

Bedrocan Danmark ApS

Egedesvej 38C
4600 Køge

CVR No. 43238779

Annual Report 2023

2. financial year

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 3 July 2024

DocuSigned by:

Rikke Louise Steenberg

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Rikke Louise Steenberg

Chairman

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Management's Statement

Today, Management has considered and adopted the Annual Report of Bedrocan Danmark ApS for the financial year 1 January 2023 - 31 December 2023.

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 assets, liabilities and financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January 2023 - 31 December 2023.

In our opinion, the Management's Review includes a true and fair account of the matters addressed in the review.

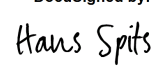
We recommend that the Annual Report be adopted at the Annual General Meeting.

Køge, 3 July 2024

Executive Board

DocuSigned by:

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Jacob Leendert Erkelens
Man. Director

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Hans Rudolf Spits
Chief Financial Officer

Independent Auditors' Report

To the shareholders of Bedrocan Danmark ApS

Opinion

We have audited the financial statements of Bedrocan Danmark ApS for the financial year 1 January 2023 - 31 December 2023, which comprise an income statement, balance sheet, statement of changes in equity and notes. The financial statements are 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 31 December 2023 and of the results of its operations for the financial year 1 January 2023 - 31 December 2023 in accordance with the Danish Financial Statements Act.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibility under those standards and requirements are further described in the "Auditors' responsibility 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statement in Denmark, and we have fulfilled our other ethical responsibilities in accordance with 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 responsibility 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 considers 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 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 either liquidate the Company or suspend operations, or has no realistic alternative but to do so.

The auditor's responsibility for the audit of the financial statements

Our responsibility is to obtain reasonable assurance as to whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is no guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect material misstatements. Misstatements can arise from fraud or error and can be considered material if it would be reasonable to expect that these - either individually or collectively - could influence the economic decisions taken by the users of financial statements on the basis of these financial statements.

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

- * Identify and assess the risk of material misstatements in 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 a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or 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

Independent Auditors' Report

Company's internal control.

- * Evaluate whether the accounting policies used are appropriate and whether the accounting estimates and the related disclosures made by Management are reasonable.
- * Conclude on whether Management's use of the going concern basis of accounting in preparing the financial statements is appropriate and, based on the audit evidence obtained, conclude on whether a material uncertainty exists relating to events or conditions, which could 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 auditors' 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 auditors' report. However, future events or conditions may imply that the Company can no longer remain a going concern.
- * Evaluate the overall presentation, structure and contents of the financial statements, including note disclosures, and whether the financial statements reflect 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 which we identify during our audit.

Statement on 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 form of opinion providing assurance regarding the Management's review.

Our responsibility in connection with our audit of the financial statements 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 with the knowledge we have gained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review meets the disclosure requirements in the Danish Financial Statements Act.

Based on our procedures, we are of the opinion that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements in the Danish Financial Statements Act. In our opinion, the Management's review is not materially misstated.

Copenhagen, 3 July 2024

KPMG P/S

CVR-no. 25578198

DocuSigned by:



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Morten Høgh-Petersen

State Authorised Public Accountant

mne34283

Company details

Company	Bedrocan Danmark ApS Egedesvej 38C 4600 Køge
CVR No.	43238779
Date of formation	25 April 2022
Financial year	1 January 2023 - 31 December 2023
Executive Board	Jacob Leendert Erkelens Hans Rudolf Spits
Auditors	KPMG P/S Dampfærgevej 28 2100 København Ø CVR-no.: 25578198

Management's Review

The Company's principal activities

The Company's objects are to conduct business within cultivating, finishing, storing, packaging and supplying cannabis products for medical purposes.

Development in activities and the financial situation

The Company's Income Statement of the financial year 1 January 2023 - 31 December 2023 shows a result of DKK -13.867.739 and the Balance Sheet at 31 December 2023 a balance sheet total of DKK 154.963.749 and an equity of DKK 41.340.664.

Post financial year events

In May of 2024, the company received an additional capital injection from its parent company, of EUR 7 mio. (DKK 52 mio.), which ensures sufficient liquidity until break even, which is expected once the first harvest is expected to be sold around the end of 2024.

