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 management 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.

Licenses and Software

Licenses relate to marketing permits and product approvals. Licenses 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 amortisation period, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

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

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

Amortisation periods are as follows:

Licenses	5 - 8 years
Software	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 Abacus Medicine can demonstrate:

- 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 leasehold improvements and other fixtures and fittings. 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:

Leasehold improvements	3-5 years
Other fixtures and fittings	2-5 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 item other operating income and other operating expenses, respectively.

Leases (Before 1 January 2019 - IAS 17)

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement. The operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Services in connection with operating leases are recognised in the income statements on a straight-line basis over the lease term.

For description of the accounting treatment of lease agreements from 1 January 2019, we refer to section 1.2.

Impairment of non-current assets

Abacus Medicine assesses, at each reporting date, 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, Abacus Medicine estimates the asset's recoverable amount. 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.

Abacus Medicine bases its impairment calculation on detailed budgets and forecast calculations. The budget and forecast calculation generally

cover 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, Abacus Medicine estimates the asset's recoverable amount.

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 (Aposave). 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 provision for bad debt for receivables is based on the expected credit loss and the lifetime expected loss for all trade

Section 1 – Basis of Preparation

1.1 Accounting policies (continued)

receivable level. Where there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised at the individual receivable level.

Prepayments

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

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".

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 Abacus Medicine's cash flows from operating, investing and financing activities for the year, the year's changes in Cash as well as Abacus Medicine's 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 are 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 comprise 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 comprise 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.

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 profit	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Operating profit before depreciations and amortisations (EBITDA) margin	$\frac{\text{Operating profit excl. amortisation and depreciation} \times 100}{\text{Revenue}}$
Operating profit (EBIT) margin	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$
Revenue growth	$\frac{\text{Current year revenue} - \text{prior year revenue} \times 100}{\text{Revenue}}$
Return on invested capital (ROIC)	$\frac{\text{Operating profit (EBIT)} \times (1 - \text{effective tax rate}) \times 100}{\text{Average invested capital}}$
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	$\frac{\text{Closing equity} \times 100}{\text{Total assets}}$
Return on equity	$\frac{\text{Profit for the year after tax} \times 100}{\text{Average equity}}$
EPS basic	$\frac{\text{Net profit}}{\text{Average number of shares outstanding}}$
EPS diluted	$\frac{\text{Net profit}}{\text{Average number of shares outstanding, including the dilutive effect of share options}}$

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

Liquidity available consists of the net amount of cash less 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 performance measures used by Abacus Medicine, please see below.

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

Section 1 – Basis of Preparation

1.2 New accounting policies and disclosures

Changes in accounting policies and disclosures

New and amended standards and interpretations adopted by Abacus Medicine

Abacus Medicine applies, for the first time, IFRS 16 Leases. Other amendments and interpretations also apply for the first time in 2019. None of these have an impact on the recognition or measurement in the financial statements.

Effect from IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The implementation of IFRS 16 has resulted in a change in the presentation of the operational leasing contracts, which from 1 January 2019 are recognised on the balance sheet as right-of-use assets with a related leasing obligation. Before the adoption of IFRS 16, Abacus Medicine classified each of its leases (as lessee) at the inception date as an operating lease (Abacus Medicine had no finance lease contracts under IAS 17).

In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the income statement on a straight-line basis over the lease term. Any prepaid and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Abacus Medicine adopted IFRS 16 using the modified retrospective method, and therefore has not changed the comparative figures, which are therefore presented in accordance with IAS 17. The lease liability is measured as the present value of the remaining lease payments, discounted using Abacus Medicines incremental borrowing rate at the date of initial application. A right-of-use asset has been recognised at the date of initial application with an amount equal to the lease liability,

adjusted by the amount of any prepaid or accrued lease payments relating to the leases.

Abacus Medicine has elected to use the recognition exemptions for lease contracts that, at the commencement date, has a lease term of 12 months or less and do not contain a purchase option ('short term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

On adoption of IFRS 16, Abacus Medicine recognised lease liabilities in relation to leases which had previously been classified as operating lease payments under the principles of IAS 17 Leases. These liabilities have been measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019, which was 3.0%.

The operating lease commitments per 31 December 2018 were presented in note 28 in the 2018 annual report. The table below shows the link from this note to the IFRS 16 lease liabilities as per 1 January 2019:

EUR'000	1 January 2019
Operational lease obligation as of 31 December 2018 (IAS 17)	2,520
Discounted using the incremental borrowing rate as of 1 January 2019	2,400
Used exemptions:	
Short term leases	-90
Impact from lease payments under extension options in periods there are reasonable certain to be exercised and under termination options periods that are reasonable certain not to be exercised, etc.	967
Lease obligation recognised as of 1 January 2019 (IFRS 16)	3,277

The effect of adoption per 1 January 2019 is the following:

Balance sheet as at 1 January 2019:

- Right-of-use assets of EUR 3,277 thousand were recognised and presented separately in the statement of financial position.
- Additional lease liabilities (non-current) of EUR 2,154 thousand and lease liabilities (current) of EUR 1,123 thousand.
- The impact on equity is zero.

Income statement for the financial year 2019:

- Rent expense decreased by EUR 1,212 thousand relating to previous operating leases.
- Depreciation expense increased by EUR 1,158 thousand relating to the depreciation of additional assets recognised.
- Finance costs increased by EUR 89 thousand relating to the interest expense on additional lease liabilities recognised.

Cash flow statement for the financial year 2019:

- Cash outflows from operating activities decreased by EUR 1,065 thousand and cash outflows from financing activities increased by the same amount, representing the payments for the principal portion of recognised lease liabilities.

Abacus Medicine's lease agreements mainly relate to lease of the headquarter premises in Copenhagen, Denmark, the production site and machinery equipment (printers) in Budapest, Hungary and the production site in Alkmaar, the Netherlands.

Summary of new accounting policies

Set out below are the new accounting policies of Abacus Medicine upon adoption of IFRS 16:

Right-of-use assets

Abacus Medicine recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use).

Section 1 – Basis of Preparation

1.2 New accounting policies and disclosures (continued)

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, Abacus Medicine recognises lease liabilities 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, Abacus Medicine uses the incremental borrowing rate at the lease commencement date 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

Abacus Medicine applies the short-term lease recognition exemption to its 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.

Significant judgement in determining the lease term of contracts with extension options

Abacus Medicine determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. Under the current contracts, Abacus Medicine has no material extension options.

1.3 Standards issued but not yet effective

The following new accounting standards and interpretations are not yet effective, but will be commencing on or after 1 January 2020.

- IFRS 17 Insurance Contracts
- IFRS 3 Business Combinations – Amendments to IFRS 3
- IAS 1 Presentation of Financial Statements og IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Amendments to IAS 1 and IAS 8: Definition of Material
- Conceptual Framework – Amendments to References to the Conceptual Framework in IFRS Standards.

None of the above standards and interpretations have been approved by the EU.

The approved non-effective standards and interpretations are implemented as they become effective for Abacus Medicine.

It has been assessed that none of the above standards and interpretations will have a significant impact on the recognition and measurement of Abacus Medicine.

Section 1 – Basis of Preparation

1.4 Significant accounting judgements, estimates and assumptions

The preparation of Abacus Medicine's 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 give 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 (licences) are amortised over their useful lives and assessed for impairment whenever there is an indica-

tion 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 is 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 and 2018, of which the plans from 2017 and 2018 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 and 2018 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 operating segments for Abacus Medicine is in line with the internal management reporting.

