

2020 ANNUAL REPORT

This annual report has been adopted at the company's general meeting on 20.05.21

Chairman of the meeting

Ulrik Bayer



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In this document, the following definitions shall apply unless otherwise specified: the "Company" or "STENOCARE" refers to STENOCARE A/S, CVR number 39024705.

INTRODUCTION

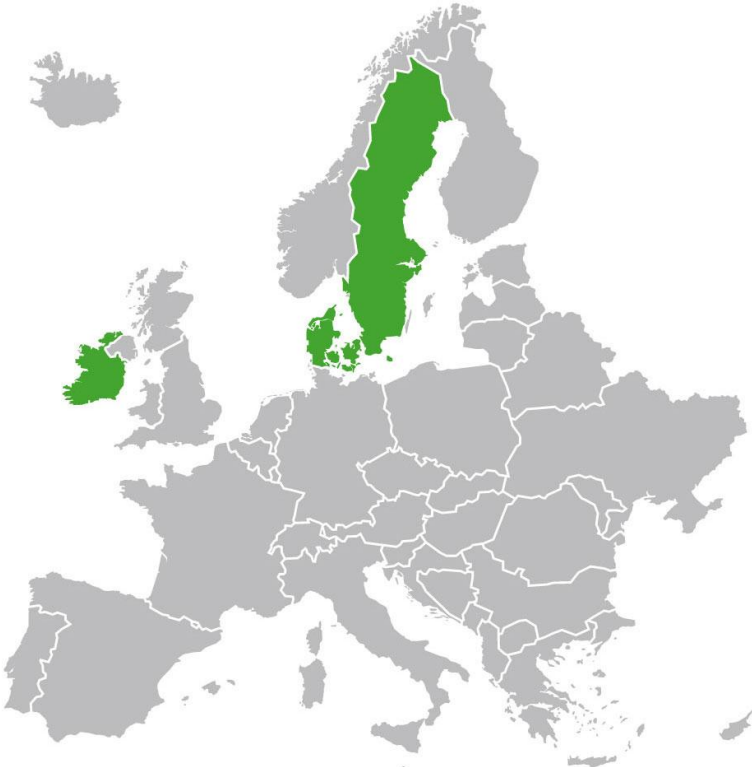
2020 ANNUAL REPORT

STENOCARE A/S was founded in 2017 with the purpose of supplying medical cannabis to patients in Denmark and internationally with a clear vision of creating a better quality of life for patients using medical cannabis as an alternative and/or a supplement to traditional medicine. Medical cannabis has the potential to help and relieve patients' daily pain and suffering in many indications (i.e. illnesses), for instance, patients with multiple sclerosis, chronic pain or patients suffering from nausea and vomiting as a result of chemotherapy.

STENOCARE was the first company in the Danish market that received approval from the Danish Medicines Agency ("DMA") to cultivate and produce medical cannabis as well as import and distribute approved medical cannabis oil products for further sale.

STENOCARE was first listed on Spotlight Growth Market in 2018 and then moved to Nasdaq Growth Market Denmark in June 2020 to raise further capital for the ambitious STENOCARE 2.0 growth strategy. STENOCARE's ambition is to establish itself as a leading European brand in the medical cannabis industry. Denmark is recognized as a leading agricultural producer, and due to the very strict requirements for pesticide-free cultivation and uniform quality in the Danish medical cannabis regulations, STENOCARE expects to have a competitive advantage when entering new European markets

Since the company was founded, the STENOCARE 1.0 strategy included distribution and sales of imported products to the Danish market and local cultivation and production of its own medical cannabis products. During 2019 the company outlined the STENOCARE 2.0 strategy that builds on four areas of key assets: 1) Commercial assets to establish itself in up to 10 new markets for distribution of medical cannabis. The company is now represented in Denmark, Sweden and Ireland. 2) Product development partnership assets to formulate and test new innovative medical cannabis oil products that can target the growing diverse group of patients, with Solural Pharma as the first partnership. 3) Supply Chain assets in the Danish cultivation facility to further enable the company to be a leader within premium quality and "pharma-grade" medical cannabis production, with a turn-key solution delivered by Havecon Horticultural Projects. This is supplemented with a multi-supplier strategy for finished products, that further extend the product portfolio to meet the needs of the growing group of patients. 4) Regulatory assets as the ability to obtain licenses from DMA and other authorities, as a part of STENOCARE's international strategy already proven in Denmark, Sweden and Ireland. With STENOCARE 2.0 the company is well-positioned to become a market-leading brand in Europe.



CEO COMMENTS: "READY AND ABLE TO ACCELERATE STENOCARE 2.0"

"2020 was yet another busy year for STENOCARE. We made good progress executing the STENOCARE 2.0 strategy. With our move to Nasdaq Growth Market Denmark that resulted in a capital raise of DKK 51 mill, the company is in a good financial position to become a leading European brand within prescription-based medical cannabis. The year was nicely closed with the first sales of products to Sweden, which further fuelled optimism for the coming year".



