

STENOOCARE®



2017/2018 ANNUAL REPORT

INTRODUCTION

Europe's first cannabis IPO

STENOCARE A/S was founded in 2017 with the purpose of being an active participant in the Danish medical cannabis pilot programme with a clear 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. Medical cannabis has the potential to help and relieve patients' daily pain and suffering in a large number of indications (i.e. illnesses), for instance patients with multiple sclerosis, chronic pain or patients suffering from nausea and vomiting as a result of chemotherapy.

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

strategic partner CannTrust Inc. ("CannTrust") in Canada.

STENOCARE was listed on Spotlight Stock Market in October 2018 with the aim of developing a production facility for the cultivation and production of its own medical cannabis products. STENOCARE's ambition is to establish itself as a market leader in Denmark and as a significant vendor in the wider European market, based upon medical cannabis production. Having Danish production is an important strategic asset, as very few European markets have legalized local production of medical cannabis and, therefore, depend on imports. Denmark is recognized as a leading agricultural producer, and, due to the very strict requirements for pesticide free cultivation and uniform quality in the Danish medical cannabis regulations, STENOCARE expects to have a competitive advantage when entering new European markets.



COMMENT FROM THE CEO

The fiscal year 2017/2018 has been eventful and important for STENOCARE. One of the many highlights was becoming a publicly traded company as we went to Spotlight Stock Market as Europe's first cannabis IPO. I feel very grateful and privileged to lead STENOCARE and the exciting journey we have ahead of us.

STENOCARE certainly operates in an area of broad and current interest. In connection with our IPO in Q3/Q4 we did not only receive extensive media attention internationally, the share issue was also subscribed for a total of approx. DKK 405 million, corresponding to a subscription ratio of approx. 2,161 percent. We are still overwhelmed and incredibly grateful for this great interest.

Most importantly we are able to continue with our journey towards helping patients to a better quality of life. It all started in the beginning of the year when STENOCARE was the first to receive all DMA licenses for growing, producing, manufacturing, importing and distributing medical cannabis. STENOCARE was also the first to have imported medical cannabis oil products accepted for the Danish Medicine List and as a result the first company to supply these to Danish patients at scale. Since the delivery of our first batch in September 2018, I am proud to say that we have delivered 2,200 bottles and thereby exceeded our goal of delivering 2,100 treatments to the Danish market during the period from September to December 2018. Based on our monitoring of the market, we will also be able to meet the entire demand from all Danish patients.

It is important for us to be able to offer both physicians and patients a selection of dosage forms, which we continuously evaluate. We have therefore decided to expand our existing product portfolio with three additional, capsule based products that

some patient groups will find easier and more comfortable to manage. The application was submitted to the Danish Medicines Agency in December 2018 and we hope to be able to offer Danish patients this new, alternative product category at the end of the summer/early autumn of 2019, depending on the Danish Medicines Agency's approach to the application.

Another important step and target that we were able to make in favour of the proceeds from the IPO – was the start-up of our production facility – that is progressing in accordance with the established timeline. A production facility and thereby controlled the entire value chain will further enable us to meet a growing demand in a global market of scarce production capacity, and also become a recognized supplier to the European markets that have no or limited production capacity. The production model that we are applying will be tailored to our strategy and needs together with CannTrust and is based on their proven formula for consistency, quality, uniformity and strength of the finished products. Continued development of the production facility as well as cultivation and production of our first products are some of our most important targets for 2019.

I would like to thank all shareholders and partners for your support and your efforts to take our business forward. We are now looking forward to an exciting 2019. I am positive that it will bring many important events towards our vision of improving the quality of life for many more patients.

Thomas Skovlund Schnegelsberg,
CEO STENOCARE A/S



ABOUT STENOCARE A/S

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

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

The products

From September 2018, STENOCARE provides three medical cannabis oil products, which contain three different types or combinations of cannabis oils. It is the individual physician who decides which of the products a patient is to be treated with. The products, **CBD Drops STENOCARE**, **THC Drops STENOCARE** and **1:1 Drops STENOCARE**, are imported from the Company's strategic partner CannTrust in Canada.