Management monitors the Group's operations as one segment on earnings, and on countries and products when monitoring revenue activities. Accordingly, Abacus Medicine is organised into business units based on markets, as below.

Geographical allocation of revenue and non-current operating assets

EUR'000	2019		2018	
	Revenue	Non-current operating assets	Revenue	Non-current operating assets
Denmark	56,243	15,518	37,561	11,511
Germany	224,280	196	189,635	-
Other countries	140,922	8,041	26,081	3,970
Total	421,445	23,755	332,347	16,860

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

In 2018 and 2019, Abacus Medicine had two customers in Germany and Denmark/Sweden with more than 10% of the Group revenue individually. However customers in the pharmaceutical industry are mainly wholesalers which act on behalf of the pharmacies. The pharmacies are therefore the actual customers, and in this aspect no customers represent more than 10% of the Group revenue individually.

2.2 Cost of sales

Cost of sales comprise of the following:

EUR'000	2019	2018
Cost of inventories recognised as an expense	367,237	287,348
Write-down of inventory, net	4,170	4,196
	371,407	291,544

2.3 Staff costs

EUR'000	2019	2018
Wages and salaries	20,927	16,577
Pensions, defined contribution plans	1,915	1,470
Other social security costs	517	254
Other staff costs	1,811	1,525
Share-based payment expense	357	170
Total employee benefit expenses	25,527	19,996
Of which are capitalised as intangible assets	-957	-1,027
Total employee benefit expense in the income statement	24,570	18,969
Average number of full-time employee	618	449

Section 2 – Result of the Year

2.3 Staff costs (continued)

The below amounts are included in the total staff costs.

EUR'000	2019	2018
Board of Directors and Executive Management		
Wages and salaries	669	619
Pensions, defined contribution plans	38	32
Share-based payments	15	2
Social security costs	1	1
Total	723	655
 Average number	 6	 4
Key Management Personnel		
Wages and salaries	1,671	1,460
Pensions, defined contribution plans	130	104
Share-based payments	65	63
Social security costs	15	8
Total	1,881	1,635
 Average number	 8	 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 Executive Management and Board of Directors represent EUR 723 thousand (2018: EUR 655 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.

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 in November 2016 allow those eligible to subscribe for up to 145,248 new shares of EUR 0.05 each in Abacus Medicine A/S. Under the terms of the agreement the participants have a choice to subscribe for cash or shares. As of the grant date the estimated value of the cash alternative was more favorable than the equity alternative, accordingly the warrants have been accounted for as a cash-settled scheme in its entity. Settlement and subscription took place in June 2019, and the subscription price was EUR 4.82 per share.

Warrant agreements entered into in December 2017 allow those eligible to subscribe for up to 84,567 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 only allows to be settled with shares which must take place 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 16,2), July 2021 (39,799 shares, subscription price EUR 10,42) and February 2022 (39,813 shares, subscription price EUR 10,16).

Section 2 – Result of the Year

2.4 Share-based payments (continued)

EUR'000	2019	2018
Equity-settled expense	100	19
Cash-settled expense	257	151
Total share-based payment expense	357	170

Specification of outstanding share options

	Board of Directors	Key Managem. Personnel	Other employees	Total number	Average exercise price per option (EUR)
Outstanding at 31 December 2017	-	46,986	176,923	223,909	
Granted	45,309	14,766	67,377	127,452	
Forfeited	-	-	-7,920	-7,920	
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	
Exercisable 31 December 2019	-	-	-	-	

Specification of outstanding warrants with cash settlement alternative

	Other employees (2016 program)	Total number	Average exercise price per option (EUR)
Outstanding at 31 December 2017	139,342	139,342	
Granted	-	-	
Forfeited	-4,564	-4,564	
Exercised	-	-	
Expired	-	-	
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	-	-	
Exercisable at 31 December 2019	-	-	-

The average remaining contractual life for the share options outstanding at 31 December 2019 was 2 years (2018: 2 years). The exercise prices are between EUR 4.9 - EUR 16.2 per share option (2018: EUR 4.82 - EUR 16.2).

In 2019, the expense in regards to share-based payments recognised in the income statement amounts to EUR 357 thousands (2018: EUR 170 thousands).

Section 2 – Result of the Year

2.4 Share-based payments (continued)

The following table list the inputs to the models used for the plan for the 2018 program:

	2018 Equity Settled	2017 Equity Settled
Weighted average fair values at measurement date	1.7	1.7
Weighted average share price	10.8	4.7
Exercise price	16.2	4.9
Expected volatility (%)	25%	25%
Expected life of share options	25-39 months	30 months
Dividend yield (%)	0.00%	0.00%
Risk-free interest rate (%)	0.00%	0.00%
Valuation method	Black-Scholes	Black-Scholes

The expected volatility reflects 25%, which is based on a peer group median.

EUR'000	2019	2018
Liability for cash-settled scheme	-	1,103
	-	1,103

2.5 Special items

EUR'000	2019	2018
IPO project related expenses	1,537	1,065
Private equity related expenses	2,567	-
Total	4,104	1,065

2.6 Amortisation and depreciation

EUR'000	2019	2018
Amortisation and write-downs, intangible assets	2,959	1,936
Depreciation, property, plant and equipment	1,132	776
Depreciation, right-of-use assets	1,158	-
Total	5,249	2,712

2.7 Net finance costs

EUR'000	2019	2018
Finance income		
Other finance income	150	108
Total finance income	150	108

Finance income related to balance sheet items recognised at amortised cost amounts to EUR 150 thousand (2018: EUR 108 thousand).

EUR'000	2019	2018
Finance expenses		
Other finance costs	2,122	1,968
Interests, lease liabilities	89	-
Amortised loan costs	162	153
Foreign exchange loss, net	600	505
Total finance expenses	2,973	2,626

Finance expenses related to balance sheet items recognised at amortised cost (the credit facility and lease liabilities) amounts to EUR 875 thousand (2018: EUR 653 thousand).

Section 2 – Result of the Year

2.8 Income tax

EUR'000	2019	2018
Income statement		
Current income tax		
Current income tax charge	1,191	1,102
Deferred tax		
Relating to origination and reversal of temporary difference	557	889
Income tax expense reporting in the income statement	1,748	1,991

EUR'000	2019	2018
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	-208	167
Income tax recognised in other comprehensive income	-208	167

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

EUR'000	2019	2018
Accounting profit before income tax		
Calculated 22% tax on profit for the year	567	1,617
Utilisation of previously unrecognized losses	163	-
Tax effect of:		
Deviation in foreign subsidiaries' tax rates compared with the Danish rate	75	100
Other non-deductible expenses, etc.	943	274
Total	1,748	1,991
Effective tax (%)	67.8%	27.1%

EUR'000	2019	2018
Deferred tax		
Deferred tax 1 January	-1,814	-1,105
Currency translation	-	13
Deferred tax for the year recognised in profit for the year	-557	-889
Deferred tax for the year recognised in other comprehensive income	-208	167
Deferred tax 31 December	-2,579	-1,814
Reflected in the statement of financial position as follows:		
Deferred tax assets	78	78
Deferred tax liabilities	-2,657	-1,892
Deferred tax 31 December, net	-2,579	-1,814

There are unrecognized deferred tax assets relating to tax losses in the group amounting to EUR 467 thousand (2018: EUR 630 thousand). The deferred tax assets have not been recognised due to uncertainties on the timing of the realisation.

