

Medican A/S

Skovgårdsvej 27, 3200 Helsingør

CVR no. 39 01 56 84

**Annual report for the period
1 July 2020 to 30 June 2021**

Adopted at the annual general meeting on 1
December 2021

Ivan Hribar
chairman



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Statement by management on the annual report

The supervisory and executive boards have today discussed and approved the annual report of Medican A/S for the financial year 1 July 2020 - 30 June 2021.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 30 June 2021 and of the results of the company's operations for the financial year 1 July 2020 - 30 June 2021.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

Helsingø, 10 November 2021

Executive board

Ivan Hribar
CEO

Supervisory board

Ulf Munkedal

Kim Holm

Jens Koefoed Stadum

May-Britt Frisenberg Buch-Kattrup

Independent auditor's report

To the shareholders of Medican A/S

Opinion

We have audited the financial statements of Medican A/S for the financial year 1 July 2020 - 30 June 2021, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 30 June 2021 and of the results of the company's operations for the financial year 1 July 2020 - 30 June 2021 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements, that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as management determines is necessary to enable the preparation of the 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 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 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 about 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 the 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 these financial statements.

Independent auditor's report

As part of an audit conducted in accordance with ISAs and the 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 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 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on management's review

Management is responsible for management's review.

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

Independent auditor's report

In connection with our audit of the financial statements, our responsibility is to read management's review and, in doing so, consider whether 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 management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that 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 management's review.

Copenhagen, 10 November 2021

Baker Tilly Denmark
Godkendt Revisionspartnerselskab
CVR no. 35 25 76 91

Morten Friis Munksgaard
statsautoriseret revisor
MNE no. mne34482

Company details

The company	Medican A/S Skovgårdsvej 27 3200 Helsingør CVR no.: 39 01 56 84 Reporting period: 1 July 2020 - 30 June 2021 Incorporated: 12 October 2017 Domicile: Helsingør
Supervisory board	Ulf Munkedal Kim Holm Jens Koefoed Stadum May-Britt Frisenberg Buch-Kattrup
Executive board	Ivan Hribar, CEO
Auditors	Baker Tilly Denmark Godkendt Revisionspartnerselskab Poul Bundgaards Vej 1, 1. 2500 Valby

Management's review

Business review

The purpose of the company is Medican production of medical cannabis in Denmark controlling subsidiaries and investments internationally in the same industry.

Financial review

The company's income statement for the year ended 30 June 2021 shows a loss of DKK 15.037.326, and the balance sheet at 30 June 2021 shows equity of DKK 31.397.488.

Year 2020/2021 has been an extremely busy and indeed a successful year for Medican. The 3 Process Performance qualification (PPQ) batches which was a requirement to achieve the final approval from the Danish Medicines Agency performed successfully.

Followed by a successful inspection from the Danish Medicines Agency, the final licenses i.e. intermediate product license, permission to release of the products as well as GMP certificates were issued by the Danish Medicines Agency.

- Submitted documentation for approval of cannabis products for the Danish market.
- Medican Pharma GmbH achieved GDP and narcotic licenses in Germany.
- Medican Pharma GmbH received the import Authorization of Medican Cannabis products from Medican A/S.
- Agreement with a Danish extraction company to produce oil products
- The results of a technical batch for oil extraction indicated that we can use "trim" to produce oil
- An application to update the manufacturing license to include oil is submitted to the Danish Medicines Agency.
- Extended the organization within Finance and production.

Management's review

Expectation for the year 2021/2022:

- Realizing the first shipment and sales in Germany
- Finalizing the development of oil products
- Introducing new products
- Finalizing Process Performance Qualification (PPQ) batches of new products
- Expanding production facility and building mother plant room

Significant events occurring after the end of the financial year

Received irradiation approval from the German Medicines Agency BfArM (Bundesinstitut für Arzneimittel und Medizinprodukte)

Income statement 1 July - 30 June

	Note	2020/21 DKK	2019/20 DKK
Gross profit		-10.145.377	-9.763.439
Staff costs	1	-12.774.262	-10.026.819
Profit/loss before amortisation/depreciation and impairment losses		-22.919.639	-19.790.258
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-3.317.465	-2.481.592
Profit/loss before net financials		-26.237.104	-22.271.850
Income from investments in associates		5.157.731	0
Financial income	2	246.098	103.391
Financial costs	3	-1.345.551	-121.194
Profit/loss before tax		-22.178.826	-22.289.653
Tax on profit/loss for the year	4	7.141.500	4.889.272
Profit/loss for the year		-15.037.326	-17.400.381
Retained earnings		-15.037.326	-17.400.381
		-15.037.326	-17.400.381

