

ANNUAL REPORT 2024

1 January - 31 December

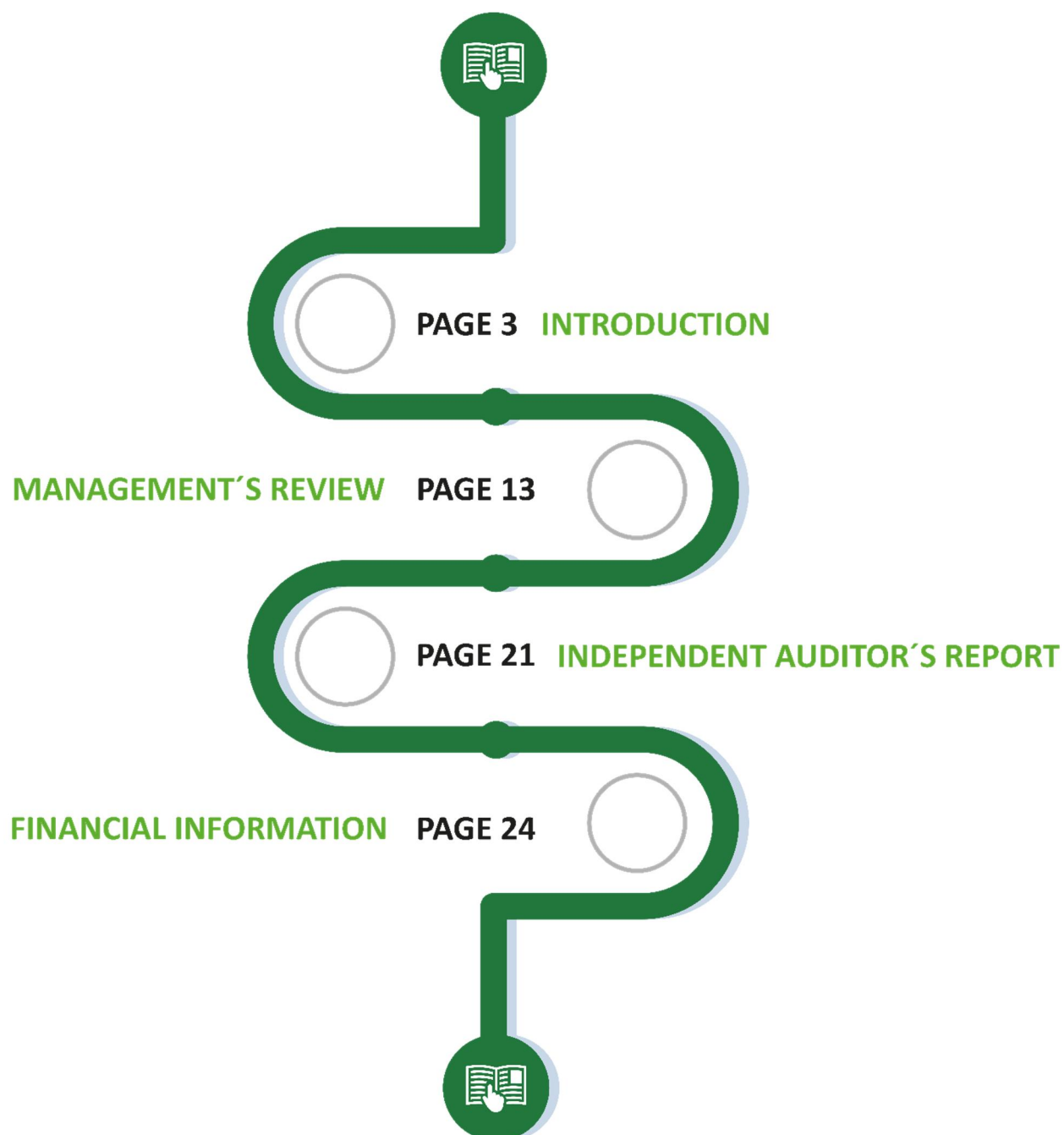


This annual report has been adopted at the
company's annual general meeting on 15.05.25

Chairman of the meeting

Ulrik Bayer

STENOCARE A/S, Lejrvej 9, 3500 Værløse, CVR-nr. 39024705



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 2024

Stenocare A/S (Stenocare) was founded in 2017 with the purpose of supplying prescription-based 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 because of chemotherapy or addiction to opioids.