EUR'000	2019	2018
Deferred tax relates to:		
Intangible assets	-2,969	-2,166
Cash flow hedge reserve	-34	167
Other assets and liabilities, net	424	185
Total	-2,579	-1,814

EUR'000	2019	2018
Income tax payable		
Income tax payable 1 January	897	1,254
Current tax for the year	1,191	1,102
Exchange rate adjustments, interests etc.	1	-13
Corporation tax paid during the year	-1,207	-1,446
Income tax payable 31 December	882	897

Section 3 – Invested Capital and Working Capital Items

3.1 Intangible assets

EUR'000	Development costs	Software	Licenses	IP Rights	Goodwill	Total
Cost 1 January 2019	2,946	-	16,697	-	2,905	22,548
Currency translation	-	-	-	-	-	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

EUR'000	Development costs	Software	Licenses	IP Rights	Goodwill	Total
Cost 1 January 2018	-	-	14,187	1,097	2,905	18,189
Currency translation	-	-	-21	-	-	-21
Additions	-	-	2,139	-	-	2,139
Additions internally developed	2,946	-	1,449	-	-	4,395
Disposals	-	-	-1,057	-1,097	-	-2,154
Cost 31 December 2018	2,946	-	16,697	0	2,905	22,548
Amortisation and impairment 1 January 2018	-	-	7,971	-	-	7,971
Currency translation	-	-	8	-	-	8
Amortisation	-	-	1,693	243	-	1,936
Write-downs	-	-	-	-	-	-
Disposals	-	-	-1,014	-243	-	-1,257
Amortisation and impairment 31 December 2018	-	-	8,658	-	-	8,658
Carrying amount 31 December 2018	2,946	-	8,039	-	2,905	13,890

Development costs comprise capitalised expenses for the new ERP system for Aposave, which will be taken into use in January 2020.

Software is amortised over 10 years and Licenses 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. Since goodwill is not amortised, the carrying amount is at least tested for impairment annually. The impairment test in 2019 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, which comprise 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 test are based on the Aposave budget for 2020 prepared by the management and approved by Board of Directors, and the outlook for the subsequent 4 years.

We have applied an average yearly revenue growth of 59% in the period 2020-2024. The Gross margin for the industry is in the range of 15-40%. We have applied an average gross margin of 14.9% over the combined budget and outlook period. Decreased demand for clinical trial services and unlicensed medicine can lead to a decline in the gross margin.

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

We have used a pre-tax discount rate of 15.1%, which represent the current market assessment of the risks specific to the Aposave 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. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by Abacus Medicine's investors. The cost of debt is based on the interest-bearing borrowings Abacus Medicine is obliged to service which is considered to be on market terms. Industry specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

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

3.2 Property, plant and equipment

EUR'000	Leasehold improvements	Other fixtures and fittings, plant and equipment	Total
Cost 1 January 2019	1,139	3,534	4,673
Currency translation	-6	22	16
Additions	270	1,676	1,946
Reclassification	-	-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	-	-145	-145
Disposals	-22	-318	-340
Depreciation and impairment 31 December 2019	595	1,745	2,340
Carrying amount 31 December 2019	786	2,483	3,269
Cost 1 January 2018	450	2,369	2,819
Currency translation	-	30	30
Additions	689	1,737	2,426
Disposals	-	-602	-602
Cost 31 December 2018	1,139	3,534	4,673
Depreciation and impairment 1 January 2018	314	1,014	1,328
Currency translation	-	-20	-20
Depreciation	101	675	776
Disposals	-	-381	-381
Depreciation and impairment 31 December 2018	415	1,288	1,703
Carrying amount 31 December 2018	724	2,246	2,970

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 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 1.2 for description of the following:

- The scope of the Group's leasing contracts
- The Group's exposure to potential future cash flows
- Process for determining the incremental borrowing rate"

Leasing liabilities

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

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

In 2019, Abacus Medicine paid EUR 1,154 thousand on lease contracts of which interest payments related to lease liabilities amount to EUR 89 thousand and down payments on leasing liabilities amounts to EUR 1,065 thousand.

Costs recognised in the period for short-term and low-value leases were EUR 30 thousand. Expenses are recognised on a straight-line basis as Other external costs.

3.4 Inventories

EUR'000	2019	2018
Raw materials and consumables	27,341	28,385
Manufactured goods and goods for resale	40,532	31,202
Total inventories at the lower of cost and net realisable value	67,873	59,587

During 2019, EUR 4,170 thousand (2018: EUR 4,196 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	2019	2018
Inventory write-downs at 1 January	1,793	629
Utilised and reversed during the year	-1,793	-629
Additional write-downs during the year	1,937	1,793
Inventory write-downs at 31 December	1,937	1,793

Section 3 – Invested Capital and Working Capital Items

3.5 Trade and other receivables

EUR'000	2019	2018
Non-current		
Other receivables	1,035	344
Total non-current	1,035	344
Current		
Receivables from sales and services	23,318	9,477
Deposits AL-Finans regarding factoring agreement	4,687	3,876
Other receivables	3,514	3,901
Receivable from parent company	-	829
Prepayments	729	938
Total current	32,248	19,021

Abacus Medicine's customers are mainly wholesalers 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 4.4 on liquidity risks 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. As part of the receivables from sales and services and other receivables are EUR 6,591 thousand related to entities in the Pluripharm Group, which has been acquired in July 2020. Management has not considered any need for write-down. Abacus Medicine has not suffered any significant losses in 2018 or 2019, and the provision for bad debt is considered to be immaterial. There are no significant overdue receivables. In 2019 the simplified expected credit loss model has been considered and no write-downs have been recognised.

3.6 Trade payables

EUR'000	2019	2018
Trade payables	16,187	11,442
Total	16,187	11,442

3.7 Other payables

EUR'000	2019	2018
Non-current		
Employee related payables	412	-
Total non-current	412	0
Current		
VAT payables	9,482	35,307
Employee related payables	1,829	1,999
Other payables	7,330	7,871
Total current	18,641	45,177

The decrease in VAT payables is mainly due to settlement of German VAT relating to 2018 in September 2019.

Section 3 – Invested Capital and Working Capital Items

3.8 Provisions

	Return provisions
At 1 January 2019	2,159
Arising during the year	4,243
Utilised	-2,159
At 31 December 2019	4,243
Current	4,243

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	2019	2018
Change in inventory	-6,202	-26,223
Change in receivables	-12,987	-6,883
Change in trade payables etc.	-20,434	35,533
Total	-39,623	2,427

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 intends on retaining all future earnings to finance future growth, however Abacus Medicine may pay dividends to shareholders, return capital to shareholders or issue new shares to maintain or adjust the capital structure. Abacus Medicine monitors capital using a solvency ratio, which is total equity divided by total equity and liabilities. Abacus Medicine's long term target is to keep the solvency ratio at minimum 35% (end 2019: 41%, end 2018: 15%).

