



**DANCANN PHARMA A/S**  
**RUGVÆNGET 5, 6823 ANSAGER**  
**ANNUAL REPORT**  
**1 JANUARY - 31 DECEMBER 2020**

**The Annual Report has been presented and  
adopted at the Company's Annual General  
Meeting on 28 April 2021**

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**Hans-Christian Ohrt**

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**COMPANY DETAILS**

<b>Company</b>	DanCann Pharma A/S Rugvænget 5 6823 Ansager  CVR No.: 39 42 60 05 Established: 20 March 2018 Registered Office: Varde Financial Year: 1 January - 31 December
<b>Board of Directors</b>	Carsten Trads, chairman Jeppe Krog Rasmussen Magnus Østergaard Dahlmann Per Wester
<b>Executive Board</b>	Jeppe Krog Rasmussen
<b>Auditor</b>	BDO Statsautoriseret revisionsaktieselskab Markedspladsen 25 6800 Varde
<b>Bank</b>	Danske Bank
<b>Law Firm</b>	Andersen Partners Jernbanegade 31 6000 Kolding

## BOARD OF DIRECTORS STATEMENT AND MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of DanCann Pharma A/S for the financial year 1 January - 31 December 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 Company's assets, liabilities and financial position at 31 December 2020 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2020.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

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

Ansager, 6 April 2021

Executive Board

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Jeppe Krog Rasmussen

Board of Directors

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Carsten Trads  
Chairman

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Jeppe Krog Rasmussen

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Magnus Østergaard Dahlmann

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Per Wester

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of DanCann Pharma A/S

#### Opinion

We have audited the Financial Statements of DanCann Pharma A/S for the financial year 1 January - 31 December 2020, which comprise income statement, Balance Sheet, statement of changes in equity, cash flows, notes and a summary of significant accounting policies. 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 assets, liabilities and financial position of the Company at **31 December 2020** and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2020 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 evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

#### 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 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.

As part of an audit conducted in accordance with ISAs 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 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.

## INDEPENDENT AUDITOR'S REPORT

- 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.

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.

Varde, 6 April 2021

BDO Statsautoriseret revisionsaktieselskab  
CVR no. 20 22 26 70

Flemming Bro Lund  
State Authorised Public Accountant  
MNE no. mne31433

## FINANCIAL HIGHLIGHTS

	2020 DKK	2019 DKK	2018 DKK
Gross profit/loss.....	-4.829.650	-421.797	-85.275
Operating profit/loss before depreciation and amortisation/EBITDA.....	-5.776.177	-618.900	-155.743
Operating profit/loss of main activities.....	-5.870.292	-626.775	-155.890
Financial income and expenses, net.....	-115.898	-11.642	-4.241
Profit/loss for the year before tax.....	-5.986.190	-638.417	-160.131
Profit/loss for the year.....	-4.254.612	-499.817	-125.452
Engelsk.....	-4.254.612	-499.817	-125.452
<b>Balance sheet</b>			
Total assets.....	49.548.660	1.472.567	57.962
Equity.....	44.325.536	-625.268	-125.451
Equity ex minority interests.....	44.325.536	-625.268	-125.451
<b>Cash flows</b>			
Cash flows from operating activities.....	-7.664.110	-256.418	-6.240
Cash flows from investing activities.....	-19.072.575	-1.010.123	-4.400
Cash flows from financing activities.....	47.886.585	1.456.576	0
Total cash flows.....	21.149.900	190.035	-10.640
Investment in property, plant and equipment.....	-4.015.282	-61.668	-4.400
<b>Key ratios</b>			
Equity ratio.....	89.5	Neg.	Neg.
Return on equity.....	-19.5	Neg.	Neg.