Introduction on Nasdaq: Despite significant challenges for society and businesses caused by the Covid-19 pandemic, 2020 offered great opportunities for our business. We found it was the optimal timing to accelerate our STENOCARE 2.0 strategy, and therefore we executed an oversubscribed share issue on Nasdaq First North Growth Market Denmark to raise capital. As a result, the company is in a good financial position and free of debt to execute our plans. We are pleased and honored to have welcomed many new investors to our community of more than 7000 Nordic shareholders in STENOCARE.

We entered the year with a clear focus upon our STENOCARE 2.0 Strategy: to become a leading European brand within prescription-based medical cannabis. We took several steps in that direction by expanding our four strategic assets:

1: Commercial assets. STENOCARE aims to launch in up to 10 countries by 2025. In 2020 we were able to introduce products in a third country, Sweden, and thereby increasing our portfolio of markets. The Swedish market does not have legislation in place in terms of a commercial framework for medicinal cannabis. Yet, there is a medical need and regulatory

pathway that has created an opening which STENOCARE has sought out. Adding a "non-legalized" country to our portfolio (though what we do there is, of course, legally approved), is proof of our ability to be the first entrant on new markets. With this approach we can enter any country with prescription-based medical cannabis.

2: Regulatory assets have been a key success factor for STENOCARE from our very beginning. We have managed to establish our presence in three very different countries, whereby we have created a regulatory model that can be repeated in future markets. We started two regulatory processes to bring new medical cannabis oil products to patients. The first license for experimental treatment was granted in Sweden and products were delivered in December. We are still in process with the regulatory process that is targeting the Danish market.

3: Supply Chain assets. Our own cultivation facility in Denmark is being upgraded and expanded with a strong pharma-mindset. This will be a state-of-art indoor facility where all equipment, materials and sensors/controls will enable production of premium medical cannabis with accurate traceability and documentation of quality. We are in the final stage of this project and hope it is completed during the first quarter of 2021.

4: Partnership assets. In collaboration with Solural Pharma, a Danish pharmaceutical development company, research and development has been initiated for a new type of medical cannabis oil, that has the same treatment efficacy regardless of a dosage being administered before or after intake of food. In addition, options for dose reduction whilst retaining efficiency based on increased bioavailability are also being explored. We are still in the early phase of R&D and in the coming year, we hope to see the first test results from this work.

2020 created a valuable platform for the future success of STENOCARE, and the team is ready and able to execute with quality in the year ahead.

Thomas Skovlund Schnegelsberg, CEO

STENOCARE A/S

ABOUT STENOCARE A/S

On January 1st, 2018, medical cannabis was legalized in Denmark under a four-year Pilot-programme (“the Programme”), enabling all Danish doctors to prescribe cannabis for medical use. This Programme also allows vendors that have been licensed by the Danish Medicines Agency (DMA) to cultivate, produce, import and distribute medical cannabis.

STENOCARE was the first company in the Danish market that received approvals from the Danish Medicines Agency to cultivate and produce medical cannabis as well as import and distribute medical cannabis oil products for sale to Danish patients.

STENOCARE has created a leadership role in Denmark through its ability to secure approvals from the Danish Medicines Agency. The Company’s business operations include the distribution and sales of imported products to the Danish market and will also include local cultivation and production of its medical cannabis products. STENOCARE is well-positioned to become a market leader in Denmark and a significant vendor in Europe.

The products

In September 2018, STENOCARE was the first to introduce three imported medical cannabis oil products, which contain three different types or combinations of cannabis oils. It is the individual physician who decides which of the products a patient is to be treated with. These products have been quarantined since July 2019 and during October 2019 they were withdrawn from the market when STENOCARE terminated the supply agreement with the supplier.

During 2020 the company started two regulatory processes to bring new medical cannabis oil products to patients. The first license for experimental treatment in Sweden was granted and products were delivered in December 2020. The company is still in process with the regulatory process that is targeting the Danish market.

STENOCARE has established distribution agreements with Denmark’s two leading distributors, Nomeco A/S and Tjellesen Max Jenne A/S, whereby the Company has secured a distribution channel to all pharmacies and hospitals in Denmark. For the Irish market, the Company has established a partnership with Georgelle Ltd. that is one of Ireland’s leading wholesale pharmaceutical companies, supplying the country’s network of hospitals and 1,700 retail pharmacies. In Sweden, the company is partnering with Tamro AB that is a leading pharma distributor of medicines to all pharmacies in the country.

The company has a multi-supplier strategy to secure a predictable supply chain for the growing number of patients and to offer more choice for treatment. During the fourth quarter of 2019, STENOCARE signed partnerships with Emerald Health Therapeutics Inc. for the supply of medical cannabis oil products, and Solural Pharma to develop and test future product formulations. In the first quarter of 2020, STENOCARE further strengthened its supply chain by signing an agreement with market-leading Israeli company Panaxia Pharmaceutical Industries Israel Ltd. to source medical cannabis products for Denmark. These agreements will further help the Company to source, develop, and commercialize cannabis-based medical products.

