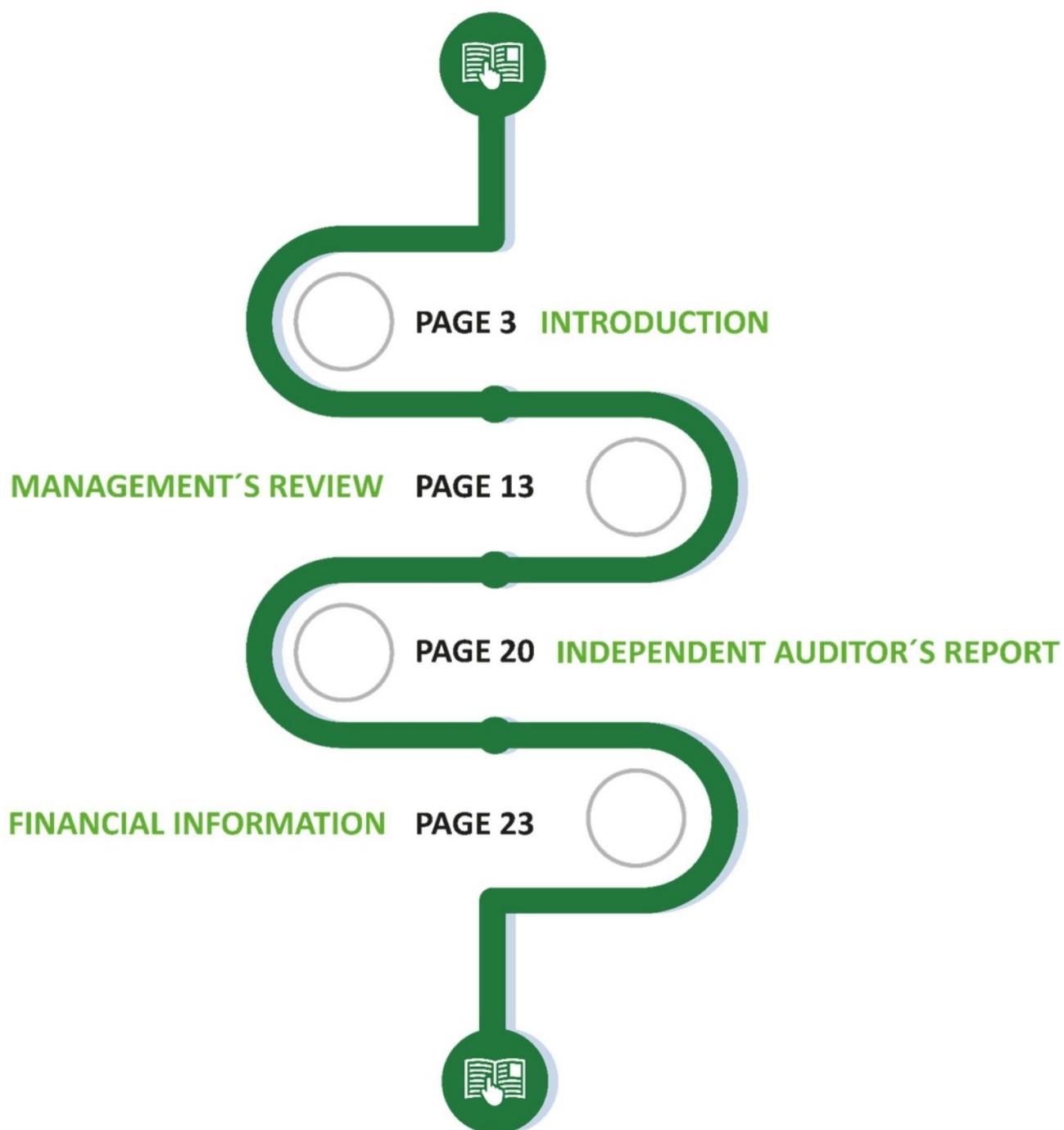


ANNUAL REPORT 2022

1 January - 31 December



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

INTRODUCTION

ANNUAL REPORT 2022

Stenocare A/S (Stenocare) 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, epilepsy, 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 extremely 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 international 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:

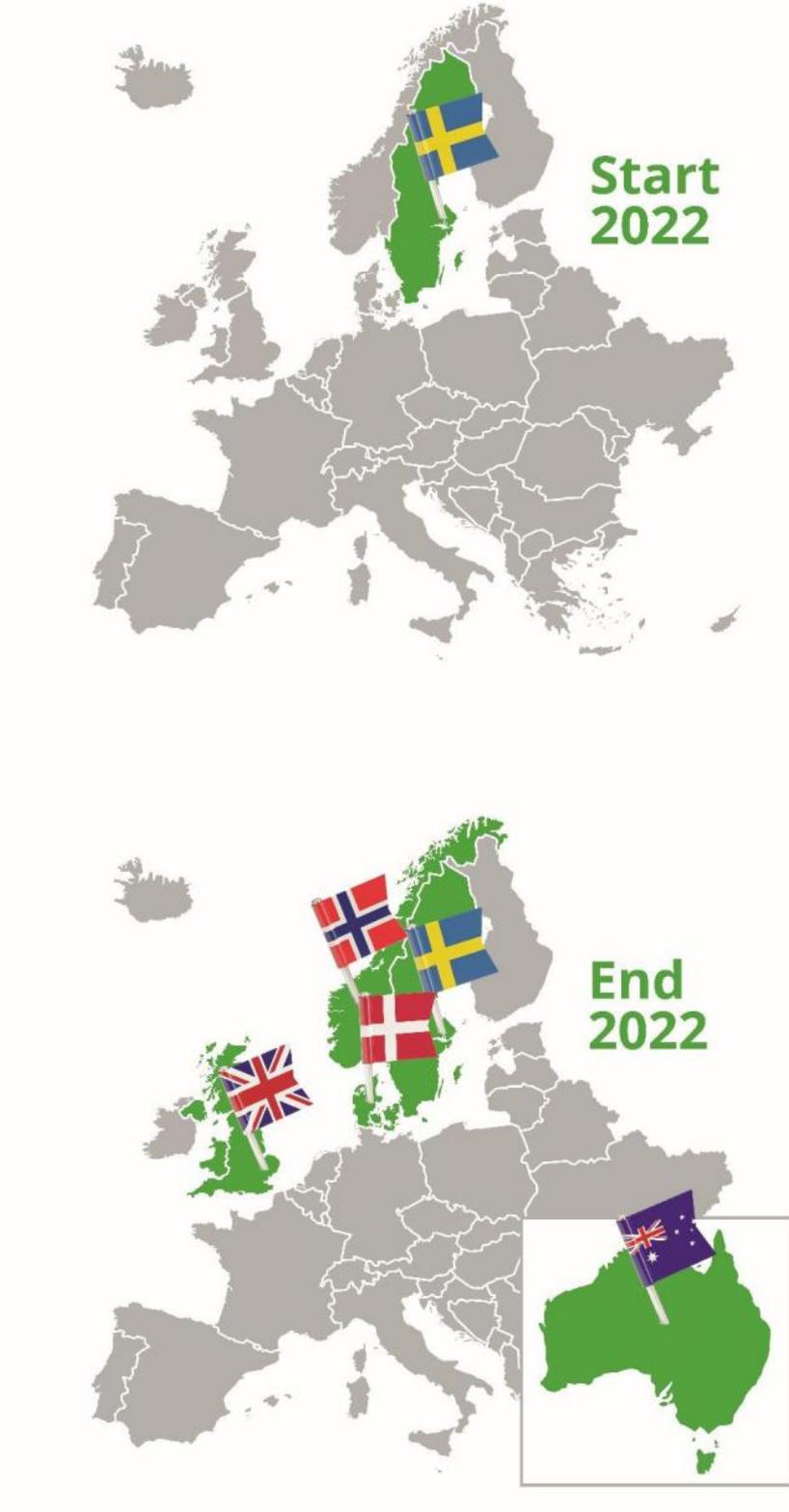


STENOCARE is aiming and well underway to become a Leading European pharma grade medical cannabis brand.

IT IS ALL ABOUT BUILDING the four ASSETS

1) The Regulatory Assets consists of licenses from relevant authorities to operate legally in a given market with specific products. This includes product approvals and licenses to handle, package, store and sell prescription-based medical cannabis products. 2) The Supply Chain Assets secure supply of high-quality products that is or can be licensed and sold to a relevant market and category of patients. Stenocare both have their own state of art indoor cultivation facility, and a multi-supplier strategy to have capacity to meet market demand and scale as more markets are added to the portfolio. 3) The Commercial Assets enable Stenocare to expand into new markets and having doctors prescribe and pharmacies dispense branded products in any market with relevant sales channels and distribution logistics in place. 4) The Partnership Assets is the company investments with strategic partners in the Pharma Industry. Examples: Formulation of next generation products, Pharma industry partnerships. This is a longer-term investment, that will position Stenocare to become a leading supplier in a market that will move towards higher pharma standards and requirements.

With STENOCARE 2.0 the company is well-positioned to become a market-leading brand in Europe. The strategy is to be represented in 8-10 markets by 2025. STENOCARE was the first in Denmark to receive approval to supply medical cannabis oil products to the Danish Pilot Programme, and the company is still the sole supplier of oil products for this programme. Stenocare is also the only supplier of full spectrum medical cannabis oil products to Sweden and Norway. The company has a good pipeline of new markets that are being qualified, and the Australian market has also been added to the list of markets where Stenocare and their partners have received approval to supply prescription-based medical cannabis oil products. Stenocare has now 11 products approved in 5 countries.



CEO COMMENTS:

“2022 WAS ABOUT MARKET EXPANSION, PRODUCT APPROVALS AND SALES”

We are now a European leader within prescription-based medical cannabis

and by the end of 2023 we expect to reach quarterly break-even along with continued growth in the number of markets, products and doctors that prescribe medical cannabis for treatment of chronic pain and more.



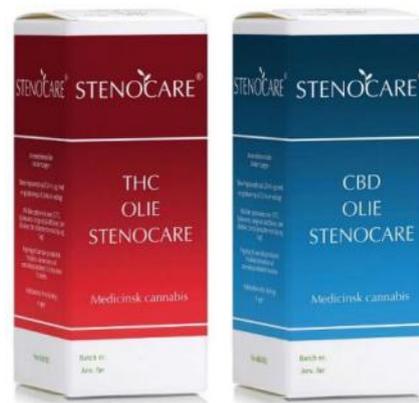
In 2022, our four strategic assets paid off:

- **Regulatory:** We continued to be the only company in Denmark to have medical cannabis oil products accepted into the Danish Pilot program and make them available for patients.
- **Supply chain:** We now have a strong product portfolio for patients. We continued to strengthen our supply relation with our key supplier and others. Also, our own factory is coming closer to commercial launch of own products.
- **Commercial:** From the outset of 2022, we were selling 2 products in 1 country. At the end of the year, we were selling 11 products in 5 countries. We ended the year with a record quarterly sale of 2.8 mDKK that adds up to 4.5 mDKK for the full year – which is a growth of 181% versus 2021.
- **Partnerships:** With our development partner, we entered a new phase with the completion of a pharmacokinetic study. We received data that makes us optimistic regarding developing the next generation of medical cannabis oil products.

Three new markets

In 2022, we observed that several major international competitors realized that each European market is unique and demands endurance and adaptation. In response, they refocused on their home markets in North America.

Fortunately, this development presents an excellent opportunity for Stenocare to expand into new and growing markets. With our proven track record of collaborating with local medicine agencies to obtain product approvals, and our efficient and scalable operations, we are well-positioned to adapt succeed in each new market as it matures.



In 2022, we made significant commercial investments to expand into three new countries. We not only established the required regulatory and logistical infrastructure but also devoted substantial resources to obtaining local medicine agencies' approval for our products. We are particularly proud to have successfully entered Denmark, UK, Australia, and Norway with nine new products that have obtained regulatory approval. This achievement demonstrates that our strategic assets are a competitive differentiator. Our products are now available for sale to patients in these markets, a testament to the effectiveness of our approach.