STENOCARE has decided to supplement its existing portfolio of imported products with three additional, capsule based medical cannabis products. The capsule product is a new category that will offer the patients an optional dosage form in their treatment with medical cannabis. Subject to approval from the DMA, the capsules will also be imported from CannTrust. The existing oil-based products are fully compliant with the strict Danish quality and regulatory requirements and this will also apply to the new capsule products. The application was submitted to the DMA in December 2018. STENOCARE seeks to be ready with the first shipment during late summer 2019.

It is STENOCARE's ambition to expand its existing business with local manufacturing of medical cannabis in addition to distribution and sales of imported products. STENOCARE intends to start selling the self-produced products when they have been approved by the DMA for the Danish Medicine

List. Having its own production capacity will enable STENOCARE to meet supply demand in a market with potential capacity constraints, and also serve the European patients with its own products.

Target groups

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

Business model

STENOCARE's business model has two pillars that are equally important. The first is import and wholesale of finished products for Danish patients. The second is cultivation and production of its own products for Danish and European patients. STENOCARE's initial business and revenue model thus consists of sales of imported medical cannabis via pharmacies and hospitals in Denmark. For the second pillar, STENOCARE will develop an export capacity to service European markets, in which STENOCARE will work with local distributors.

No medical supplier in Denmark can provide its products directly to pharmacies. STENOCARE has established distribution agreements with Nomeco A/S and Tjellesen Max Jenne A/S, through which the Company has secured a distribution channel to all pharmacies and hospitals in Denmark. These two wholesale partners have a duopoly in Denmark, meaning that there are basically no other wholesalers of medical products in Denmark. Nomeco A/S is the largest wholesale partner with an market share of approximately 70 percent in Denmark. Tjellesen Max Jenne A/S has the remaining market share of approximately 30 percent.

STENOCARE's imported medical cannabis is sold at a final price to patients of approximately DKK 2,749

incl. VAT for their 40 ml product. The final price is wholly or partly (50 percent) subsidized by the Danish state. Thus, the patient does not have to bear the full cost. Currently, STENOCARE base the recurring sales on the following principles:

- Patients suffering from nausea and vomiting as a result of cytotoxic drugs/chemotherapy treatment for various cancerous diseases could use the product for eight weeks per year (average two products per patient per year).
- Furthermore, it is the Company's assessment that multiple sclerosis patients and patients with chronic indications could use medical cannabis every month (average twelve products per patient per year).
- STENOCARE's medical cannabis oil product equals one month' use for an average patient based on their Canadian experience.

Strategic Partners

CannTrust is a leading vendor in the Canadian market for medical cannabis. CannTrust was established in 2014 and its parent company is listed on the Toronto Stock Exchange (TSX) and most

recently also on the New York Stock Exchange (NYSE). CannTrust is a federally regulated and licensed producer of medical cannabis, contributing over 40 years of experience in the pharma industry. The company has tested more than 200 cannabis seeds, resulting in a unique Sativa/Indica hybrid (a combination of two varieties of the cannabis plant) and has years of investment in innovation of propagation materials and production methods. CannTrust holds full-scale in-house laboratory services with advanced technology and testing equipment providing the company with the possibility to develop, monitor and carefully test its products independently and frequently. CannTrust utilizes its expertise to produce standardized medical cannabis for STENOCARE, cultivated to meet the strict Danish quality requirements.

In exchange for shares in STENOCARE, CannTrust has committed itself to provide STENOCARE with its entire know-how, consulting and propagation materials. This will allow STENOCARE to establish the local production in Denmark within the shortest possible time span. For CannTrust, this partnership is an important part of their international growth strategy and a showcase of their excellence in producing products for a highly regulated market.