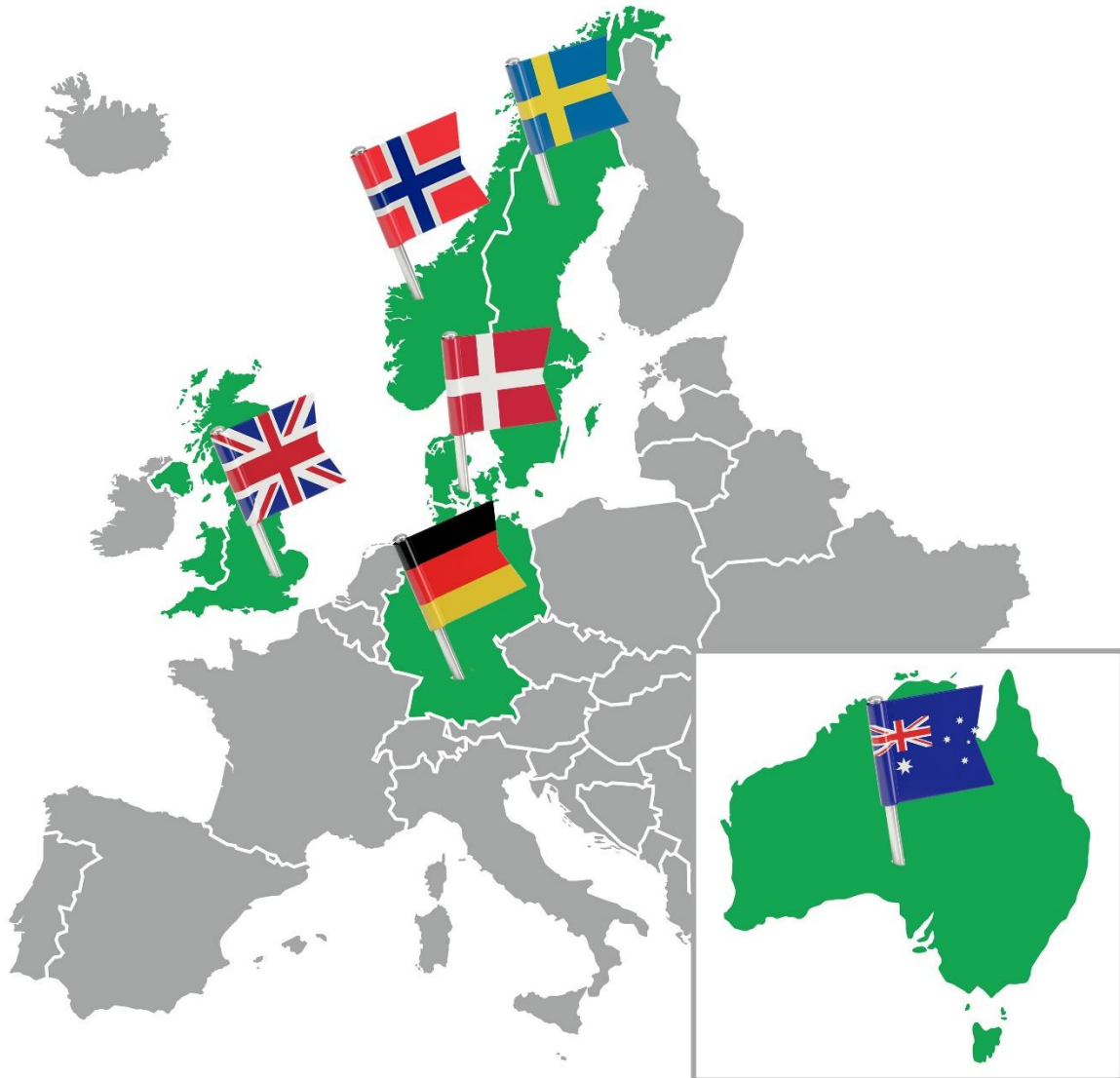
Stenocare was the first company in the Danish market that received approval from the Danish Medicines Agency ("DMA") to cultivate and produce medical cannabis as well as import and distribute approved medical cannabis oil products for further sale.

Stenocare was first listed on Spotlight Growth Market in 2018 and then moved to Nasdaq Growth Market Denmark in June 2020. In 2023 Stenocare raised additional capital with the issue of a Unit consisting of 2 shares and 2 warrants – TO1 and TO2. Both were successfully exercised TO1 in December 2023 and TO2 in June 2024. Stenocare's ambition is to establish itself as a leading European brand in the medical cannabis industry. Stenocare has a strategy to source its medical cannabis products from highly specialised producers that meet the high GMP-standards required to have products approved for sale. The company has a multi-supplier strategy to secure a predictable and scalable supply chain for the growing number of patients and to offer more choice for treatment. Stenocare has created a leadership role through its ability to secure approvals from local Medicines Agencies. In November 2024 Stenocare introduced the STENOCARE 3.0 strategy that builds on four areas of key assets:



Regulatory assets to successfully work with the authorities to obtain licenses to operate with cannabis (ie. narco) and approvals of products for treatment of patients. This asset enables the company to enter new markets and introduce new products. Commercial assets to establish more markets for distribution of medical cannabis. This asset enables the company to operate in most countries in the world together with a network of experienced partners. Supply Chain assets are the highly specialized partners with expertise in cultivation, production, logistics, distribution etc. This asset enables Stenocare to develop, produce and supply products to the highest standards, and scale as markets and demand increases. Product development partnership asset to formulate and test new innovative medical cannabis products that can target the growing diverse group of patients. This asset can position the company more exclusively in the market and position it stronger versus its competition.

With STENOCARE 3.0 the company is well-positioned to become a market-leading brand in Europe. 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 leading supplier of several oil products for this programme. Stenocare branded medical cannabis oil products has also been supplied to Sweden, Norway, UK, Germany and Australia. The company has a good pipeline of new markets that are being qualified. Stenocare operates in 6 countries with 13 approved products.



CEO COMMENTS: “IMPORTANT MILESTONES REACHED, UPDATED GUIDANCE REALISED BUT OUR AMBITIONS WERE HIGHER”

Stenocare had a busy year delivering multiple milestones for product approvals and marked development. Sales exceeded the updated 2024 guidance, and an important and valuable foundation for 2025 was created.

Quality of execution in a busy year: 2024 was another eventful year for the company, presenting numerous opportunities to strengthen our foundation and grow our business toward profitability. The strong sales run rate in 2023, combined with a robust product pipeline for 2024, set ambitious expectations for the year ahead. We continued our strong track record of securing approvals for new prescription-based medical cannabis oil products from local health agencies, including:

- New 25/25 oil product in Australia
- New Balanced oil product in Denmark
- New CBD100 oil product in Denmark
- Innovative Astrum 10-10 in Australia
- Innovative Astrum 10-10 in Germany
- Innovative Astrum 10-10 in Norway

Few companies in our young industry have achieved such success in building a strong product portfolio at this rate of approvals. This accomplishment reflects the high-quality execution of our team at Stenocare, as well as the contributions of our trusted partners. We have established a strong and valuable platform to grow our business and position Stenocare as a global brand and industry leader.