By the end of 2022, we had 11 prescription-based products in five different countries, underscoring our commitment to expanding our global footprint and offering high-quality products to patients worldwide.

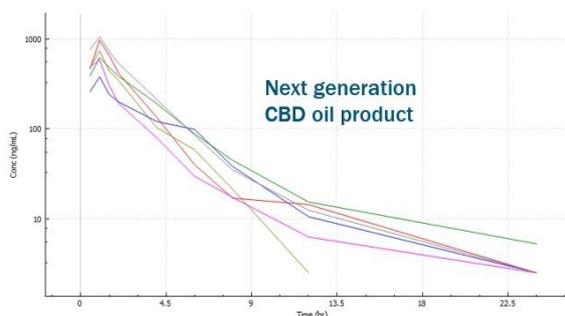
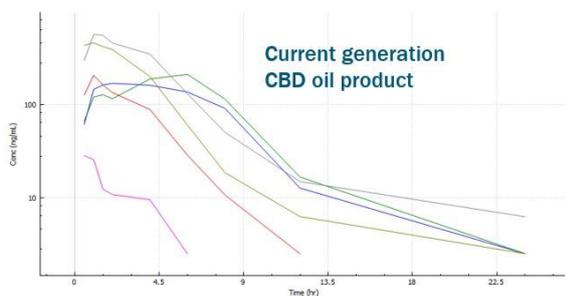
Next-Generation Products and Technologies

Development of more advanced, pharma grade medical cannabis products is an important component of our strategy. While the European market for medical cannabis is still in its early stages, we aim to advance our market leadership to offer the most comprehensive and value added product portfolio in the next 2-3 years.

To achieve this, we have partnered with experienced pharmaceutical researchers to develop and test the next generation of medical cannabis oil products. In 2022, we completed a pharmacokinetic study in collaboration with external labs, and the results were extremely positive.

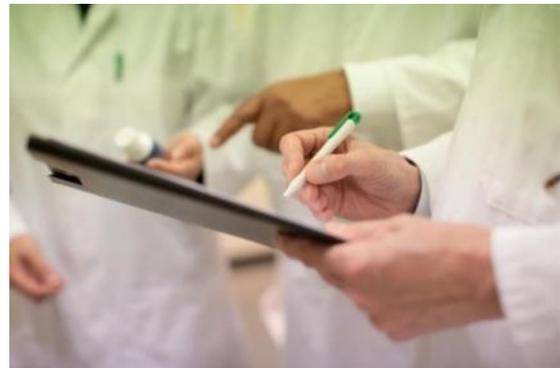
We have secured exclusive worldwide rights to use the proprietary oil technology that addresses some of the key challenges faced by our industry in administering dosages and ensuring effective cannabinoid uptake by patients.

Pharmacokinetic Study / Uptake in the blood



The data from the study documents that we can significantly increase the uptake in the blood, deliver a uniform dosage regardless of food intake and reach maximum bioavailability much faster and consistently across the patients.

We believe that this technology has the potential to revolutionize our industry by providing improved efficacy for patients and valuable pharmacokinetic data for prescribing doctors. Our next step is to develop a commercial product using this oil technology, and we aim to complete this within the next 12-18 months.



In summary: Stronger than ever

Like many others, we have experienced the effects of the turbulence in the world around us. The recent aggression in Ukraine led to unprecedented increases in energy prices and the costs of goods, while access to and the costs of capital were also under pressure. However, we have a lean organization and have repeatedly demonstrated our ability to adapt quickly to sudden changes.

For 2023, we are on track to reach 15-20mDKK in revenue with an expected break-even by year-end. The remaining need for funding relates to fluctuations in sales, working-capital requirements and partially to the running cost of our state-of-the-art cultivation facility which will become a key part of our supply chain soon (expected next year). Lastly, we will service and refinance our debt of which 4-5 mDKK is due this year. We plan to cover the funding need until break-even as well as potential additional growth initiatives through management of debt as well as equity financing as required.

“With 5 markets in place out of our target of 10 by 2025, advanced pharma grade products on the horizon and quarterly break-even in sight for end 2023, I can proudly say that we are stronger than ever”.

Thank you for your ongoing support.

Thomas Skovlund Schnegelsberg, CEO

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. On January 1st, 2022, the Pilot programme was expanded with another four years that allow all Danish doctors to prescribe medical cannabis for patient’s treatment.

On January 1st, 2022, the Danish Parliament also passed the law to permanently legalize Danish cultivation and production of prescription-based medical cannabis. This was an important milestone, that will allow Stenocare to continue its cultivation activities in the Danish facility and sell the products internationally.



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 several markets 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 diverse types of combinations of cannabis oils. It is the individual physician who decides which of the products a patient is to be treated with. These three products were withdrawn from the Danish market during Q3 2019 when Stenocare terminated the supply agreement with the supplier.



During 2020 the company started delivering two new medical cannabis oil products to patients in Sweden. In December 2021 the Danish regulatory review was completed and the Danish Medicines Agency approved the new THC Oil product for the Danish Pilot Programme. This THC Oil has been available for the Danish patients since mid 2022. In November 2022 the Danish regulatory review of a CBD Oil product was completed and the

Danish Medicines Agency approved the product for the Danish Pilot Programme. The CBD Oil product has been available for the Danish patients since January 2023. The company is still in process with the regulatory process that is targeting the Danish market to introduce more products. During 2022 the company also had prescription-based medical cannabis oil products approved for the UK, Australia and Norway. Stenocare have by the end of 2022 completed 11 regulatory product approval in 5 countries.

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. In November 2021 the company announced the supply agreement with a Canadian partner, and in 2022 a supply agreement with an Australian partner was signed. 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 Danish Medicines Agency (“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 Danish Medicines Agency (“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. As the company enter more markets, like Sweden, Norway, Australia and UK, the target groups will evolve to reflect local regulation and opportunities.