Balance sheet 30 June

	Note	2020/21 DKK	2019/20 DKK
Assets			
Development projects in progress		591.506	0
Intangible assets	5	591.506	0
Other fixtures and fittings, tools and equipment		1.222.461	1.690.723
Leasehold improvements		10.291.188	11.739.688
Tangible assets	6	11.513.649	13.430.411
Investments in subsidiaries	7	12.906.309	12.906.309
Investments in associates	8	0	417.846
Fixed asset investments		12.906.309	13.324.155
Total non-current assets		25.011.464	26.754.566
Work in progress		574.902	0
Finished goods and goods for resale		1.588.126	0
Stocks		2.163.028	0
Receivables from subsidiaries		4.624.968	2.344.698
Receivables from associates		0	1.955.250
Other receivables		19.596.100	1.869.185
Deferred tax asset		11.542.415	8.167.461
Corporation tax		3.766.546	1.202.820
Prepayments		41.872	22.587
Receivables		39.571.901	15.562.001
Cash at bank and in hand		1.077.160	533.281
Total current assets		42.812.089	16.095.282
Total assets		67.823.553	42.849.848

Balance sheet 30 June

	Note	2020/21 DKK	2019/20 DKK
Equity and liabilities			
Share capital		1.039.671	948.205
Retained earnings		30.357.817	30.262.671
Equity		31.397.488	31.210.876
Other credit institutions		3.113.000	0
Convertible and profit-yielding instruments of debt		26.505.278	0
Other payables		772.174	0
Total non-current liabilities	9	30.390.452	0
Trade payables		1.250.130	572.542
Payables to subsidiaries		662.530	987.466
Other payables		4.108.233	10.078.964
Deferred income		14.720	0
Total current liabilities		6.035.613	11.638.972
Total liabilities		36.426.065	11.638.972
Total equity and liabilities		67.823.553	42.849.848
Contingent liabilities	10		

Statement of changes in equity

	Share capital	Share premium account	Reserve for net revalua- tion under the equity method	Retained earnings	Total
	DKK	DKK	DKK	DKK	DKK
Equity at 1 July	948.205	0	7.743.933	30.716.727	39.408.865
Net effect from change of accounting policy	0	0	-7.743.933	-454.056	-8.197.989
Adjusted equity at 1 July	948.205	0	0	30.262.671	31.210.876
Increase of capital by conversion of debt	61.286	6.410.545	0	0	6.471.831
Cash capital increase	30.180	8.721.927	0	0	8.752.107
Net profit/loss for the year	0	0	0	-15.037.326	-15.037.326
Transfer from share premium account	0	-15.132.472	0	15.132.472	0
Equity at 30 June	1.039.671	0	0	30.357.817	31.397.488

Notes

	2020/21	2019/20
	DKK	DKK
1 Staff costs		
Wages and salaries	11.334.151	9.277.021
Pensions	1.327.823	624.365
Other social security costs	112.288	125.433
	12.774.262	10.026.819
	<hr/>	<hr/>
Average number of employees	17	17
	<hr/>	<hr/>
2 Financial income		
Interest received from subsidiaries	240.967	35.249
Other financial income	5.131	68.142
	246.098	103.391
	<hr/>	<hr/>
3 Financial costs		
Other financial costs	1.345.551	121.194
	1.345.551	121.194
	<hr/>	<hr/>
4 Tax on profit/loss for the year		
Current tax for the year	-1.942.071	0
Deferred tax for the year	-5.199.429	-4.889.272
	-7.141.500	-4.889.272
	<hr/>	<hr/>

Notes

5 Intangible assets

	Development projects in progress <u>DKK</u>
Cost at 1 July	0
Additions for the year	<u>591.506</u>
Cost at 30 June	<u>591.506</u>
Carrying amount at 30 June	<u><u>591.506</u></u>

Special assumptions regarding development projects and tax assets

The development projects are related to testing of the quality of the production, that is expected to begin and generate income in the following financial year. The future income is also expected to make the company utilize the recognized tax asset.