It is STENOCARE’s intention to expand its existing business with manufacturing of medical cannabis in their state of art facility in addition to the distribution and sales of imported products. STENOCARE intends to start selling the self-produced products when they have been accepted into the Programme by the DMA for the Danish Medicine List.

Together with products from its suppliers and own products, STENOCARE will both offer more choice for patient treatments and secure the future supply chain for its markets.



Target groups

There is a total of about 40+ indications in which medical cannabis may potentially show results in terms of efficacy. STENOCARE's initial target groups are patients with treatment indications recommended by the DMA, which include multiple sclerosis, chronic pain, spinal cord injury, and nausea and vomiting as a result of cytotoxic drugs/chemotherapy treatment for various cancerous diseases.

Business model

The Vision behind STENOCARE remains to improve the quality of lives of millions of patients who can benefit from the use of premium quality Medical Cannabis products. The Mission – which will lead to the fulfilment of the Vision – is to make STENOCARE a leading European brand in premium quality, prescription-based Medical Cannabis, also referred to as STENOCARE 2.0. The “how” of the business model is best addressed by describing the four underlying key strategic assets covering 1: Commercial, 2: Regulatory, 3: Supply chain and 4: Strategic partnerships. The strategy is simple and powerful, yet difficult for others to replicate.

1&2: Commercial and regulatory strategy: By 2025, STENOCARE will expand its operations to up to 10 markets by scaling what works in Denmark and based on close dialogue with local regulators. This is performed with reference to the stamp of approval that STENOCARE has acquired by abiding by the advanced Danish regulatory requirements as well as establishment of distribution through classic pharma channels. This strategy has been vetted by the dialogue with local authorities in other countries and the consequential establishment of representation in Ireland and Sweden. More countries are in the pipeline.

3: Supply chain strategy: STENOCARE's multi-supplier strategy is based on a combination of imports from highly qualified suppliers and own production in the highest possible consistent quality. Going forward, the combination of own production and imports will enable STENOCARE to offer a highly competitive product portfolio targeted at individual patient groups. The Danish cultivation facility is being built to meet pharma-grade requirements, and STENOCARE will continue making investments in the facility to create the leading indoor production environment of Medical Cannabis.

4: Strategic partnerships: The medical cannabis industry landscape is changing rapidly. Being agile and independent is a unique strength that enables STENOCARE to form the best possible partnerships at any time to support its ambitious STENOCARE 2.0 strategy. STENOCARE has already been approached by several vendors and research companies in the pharma industry who would like to source prime quality Medical Cannabis from STENOCARE and develop advanced products in partnership with STENOCARE. This fits well with STENOCARE's continued appetite for partnerships that can add intellectual property (IP) to STENOCARE based on research & development (R&D) and testing.

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT TEAM

Marianne Wier

Chairman of the Board since September 2018



Marianne Wier, born in 1963, holds a law degree from Copenhagen University. Marianne Wier has a background as a lawyer and has, through her previous experience acquired extensive knowledge in leadership and a good strategic understanding. Wier's core competence mainly covers development and innovation as well as change management. Wier has been responsible for implementing a major digital transformation regarding efficiency, digital solutions and innovation at Topdanmark with successful business results. Marianne Wier currently holds the position of CEO at Taksatorringen in Denmark, where she within the past 2 years has implemented a major digital transformation. Previous experience includes, among other things, COO and Deputy Director of Topdanmark, President and Attorney at Johan Schlüter Law Firm, Group Public Affairs Manager at Danske Bank, and Corporate & Government Affairs Manager at Microsoft Denmark.

Søren Melsing Frederiksen

Member of the Board since September 2018



Søren Melsing Frederiksen, born in 1976, holds a chemical engineering bachelor and a Master of Industrial Drug Development (MIND) from Copenhagen University. Søren Melsing Frederiksen's experience ranges from R&D, project management, sales management, marketing, and product launch and he has been engaged in all elements of the commercial work including market access, medical affairs, commercial strategy, and sales execution. Søren Melsing Frederiksen currently holds the position as Vice President, Sales & Marketing at Galenica AB.

Jeppe Bo Petersen

Independent Member of the Board since September 2018



Jeppe Bo Petersen, born 1966, is currently the CEO of Olivia Danmark A/S, which is one of the largest actors in Denmark's within personal aid and support schemes, he is Chairman of the board of "Bagsværd Kostskole og Gymnasium" and member of the board of "Handicapbranchen Danmark". Jeppe Bo Petersen has extensive experience within strategic work, operational goals, risk analysis, compliance and sales, and marketing. Prior to his contribution at Olivia Danmark A/S, Jeppe Bo Petersen has been CFO at, for instance, Valad Europe A/S and Nordicom A/S. In total, Jeppe Bo Petersen has approximately 30 years of experience in the field of economics.



Søren Kjær

COO, co-founder and Member of the Board since 2020

Søren Kjær, born 1964, has extensive experience with project management, innovation processes and biotechnology from the horticultural industry. Experience includes 20 years of consultancy.