Market for prescription-based medical cannabis

The European market is an immature market and industry. Even though countries like Germany, UK, Denmark, Italy and France have legalized medical cannabis – they have not realized the hyper growth that was expected by industry analysts back in 2017/2018. The hype is being replaced with a healthy mentality and forecasts by analysts.



The European market is expected to grow 67% annually and become a significant medical cannabis market over the next 3-5 years, where industry analyst Prohibition Partners project European sales will reach 3.2 billion Euro by 2025.

Germany announced during 2021 their plans to legalize recreational cannabis. It is not clear which model and timing they will apply. This is not a market that Stenocare is targeting, but it is expected that the German decision will be a catalyst for further European legalization of medical cannabis. The logic behind this is, that the first step is to legalize medical use and then learn from this. Then the recreational legalization might be the next step after a thorough review of the medical use.

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 University of Copenhagen. 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 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 3 years has implemented a major digital transformation with huge value for the business for the 24 insurance companies, who has membership in Taksatorringen. 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 University of Copenhagen. 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 pharmaceutical commercial work including market access, medical

affairs, commercial strategy, and sales execution. Søren Melsing Frederiksen currently holds the position as Vice President, Commercial Rx and Product Development at Orifarm Healthcare A/S.



Jeppe Bo Petersen

Member of the Board since September 2018

Jeppe Bo Petersen, born 1966, is currently the CEO of Olivia Danmark A/S and Focus People A/S, market area director of Personal Assistance in Denmark, which is one of the largest actors in Denmark's within personal aid and support schemes 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.



Thomas Skovlund Schnegelsberg

CEO since October 2017 and co-founder

Thomas Skovlund Schnegelsberg, born in 1965, holds a Master of Science in Economics and Business Administration (cand. Merc), Copenhagen Business School and has extensive experience in management, strategy, business development, and brand marketing. Thomas Skovlund Schnegelsberg has been working at Microsoft in Denmark, Nordic, UK, and Europe, 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, and also spend 4 years on the Advisory Board for a new Information Management education at the Copenhagen Business School.



Rolf Steno

CCO since October 2017

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.



Søren Kjær

COO since October 2017, co-founder and Member of the Board since 2022

Søren Kjær, born 1964, holds a Master of Science in Horticulture from University of Copenhagen and has extensive experience with project management, innovation processes and biotechnology from the horticultural industry. Experience includes 20 years of consultancy.



Peter Bugge Johansen

CFO since August 2018

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 16 March 2023. Total number of shareholders is approximately 6,500 equally split between Denmark and Sweden.

Name	Number of shares	The proportion of votes and capital (%)
Steno Group ApS (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 2022, 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 annual 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 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 46,960 shares have been granted. 11,120 of the options have been vested in 2022, leaving a balance of outstanding options of 29,040.

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 01-01-2022 – 31-12-2022.

Financial calendar and annual general meeting

The Annual General Meeting of STENOCARE will be held in Copenhagen, Denmark on the 11th of April 2023.

January – March 2023 (Q1):	20.06.2023
January – June 2023 (Q2):	17.08.2023
January – September 2023 (Q3):	09.11.2023
January – December 2023 (Q4 and Year End)	22.02.2024
Annual report 2023:	20.03.2024

MANAGEMENT'S REVIEW

ANNUAL REPORT 2022

Key figures

Figures in DKK '000	01.01.22	01.01.21	01.01.20	01.01.19	19.10.17
	31.12.22	31.12.21	31.12.20	31.12.19	31.12.18
<i>Profit/loss</i>					
Sales	4,490	1,575	198	4,942	4,145
Operating profit/loss before depreciation EBITDA ¹⁾	-13,215	-12,991	-11,829	4,417	-3,591
Total net financials	-1,360	-181	-1,648	-2,112	-13
Profit/loss for the year	-16,303	-12,732	-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	39,604	43,936	56,340	31,608	21,710
Investments in property, plant and equipment	936	3,270	18,540	8,395	21
Equity	24,142	40,243	52,571	13,474	20,472
<i>Cash flow</i>					
Operating activities	-15,033	-13,343	-12,703	-2,545	-5,575
Investing activities	-937	-2,539	-18,545	-8,877	-27
Financing activities	8,679	1,243	35,882	15,000	23,749
Cash flows for the year	-7,291	-14,640	4,635	3,578	18,147

Ratios

<i>Profitability</i>					
EBITDA	-13,215	-12,991	-11,831	4,417	-3,591
Result per share	-1.40	-1.09	-1.12	0.19	-0.47
<i>Equity ratio</i>					
Solidity (%)	61	92	93	43	94
EBITDA	Profit/loss before depreciation, amortisation, write-downs of property, plant and equipment, income tax and financial items				
Result per share:	Profit/loss for the year divided by average number of shares				
Solidity (%):	Equity, end of year x 100 divided by total assets				

Products approved for sale

Start
2022



End
2022



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 is a supplier of medical cannabis oil for patients in Denmark, Sweden, UK, Australia and Norway. Stenocare has an indoor production facility for the cultivation and production of medical cannabis at the Company's premises in Randers, 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

STENOCARE worked intensively in 2022 with the four strategic assets



In all four assets Stenocare have made progress although it was realised once again that regulatory processes takes time.

In the first quarter a product (THC) was approved by the Danish Medicines Agency for sale to Danish patients. Stenocare was again the only supplier of medical cannabis oil product under the Danish Pilot Programme. Also in the first quarter Stenocare could announce positive feasibility study with development of a new medical cannabis oil formulation that has the potential to improve the uptake of cannabinoids to be consistent in patients. Stenocare also enters the UK market with three medical cannabis oil products.

In the second quarter the THC medical cannabis products became available for patients in Denmark.