6 Tangible assets

	Other fixtures and fittings, tools and equipment <u>DKK</u>	Leasehold improvements <u>DKK</u>
Cost at 1 July	2.468.527	15.017.286
Additions for the year	<u>134.998</u>	<u>1.265.705</u>
Cost at 30 June	<u>2.603.525</u>	<u>16.282.991</u>
Impairment losses and depreciation at 1 July	777.804	3.277.598
Depreciation for the year	<u>603.260</u>	<u>2.714.205</u>
Impairment losses and depreciation at 30 June	<u>1.381.064</u>	<u>5.991.803</u>
Carrying amount at 30 June	<u><u>1.222.461</u></u>	<u><u>10.291.188</u></u>

Notes

	<u>2020/21</u>	<u>2019/20</u>
	DKK	DKK
7 Investments in subsidiaries		
Cost at 1 July	12.906.309	5.117.932
Additions for the year	0	7.913.377
Disposals for the year	0	-125.000
Cost at 30 June	<u>12.906.309</u>	<u>12.906.309</u>
Carrying amount at 30 June	<u>12.906.309</u>	<u>12.906.309</u>

Investments in subsidiaries are specified as follows:

<u>Name</u>	<u>Registered office</u>	<u>Ownership interest</u>
Nube Serena Holding B.V.	Amsterdam, Netherlands	59%
Medican Pharma Ltd.	London, UK	100%
Medican Pharma GmbH	Weimar, Germany	90%

Notes

	2020/21 DKK	2019/20 DKK
8 Investments in associates		
Cost at 1 July	871.902	629.985
Additions for the year	186.711	413.803
Disposals for the year	-190.000	-171.886
Cost at 30 June	<u>868.613</u>	<u>871.902</u>
Revaluations at 1 July	-454.056	-454.056
Revaluations for the year, net	-414.557	0
Revaluations at 30 June	<u>-868.613</u>	<u>-454.056</u>
Carrying amount at 30 June	<u><u>0</u></u>	<u><u>417.846</u></u>

Investments in associates are specified as follows:

Name	Registered office	Ownership interest
Medizinalhanf GmbH	Hamburg, Germany	25%

9 Long term debt

	Debt at 1 July DKK	Debt at 30 June DKK	Instalment next year DKK	Debt outstanding after 5 years DKK
Other credit institutions	0	3.113.000	0	843.671
Convertible and profit-yielding instruments of debt	0	26.505.278	0	0
Other payables	0	772.174	0	0
	<u>0</u>	<u>30.390.452</u>	<u>0</u>	<u>843.671</u>

Notes

10 Contingent liabilities

The Company has entered commercial leasing tenancy agreement with a remaining contract period until 31 December 2030 with a residual commitment at the amount of DKK 15,9 million. DKK 1,6 is fall due within an year.

The Company has entered commicial leasing contracts with an average remaining periode of 31 months. The total leasing commitment at 30 June 2021 is DKK 815 thousand.

Accounting policies

The annual report of Medican A/S for 2020/21 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B, as well as provisions applying to reporting class C entities.

The annual report for 2020/21 is presented in DKK

Changes in accounting policies

The company has changed the presentation of the income statement as well as the accounting policies for measuring investments in subsidiaries and associated companies from the equity method to the cost method. This is considered to give a more accurate picture of the company's operations and investments. The change entails an increase of the result for the year 2020/21 by DKK 3.768k (reduction for 2019/20 by DKK 12.844k), reduction of the total assets for 2020/21 by DKK 4.438k (reduction for 2019/20 by DKK 8.198k) and reduction of the equity for 2020/21 by DKK 4.262k (reduction for 2019/20 by DKK 8.198k).

Comparatives have been restated to reflect the policy change.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Accounting policies

Income statement

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue, changes in inventories of finished goods and work in progress and other operating income less costs of raw materials and consumables and other external expenses.

Revenue

Income from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Expenses for raw materials and consumables

Costs of raw materials and consumables include the raw materials and consumables used in generating the year's revenue.

Other external costs

Other external costs include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Accounting policies

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities, liabilities and foreign currency transactions, amortisation of financial assets and liabilities and surcharges and allowances under the Danish Tax Prepayment Scheme, etc.

Tax on profit/loss for the year

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Development costs

Development projects, patents and licences

Development costs comprise costs, wages/salaries and amortisation losses that are directly and indirectly attributable to the company's development activities.

Development projects recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 10 years.

Tangible assets

Items of plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

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 of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5-7 years

Accounting policies

Gains or losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses, respectively.

Investments in subsidiaries, associates and participating interests

Investment in subsidiaries, associates and participating interests are measured at cost. If cost exceeds the recoverable amount, a write-down is made to this lower value.

Receivables

Receivables are measured at amortised cost.

Prepayments

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

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively. Deferred tax is measured at net realisable value.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax adjustments resulting from changes in tax rates are recognised in the income statement, with the exception of items taken directly to equity.

Deferred tax assets, including the tax base of tax losses allowed for carry forward, are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

Accounting policies

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest method. Accordingly, the difference between the net proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency instruments are considered cash flow hedges, any unrealised value adjustments are taken directly to a fair value reserve under 'Equity'.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.