Operating Profit Improved with the new STENOCARE 3.0 strategy: Our 12-month operating profit before depreciation (EBITDA) includes special items related to the Danish cultivation facility. The reported figure is -24mDKK, of which 13mDKK pertains to special items specific to the cultivation facility. With the implementation of STENOCARE 3.0, we exited cultivation activities in Denmark, relieving us of a DKK 14 million rental and lease obligation and DKK 4 million in annual operational costs. After accounting for these adjustments, EBITDA has improved compared to 2023.

Sales in 2024 and Exceeding Updated Guidance: Sales in 2024 fell short of our initial expectations of 15 mDKK. In October 2024, we updated our sales guidance, setting a new target of DKK 4.5 million in gross sales. During Q4, we experienced a better-than-expected sales run rate, resulting in total gross sales of DKK 4.8 million for the year, exceeding our revised expectations.

The New STENOCARE 3.0 Strategy: Because of slower increase in sales than expected Stenocare announced the next phase of its strategy to become a leading trading company in medical cannabis. This strategy builds on the assets that have successfully positioned Stenocare with approved products available in six countries. With this strong foundation, we have developed a proven logistical and distribution network that enables us to reach pharmacies and patients effectively. STENOCARE 3.0 leverages the industry value chain by collaborating with specialized vendors for cultivation, production, and distribution. We have entered strategic partnerships with highly experienced companies, allowing us to focus on our core business – developing innovative products and trading finished goods.

Raising Capital for STENOCARE 3.0: To support our strategy and execution in 2024 and beyond, we successfully raised capital in 2024 and 2025 securing cash runway through 2025 and 2026. Together with our shareholders, the management team and board demonstrated their commitment by investing in the share issues. On behalf of the management team, I welcome our new shareholders and extend our gratitude to our existing shareholders for their continued support.

Looking Ahead: Overall, 2024 was a busy and productive year for Stenocare. We achieved significant milestones and are with the STENOCARE 3.0 strategy and the successful rights issue in January 2025 well-positioned for the year ahead.

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 extended with another four years that allow all Danish doctors to prescribe medical cannabis for patient’s treatment. In November 2024 the Danish parliament formally agreed on permanent legalisation of medical cannabis.



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

Stenocare has created a leadership role in Denmark through its ability to secure approvals from the Danish Medicines Agency and has

now 4 medical oil products approved for sale in Denmark. This has enabled the company to expand into more countries. The Company’s business operations include the distribution and sales of imported products to several countries. Stenocare is well-positioned to become a market leader in Denmark and a significant European vendor.

The products

In September 2018, Stenocare was the first to introduce three imported medical cannabis oil products for The Danish Pilot Programme. This milestone was an important milestone for the Company, as it has become a



valuable asset for developing a product pipeline and offering choice for patient’s treatment in several markets. Stenocare has been focusing on medical cannabis oil formulations that are administered to patients with an oral syringe. This is often known as the second-generation products, which dried flower products for smoking as first-generation.



Stenocare has since 2019 invested in product development of a new generation oil products. This new and innovative product is branded ASTRUM and has a unique value proposition for doctors and patients. With Astrum the uptake of cannabinoids in the blood of the patient can be improved significantly, and the uptake is more uniform across the patients. Stenocare has the worldwide rights to use the patent for medical cannabis, and believe it has the potential to revolutionize the industry. During 2024, the first Astrum 10-10 oil products was approved for sales in several markets.

The actual product line in the 6 countries is shown in the figure below:

Country	Product	2021	2022	2023	2024	2025 ->
Denmark	THC Olie Stenocare (30/0,1)					
	CBD Olie Stenocare (2/20)					
	CBD100 Olie Stenocare (100/5)					
	THC/CBD Olie Stenocare (15/24)					
Sweden	THC Indica (25/0,1)					
	THC:CBD 12 (12,5/12,5)					
Norway	Astrum Balanced Stenocare Oil (10/10)					
	Balanced Drops Stenocare (15/24)					
	THC Drops Stenocare (30/1)					
	CBD Drops Stenocare (2/20)					
Germany	AD 10-10 Stenocare Extrakt					
	Astrum Ext (10/10) Stenocare					
Australia	Stenocare Balanced (25/25)					
	Stenocare Astrum (10/10)					
UK	Stenocare CBD Oral Drops (2/20)					
	Stenocare Balanced Oral Drops (15/24)					
	Stenocare THC Oral Drops (30/1)					

*) the green arrows shows when products are available for sale to patients. All products are approved for sales.

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, in 2022 a supply agreement with an Australian partner was signed and in 2023 a supply agreement with a German partner was signed. These agreements will further help the Company to source, develop, and commercialize cannabis-based medical products.

Target groups

There is a total of about 40+ indications in which medical cannabis may potentially show results in terms of efficacy. Regulation and target indications are specific to each market, and the Company follow these to stay compliant with local indications which include multiple sclerosis, chronic pain, spinal cord injury, and nausea and vomiting because of cytotoxic drugs/chemotherapy treatment for various cancerous diseases. As the company enter more markets, the target indications 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 and Italy 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 industry 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 2.2 billion Euro by 2027.

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 6 years has implemented a major digital transformation with huge value for the business for the 23 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 CEO of Exocure Sweden AB.



Jeppe Bo Petersen

Member of the Board since September 2018

Jeppe Bo Petersen, born 1966, is currently the group CFO of Habitus, a market leader within residential facilities and day care for adults and young people within the autism spectrum. Jeppe Bo Petersen has extensive experience within strategic work, operational goals, risk analysis, compliance and sales, and marketing. Prior to his contribution at Habitus A/S, Jeppe Bo Petersen has been CEO at Olivia Danmark and CFO at, for instance, Valad Europe A/S and Nordicom A/S. In total, Jeppe Bo Petersen has approximately 32 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 and member of the Board since 2024

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



Peter Bugge Johansen

CFO 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 March 27, 2024. Total number of shareholders is approximately 7,000 with 2/3 in Denmark and 1/3 in Sweden.