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. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period under the current bank agreement. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

Equity Issued shares

	Number				1 January 2016
	2019	2018	2017	2016	
1 January	7,450,000	2,774,747	2,642,617	2,642,617	2,128,378
Additions	2,663,245	-	132,130	-	514,239
Increase in shares due to decrease of nominal value per share		4,675,253	-	-	-
31 December – fully paid	10,113,245	7,450,000	2,774,747	2,642,617	2,642,617

	Nominal value (EUR)				1 January 2016
	2019	2018	2017	2016	
1 January	372,500	372,500	354,714	354,714	285,688
Additions	133,162	-	17,736	-	69,026
Impact of conversion of registered share capital from DKK to EUR	-	-	50	-	-
31 December – fully paid	505,662	372,500	372,500	354,714	354,714

The share capital consist of 10,113,245 shares with a nominal value of 0.05 EUR each. None of the shares are assigned with special rights.

Treasury shares

	No. of shares	Nom. Value	% of share capital
1 Jan 2019	-	-	-
Acquired from employees	30,743	1,537	0.3%
31 Dec 2019	30,743	1,537	0.3%

All own shares are owned by Abacus Medicine A/S.

Treasury shares were acquired in connection with the vesting of the 2016 share-option program.

Section 4 – Capital Structure and Net Financials

4.2 Earnings per share and dividend

EUR'000	2019	2018
Profit attributable to equity holders	829	5,359
Weighted average number of ordinary shares	10,113,245	7,450,000
Effect of share options	289,652	274,641
Weighted average number of ordinary shares adjusted for the effect of dilution	10,402,897	7,724,641
Basic earnings per share, EUR	0.1	0.7
Diluted earnings per share, EUR	0.1	0.7

There have been no 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	2019	2018
Cash at bank and in hand	1,975	1,346
Total cash	1,975	1,346

4.4 Borrowings

EUR'000	2019	2018
Current liabilities		
Bank credit facility	29,883	21,395
Amortized costs	-299	-125
Carrying amount	29,584	21,270
Nominal amount	29,883	21,395

Abacus Medicine has a committed credit facility with Danske Bank, with a maximum credit limit of EUR 53.5 million (DKK 400 million). The bank credit facility is to be renegotiated on a three year basis. Next renegotiation is in 2023. The credit line has subsequently been increased to EUR 73.8 millions (DKK 550 million).

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 Abacus Medicine's operations and to support its 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. Abacus Medicine's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

We also refer to the Risk Management section in the Management 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 Abacus Medicine's operating activities (when revenue or expense is denominated in a foreign currency) and Abacus Medicine's 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 company's bank.

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

Section 4 – Capital Structure and Net Financials

4.5 Financial risk and financial instruments (continued)

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 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 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	
		2019	2018
SEK	5%	10	2,155
GBP	5%	468	-657
NOK	5%	-647	-1,271
PLN	5%	-365	-400
HUF	5%	-950	-336

The analysis is based on sales and purchases in respective currencies the given period, and keeps all other assumptions unchanged. A change in the exchange rate of the currencies will also impact the business in terms of the possibilities of purchase- and selling volumes.

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 53.5 million (DKK 400 million) and the factoring agreement with AL Finans with a limit of EUR 70.3 million (DKK 525 million). Abacus Medicine 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 equal affect Abacus Medicine's income statement by EUR 0.8 million (2018: EUR 0.2 million) and equity by EUR 0.8 million (2018: EUR 0.2 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.

Abacus Medicine therefore 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 at Danske Bank with a credit limit of EUR 53.5 million (DKK 400 million) with a three years term and a factoring agreement with AL Finans with a limit of EUR 70.3 million (DKK 525 million). 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 the factoring company are paid to Abacus Medicine no later than the day after the invoice has been issued.

Maturity analysis

(EUR'000)	Contractual cash flows	< 1 year	1 - 3 years	3 - 5 years	>5 years
2019					
Non-derivative financial instruments					
Credit institutions and banks (credit facility)	29,883	29,883	-	-	-
Trade payables	16,187	16,187	-	-	-
Other payables	18,641	18,641	-	-	412
Lease liabilities	2,742	1,248	1,494	-	-
Derivative financial instruments					
Exchange rate hedging	-	-	-	-	-
31 December 2019	67,453	65,959	1,494	-	-
2018					
Non-derivative financial instruments					
Credit institutions and banks (credit facility)	21,395	21,395	-	-	-
Trade payables	11,442	11,442	-	-	-
Other payables	45,177	45,177	-	-	-
Lease liabilities	-	-	-	-	-
Derivative financial instruments					
Exchange rate hedging	792	792	-	-	-
31 December 2018	78,806	78,806	-	-	-

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 the factoring company 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.

Accordingly, no allowance for bad debt has been made in the carrying amount of trade receivables in the balance sheet (2018: EUR 0). All trade receivables have been collected (2018: all).

Section 4 – Capital Structure and Net Financials

4.5 Financial risk and financial instruments (continued)

Categories of financial instruments

EUR'000	Carrying amount		Fair value	
	2019	2018	2019	2018
Financial assets at fair value – hedging instruments				
Derivative financial instruments	156	-	156	-
Total	156	-	156	-
Financial assets measured at amortised cost				
Trade receivables	32,092	19,021	32,092	19,021
Cash	1,975	1,346	1,975	1,346
Total	34,067	20,367	34,067	20,367
Financial liabilities at fair value – hedging instruments				
Derivative financial instruments	-	792	-	792
Total	-	792	-	792
Financial liabilities measured at amortised cost				
Borrowings	29,584	21,270	29,584	21,270
Lease liabilities	2,742	-	2,742	-
Trade payables	16,187	11,442	16,187	11,442
Other payables	18,641	44,385	18,641	44,385
Total	67,154	77,097	67,154	77,097

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 thousand; 2018: EUR 747 thousand), revenue for derivatives related to sales (EUR 91 thousand; 2018: EUR 45 thousand) and production costs (EUR 65 thousand; 2018 EUR 0).

Net financing cash flow

EUR'000	1 Jan '19	IFRS 16 implem.	Financing cash flow	Currency	31 Dec '19
Borrowings	21,270	-	8,314	0	29,584
Lease liabilities	-	3,807	-1,065	0	2,742
Total	21,270	3,807	7,249	0	32,326

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.

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. The hedge of HUF relates to the production costs in Hungary. The fair value of the hedges has been recognised under “Trade and other receivables” 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)	Expiry below 1 year	Expiry 1-5 years	Expiry above 5 years	Average hedging price	Fair value assets	Fair value liabilities	Change in fair value used for measuring cash flow hedge reserve
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
2018								
SEK/DKK	27,400	27,400	-	-	1 SEK/1 DKK	-	45	-45
NOK/DKK	144,000	144,000	-	-	1 NOK/1 DKK	-	747	-747
						-	792	-792

Section 5 – Other disclosures

5.1 Contractual obligations and contingencies etc

Contingent liabilities

The company 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.

5.2 Mortgage and collateral

Bank debt of EUR 30 million within Abacus Medicine has been secured by way of a pledge on all of Abacus Medicine's existing as well as future receivables, totaling EUR 32 million (2018: EUR 14 million), in intangible assets totaling EUR 18 million (2018: EUR 14 million), property totaling EUR 0 million (2018: EUR 0 million), plant and equipment totaling EUR 3 million (2018: EUR 3 million) and inventories totaling EUR 68 million (2018: EUR 60 million).

In addition, the shares in the subsidiary Abacus Medicine Hungary KFT, totaling EUR 1.1 million (2018: EUR 1.1 million), and the shares in the subsidiary Abacus Medicine Berlin GmbH, totaling EUR 0.5 million (2018: EUR 0.4 million), have been provided as collateral.

