ABACUS MEDICINE

Annual report 2022

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Purpose

We improve global healthcare through better access to medicine

It does not matter how good and efficient a specific medicine is if the patient does not have access to it.

Universal access to affordable vaccines and medicines remains a distant dream. Life-saving medicines are frequently in short supply, even in the relatively rich European countries which are the main markets of the Abacus Medicine Group. In other parts of the world that we serve the situation is only more precarious.

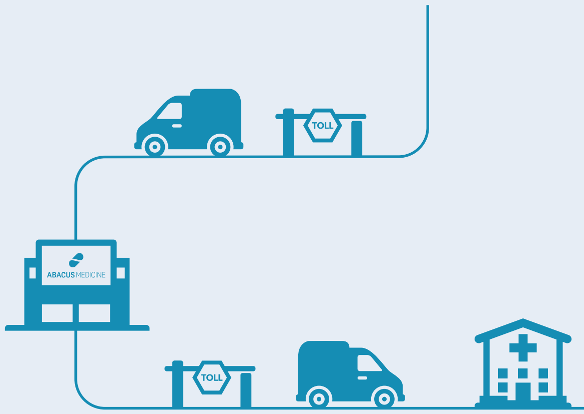
Because the problems are multifaceted, so are the solutions we apply. We are united by the common purpose of the Abacus Medicine Group to improve access to modern, efficient healthcare for everyone.

We are innovative, dedicated, and we care.

At a glance

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

We are established as one of the market leaders in **parallel distribution**. We are growing within **pharmaceutical services** and also operate as a **medicine wholesaler**.



In 2022, we delivered more than

22,000,000

packs, vials and syringes of medicine.

To customers in

38

countries around the world.

Better access to medicine means better healthcare. In Denmark alone, the parallel distribution industry provided savings worth at least

EUR 99.5 million

in 2021

The group numbered

1,279

employees at year-end

Full-year revenue rose to

EUR 1,024 million

Letter to the shareholders

The Abacus Medicine Group set new records and is well positioned for further profitable growth. In a time when many national healthcare systems are showing signs of exhaustion, we have much to offer.

Success was achieved in challenging times. This is perhaps the simplest way to summarize the uncertain year that was 2022.

The war in Ukraine meant that we, like everyone else, felt the effects of the humanitarian crisis and the inflation, high energy prices and rising interest rates. Both as a company and as individuals. The war had little direct impact on the results of the Abacus Medicine Group, as we were not engaged in any business activities in Russia or Ukraine.

We also experience first-hand how healthcare systems in numerous countries show signs of exhaustion. The need for better access to medicine and for savings in the healthcare sector to provide more and better care has never been more acute.

We will rise to this occasion. Improving healthcare through better access to medicine, financially and physically, is the foundation for the activities of the Abacus Medicine Group.

In 2022, the Group delivered profitable growth in line with our expectations and set new records for Revenue and EBITDA. Our team efforts were recognised when we won the Gazelle Award for the 12th time, as the first company ever. The award honours Danish companies who consistently achieve high growth.

We also celebrated passing the remarkable milestone of revenue of EUR 1 billion. The Group is now ranked as the 89th largest company in Denmark.

A wealth of options

Our size and growing maturity as a company offers us a wealth of options. The Abacus Medicine Group is among the market leaders in parallel distribution, we are scaling up an exciting business in pharma services, and our Dutch wholesale business has multiple additional sources of revenue. We have, in other words, many opportunities and many ways to deliver value to our shareholders and to society.

Flemming Wagner
CEO and Co-founder

To this end, we are devoting considerable resources to develop the organisation and the people who embody it. The Abacus Medicine Group must remain an attractive workplace for employees of all backgrounds. We believe in equal opportunity for all and a diverse organisation in all aspects.

In 2022, we implemented our new Diversity & Inclusion strategy with a focus on hiring processes, work-life balance, and cross-cultural collaboration. Our comprehensive Global Leadership Development Program also supports diversity and inclusion.

The early results are promising. When Danish business paper Børsen recently analysed the level of diversity among the 100 largest companies in Denmark, Abacus Medicine was ranked:

- #26 overall
- #9 for the Executive Management Team
- #56 for the Board of Directors

All employees of the Abacus Medicine Group can be proud of their achievements in 2022. Through the dedication and effort of the entire team, the company is well positioned for further profitable growth in 2023.

Niels Smedegaard
Chairman of the Board

Flemming Wagner
CEO and Co-founder

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We set new records for revenue and EBITDA. Gross margin rose to 10.3%.

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Financial Review

We have reduced our net debt. The leverage ratio improved from 3.5 in 2021 to 1.5 in 2022.

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Risk Management

Volatility and uncertainty were everywhere in 2022. We have updated our map of the key risk factors.

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The big picture

> The Abacus Medicine Group is well positioned for further profitable growth. We have many ways to create value for society and for our shareholders.

Flemming Wagner
CEO and Co-founder

Financial highlights for the Group

In EUR'000, except for per share data	2022	2021	2020**	2019	2018*
KEY FIGURES					
Revenue	1,023,978	940,740	663,501	421,445	332,347
Gross profit	105,542	81,535	67,557	50,038	40,803
Operating profit before depreciations, amortisation and special items (adjusted EBITDA)	26,161	16,562	12,959	14,753	13,645
Special items	0	0	-476	-4,104	-1,065
Operating profit before depreciations and amortisation (EBITDA)	26,161	16,562	12,483	10,649	12,580
Operating profit (EBIT)	14,724	6,404	5,347	5,400	9,868
Net finance costs	-6,093	-4,324	-3,929	-2,823	-2,518
Profit before tax (EBT)	8,510	2,063	1,337	2,577	7,350
Profit for the year	5,819	415	433	829	5,359
Non-current assets	58,248	57,914	51,020	24,868	17,282
Current assets	174,728	157,662	168,507	102,096	79,954
Total assets	232,976	215,576	219,527	126,964	97,236
Portion relating to investments in items of property, plant and equipment	10,432	10,968	11,344	3,269	2,970
Portion relating to investments in intangible assets	33,148	32,440	30,130	17,836	13,890
Equity	60,991	54,646	53,024	51,616	14,399
Non-current liabilities	13,957	16,661	8,167	4,563	1,892
Current liabilities	158,028	144,269	158,336	70,785	80,945
Cash flow from operating activities	30,399	31,405	-12,651	-31,839	13,182
Cash flow from investing activities	-8,687	-9,597	-8,968	-8,465	-9,036
Of which relate to intangible assets	-6,635	-7,354	-6,858	-6,398	-6,513
Of which relate to tangible assets	-1,973	-2,327	-2,031	-1,946	-2,426
Cash flow from financing activities	-15,508	-18,138	19,862	40,933	20,207
Total cash flow	6,204	3,670	-1,757	629	24,353

In EUR'000, except for per share data	2022	2021	2020**	2019	2018*
FINANCIAL RATIOS					
Revenue growth	8.8%	41.8%	57.4%	26.8%	31.3%
Gross margin	10.3%	8.7%	10.2%	11.9%	12.3%
Adjusted EBITDA margin	2.6%	1.8%	2.0%	3.5%	4.1%
EBITDA margin	2.6%	1.8%	1.9%	2.5%	3.8%
Operating profit (EBIT) margin	1.4%	0.7%	0.8%	1.3%	3.0%
Return on invested capital (ROIC)	9.4%	1.1%	1.7%	2.9%	20.2%
Adjusted return on invested capital (Adjusted ROIC)	9.4%	1.1%	2.8%	11.7%	23.5%
Solvency ratio	26.2%	25.3%	24.2%	40.7%	14.8%
Return on equity	10.1%	0.8%	0.8%	2.5%	44.5%
Earnings per share, EUR	0.6	0.0	0.0	0.1	0.7
Diluted earnings per share, EUR	0.5	0.0	0.0	0.1	0.7
OTHER FIGURES					
Number of employees at year-end	1,279	1,148	1,073	770	568
Average number of full-time employees	1,140	1,052	912	618	449
Invested capital	101,531	113,013	127,825	81,967	38,197
Net interest-bearing debt	40,540	58,367	74,801	29,269	19,924
Liquidity available	43,627	28,500	27,182	25,941	12,886
Marketing authorisations (licences)	9,364	8,162	6,224	4,354	3,186

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

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

Business Review

The Abacus Medicine Group generated record revenue and EBITDA. We made large investments and reaped the rewards in the form of higher margins.

Revenue for the Abacus Medicine Group surpassed the EUR 1 billion milestone for the first time. We achieved organic Revenue growth of 9% to EUR 1,024 million in line with the lower end of our Outlook. Our continued Revenue growth in 2022 was realised at a somewhat lower rate than in previous years as a result of our decision to prioritise increasing profitability.

Group Revenue
EURm

According to plan, our profitability rebounded. Strong operational performance especially in the parallel distribution business lead to a significant increase in Gross margin to 10.3% from 8.7% in 2021.

A handful of our newer parallel distribution markets made important contributions. We are now #1 in Belgium and Finland, for example, and plan to enter more new countries in 2023. Year after year, our multi-market strategy is helping us grow faster than our peers. Our presence in multiple markets allows us to optimise product allocation and lowers our dependency on any individual market.

Based on the strong performance EBITDA grew to a record level of EUR 26.2 million. The EBITDA margin improved to 2.6%, coming in at the high end of the Outlook.

Profit for the year rose to EUR 5.8 million.

Group EBITDA
EURm

Investing in profitable growth

During the year, we made large investments in our commercial and operational infrastructure. We added staff and upgraded IT-systems to strengthen key processes such as purchasing, price setting, and portfolio management. We saw clear positive effects of this in 2022 as we managed to raise our margins, and the investment level will remain high in 2023.

With now 9,364 product licenses covering more than a dozen countries we have one of the largest and most diversified product portfolios of the parallel distribution industry. This is a strategic choice. When well-managed, a large and diverse product portfolio offers more trading opportunities and multiple ways to optimise profitability and minimize risk.

During the second half of 2022, we further identified a range of promising initiatives to raise efficiency in our Production and Quality Assurance. We have started implementing these new, more efficient ways of working and will expect to see the positive effects during 2023.

Together, these initiatives and investments have visibly strengthened the foundation to support our long-term ambitions for the Abacus Medicine Group.

Parallel distribution and Pharma Services

The different parts of the Abacus Medicine Group operate with different models. In the Abacus Medicine parallel distribution business and Abacus Medicine Pharma Services, Revenue grew organically 7% to EUR 719 million. We again managed to grow faster than most industry peers through an expansion of our product portfolio and entering new markets.

Gross profit from parallel distribution and Abacus-Medicine Pharma Services grew from EUR 63.5 million in 2021 to EUR 86.6 million in 2022. The combination of Revenue growth in most markets and higher gross margins in the parallel distribution business was the main driver behind a strong improvement in EBITDA to EUR 25.8 million in 2022 from EUR 16.1 million the year before.

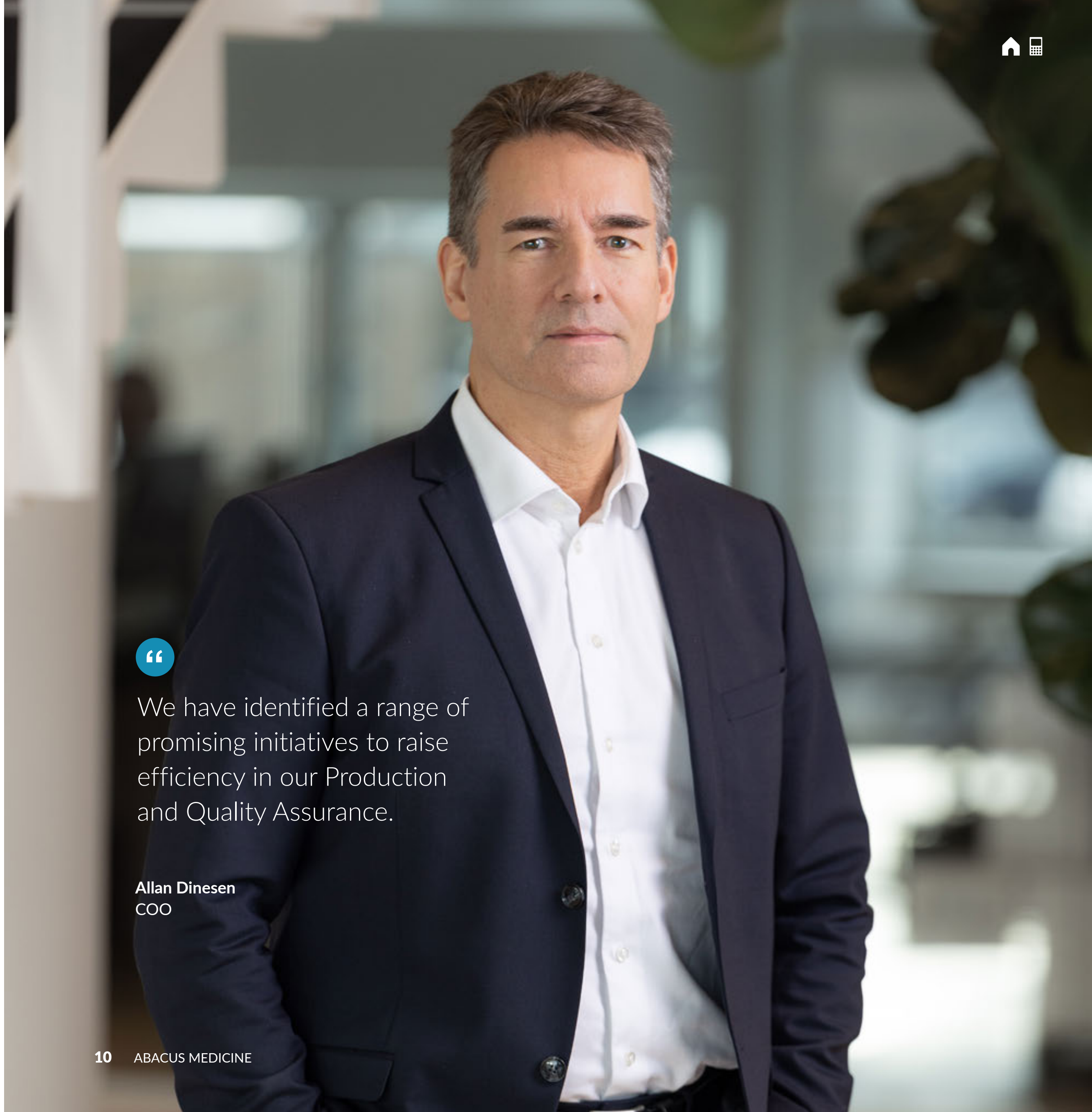
Our focus on profitable growth and improved trading performance have started to pay off and we expect this to continue in the coming years.

Pluripharm

In our Dutch wholesaler business, Pluripharm, we improved the business with existing hospital customers and managed to sign several contracts with new retail pharmacy customers. This continued Pluripharm's market share recovery among the Dutch retail pharmacies. In total, Revenue for Pluripharm grew 14% to EUR 325 million.

The turnaround of the Pluripharm business is moving in the right direction, but is not yet complete. Due to tough conditions in the Dutch wholesale market we did not achieve satisfying operational profitability in 2022 with EBITDA of EUR 0.4 million. Furthermore, the business is not immune to the inflationary pressure on fuel and energy prices.

We do see promising signs in the fact that the financial performance became significantly better in the second half of the year. This improvement supports our belief that the turnaround will materialise in 2023.



Outlook 2023

The Abacus Medicine Group expects to continue the profitable growth momentum in 2023.

We project that the Abacus Medicine Group will deliver profitable organic growth in the range of 6-11% in 2023.

Despite the geopolitical unrest and volatile energy and financial markets, we expect the pharmaceutical industry generally remains moderately impacted, and that favourable long-term trends will support robust growth in prescriptions and pharmaceutical services.