Thomas Skovlund Schnegelsberg

CEO and co-founder

Thomas Skovlund Schnegelsberg, born in 1965, has extensive experience in management, strategy, business development, and brand marketing. Thomas Skovlund Schnegelsberg has been working at Microsoft in Denmark, Nordic, UK, and EMEA, where he has been employed in senior leadership roles for some 20 years. In addition, Thomas Skovlund Schnegelsberg held the professional role of board member at Lauritz.com where he has spent some 11 years.



Rolf Steno

CCO

Rolf Steno, born 1965, is a serial entrepreneur and has extensive experience in business innovation, strategy, and global sales and marketing. Rolf Steno has been working as CEO at LFP Scandinavia for 14 years and the Techsage/Spinjet case for 16 years with sales in 130+ countries, where Rolf Steno was the inventor and partial patent holder of the IP to the Spinjet. Rolf Steno has held professional roles within the areas of senior management, global support and service, and business development.



Peter Bugge Johansen

CFO

Peter Bugge Johansen, born 1962, State Authorized Public Accountant. Peter Bugge Johansen has worked for 20 years at Interdan Holding A/S, the last 6 years as CEO and before that CFO. Peter Bugge Johansen has acquired extensive knowledge in financial and strategic issues such as financing, internal and external reporting, change management, group structure, asset management, and merges and acquisitions. Previous experience includes 3 years as Tax Manager at A.P. Møller-Mærsk and auditor for 14 years at Deloitte in Denmark and Italy.

OTHER INFORMATION

Shareholders

The table below presents the current shareholders with more than 5 percent of the votes and capital in STENOCARE as per 25 February 2021.

Name	Number of shares	The proportion of votes and capital (%)
Steno Group IVS (Rolf Steno, CCO)	1,645,497	14.1
Prana Holding ApS (Thomas S. Schnegelsberg, CEO)	1,449,136	12.4
MS Kjær Holding ApS (Søren Kjær, COO)	1,411,763	12.1
Others	7,169,730	61.4
Total	11,676,126	100.0

The share

The shares of STENOCARE A/S were listed on Spotlight Stock Market on the 26th of October 2018. On 18th of May 2020 the shares were delisted on Spotlight and listed on Nasdaq First North Growth Market Copenhagen. The short name/ticker is unchanged STENO and the ISIN code is DK0061078425.

The total number of shares as of 31 December 2020, amounted to 11,676,126. Every stock share equals the same rights to the Company's assets and results.

Warrants

As at the date of this interim report there are no outstanding warrants.

Options

The Company has an option programme for individual employees who, based on the opinion of the board of directors, make a special effort for the Company or who possess very special qualities that the Company benefits from. The employees will be entitled to Treasury Shares free of charge after the end of each year over a period of up to 5 years. The shares are delivered from the balance of Own Shares kept by the Company. At the date of this Report, and as previously announced, options for 34,000 shares have been granted.

Proposed appropriation of STENOCARE's profit or loss

The Board of Directors of STENOCARE proposes that no dividend shall be paid for the financial year 2020-01-01 – 2020-12-31.

Financial calendar and annual general meeting

The Annual General Meeting of STENOCARE will be held in Copenhagen, Denmark on the 20th of May 2021.

January – March 2021 (Q1):	06.05.2021
January – June 2021 (Q2):	19.08.2021
January – September 2021 (Q3):	04.11.2021
January – December 2021 (Q4 and Year End)	24.02.2022
Annual report 2021:	03.03.2022

MANAGEMENT'S REVIEW

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FINANCIAL HIGHLIGHTS

Key figures

Figures in DKK '000	01.01.20 31.12.20	01.01.19 31.12.19	19.10.17 31.12.18
<i>Profit/loss</i>			
Sales	198	4,942	4,145
Operating profit/loss before depreciation (EBITDA) ¹⁾	-11,831	4,417	-3,591
Total net financials	-1,648	-2,112	-13
Profit/loss for the year	-11,786	1,702	-3,276
¹⁾ Operating profit for 2019 includes special items from one-off settlement with former supplier			
<i>Balance</i>			
Total assets	56,340	31,608	21,710
Investments in property, plant and equipment	18,540	8,395	21
Equity	52,571	13,474	20,472
<i>Cashflow</i>			
Net cash flow:			
Operating activities	-12,703	-2,545	-5,575
Investing activities	-18,545	-8,877	-27
Financing activities	35,882	15,000	23,749
Cash flows for the year	4,635	3,578	18,147
<i>Ratios</i>			
	01.01.20 31.12.20	01.01.19 31.12.19	19.10.17 31.12.18
<i>Profitability</i>			
EBITDA	-11,831	4,417	-3,591
Result per share	-1,12	0.19	-0.47
<i>Equity ratio</i>			
Solidity (%)	93	43	94
EBITDA	Profit/loss before depreciation, amortisation, write-downs of property, plant and equipment, income tax and financial items		
Solidity (%):	$\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$		
Result per share:	$\frac{\text{Profit/loss for the year}}{\text{Average number of shares}}$		