5.3 Investments in subsidiaries

Name	Registered office	Ownership 2019 and voting rights	Ownership 2018 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%	-
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%	-
Aposave prestacao de servicos de marketing E Pesquisa de	Brazil	-	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	2019	2018
Interest income from other related parties	78	18
Sale of DayDose activities including IP rights to other related parties	-	1,070
Coverage of expenses in DayDose ApS from 1/9-18 to 31/12-18	-	223
Receivables from Parent	-	829
Receivables from other related parties	16	-
Payables to other related parties	-	161

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 2019, Abacus Medicine has not recorded any impairment of receivables relating to amounts owed by related parties (2018: 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 includes Abacus Medicine's Board of Directors and executives 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 in 2020 before signing of Annual report 2019

Acquisition of Goofy-Sam Holding B.V.

In July 2020, Abacus Medicine A/S acquired the Dutch wholesaler Pluripharma Groep B.V. and all shares in its parent company, Goofy-Sam Holding B.V., in a deal combining a cash injection and conversions of loans and trade receivables. Pluripharma is a full-range wholesaler of pharmaceuticals, medical devices and related products and services to pharmacies and hospitals.

Strategic rationale and synergies

Pluripharma is both a customer and a supplier to Abacus Medicine. As a customer, Pluripharma serves as an important bridge into the Dutch parallel distribution market, and as a supplier, Pluripharma is important for the sourcing capabilities of Abacus Medicine.

Abacus Medicine expects to increase its annual revenue in the Dutch hospital and pharmacy market as well as its sourcing activities of Dutch origin products.

Transactions costs

The total transaction costs will be recognised in the 2020 income statement in the 2020 annual report and is expected to be around EUR 450,000.

Fair value of acquired net assets and recognised goodwill

As accounting for the Pluripharma acquisition is ongoing, net assets, goodwill and contingent assets and liabilities recognised at the reporting date are still provisional. Adjustments will be applied to these amounts for a period of up to twelve months from the acquisition date in accordance with IFRS 3.

Revenue and result for the year 2019 for Goofy-Sam B.V.

The revenue amounted to EUR 249 million and the net result amounted to a loss of EUR 5,2 million in the consolidated financial statements for the year ended 31 December 2019.

Section 5 – Other disclosures

5.5 Business combinations (continued)

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

Net assets and goodwill	Fair value at date of acquisition
EUR'000	
Intangible assets	6,973
Property, plant and equipment	8,545
Other receivables	1,500
Right of use assets	106
Deferred tax assets	3,391
Inventory	10,322
Trade and other receivables	22,927
Cash	0
Total assets	53,764
Lease liabilities	106
Borrowings	27,063
Provisions	972
Trade payables	19,989
Other payables	6,613
Total liabilities	54,743
Acquired net assets	(979)
Fair value of total consideration transferred	0
Goodwill arising from the acquisition	979

5.6 Events after the reporting period

In July 2020, Abacus Medicine A/S acquired the Dutch wholesaler Pluripharma Groep B.V. and all shares in its parent company, Goofy-Sam Holding B.V., in a deal combining a cash injection and conversions of loans and trade receivables. The acquisition secures Abacus Medicine's main distribution channel in the Netherlands. Abacus Medicine and Pluripharma expect to realise substantial strategic advantages and operational synergies from the partnership between the two companies.

No other events have occurred after the balance sheet date which could have a material effect on Abacus Medicine's financial position at 31 December 2019.

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	2019	2018
Audit	76	60
Other assurance engagements	33	72
Total audit related services	109	132
Tax consultancy	49	10
Other non-audit services	191	411
Total fee to EY	349	553

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

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Income statement

Note	EUR'000	2019	2018*
	Revenue	420,103	330,154
2.1	Cost of sales	-382,163	-301,652
	Gross profit	37,940	28,502
	Other external costs	-12,847	-5,066
2.2	Staff costs	-13,573	-11,406
	Operating profit before depreciations, amortisation and special items (adjusted EBITDA)	11,520	12,030
2.4	Special items	-4,104	-1,065
	Operating profit before depreciations and amortisation (EBITDA)	7,416	10,965
2.5	Depreciation and amortisation	-3,782	-2,201
	Operating profit (EBIT)	3,634	8,764
3.4	Share of profit from subsidiaries accounted under the equity method	856	191
2.6	Finance income	319	235
2.6	Finance expenses	-2,566	-2,016
	Profit before tax	2,243	7,174
2.7	Tax	-1,414	-1,815
	Profit for the year	829	5,359

* The comparative figures are not adjusted for the implementation of IFRS 16

Statement of other comprehensive income

Note	EUR'000	2019	2018*
	Profit for the year	829	5,359
	Other comprehensive income		
	<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
	Cash flow hedges – effective portion of changes in fair value	946	-757
	Exchange differences on translation of foreign operations	-111	-60
2.7	Income tax effect	-208	167
		627	-650
	Other comprehensive income/(loss) for the year, net of tax	627	-650
	Total other comprehensive income	1,456	4,709

* The comparative figures are not adjusted for the implementation of IFRS 16

Balance sheet

Note	EUR'000	2019	2018*
ASSETS			
Non-current assets			
3.1	Intangible assets	13,466	9,847
3.2	Property, plant and equipment	744	1,664
3.3	Right-of-use assets	1,308	0
3.4	Investments in subsidiaries	4,682	3,928
3.6	Other receivables	757	74
	Total non-current assets	20,957	15,513
Current assets			
3.5	Inventory	67,781	59,470
3.6	Trade and other receivables	37,571	20,853
4.2	Cash	48	201
	Total current assets	105,400	80,524
	TOTAL ASSETS	126,357	96,037

Note	EUR'000	2019	2018*
EQUITY AND LIABILITIES			
Equity			
4.1	Share capital	506	373
	Reverse for net revaluation according to the equity method	1,916	1,132
	Other reserves	121	-617
	Retained earnings	49,073	13,511
	Total equity	51,616	14,399
Non-current liabilities			
2.7	Deferred tax liabilities	2,657	1,892
3.3	Lease liabilities	728	-
3.3	Other Payables	412	-
3.9	Provisions	-	2
	Total non-current liabilities	3,797	1,894
Current liabilities			
4.3	Borrowings	29,584	21,247
3.3	Lease liabilities	595	-
3.9	Provisions	4,243	2,159
3.7	Trade payables	19,289	12,268
2.7	Income tax payable	857	867
3.8	Other payables	16,376	43,203
	Total current liabilities	70,944	79,744
	Total liabilities	74,741	81,638
	Total EQUITY AND LIABILITIES	126,357	96,037

* The comparative figures are not adjusted for the implementation of IFRS 16

Cash flow statement

Note	EUR'000	2019	2018*
Operating activities			
	Profit before tax	2,243	7,174
	Adjustments to reconcile profit before tax to net cash flow:		
2.5	Depreciation and amortisation	3,782	2,201
	Share of profit from subsidiaries	-856	-191
	Finance income	-319	-235
	Finance expenses	2,566	2,016
	Working capital adjustments:		
	Non-cash items, net	1,916	1,876
3.10	Changes in working capital	-41,596	984
	Interest received	319	235
	Interest paid	-1,900	-1,591
	Income tax paid	-868	-1,099
	Net cash flow from operating activities	-34,713	11,370