Our investment level will remain high. We will continue to invest in both employees, and in the operational and digital setup. These investments are essential for the execution of the long-term strategy for profitable growth.

The investments will weigh on the financial performance in 2023, although we do expect to see some financial improvements already in the coming year.

Abacus Medicine and Pharma Services

In the parallel distribution business we forecast revenue growth to continue at the same level as in 2022. Our strong position in multiple markets is expected to more than offset the regulatory changes we foresee to have a negative impact on certain markets.

We will harvest further efficiencies from optimising production flows and building new analytical capabilities and tools to support portfolio management and the sourcing of medicine. EBITDA is expected to grow, but at a lower rate than Revenue. This is the result of high investments offsetting the growth in Gross profit.

In the Abacus Medicine Pharma Services business we expect the organic revenue and EBITDA growth to continue driven by strong momentum in both new and existing customers.

The Outlook for Abacus Medicine and Pharma Services in 2023 is revenue of EUR 750-770 million and an EBITDA margin of 3.1-3.5%.

Pluripharm

We expect Pluripharm Group to gain further market share in the Dutch retail pharmacy leading to another year of solid organic revenue growth. We will continue to focus on improving the operational profitability within the wholesale business, and also expect the wholesale services offering and the direct-to-patient offerings to support our ambitions of improving the operational financial performance.

The Outlook for Pluripharm in 2023 is revenue of EUR 340-370 million and an EBITDA margin of 0.2-0.7%.

Group Outlook

ORGANIC REVENUE GROWTH

6-11%

REVENUE, EUR M

1,090-1,140

EBITDA MARGIN

2.2-2.6%

Sustainability

The Abacus Medicine Group is a company with a purpose.
To us, sustainability is more than reporting – it is a conscious and strategic decision.

In the Abacus Medicine Group, we strive to contribute to the international community we are part of and acknowledge the responsibility and impact we have on the society and environment. Therefore, we recognise and support the United Nations 17 Sustainable Development Goals.

Our strategy and targets focus on pursuing three SDGs which are related to our core business and tightly connected to our values, operations, and processes: SDG 3, 8, and 12.

We believe that our strongest contribution to society lies within SDG 3: Good Health and Well-being, as it highlights the social impact of our business model. This goal is directly connected to our purpose of providing better access to medicine by making medicine more affordable.

More information can be found in our Sustainability Report 2022.

Our business model and core purpose assist in addressing global and national medicine shortages. Moreover, through our business model we help to solve the increasing pressure on national healthcare systems brought on by an aging global population and increases in healthcare spending. Here, we see the positive impact of our business by creating value for our customers, including patients, wholesalers, pharmacies, and hospitals.

As a Group we are engaged in a variety of pharmaceutical businesses. We offer a broad range of services besides parallel distribution such as supply for clinical trials, Commercial Partnerships and unlicensed medicines as well as pharmaceutical wholesale and direct-to-patient services. This means that we are able to create a significant, sustainable social impact.

In a new report published in 2022, it was documented that parallel distribution of medicine provided savings of EUR 99.5 million on the Danish market. These record-high results presented in the report reaffirm how our purpose to improve healthcare through better access to medicine has a significant social impact.

This social impact is further strengthened by our ability to provide better access to not only medicine, but safe medicine. With our state-of-the art data and IT systems as well as our vigorous quality management, we work every day to help patients around the world gain access to their medicines at affordable prices without compromising on quality.

In our Sustainability Report 2022, we highlight all statutory measures around environmental impact, diversity and compliance in accordance with sections 99a and 99b of the Danish Financial Statements Act and section 54, part 6, of the UK Modern Slavery Act.

Highlights 2022

Overall employee satisfaction score of 3.9 out of 5

Launch of global Diversity & Inclusion Strategy

Hosted first ever Global Sustainability Week

Focus programs in 2022

In 2022, we worked with 6 focus programs. We decided to lower the number of focus programs compared to 2021 to further strengthen and optimize our work on a few key areas. We combined some of the programs from 2021 into new and improved programs in 2022.

In common for all focus programs in 2022 is the increased focus on our ability to measure our impact. Being able to measure our footprint makes us equipped to set targets and find areas to improve.

In 2022, we worked with 6 focus programs that all support our core ESG efforts and ensure that ESG is increasingly becoming an integral part of our operations and processes.

ESG data

Environment	Unit	Target	2022	2021
Direct GHG Emissions (Scope 1)	Metric tonnes CO_2e		213.7	239.0*
Renewable Electricity Share	%		32.0	31.0
Indirect GHG Emissions (Scope 2)				
Market-based	Metric tonnes CO_2e		601.3	548.7
Location-based	Metric tonnes CO_2e		715.1	664.4
Social				
Employee Headcount	Number of employees		1,279	1,148
Full-time Equivalents	Number of FTEs		1,140	1,052
Gender Diversity All Employees	%		60	59
Gender Diversity Senior Mgmt.	%	40/60	21.4	20.5
Gender Diversity Executive Mgmt.	%	40/60	30.0	22.0
Employee Turnover Rate	%		18.2	16.4*
Sickness Absence	Days per FTE		13.6	14.8
Employee Survey Participation Rate	%	85.0	81.0	82.0
Employee Satisfaction Score	Index 1-5	4.0	3.9	4.0
Governance				
Gender Diversity, Board	%	40/60	14.0	14.0
GDPR breaches	Number		1	1
Whistleblower cases	Number		0	0*

Sickness absence includes COVID-19 related absence.
Historical data is not available for all metrics for all years.
The ESG data has not been subject to an audit.
* The number has been adjusted subsequently.

Our business

“All of our activities support a common purpose: We improve global healthcare through better access to medicine.

Frederik Heupel
CCO

Business model

One company. 3 brands with valuable synergies

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

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

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

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

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

A common purpose

All activities of the Abacus Medicine Group support a common purpose: We improve global healthcare through better access to medicine.

- Parallel distribution in Abacus Medicine contributes to making expensive medicine more affordable in Europe. In Denmark alone, the parallel distribution industry provided savings worth at least EUR 99.5 million in 2021: Enough to cover the basic salary of more than 2000 nurses.
- Abacus Medicine Pharma Services assists pharmaceutical companies globally with the development and marketing of new therapies, including biosimilar products. Improved access to these expensive medicines to a broader population provides significant savings for public healthcare spending.
- Pluripharm supplies medicine and medical devices to pharmacies, hospitals and directly to thousands of Dutch patients. The pharmacists of our online pharmacy Thuisapotheek provide patients with convenient access to expert advice over the phone and the secure Thuisapotheek app gives patients full control over their medicine use.

ABACUS MEDICINE

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

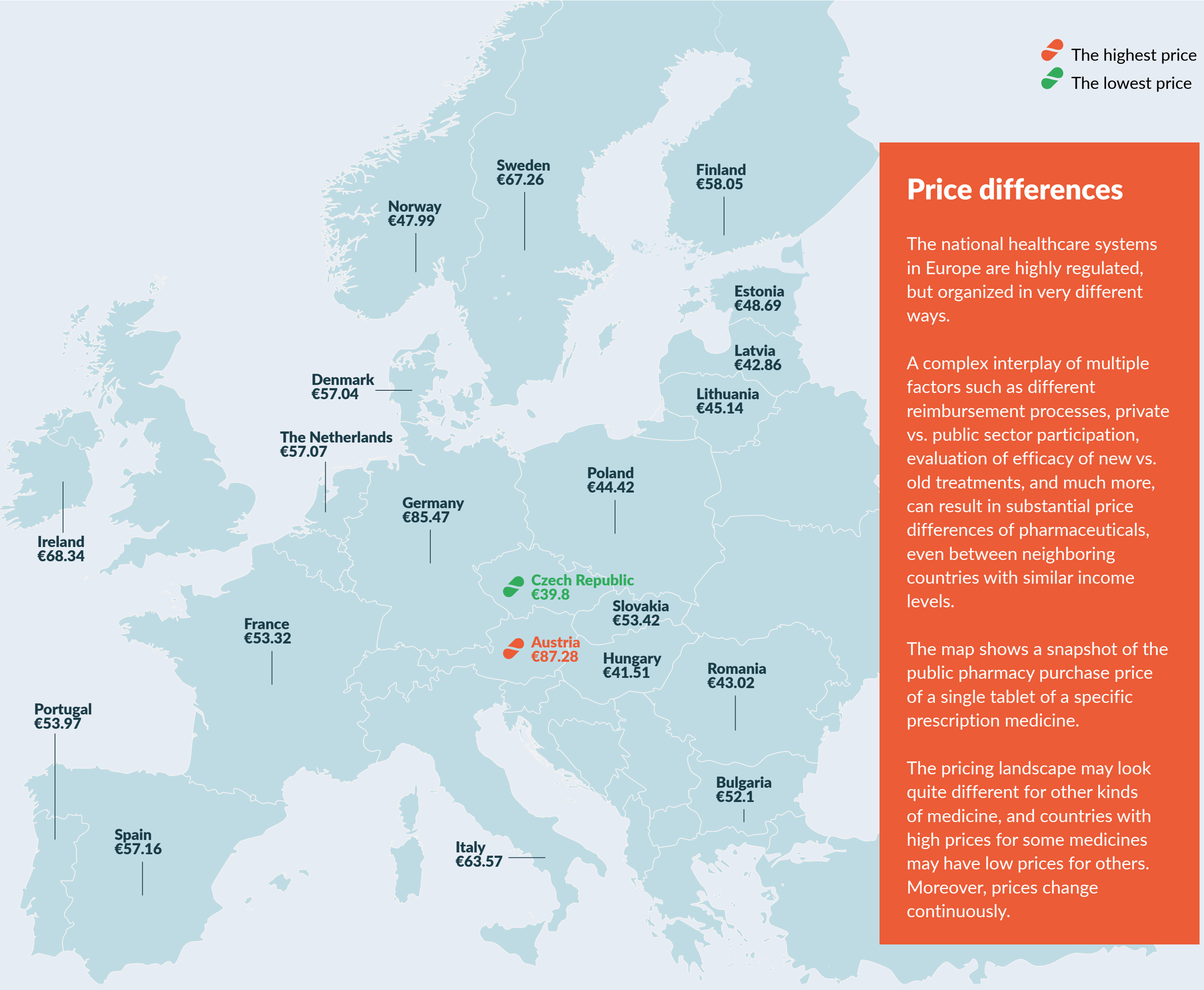
At the heart of the business model lies arbitrage trading based on price differences across Europe. In the EU/EEA, the price of prescription medicine varies significantly from one country to another, and price differences of 200% or more on identical packs of medicine are not uncommon.

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

Supplying medicine at lower prices not only benefits our customers but also society at large. The existence of the parallel distribution industry provides estimated average savings of 16% per product in Denmark, corresponding to EUR 99.5 million in 2021.

Creating value in many markets

Abacus Medicine differentiates itself from most competitors through an ambitious, multi-market strategy. With an innovative approach and successful execution, we have consistently recorded profitable, organic growth and have won significant market share.



Price differences

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

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

The map shows a snapshot of the public pharmacy purchase price of a single tablet of a specific prescription medicine.

The pricing landscape may look quite different for other kinds of medicine, and countries with high prices for some medicines may have low prices for others. Moreover, prices change continuously.

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

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

- **Trading data analysis:** In order to identify customer value, such as lower prices or better availability, we monitor and analyse thousands of products every day across multiple factors and dozens of countries. We consider our trading expertise and systems for data analysis to be industry-leading.

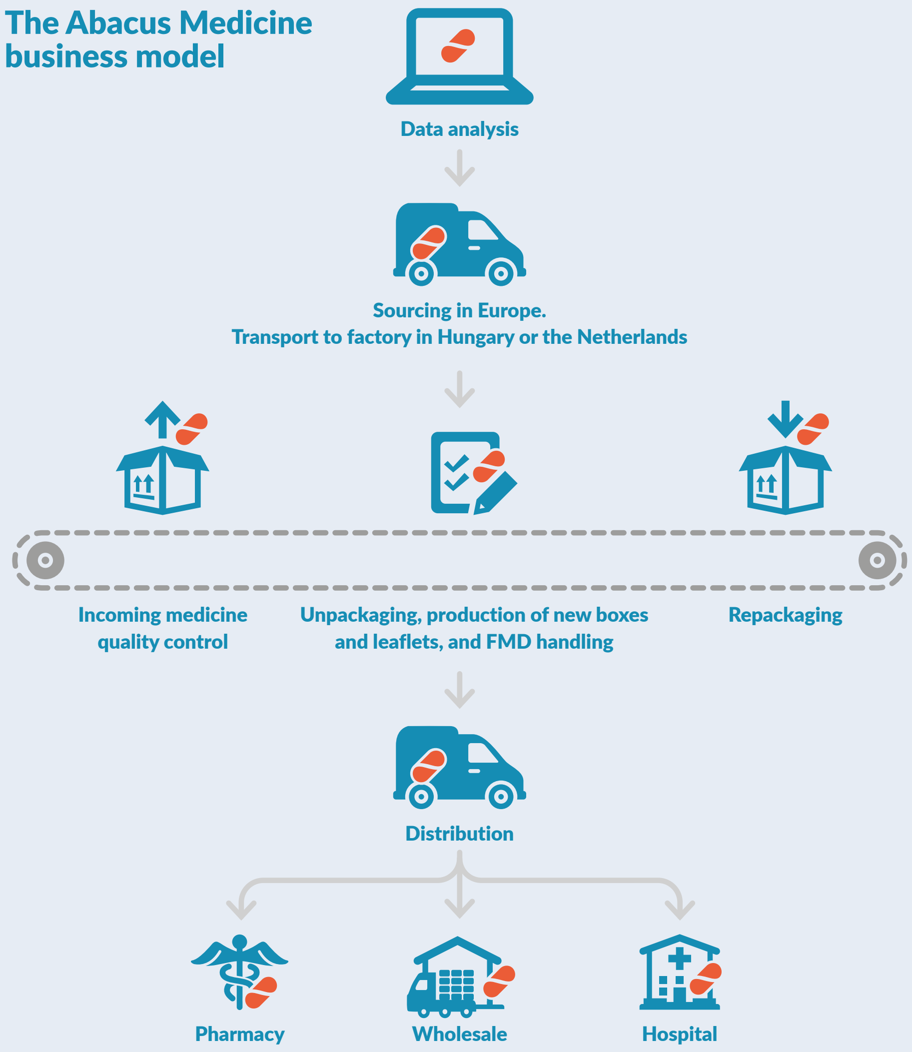
- **Sourcing:** The sourcing of many types of prescription medicine requires specialist knowledge. We purchase products worth millions of euro each month through our network of more than 200 certified and trusted suppliers across 27 EU countries. We consider this specialised network, built over many years, an important competitive advantage.

- **Production:** To export medicine, it must first be repackaged and supplied with patient information leaflets in the relevant language. Automated and semi-automated production lines increasingly complement our more than 600 employees in Operations & Quality Assurance in Hungary and the Netherlands.

- **Logistics:** Together with our transport partners, we operate a pan-European supply chain in compliance with the strict distribution practices for pharmaceutical products.

- **Sales and Business Development:** Our many markets are not only highly regulated, but also very diverse. Our successful multi-market strategy requires an in-depth knowledge of each national market's healthcare system, including mechanisms for pricing and reimbursement.

The Abacus Medicine business model



The benefits of a multi-market strategy

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

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

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

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

ABACUS MEDICINE
PHARMA SERVICES

A new generation of pharmaceutical and healthcare services

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

AMPS has built a leadership and management team with vast experience across the pharma and pharma services sectors. This experience in combination with the market-leading sourcing and analytical capabilities of Abacus Medicine has created a new pharma services company designed to support the existing and future pharma and biotechnology industries.