Name	Number of shares	The proportion of votes and capital (%)
SC-Founders Holding ApS	4,871,022	12.7
HHTM ApS	4,461,452	11.6
Others	21,071,271	75.7
Total	38,403,745	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 2024, amounted to 20,212,497. Every stock share equals the same rights to the Company's assets and results.

Warrants

As at the date of this 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. 36,000 shares have been granted in 2024. 46.960 have been granted in previous years giving a total of 82,960 shares granted. 11,120 of the options have been vested in 2024. Total of 40,160 have been vested leaving a balance of outstanding options of 42.800.

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 01-01-2024 – 31-12-2024.

Financial calendar and annual general meeting

The Annual General Meeting of STENOCARE will be held in Copenhagen, Denmark on the 15th of May 2025.

January – March 2025 (Q1):	08.05.2025
January – June 2025 (Q2):	21.08.2025
January – September 2025 (Q3):	06.11.2025
January – December 2025 (Q4 and Year End)	26.02.2026
Annual report 2025:	26.03.2026

MANAGEMENT'S REVIEW

ANNUAL REPORT 2024

Key figures

Figures in DKK '000	01.01.24 31.12.24	01.01.23 31.12.23	01.01.22 31.12.22	01.01.21 31.12.21	01.01.20 31.12.20
Profit/loss					
Gross sales	4,755	6,923	5,858	2,205	198
Net sales	2,232	3,993	4,490	1,890	198
Operating profit/loss before depreciation EBITDA ¹⁾	-24,230	-12,562	-13,215	-12,991	-11,829
Total net financials	-1,505	-2,876	-1,360	-181	-1,648
Profit/loss for the year ²⁾	-34,488	-17,570	-16,303	-12,732	-11,786

1) 2024 including Special items of -13,050. EBITDA before Special items -11,180

2) 2024 including Special items of -18,187. Profit/loss for the year before Special items -16.301

Balance					
Total assets	19,436	38,121	39,604	43,936	56,340
Investments in property, plant and equipment	28	177	936	3,270	18,540
Equity	-3,474	25,822	24,142	40,243	52,571
Cash flow					
Operating activities	-7,141	-10,041	-15,033	-13,343	-12,703
Investing activities	-28	-177	-937	-2,539	-18,545
Financing activities	-949	15,287	8,679	1,243	35,882
Cash flows for the year	-8,118	5,069	-7,291	-14,640	4,635

Ratios

Profitability					
EBITDA ¹⁾	-24,230	-12,562	-13,215	-12,991	-11,831
Result per share	-1.79	-1.26	-1.40	-1.09	-1.12
Equity ratio					
Solidity (%)	-18	68	61	92	93
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				

1) 2024 including Special Items of -13,050. EBITDA before Special Items -11,180

PRIMARY ACTIVITIES

STENOCARE A/S was founded in 2017 with the purpose of supplying prescription-based medical cannabis to patients in Denmark and internationally with the vision of creating a better quality of life for patients using 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 for the Pilot Program. The Company has been a supplier of Stenocare branded medical cannabis oil products for patients in Denmark, Sweden, Norway, UK, Australia and Germany.

DEVELOPMENT IN ACTIVITIES AND FINANCIAL AFFAIRS

STENOCARE has in 2024 continued the worked with the four strategic assets.



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

In the first quarter a third Stenocare product (THC/CBD) was approved by the Danish Medicines Agency for sale to Danish patients. Stenocare was again the only supplier of three medical cannabis oil product under the Danish Pilot Programme. The products were ready for patients in Denmark in May 2024. Also, a refinancing of loans was completed reducing the loans from 8.2 mDKK to 5.4 mDKK.

In the second quarter Stenocare had a new innovative product-line ready for the Market. The new Astrum brand is an innovative cannabis oil product featuring a patented oil technology that enhances the bioavailability of its active ingredients. This breakthrough allows for higher uptake in the blood, and reduced dosage requirements. The first Astrum product will be launched for patients in Australia during second half year of 2024. The Company also completed a successful TO2 warrant exercise resulting in net proceeds of 4.2 mDKK. In total 88% warrants were exercised. In addition, a directed issue of 1.0 mDKK was completed. Convertible debts of 6.0 mDKK were repaid and a new convertible loan with a large shareholder of 2.8 mDKK was completed.

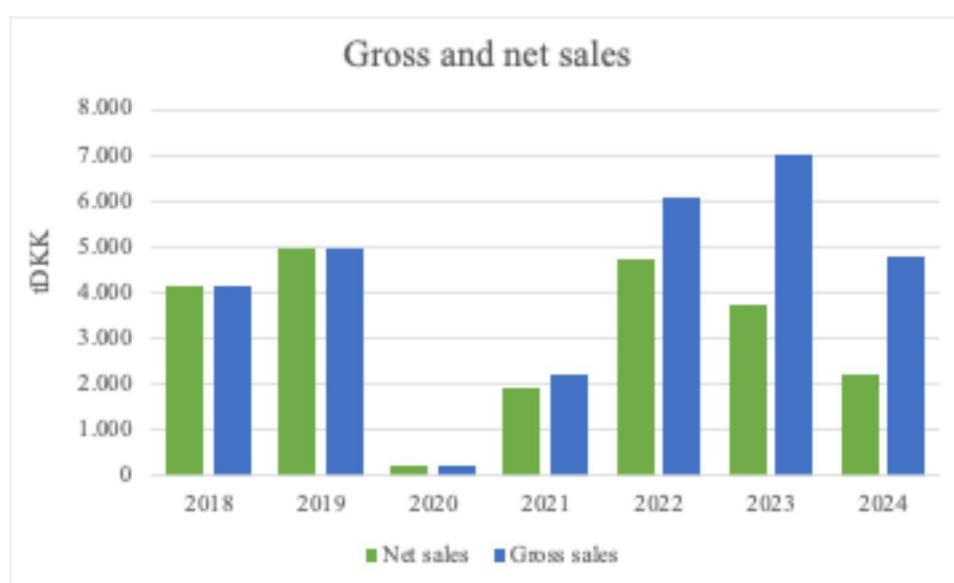
In the third quarter Stenocare and ADREXpharma received approval to sell the new and innovative medical cannabis Astrum oil product in Germany. The product was set to be available for patients in the fourth quarter of 2024.