PRIMARY ACTIVITIES

STENOCARE A/S was founded in 2017 with the purpose of supplying medical cannabis to patients in Denmark and internationally with the vision of creating a better quality of life for patients through the use of medical cannabis as an alternative and/or a supplement to traditional medicine. The Company was first to receive the Danish Medicines Agency's permission to import, distribute as well as cultivate and produce medical cannabis. The Company has been a supplier of medical cannabis oil for patients in Denmark and Sweden. STENOCARE has an indoor production facility for the cultivation and production of medical cannabis at the Company's premises in Jutland, Denmark. STENOCARE has one subsidiary, STENOCARE Ireland Ltd. The Subsidiary has no financial activity and no consolidated figures apply.



DEVELOPMENT IN ACTIVITIES AND FINANCIAL AFFAIRS

In 2020 STENOCARE focused on executing the STENOCARE 2.0 strategy with the four strategic assets

1. Commercial
2. Regulatory
3. Supply chain
4. Partnerships

In all four assets STENOCARE have made progress. In the fourth quarter STENOCARE made the first delivery of products to Sweden being the third country in the commercial strategy to launch up to 10 countries by 2025. With this STENOCARE realised a sale of DKK 105,000 in the fourth quarter and DKK 198,000 in total for the year. For the year an operating profit of DKK -11,830,798 includes cost related to investments in the other strategic assets within regulatory, supply chain and partnerships. Financial expenses of DKK 1,679,563 are mainly interest on the short-term loan from private investors established in July 2019 and repaid in June 2020.

In June STENOCARE also executed an oversubscribed share issue on Nasdaq First North Growth Market Denmark with a net increase in equity of DKK 50,663,561. The upgrade of the cultivation facility has been a key activity during 2020 and STENOCARE has invested further DKK 18,060,669 in 2020. Together with the Dutch company Havecon Horticultural Projects, the smaller facility has been upgraded to a state-of-the-art facility. The total investment in the cultivation facility as per 31. December 2020 is DKK 25,363,326.

STENOCARE realised an EBITDA for the financial year of DKK -11,830,798 and a net profit, at DKK -11,786,282. The balance sheet shows an equity of DKK 52,570,563 and total assets of DKK 56,340,439.

OUTLOOK

Learnings from 2020 adding Sweden to our portfolio of countries where STENOCARE is in the market, are that countries where Medical Cannabis is accepted by the authorities with specific approval are open for STENOCARE. This is in addition to markets where Medical Cannabis is generally legalized. With this in mind STENOCARE is confident to add additional countries in 2021. Furthermore, STENOCARE will continue to work with the Danish Medicines Agency for approval of Medical Cannabis products from our partners.

The objective for 2021 is also to finalise the upgrade of the indoor production facility in Denmark and commence cultivation in the new state-of-art grow rooms to expand supply capacity and supply chain. Expectations to the profit or loss in 2021 is depending on sales of products from partners as well as the investments in the expansive strategy and the development of own produced products.



KNOWLEDGE RESOURCES

STENOCARE's operations are managed by highly trained and experienced employees in various areas and knowledge, covering managing of start-up companies, local and international sales and production in the bio-tech and horticultural industry.

SPECIAL RISKS

STENOCARE is operating under a four-year pilot-programme, enabling all Danish physicians to prescribe cannabis for medical use. The programme was initialised January 1st, 2018 and will end by December 31st, 2021. In November 2020, the Health authorities published an Evaluation Report of the trial programme with findings in the programme to enabling politicians to evaluate the Pilot Programme and decide how to best proceed with the Danish legislation. Based on extensive investigation and external advice, it is the opinion of the management this programme will be prolonged beyond 2021. There is a risk allocated to the suppliers of the Company regarding compliance of the products. The Company has established procedures to minimize these risks. In addition to ordinary risks related to the industry in which the Company is operating, the Company is exposed to currencies as finished products from suppliers are purchased in EUR and CAD and sold in DKK and SEK.

EXTERNAL ENVIRONMENT

In 2020, STENOCARE's operations included distribution of medical cannabis products from its suppliers. The Company is engaged in cultivation of Cannabis plants in the facility in Jutland and has established procedures on limiting the impact of the environment from the cultivation.

RESEARCH AND DEVELOPMENT ACTIVITIES

In 2020, STENOCARE's operations included distribution of medical cannabis products from its strategic partner in Canada. Thus, the Company has not conducted any research and development activities related to products. Also, the Company continued to develop the High-Tech Indoor Cultivation Facility aiming for a pharma-grade production facility and working with product approval processes in various countries. In 2021 STENOCARE aims to begin cultivation and production of medical cannabis in the Company's premises in Jutland and begin the approval process at the Danish Medicines Agency. In 2019 the Company signed a strategic partnership agreement to develop, test and commercialize advanced cannabis-based medical products with Danish company Solural Pharma Aps.