Abacus Medicine Pharma Services offers solutions and expertise within three main services.

Clinical Trial Solutions (CTS)

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

Unlicensed Medicine (ULM)

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

Commercial Partnerships (CP)

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

Abacus Medicine Pharma Services' main services

Pluripharm

Leading medicine wholesaler in the Netherlands

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

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

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

Partner to the independent pharmacies

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

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

Among the services, which Pluripharm offers professional independent pharmacists to support their day-to-day operations, are repacking of medicine into bags and contract negotiation with health-insurers.

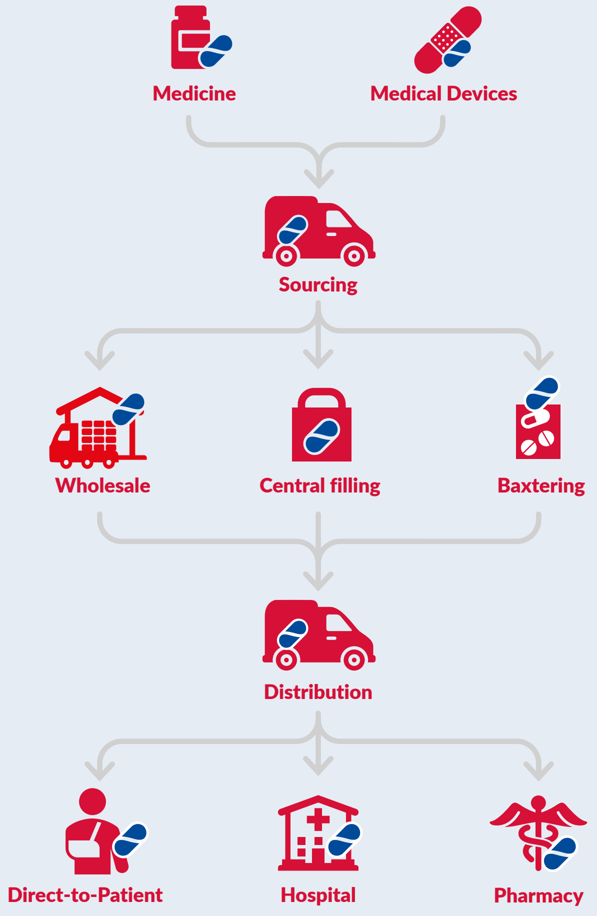
Full-service direct-to-patient offering

Pluripharm is also active in the growing market for direct-to-patient deliveries of medicine and medical devices. Together with the certified online pharmacy Thuisapotheek, Pluripharm offers an end-to-end online proposition able to serve customers directly at their home address, or in cooperation with pharmacies and dispensing doctors.

The direct-to-patient proposition takes advantage of the full assortment offered by the Pluripharm wholesale business and relies operationally on the company's semi-automated central filling operation, where medicines are prepared, labelled and packed on the specific patient level. The direct-to-patient and central filling operating model not only benefits the individual patient, but can also help pharmacists save costs and free up time to focus on patients and customer service.

Wholesale core is platform for services

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



Governance

“

We strive to exercise good corporate governance to ensure accountability and transparency.

Lene B. McCormick
CLO

Corporate governance

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

Corporate governance structure

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

The General Meeting and Voting

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

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

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

The Board of Directors

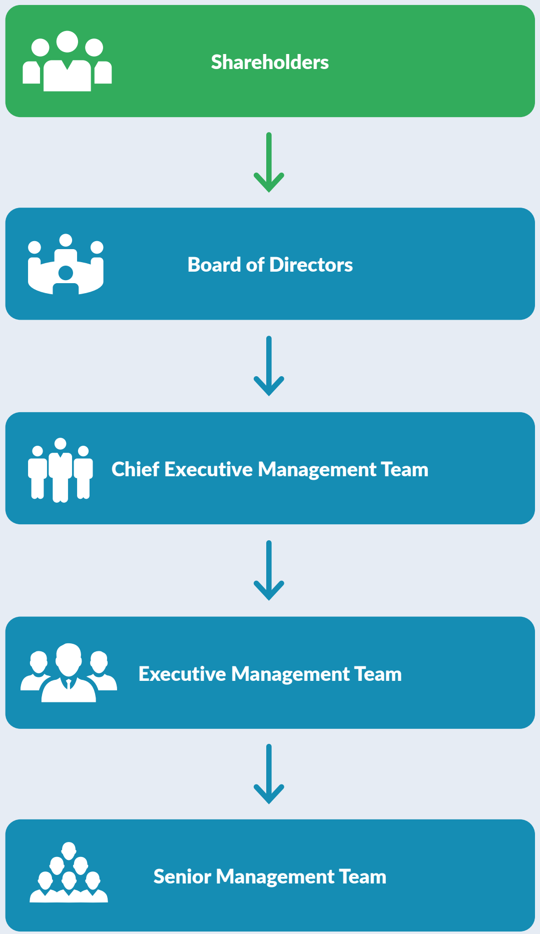
The Board of Directors is responsible for the overall and strategic management and proper organisation of Abacus Medicine's business and operations. In this regard, the Board of Directors supervises Abacus Medicine's activities and ensures that Abacus Medicine is properly operated and observes the Articles of Association, general policies, guidelines and other applicable rules and regulations. The Board of Directors is comprised of seven members who are all elected by the shareholders at the Annual General Meeting.

Abacus Medicine strives to keep the Board of Directors independent to the greatest extent possible. By the end of 2022, four out of seven of the members of the Board of Directors were considered independent according to the guidelines of the Danish Committee on Corporate Governance.

Audit Committee

The Audit Committee is a supervisory body established by the Board of Directors to provide insight and expertise on matters related to financial reporting and internal controls. The committee monitors Abacus Medicine's financial reporting process and internal control

Corporate Governance structure



measures, revises the financial statement, supervises the external auditors and assesses risks. The Audit Committee works in close collaboration with the Board of Directors and the Finance department of the Group. The members of the Audit Committee are appointed among the members of the Board of Directors. The members serve one-year terms.

Remuneration Committee

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

CEO and Chief Executive Management Team

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

Executive Management Team

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

Senior Management Team

The Senior Management Team consists of approximately 50 managers across all parts of the global organization.

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 the following layers

	Measure	Responsible
External control	The annual report is audited by a state-authorised public accountant	The general meeting has appointed EY as auditor for 2022
Internal and external control	Whistleblower scheme	• All • Whistleblower committee
Internal control	• Ongoing monitoring of compliance • ERP-system • Employee satisfaction surveys • Maintenance of internal control measures	• Group Finance • Legal • IT • HR
Internal support rules & guidelines	• Compliance framework • Procurement policy • Employee handbook • Training	• Group Finance • Legal • IT • HR • Indirect procurement

Board of Directors

Name		Board	Audit Committee	Remuneration Committee	Bio
		Positions and Attendance			
Niels Smedegaard		Chair 100% ●●●●●●●●●●●●		Member 100% ●●●●	Mr. Smedegaard was the CEO of shipping company DFDS from 2007-2019, and today serves as Chairman of the Board of ISS, Falck, Bikubenfonden and MOLSLINJEN. He is also a member of the board of DSV, TT Club, UKP&I and FrederiksbergFonden.
Flemming Wagner		Member 100% ●●●●●●●●●●●●		Member 100% ●●●●	Prior to founding Abacus Medicine A/S in 2004, Mr. Wagner was the CEO of RAMCON A/S. He holds an Executive MBA and an M.Sc. in biochemistry.
Mark Johnston		Member 100% ●●●●●●●●●●●●	Member 100% ●●●●●	Member 100% ●●●●	Mr. Johnston is Managing Director at Chr. Augustinus Fabrikker Aktieselskab. Previously, Mr.Johnston was Director at Nordic Capital, and Investment Banker at Morgan Stanley.
Troels Peter Troelsen		Member 100% ●●●●●●●●●●●●	Chair 80% ●●●○●		Mr. Troelsen is a professional board member, CEO, and former Associate Professor at Copenhagen Business School (CBS).
Jens Albert Harsaae		Member 100% ●●●●●●●●●●●●			Mr. Harsaae is a professional board member and former Partner and Managing Director at the Boston Consulting Group, and Marketing Director with Procter & Gamble.
Anders K. Bønding		Member 100% ●●●●●●●●●●●●	Member 100% ●●●●●		Mr. Bønding is founder and partner at Greystone Capital Partners, an experienced Chairman and Board member, and former Global Head of Corporate Finance with Danske Bank
Michala Fischer-Hansen		Member 100% ●●●●●●●●●●●●			Mrs. Fischer-Hansen is Executive Vice President at Falck and member of the Executive Management. She brings pharma experience from a 19-year international career at Novo Nordisk.

● Present ○ Absent

Chief Executive Management Team

Name		Position	Bio
Flemming Wagner		Chief Executive Officer (CEO)	Prior to founding Abacus Medicine A/S in 2004, Mr. Wagner was the CEO of RAMCON A/S. He holds an Executive MBA and an M.Sc. in biochemistry.
Maria Addis		Chief Financial Officer (CFO)	Ms. Addis joined in 2022 and has previously held CFO positions at Watch Medier and The Whole Company. As a trained auditor, she worked 10 years for PWC and has an MBA from the Henley Business School.
Allan Dinesen		Chief Operating Officer (COO)	Mr. Dinesen joined in 2022 and brings many years of international experience in supply chain, production, and warehouse operations, including 13 years at parallel importer Orifarm. He has an Executive MBA and a BSc. in Engineering.
Frederik Heupel		Chief Commercial Officer (CCO)	Mr. Heupel has been with Abacus Medicine since 2013. Prior to becoming CCO in 2021, Mr. Heupel was Director of Sales & Business Development.
Lene B. McCormick		Chief Legal Officer (CLO)	Mrs. McCormick has been with Abacus Medicine since 2015. Mrs. McCormick is an Attorney and Qualified as a UK solicitor (QLTT) with previous experience from law firms in Denmark and the United Kingdom.

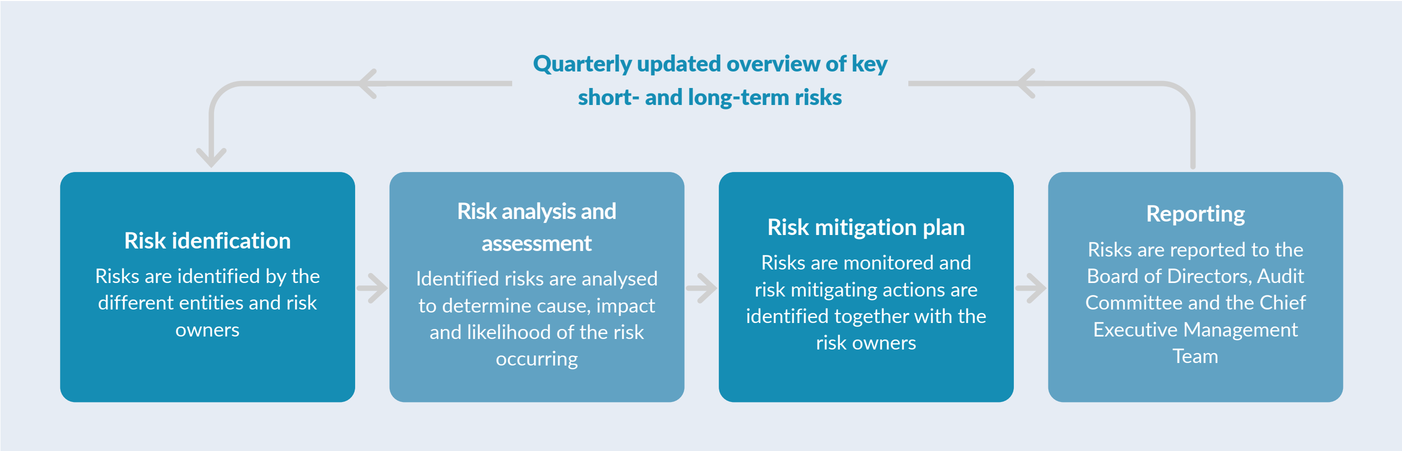
Risk management

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

Our risk management approach

As a global company, we are exposed to a variety of risks that are inherent to our business. Managing these risks is an integrated part of our management activities.

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



Our risk management structure

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

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

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

Our risk assessment in 2022

In 2022, the identified risks and risk mitigation plans were reviewed and assessed by the Risk Management Board and Chief Executive Management Team. The key risks were presented to the Board of Directors. The Board of Directors then investigated ways to best implement the necessary risk-mitigating measures with a focus on ensuring optimum realisation of Abacus Medicine's strategic objectives.

Key risk factors

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

1 Compliance and regulatory risks

Description

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

Mitigating activities

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

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

2 Supply chain and sourcing

Description

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

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

Mitigating activities

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

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

3 Capacity constraints

Description

The continued growth of the company puts pressure on our production capacity, including the human workforce of Abacus Medicine.

Mitigating activities

- Constant focus on optimising our production and implementing new automatic processes.

Based on the above, the assessment of the potential financial impact and likelihood of capacity constraint risks remains unchanged compared to 2021.

Key risk factors

4 Funding and liquidity risks

Description

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

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

Mitigating activities

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

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

5 IT risks

Description

The threat of IT criminals is still increasing, and due to the war in Ukraine the risk has increased further in 2022. Due to Abacus Medicine's continuous increase of activities in several countries, new business areas and new IT platforms, the IT risk pattern continues to change and becomes even more critical.

Mitigating activities

- Constantly focus on the threat of cyber attacks, and Abacus Medicine continues to invest in the protection of data and IT systems.
- IT security technologies and controls are in place and have been further strengthened in 2022.
- IT security status is continuously evaluated and on a quarterly basis presented to the Audit Committee.

Although there is continued focus on IT risks, the increasing risk of cyber attacks do imply an increased IT risk compared to 2021.