Note	EUR'000	2019	2018*
Investing activities			
3.1	Purchase of intangible assets	-5,712	-6,042
3.2	Purchase of property, plant and equipment	-1,095	-1,464
	Change in deposit	-33	-4
	Disposals, non-current assets	-	67
	Net cash flow used in investing activities	-6,840	-7,443
Financing activities			
	Capital increases	34,500	-
	Proceeds from borrowings (credit facility)	8,111	21,372
	Proceeds from exercise of warrants	510	-
3.3	Repayment of lease liabilities	-495	-
	Purchase of treasury shares	-415	-
	Deposits regarding bank agreement	-811	-1,063
	Net cash flow from financing activities	41,400	20,309
	Cash flow for the year	-153	24,236
	Cash at beginning of the year	201	-24,035
4.2	Cash at 31 December	48	201

Statement of changes in equity

EUR'000	Share capital	Cash flow according to hedge reserve	Reverse for net revaluation 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

EUR'000	Share capital	Cash flow according to hedge reserve	Reverse for net revaluation the equity method	Treasury shares	Retained earnings	Total
Equity 1 January 2018	373	-27	955	-	8,370	9,671
Total comprehensive income 2018						
Profit for the year	-	-	191	-	5,168	5,359
Other comprehensive income						
Cash flow hedges – effective portion of changes in fair value	-	-757	-	-	-	-757
Exchange differences on translation of foreign operations	-	-	-14	-	-46	-60
Tax on other comprehensive income	-	167	-	-	-	167
Total other comprehensive income	-	-590	-14	-	-46	-650
Total comprehensive income for the period	-	-590	177	-	5,122	4,709
Transactions with owners						
Equity-settled share-based payments	-	-	-	-	19	19
Total transactions with owners	-	-	-	-	19	19
Equity 31 December 2018	373	-617	1,132	-	13,511	14,399

Overview of notes for the Parent Company financial statements

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Basis of Preparation

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Result of the Year

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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 2019 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'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 recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Parent and the subsidiary are eliminated.

Investments in enterprises with negative net asset values are measured at DKK 0 (nil). The enterprise'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

Changes in accounting policies and disclosures

New and amended standards and interpretations

Abacus Medicine applies, for the first time, IFRS 16 Leases. Other amendments and interpretations also apply for the first time in 2019. None of these have an impact on the recognition or measurement in the financial statements.

Effect from IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The implementation of IFRS 16 has resulted in a change in the presentation of the operational leasing contracts, which from 1 January 2019 are recognised on the balance sheet as right-of-use assets with a related leasing obligation. Before the adoption of IFRS 16, Abacus Medicine classified each of its leases (as lessee) at the inception date as an operating lease (Abacus Medicine had no finance lease contracts under IAS 17).

In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the income statement on a straight-line basis over the lease term. Any prepaid and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Abacus Medicine adopted IFRS 16 using the modified retrospective method, and therefore have not changed the comparative figures, which are therefore presented in accordance with IAS 17. The lease liability is measured as the present value of the remaining lease payments, discounted using Abacus Medicines incremental borrowing rate at the date of initial application. A right-of-use asset has been recognised at the date of initial application with an amount equal to the lease liability,

adjusted by the amount of any prepaid or accrued lease payments relating to the leases.

Abacus Medicine have elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

On adoption of IFRS 16, Abacus Medicine recognised lease liabilities in relation to leases which had previously been classified as operating lease payments under the principles of IAS 17 Leases. These liabilities has been measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019, which was 3.0%.

The operating lease commitments per 31 December 2018 was presented in note 28 in the 2018 annual report. The table below shows the link from this note to the IFRS 16 lease liabilities as per 1 January 2019:

EUR'000	1 January 2019
Operational lease obligation as of 31 December 2018 (IAS 17)	1,237
Discounted using the incremental borrowing rate as of 1 January 2019	1,175
There were no leases where the exemptions where used for short term leases and low asset values.	
Impact from lease payments under extension options in periods there are reasonable certain to be exercised and under termination options periods that are reasonable certain not to be exercised, etc.	177
Lease obligation recognised as of 1 January 2019 (IFRS 16)	1,352

The effect of adoption per 1 January 2019 is the following:

Balance sheet as at 1 January 2019:

- Right-of-use assets of EUR 1,352 thousand were recognised and presented separately in the statement of financial position.
- Additional lease liabilities (non-current) of EUR 494 thousand and lease liabilities (current) of EUR 858 thousand.
- The impact on equity is zero.

Income statement for the financial year 2019:

- Rent expense decreased by EUR 533 thousand relating to previous operating leases.
- Depreciation expense increased by EUR 509 thousand relating to the depreciation of additional assets recognised.
- Finance costs increased by EUR 39 thousand relating to the interest expense on additional lease liabilities recognised.

Cash flow statement for the financial year 2019:

- Cash outflows from operating activities decreased by EUR 495 thousand and cash outflows from financing activities increased by the same amount, representing the payments for the principal portion of recognised lease liabilities.

Abacus Medicine's lease agreements mainly relate to lease of the head-quarter premises in Copenhagen, Denmark.

Summary of new accounting policies

Set out below are the new accounting policies of Abacus Medicine upon adoption of IFRS 16:

Right-of-use assets

Abacus Medicine recognises right-of-use assets 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

Section 1 – Basis of Preparation

1.2 New Accounting Policies and Disclosures

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, Abacus Medicine recognises lease liabilities 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, Abacus Medicine uses the incremental borrowing rate at the lease commencement date 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

Abacus Medicine applies the short-term lease recognition exemption to its 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.

Significant judgement in determining the lease term of contracts with extension options

Abacus Medicine determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. Under the current contracts Abacus Medicine has no material extension options.

1.3 Standards issued but not yet effective

The following new accounting standards and interpretations are not yet effective, but will be commencing on or after 1 January 2020.

- IFRS 17 Insurance Contracts
- IFRS 3 Business Combinations – Amendments to IFRS 3
- IAS 1 Presentation of Financial Statements og IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Amendments to IAS 1 and IAS 8: Definition af Material
- Conceptual Framework – Amendments to References to the Conceptual Framework in IFRS Standards.

None of the above standards and interpretations have been approved by the EU.

The approved non-effective standards and interpretations are implemented as they become effective for Abacus Medicine.

It has been assessed that none of the above standards and interpretations will have a significant impact on the recognition and measurement of Abacus.

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 Cost of sales

Cost of sales comprise of the following:

EUR'000	2019	2018
Cost of inventories recognised as an expense	377,993	297,456
Write-down of inventory, net	4,170	4,196
	382,163	301,652

2.2 Staff costs

EUR'000	2019	2018
Wages and salaries	12,304	10,798
Pensions, defined contribution plans	858	701
Other social security costs	115	91
Other staff costs	896	673
Share-based payment expense	357	170
Total employee benefit expenses	14,530	12,433
Of which are capitalised as intangible assets	-957	-1,027
Total employee benefit expense in the income statement	13,573	11,406
Average number of full-time employee	141	122

2.2 Staff costs (continued)

The below amounts are included in the total staff costs.