SUBSEQUENT EVENTS

No important events have occurred after the end of the financial year which have a significant impact of the financial position.

TREASURY SHARES

Treasury shares consists of:

	Acquisition value - DKK	No. of shares	Nominal value - DKK	Percentage of share capital
Treasury shares as at 01.01.20	8,699,991	272,727	21,818	2.3%
Treasury shares as at 31.12.20	8,699,991	272,727	21,818	2.3%

STATEMENT BY THE BOARD OF DIRECTORS AND MANAGEMENT ON THE ANNUAL REPORT

The Board of Directors and the Executive management have today considered and approved the annual report of STENOCARE A/S for the financial year 01.01 – 31.12.2020. The annual report is presented in accordance with the Danish Financial Statements Act. In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and the results of its operations for the financial year 01.01 - 31.12.2020. We believe that the management's review contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 04.03.2021

Executive Board

Thomas Skovlund Schnegelsberg

CEO

Board of Directors

Marianne Wier

Chairman of the Board

Søren Kjær

Member of the Board

Jeppe Bo Petersen

Member of the Board

Søren Melsing Frederiksen

Member of the Board

INDEPENDENT AUDITOR'S REPORT

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TO THE SHAREHOLDERS OF STENOCARE A/S

Opinion

We have audited the financial statements of STENOCARE A/S for the financial year 01.01 – 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes inclusive of accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.2020 and of the results of the company's operations and cash flows for the financial year 01.01 – 31.12.2020 in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

Basis for opinion

We conducted our audit by International Standards on Auditing 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 the auditor's report. We are independent of the company per the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities per these requirements and the IESBA Code. 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

The management is responsible for the preparation and fair presentation of the financial statements in accordance with the Danish Financial Statements Act and for such internal control as the 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, the 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 unless the 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 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 by International Standards on Auditing 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 based on these financial statements.

As part of an audit conducted by International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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 to design audit procedures that are appropriate in the circumstances, but not to express 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 the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting in its preparation of 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 content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 regarding the management's review

The management is responsible for the management's review page 12-15.

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

In connection with our audit of the financial statements, it is our responsibility to read the management's review and, in this connection, consider whether the management's review is materially inconsistent with the financial statements or the knowledge we have obtained during our audit, or in any other way appears to be materially misstated.

Furthermore, it is our responsibility to consider whether the management's review contains the information required under the Danish Financial Statements Act.

Based on the work performed, we believe that the management's review as per the financial statements and has been prepared in accordance with the provisions of the Danish Financial Statements Act. We have not detected any material misstatement in the management's review.

Søborg, Copenhagen, 04.03.2021

Beierholm

Statsautoriseret Revisionspartnerselskab

CVR no. 32 89 54 68

Jan Robert Molin

State Authorized Public Accountant

mne10848

FINANCIAL INFORMATION

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Income statement

Note		2020 DKK	2019 DKK '000
	Gross result	-5,995,151	8,785
3	Staff costs	-5,835,647	-4,368
	Profit/loss before depreciation, amortisation, write-downs and impairment losses	-11,830,798	4,417
	Depreciation and impairments losses of property, plant and equipment	-240,649	-59
	Profit/loss before net financials	-12,071,447	4,358
	Financial income	31,839	9
	Financial expenses	-1,679,563	-2,121
	Profit/loss before tax	-13,719,171	2,246
4	Tax on profit or loss for the year	1,932,889	-544
	Profit/loss for the year	-11,786,282	1,702
	Proposed appropriation account		
	Retained earnings	-11,786,282	1,702
	Total	-11,786,282	1,702

ASSETS		31.12.20	31.12.19
		DKK	DKK '000
Note			
	Leasehold improvements	692,561	501
	Plant and machinery	340,933	0
	Other fixtures and fittings, tools and equipment	257,880	126
	Property, plant and equipment under construction	25,363,326	0
	Prepayments for property, plant and equipment	0	7,729
6	Total property, plant and equipment	26,654,700	8,356
7	Equity investments in group enterprises	7	0
8	Deposits	493,000	488
	Total investments	493,007	488
	Total non-current assets	27,147,707	8,844
	Trade receivables	105,000	0
	Deferred tax asset	1,212,881	137
	Income tax receivable	857,354	0
	Other receivables	494,387	638
9	Prepayments	163,467	264
	Total receivables	2,833,089	1,039
	Cash	26,359,643	21,725
	Total current assets	29,192,732	22,764
	Total assets	56,340,439	31,608

EQUITY AND LIABILITIES		31.12.20	31.12.19
		DKK	DKK '000
Note			
10	Share capital	934,090	715
	Retained earnings	51,636,473	12,759
	Total equity	52,570,563	13,474
12	Other payables	79,970	0
	Total long-term payables	79,970	0
	Trade payables	2,565,611	817
	Income taxes	0	682
	Other payables	1,124,295	16,635
	Total short-term payables	3,689,906	18,134
	Total payables	3,769,876	18,134
	Total equity and liabilities	56,340,439	31,608
13	Contingent liabilities		
14	Related parties		