6 Market and commercial risks

Description

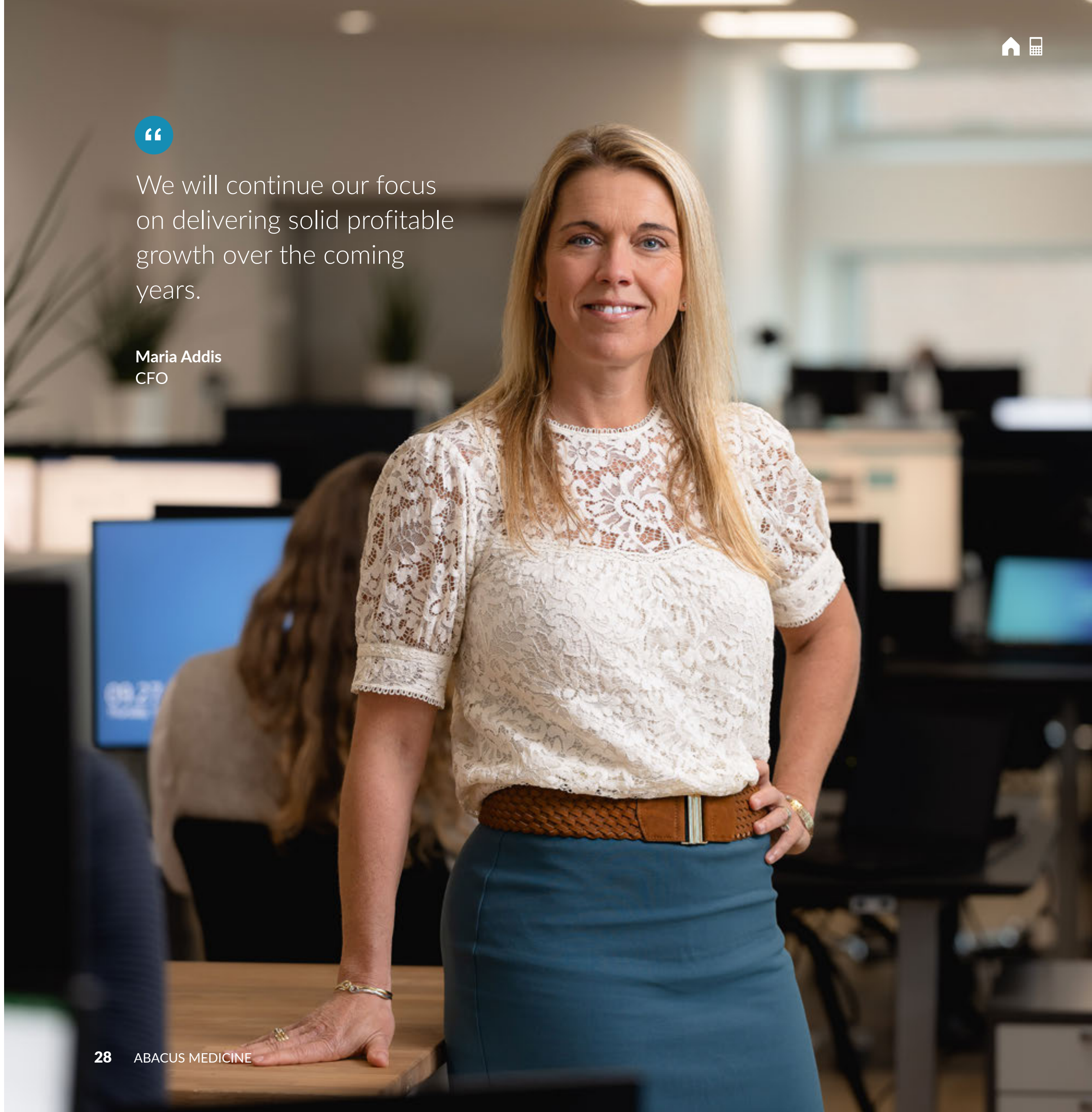
The financial performance of Abacus Medicine Group is impacted by market and commercial development such as potential market commodization, patent expiry of products, new legislation, product price adjustments, and the risk of expiry of products in inventory.

Mitigating activities

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

The market and commercial risks remain unchanged from last year in respect of the potential financial impact.

Financial review



"We will continue our focus on delivering solid profitable growth over the coming years."

Maria Addis
CFO

Financial review

In 2022 the Abacus Medicine Group delivered improved profitability with record EBITDA as strong operational performance led to increasing margins.

Group performance

Restrictions related to COVID-19 were lifted in most European countries, and the order patterns for pharmaceutical products gradually returned to more normal levels. Despite the outbreak of the war in Ukraine and the following increase in inflation and raw material prices, the pharmaceutical industry generally proved moderately impacted and all parts of the Abacus Medicine Group delivered solid organic growth.

The Abacus Medicine parallel distribution business saw growth in most markets and revenue growth was within our Outlook for 2022.

The service offerings of Abacus Medicine Pharma Services attracted new customers and led to strong revenue growth.

In the still competitive Dutch market for pharmaceutical wholesaling, Pluripharm continued to attract new pharmacy customers and gain market share in the retail market. Pluripharm also delivered growth in the broad range of value-added services.

Revenue

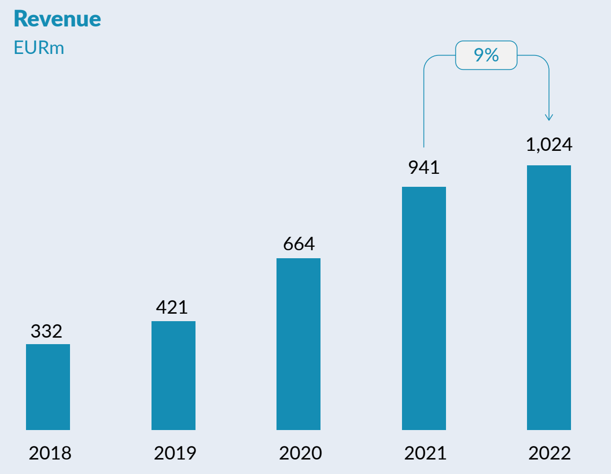
EUR'000	2022	2021	Growth
Parallel distribution and Pharma Services	719,079	672,073	7%
Pluripharm	324,643	284,647	14%
Eliminations	-19,744	-15,980	
Revenue	**1,023,978**	**940,740**	**9%**

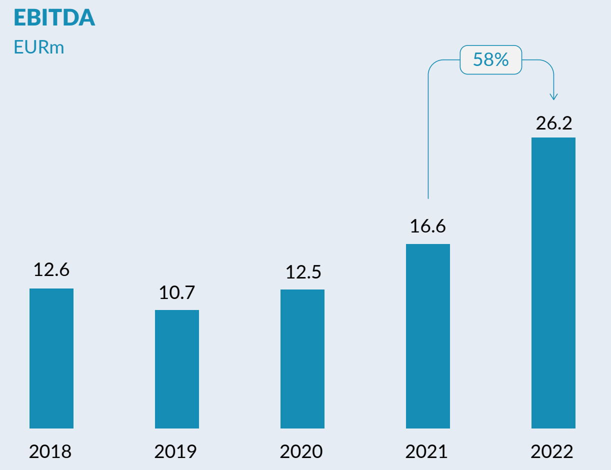
Group Profitability

Gross margin increased by 1.6%-point to 10.3%. The increase was driven by better margins and improved country mix in the parallel distribution business. Despite solid organic revenue growth, Pluripharm experienced a small decline in Gross margin as the tough pricing competition on the Dutch wholesale market continued.

Gross Profit

EUR'000	2022	2021	Growth
Revenue	1,023,978	940,740	9%
Cost of sales	-918,436	-859,205	7%
Gross Profit	105,542	81,535	29%
Gross Margin	10.3%	8.7%	





Selling, General, and Administrative (SG&A) expenses increased by 22% compared to 2021 as we invested in both employees and our operational setup.

SG&A Expenses

EUR'000	2022	2021	Growth
Other external costs	-26,491	-22,975	15%
Staff costs	-52,890	-41,998	26%
SG&A Expenses	-79,381	-64,973	22%
SG&A Margin	7.8%	6.9%	

EBITDA grew by 58% to a record of EUR 26.2 million. The improvement in Gross Margin was only slightly offset by investments in SG&A leading to an increase in the margin EBITDA of 0.8%-point to 2.6%. This improvement marked the first successful step in our ambitions of further improving the profitability of the Group.

EBITDA

EUR'000	2022	2021	Growth
Gross Profit	105,542	81,535	29%
SG&A Expenses	-79,381	-64,973	22%
EBITDA	26,161	16,562	58%
EBITDA Margin	2.6%	1.8%	

Segment performance

In Parallel Distribution and Pharma Services the EBITDA margin increased by 1.2%-point to 3.6% driven by improving trading performance and operational scale advantages.

Pluripharm delivered another year of positive EBITDA, but due to tough conditions in the Dutch wholesale market EBITDA margins declined slightly to 0.1%. Despite the decline in EBITDA margin we are confident that Pluripharm is on track, as the financial performance in the second half of 2022 was significantly better than in the first half.

EBITDA

EUR'000	2022	2021	Growth
Parallel distribution and Pharma Services	25,784	16,104	60%
Pluripharm	377	458	-18%

EBITDA Margin

%	2022	2021	Change
Parallel distribution and Pharma Services	3.6%	2.4%	1.2%
Pluripharm	0.1%	0.2%	-0.1%

> "Return on equity increased from 0.8% in 2021 to 10.1% in 2022. This improvement is a good step towards a higher long-term target."

Leverage

After the acquisition of Pluripharm in 2020 leverage measured as net debt to EBITDA increased significantly. It has since been a priority to reduce the Group's leverage. We have achieved this by a combination of an improved financial result and a reduction of the Net interest-bearing debt. As a result, the leverage ratio improved from 3.5 in 2021 to 1.5 in 2022.

Despite the lower Net interest-bearing debt position in 2022, we saw an impact from higher interest rates. Finance expenses increased from EUR 4.4 million in 2021 to EUR 6.2 million in 2022, and we expect the negative effects from higher interest rates to continue in 2023.

Return on equity

As a consequence of the record financial performance in 2022 with Profit for the year of EUR 5.8 million, the Return on equity increased from 0.8% in 2021 to 10.1% in 2022. This improvement is a good step towards a higher long-term target. With our continuing focus on delivering solid profitable growth, our ambition is to strengthen Return on equity over the coming years.

Cash-flow and Working capital

The Abacus Medicine Group delivered another year of positive cash flow generation, despite our ambitious investments in new licenses, opening of new markets, equipment and digital infra-structure. The positive cash flow was primarily driven by improvements in EBITDA and net working capital.

Cash flow

EUR'000	2022	2021	Growth
Cash flow from operation	30,399	31,405	-3%
Cash flow from investment	-8,687	-9,597	-9%
Free cash flow	**21,712**	**21,808**	**0%**

Due to the continuing focus on operational efficiency, working capital was improved during the year and reached a new historical low at 8% of revenue.

Working capital

EUR'000	2022	2021	Growth	% of revenue 2022	% of revenue 2021
Inventory	116,786	113,465	3%	11%	12%
Trade and other receivables	47,971	40,308	19%	5%	4%
Trade payables	84,332	66,915	26%	8%	7%
Working capital	**80,425**	**86,858**	**-7%**	**8%**	**9%**

Financial statements

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Primary statements

Sections

Income statement

Note	EUR'000	2022	2021
2.1	Revenue	1,023,978	940,740
2.2	**Cost of sales**	**-918,436**	**-859,205**
	Gross profit	**105,542**	**81,535**
	Other external costs	-26,491	-22,975
2.3	Staff costs	-52,890	-41,998
	Operating profit before depreciations, amortisation and special items (adjusted EBITDA)	**26,161**	**16,562**
2.5	Special items	0	0
	Operating profit before depreciations and amortisation (EBITDA)	**26,161**	**16,562**
2.6	Depreciation and amortisation	-11,437	-10,158
	Operating profit (EBIT)	**14,724**	**6,404**
5.3	Share of profit (loss) in associates	-121	-17
2.7	Finance income	72	82
2.7	Finance expenses	-6,165	-4,406
	Profit before tax	**8,510**	**2,063**
2.8	Tax	-2,691	-1,648
	Profit for the year	**5,819**	**415**

Statement of other comprehensive income

Note	EUR'000	2022	2021
	Profit for the year	**5,819**	**415**
	Other comprehensive income		
	Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
4.5	Cash flow hedges – effective portion of changes in fair value	-19	73
	Exchange differences on translation of foreign operations	188	-259
2.8	Income tax effect	4	-16
		173	**-202**
	Other comprehensive income/(loss) for the year, net of tax	**173**	**-202**
	Total other comprehensive income	**5,992**	**213**

Balance sheet

Note	EUR'000	2022	2021
	ASSETS		
	Non-current assets		
3.1	Intangible assets	33,148	32,440
3.2	Property, plant and equipment	10,432	10,968
3.3	Right-of-use assets	9,482	9,808
5.3	Investments in associates	84	123
5.3	Other securities	0	0
3.5	Other receivables	529	396
2.8	Deferred tax assets	4,573	4,179
	Total non-current assets	**58,248**	**57,914**
	Current assets		
3.4	Inventory	116,786	113,465
3.5	Trade and other receivables	47,971	40,308
4.3	Cash	9,971	3,889
	Total current assets	**174,728**	**157,662**
	TOTAL ASSETS	**232,976**	**215,576**

Note	EUR'000	2022	2021
	EQUITY AND LIABILITIES		
	Equity		
4.1	Share capital	516	515
	Other reserves	-234	-407
	Retained earnings	60,709	54,538
	Total equity	**60,991**	**54,646**
	Non-current liabilities		
2.8	Deferred tax liabilities	4,335	4,252
4.4	Borrowings	0	1,838
3.3	Lease liabilities	7,382	7,791
3.7	Other payables	2,240	2,780
	Total non-current liabilities	**13,957**	**16,661**
	Current liabilities		
4.4	Borrowings	40,304	50,274
3.3	Lease liabilities	2,825	2,353
3.8	Provisions	4,257	4,134
3.6	Trade payables	84,332	66,915
2.8	Income tax payable	2,810	721
3.7	Other payables	23,500	19,872
	Total current liabilities	**158,028**	**144,269**
	Total liabilities	**171,985**	**160,930**
	Total EQUITY AND LIABILITIES	**232,976**	**215,576**

Cash flow statement

Note	EUR'000	2022	2021
	Operating activities		
	Profit before tax	8,510	2,063
	Adjustments to reconcile profit before tax to net cash flow:		
2.6	Depreciation and amortisation	11,437	10,158
	Share of profit (loss) in associates	121	17
2.7	Finance income	-72	-82
2.7	Finance expenses	6,165	4,406
3.9	Changes in working capital	10,535	19,599
	Interest received	72	82
	Interest paid	-5,460	-3,537
2.8	Income tax paid	-909	-1,301
	Net cash flow from operating activities	**30,399**	**31,405**

Note	EUR'000	2022	2021
	Investing activities		
3.1	Purchase of intangible assets	-6,635	-7,354
3.2	Purchase of property, plant and equipment	-1,973	-2,327
	Paid deposits regarding buildings etc.	-133	69
	Disposals, non-current assets	54	15
	Net cash flow used in investing activities	**-8,687**	**-9,597**
	Financing activities		
	Proceeds from borrowings	-11,919	-17,671
	Proceeds from exercise of warrants	237	247
3.3	Repayment of lease liabilities	-3,086	-2,213
	Deposits regarding factoring agreement	-740	1,499
	Net cash flow from financing activities	**-15,508**	**-18,138**
	Cash flow for the year	**6,204**	**3,670**
	Cash at beginning of the year	3,889	218
	Effect of exchange rate changes on cash in a foreign currency	-122	1
4.3	**Cash at 31 December**	**9,971**	**3,889**

Statement of changes in equity

EUR'000	Share capital	Cash flow hedge reserve	Foreign currency translation reserve	Retained earnings	Total
Equity 1 January 2022	**515**	**15**	**-422**	**54,538**	**54,646**
Total comprehensive income 2022					
Profit for the year	-	-	-	5,819	5,819
Other comprehensive income					
Cash flow hedges – effective portion of changes in fair value	-	-19	-	-	-19
Exchange differences on translation of foreign operations	-	-	188	-	188
Tax on other comprehensive income	-	4	-	-	4
Total other comprehensive income	**-**	**-15**	**188**	**-**	**173**
Total comprehensive income for the period	**-**	**-15**	**188**	**5,819**	**5,992**
Transactions with owners					
Capital increase	1	-	-	236	237
Equity-settled share-based payments	-	-	-	116	116
Total transactions with owners	**1**	**-**	**-**	**352**	**353**
Equity 31 December 2022	**516**	**0**	**-234**	**60,709**	**60,991**

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

Overview of notes for the consolidated financial statements

Section 1
Basis of preparation

Section 2
Result of the Year

Section 3
Invested Capital and Working Capital Items

Section 4
Capital Structure and Net Financials

Section 5
Other disclosures

1 Basis of preparation

5,819

PROFIT FOR THE YEAR EUR THOUSAND 2021: 415

10.3%

GROSS MARGIN 2021: 8.7 %

2.6%

EBITDA MARGIN 2021: 1.8 %

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 2022, 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 2022 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 2021 of Abacus Medicine A/S, except for the implementation of new and amended standards (see below).

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

The Board of Directors and the Chief Executive Officer (CEO) have on 1 March 2023 discussed and approved the annual report for Abacus Medicine A/S for 2022. The annual report will be presented to the shareholders of Abacus Medicine A/S for adoption at the annual general meeting on 20 March 2023.