The ratios stated in the list of key figures and ratios have been calculated as follows:

Equity ratio: 
$$\frac{\text{Equity, at year end} \times 100}{\text{Total equity and liabilities, at year end}}$$

Return on equity: 
$$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$$

## MANAGEMENT COMMENTARY

### Principal activities

DanCann Pharma A/S (SS: DANCAN) was founded in 2018 and is a Danish biopharmaceutical company powered by cannabinoids. DanCann Pharma is a vertically integrated, licensed production and distribution company based in Denmark. The company focuses on discovering, developing, manufacturing, and commercializing new therapeutic cannabinoids in a wide range of disease areas.

DanCann Pharma is licensed for handling of euphoriant substances, and during the summer 2018, the company was licensed as one of the first companies in Denmark to handle and cultivate cannabis for medical use.

DanCann Pharma makes and distributes prescription (Rx-pharmaceuticals) and over-the-counter (OTC) cannabinoid-based pharmaceuticals (both approved and non-approved) primarily focused on pain patients with alternative needs in relation to the treatment of their illness - with future targets for further and new patient groups and segments.

### Development in 2020

In April, DanCann Pharma completed a share issue of approx. MDKK 25 - which was followed by an IPO on Spotlight Stock Market in November where the company raised an additional MDKK 30 - and received approx. 1,700 new investors.

The income statement of the company for 2020 shows a loss of MDKK 4,254 and on 31 December 2020 the balance sheet of the company shows an equity of MDKK 44,326 which is in accordance with the budget. The management consider the results as expected.

### Unusual matters

There are none unusual matters in the financial year.

### Development in activities and financial and economic position

The company's development costs were previously expensed. Practice has been changed so that the company's development costs are recognized and measured at cost with depreciation when development projects are completed.

The company's activity from establishment have been to incur development costs with the purpose of receiving authorisation from the Danish Medicines Agency to produce cannabis intermediate products from which a current netincome can be achieved.

The application of the rules for capitalization of development costs thus provides a more accurate picture of the company's assets and liabilities, financial position and result also in the future when production and sales are established.

Comparative figures have been adjusted for the changed accounting policies.

The accumulated effect of the change in practice constitutes an increase in last year's profit after tax and equity by DKK'000 740. The balance sheet total is increased by DKK'000 948.

### Profit/loss for the year compared to the expected development

The results for 2020 is a loss of DKK'000 4,255 which is expected.

### Significant events after the end of the financial year

Since the turn of the year, the company has signed a Letter of Intent with Tetra Bio-Pharma for another exclusive distribution agreement, but in this case for approved cannabinoid-based pharmaceuticals.

Beside that, no further events have occurred.

### Environmental situation

On 1 January 2018, medical cannabis was legalized in Denmark under a 4-year Pilot Programme that allow all Danish physicians to prescribe cannabis for medical use. The pharmaceuticals covered by the Pilot Programme are referred to as medical cannabis and may take the form of dried cannabis flowers,

## MANAGEMENT COMMENTARY

### Environmental situation (continued)

oils, capsules, or tablets. The Programme was approved by 9 out of 10 political parties in the Danish parliament at the time and is therefore widely supported across the political parties.

### Knowledge resources

DanCann Pharma'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 experience of pharmaceuticals, R&D (from clinical stage to product development), and production in the biotech and horticultural industry. The company's staff today is over 10 people with broad and professional competencies in various areas.

### Research and development activities

In 2020, the company has developed its first production facility, BIOTECH PHARM1, which as of March 2021 has launched its first operations. The facility aims to produce raw materials (rare pharma-grade (GMP) phytocannabinoids (APIs)). These substances are intended for use both in the company's own pharmaceuticals, as well as meeting the needs of both large and small drug development companies.

In parallel, the company has worked intensively on its product portfolio for the distribution of cannabinoid-based drugs, both Rx- and OTC, both approved and non-approved, and has, among other things, signed an agreement with MediPharm Labs and Cannasure Therapeutics (exclusive agreement for the whole of Scandinavia and - among other things - pharmaceuticals based on the patented AKVANO® technology). At the end of the year, the company has applied for permission to become an intermediate manufacturer (import) through the Pilot Programme via the Danish Medicines Agency.