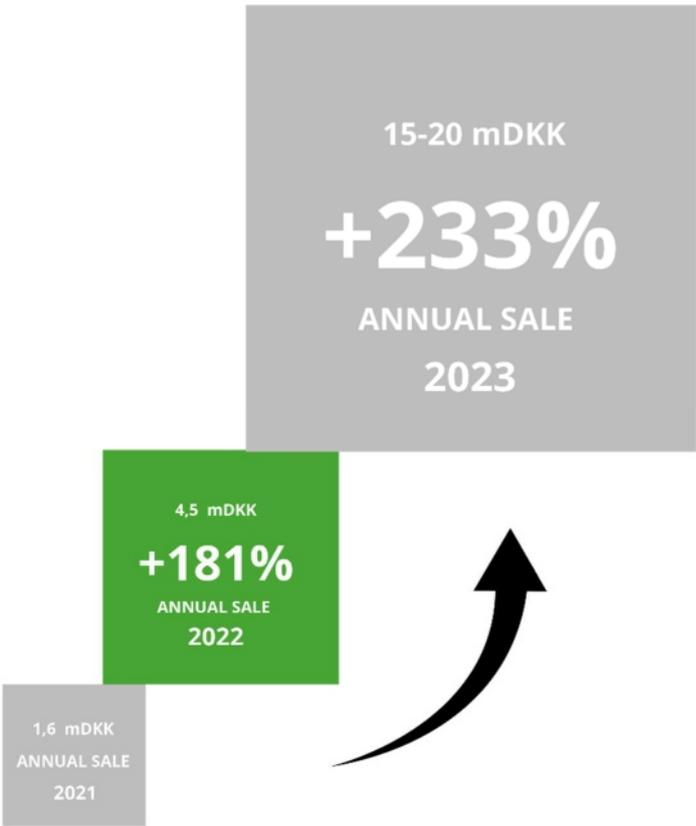
In the third quarter Stenocare announced entry to its 4th market starting sales in Australia later in 2022. Subsequent to the positive feasibility study announced in the first quarter Stenocare announces ground-breaking results from the study of a new medical cannabis oil formulation. The study shows that the new formulation dramatically enhances the bioavailability and thus uptake of cannabinoids, regardless of meal consumption and inter-individual biological differences.

In the fourth quarter Stenocare announces that it has received approval from The Danish Medicines Agency to sell a new CBD medical cannabis oil product to Danish patients. With this, Stenocare once again becomes the only supplier of both CBD and THC medical cannabis oil products under the Danish Pilot Programme. Also Stenocare announced entering its 5th market Norway with 3 medical cannabis products. Stenocare has a distribution agreement with the leading distributor and pharmacy chain in Norway, Apotek1, to secure nationwide distribution from day one. To secure the funding of Stenocare an extraordinary general meeting authorized the board of directors to enter into convertible loan agreements of up to 11 mDKK. Stenocare has subsequently entered into such loan agreements of 3.9 mDKK with repayment in January 2024.

During the financial year Stenocare worked intensively with medicine agencies in several countries including Denmark to have products approved for sales to patients. The result of this worked is that Stenocare now have 11 products approved for sale in 5 countries - Denmark, Sweden, UK, Norway and Australia.

For the year an operating loss of DKK -16,527,682 includes cost related to increased activity in commercial, regulatory and supply chain activities. The number of employees is unchanged 9 as the company has been cautious in controlling cost due to later approved products and hence lower sales than expected. Depreciations are increased from DKK 1,087,403 to 3,312,651 as the production facility is operational the full year compared to last year.

Stenocare realised an EBITDA for the financial year of DKK -13,215,031 and a net profit at DKK -16,303,170. The result is a loss larger than expectations due to products approved later in the calendar year and hence lower sales than expected. The balance sheet shows an equity of DKK 24,142,742 and total assets of DKK 39,604,370.



OUTLOOK 2023

Products approved in Denmark, Sweden, UK, Norway and Australia, and the learnings from these approval processes adding even more markets during 2023 gives confidence in increased sales for 2023. Stenocare expects to file an application for one or two new medical cannabis products with the Danish Medicine Agency in 2023.

Stenocare also expects to file an application with the Danish Medicine Agency for producing and selling medical cannabis bulk products from the production facility during 2023. The timing of the approval depends on the process time at the Danish Medicine Agency.

Therefore, expectations to EBITDA in 2023 is a loss lower than realised in 2022. The Company expects the sales to reach a level of 15-20 mDKK in 2023.

Stenocare has loans of 4,8 mDKK with maturity by 31 March 2023. After year-end this is prolonged to 30 June 2023. Management is planning to convert and/or refinance these loans in 2023 with equity or additional loan agreements under the convertible loan authorisation of 11 mDKK.

GOING CONCERN

Stenocare expects to reach a break-even quarterly result by end 2023 through increased sales due to recent product approvals in Denmark, UK, Norway and Australia. Up to 5 mDKK is required to finance operational costs and working capital in 2023. Stenocare can adjust planned operational costs and investments in order to finance the company's operations with available funds.

Stenocare has debt of 11 mDKK including loans of 4,8 mDKK with maturity by 31 March 2023 and convertible loans of 3,5 mDKK with maturity 1 January 2024. After year end the loan of 4,8 mDKK is prolonged to fall due on 30 June 2023. Management has together with an external advisor initiated plans to secure funding of 15-17 mDKK in 2023 to service the loans and planned operational cost.

The Financial Statements are prepared after the assumptions, that the funding and refinancing will be solved, and therefore prepared on a going concern basis. Also, the company has on several occasions raised funding as equity as well as loans. However, material uncertainty exists to the company's continued operations if for some reason the funding is not secured. The auditors refer to this situation in their report on the 2022 financial statements, though it is noted that their opinion is not modified in respect of this matter.

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 was in December 2021 extended with additional four years to December 31st, 2025. Stenocare mitigates the risk of the program not being extended or made permanent by increasing the number of markets to 10 countries in 2025. Also, in December 2021 the parliament confirmed the permanent legalization of Danish cultivation and production of medical cannabis.

There is a risk allocated to the suppliers of the Company regarding their ability for continuation of product supply to Stenocare. The Company has established procedures to minimize these risks. In addition to ordinary risks related to the industry e.g., regulatory changes in which the Company is operating, the Company is exposed to currencies as finished products from suppliers are purchased in CAD and AUD, and then sold in DKK, SEK, NOK, GBP and AUD.