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

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

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

Consolidated financial statements
The consolidated financial statements comprise the financial statements of Abacus Medicine A/S (the Parent) and the subsidiaries controlled by the Parent, as at 31 December 2022. Abacus Medicine A/S controls an entity when it is exposed to or has rights to variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity.

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

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

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

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

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

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

All other assets are classified as non-current.

A liability is current when, either:

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

All other liabilities are classified as non-current.

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

Section 1 – Basis of Preparation

1.1 Accounting policies (continued)

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

Other liabilities are measured at net realised value.

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

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

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

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

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

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

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

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

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

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

1.2 New accounting policies and disclosures

Abacus Medicine has implemented the standards and amendments that are effective for the financial year 2022. The new standards and amendments have not affected Abacus Medicine's recognition or measurement of financial items for 2022, nor are they expected to have any significant future impact.

1.3 Standards issued but not yet effective

The IASB has issued a number of new standards and amendments not yet in effect or endorsed by the EU and therefore not relevant for the preparation of the 2022 consolidated financial statements. Abacus Medicine expects to implement these standards when they take effect.

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

1.4 Significant accounting judgements, estimates and assumptions

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

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

- Revenue (note 2.1)
- Intangible assets (note 3.1)
- Inventories (note 3.4)

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

2
Result of the Year

2.1 Revenue

2.2 Cost of sales

2.3 Staff costs

2.4 Share-based payments

2.5 Special items

2.6 Depreciation and amortisation

2.7 Net finance costs

2.8 Income tax

8.8%

REVENUE GROWTH IN 2022

1,140

FTES IN 2022
2021: 1,052

26,161

EBITDA
EUR THOUSAND
2021: 16,562

Section 2 – Result of the Year

2.1 Revenue

§ Accounting policies

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

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

Assets and liabilities arising from rights of return:

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

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

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

≈ Significant accounting judgements, estimates and assumptions

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

Presentation
Abacus Medicine has adopted IFRS 15. The presentation of revenue for Abacus Medicine is defined by the operational structure which is derived from the types of activities we are engaged in. Abacus Medicine Pharma Services accounts for less than 10% of the revenue, gross profit and assets in the Group, and due to similar characteristics, Abacus Medicine Pharma Services has been presented in combination with Abacus Medicine - Parallel Distribution.

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

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

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

Section 2 – Result of the Year

2.1 Revenue (continued)

Operating information

EUR'000	Abacus Medicine (2022)	Pluripharm (2022)	Eliminations (2022)	Total (2022)
Revenue	719,079	324,643	-19,744	1,023,978
Gross Profit	86,644	18,898	-	105,542
EBITDA	25,784	377	-	26,161
Total Assets	181,462	51,514	-	232,976
Total Liabilities	127,359	44,626	-	171,985

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

In 2022, Abacus Medicine had one customer in Denmark/Sweden/Norway with 12% of the Group revenue (2021: one customer in Denmark/Sweden/Norway, 14%). 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	2022	2021
Cost of inventories recognised as an expense	911,996	852,249
Write-down of inventory, net	6,440	6,956
Total	**918,436**	**859,205**

2.3 Staff costs

§ Accounting policies

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

EUR'000	2022	2021
Wages and salaries	46,215	36,629
Pensions, defined contribution plans	2,873	2,550
Other social security costs	683	655
Other staff costs	3,806	2,998
Share-based payment expense	116	183
Total employee benefit expenses	**53,693**	**43,015**
Of which are capitalised as intangible assets	-803	-1,017
Total employee benefit expense in the income statement	**52,890**	**41,998**
Average number of full-time employees	1,140	1,052

The below amounts are included in the total staff costs.

EUR'000	2022	2021
Board of Directors and Chief Executive Officer		
Wages and salaries	730	688
Pensions, defined contribution plans	46	46
Social security costs	1	1
Total	**777**	**735**
Average number	7	7

Section 2 – Result of the Year

2.3 Staff costs (continued)

EUR'000	2022	2021
Key Management Personnel		
Wages and salaries	2,086	1,959
Pensions, defined contribution plans	157	156
Share-based payments	38	44
Social security costs	28	129
Total	**2,309**	**2,288**
Average number	8	9

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

Remuneration to the Chief Executive Officer and Board of Directors represents EUR 777 thousand (2021: EUR 735 thousand). Abacus Medicine has entered into warrant agreements with members of the Executive Management Team. For further details on remuneration to the Executive Management Team, refer to note 2.4 regarding share-based payments.

2.4 Share-based payments

§ Accounting policies

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

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

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 2018, 2020, 2021 and 2022, of which the share plans from 2020-2022 are all still open. The decision to grant warrants is made by the Board of Directors in accordance with the articles of association. Warrants have been granted to members of Key Management Personnel and other employees in the company. For the 2018, 2020, 2021 and 2022 program, the employees only receive equity instruments.

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

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

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

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

Section 2 – Result of the Year

2.4 Share-based payments (continued)

in December 2020 (45,700 shares) and April 2025 at the latest (21,000 shares). The warrant scheme has been accounted for as an equity-settled program.

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

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

Warrant agreements entered into in November 2022 allow those eligible to subscribe for up to 96,405 new shares of EUR 0.05 each in Abacus Medicine A/S. The subscription price is EUR 11.20 per share, corresponding to a total potential subscription price of approximately EUR 1,080 thousand. This warrant agreement only allows settlement with shares which must take place in April 2027 at the latest. The warrant scheme has been accounted for as an equity-settled program.

EUR'000	2022	2021
Equity-settled expense	116	183
Total share-based payment expense	**116**	**183**

	Key Personnel	Other employees	Total number	Average exercise price per option (EUR)
Specification of outstanding share options				
Outstanding at 31 December 2020	**34,396**	**154,598**	**188,994**	
Granted	34,763	94,319	129,082	
Forfeited	-3,830	-24,200	-28,030	
Exercised	-17,090	-6,504	-23,594	10.42
Transfer between categories	11,264	-11,264	-	
Outstanding at 31 December 2021	**59,503**	**206,949**	**266,452**	
Granted	19,850	76,555	96,405	
Forfeited	-10,000	-18,272	-28,272	
Exercised	-17,340	-6,028	-23,368	10.16
Outstanding at 31 December 2022	**52,013**	**259,204**	**311,217**	
Exercisable 31 December 2022	-	-	-	

Section 2 – Result of the Year

2.4 Share-based payments (continued)

The average remaining contractual life for the share options outstanding at 31 December 2022 was 3.3 years (2021: 3.1 years). The exercise prices are between EUR 10.16 - EUR 11.20 per share option (2021: EUR 10.16 - EUR 10.93).

In 2022, the expense in regards to share-based payments recognised in the income statement amounts to EUR 116 thousand (2021: EUR 183 thousand).

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

	2022 Equity Settled	2021 Equity Settled	2020 Equity Settled
Weighted average fair values at measurement date	5.9	5.1	2.7
Weighted average share price	14.9	14.6	12.0
Exercise price	11.2	10.9	10.2-13.5
Expected volatility (%)	31%	35%	35%
Expected life of share options	53 months	52-53 months	1-60 months
Dividend yield (%)	0.0%	0.0%	0.0%
Risk-free interest rate (%)	1.0%/1.4%	-0.5%/-0.6%	-0.4-0.6 %
Valuation method	Black-Scholes	Black-Scholes	Black-Scholes

The expected volatility reflects 31%-35%, which is based on a peer group median.

2.5 Special items

§ Accounting policies

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

No Special items in 2021 and 2022.

2.6 Depreciation and amortisation

EUR'000	2022	2021
Amortisation and write-downs, intangible assets	5,895	5,260
Depreciation, property, plant and equipment	2,200	2,422
Depreciation, right-of-use assets	3,342	2,476
Total	**11,437**	**10,158**

2.7 Net finance costs

§ Accounting policies

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

EUR'000	2022	2021
Finance income		
Other finance income	72	82
Total finance income	**72**	**82**

Finance income related to balance sheet items recognised at amortised cost amounts to EUR 72 thousand (2021: EUR 82 thousand).

EUR'000	2022	2021
Finance expenses		
Other finance costs	5,285	3,324
Interests, lease liabilities	321	197
Amortised loan costs	110	207
Foreign exchange loss, net	449	678
Total finance expenses	**6,165**	**4,406**

Finance expenses related to balance sheet items recognised at amortised cost (the credit facility and lease liabilities) amount to EUR 1,921 thousand (2021: EUR 1,992 thousand).

Section 2 – Result of the Year

2.8 Income tax

§ Accounting policies

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

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

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

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

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

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

EUR'000	2022	2021
Current income tax		
Current income tax charge	3,114	1,173
Adjustment in respect of current income tax of previous year	-115	71
Deferred tax		
Relating to origination and reversal of temporary difference	-308	404
Income tax expense reporting in the income statement	**2,691**	**1,648**

EUR'000	2022	2021
Statement of other comprehensive income		
Deferred tax related to items recognised in other comprehensive income during the year		
Net gain/loss on revaluation of cash flow hedges	4	-16
Income tax recognised in other comprehensive income	**4**	**-16**

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

EUR'000	2022	2021
Accounting profit before income tax		
Calculated 22% tax on profit for the year	1,872	454
Utilisation of previously unrecognised losses	0	0
Deferred tax asset not recognised	361	522
Tax effect of:		
Deviation in foreign subsidiaries' tax rates compared with the Danish rate	284	256
Adjustment in respect of current income tax of previous year	-115	71
Other non-deductible expenses, etc.	262	341
Share of profit (loss) in associates	27	4
Total	**2,691**	**1,648**
Effective tax (%)	31.6%	79.9%

Section 2 – Result of the Year

2.8 Income tax (continued)

EUR'000	2022	2021
Deferred tax		
Deferred tax 1 January	-73	349
Currency translation	-1	-2
Deferred tax for the year recognised in profit for the year	308	-404
Deferred tax for the year recognised in other comprehensive income	4	-16
Deferred tax 31 December	**238**	**-73**
Reflected in the statement of financial position as follows:		
Deferred tax assets	4,573	4,179
Deferred tax liabilities	-4,335	-4,252
Deferred tax 31 December, net	**238**	**-73**

Of the recognised deferred tax assets, EUR 4,400 thousand (2021: EUR 4,000 thousand) relates to tax losses to be carried forward. The utilisation of tax loss carryforwards is subject to the expected future positive taxable income against which the losses may be offset.

There are unrecognised deferred tax assets relating to tax losses in the group amounting to EUR 1,997 thousand (2021: EUR 1,113 thousand). The deferred tax assets have not been recognised due to uncertainties on the timing of the realisation.

EUR'000	2022	2021
Deferred tax relates to:		
Intangible assets	-4,953	-4,566
Tangible assets	459	444
Tax losses carried forward	4,400	4,000
Other assets and liabilities, net	332	49
Total	**238**	**-73**

EUR'000	2022	2021
Income tax payable		
Income tax payable 1 January	721	779
Current tax for the year	3,114	1,173
Adjustment in respect of current income tax of previous year	-115	71
Exchange rate adjustments, interests etc.	-1	-1
Corporation tax paid during the year	-909	-1,301
Income tax payable 31 December	**2,810**	**721**

3

Invested Capital and Working Capital Items

101.5

INVESTED CAPITAL EUR MILLION 2021: 113.0

9.4%

RETURN ON INVESTED CAPITAL 2021: 1.1%

5,106

INVESTMENTS IN NEW LICENCES EUR THOUSAND 2021: 6,336

Section 3 – Invested Capital and Working Capital Items

3.1 Intangible assets

§ Accounting policies

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

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

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

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

Amortisation periods are as follows:

Licences	5 - 8 years
Software	3-10 years

The assets have no scrap value.

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

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

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

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

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

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

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

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

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

Section 3 – Invested Capital and Working Capital Items

3.1 Intangible assets (continued)

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

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

≈ Significant accounting judgements, estimates and assumptions

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

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

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

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

EUR'000	Development costs	Software	Licences	Goodwill	Total
Cost 1 January 2022	-	15,866	26,319	5,507	47,692
Currency translation	-	-15	-45	-	-60
Additions	-	82	1,730	-	1,812
Additions internally developed	1,447	-	3,376	-	4,823
Reclassification	-1,447	1,447	-	-	0
Cost 31 December 2022	0	17,380	31,380	5,507	54,267
Amortisation and impairment 1 January 2022	-	4,540	10,712	-	15,252
Currency translation	-	-9	-19	-	-28
Amortisation	-	1,804	3,529	-	5,333
Write-downs	-	277	285	-	562
Amortisation and impairment 31 December 2022	0	6,612	14,507	-	21,119
Carrying amount 31 December 2022	**0**	**10,768**	**16,873**	**5,507**	**33,148**

Section 3 – Invested Capital and Working Capital Items

3.1 Intangible assets (continued)

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

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

Software is amortised over 3-10 years and Licences are amortised over 5-8 years. Software has been written down with EUR 277 thousand in 2022 (2021: EUR 0 thousand) and Licences have been written down with EUR 285 thousand in 2022 (2021: EUR 223 thousand) due to uncertainty of the future utilisation of the assets. There have been no further indications of impairment of the intangible assets.

Goodwill was recognised as a part of the acquisition of the Abacus Medicine Pharma Services entities on 21 December 2017 and the Pluripharm Group on 29 July 2020. The carrying amount of goodwill as of 31 December 2022 amounts to EUR 2,917 thousand regarding Abacus Medicine Pharma Services (2021: EUR 2,917 thousand) and EUR 2,590 thousand regarding Pluripharm (2021: EUR 2,590 thousand). Since goodwill is not amortised, the carrying amount is at least tested for impairment annually. The impairment test in 2022 did not give rise to recognising any impairment losses.

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

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

The revenue growth and the gross profit figures used in the impairment tests are based on the budget for 2023 prepared by the management and approved by the Board of Directors, and outlook for the subsequent 2 years.

Section 3 – Invested Capital and Working Capital Items

3.1 Intangible assets (continued)

The average yearly revenue growth applied in the period 2023-2025 is 28% (2021: 55%) for Abacus Medicine Pharma Services and 11% for Pluripharm in the period 2023-2025 (2021: 19%). Further, we have applied gross margin for Abacus Medicine Pharma Services of 15% and for Pluripharm 4% until the terminal periods based on the estimates in the approved budgets and outlook for the coming years. In nature, these projections are subject to judgement and estimates that are uncertain. The actual revenue in 2022 amounted to EUR 41 million for Abacus Medicine Pharma Services and EUR 325 million for Pluripharm.

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

We have used a pre-tax discount rate of 15.2% for Abacus Medicine Pharma Services (2021: 14.1%) and 12.6% for Pluripharm (2021: 12.0%), which represent the current market assessment of the risks specific to the Abacus Medicine Pharma Services and Pluripharm business, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is derived from the weighted average cost of capital (WACC) of Abacus Medicine Pharma Services and Pluripharm. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by Abacus Medicine's investors. The cost of debt is based on the interest-bearing borrowings Abacus Medicine is obliged to service, which is considered to be on market terms. Industry specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

We have applied a growth rate of 2% (2021: 2%), which is an estimate of the expected average inflation in the terminal period. As such, no real growth is applied to the terminal period when calculating the recoverable amount.