### Future expectations

The company has completed its first phase of BIOTECH PHARM1. Based on the predicted outcome, the company expects the facility to be approved by the Danish Medicine Agency at the end of 2021 and will be able to start selling raw materials to the European market in the beginning of 2022. It is the executive management's best estimate that this will result in an annual turnover of approx. MDKK +40 based solely on this part of the business (raw materials and APIs) mainly sold and marketed south of the Danish border (Germany). In parallel with this, the company expects in the new year to start its processes around the strategy which is currently being prepared around the entire stage called "product development".

The tight regulatory conditions surrounding the processes in the Danish Pilot Programme (non-approved drugs, "medical cannabis") regarding approvals and sales have led to a broader scope of the company's business areas and further an acceleration of the business in Europe, initially with primary focus on Germany, Denmark, Sweden, Norway and Finland, with the agreement with Tetra Bio-Pharma as a first result (approved medicines). The Tetra Bio-Pharma agreement is expected to be closed in the first half of 2021.

Pursuant to registration with the European Medicines Agency (EMA), DanCann Pharma will handle the exclusive sales and distribution in the Nordics and Germany for the products, Reduvo™ Adversa® and Qixleef™. In addition, the agreement covers Tetra's OTC product Enjouca™. As a supplement to this, there are currently only two cannabinoid-based approved drugs in Denmark and in Europe, both from GW Pharmaceuticals, called Sativex® and Epidyolex®, respectively. None of GW Pharmaceuticals approved drugs will be in direct competition (patient groups) with Reduvo™ Adversa® or Qixleef™. The company estimates reaching peak total sales of MDKK 340 - 410 by 2028, depending on the final outcome and scope of the agreement.

The company intends to pursue more agreements similar to the one with Tetra Bio-Pharma (approved cannabinoid-based drugs) and purchase rights and licenses for the European market for these. Introductory dialogues have been initiated with exciting and promising players in the field with relevant drugs in their pipeline.

To implement the company's future plans, the company is dependent on its outstanding warrants (DanCann Pharma's warrants of series TO 1 traded under the ticker "DANCAN TO 1" with ISIN DK0061410560). In the case that the warrants not become attractive and hereby accomplished, the

## MANAGEMENT COMMENTARY

### **Future expectations (continued)**

company plans to conduct a capital increase in late 2021 along with a potential move to a new trading platform, that will ensure sufficient liquidity for the company and its vision and goals for 2022, and will open for the opportunity to trade the company's shares wide in Europe and globally. If the conditions for warrants and admission to a new trading platform are not present, the company has the opportunity to reduce the commercial costs until the final product approval.

**INCOME STATEMENT 1 JANUARY - 31 DECEMBER**

	Note	2020 DKK	2019 DKK
<b>GROSS LOSS</b> .....		<b>-4.829.650</b>	<b>-421.797</b>
Staff costs.....	1	-946.527	-197.103
Depreciation, amortisation and impairment losses.....		-94.115	-7.875
<b>OPERATING LOSS</b> .....		<b>-5.870.292</b>	<b>-626.775</b>
Other financial income.....		24.166	0
Other financial expenses.....		-140.064	-11.642
<b>LOSS BEFORE TAX</b> .....		<b>-5.986.190</b>	<b>-638.417</b>
Tax on profit/loss for the year.....	2	1.731.578	138.600
<b>LOSS FOR THE YEAR</b> .....	3	<b>-4.254.612</b>	<b>-499.817</b>