In the fourth quarter the Danish parliament formally agreed on permanent legalisation of medical cannabis. This fantastic news for both Danish patients and Stenocare, ensures continued access to and the sale of medical cannabis in Denmark. The Company had approval of the innovative product, Astrum 10-10, for sale in Norway and received approval from the Danish Medicines Agency to start selling a new CBD100 medical cannabis oil product to Danish patients. The new CBD100 product has a very high concentration of CBD active ingredients (100 mg/ml) and makes Stenocare the only supplier under the Danish Pilot Programme to offer a CBD100 oil product.

The Company introduced the STENOCARE 3.0 Strategy, which will transform the Company into a leading Trading Company specialising in prescription-based medical cannabis products. After a rights issue in January 2025 with net proceeds of 7.9 mDKK the company exited the production facilities. With this exit the company is dissolved rent and lease commitments of 14 mDKK and property, plant and equipment are disposed to a value equivalent to the dissolved financial obligations and as such, there was no cash proceeds from the exit. The exit entailed a loss of 18.2 mDKK with 13.0 mDKK on lease commitment and 5.2 mDKK related to impairment of property, plant and equipment. The exit of the facilities will result in annual savings of 4 mDKK on operation costs (excluding rent and lease) during 2025. With this the company is well positioned for the STENOCARE 3.0 strategy.

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 work is that Stenocare now have 13 products approved for sale in 6 countries - Denmark, Germany, UK, Norway, Sweden and Australia.

For the year EBITDA of -24.2 mDKK includes cost related to activity in commercial, regulatory and supply chain activities. The EBITDA includes Special items of 13.0 mDKK related to the exit of the production facility. Before Special items EBITDA amounts to -11.2 mDKK compared to previous year -12.6 mDKK. 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. Staff costs are reduced with 10% from 6.4 mDKK to 5.8 mDKK. Gross sales defined as sales before returned products decreased by 18% from 6.9 mDKK in 2023 to 4.8 mDKK in 2024. This is mainly due to reduced sales in Australia. Net sales after returned products due to expiry is decreased by 41% from 3.8 mDKK to 2.2 mDKK due to lower sales in Australia and product returns in Norway and the UK.



Net profit for the year at -34.5 mDKK includes Special Items of 18.2 mDKK. Before Special Items Net profit amounts to -16.3 mDKK compared to previous year -17.6 mDKK. The result is a loss larger than expected due to

products approved later in the calendar year, slower penetration of the products in the markets and hence lower sales and the Special items related to the exiting of the production facility.

The balance sheet shows an equity of -3.5 mDKK and total assets of 19.4 mDKK. The share capital is lost, and short-term payables exceeds the current assets.

In January 2025 the Company completed a rights issue of new shares resulting in a capital increase with net proceeds of 7.9 mDKK and the share capital reestablished. In the financial year, several strategic considerations were made and after the subsequent events described in note 2 including the capital increase and the exit of the cultivation facilities, it is Management's assessment that the necessary liquidity to continue the operations has been secured. As such, the Financial Statements are prepared on a going concern basis.

OUTLOOK 2025

Stenocare stands on the entrance to 2025 on a solid ground with several new products on the markets. 4 medical cannabis products approved for sale in Denmark, 2 products for sale in Sweden and the new innovative Astrum oil product introduced and ready for sale in Germany, Australia and Norway. This gives confidence in an increased sale for 2025.

With a reduced cost of 5 mDKK (including rent and lease) per year after the exit of the production facility in January 2025 and the expected increased sales the estimated EBITDA in 2025 is close to break-even and with an expected profit from 2026. With the funds of 7.9 mDKK from the rights issue in January 2025, the increased sales and the reduced costs the Company expects to have sufficient cash runway for 2025 and 2026.

KNOWLEDGE RESOURCES

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

SPECIAL RISKS

STENOCARE is operating under a four-year pilot-programme in the Danish market, 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. In November 2024 the Danish Parliament formally agreed on permanent legalisation of medical cannabis from January 1st, 2026.

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, EUR and AUD, and sold in DKK, SEK, NOK, GBP, EUR 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 operates in a new and young business area within medical cannabis, where it is very difficult to forecast the sales to patients. Stenocare has 13 products approved in 6 countries which each have separate legislation on prescription of medical cannabis and Stenocare follows the market developments very closely. Hence it is difficult to guide on the sales before the business is more mature and Stenocare does not give guidance on sales.

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 2024, explained the company's current cash flow in the sections Outlook 2025.

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 2024, Stenocare's operations included distribution of medical cannabis products from its suppliers. The Company was 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. From January 2025 Stenocare is no longer engaged in cultivation of Cannabis plants.

RESEARCH AND DEVELOPMENT ACTIVITIES

In 2019 the Company signed a strategic partnership agreement to develop, test and commercialize advanced cannabis-based medical products called ASTRUM with a Danish pharma 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. In 2023 the company started developing the ASTRUM product with an experienced partner and in 2024 the product was approved for sale in three markets Germany, Australia and Norway.