MARKET OVERVIEW¹

The industry for medical cannabis is a new market in Denmark and Europe. Canada, with its 36 million population, is a frontrunner that has seen a growth from 4,000 to 330,000 medical cannabis patients during 2014-2018. This is equal to a market value (i.e. aggregate annual revenue) growth from DKK 50 million to DKK 6 billion in just four years, and the Canadian market is projected to reach DKK 11 billion in 2021. The Danish and European medical cannabis industries are, with a combined population of approximately 741 million people in Europe, at the very start of a high potential growth similar to, for example, Canada.



Denmark

Medical cannabis is a new field of medical treatment in Denmark. In Canada, medical cannabis received an initial impact with approximately 0.07 percent of the population. It is the Company's assessment that the corresponding figure may be relevant even in Denmark when similar products are available to patients. Thus, it is calculated from the Canadian market penetration of 0.07 percent that in 2019 it may occur that approximately 4,000 patients will be treated with medical cannabis during a full year in Denmark.

In Denmark, approximately 50,000 patients are being treated annually for multiple sclerosis or with cytotoxic drugs to fight cancer. Individuals with multiple sclerosis and patients undergoing treatment with cytotoxic drugs are large patient groups in Denmark, with an annual growth of approximately 35,600 patients. In addition, approximately 850,000 patients in Denmark suffer from chronic pain (e.g. osteoarthritis, osteoporosis), of whom approximately 485,000 patients are treated with opiates (i.e. morphine). According to the Company's assessment, there is potential for treating some of these patients with medical cannabis as a supplement to morphine. In addition, there are 40+ other indications in which medical

cannabis may potentially have an effect. Indications of epilepsy and Parkinson's Disease together comprise an additional approximately 57,000 patients. Before the Programme came into effect on January 1, 2018, access to medical cannabis was extremely limited. For this reason, there is a segment of the patients who self-medicate with medical cannabis illegally for the purpose of relieving their pain and/or dealing with cramps. It is the Company's assessment that approximately 200,000 people have used medical cannabis illegally in Denmark so far. However, now that a legal alternative has been opened up via the Programme, it is the Company's assessment that the illegal usage can be reduced.

The executive management team estimates that the patient groups in Denmark have a potential market size of approximately DKK 1 billion in 2021 and the Company's objective is to take a significant market share initially – as it is currently the sole supplier of medical cannabis oil products at scale.

Europe

Denmark is STENOCARE's first priority. STENOCARE intends to start cultivating its own medical cannabis in Q1 2019 and then during 2019 identify which European markets will be the focus of sales of STENOCARE products. Currently, eleven EU countries have legalized treatment with medical cannabis and the market is estimated to amount to approximately DKK 30 billion in 2022. Denmark is currently one of the few European countries to legalize cultivation of medical cannabis, in addition to imports. The strict Danish requirements for product quality and pesticide-free production will constitute a competitive advantage for Danish manufacturers such as STENOCARE in global markets.

¹ All figures and information can be found in STENOCARE's IPO memorandum

BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT TEAM



Marianne Wier

Chairman of the Board since September 2018

Marianne Wier, born 1963, holds a law degree from Copenhagen University. Wier has a background as a lawyer and has, through her previous experience acquired extensive knowledge in leadership and a good strategic understanding. Wier's core competence mainly covers development and innovation as well as change management. Wier has been responsible for implementing a major digital transformation regarding efficiency, digital solutions and innovation at Topdanmark with successful business results. Marianne Wier currently holds the position of CEO at Taksatorringen in Denmark. 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.



Rolf Steno Petersen

CCO and Member of the Board since 2017

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



Jeppe Bo Petersen

Independent Member of the Board since September 2018

Jeppe Bo Petersen, born 1966, is currently the CEO of Olivia Danmark A/S, which is one of the largest actors in Denmark's within personal aid and support schemes. 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, Petersen has been CFO at, for instance, Valad Europe A/S and Nordicom A/S. In total, Petersen has approximately 30 years of experience within the field of economics.