**BALANCE SHEET AT 31 DECEMBER**

ASSETS	Note	2020 DKK	2019 DKK
Development projects in progress and prepayments.....		15.683.748	948.455
<b>Intangible assets.....</b>	<b>4</b>	<b>15.683.748</b>	<b>948.455</b>
Other plant, machinery, tools and equipment.....		1.756.315	22.992
Leasehold improvements.....		270.140	35.054
Tangible fixed assets in progress and prepayment.....		1.952.758	0
<b>Property, plant and equipment.....</b>	<b>5</b>	<b>3.979.213</b>	<b>58.046</b>
Rent deposit and other receivables.....		322.000	0
<b>Financial non-current assets.....</b>	<b>6</b>	<b>322.000</b>	<b>0</b>
<b>NON-CURRENT ASSETS.....</b>		<b>19.984.961</b>	<b>1.006.501</b>
Raw materials and consumables.....		9.844	0
<b>Inventories.....</b>		<b>9.844</b>	<b>0</b>
Provision for deferred tax.....	9	0	173.279
Other receivables.....		4.324.575	91.461
Corporation tax receivable.....		3.241.765	0
Prepayments and accrued income.....	7	658.219	21.930
<b>Receivables.....</b>		<b>8.224.559</b>	<b>286.670</b>
<b>Cash and cash equivalents.....</b>		<b>21.329.296</b>	<b>179.396</b>
<b>CURRENT ASSETS.....</b>		<b>29.563.699</b>	<b>466.066</b>
<b>ASSETS.....</b>		<b>49.548.660</b>	<b>1.472.567</b>

**BALANCE SHEET AT 31 DECEMBER**

EQUITY AND LIABILITIES	Note	2020 DKK	2019 DKK
Share capital.....	8	777.405	1
Reserve for development costs.....		12.233.323	0
Retained profit.....		31.314.808	-625.269
<b>EQUITY.....</b>		<b>44.325.536</b>	<b>-625.268</b>
Provision for deferred tax.....	9	1.336.908	0
<b>PROVISIONS.....</b>		<b>1.336.908</b>	<b>0</b>
Other liabilities.....		23.800	0
<b>Non-current liabilities.....</b>	10	<b>23.800</b>	<b>0</b>
Leasing liabilities.....		185.344	0
Trade payables.....		2.820.370	99.500
Payables to owners and management.....		0	549.175
Other liabilities.....		856.702	1.449.160
<b>Current liabilities.....</b>		<b>3.862.416</b>	<b>2.097.835</b>
<b>LIABILITIES.....</b>		<b>3.886.216</b>	<b>2.097.835</b>
<b>EQUITY AND LIABILITIES.....</b>		<b>49.548.660</b>	<b>1.472.567</b>
 Contingencies etc.	 11		
Charges and securities	12		
Related parties and controlling interest	13		

## EQUITY

	Share capital	Share premium account	Reserve for development costs	Retained profit	Total
Equity at 1 January 2020.....	1	0	0	-1.365.064	-1.365.063
Change of equity due to change of policy.....				739.795	739.795
<b>Adjusted equity at 1 January 2020.....</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>-625.269</b>	<b>-625.268</b>
Proposed profit allocation, Note3.....				-4.254.612	-4.254.612
<b>Transactions with owners</b>					
Capital increase.....	777.404	53.097.322			53.874.726
Cost of capital increase.....		-4.669.310			-4.669.310
<b>Other legal bindings</b>					
Capitalized development costs.....			15.683.748	-15.683.748	0
<b>Engelsk</b>					
Transfer to/from other items.....	-48.428.012			48.428.012	0
Tax on changes in equity.....			-3.450.425	3.450.425	0
<b>Equity at 31 December 2020.....</b>	<b>777.405</b>	<b>0</b>	<b>12.233.323</b>	<b>31.314.808</b>	<b>44.325.536</b>

During the financial year, 20,730,800 new shares were subscribed new investments with a nominal value of DKK 0.0375 with a total share capital of 777,405 DKK.

**CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER**

	<b>2020</b> DKK	<b>2019</b> DKK
Profit/loss for the year.....	-4.254.612	-499.817
Depreciation and amortisation, reversed.....	94.115	7.875
Tax on profit/loss, reversed.....	-1.731.578	-138.600
Change in inventories.....	-9.844	0
Change in receivables (ex tax).....	-4.869.403	-94.362
Change in current liabilities (ex bank, tax, instalments payable and overdraft facility).....	3.083.412	468.486
Change in non-current liabilities (ex bank, tax, instalments payable and overdraft facility).....	23.800	0
<b>CASH FLOWS FROM OPERATING ACTIVITY.....</b>	<b>-7.664.110</b>	<b>-256.418</b>
Purchase of intangible assets.....	-14.735.293	-948.455
Purchase of property, plant and equipment.....	-4.015.282	-61.668
Purchase of financial assets.....	-322.000	0
<b>CASH FLOWS FROM INVESTING ACTIVITY.....</b>	<b>-19.072.575</b>	<b>-1.010.123</b>
Loan from majority owner.....	-549.175	501.575
Increase Loans.....	-955.000	955.000
Increase leasing debt.....	185.344	0
Other capital items - capital raising costs.....	-4.669.310	0
Sharecapital payments.....	53.874.726	1
<b>CASH FLOWS FROM FINANCING ACTIVITY.....</b>	<b>47.886.585</b>	<b>1.456.576</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<b>21.149.900</b>	<b>190.035</b>
Cash and cash equivalents at 1. januar.....	179.396	-10.639
<b>CASH AND CASH EQUIVALENTS AT 31. DECEMBER.....</b>	<b>21.329.296</b>	<b>179.396</b>
Cash and cash equivalents at 31 December comprise:		
Cash and cash equivalents.....	21.329.296	179.396
<b>CASH AND CASH EQUIVALENTS, NET DEBT.....</b>	<b>21.329.296</b>	<b>179.396</b>

## NOTES

	2020 DKK	2019 DKK	Note
<b>Staff costs</b>			<b>1</b>
Average number of employees	4	4	
Wages and salaries.....	2.728.716	1.131.131	
Pensions.....	152.403	0	
Social security costs.....	31.708	14.427	
Other staff costs.....	28.758	0	
Wages and salaries, development projects.....	-1.995.058	-948.455	
	<b>946.527</b>	<b>197.103</b>	
Remuneration of Executive Board.....	623.799	47.905	
Remuneration of board of directors.....	148.750	0	
	<b>772.549</b>	<b>47.905</b>	
<b>IPO success fee to the Executive Management of DanCann Pharma A/S</b>			
The CEO, COO and CFO each receives a success fee of DKK 100 000, as the IPO is completed, and the Company's Shares are admitted to trading on Spotlight Stock Market. The success fee, which was contingent on and solely dependent on the result and implementation of the IPO, is accrued in the Annual Report of 2020 and paid in January 2021.			
The IPO process was completed 28 October 2020.			
<b>Tax on profit/loss for the year</b>			<b>2</b>
Calculated tax on taxable income of the year.....	-3.241.765	0	
Adjustment of deferred tax.....	1.510.187	-138.600	
	<b>-1.731.578</b>	<b>-138.600</b>	
<b>Proposed distribution of profit</b>			<b>3</b>
Retained earnings.....	-4.254.612	-499.817	
	<b>-4.254.612</b>	<b>-499.817</b>	
<b>Intangible assets</b>			<b>4</b>
		Development projects in progress and prepayments	
Change of policy.....		948.455	
Additions.....		14.735.293	
<b>Cost at 31 December 2020.....</b>		<b>15.683.748</b>	

The company's activity from establishment have been to incur development costs with the purpose of receiving authorisation from the Danish Medicines Agency to produce cannabis intermediate products from which a current netincome can be achieved.