The investment in the new Danish plant has progressed according to plan both on time and on budget, technically the plant has been taken into use with the first batch of mother plants in May 2024, which will be used for later scaled up production.

At the group level, the Dutch government is liberalising regulation, which the group believes will lead to new opportunities for the whole group. Overall the market is rapidly developing in the EU, and Management believe that the overall outlook for the group and the Danish plant is positive.

Accounting Policies

Reporting Class

The annual report has been prepared in accordance with Danish financial statements legislation as well as generally accepted accounting principles.

The annual report of Bedrocan Danmark ApS for 2023 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B, with the adoption of individual rules from class C.

Reporting currency

The annual report is presented in Danish kroner.

Translation policies

Transactions in foreign currencies are translated into DKK at the exchange rate at the date of transaction. Monetary assets and liabilities in foreign currencies are translated into DKK based on the exchange rates at the balance sheet day. Realised and unrealised foreign exchange gains and losses are included in the income statement under financial income and expenses.

General information

Basis of recognition and measurement

The financial statement have been prepared under the historical cost principle.

Income is recognised in the income statement as it is earned, including value adjustments of financial assets and liabilities that are measured at fair value or amortized cost. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortization, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will accrue 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 attributable to the asset will flow out of the Company, and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the term. Amortised cost is calculated as original cost less repayments and with the addition/deduction of the accumulated amortisation of the difference between the cost and the nominal amount. This way, exchange losses and gains are allocated over the term.

In connection with recognition and measurement, consideration is given to predictable losses and risks occurring prior to the presentation of the financial statement, i.e. losses and risks which prove or disprove matters which exist at the balance sheet date.

Accounting Policies

Income statement

Gross profit/loss

The Company has decided to aggregate certain items of the income statement in accordance with the provisions of Section 32 of the Danish Financial Statements Act.

Gross profit is a combination of the items of revenue, change in inventories of finished goods, work in progress and goods for resale, other operating income, costs for raw materials and consumables and other external expenses.

Other external expenses

Other external expenses include expenses for distribution, sales, advertising, administration, premises, bad debts, operating leasing expenses etc.

Staff costs

Staff costs include wages and salaries including compensated absence and pension to the Companies employees, as well as other social security contributions etc. The item is deducted from refunds from public authorities.

Other staff expenses are recognised in other external expenses.

Financial income and expenses

Financial income and expenses are recognised in the income statement based at the amounts that concern the financial year. Financial income and expenses include interest revenue and expenses, financial expenses of finance leases, realised and unrealised capital gains and losses regarding securities, accounts payable and transactions in foreign currencies, repayment on mortgage loans, and surcharges and allowances under the advance-payment of tax scheme.

Tax on loss for the year

Tax on loss for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and deferred tax regarding changes in equity is recognised directly in equity.

Balance sheet

Property, plant and equipment

Property, plant and equipment are measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses.

The depreciable amount is calculated taking into consideration the residual value of the asset at the end of its useful life, reduced by impairment losses, if any. The depreciation period and the residual value are determined at the data of acquisition. If the residual value exceeds the carrying amount of the asset, depreciation is discontinued.

In case of changes in depreciation period or residual value, the effect of a change in depreciation period is recognised prospectively in accounting estimates.

Cost includes the purchase price and expenses directly related to the acquisition until the time when the asset is ready for use. The cost of self-constructed assets includes costs for materials, components, subcontractors, direct payroll costs and indirect production costs.

The cost of composite asset is disaggregated into components, which are separately depreciated if the useful lives of the individual component differ.

Depreciation is calculated using the straight-line method over the following estimated useful lives of the individual assets and their residual values:

Accounting Policies

	Useful life	Residual value
Plant and machinery	5-10 years	0%

Deposits

Deposits are measured at cost.

Receivables

Receivables are measured at amortized cost which usually corresponds to the nominal value. The value is reduced by write-downs for expected bad debts.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand as well as short-term securities with a term of less than three months which can be converted directly into cash at bank and in hand and involve only an insignificant risk of value changes.

Deferred tax

Deferred tax and the associated adjustments for the year are determined according to the liability method as the tax base of all temporary differences between carrying amounts and the tax bases of assets and liabilities.