GOVERNANCE

Stenocare focuses on good governance practices, including a two-tiered management structure consisting of a Board of Directors and Management. The Board of Directors is responsible for the company's overall strategy. The entire Board of Directors includes one of the founders of Stenocare and is seen as independent of the company. Management has the responsibility to carry out the strategy approved by the Board of Directors. The Board of Directors and Management work closely together and have approximately six formal meetings during the year plus virtual meetings when needed.

In December 2022, the Association of Listed Danish Growth Companies issued its corporate governance recommendations. The recommendations are to ensure trust in the companies from shareholders, investors and other stakeholders, and thus ensure long-term value creation. The recommendations have been prepared under

comply or explain principles, which are published on the company's website. Within the three sections, Stenocare has identified the most important ones for Stenocare and commented on those in the annual report as follows:

Recommendation no. 1.7 Guidance

Stenocare has included guidance on sales in 2023 in section Outlook 2023.

Recommendation no. 2.6 Cash flow outlook

The Board of Directors and Management continuously work on securing adequate funding for continued growth. Stenocare has, throughout the annual report for 2022, explained the company's current cash flow in the sections Outlook 2023 and Going Concern.

Recommendation no. 3.5 Remuneration of Board of Directors

The Board of directors have fixed fee and are all shareholders. Stenocare find this as the preferred model.

EXTERNAL ENVIRONMENT

In 2022, 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 Randers and has established procedures on limiting the impact of the environment from the cultivation.

RESEARCH AND DEVELOPMENT ACTIVITIES

In 2022 Stenocare has been actively engaged in the qualification and development of protocols in relation to acceptance of new cannabis oil products. Also, the Company continued to research and develop the High-Tech Indoor Cultivation Facility aiming for a pharma-grade production facility and working with product approval processes in various countries. Based on the research and development activities with the Cultivation Facility Stenocare aims to begin cultivation and production of medical cannabis in the Company's premises in Randers and begin the approval process at the Danish Medicines Agency towards the end of 2023. In 2019 the Company signed a strategic partnership agreement to develop, test and commercialize advanced cannabis-based medical products with a Danish company. In 2022 the Company got positive results from a study of a new oil formulation for cannabis-based medical products showing that the new formulation dramatically enhances the bioavailability and thus uptake of cannabinoids, regardless of meal consumption and inter-individual biological differences.

TREASURY SHARES

Treasury shares consists of:

	Acquisition value - DKK	No. of shares	Nominal value - DKK	Percentage of share capital
Treasury shares as at 01.01.22	8,483,071	265,927	21,274	2.28%
Shares transferred to employees as part of the option program	- 354,728	- 11,120	- 890	- 0.10%
Treasury shares as at 31.12.22	8,128,343	254,807	20,384	2.18%

SUBSEQUENT EVENTS

After the end of the financial year, the maturity of loans of 4.8 mDKK has been postponed from 31 March 2023 to 30 June 2023. Other than this no important events have occurred after the end of the financial year which have a significant impact on the financial statements.

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 01.01.2022 – 31.12.2022. 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 31.12.2022 and the results of its operations for the financial year 01.01.2022 - 31.12.2022. 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, 16 March 2023

Executive Board

Thomas Skovlund Schnegelsberg

CEO

Board of Directors

Marianne Wier

Chairman of the Board

Søren Melsing Frederiksen

Member of the Board

Jeppe Bo Petersen

Member of the Board

Søren Kjær

Member of the Board

INDEPENDENT AUDITOR'S REPORT

ANNUAL REPORT 2022

TO THE SHAREHOLDERS OF STENOCARE A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2022, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of STENOCARE A/S for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 Material uncertainty as regards going concern in the financial statements, which describes that the Company's current loan arrangements will mature in June 2023 and January 2024 respectively. Management has planned to initiate a refinancing process in 2023 to secure the funding required to continue operations and for settlement of current loan arrangements.

As the necessary funding is planned but not in place at time of approval of the financial statements, this indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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, in our view, 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 in Management's Review.

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.
- 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.

Hellerup, 16 March 2023
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Allan Knudsen
State Authorised Public Accountant
mne29465

Pawel C. Michalak
State Authorised Public Accountant
mne48479

FINANCIAL INFORMATION

ANNUAL REPORT 2022

Income statement

Note		2022 DKK	2021 DKK '000
4	Gross loss	-6,409,657	-5,758
5	Staff costs	-6,805,374	-7,234
	Loss before depreciation, amortisation, write-downs and impairment losses	-13,215,031	-12,992
	Depreciation and impairments losses of property, plant and equipment	-3,312,651	-1,087
	Operating loss	-16,527,682	-14,079
6	Income from equity investments in group enterprises	-82,262	0
	Financial income	16,989	32
	Financial expenses	-1,294,561	-213
	Loss before tax	-17,887,516	-14,260
7	Tax on loss for the year	1,584,346	1,528
	Loss for the year	-16,303,170	-12,732
8	Proposed appropriation account		

ASSETS		31.12.22	31.12.21
		DKK	DKK '000
Note			
	Leasehold improvements	1,393,710	1,005
	Plant and machinery	24,024,844	26,836
	Other fixtures and fittings, tools and equipment	561,766	516
	9 Total property, plant and equipment	25,980,320	28,357
	10 Equity investments in group enterprises	0	0
	11 Deposits	494,104	493
	Total investments	494,104	493
	Total non-current assets	26,474,424	28,850
	Manufactured goods and goods for resale	727,909	0
	Total inventories	727,909	0
	Trade receivables	3,624,656	0
	Receivables from group enterprises	0	18
	12 Deferred tax asset	1,357,120	1,377
	Income tax receivable	1,604,580	1,363
	Other receivables	1,077,264	454
	13 Prepayments	309,028	153
	Total receivables	7,972,648	3,365
	Cash	4,429,389	11,720
	Total current assets	13,129,946	15,085
	Total assets	39,604,370	43,935