TREASURY SHARES

Treasury shares consist of:

	Acquisition value - DKK	No. of shares	Nominal value - DKK	Percentage of share capital
Treasury shares as at 01.01.24	7,773,615	243,687	19,494	1.33%
Shares transferred to employees as part of the option program	- 354,728	- 11,120	- 890	- 0.06%
Treasury shares as at 31.12.24	7,418,887	232,567	18,604	1.15%

Notice: The share capital is increased during the financial year from 1,470,745.20 at 01.01.2024 to 1,616,999.76 at 31.12.2024

SUBSEQUENT EVENTS

Stenocare has in January 2025 completed a rights issue with proceeds to the Company of 9.1 mDKK before transaction related costs of 1.2 mDKK. With this capital the new strategy STENOCARE 3.0 is implemented, and the production facility is exited. Hence the cost base in the coming years is significantly reduced and the Company has a much leaner operation. In addition to this the new innovative Astrum oil product is ready for sale in three markets. Therefore, the Company has sufficient cash runway through 2025 and 2026.

The exit of the cultivation facilities is realised in January 2025. As part of the arrangement, STENOCARE has been relieved from financial obligations recognised as other provisions and lease commitments, totalling approx. 14 mDKK including the long-term lease commitment of the facilities as well as financial equipment leases. The arrangement also resulted in a disposal of property, plant and equipment, equivalent to the dissolved financial obligations and as such, there was no cash proceeds from the exit. In addition, the exit of the facilities will result in annual savings of approx. 5 mDKK (including rent and leases) on operation costs during 2025 and 2026.

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 01.01.2024 – 31.12.2024. 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 31.12.2024 and the results of its operations for the financial year 01.01.2024 - 31.12.2024. 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, 27 March 2025

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

Rolf Steno

Member of the Board

INDEPENDENT AUDITOR'S REPORT

ANNUAL REPORT 2024

TO THE SHAREHOLDERS OF STENOCARE A/S

Opinion

We have audited the financial statements of STENOCARE A/S for the financial year 1 January – 31 December 2024, which comprise income statement, balance sheet, statement of cash flows, statement of changes in equity and notes, including 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 financial position of the Company at 31 December 2024 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2024 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 as to 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 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 the financial statements.

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note 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 the Management's review

Management is responsible for the Management's review.

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

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 27 March 2025
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Mogens Andreassen
State Authorised
Public Accountant
mne28603

Anders Roe Eriksen
State Authorised
Public Accountant
mne46667

FINANCIAL INFORMATION

ANNUAL REPORT 2024

Income statement

Note		2024	2023
		DKK	DKK '000
3, 5	Gross loss	-18,474,158	-6,185
6	Staff costs	-5,756,183	-6,377
	Loss before depreciation, amortisation, write-downs and impairment losses	-24,230,341	-12,562
3	Depreciation and impairments losses of property, plant and equipment	-8,861,844	-3,384
	Operating loss	-33,092,185	-15,946
7	Income from equity investments in associates	-4	0
	Financial income	30,927	0
	Financial expenses	-1,535,472	-2,877
	Loss before tax	-34,596,734	-18,823
8	Tax on loss for the year	108,329	1,253
	Loss for the year	-34,488,405	-17,570
Proposed appropriation account			
	Retained earnings	-34,488,405	-17,570
	Total	-34,488,405	-17,570

Balance sheet

ASSETS		31.12.24	31.12.23
Note		DKK	DKK '000
	Leasehold improvements	625,959	1,025
	Plant and machinery	13,050,001	21,213
	Other fixtures and fittings, tools and equipment	279,149	534
9	Total property, plant and equipment	13,955,109	22,772
10	Equity investments in associates	0	0
11	Deposits	478,150	494
	Total investments	478,150	494
	Total non-current assets	14,433,259	23,266
	Manufactured goods and goods for resale	319,604	46
	Total inventories	319,604	46
	Trade receivables	1,292,754	2,372
	Receivables from associates	0	2
12	Deferred tax asset	536,769	1,337
	Income tax receivable	908,329	1,273
	Other receivables	357,122	269
13	Prepayments	207,924	56
	Total receivables	3,302,898	5,309
	Cash	1,380,624	9,499
	Total current assets	5,003,126	14,854
	Total assets	19,436,385	38,120

EQUITY AND LIABILITIES

Note		31.12.24 DKK	31.12.23 DKK '000
14	Share capital	1,617,000	1,471
	Retained earnings	-5,090,688	24,351
	Total equity	-3,473,688	25,822
15	Other provisions	13,220,000	108
	Total provisions	13,220,000	108
16	Convertible loans	1,973,541	0
16	Lease commitments	487,458	936
	Total long-term payables	2,460,999	936
16	Short-term part of long-term payables	445,849	438
	Convertible loans	1,047,104	8,308
	Trade payables	2,634,823	1,479
	Other payables	1,704,092	1,029
	Deferred income	1,397,206	0
	Total short-term payables	7,229,074	11,254
	Total payables	9,690,073	12,190
	Total equity and liabilities	19,436,385	38,120

- 1 Information as regards going concern
- 2 Subsequent events
- 4 Fees to auditors appointed by the general meeting
- 17 Information on convertible loans
- 18 Related parties
- 20 Accounting policies