3.2 Property, plant and equipment

§ Accounting policies

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

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

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

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

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

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

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

EUR'000	Land and buildings	Leasehold improve-ments	Other fixtures and fittings, plant and equipment	Total
Cost 1 January 2022	3,796	1,533	11,870	17,199
Currency translation	-	-61	-341	-402
Additions for the year	6	307	1,660	1,973
Disposals	-	-37	-197	-234
Cost 31 December 2022	3,802	1,742	12,992	18,536
Depreciation and impairment 1 January 2022	324	838	5,069	6,231
Currency translation	-	-45	-48	-93
Depreciation	179	203	1,818	2,200
Disposals	-	-37	-197	-234
Depreciation and impairment 31 December 2022	503	959	6,642	8,104
Carrying amount 31 December 2022	**3,299**	**783**	**6,350**	**10,432**

Section 3 – Invested Capital and Working Capital Items

3.2 Property, plant and equipment (continued)

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

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

3.3 Leases

§ Accounting policies

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

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

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

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

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

Section 3 – Invested Capital and Working Capital Items

3.3 Leases (continued)

EUR'000	Buildings	Other fixed assets	Total
Right-of-use assets			
Opening balance at 1 January 2022	**8,143**	**1,665**	**9,808**
Additions	1,569	673	2,242
Disposals	-	-	-
Depreciation	-2,547	-795	-3,342
Remeasurement of lease liabilities	562	212	774
Carrying amount at 31 December 2022	**7,727**	**1,755**	**9,482**
Opening balance at 1 January 2021	**4,077**	**1,275**	**5,352**
Additions	5,887	953	6,840
Disposals	-	-	-
Depreciation	-1,913	-563	-2,476
Remeasurement of lease liabilities	92	-	92
Carrying amount at 31 December 2021	**8,143**	**1,665**	**9,808**

EUR'000	2022	2021
Lease liabilities		
Maturity analysis - contractual undiscounted cash flows		
Less than 1 year	3,444	2,634
Between 1 and 5 years	8,197	8,217
More than 5 years	-	-
The undiscounted cash flows	**11,641**	**10,851**
Lease liability recognised on the balance sheet	**10,207**	**10,144**
Current lease liability	2,825	2,353
Non-current lease liability	7,382	7,791

EUR'000	2022	2021
Amount recognised in the income statement		
Interest expense from lease liabilities	321	197
Lease expenses for short-term leases	-	-
Total	**321**	**197**

In 2022, Abacus Medicine paid EUR 3,275 thousand (2021: EUR 2,367 thousand) on lease contracts of which interest payments related to lease liabilities amount to EUR 189 thousand (2021: EUR 154 thousand) and down payments on lease liabilities amounts to EUR 3,086 thousand (2021: EUR 2,213 thousand).

Costs recognised in the period for short-term leases were EUR 0 thousand (2021: EUR 0 thousand) and low-value leases were EUR 0 thousand (2021: EUR 0 thousand). Expenses are recognised on a straight-line basis as Other external costs.

3.4 Inventories

§ Accounting policies

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

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

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

≈ Significant accounting judgements, estimates and assumptions

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

Section 3 – Invested Capital and Working Capital Items

3.4 Inventories (continued)

EUR'000	2022	2021
Raw materials and consumables	42,071	41,281
Manufactured goods and goods for resale	74,715	72,184
Total inventories at the lower of cost and net realisable value	**116,786**	**113,465**

During 2022, EUR 6,440 thousand (2021: EUR 6,956 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	2022	2021
Inventory write-downs at 1 January	2,653	2,272
Utilised and reversed during the year	-2,653	-2,272
Additional write-downs during the year	1,539	2,653
Inventory write-downs at 31 December	**1,539**	**2,653**

3.5 Trade and other receivables

§ Accounting policies

Receivables
Receivables are measured at amortised cost.

The measurement of the provision for bad debt for receivables is based on the simplified expected credit loss model to measure the expected credit loss for all trade receivables. Based on the low realised losses on receivables historically, adjustments to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle the receivable, do not increase the risk of losses significantly. Where there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised at the individual receivable level.

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

EUR'000	2022	2021
Non-current		
Other receivables	529	396
Total non-current	**529**	**396**
Current		
Receivables from sales and services	17,021	21,105
Receivables from associates	1,717	1,349
Deposits regarding factoring agreement	4,975	4,235
VAT receivables	15,427	8,565
Other receivables	7,568	3,856
Prepayments	1,263	1,198
Total current	**47,971**	**40,308**

Abacus Medicine's customers are mainly wholesalers and pharmacies. In general, all Abacus Medicine's invoices to customers are sold to a factoring company which limits the trade receivable risk and days. We refer to section 4.5 on liquidity risks for further description of the factoring agreements. Further, management monitors payment patterns of the customers and estimates the need for write-downs. Credit ratings, insurance of customers and market-specific development are taken into account in order to assess the need for further write-downs. Abacus Medicine has historically not suffered any significant losses. Allowance for bad debt amounts to EUR 0.8 million as of 31 December 2022 (2021: EUR 0.5 million).

Section 3 – Invested Capital and Working Capital Items

3.6 Trade payables

EUR'000	2022	2021
Trade payables	84,332	66,915
Total	**84,332**	**66,915**

3.7 Other payables

EUR'000	2022	2021
Non-current		
VAT payables	995	1,535
Employee related payables	1,245	1,245
Total non-current	**2,240**	**2,780**
Current		
VAT payables	18,496	14,578
Employee related payables	4,866	3,139
Other payables	138	1,383
Payables to other related parties	-	772
Total current	**23,500**	**19,872**

3.8 Provisions

§ Accounting policies

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

EUR'000	Return provisions
At 1 January 2022	**4,134**
Arising during the year	4,257
Utilised and reversed during the year	-4,134
At 31 December 2022	**4,257**
Current	**4,257**
Non-current	**0**

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	2022	2021
Change in inventory	-4,010	-6,432
Change in receivables	-11,191	18,035
Change in trade payables etc.	24,755	9,135
Change in provisions etc., non-cash items	123	-1,874
Other non-cash items	858	735
Total	**10,535**	**19,599**

4

Capital Structure and Net Financials

0.6

EARNINGS PER SHARE
EUR
2021: 0.0

10.1%

RETURN ON EQUITY
2021: 0.8%

Section 4 – Capital structure and Net Financials

4.1 Equity

§ **Accounting policies**

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

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

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

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

Capital management
For the purpose of Abacus Medicine's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of Abacus Medicine A/S. Abacus Medicine manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The primary objective of Abacus Medicine's capital management is to maximise the shareholder value. Abacus Medicine intends on retaining all future earnings to finance future growth, however Abacus Medicine may pay dividends to shareholders, return capital to shareholders or issue new shares to maintain or adjust the capital structure. Abacus Medicine monitors capital using a solvency ratio, which is total equity divided by total equity and liabilities. Abacus Medicine's long term target is to achieve the solvency ratio at minimum 30% (end 2022: 26%, end 2021: 25%).

To achieve the overall objective, Abacus Medicine's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. The calculation of the covenants in the bank agreement is based on the inventory level compared to credit utilisation, solvency and leverage. The financial covenants in the current bank agreement have in 2022 been updated. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

Equity
Issued shares

	Number				
	2022	2021	2020	2019	2018
1 January	10,300,661	10,193,114	10,113,245	7,450,000	2,774,747
Additions	23,368	107,547	79,869	2,663,245	-
Increase in shares due to decrease of nominal value per share	-	-	-	-	4,675,253
31 December – fully paid	**10,324,029**	**10,300,661**	**10,193,114**	**10,113,245**	**7,450,000**

	Nominal value (EUR)				
	2022	2021	2020	2019	2018
1 January	515,033	509,656	505,662	372,500	372,500
Additions	1,168	5,377	3,994	133,162	-
31 December – fully paid	**516,201**	**515,033**	**509,656**	**505,662**	**372,500**

The share capital consists of 10,324,029 shares with a nominal value of 0.05 EUR each. None of the shares are assigned with special rights.

Section 4 – Capital structure and Net Financials

4.2 Earnings per share and dividend

EUR'000	2022	2021
Profit attributable to equity holders	**5,819**	**415**
Weighted average number of ordinary shares	10,324,029	10,300,661
Effect of share options	288,835	227,723
Weighted average number of ordinary shares adjusted for the effect of dilution	**10,612,864**	**10,528,384**
Basic earnings per share, EUR	0.56	0.04
Diluted earnings per share, EUR	0.55	0.04

4.3 Cash

§ Accounting policies

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

EUR'000	2022	2021
Cash at bank and in hand	9,971	3,889
Total cash	**9,971**	**3,889**

4.4 Borrowings

EUR'000	2022	2021
Non-current liabilities		
Credit institutions and banks	-	1,838
Current liabilities		
Credit institutions and banks	40,325	50,406
Amortised costs	-21	-132
Total current liabilities	**40,304**	**50,274**
Carrying amount, Non-current and Current liabilities	**40,304**	**52,112**
Nominal amount	**40,325**	**52,244**

Abacus Medicine has a committed credit facility with Danske Bank, with a maximum credit limit of EUR 74 million (DKK 550 million). The bank credit facility is renegotiated on a three year basis. Next renegotiation is in 2024.

Section 4 – Capital structure and Net Financials

4.5 Financial risk and financial instruments

§ Accounting policies

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

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

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

Abacus Medicine is exposed to market risk, credit risk and liquidity risk. Management oversees the control of these risks. The Board of Directors reviews and approves 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 the operating activities (when revenue or expense is denominated in a foreign currency) and net investments in foreign subsidiaries.

Abacus Medicine sells finished products and purchases products in currencies other than EUR and is therefore exposed to a currency risk. The currency policy must ensure that the risk is hedged, either by buying and selling in the same currencies or by making use of financial hedging. At the same time, the currency policy must in an operational manner describe how the risk is assessed when a possible hedging is entered and who is responsible for entering into currency hedging agreements with the bank.

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

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

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

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

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

Section 4 – Capital structure and Net Financials

4.5 Financial risk and financial instruments (continued)

The hedge ineffectiveness can arise from:

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

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

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

EUR'000	Change in exchange rate	Profit before tax 2022	Profit before tax 2021
SEK	5%	-43	15
GBP	5%	-89	319
NOK	5%	166	154
PLN	5%	82	86
HUF	5%	1	1
CZK	5%	41	42

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 Abacus Medicine's credit facility with Danske Bank with a credit limit of EUR 74 million (DKK 550 million) and the factoring agreement with AL Finans with a limit of EUR 134 million (DKK 1,000 million). Further, the Group has entered a new factoring agreement with Coface in 2022 with a limit of EUR 50 million for the activities in Pluripharm. The Group has not hedged interest rate risks.

A change in the interest rate by 1 percentage point in comparison to the interest rate at the balance sheet date would all other things being equal affect Abacus Medicine's income statement by EUR 1.8 million (2021: EUR 1.7 million) and equity by EUR 1.8 million (2021: EUR 1.7 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 characterised by normal and often long payment terms. This creates a liquidity requirement in the period between payment to suppliers and receipt of customer payments. On the other hand, wholesale activity is less liquidity dependent than parallel distribution because payment terms from suppliers and to customers are more aligned.

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

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

Abacus Medicine has a committed credit facility at Danske Bank with a credit limit of EUR 74 million (DKK 550 million). The bank credit facility is renegotiated on a three year basis. Abacus Medicine has a factoring agreement with AL Finans with a limit of EUR 134 million (DKK 1,000 million). Further, the Group has in 2022 entered a new non-recourse factoring agreement with Coface with a limit of EUR 50 million for the activities in Pluripharm. Factoring is chosen because it allows for financing of nearly all sales invoices no later than the day after the invoice has been issued.

Section 4 – Capital structure and Net Financials

4.5 Financial risk and financial instruments (continued)

EUR'000	Contractual cash flows	< 1 year	1 - 3 years	3 - 5 years	>5 years
Maturity analysis					
2022					
Non-derivative financial instruments					
Credit institutions and banks	40,325	40,325	-	-	-
Trade payables	84,332	84,332	-	-	-
Other payables	25,740	23,500	995	-	1,245
Lease liabilities	11,641	3,444	6,331	1,866	-
Derivative financial instruments					
Exchange rate hedging	-	-	-	-	-
31 December 2022	**162,038**	**151,601**	**7,326**	**1,866**	**1,245**
2021					
Non-derivative financial instruments					
Credit institutions and banks	52,244	50,406	700	700	438
Trade payables	66,915	66,915	-	-	-
Other payables	22,652	19,872	1,535	-	1,245
Lease liabilities	10,851	2,634	4,849	3,368	-
Derivative financial instruments					
Exchange rate hedging	-	-	-	-	-
31 December 2021	**152,662**	**139,827**	**7,084**	**4,068**	**1,683**

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

Credit risk

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

Trade receivables

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

Allowance for bad debt amounts to EUR 0.8 million as of 31 December 2022 (2021: EUR 0.5 million).

Section 4 – Capital structure and Net Financials

4.5 Financial risk and financial instruments (continued)

	Carrying amount		Fair value	
EUR'000	2022	2021	2022	2021
Categories of financial instruments				
Financial assets at fair value – hedging instruments				
Derivative financial instruments	-	20	-	20
Total	**0**	**20**	**0**	**20**
Financial assets measured at amortised cost				
Trade receivables	47,971	40,288	47,971	40,288
Cash	9,971	3,889	9,971	3,889
Total	**57,942**	**44,177**	**57,942**	**44,177**
Financial liabilities at fair value – hedging instruments				
Derivative financial instruments	-	-	-	-
Total	**0**	**0**	**0**	**0**
Financial liabilities measured at amortised cost				
Borrowings	40,304	52,112	40,325	52,244
Lease liabilities	10,207	10,144	10,207	10,144
Trade payables	84,332	66,915	84,332	66,915
Other payables	25,740	22,652	25,740	22,652
Total	**160,583**	**151,823**	**160,604**	**151,955**

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 0.0 million; 2021: EUR 0.0 million), revenue for derivatives related to sales (EUR 0.0 million; 2021: EUR 0.1 million) and production costs (EUR 0.0 million; 2021: EUR 0.0 million).

Section 4 – Capital structure and Net Financials

4.5 Financial risk and financial instruments (continued)

EUR'000	1 Jan '22	Non-cash movements	Financing cash flow	31 Dec '22
Net financing cash flow				
Borrowings	52,112	111	-11,919	40,304
Lease liabilities	10,144	3,149	-3,086	10,207
Total	**62,256**	**3,260**	**-15,005**	**50,511**

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

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

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

	Nominal value (local currency '000)	Expiry below 1 year	Expiry 1-5 years	Expiry above 5 years	Average hedging price	Fair value at year-end recognised in other comprehensive income / other receivables	Fair value at year-end recognised in other comprehensive income/ other payables	Change in fair value used for measuring cash flow hedge reserve
2022								
-	-	-	-	-	-	-	-	-
						0	0	0
2021								
SEK/EUR	30,048	30,048	-	-	1 SEK/1 EUR	20	-	20
						20	**0**	**20**

5
Other disclosures

36

NO. OF SUBSIDIARIES IN THE GROUP

312

FEES TO AUDITORS EUR THOUSAND 2021: 277

Section 5 – Other disclosures

5.1 Contractual obligations and contingencies

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

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

5.2 Mortgage and collateral

Bank debt of EUR 40 million within Abacus Medicine has been secured by way of a pledge on all of Abacus Medicine's existing as well as future receivables, totalling EUR 32 million (2021: EUR 31 million), in intangible assets totalling EUR 23 million (2021: EUR 21 million), plant and equipment totalling EUR 2 million (2021: EUR 2 million) and inventories totalling EUR 99 million (2021: EUR 89 million).

In addition, the shares in the subsidiary Abacus Medicine Hungary Kft., totalling EUR 2.5 million (2021: EUR 2.5 million), and the shares in the subsidiary Abacus Medicine Berlin GmbH, totalling EUR 0.7 million (2021: EUR 0.5 million), have been provided as collateral.