## NOTES

			Note
<b>Property, plant and equipment</b>			<b>5</b>
	Other plant, machinery, tools and equipment	Leasehold improvements	Tangible fixed assets in progress and prepayment
Cost at 1 January 2020.....	26.484	39.584	0
Additions.....	1.815.402	247.122	1.952.758
<b>Cost at 31 December 2020.....</b>	<b>1.841.886</b>	<b>286.706</b>	<b>1.952.758</b>
Depreciation and impairment losses at 1 January 2020.....	3.492	4.530	
Depreciation for the year.....	82.079	12.036	
<b>Depreciation and impairment losses at 31 December 2020.....</b>	<b>85.571</b>	<b>16.566</b>	
<b>Carrying amount at 31 December 2020.....</b>	<b>1.756.315</b>	<b>270.140</b>	<b>1.952.758</b>
Finance lease assets.....	206.917		
<b>Financial non-current assets</b>			<b>6</b>
			Rent deposit and other receivables
Cost at 1 January 2020.....			322.000
<b>Cost at 31 December 2020.....</b>			<b>322.000</b>
<b>Carrying amount at 31 December 2020.....</b>			<b>322.000</b>
<b>Prepayments and accrued income</b>			<b>7</b>
Costs.....		658.219	21.930
		<b>658.219</b>	<b>21.930</b>
Prepaid cost is IT-cost and rental.			
<b>Share capital</b>			<b>8</b>
Allocation of share capital:			
1, 0 unit in the denomination of 1.0000 DKK.....		1	1
Capital raise, 14.060.770 unit in the denomination of 0.0375 DKK.....		527.279	0
Capital raise, 6.670.000 unit in the denomination of 0.0375 DKK.....		250.125	0
		<b>777.405</b>	<b>1</b>

## NOTES

			<b>Note</b>
<b>Provision for deferred tax</b>			<b>9</b>
Provision for deferred tax comprises deferred tax on the following:			
Deferred tax regarding:			
Development projects in progress and prepayments.....	3.450.425	208.660	
Production plant and machinery.....	123.830	688	
Leasehold improvements.....	10.906	939	
Prepayment and accrued income.....	99.432	0	
Leasing liabilities.....	-40.776	0	
Remaining unused tax losses.....	-2.306.909	-383.566	
	<b>1.336.908</b>	<b>-173.279</b>	
	<b>2020</b>	<b>2019</b>	
	<b>DKK</b>	<b>DKK</b>	
Deferred tax, beginning of year.....	-173.279	-381.939	
Deferred tax of the year, income statement.....	1.510.187	0	
Accounting policy change.....	0	208.660	
<b>Provision for deferred tax 31 December 2020.....</b>	<b>1.336.908</b>	<b>-173.279</b>	
 <b>Long-term liabilities</b>			<b>10</b>
	31/12 2020	Repayment	Debt
	total liabilities	next year	outstanding
			after 5 years
			31/12 2019
			total liabilities
Other liabilities.....	23.800	0	23.800
	<b>23.800</b>	<b>0</b>	<b>23.800</b>
			<b>0</b>
 <b>Contingencies etc.</b>			<b>11</b>
<b>Contingent liabilities</b>			
The company has entered into one rental of property with an annual rent of DKK'000 263 T.DKK. The rental can not be terminated from the landlord before 1 June 2030 and DanCann Pharma A/S has pre-emptive right to purchase of the property.			
Another rental of property have an annual rent of DKK'000 72 that can be terminated by both parties with 6 month notice.			
The company has entered into an operational leasing contract with a total leasing obligation of DKK'000 188.			
 <b>Charges and securities</b>			<b>12</b>
Cash of 656 T.DKK have been set as security in bank.			

## NOTES

## Note

**Related parties and controlling interest**

13

At year end DanCann Pharma A/S has no related parties.

CEO Jeppe Krog Rasmussen, Smaragdvej 9, 9. t.v., 7100 Vejle had at the beginning of the year controlling interest by ownership through JKR Investment Group ApS, CVR-no. 40235132.