Statement of changes in equity

Figures in DKK	Share capital	Share premium	Retained earnings	Total equity
Statement of changes in equity for 01.01.23 - 31.12.23				
Balance as at 01.01.23	934,090	0	23,208,653	24,142,743
Capital increase	449,393	17,446,958	0	17,896,351
Debt conversion	87,262	4,908,483	0	4,995,745
Cost of changes in capital	0	0	-3,757,255	-3,757,255
Sale of treasury shares	0	0	21,316	21,316
Share-based payments	0	0	92,652	92,652
Transfers to/from other reserves	0	-22,355,441	22,355,441	0
Net profit/loss for the year	0	0	-17,569,552	-17,569,552
Balance as at 31.12.23	1,470,745	0	24,351,255	25,822,000
Statement of changes in equity for 01.01.24 - 31.12.24				
Balance as at 01.01.24	1,470,745	0	24,351,255	25,822,000
Capital increase	146,255	5,630,801	0	5,777,056
Cost of changes in capital	0	0	-676,319	-676,319
Share-based payments	0	0	91,980	91,980
Transfers to/from other reserves	0	-5,630,801	5,630,801	0
Net profit/loss for the year	0	0	-34,488,405	-34,488,405
Balance as at 31.12.24	1,617,000	0	-5,090,688	-3,473,688

Cash flow statement

Note	2024	2023
	DKK	DKK '000
Loss for the year	-34,488,405	-17,570
19 Adjustments	23,462,044	4,155
Change in working capital:		
Inventories	-274,035	682
Receivables	870,913	2,300
Trade payables	1,155,443	-1,531
Other payables relating to operating activities	2,071,859	530
Cash flows from operating activities before net financials	-7,202,181	-11,434
Interest income and similar income received	2,681	0
Interest expenses and similar expenses paid	-1,214,833	-212
Income tax received	1,273,299	1,605
Cash flows from operating activities	-7,141,034	-10,041
Purchase of property, plant and equipment	-44,412	-176
Deposits	16,200	0
Cash flows from investing activities	-28,212	-176
Raising of additional capital	5,777,056	17,896
Expenses related to changes in capital	-676,319	-3,757
Sale of warrants	0	21
Arrangement of convertible loans	2,800,000	1,433
Repayment of convertible loans	-8,408,183	0
Arrangement of financial lease commitments	0	130
Repayment of financial lease commitments	-441,102	-437
Cash flows from financing activities	-948,548	15,286
Total cash flows for the year	-8,117,794	5,069
Cash, beginning of year	9,498,418	4,430
Cash, end of year	1,380,624	9,499
Cash, end of year, comprises:		
Cash	1,380,624	9,499
Total	1,380,624	9,499

1. Information as regards going concern

As of 31 December 2024, STENOCARE has lost its share capital and has short-term payables exceeding the current assets. In the financial year, several strategic considerations were made and after the events described in note 2 including the capital increase and the exit of the cultivation facilities, it is Management's assesment that the necessary liquitidy to continue the operations has been secured. As such, the Financial Statemenst are prepared on a going concern basis.

2. Subsequent events

After the end of the financial year, STENOCARE has completed a rights issue, resulting in issuance of 1,455,299.84 new shares. The capital increase resulted in gross proceeds of approx. DKK 9.1m and net of DKK 7.1m, strengthening the financial position of the Company and restoring the share capital.

As part of STENOCARE's strategy, the cultivation facilities were exited in January 2025. As part of the arrangement, STENOCARE has been relieved from financial obligations recognised as other provisions and lease commitments, totalling approx. DKK 14m including the long-term lease commitment of the facilities as well as financial equipment leases. The arrangement also resulted in a disposal of property, plant and equipment, equivalent to the dissolved financial obligations and as such, there was no cash proceeds from the exit. In addition, the exit of the facilities will result in annual savings of approx. DKK 4m on operation costs during 2025.

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

3. Special items

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

Special items:	Recognised in the income statement in:	2024 DKK	2023 DKK '000
Recognition of long-term lease commitment related to exit of cultivation facilities	Gross loss	-13,050,000	0
Impairment losses on property, plant and equipment	Depreciation and amortisation of and impairment losses on intangible assets and property, plant and equipment	-5,137,306	0
Total		-18,187,306	0

As part of STENOCARE's strategy, an exit of the cultivation facilities has been negotiated resulting in recognition of the lease obligation related to the long-term lease of the production facilities in the financial year.

As part of the arrangement, impairment losses on production facilities etc. has been recognised.

Please refer to note 2 for details of the arrangement effectuated in January 2025.

	2024 DKK	2023 DKK '000
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4. Fees to auditors appointed by the general meeting

Statutory audit of the financial statements	170,000	140
Total	170,000	140

No non-audit services have been provided by the auditors appointed by the general meeting.

	2024	2023
	DKK	DKK '000

5. Net revenue

Gross revenue	4,755,156	6,923
Returned products	-2,523,000	-3,165
Net revenue	2,232,156	3,758

6. Staff costs

Wages and salaries	5,439,917	6,045
Pensions	177,536	163
Other social security costs	19,206	20
Other staff costs	119,524	149
Total	5,756,183	6,377

Average number of employees during the year	8	9
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Remuneration for the management:

Total remuneration for the Executive Board	636,500	804
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Remuneration for the Board of Directors	175,000	350
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Remuneration for the Executive Board and Board of Directors	811,500	1,154
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Expenses arising from equity-settled share-based payment transactions in 2024 amounts to DKK 91.980 (2023: DKK 93k).