Statement of changes in equity

Figures in DKK	Share capital	Share premium	Retained earnings
Statement of changes in equity for 01.01.19 - 31.12.19			
Balance as at 01.01.19	715,421	23,033,060	-3,276,296
Purchase of treasury shares	0	0	-8,699,991
Transfers to/from other reserves	0	-23,033,060	23,033,060
Net profit/loss for the year	0	0	1,702,421
Balance as at 31.12.19	715,421	0	12,759,194
Statement of changes in equity for 01.01.20 - 31.12.20			
Balance as at 01.01.20	715,421	0	12,759,194
Capital increase	218,669	53,956,068	0
Cost of changes in capital	0	-3,292,507	0
Transfers to/from other reserves	0	-50,663,561	50,663,561
Net profit/loss for the year	0	0	-11,786,282
Balance as at 31.12.20	934,090	0	51,636,473

Cash flow statement

Note	2020 DKK	2019 DKK '000
Profit/loss for the year	-11,786,282	1,702
15 Adjustments	-44,516	-5,985
Change in working capital:		
Inventories	0	84
Receivables	139,027	2,223
Trade payables	1,799,338	213
Other payables relating to operating activities	631,672	-112
Cash flows from operating activities before net financials	-9,260,761	-1,875
Interest income and similar income received	31,839	9
Interest expenses and similar expenses paid	-2,792,062	-1,008
Income tax paid	-682,000	329
Cash flows from operating activities	-12,702,984	-2,545
Purchase of property, plant and equipment	-18,539,699	-8,395
Security deposits	-5,000	-482
Acquisition of enterprise	0	0
Cash flows from investing activities	-18,544,699	-8,877
Raising of additional capital	54,174,737	0
Expenses related to changes in capital	-3,292,507	0
Arrangement of short term loans from private investors	0	15,000
Repayment of short term loans from private investors	-15,000,000	0
Cash flows from financing activities	35,882,230	15,000
Total cash flows for the year	4,634,547	3,578
Cash, beginning of year	21,725,096	18,147
Cash, end of year	26,359,643	21,725
Cash, end of year, comprises:		
Cash	26,359,643	21,725
Total	26,359,643	21,725

1. Uncertainty concerning recognition and measurement

In the financial statements for 2020, it is important to note the following uncertainty as regards recognition and measurement as it has had a significant influence on the assets and liabilities recognised in the financial statements:

STENOCARE A/S is operating under a four-year trial programme, enabling all Danish physicians to prescribe cannabis for medical use. The trial programme will end by December 31, 2021. The management expects that the trial programme will be prolonged. The recognition and measurement of assets, liabilities, expenses, depreciation and impairments is in all material aspects under the assumption that the trial programme is prolonged and that the necessary approvals of products are obtained.

2. Special items

Special items are income and expenses that are special due to their size and nature. The following special items were recorded in the financial year:

Special items:	Recognised in the income statement in:	2020 DKK	2019 DKK '000
Other operating income	Gross result	0	11,255
Other external expenses	Gross result	0	-424
Tax on special items	Tax on profit or loss for the year	0	-2,383
Total		0	8,448

In 2019, the Company entered into a settlement agreement with a main supplier. Income and costs related to the settlement has been recognized in the income statement as above.

	2020	2019
	DKK	DKK '000

3. Staff costs

Wages and salaries	5,619,956	4,255
Pensions	106,319	26
Other social security costs	15,778	8
Other staff costs	93,594	79

Total	5,835,647	4,368
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Average number of employees during the year	7	6
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Remuneration for the management:

Salaries for the Executive Board	809,628	812
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Remuneration for the Board of Directors	350,000	350
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Remuneration for the Executive Board and Board of Directors	1,159,628	1,162
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4. Tax on profit or loss for the year

Current tax for the year	-857,398	682
Adjustment of deferred tax for the year	-1,075,491	-138

Total	-1,932,889	544
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5. Distribution of net profit

Retained earnings	-11,786,282	1,702
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Total	-11,786,282	1,702
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6. Property, plant and equipment

Figures in DKK	Leasehold improve- ments	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Prepay- ments for property, plant and equipment
Cost as at 01.01.20	553,508	0	133,646	0	7,728,823
Additions during the year	304,415	0	174,615	18,060,669	0
Transfers during the year to/from other items	0	426,166	0	7,302,657	-7,728,823
Cost as at 31.12.20	857,923	426,166	308,261	25,363,326	0
Depreciation and impairment losses as at 01.01.20	-52,904	0	-7,423	0	0
Depreciation during the year	-112,458	-85,233	-42,958	0	0
Depreciation and impairment losses as at 31.12.20	-165,362	-85,233	-50,381	0	0
Carrying amount as at 31.12.20	692,561	340,933	257,880	25,363,326	0

7. Equity investments in group enterprises

Figures in DKK	Equity invest- ments in group enterprises
Cost as at 01.01.20	7
Cost as at 31.12.20	7
Carrying amount as at 31.12.20	7
Name and registered office:	
Ownership interest	
Subsidiaries:	
STENOCARE Ireland Ltd., Ireland	100%