EUR'000	2019	2018
Board of Directors and Executive Management		
Wages and salaries	669	620
Pensions, defined contribution plans	38	32
Share-based payments	15	2
Social security costs	1	1
Total	723	655
Average number	6	4
Key Management Personnel		
Wages and salaries	1,553	1,460
Pensions, defined contribution plans	120	104
Share-based payments	2	63
Social security costs	9	8
Total	1,684	1,635
Average number	7	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 Executive Management and Board of Directors represent EUR 723 thousand (2018: EUR 655 thousand). Warrant agreements with Key Management Personnel and members of the Board of Directors in Abacus Medicine has been entered into. For further details on remuneration to Key Management Personnel, refer to note 2.4 in the Group notes regarding share-based payments.

Section 2 – Result of the Year

2.3 Share-based payments

The company's cash and equity-settled share-based payment schemes comprise various share schemes designed to reward employees. For further information on these schemes, including the valuation methods and assumptions used, see Note 2.4 to the consolidated financial statements.

2.4 Special items

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

2.5 Amortisation and depreciation

EUR'000	2019	2018
Amortisation and write-downs, intangible assets	2,596	1,664
Depreciation, property, plant and equipment	677	537
Depreciation, right-of-use assets	509	-
Total	3,782	2,201

2.6 Net finance costs

EUR'000	2019	2018
Finance income		
Other finance income	24	77
Intercompany interest income	295	158
Total finance income	319	235

Finance income related to balance sheet items recognised at amortised cost EUR 319 thousand (2018: EUR 235 thousand).

EUR'000	2019	2018
Finance expenses		
Other finance costs	1,799	1,437
Interests, lease liabilities	39	-
Amortised loan costs	162	153
Foreign exchange loss, net	566	426
Total finance expenses	2,566	2,016

Finance expenses related to balance sheet items recognised at amortised cost (the credit facility and lease liabilities) amounts to EUR 825 thousand (2018: EUR 653 thousand).

Section 2 – Result of the Year

2.7 Income tax

EUR'000	2019	2018
Income statement		
Current income tax		
Current income tax charge	857	844
Deferred tax		
Relating to origination and reversal of temporary difference	557	971
Income tax expense reporting in the income statement	1,414	1,815

EUR'000	2019	2018
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	-208	167
Income tax recognised in other comprehensive income	-208	167

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

EUR'000	2019	2018
Accounting profit before income tax		
Calculated 22% tax on profit for the year	493	1,578
Tax effect of:		
Non-taxable income	-188	-42
Other non-deductible expenses, etc.	1,109	279
Total	1,414	1,815
Effective tax (%)	63.0%	25.3%

EUR'000	2019	2018
Deferred tax		
Deferred tax 1 January	-1,892	-1,101
Deferred tax for the year recognised in profit for the year	-557	-971
Deferred tax for the year recognised in other comprehensive income	-208	167
Currency translation	-	13
Deferred tax 31 December	-2,657	-1,892

Reflected in the statement of financial position as follows:

EUR'000	2019	2018
Deferred tax liabilities	-2,657	-1,892
Deferred tax 31 December, net	-2,657	-1,892

EUR'000	2019	2018
Deferred tax relates to:		
Intangible assets	-2,969	-2,166
Cash flow hedge reserve	-34	167
Other assets and liabilities, net	346	107
Total	-2,657	-1,892

EUR'000	2019	2018
Income tax payable		
Income tax payable 1 January	867	1,073
Current tax for the year	857	845
Exchange rate adjustments, interests etc.	1	48
Corporation tax paid during the year	-868	-1,099
Income tax payable 31 December	857	867

Section 3 – Invested Capital and Working Capital Items

3.1 Intangible assets

EUR'000	Development costs	Software	Licenses	IP Rights	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	-	-	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	-	-	-	-	-
Amortisation	-	726	1,690	-	2,416
Write-downs	-	-	180	-	180
Reclassification	-	145	-	-	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

EUR'000	Development costs	Software	Licenses	IP Rights	Total
Cost 1 January 2018	-	-	12,714	1,097	13,811
Currency translation	-	-	-10	-	-10
Additions	-	-	1,647	-	1,647
Additions internally developed	2,946	-	1,449	-	4,395
Disposals	-	-	-1,057	-1,097	-2,154
Cost 31 December 2018	2,946	-	14,743	0	17,689
Amortisation and impairment 1 January 2018	-	-	7,436	-	7,436
Currency translation	-	-	-1	-	-1
Amortisation	-	-	1,421	243	1,664
Disposals	-	-	-1,014	-243	-1,257
Amortisation and impairment 31 December 2018	-	-	7,842	-	7,842
Carrying amount 31 December 2018	2,946	-	6,901	0	9,847

Development costs comprise capitalised expenses for the new ERP system for Aposave, which was taken into use in January 2020.

Software is amortised over 10 years and Licenses 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 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
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
Cost 1 January 2018	58	1,754	1,812
Currency translation	-	-3	-3
Additions	-	1,464	1,464
Disposals	-	-602	-602
Cost 31 December 2018	58	2,613	2,671
Depreciation and impairment 1 January 2018	45	806	851
Depreciation and impairment	6	531	537
Disposals	-	-381	-381
Depreciation and impairment 31 December 2018	51	956	1,007
Carrying amount 31 December 2018	7	1,657	1,664

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

3.3 Leases

EUR'000	Buildings	Other fixed assets	Total
Right-of-use assets			
Opening balance at 1 January 2019	-	-	-
Impact of accounting policy change	815	537	1,352
Additions	465	-	465
Depreciation	-316	-193	-509
Carrying amount at 31 December 2019	964	344	1,308

Please refer to note 1.2 for description of the following:

- The scope of the Company's leasing contracts
- The Company's exposure to potential future cash flows
- Process for determining the incremental borrowing rate

Leasing liabilities

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

Section 3 – Invested Capital and Working Capital Items

3.3 Leases (continued)

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

In 2019 Abacus Medicine paid EUR 534 thousand on lease contracts of which interest payments related to lease liabilities amount to EUR 39 thousand and down payments on leasing liabilities amount to EUR 495 thousand. There have been no material costs recognised in the period for short-term and low-value leases in the Company.

3.4 Investments in subsidiaries

Name	Registered office	Ownership 2019 and voting rights	Ownership 2018 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%	-
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%	-
Aposave prestacao de servicos de marketing E Pesquisa de	Brazil	-	100%

3.4 Investments in subsidiaries (continued)

EUR'000	2019	2018
Cost as at 1 January	2,682	2,710
Additions	1	-
Foreign exchange adjustments	-23	-28
Cost as at 31 December	2,660	2,682
Value adjustments as at 1 January	1,132	955
Profit for the year	856	191
Foreign exchange adjustment	-72	-14
Value adjustments as at 31 December	1,916	1,132
Carrying value as at 31 December	4,576	3,814
Which are presented as follows:		
Investments in Subsidiaries	4,682	3,928
Offset in receivables	-106	-112
Provision for negative equity in subsidiaries	-	-2
As at 31 December	4,576	3,814

Investments in subsidiaries are measured using the equity method.

Section 3 – Invested Capital and Working Capital Items

3.5 Inventories

EUR'000	2019	2018
Raw materials and consumables	27,341	28,385
Manufactured goods and goods for resale	40,440	31,085
Total inventories at the lower of cost and net realisable value	67,781	59,470

During 2019, EUR 4,170 thousand (2018: EUR 4,196 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	2019	2018
Inventory write-downs at 1 January	1,793	629
Utilised and reversed during the year	-1,793	-629
Additional write-downs during the year	1,937	1,793
Inventory write-downs at 31 December	1,937	1,793

3.6 Trade and other receivables

EUR'000	2019	2018
Non-current		
Other receivables	757	74
Total non-current	757	74
Current		
Receivables from sales and services	21,402	5,390
Receivables from group entities	10,763	8,075
Deposits AL-Finans regarding factoring agreement	4,687	3,876
Other receivables	268	2,722
Prepayments	451	790
Total current	37,571	20,853

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 4.4 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. As part of the receivables from sales and services and other receivables are EUR 6,591 thousand related to entities in the Pluripharm Group, which has been acquired in July 2020. Management has not considered any need for write-down. Abacus Medicine has not suffered any significant losses in 2018 or 2019, and the provision for bad debt is considered to be immaterial.