	2024	2023
	DKK	DKK '000

7. Income from equity investments in associates

Share of profit or loss of associates	-4	0
Total	-4	0

8. Tax on loss for the year

Current tax for the year	-908,329	-1,273
Adjustment of deferred tax for the year	800,000	20
Total	-108,329	-1,253

9. Property, plant and equipment

Figures in DKK	Leasehold improvements	Plant and machinery	Other fixtures and fittings, tools and equipment
Cost as at 01.01.24	1,826,394	27,688,322	1,091,709
Additions during the year	0	0	44,412
Cost as at 31.12.24	1,826,394	27,688,322	1,136,121
Depreciation and impairment losses as at 01.01.24	-801,349	-6,474,931	-557,605
Impairment losses during the year	0	-5,468,898	0
Depreciation during the year	-399,086	-2,694,492	-299,367
Depreciation and impairment losses as at 31.12.24	-1,200,435	-14,638,321	-856,972
Carrying amount as at 31.12.24	625,959	13,050,001	279,149
Carrying amount of assets held under finance leases as at 31.12.24	606,640	0	245,898

10. Equity investments in associates

Figures in DKK	Equity investments in associates
Cost as at 01.01.24	4
Cost as at 31.12.24	4
Net profit/loss from equity investments	-4
Revaluations as at 31.12.24	-4
Carrying amount as at 31.12.24	0
Ownership interest	
Name and registered office:	
Associates:	
Your Relief Limited, England	49%

11. Other non-current financial assets

Figures in DKK	Deposits
Cost as at 01.01.24	494,104
Disposals during the year	-15,954
Cost as at 31.12.24	478,150
Carrying amount as at 31.12.24	478,150

	31.12.24	31.12.23
	DKK	DKK '000

12. Deferred tax

Provisions for deferred tax as at 01.01.24	1,336,769	1,357
Deferred tax recognised in the income statement	-800,000	-20
Provisions for deferred tax as at 31.12.24	536,769	1,337

Deferred tax is distributed as below:

Property, plant and equipment	-1,083,123	-2,374
Receivables	555	2
Provisions	250,873	24
Liabilities	205,327	302
Tax losses	1,163,137	3,383
Total	536,769	1,337

As at 31.12.24, the Company has recognised a deferred tax asset of DKK 536k. The total tax losses carried forward as well as tax adjustment for other provisions amounts to DKK 84,155k corresponding to a deferred tax asset value of DKK 18,514k. The recognised deferred tax asset related to tax losses carried forward and provisions amounts to DKK 1,414k, corresponding to 8% of the total tax losses and provisions carried forward and is recognised on the basis of expectations of positive operating results for the coming 3-5 years including the positive effects of the changed strategy as well as a result from the exit of the cultivation facilities described in note 2.

	31.12.24	31.12.23
	DKK	DKK '000

13. Prepayments

Prepaid expenses	207,924	56
Total	207,924	56

14. Share capital

The share capital consists of:

	Quantity	Total nominal value DKK
Share capital	20,212,497	1,617,000
Total		1,617,000
Capital increase during the financial year	1,828,182	146,255

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 82,960 shares have been granted. 40,160 of the options have been vested leaving a balance of options of 42,800. On vesting, the shares are transferred to the employee from treasury shares and the movement in 2024 therefore reduces the number of treasury shares to 232,567.

15. Other provisions

Figures in DKK	Other provisions	
Provisions as at 01.01.24		108,000
Provisions during the year		13,112,000
Provisions as at 31.12.24		13,220,000
	31.12.24 DKK	31.12.23 DKK '000

Other provisions are expected to be distributed as follows:

Current liabilities	13,220,000	108
Total	13,220,000	108

Other provisions comprise:

- Provisions to return of expired products, DKK 170,000.
- Provisions to exit of lease commitments, DKK 13,050,000.

16. Long-term payables

	Repayment first year DKK	Outstanding debt after 5 years DKK	Total payables at 31.12.24 DKK	Total payables at 31.12.23 DKK '000
Convertible and profit-sharing debt instruments	1,047,104	0	3,020,645	0
Lease commitments	445,849	0	933,307	1,374
Total	1,492,953	0	3,953,952	1,374

17. Information on convertible loans

The company has raised a loan of DKK 2,800k, in return for the issue of convertible debt instruments which entitle the lender to convert the loan 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. The as of 31 December 2024 issued convertible loan can be converted at a price of DKK 4.29 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 outstanding loan amount carries monthly interest payments of 1.97%. The principal loan remains exempt from payment until July 2025, after which the loan falls due in equal monthly installments over 18 months.

18. Related parties

The Company has not entered into other related party transactions than remuneration for the Management and as such no transactions has been disclosed.

Remuneration for the management is specified in note 6, staff costs.

	2024	2023
	DKK	DKK '000
19. Adjustments for the cash flow statement		
Depreciation and impairments losses of property, plant and equipment	8,861,844	3,384
Other provisions	13,112,000	-945
Income from equity investments in associates	4	0
Financial income	-30,927	0
Financial expenses	1,535,472	2,876
Tax on profit or loss for the year	-108,329	-1,253
Share-based payments	91,980	93
Total	23,462,044	4,155

20. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for enterprises in reporting class B as well as selected rules applying to reporting class C.

The accounting policies have been applied consistently with previous years.

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.

20. 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.

INCOME STATEMENT**Gross loss**

Gross loss comprises revenue 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. Revenue is furthermore recognised less of returned products and provisions to take back expired products.

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.

20. Accounting policies - continued -

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.

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.

20. Accounting policies - continued -

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 and associates

For equity investments in equity investments in associates, 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. For associates only the proportionate share of intercompany gains and losses is eliminated.

Income from equity investments in equity investments in subsidiaries and associates 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.

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.

20. Accounting policies - continued -

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.

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

Equity investments in associates

Equity investments in associates are recognised and measured according to the equity method. For equity investments in associates, 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.

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.

20. 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.

20. Accounting policies - continued -**Cash**

Cash includes deposits in bank account.

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 as well as contractual obligations related to the exit of the company's cultivation facilities. Provisions 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. The tax credit scheme ("Skattekreditordningen") has been applied and the calculated tax credit on development costs has been recognised as a tax receivable.

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.

20. 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 financial payables are measured at amortised cost, normally corresponding to the nominal value of such payables. Other short-term payables are measured at net realisable value.

Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.

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.