EQUITY AND LIABILITIES		31.12.22	31.12.21
Note		DKK	DKK '000
14	Share capital	934,090	934
	Retained earnings	23,208,652	39,308
	Total equity	24,142,742	40,242
15	Other provisions	1,053,000	315
	Total provisions	1,053,000	315
16	Convertible and profit-sharing debt instruments	3,530,607	0
16	Lease commitments	1,266,290	988
	Total long-term payables	4,796,897	988
16	Short-term part of long-term payables	415,494	255
	Trade payables	3,010,508	1,188
17	Other payables	6,185,729	947
	Total short-term payables	9,611,731	2,390
	Total payables	14,408,628	3,378
	Total equity and liabilities	39,604,370	43,935
18	Contingent liabilities		
19	Related parties		

Statement of changes in equity

Figures in DKK	Share capital	Retained earnings	Total equity
Statement of changes in equity for 01.01.21 - 31.12.21			
Balance as at 01.01.21	934,090	51,636,473	52,570,563
Share-based payments	0	404,471	404,471
Net profit/loss for the year	0	-12,732,465	-12,732,465
Balance as at 31.12.21	934,090	39,308,479	40,242,569
Statement of changes in equity for 01.01.22 - 31.12.22			
Balance as at 01.01.22	934,090	39,308,479	40,242,569
Share-based payments	0	203,343	203,343
Net profit/loss for the year	0	-16,303,170	-16,303,170
Balance as at 31.12.22	934,090	23,208,652	24,142,742

Cash flow statement

Note	2022 DKK	2021 DKK '000
Loss for the year	-16,303,170	-12,732
20 Adjustments	3,291,482	-106
Change in working capital:		
Inventories	-727,909	0
Receivables	-4,664,861	137
Trade payables	1,822,439	-1,377
Other payables relating to operating activities	-447,789	-257
Other provisions	738,000	315
Cash flows from operating activities before net financials	-16,291,808	-14,020
Interest income and similar income received	0	32
Interest and similar expenses paid	-103,417	-213
Income tax received	1,362,568	857
Cash flows from operating activities	-15,032,657	-13,344
Purchase of property, plant and equipment	-935,866	-3,270
Sale of property, plant and equipment	0	731
Deposits	-975	0
Cash flows from investing activities	-936,841	-2,539
Arrangement of loans	8,239,787	0
Arrangement of financial lease commitments	859,243	1,371
Repayment of financial lease commitments	-420,165	-128
Cash flows from financing activities	8,678,865	1,243
Total cash flows for the year	-7,290,633	-14,640
Cash, beginning of year	11,720,022	26,360
Cash, end of year	4,429,389	11,720
Cash, end of year, comprises:		
Cash	4,429,389	11,720
Total	4,429,389	11,720

1. Material uncertainty as regards going concern

As of 31 December 2022, Stenocare has loans of DKK 4,8 million which fall due on 31 March 2023 and convertible loans of DKK 3,5 million which fall due on 1 January 2024. After year end, Management has prolonged loans of DKK 4,8 million to fall due on 30 June 2023. In order to secure cash flows to continue operations in accordance with the approved budget for 2023 and for settlement of current loan arrangements, Stenocare will raise funding of approx. DKK 15-17 million in 2023. Management has together with an external advisor initiated plans to secure the funding required.

The Financial Statements are prepared under the assumption that the funding and refinancing will be solved, and therefore prepared on a going concern basis. However, this also indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

2. Uncertainty concerning recognition and measurement

In the financial statements for 2022, 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 program, enabling all Danish physicians to prescribe cannabis for medical use. The trial program has been prolonged by the Danish Parliament for an additional 4 years to 31 December 2025. Furthermore, the Danish Parliament passed a law to permanently legalise the cultivation and production of prescription-based medical cannabis in Denmark starting 2022.

The recognition and measurement of assets, liabilities, expenses, depreciation and impairments is in all material aspects under the assumption that the necessary approvals of products and production will be obtained and that the Company's licenses will not be revoked and / or upheld by relevant government bodies. Management expects such approvals to be in place in the coming years.

3. Subsequent events

After the end of the financial year, the maturity of loans of mDKK 4.8 has been postponed from 31 March 2023 to 30 June 2023.

Other than this, no significant events have occurred after the end of the financial year, which have a significant impact on the financial statements.

	2022	2021
	DKK	DKK '000

4. Gross loss

Revenue	4,489,581	1,575
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	2022	2021
	DKK	DKK '000

5. Staff costs

Wages and salaries	6,422,414	6,836
Pensions	144,556	180
Other social security costs	21,080	20
Other staff costs	217,324	198

Total	6,805,374	7,234
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Average number of employees during the year	9	9
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Remuneration for the management:

Total remuneration for the Executive Board	804,000	804
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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	1,154,000	1,154
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Expense arising from equity-settled share-based payment transactions amount in 2022 to DKK 203,343 (2021: DKK 404k).

	2022	2021
	DKK	DKK '000

6. Income from equity investments in group enterprises

Share of profit or loss of group enterprises	-82,262	0
Total	-82,262	0

7. Tax on loss for the year

Current tax for the year	-1,604,624	-1,363
Adjustment of deferred tax for the year	20,278	-165
Total	-1,584,346	-1,528

8. Proposed appropriation account

Retained earnings	-16,303,170	-12,732
Total	-16,303,170	-12,732

9. Property, plant and equipment

Figures in DKK	Leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment
Cost as at 01.01.22	1,119,359	27,688,322	686,488
Additions during the year	707,035	0	228,831
Cost as at 31.12.22	1,826,394	27,688,322	915,319
Depreciation and impairment losses as at 01.01.22	-114,556	-852,022	-170,486
Depreciation during the year	-318,128	-2,811,456	-183,067
Depreciation and impairment losses as at 31.12.22	-432,684	-3,663,478	-353,553
Carrying amount as at 31.12.22	1,393,710	24,024,844	561,766
Carrying amount of assets held under finance leases as at 31.12.22	1,267,960	0	427,184

10. Equity investments in group enterprises

Figures in DKK	Equity invest- ments in group enterprises
Cost as at 01.01.22	7
Cost as at 31.12.22	7
Depreciation and impairment losses as at 01.01.22	-7
Net profit/loss from equity investments	-82,262
Negative equity value impaired in receivables	82,262
Depreciation and impairment losses as at 31.12.22	-7
Carrying amount as at 31.12.22	0
	Ownership interest
Name and registered office:	
Subsidiaries:	
STENOCARE Ireland Ltd., Ireland	100%