Deferred tax assets, including the tax base of tax losses allowed for carryforward, are recognised at the value at which they are expected to be used, either by elimination in tax on future earnings or by set-off against deferred tax liabilities in enterprises within the same legal entity and jurisdiction.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation applicable at the balance sheet date when the deferred tax is expected to crystallize as current tax.

Equity

Equity comprises the working capital and a number of equity items that may be statutory or stipulated in the articles of association.

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

(i) the contract involves the use of an identified asset this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

(ii) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

(iii) the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the

Accounting Policies

use of the asset if either:

- (1) the Group has the right to operate the asset; or
- (2) the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, for the leases of land and buildings and cars in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- (i) fixed payments, including in-substance fixed payments;
- (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (iii) amounts expected to be payable under a residual value guarantee; and
- (iiii) the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of land and

Accounting Policies

buildings that have a lease term of 12 months or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Other payables

Other payables are measured at amortized cost, which usually corresponds to the nominal value.

Income Statement

	Note	2023 DKK	2022 DKK
Gross profit		-2.599.674	-1.009.823
Employee benefits expense	1	-6.669.650	0
Depreciation, amortisation expense and impairment losses of property, plant and equipment and intangible assets recognised in profit or loss		-4.569.005	0
Other operating expenses		-852.619	0
Profit from ordinary operating activities		-14.690.948	-1.009.823
Other finance income	2	95.125	0
Finance expenses	3	-3.183.330	-7.239
Profit from ordinary activities before tax		-17.779.153	-1.017.062
Tax expense on ordinary activities	4	3.911.414	223.754
Profit		-13.867.739	-793.308
Proposed distribution of results			
Retained earnings		-13.867.739	-793.308
Distribution of profit		-13.867.739	-793.308

Balance Sheet as of 31 December

	Note	2023 DKK	2022 DKK
Assets			
Right-of-use assets	5	68.322.812	0
Fixtures, fittings, tools and equipment	6	76.726	0
Property, plant and equipment in progress	7	52.563.370	0
Property, plant and equipment		120.962.908	0
Deferred tax		4.135.168	0
Deposits, investments		5.751.646	1.000.000
Financial fixed assets		9.886.814	1.000.000
Fixed assets		130.849.722	1.000.000
Current deferred tax		0	223.754
Other short-term receivables		2.336.255	179.986
Receivables		2.336.255	403.740
Other short-term investments		786.525	0
Short-term investments		786.525	0
Cash and cash equivalents	8	20.991.247	21.075.299
Current assets		24.114.027	21.479.039
Assets		154.963.749	22.479.039

Balance Sheet as of 31 December

	Note	2023 DKK	2022 DKK
Liabilities and equity			
Contributed capital		65.057	50.000
Share premium		55.936.654	22.300.100
Retained earnings		-14.661.047	-793.308
Equity		41.340.664	21.556.792
Other provisions		5.440.617	0
Provisions		5.440.617	0
Debt to other credit institutions		24.597.890	0
Lease commitments	9	59.650.974	0
Derivative financial instruments		310.459	0
Long-term liabilities other than provisions	10	84.559.323	0
Debt to other credit institutions	10	3.402.110	0
Trade payables		9.111.823	899.932
Payables to group enterprises		2.350.459	0
Other payables		3.712.635	22.315
Lease commitments	9	4.876.777	0
Short-term derivative financial instruments	10	169.341	0
Short-term liabilities other than provisions		23.623.145	922.247
Liabilities other than provisions within the business		108.182.468	922.247
Liabilities and equity		154.963.749	22.479.039
Ownership	11		
Related parties	12		

Statement of changes in Equity

	Contributed capital DKK	Share premium DKK	Retained earnings DKK	Total DKK
Equity 1 January 2023	50.000	22.300.100	-793.308	21.556.792
Increase of capital	15.057	33.636.554	0	33.651.611
Profit (loss)	0	0	-13.867.739	-13.867.739
Equity 31 December 2023	65.057	55.936.654	-14.661.047	41.340.664

Notes

1. Employee benefits expense

	2023	2022
	DKK	DKK
Wages and salaries	1.416.635	0
Post-employment benefit expense	131.206	0
Social security contributions	5.394	0
Other employee expense	5.116.415	0
	6.669.650	0
Average number of employees	2	0