Section 3 – Invested Capital and Working Capital Items

3.7 Trade payables

EUR'000	2019	2018
Trade payables	13,961	10,656
Payables to group entities	5,328	1,612
Total	19,289	12,268

3.8 Other payables

EUR'000	2019	2018
Non-current		
Employee related payables	412	-
Total non-current	412	-
Current		
VAT payables	9,481	35,307
Employee related payables	1,218	1,363
Other payables	5,677	6,533
Total current	16,376	43,203

The decrease in VAT payables is mainly due to settlement of German VAT relating to 2018 in September 2019.

3.9 Provisions

	Return provisions
At 1 January 2019	2,159
Arising during the year	4,243
Utilised	-2,159
Unused amounts reversed	-
At 31 December 2019	4,243
Current	4,243
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	2019	2018
Change in inventory	-6,227	27,082
Change in receivables	-17,076	8,500
Change in trade payables etc.	-18,293	-36,566
Total	-41,596	-984

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	2019	2018
Cash at bank and in hand	48	201
Total cash	48	201

4.3 Borrowings

EUR'000	2019	2018
Current liabilities		
Bank credit facility	29,883	21,372
Amortized costs	-299	-125
Carrying amount	29,584	21,247
Nominal amount	29,883	21,372

Abacus Medicine has a committed credit facility with Danske Bank, with a maximum credit limit of EUR 53.5 million (DKK 400 million). The bank credit facility is to be renegotiated on a three year basis. Next renegotiation is in 2023. The credit line has subsequently been increased to EUR 73.8 millions (DKK 550 million).

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.

Maturity analysis

(EUR'000)	Contractual cash flows	< 1 year	1 - 3 years	3 - 5 years	>5 years
2019					
Non-derivative financial instruments					
Credit institutions and banks (credit facility)	29,883	29,883	-	-	-
Trade payables	19,289	19,289	-	-	-
Other payables	16,788	16,376	-	-	412
Lease liabilities	1,323	595	728	-	-
Derivative financial instruments					
Exchange rate hedging	-	-	-	-	-
31 December 2019	67,283	66,143	728	-	412
2018					
Non-derivative financial instruments					
Credit institutions and banks (credit facility)	21,372	21,372	-	-	-
Trade payables	12,268	12,268	-	-	-
Other payables	42,411	42,411	-	-	-
Derivative financial instruments					
Exchange rate hedging	792	792	-	-	-
31 December 2018	77,635	77,635	-	-	-

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

Categories of financial instruments

EUR'000	Carrying amount		Fair value	
	2019	2018	2019	2018
Financial assets at fair value – hedging instruments				
Derivative financial instruments	156	-	156	-
Total	156	-	156	-
Financial assets measured at amortised cost				
Trade receivables	37,415	20,853	37,415	20,853
Cash	48	201	48	201
Total	37,463	21,054	37,463	21,054
Financial liabilities at fair value – hedging instruments				
Derivative financial instruments	-	792	-	792
Total	-	792	-	792
Financial liabilities measured at amortised cost				
Borrowings	29,584	21,247	29,584	21,247
Lease liabilities	1,323	-	1,323	-
Trade payables	19,289	12,268	19,289	12,268
Other payables	16,778	42,411	16,778	42,411
Total	66,984	76,718	66,984	76,718

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 thousand; 2018: EUR 747 thousand), revenue for derivatives related to sales (EUR 91 thousand; 2018: EUR 45 thousand) and production costs (EUR 65 thousand; 2018 EUR 0).

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 is 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	Expiry below 1 year	Expiry 1-5 years	Expiry above 5 years	Average hedging price	Fair value assets	Fair value liabilities	Change in fair value used for measuring cash flow hedge reserve
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
2018								
SEK/DKK	55,362	55,362	-	-	1 SEK /1 DKK	-	45	-45
NOK/DKK	144,000	144,000	-	-	1 NOK /1 DKK	-	747	-747
						0	792	-792

Section 5 – Other Disclosures

5.1 Contractual obligations and contingencies etc.

Contingent liabilities

The company 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.

5.2 Mortgage and collateral

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

5.3 Related party disclosures

Controlling Influence

Wagner Family Holding ApS, 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	2019	2018
Sale of goods to subsidiaries	262,780	209,032
Service fees from subsidiaries	19,320	14,661
Interest income from subsidiaries	217	158
Interest income from other related parties	78	18
Sale of IP rights from other related parties	-	1,070
Coverage of expenses in DayDose from 1 September - 31 December 2018	-	223
Receivables from subsidiaries	10,747	7,246
Receivables from Parent	16	829
Payables to subsidiaries	5,328	1,612
Payables to other related parties	-	161

Section 5 – Other Disclosures

5.3 Related party disclosures (continued)

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 2019, Abacus Medicine has not recorded any impairment of receivables relating to amounts owed by related parties (2018: 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 includes Abacus Medicine's Board of Directors and executives 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 2.2.

5.4 Events after the reporting period

In July 2020, Abacus Medicine A/S acquired the Dutch wholesaler Pluripharma Groep B.V. and all shares in its parent company, Goofy-Sam Holding B.V., in a deal combining a cash injection and conversions of loans and trade receivables. The acquisition secures Abacus Medicine's main distribution channel in the Netherlands. Abacus Medicine and Pluripharma expect to realise substantial strategic advantages and operational synergies from the partnership between the two companies.

No other events have occurred after the balance sheet date which could have a material effect on Abacus Medicine's financial position at 31 December 2019.

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's financial statements and other non-audit services are specified as below.

EUR'000	2019	2018
Audit	76	56
Other assurance engagements	33	72
Total audit related services	109	128
Tax consultancy	49	10
Other non-audit services	191	411
Total fee to EY	349	549

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



Statements

Statement by the Board of Directors and the Executive Management

Today, the Board of Directors and Executive Management have discussed and approved the Annual Report of Abacus Medicine A/S for the financial year 1 January – 31 December 2019.

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 2019 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 2019.

In our opinion, the Management 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 uncertainty facing the Group and the Parent company.

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

Copenhagen, 11 August 2020

Executive Management

Flemming Wagner
CEO

Board of Directors

Troels Peter Troelsen, Chairman

Anders K. Bønding

Flemming Wagner

Jens Albert Harsaae

Mark Johnston

Ole Jensen

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 2019, 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 2019 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 2019 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 review

Management is responsible for the Management review.

Our opinion on the financial statements does not cover the Management 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 review and, in doing so, consider whether the Management 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 review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management 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 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, 11 August 2020

EY

Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Peter Gath
State Authorised
Public Accountant
mne19718

Ole Becker
State Authorised
Public Accountant
mne33732



ABACUS MEDICINE

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Flemming Wagner

CEO

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Peter Gath

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Rikke Schiøtt Petersen

Dirigent

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