**Transactions with related parties**

The company did not carry out any material transactions with related parties that were not concluded on market conditions. According to section 98c, subsection 7 of the Danish Financial Statements Act information is given only on transactions that were not performed on common market conditions.

## ACCOUNTING POLICIES

The Annual Report of DanCann Pharma A/S for 2020 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, medium-size enterprises.

The Annual Report is prepared consistently with the accounting principles applied last year, except for the following changes.

### Change in accounting policies and classification

The accounting policies have been changed in the following areas:

- The company's development costs were previously expensed. Practice has been changed so that the company's development costs are recognized and measured at cost with depreciation when development projects are completed.

The company's activity from establishment have been to incur development costs with the purpose of receiving authorisation from the Danish Medicines Agency to produce cannabis intermediate products from which a current net income can be achieved.

The application of the rules for capitalization of development costs thus provides a more accurate picture of the company's assets and liabilities, financial position and result also in the future when production and sales are established.

Comparative figures have been adjusted for the changed accounting policies.

The accumulated effect of the change in practice constitutes an increase in last year's profit after tax and equity by DKK'000 740. The balance sheet total is increased by DKK'000 948.

## INCOME STATEMENT

### Other external expenses

Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operational lease expenses, etc.

### Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

### Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

### Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

## BALANCE SHEET

### Intangible fixed assets

**ACCOUNTING POLICIES**

Development costs comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the company’s development activities and which fulfil the criteria for recognition.

Capitalised development costs are measured at the lower of cost less accumulated amortisation or recoverable amount.

Capitalised development costs are amortised on a straight-line basis over the estimated useful life after completion of the development work. The amortisation period is to begin after completion of the development work.

Intangible fixed assets are generally written down to the lower of recoverable value and carrying amount.

Profit or loss from sale of intangible fixed assets is calculated at the difference between the sales price and the carrying amount at the time of the sale. Profit and loss are recognised in the Income Statement under other operating income or other operating expenses.

**Tangible fixed assets**

Other plant, machinery, tools and equipment and Leasehold improvements are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

The depreciation base is cost less estimated residual value after end of useful life. The depreciation begins when taking the individual fixed asset into use.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Other plant, machinery, tools and equipment.....	1-5 years	0-63 %
Leasehold improvements.....	5-10 years	0 %

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

**Financial non-current investments**

Deposits include rental deposits which are recognised and measured at cost. Deposits are not depreciated.

**Impairment of fixed assets**

The carrying amount of intangible fixed and tangible assets together with financial assets, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, the assets are written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

## ACCOUNTING POLICIES

### Inventories

Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, the inventories are written down to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

### Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is reduced by impairment losses to meet expected losses.

### Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

### Tax payable and deferred tax

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

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

### Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the Income Statement over the term of loan.

Amortised cost for short-term liabilities usually corresponds to the nominal value.

The capitalised residual lease liability on finance lease contracts is also recognised as financial liabilities.

## CASH FLOW STATEMENT

The cash flow statement shows the company's cash flows for the year for operating activities, investing activities and financing activities in the year, the change in cash and cash equivalents of the year and cash and cash equivalents at beginning and end of the year.

### Cash flows from operating activities:

Cash flows from operating activities are computed as the results for the year adjusted for non-cash operating items, changes in net working capital and corporation tax paid.

## ACCOUNTING POLICIES

### Cash flows from investing activities:

Cash flows from investing activities include payments in connection with purchase and sale of intangible and tangible fixed asset and fixed asset investments.

### Cash flows from financing activities:

Cash flows from financing activities include changes in the size or composition of share capital and related costs, and borrowings and repayment of interest-bearing debt and payment of dividend to shareholders.

### Cash and cash equivalents:

Cash and cash equivalents include bank overdraft and cash in hand.

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## Magnus Østergaard Dahlmann

Bestyrelsesmedlem

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## Jeppe Krog Rasmussen

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## Flemming Bro Lund

Statsautoriseret revisor

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