11. Other non-current financial assets

Figures in DKK	Deposits
Cost as at 01.01.22	493,129
Additions during the year	975
Cost as at 31.12.22	494,104
Carrying amount as at 31.12.22	494,104

	31.12.22	31.12.21
	DKK	DKK '000
12. Deferred tax		
Provisions for deferred tax as at 01.01.22	1,377,398	1,213
Deferred tax recognised in the income statement	-20,278	165
Provisions for deferred tax as at 31.12.22	1,357,120	1,378
Deferred tax is distributed as below:		
Property, plant and equipment	-2,219,025	-882
Receivables	10,495	11
Provisions	231,660	69
Liabilities	493,329	273
Tax losses	2,840,661	1,907
Total	1,357,120	1,378

As at 31.12.22, the company has recognised a deferred tax asset of DKK 1,357k. The total tax losses carried forward amounts to DKK 41,836k, corresponding to a deferred tax asset value of DKK 9,204k. The recognised deferred tax asset related to tax losses carried forward amounts to DKK 2,841k, corresponding to 30% of the total tax losses carried forward and is recognised on the basis of expectations of positive operating results for the coming years.

	31.12.22	31.12.21
	DKK	DKK '000

13. Prepayments

Prepaid expenses	309,028	153
Total	309,028	153

14. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK
Share capital	11,676,126	934,090
Total		934,090

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 Treasury Shares kept by the Company.

At the date of this annual report, options for a total of 46,960 shares have been granted. 17,920 of the options have been vested leaving a balance of options of 29,040. On vesting, the shares are transferred to the employee from treasury shares and the movement in 2022 therefore reduces the number of treasury shares to 254,807.

15. Other provisions

Figures in DKK	Other provisions	
Provisions as at 01.01.22		315,000
Applied during the year		-315,000
Provisions during the year		1,053,000
Provisions as at 31.12.22		1,053,000
	31.12.22	31.12.21
	DKK	DKK '000

Other provisions are expected to be distributed as follows:

Current liabilities	1,053,000	315
Total	1,053,000	315

Other provisions comprise provisions to return of expired products.

16. Long-term payables

	Repayment first year DKK	Outstanding debt after 5 years DKK	Total payables at 31.12.22 DKK	Total payables at 31.12.21 DKK '000
Convertible and profit-sharing debt instruments	0	0	3,530,607	0
Lease commitments	415,494	0	1,681,784	1,243
Total	415,494	0	5,212,391	1,243

The company has raised loans of DKK 3,773k in return for the issue of convertible debt instruments which entitle the lenders to convert the loans into shares in the company, each share with a nominal value of DKK 0,08, at the average share price during the 10 most recent trading days prior to the signing of the convertible loan agreements with an addition of 25%. The as of 31. December 2022 issued convertible loans can be converted at a price of DKK 11,89 - 12,13 per share. The right of conversion expires when the loan is repaid and the lenders have not exercised their right to convert into shares. The loan falls due for payment on 1. January 2024.

	31.12.22 DKK	31.12.21 DKK '000
Bridge loan	5,686,124	0
Other payables	499,605	947
Total	6,185,729	947

17. Other payables

18. Contingent liabilities

Lease commitments

The company has concluded lease agreements with terms to maturity of 97 months and lease payments of DKK 139k. The total lease commitment amounts to DKK 13,500k.

19. 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 5. Staff costs.

	2022 DKK	2021 DKK '000
20. Adjustments for the cash flow statement		
Other operating income	0	-251
Depreciation and impairments losses of property, plant and equipment	3,312,651	1,087
Income from equity investments in group enterprises	82,262	0
Financial income	-16,989	-32
Financial expenses	1,294,561	213
Tax on profit or loss for the year	-1,584,346	-1,527
Share-based payments	203,343	404
Total	3,291,482	-106

21. 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, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

21. Accounting policies - continued -**LEASES**

Leases relating to assets where the company has substantially all the risks and benefits incidental to the ownership of the asset (finance leases) are recognised in the balance sheet. On initial recognition, assets held under finance leases and related lease commitments are measured at the lower of the fair value of the leased asset and the present value of future lease payments. Subsequently, assets held under finance leases are treated like other similar assets.

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as payables. Subsequent to initial recognition, lease commitments are measured at amortised cost according to which the interest element of the lease payment is recognised in the income statement over the lease term.

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

INCOME STATEMENT**Gross loss**

Gross loss 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.

21. Accounting policies - continued -**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.

Staff costs

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

Share-based payments

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

That cost is recognised in employee benefits expense, together with a corresponding increase in equity, over the period in which the service are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the best estimate of the number of equity instruments that will ultimately vest.

21. Accounting policies - continued -**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 DKK '000
Leasehold improvements	5	0
Plant and machinery	5-10	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.

Income from equity investments in group enterprises

For equity investments in equity investments in subsidiaries, measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

Other net financials

Interest income and interest expenses, the interest element of finance lease payments, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

21. Accounting policies - continued -**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.

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.

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.

21. Accounting policies - continued -**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.

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.

Equity investments with a negative carrying amount are measured at DKK 0. Receivables that are considered part of the combined investment in the enterprises in question are impaired by any remaining negative equity value. Other receivables from such enterprises are impaired to the extent that such receivables are considered uncollectible. Provisions to cover the remaining negative equity value are recognised to the extent that the company has a legal or constructive obligation to cover the liabilities of the enterprise in question.

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.

21. Accounting policies - continued -

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.

Inventories

Inventories are measured at cost calculated according to the FIFO-method. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

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

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.

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 account.

21. Accounting policies - continued -**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.

Provisions

Other provisions comprise expected expenses incidental to taking back expired products and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

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.

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.

21. Accounting policies - continued -**Payables**

Convertible debt instruments are issued on terms that entitle the lender to convert the loan into equity interests in the company.

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 flows from financing activities also comprise finance lease payments.

Cash and cash equivalents at the beginning and end of the year comprise cash.