8. Other non-current financial assets

Figures in DKK	Deposits
Cost as at 01.01.20	493,000
Cost as at 31.12.20	493,000
Carrying amount as at 31.12.20	493,000

9. Prepayments

Prepaid rent	161,361	158
Other prepayments	2,106	106
Total	163,467	264

10. Share capital

The share capital consists of:

	Quantity	Total nominal value
Share capital	11,676,126	934,090
Total		934,090
Capital increase during the financial year	2,733,364	218,669

The Company has an option programme for individual employees who, based on the opinion of the board of directors, make a special effort for the Company or who possess very special qualities that the Company benefits from. The employees will be entitled to Treasury Shares free of charge after the end of each year over a period of up to 5 years. The shares are delivered from the balance of Own Shares kept by the Company.

At the date of this Annual Report, options for 34,000 shares have been granted.

11. Deferred tax

Provisions for deferred tax as at 01.01.20	-857,398	0
Deferred tax recognised in the income statement	2,070,279	137
Provisions for deferred tax as at 31.12.20	1,212,881	137

Deferred tax is distributed as below:

Property, plant and equipment	-2,595	-19
Liabilities	0	157
Tax losses	1,215,476	0
Total	1,212,881	138

As at 31.12.2020, the company has recognised a deferred tax asset of DKK 1.213k, which can primarily be attributed to tax losses carried forward. The deferred tax asset is recognised on the basis of expectations of positive operating results for the following 3-5 years.

12. Long-term payables

	Outstanding debt after 5 years DKK	Total payables at 31.12.20 DKK
Other payables	79,970	79,970
Total	79,970	79,970

13. Contingent liabilities*Lease commitments*

The company has concluded lease agreements with terms to maturity of 6 months and average lease payments of DKK 134k, a total of DKK 804k.

14. Related parties

Related party transactions are not disclosed, as all transactions are entered into in the ordinary course of business at arms' length.

Remuneration for the management is specified in note 3. Staff costs.

15. Adjustments for the cash flow statement

Depreciation and impairments losses of property, plant and equipment	240,649	59
Financial income	-31,839	-9
Financial expenses	1,679,563	2,121
Tax on profit or loss for the year	-1,932,889	544
Treasury shares received	0	-8,700
Total	-44,516	-5,985

16. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for medium-sized enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

In accordance with section 110 of the Danish Financial Statements Act, the company has not prepared consolidated financial statements.

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 depreciation, amortisation, impairment losses and write-downs, 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 such assets 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 such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

16. Accounting policies - continued -**LEASES**

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

INCOME STATEMENT**Gross result**

Gross result comprises revenue, other operating income and cost of sales and other external expenses.

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Cost of sales

Cost of sales comprises cost of sales for the year measured at cost plus any changes in inventories, including write-downs to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

16. Accounting policies - continued -**Staff costs**

Staff costs comprise wages and salaries as well as other staff-related costs.

Depreciation and impairment losses

The depreciation of property, plant and equipment aim at systematic depreciation over the expected useful lives of the assets. Assets are depreciated according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Leasehold improvements	5	0
Plant and machinery	5	0
Other plant, fixtures and fittings, tools and equipment	5	0

The basis of depreciation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

16. Accounting policies - continued -**BALANCE SHEET****Property, plant and equipment**

Property, plant and equipment comprise leasehold improvements, plant and machinery as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation and impairment losses' section.

Property, plant and equipment under construction

Property, plant and equipment under construction are measured at cost. Costs incurred on property, plant and equipment under construction are transferred to the relevant asset category when the asset is ready for use.

Prepayments for property, plant and equipment

Prepayments for property, plant and equipment comprise prepayments to suppliers.

Gains and losses on the disposal of property, plant and equipment

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group enterprises

Equity investments in subsidiaries are recognised and measured according to the equity method. For equity investments in subsidiaries, the equity method is considered a measurement method.

On initial recognition, equity investments measured according to the equity method are measured at cost. Transaction costs directly attributable to the acquisition are recognised in the cost of equity investments.

16. Accounting policies - continued -

Under subsequent recognition and measurement of equity investments according to the equity method, equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of goodwill and gains and losses on transactions with the enterprises in question. Equity investments, where information for recognition according to the equity method is not known, are measured at cost.

Gains or losses on disposal of equity investments are determined as the difference between the disposal consideration and the carrying amount of net assets at the time of sale, including non-amortised goodwill, as well as the expected costs of divestment or discontinuation. Gains and losses are recognised in the income statement under income from equity investments.

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

16. Accounting policies - continued -

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Equity

The net revaluation of equity investments measured according to the equity method is recognized in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

Current and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

16. Accounting policies - continued -

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

CASH FLOW STATEMENT

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the company's share capital and associated costs and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables.

Cash and cash equivalents at the beginning and end of the year comprise cash and short-term payables to credit institutions.