5.3 Investments in subsidiaries, associates and other securities

§ Accounting policies

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

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

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

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

Section 5 – Other disclosures

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

Name	Registered office	Ownership 2022 and voting rights	Ownership 2021 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%
Abacus Medicine WH B.V.**	The Netherlands	100%	-
Aposave S.L.**	Spain	100%	-
Zdrave Med Ltd.	Bulgaria	100%	100%
Abacus Medicine Pharma Services ApS	Denmark	100%	100%
Abacus Medicine Pharma Services Ltd.	United Kingdom	100%	100%
Abacus Medicine Pharma Services Asia Ltd.	Hong Kong	100%	100%
Abacus Medicine Pharma Services Inc.	USA	100%	100%
Abacus Medicine Pharma Services B.V.	The Netherlands	100%	100%
Aposave Mexico S de RL de	Mexico	100%	100%
ApoSave Peru	Peru	100%	100%

Name	Registered office	Ownership 2022 and voting rights	Ownership 2021 and voting rights
Pluripharm Holding B.V.	The Netherlands	100%	100%
Pluripharm Groep B.V.	The Netherlands	100%	100%
Thuis-apotheek B.V.	The Netherlands	50%	50%
Clinic Care Services B.V.	The Netherlands	17%	17%
Pluripharm B.V.	The Netherlands	100%	100%
Pluripack Alkmaar	The Netherlands	100%	100%
Pluripack Zwolle	The Netherlands	100%	100%
Pluripack Breda	The Netherlands	100%	100%
Pluriplus B.V.	The Netherlands	100%	100%
Distrimed B.V.	The Netherlands	100%	100%
Pluripharm Apotheek Beheer B.V.	The Netherlands	100%	100%
Apotheekfonds Pharmaconnect B.V.	The Netherlands	50%	50%
Pluripharm Direct B.V.	The Netherlands	100%	100%
Phardis B.V.	The Netherlands	100%	100%
Instellingsapotheek B.V.	The Netherlands	100%	100%

* Abacus Medicine Berlin GmbH has made use of the exemption option under Section 264 (3) HGB under German law. The prerequisite for this is the reference to the use of this exemption option in the consolidated notes of the parent company. This notice is hereby given.

** Newly established company in 2022.

Section 5 – Other disclosures

5.4 Related party disclosures

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

Abacus Medicine carried through the following related party transactions:

EUR'000	2022	2021
Service fees to other related parties	-	7
Payables to other related parties	-	772

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 2022, Abacus Medicine has not recorded any impairment of receivables relating to amounts owed by related parties (2021: EUR 0). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

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

The remuneration to executives is disclosed in note 2.3.

5.5 Events after the reporting period

No events have occurred after the balance sheet date which could have a material effect on Abacus Medicine's financial position at 31 December 2022.

5.6 Fees 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	2022	2021
Audit	310	272
Other assurance engagements	0	0
Total audit related services	**310**	**272**
Tax consultancy	0	0
Other non-audit services	2	5
Total fee to EY	**312**	**277**

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

Definition of key figures and ratios

Financial ratios

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

Gross margin
$$\frac{\text{Gross profit x 100}}{\text{Revenue}}$$

EBITDA margin
$$\frac{\text{Operating profit excl. amortisation and depreciation x 100}}{\text{Revenue}}$$

Operating profit (EBIT) margin
$$\frac{\text{Operating profit (EBIT) x 100}}{\text{Revenue}}$$

Revenue growth
$$\frac{\text{Current year revenue - prior year revenue x 100}}{\text{Revenue}}$$

Return on invested capital (ROIC)
$$\frac{\text{Operating profit (EBIT) x (1 - effective tax rate) x 100}}{\text{Average invested capital}}$$

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

Solvency ratio
$$\frac{\text{Closing equity x 100}}{\text{Total assets}}$$

Return on equity
$$\frac{\text{Profit for the year after tax x 100}}{\text{Average equity}}$$

Earnings per share, EUR
$$\frac{\text{Net profit}}{\text{Average number of shares outstanding}}$$

Diluted earnings per share, EUR
$$\frac{\text{Net profit}}{\text{Average number of shares outstanding, including the dilutive effect of share options}}$$

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

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

Alternative performance measures

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

Adjusted EBITDA margin
$$\frac{\text{Operating profit (EBIT) excl. amortisation, depreciation and special items x 100}}{\text{Revenue}}$$

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

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Primary statements

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Income statement

Note	EUR'000	2022	2021
2.1	Revenue	675,307	671,129
2.2	Cost of sales	-615,689	-626,794
	Gross profit	**59,618**	**44,335**
	Other external costs	-14,153	-14,202
2.3	Staff costs	-22,281	-15,904
	Operating profit before depreciations, amortisation and special items (adjusted EBITDA)	**23,184**	**14,229**
2.5	Special items	0	0
	Operating profit before depreciations and amortisation (EBITDA)	**23,184**	**14,229**
2.6	Depreciation and amortisation	-6,172	-4,799
	Operating profit (EBIT)	**17,012**	**9,430**
3.4	Share of profit (loss) from subsidiaries accounted under the equity method	-4,363	-4,095
2.7	Finance income	865	477
2.7	Finance expenses	-4,971	-3,838
	Profit before tax	**8,543**	**1,974**
2.8	Tax	-2,724	-1,559
	Profit for the year	**5,819**	**415**

Statement of other comprehensive income

Note	EUR'000	2022	2021
	Profit for the year	**5,819**	**415**
	Other comprehensive income		
	Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
4.4	Cash flow hedges – effective portion of changes in fair value	-19	73
	Exchange differences on translation of foreign operations	188	-259
2.8	Income tax effect	4	-16
		173	**-202**
	Other comprehensive income/(loss) for the year, net of tax	**173**	**-202**
	Total other comprehensive income	**5,992**	**213**

Balance sheet

Note	EUR'000	2022	2021
	ASSETS		
	Non-current assets		
3.1	Intangible assets	22,554	20,794
3.2	Property, plant and equipment	367	512
3.3	Right-of-use assets	4,171	5,315
3.4	Investments in subsidiaries	15,775	17,685
3.6	Other receivables	0	44
	Total non-current assets	**42,867**	**44,350**
	Current assets		
3.5	Inventory	98,738	90,555
3.6	Trade and other receivables	38,295	37,777
4.2	Cash	1	2
	Total current assets	**137,034**	**128,334**
	TOTAL ASSETS	**179,901**	**172,684**

Note	EUR'000	2022	2021
	EQUITY AND LIABILITIES		
	Equity		
4.1	Share capital	516	515
	Reserve for net revaluation according to the equity method	0	0
	Other reserves	1,321	573
	Retained earnings	59,154	53,558
	Total equity	**60,991**	**54,646**
	Non-current liabilities		
2.8	Deferred tax liabilities	4,326	4,243
3.3	Lease liabilities	3,454	4,670
3.8	Other payables	1,245	1,245
	Total non-current liabilities	**9,025**	**10,158**
	Current liabilities		
4.3	Borrowings	39,729	48,919
3.3	Lease liabilities	1,235	845
3.9	Provisions	4,257	4,134
3.7	Trade payables	41,266	36,668
2.8	Income tax payable	2,460	548
3.8	Other payables	20,938	16,766
	Total current liabilities	**109,885**	**107,880**
	Total liabilities	**118,910**	**118,038**
	Total EQUITY AND LIABILITIES	**179,901**	**172,684**

Cash flow statement

Note	EUR'000	2022	2021
	Operating activities		
	Profit before tax	8,543	1,974
	Adjustments to reconcile profit before tax to net cash flow:		
2.6	Depreciation and amortisation	6,172	4,799
3.4	Share of profit from subsidiaries	4,363	4,095
2.7	Finance income	-865	-477
2.7	Finance expenses	4,971	3,838
3.10	Changes in working capital	-980	-6,340
	Interest received	632	477
	Interest paid	-4,728	-2,999
2.8	Income tax paid	-725	-827
	Net cash flow from operating activities	**17,383**	**4,540**

Note	EUR'000	2022	2021
	Investing activities		
3.1	Purchase of intangible assets	-6,426	-7,155
3.2	Purchase of property, plant and equipment	-192	-345
	Acquisition of and capital increase in subsidiary	-3	-
	Paid deposits regarding buildings etc.	44	87
	Disposals, non-current assets	0	0
	Net cash flow used in investing activities	**-6,577**	**-7,413**
	Financing activities		
	Proceeds from borrowings	-9,300	1,850
	Proceeds from exercise of warrants	237	247
3.3	Repayment of lease liabilities	-1,004	-723
	Deposits regarding factoring agreement	-740	1,499
	Net cash flow from financing activities	**-10,807**	**2,873**
	Cash flow for the year	**-1**	**0**
	Cash at beginning of the year	2	2
	Effect of exchange rate changes on cash in a foreign currency	0	0
4.2	**Cash at 31 December**	**1**	**2**

Statement of changes in equity

EUR'000	Share capital	Cash flow hedge reserve	Reserve for develop-ment costs	Reserve for net revaluation according to the equity method	Retained earnings	Total
Equity 1 January 2022	**515**	**15**	**558**	**0**	**53,558**	**54,646**
Total comprehensive income 2022						
Profit for the year	-	-	763	-324	5,380	5,819
Other comprehensive income						
Cash flow hedges – effective portion of changes in fair value	-	-19	-	-	-	-19
Exchange differences on translation of foreign operations and other adj.	-	-	-	324	-136	188
Tax on other comprehensive income	-	4	-	-	-	4
Total other comprehensive income	**-**	**-15**	**763**	**324**	**-136**	**173**
Total comprehensive income for the period	**-**	**-15**	**-**	**-**	**5,244**	**5,992**
Transactions with owners						
Capital increase	1	-	-	-	236	237
Equity-settled share-based payments	-	-	-	-	116	116
Total transactions with owners	**1**	**-**	**-**	**-**	**352**	**353**
Equity 31 December 2022	**516**	**0**	**1,321**	**0**	**59,154**	**60,991**

EUR'000	Share capital	Cash flow hedge reserve	Reserve for develop-ment costs*	Reserve for net revaluation according to the equity method	Retained earnings*	Total
Equity 1 January 2021	**510**	**-42**	**0**	**0**	**52,556**	**53,024**
Total comprehensive income 2021						
Profit for the year	-	-	558	231	-374	415
Other comprehensive income						
Cash flow hedges – effective portion of changes in fair value	-	73	-	-	-	73
Exchange differences on translation of foreign operations and other adj.	-	-	-	-231	-28	-259
Tax on other comprehensive income	-	-16	-	-	-	-16
Total other comprehensive income	**-**	**57**	**558**	**-231**	**-28**	**-202**
Total comprehensive income for the period	**-**	**57**	**-**	**-**	**-402**	**213**
Transactions with owners						
Capital increase	5	-	-	-	1,221	1,226
Equity-settled share-based payments	-	-	-	-	183	183
Total transactions with owners	**5**	**-**	**-**	**-**	**1,404**	**1,409**
Equity 31 December 2021	**515**	**15**	**558**	**0**	**53,558**	**54,646**

* Comparable figures for 2021 has been adjusted due to reclassification between Retained earnings and Reserve for development costs.

Overview of notes for the Parent Company financial statements

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Result of the Year

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Capital Structure and Net Financials

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1
Basis of Preparation

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 2022 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements according to the Danish Financial Statements Act applying to large reporting class C entities.

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

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

1.2 New accounting policies and disclosures

Abacus Medicine has implemented the standards and amendments that are effective for the financial year 2022. The new standards and amendments have not affected Abacus Medicine's recognition or measurement of financial items for 2022, nor are they expected to have any significant future impact.

1.3 Standards issued but not yet effective

The IASB has issued a number of new standards and amendments not yet in effect or endorsed by the EU and therefore not relevant for the preparation of the 2022 financial statements. Abacus Medicine expects to implement these standards when they take effect.

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

1.4 Significant accounting judgements, estimates and assumptions

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

2

Result of the Year

Section 2 – Result of the Year

2.1 Revenue

Revenue in business operations includes the activities in Abacus Medicine parallel distribution and Pharma Services.

EUR'000	2022	2021
Abacus Medicine	675,307	671,129
	675,307	**671,129**

2.2 Cost of sales

Cost of sales comprise of the following:

EUR'000	2022	2021
Cost of inventories recognised as an expense	611,722	622,500
Write-down of inventory, net	3,967	4,294
	615,689	**626,794**

2.3 Staff costs

EUR'000	2022	2021
Wages and salaries	19,853	14,318
Pensions, defined contribution plans	1,474	1,250
Other social security costs	172	162
Other staff costs	1,509	1,031
Share-based payment expense	76	160
Total employee benefit expenses	**23,084**	**16,921**
Of which are capitalised as intangible assets	-803	-1,017
Total employee benefit expense in the income statement	**22,281**	**15,904**
Average number of full-time employees	207	197

The below amounts are included in the total staff costs.

EUR'000	2022	2021
Board of Directors and Chief Executive Officer		
Wages and salaries	730	688
Pensions, defined contribution plans	46	46
Social security costs	1	1
Total	**777**	**735**
Average number	7	7

EUR'000	2022	2021
Key Management Personnel		
Wages and salaries	1,656	1,465
Pensions, defined contribution plans	126	128
Share-based payments	34	44
Social security costs	8	9
Total	**1,824**	**1,646**
Average number	6	7

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

Remuneration to the Chief Executive Officer and Board of Directors represents EUR 777 thousand (2021: EUR 735 thousand). Abacus Medicine has entered into warrant agreements with members of the Executive Management Team. For further details on remuneration to the Executive Management Team, refer to note 2.4 regarding share-based payments.

Section 2 – Result of the Year

2.4 Share-based payments

Abacus Medicine A/S has granted warrants to Key Management Personnel and other employees in Abacus Medicine.

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

In 2022, the expense in regards to share-based payments recognised in the income statement amounts to EUR 76 thousand (2021: EUR 160 thousand).

The average share price for the warrants exercised during the financial year was EUR 10.16 per share.

The Parent Company has entered into warrant agreements with employees in some of the company's foreign subsidiaries. The total share-based payment expense at group level is EUR 116 thousand in 2022 (2021: EUR 183 thousand). The agreements are recognised as equity-settled schemes.

2.5 Special items

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

2.6 Depreciation and amortisation

EUR'000	2022	2021
Amortisation and write-downs, intangible assets	4,645	3,418
Depreciation, property, plant and equipment	338	503
Depreciation, right-of-use assets	1,189	878
Total	**6,172**	**4,799**

2.7 Net finance costs

EUR'000	2022	2021
Finance income		
Intercompany interest income	632	477
Foreign exchange gain, net	233	-
Total finance income	**865**	**477**

Finance income related to balance sheet items recognised at amortised cost EUR 632 thousand (2021: EUR 477 thousand).

EUR'000	2022	2021
Finance expenses		
Other finance costs	4,707	2,917
Interest, lease liabilities	154	65
Amortised loan costs	110	207
Foreign exchange loss, net	-	649
Total finance expenses	**4,971**	**3,838**

Finance expenses related to balance sheet items recognised at amortised cost (the credit facility and lease liabilities) amounts to EUR 1,826 thousand (2021: EUR 1,911 thousand).