Søren Melsing Frederiksen

Member of the Board since September 2018

Søren Melsing Frederiksen, born 1976, holds a Master of Industrial Drug Development (MIND) from Copenhagen University. Melsing Frederiksen's experience ranges from R&D, project management, sales management, marketing and product launch and have been engaged in all elements of the commercial work including market access, medical affairs, commercial strategy and sales execution. Melsing Frederiksen currently holds the position as Head of Commercial Operations at Aspen Pharma Nordic.



Thomas Skovlund Schnegelsberg

CEO and co-founder

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



Søren Kjær

COO and co-founder

Søren Kjær, born 1964, has extensive experience with project management, innovation processes and biotechnology from the horticultural industry. Past experience includes 20 years of consultancy services at DEVCON and participation in EU projects in Ghana. Kjær holds the role of COO in STENOCARE.



Peter Bugge Johansen

CFO

Peter Bugge Johansen, born 1962, State Authorized Public Accountant. Bugge Johansen has worked for 20 years at Interdan Holding A/S, the last 6 years as CEO and before that CFO. Bugge Johansen has acquired extensive knowledge in financial and strategic issues such as financing, reporting internal and external, 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 in Italy. Bugge Johansen is hired as a part-time consultant.

OTHER INFORMATION

Shareholders

The table below presents the current shareholders with more than 5 percent of the votes and capital in STENOCARE as per 31 December 2018.

| Name | Number of shares | Proportion of votes and capital (%) |
|-----------------------------------|------------------|-------------------------------------|
| CannTrust Inc. | 1,693,182 | 18.93 |
| Steno Investment IVS ¹ | 1,502,841 | 16.81 |
| Prana Holding ApS ² | 1,335,228 | 14.93 |
| MS Kjær Holding ApS ³ | 1,289,773 | 14.42 |
| Others | 3,121,738 | 34.91 |
| Total | 8,942,762 | 100.00 |

¹ Owned to 100 percent by Jens Thulstrup Steno Petersen, son of Board member and CCO Rolf Steno Petersen. Steno Investment IVS is a part of Steno Group IVS. Rolf Steno Petersen is the Managing Director of Steno Group IVS and Steno Investment IVS.

² Owned to 50 percent by CEO Thomas Skovlund Schnegelsberg.

³ Owned to 50 percent by COO Søren Kjær.

The share

The shares of STENOCARE A/S were listed on Spotlight Stock Market on the 26th October 2018. The short name/ticker is STENO and the ISIN code is DK0061078425.

The total number of shares as of 31 December 2018, amounted to 8,942,762. Every stock share equals the same rights to the Company's assets and results.

Warrants

The Board of Directors of STENOCARE has issued a warrant program to Gemstone Capital ApS. The warrant program gives Gemstone Capital the right to a total of 88,977 shares, equivalent to 1 percent of the total number of shares in the Company after the listing on Spotlight Stock Market. Each warrant entitles Gemstone Capital the right to subscribe for one new share in the Company at a subscription price of DKK 8.80. Gemstone Capital has exercised 45,000 warrants at the agreed subscription price of DKK 8.80 per share. Thus, Gemstone Capital has acquired 45,000 shares in STENOCARE, corresponding to DKK 396,000. At the date of this annual report, Gemstone Capital ApS has 43,977 remaining warrants that can be exercised anytime over a five-year period from the first day of trading on Spotlight Stock Market, i.e. the 26th of October 2018.

Proposed appropriation of STENOCARE's profit or loss

The Board of Directors of STENOCARE propose that no dividend shall be paid for the financial year 2017-10-19 – 2018-12-31.