2. Other finance income

	2023	2022
	DKK	DKK
Other finance income	95.125	0
	95.125	0

3. Finance expenses

	2023	2022
	DKK	DKK
Other finance expenses	3.183.330	7.239
	3.183.330	7.239

4. Tax expense

	2023	2022
	DKK	DKK
Adjustments for deferred tax	-3.911.414	-223.754
	-3.911.414	-223.754

Notes

5. Right-of-use assets

The Group leases land and buildings, and vehicles. Information about leases for which the Group is a lessee is presented below.

	2023	2023	2023
	Property	Other	Total
Additions to the right-of-use assets	66.232	1.379	67.611
Cost at the end of the year	66.232	1.379	67.611
Revaluations for the year	5.271	0	5.271
Revaluations at the end of the year	5.271	0	5.271
Depreciation charge for the year	-4.513	-46	-4.559
Impairment losses and amortisation at the end of the year	-4.513	-46	-4.559
Carrying amount at the end of the year	66.990	1.333	68.323

Right-of-use assets are displayed in DKK 1,000

6. Fixtures, fittings, tools and equipment

	2023	2022
	DKK	DKK
Cost at the beginning of the year	0	0
Addition during the year, incl. improvements	87.077	0
Cost at the end of the year	87.077	0
Depreciation and amortisation at the beginning of the year	0	0
Amortisation for the year	-10.351	0
Impairment losses and amortisation at the end of the year	-10.351	0
Carrying amount at the end of the year	76.726	0

7. Property, plant and equipment in progress

	2023	2022
	DKK	DKK
Cost at the beginning of the year	0	0
Addition during the year, incl. improvements	52.563.370	0
Cost at the end of the year	52.563.370	0
Carrying amount at the end of the year	52.563.370	0

8. Cash and cash equivalents

Bank balances	8.991.247	21.075.299
1-month deposit (cash equivalent)	12.000.000	0
	20.991.247	21.075.299

Notes

9. Lease liabilities

Maturity analysis - contractual undiscounted cash flows	2023	2022
	DKK	DKK
Less than one year	7.979	0
One to five years	32.155	0
More than five years	42.293	0
Total undiscounted lease liabilities at 31 December	82.427	0

Lease liabilities included in the statement of financial position at 31 December

Non-current	59.651	0
Current	4.877	0
	64.528	0

Lease liabilities are displayed in DKK 1,000

10. Long-term liabilities

	Due	Due	Due
	after 1 year	within 1 year	after 5 years
	DKK	DKK	DKK
Debt to other credit institutions	23.425.605	3.402.110	1.172.285
Derivative financial instruments	169.341	169.341	141.118
	23.594.946	3.571.451	1.313.403

In 2023 the Company closed a credit facility at Danmarks Eksport-&Investeringsfond consisting of a loan of DKK 28,0 million with a variable interest rate of 3-months CIBOR + 6.8% to be repaid in 18 quarterly annuities of DKK 1,85 million

starting April 2, 2024 followed by a last annuity of DKK 1,20 million at January 2, 2029 (Loan F).

The facility from Danmarks Eksport-&Investeringsfond is secured with a lien on the assets of the borrowing entity Bedrocan Danmark ApS and a suretyship issued by Bedrocan International B.V.

In 2023 the Company closed a credit facility at Sydbank consisting of the following components:

-Overdraft facility with a limit of DKK 7,5 million with a variable interest rate equal to 3-months CIBOR + 3.00%. At 31 December 2023 no funds were drawn (Overdraft facility C).

-Bank guarantee of DKK 5,8 million issued to the owner of the Company's leased premises in Køge, Denmark.

The Sydbank facility is secured with a lien on the assets of the borrowing entity Bedrocan Danmark ApS and a suretyship issued by Bedrocan International B.V.

11. Ownership

The following shareholders are subject to section 55 of Danish Public Companies Act:
Bedrocan International B.V.

12. Related parties

Name and registered office of the parent preparing consolidated financial statements:
Bedrocan International B.V. The Zwaaiikom 4 9 641KV, Veendam, Holland