2.8 Income tax

EUR'000	2022	2021
Income statement		
Current income tax		
Current income tax charge	2,709	628
Adjustment in respect of current income tax of previous year	-72	9
Deferred tax		
Relating to origination and reversal of temporary difference	87	922
Income tax expense reporting in the income statement	**2,724**	**1,559**

EUR'000	2022	2021
Statement of other comprehensive income		
Deferred tax related to items recognised in other comprehensive income during the year		
Net gain/loss on revaluation of cash flow hedges	4	-16
Income tax recognised in other comprehensive income	**4**	**-16**

Section 2 – Result of the Year

2.8 Income tax (continued)

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

EUR'000	2022	2021
Accounting profit before income tax		
Calculated 22% tax on profit for the year	1,879	434
Tax effect of:		
Adjustment in respect of current income tax of previous year	-72	9
Non-taxable income	0	0
Share of profit (loss) from subsidiaries	960	901
Other non-deductible expenses, etc.	-43	215
Total	**2,724**	**1,559**
Effective tax (%)	31.9%	79.0%

EUR'000	2022	2021
Deferred tax		
Deferred tax 1 January	-4,243	-3,304
Deferred tax for the year recognised in profit for the year	-87	-922
Deferred tax for the year recognised in other comprehensive income	4	-16
Other adjustments	0	-1
Deferred tax 31 December	**-4,326**	**-4,243**
Reflected in the statement of financial position as follows:		
Deferred tax assets	0	0
Deferred tax liabilities	-4,326	-4,243
Deferred tax 31 December, net	**-4,326**	**-4,243**

EUR'000	2022	2021
Deferred tax relates to:		
Intangible assets	-4,953	-4,566
Tangible assets	286	264
Other assets and liabilities, net	341	59
Total	**-4,326**	**-4,243**

EUR'000	2022	2021
Income tax payable		
Income tax payable 1 January	548	739
Current tax for the year	2,709	628
Adjustment in respect of current income tax of previous year	-72	9
Exchange rate adjustments, interests etc.	0	-1
Corporation tax paid during the year	-725	-827
Income tax payable 31 December	**2,460**	**548**

3

Invested Capital and Working Capital Items

Section 3 – Invested Capital and Working Capital Items

3.1 Intangible assets

EUR'000	Devel-opment costs	Software	Licences	Total
Cost 1 January 2022	-	8,931	23,225	32,156
Currency translation	-	-3	-9	-12
Additions	-	-	1,603	1,603
Additions internally developed	1,447	-	3,376	4,823
Reclassification	-1,447	1,447	-	0
Cost 31 December 2022	0	10,375	28,195	38,570
Amortisation and impairment 1 January 2022	-	2,512	8,850	11,362
Currency translation	-	2	7	9
Amortisation	-	893	3,190	4,083
Write-downs	-	277	285	562
Amortisation and impairment 31 December 2022	-	3,684	12,332	16,016
Carrying amount 31 December 2022	**0**	**6,691**	**15,863**	**22,554**

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

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

Software is amortised over 3-10 years and Licences are amortised over 5-8 years. Software has been written down with EUR 277 thousand in 2022 (2021: EUR 0 thousand) and Licences have been written down with EUR 285 thousand in 2022 (2021: EUR 223 thousand) due to uncertainty of the future utilisation of the assets. There have been no further indications of impairment of the intangible assets.

Section 3 – Invested Capital and Working Capital Items

3.2 Property, plant and equipment

EUR'000	Leasehold improvements	Other fixtures and fittings, plant and equipment	Total
Cost 1 January 2022	191	2,505	2,696
Currency translation	-	-	-
Additions	45	147	192
Cost 31 December 2022	236	2,652	2,888
Depreciation and impairment 1 January 2022	61	2,123	2,184
Currency translation	-	-1	-1
Depreciation and impairment	52	286	338
Depreciation and impairment 31 December 2022	113	2,408	2,521
Carrying amount 31 December 2022	**123**	**244**	**367**

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

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 2022	**5,286**	**29**	**5,315**
Additions	-	-	-
Disposals	-	-	-
Depreciation	-1,174	-15	-1,189
Remeasurement of lease liabilities	45	-	45
Carrying amount at 31 December 2022	**4,157**	**14**	**4,171**
Opening balance at 1 January 2021	**531**	**54**	**585**
Additions	5,672	-	5,672
Disposals	-	-	-
Depreciation	-853	-25	-878
Remeasurement of lease liabilities	-64	-	-64
Carrying amount at 31 December 2021	**5,286**	**29**	**5,315**

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

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

Section 3 – Invested Capital and Working Capital Items

3.3 Leases (continued)

EUR'000	2022	2021
Lease liabilities		
Maturity analysis - contractual undiscounted cash flows		
Less than 1 year	1,359	998
Between 1 and 5 years	4,111	4,950
More than 5 years	-	-
The undiscounted cash flows	**5,470**	**5,948**
Lease liability recognised on the balance sheet	**4,689**	**5,515**
Current lease liability	1,235	845
Non-current lease liability	3,454	4,670

EUR'000	2022	2021
Amount recognised in the income statement		
Interest expense from lease liabilities	154	65
Total	**154**	**65**

In 2022, Abacus Medicine paid EUR 1,026 thousand (2021: EUR 745 thousand) on lease contracts of which interest payments related to lease liabilities amount to EUR 22 thousand (2021: EUR 22 thousand) and down payments on lease liabilities amount to EUR 1,004 thousand (2021: EUR 723 thousand).

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

3.4 Investments in subsidiaries, associates and other securities

§ Accounting policies

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

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

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

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

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

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

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

The reserve cannot be recognised at a negative amount.

Section 3 – Invested Capital and Working Capital Items

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

Name	Registered office	Ownership 2022 and voting rights	Ownership 2021 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%
Abacus Medicine WH B.V.**	The Netherlands	100%	-
Aposave S.L.**	Spain	100%	-
Zdrave Med Ltd.	Bulgaria	100%	100%
Abacus Medicine Pharma Services ApS	Denmark	100%	100%
Abacus Medicine Pharma Services Ltd.	United Kingdom	100%	100%
Abacus Medicine Pharma Services Asia Ltd.	Hong Kong	100%	100%
Abacus Medicine Pharma Services Inc.	USA	100%	100%
Abacus Medicine Pharma Services B.V.	The Netherlands	100%	100%
Aposave Mexico S de RL de	Mexico	100%	100%
ApoSave Peru	Peru	100%	100%

Name	Registered office	Ownership 2022 and voting rights	Ownership 2021 and voting rights
Pluripharm Holding B.V.	The Netherlands	100%	100%
Pluripharm Groep B.V.	The Netherlands	100%	100%
Thuis-apotheek B.V.	The Netherlands	50%	50%
Clinic Care Services B.V.	The Netherlands	17%	17%
Pluripharm B.V.	The Netherlands	100%	100%
Pluripack Alkmaar	The Netherlands	100%	100%
Pluripack Zwolle	The Netherlands	100%	100%
Pluripack Breda	The Netherlands	100%	100%
Pluriplus B.V.	The Netherlands	100%	100%
Distrimed B.V.	The Netherlands	100%	100%
Pluripharm Apotheek Beheer B.V.	The Netherlands	100%	100%
Apotheekfonds Pharmaconnect B.V.	The Netherlands	50%	50%
Pluripharm Direct B.V.	The Netherlands	100%	100%
Phardis B.V.	The Netherlands	100%	100%
Instellingsapotheek B.V.	The Netherlands	100%	100%

* Abacus Medicine Berlin GmbH has made use of the exemption option under Section 264 (3) HGB under German law. The prerequisite for this is the reference to the use of this exemption option in the consolidated notes of the parent company. This notice is hereby given.

** Newly established company in 2022.

Section 3 – Invested Capital and Working Capital Items

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

EUR'000	2022	2021
Cost as at 1 January	22,884	22,887
Additions	43	23
Foreign exchange adjustments	-142	-26
Cost as at 31 December	**22,785**	**22,884**
Value adjustments as at 1 January	-6,823	-2,497
Profit (loss) for the year	-4,363	-4,095
Foreign exchange adjustment	324	-233
Other adjustments	0	2
Value adjustments as at 31 December	-10,862	-6,823
Carrying value as at 31 December	**11,923**	**16,061**
Which are presented as follows:		
Investments in subsidiaries	15,775	17,685
Offset in receivables	-3,852	-1,624
As at 31 December	**11,923**	**16,061**

Investments in subsidiaries are measured using the equity method.

3.5 Inventories

EUR'000	2022	2021
Raw materials and consumables	38,611	41,281
Manufactured goods and goods for resale	60,127	49,274
Total inventories at the lower of cost and net realisable value	**98,738**	**90,555**

During 2022, EUR 3,967 thousand (2021: EUR 4,294 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	2022	2021
Inventory write-downs at 1 January	1,197	1,995
Utilised and reversed during the year	-1,197	-1,995
Additional write-downs during the year	1,143	1,197
Inventory write-downs at 31 December	**1,143**	**1,197**

3.6 Trade and other receivables

EUR'000	2022	2021
Non-current		
Other receivables	-	44
Total non-current	**0**	**44**
Current		
Receivables from sales and services	4,026	10,250
Receivables from group entities	28,513	22,511
Deposits regarding factoring agreement	4,975	4,235
Other receivables	39	150
Prepayments	742	631
Total current	**38,295**	**37,777**

Abacus Medicine's customers are mainly distributors and pharmacies. In general, all Abacus Medicine's invoices to customers are sold to the factoring company which limits the trade receivable risk and days. We refer to section 4.5 on liquidity risks in the notes for the Group for further description of the factoring agreement. Further, management monitors payment patterns of the customers and estimates the need for write-downs. Credit ratings, insurance of customers and market-specific development are taken into account in order to assess the need for further write-downs. Abacus Medicine has historically not suffered any significant losses. Allowance for bad debt amounts to EUR 0.0 million as of 31 December 2022 (2021: EUR 0.5 million).

Section 3 – Invested Capital and Working Capital Items

3.7 Trade payables

EUR'000	2022	2021
Trade payables	37,994	28,496
Payables to group entities	3,272	8,172
Total	**41,266**	**36,668**

3.8 Other payables

EUR'000	2022	2021
Non-current		
Employee related payables	1,245	1,245
Total non-current	**1,245**	**1,245**
Current		
VAT payables	17,857	14,401
Employee related payables	3,081	1,593
Payables to other related parties	-	772
Total current	**20,938**	**16,766**

3.9 Provisions

EUR'000	Return provisions
At 1 January 2022	4,134
Arising during the year	4,257
Utilised and reversed during the year	-4,134
At 31 December 2022	**4,257**
Current	4,257
Non-current	0

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	2022	2021
Change in inventory	-8,869	3,332
Change in receivables	2,465	-5,325
Change in trade payables etc.	8,751	-406
Change in provisions etc., non-cash items	123	-1,874
Other non-cash items	-3,450	-2,067
Total	**-980**	**-6,340**

4

Capital Structure and Net Financials

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	2022	2021
Cash at bank and in hand	1	2
Total cash	**1**	**2**

4.3 Borrowings

EUR'000	2022	2021
Current liabilities		
Credit institutions and banks	39,750	49,051
Amortised costs	-21	-132
Carrying amount	**39,729**	**48,919**
Nominal amount	39,750	49,051

Abacus Medicine has a committed credit facility with Danske Bank, with a maximum credit limit of EUR 74 million (DKK 550 million). The bank credit facility is renegotiated on a three year basis. Next renegotiation is in 2024.

4.4 Financial risk and financial instruments

Risk management policy
The Company's principal financial liabilities, other than derivatives, comprise bank credit facility, trade and other payables. Management of market, currency, credit, interest rate and liquidity and pricing risk is consistent with the policies in place at the Group level. Please see note 4.5 to the Group financial statements for detailed information related 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
2022					
Non-derivative financial instruments					
Credit institutions and banks	39,750	39,750	-	-	-
Trade payables	41,266	41,266	-	-	-
Other payables	22,183	20,938	-	-	1,245
Lease liabilities	5,470	1,359	2,905	1,206	-
Derivative financial instruments					
Exchange rate hedging	-	-	-	-	-
31 December 2022	**108,669**	**103,313**	**2,905**	**1,206**	**1,245**
2021					
Non-derivative financial instruments					
Credit institutions and banks	49,051	49,051	-	-	-
Trade payables	36,668	36,668	-	-	-
Other payables	18,011	16,766	-	-	1,245
Lease liabilities	5,948	998	2,512	2,438	-
Derivative financial instruments					
Exchange rate hedging	-	-	-	-	-
31 December 2021	**109,678**	**103,483**	**2,512**	**2,438**	**1,245**

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

Section 4 - Capital Structure and Net Financials

4.4 Financial risk and financial instruments (continued)

	Carrying amount		Fair value	
EUR'000	2022	2021	2022	2021
Categories of financial instruments				
Financial assets at fair value – hedging instruments				
Derivative financial instruments	-	20	-	20
Total	**0**	**20**	**0**	**20**
Financial assets measured at amortised cost				
Trade receivables	38,295	37,757	38,295	37,757
Cash	1	2	1	2
Total	**38,296**	**37,759**	**38,296**	**37,759**
Financial liabilities at fair value – hedging instruments				
Derivative financial instruments	-	-	-	-
Total	**0**	**0**	**0**	**0**

	Carrying amount		Fair value	
EUR'000	2022	2021	2022	2021
Financial liabilities measured at amortised cost				
Borrowings	39,729	48,919	39,750	49,051
Lease liabilities	4,689	5,515	4,689	5,515
Trade payables	41,266	36,668	41,266	36,668
Other payables	22,183	18,011	22,183	18,011
Total	**107,867**	**109,113**	**107,888**	**109,245**

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 0.0 million; 2021: EUR 0.0 million), revenue for derivatives related to sales (EUR 0.0 million; 2021: EUR 0.1 million) and production costs (EUR 0.0 million; 2021: EUR 0.0 million).

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

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

Section 4 - Capital Structure and Net Financials

4.4 Financial risk and financial instruments (continued)

Cash flow hedging

Foreign currency risk

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

	Nominal value (local currency '000)	Expiry below 1 year	Expiry 1-5 years	Expiry above 5 years	Average hedging price	Fair value at year-end recognised in other comprehensive income / other receivables	Fair value at year-end recognised in other comprehensive income/ other payables	Change in fair value used for measuring cash flow hedge reserve
2022								
-	-	-	-	-	-	-	-	-
						0	**0**	**0**
2021								
SEK/EUR	30,048	30,048	-	-	1 SEK/1 EUR	20	-	20
						20	**0**	**20**

5
Other Disclosures

Section 5 - Other Disclosures

5.1 Contractual obligations and contingencies

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

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

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

5.2 Mortgage and collateral

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

5.3 Related party disclosures

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

Abacus Medicine carried through the following related party transactions:

EUR'000	2022	2021
Sale of goods to subsidiaries	297,637	292,323
Service fees from subsidiaries	28,012	19,658
Service fees to other related parties	0	7
Interest income from subsidiaries	632	477
Interest expenses to subsidiaries	993	0
Receivables from subsidiaries	28,513	22,511
Payables to subsidiaries	3,272	8,172
Payables to other related parties	0	772

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 2022, Abacus Medicine has not recorded any impairment of receivables relating to amounts owed by related parties (2021: EUR 0). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

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

The remuneration to executives is disclosed in note 2.2.

Section 5 - Other Disclosures

5.4 Events after the reporting period

No events have occurred after the balance sheet date which could have a material effect on the Company's financial position at 31 December 2022.

5.5 Fees paid to auditors appointed at the annual general meeting

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

EUR'000	2022	2021
Audit	145	134
Other assurance engagements	0	0
Total audit related services	**145**	**134**
Tax consultancy	0	0
Other non-audit services	2	5
Total fee to EY	**147**	**139**

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

Statements

Statement by Management on the annual report

Today, the Board of Directors and Chief Executive Officer have discussed and approved the Annual Report of Abacus Medicine A/S for the financial year 1 January – 31 December 2022.

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 2022 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 2022.

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

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

Copenhagen, 1 March 2023

Chief Executive Officer

Flemming Wagner

Board of Directors

Niels Smedegaard
Chairman

Flemming Wagner

Mark Johnston

Troels Peter Troelsen

Michala Fischer-Hansen

Jens Albert Harsaae

Anders K. Bønding

Independent auditor’s report

To the shareholders of Abacus Medicine A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Abacus Medicine A/S for the financial year 1 January – 31 December 2022, 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 2022 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 2022 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

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

Independence

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

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

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

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

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

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

Copenhagen, 1 March 2023

EY
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

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

ABACUS MEDICINE

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CVR no. 28 11 15 76