Financial calendar and annual general meeting

The Annual General Meeting of STENOCARE will be held in Copenhagen, Denmark on the 16th of May at 2:00 p.m.

| | |
|--------------------------------|------------|
| January – March 2019 (Q1): | 2019-05-07 |
| January – June 2019 (Q2): | 2019-08-20 |
| January – September 2019 (Q3): | 2019-11-06 |
| Year-end report 2019: | 2020-02-26 |

Share capital history

| Year | Event | Price per share (DKK) | Nominal value | Increase in number of shares | Increase in share capital (DKK) | Total numbers of shares | Total share capital (DKK) |
|------|-----------------------|-----------------------|---------------|------------------------------|---------------------------------|-------------------------|---------------------------|
| 2017 | Company formation | - | 1.00 | 100 | 100.00 | 100 | 100.00 |
| 2018 | New share issue | 2,000.00 | 1.00 | 9 | 9.00 | 109 | 109.00 |
| 2018 | Split (1,000:1) | - | 0.001 | 108,999,891 | - | 109,000,000 | 109.00 |
| 2018 | New share issue | 0.001 | 0.001 | 108,891,000 | 108,891.00 | 109,000,000 | 109,000.00 |
| 2018 | New share issue | 0.02 | 0.001 | 1,000,000 | 1,000.00 | 110,000,000 | 110,000.00 |
| 2018 | New share issue | - | 0.001 | 390,000,000 | 390,000.00 | 500,000,000 | 500,000.00 |
| 2018 | New share issue | 0.0935 | 0.001 | 42,780,000 | 42,780.00 | 542,780,000 | 542,780.00 |
| 2018 | New share issue | 0.0935 | 0.001 | 960 | 0.96 | 542,780,960 | 542,780.96 |
| 2018 | Reversed split (1:80) | - | 0.08 | -535,996,198 | - | 6,784,762 | 542,780.96 |
| 2018 | New share issue | 8.80 | 0.08 | 2,113,000 | 169,040.00 | 8,897,762 | 711,820.96 |
| 2018 | Exercise of warrants | 8.80 | 0.08 | 45,000 | 3,600.00 | 8,942,762 | 715,420.96 |

HIGHLIGHTS OF THE FINANCIAL YEAR 2017/2018

DEC2017: STENOCARE was in the first wave of approved Licensed Producers by the Danish Medicine Agency.

MARCH2018: STENOCARE became the first to have all licenses from the Danish Medicines Agency to cultivate, produce, import, repackage and distribute medical cannabis in Denmark.

JUL2018: The Company completed a private placement of DKK 4.0 million.

SEPT2018: STENOCARE announced that the Company has been approved for listing on Spotlight Stock Market.

OCT2018: The trading in STENOCARE's shares started on Spotlight Stock Market.

OCT2018: STENOCARE announced that Gemstone Capital ApS decided to exercise 45,000 warrants under the warrant program.

NOV2018: The Company announced a decision on applying for approval of new capsule based medical cannabis products to the Danish Medicines Agency to offer patients more choice in their treatment.

JAN2018: The Company completed a private placement of DKK 2.0 million.

JUL2018: STENOCARE announced that its three imported products were accepted and included on the Danish Medicines Agency's List of admitted medical products.

SEPT2018: STENOCARE received its first order of medical cannabis oil products and shipped the products to the Danish distributors.

SEPT2018: The subscription period in STENOCARE's new share issue began.

OCT2018: STENOCARE announced that the Company's new share issue of approx. DKK 18.6 million was oversubscribed. STENOCARE received subscriptions for a total of approx. DKK 402 million, including subscription commitments, corresponding to a total subscription ratio of approx. 2,161 percent.

NOV2018: STENOCARE received the second batch of medical cannabis and met its stated objective for Q4 2018.

DEC2018: STENOCARE submitted the application for approval of three additional medical cannabis products to the Danish Medicines Agency. This application is still pending approval from the Agency.

MANAGEMENT'S REVIEW

This is the first financial year of the Company and no comparative figures are available. STENOCARE's first financial year was extended to 2017-10-19 – 2018-12-31 and will hereafter be between the 1st of January until the 31st of December.

FINANCIAL HIGHLIGHTS

Key figures

| | 19.10.17 |
|--|----------|
| Figures in DKK '000 | 31.12.18 |
| <hr/> | |
| <i>Profit/loss</i> | |
| Operating profit/loss | -3,592 |
| Index | 100 |
| <hr/> | |
| Total net financials | -13 |
| Index | 100 |
| <hr/> | |
| Profit/loss for the year | -3,276 |
| Index | 100 |
| <hr/> | |
| <i>Balance</i> | |
| Total assets | 21,711 |
| Index | 100 |
| <hr/> | |
| Investments in property, plant and equipment | 21 |
| Index | 100 |
| <hr/> | |
| Equity | 20,472 |
| Index | 100 |
| <hr/> | |
| <i>Cashflow</i> | |
| Net cash flow: | |
| Operating activities | -5,574 |
| Investing activities | -27 |
| Financing activities | 23,748 |
| <hr/> | |
| Cash flows for the year | 18,147 |
| <hr/> | |

Ratios

| | |
|----------------------|----------|
| | 19.10.17 |
| | 31.12.18 |
| <hr/> | |
| <i>Profitability</i> | |
| Result per share | -0.47 |
| <hr/> | |
| <i>Equity ratio</i> | |
| Solidity (%) | 94 % |
| <hr/> | |

| | |
|-------------------|---|
| Solidity (%): | $\frac{\text{Equity, end of year} \times 100}{\text{Total assets}}$ |
| Result per share: | $\frac{\text{Profit/loss for the year}}{\text{Average number of shares}}$ |

PRIMARY ACTIVITIES

STENOCARE A/S was founded in 2017 with the purpose of being an active participant in the Danish medical cannabis pilot programme 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 offers medical cannabis oil that comply with the strict Danish regulatory requirements. STENOCARE has also started the process of developing a production facility for the cultivation and production of medical cannabis at the Company's premises in Jutland, Denmark.

DEVELOPMENT IN ACTIVITIES AND FINANCIAL AFFAIRS

STENOCARE received the first batch of medical cannabis products from its strategic partner CannTrust in September 2018 and imported the second batch in November 2018. In order to always have products available to its customers, STENOCARE continuously monitor the Danish market and sales among its distribution channels. STENOCARE has also decided to supplement its existing product portfolio with three additional products and submitted the application to the Danish Medicines Agency.

The project plan for establishing the production facility is progressing in accordance with the established timeline. The Company started the process of constructing climate-controlled rooms in the production facility as well as the purchasing of equipment in December 2018 and will continue developing the production facility in 2019. The production model that STENOCARE is applying has been tailored to its strategy and needs together with CannTrust and is based on their proven formula for consistency, quality, uniformity and strength of the finished products.

STENOCARE realised a loss for the fiscal year 2017/2018, in line with expectations, at DKK 3,276,293 including costs of changes in share capital of approx. DKK 2 million. The balance sheet shows an equity of DKK 20,472,188.

OUTLOOK

STENOCARE's primary financial objective is to grow within the Danish market and command a leading market share in 2019. Over the next two years of operation, STENOCARE has the aim to establish a position for itself in the European market for medical cannabis, with the objective of becoming a leading participant in the market in Europe.

The objective for 2019 is to establish the production facility in Denmark and commence cultivation in order to expand supply capacity and supply chain. STENOCARE also have the objectives to start exploring and mapping expansion opportunities in the European market and to harvest its self-cultivated medical cannabis and begin the approval process at the Danish Medicines Agency. Expectations to the profit or loss in 2019 is depending on sales of imported products as well as the investments in the production facility, start-up costs and thus the development of own produced products.

KNOWLEDGE RESOURCES

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

SPECIAL RISKS

STENOCARE is operating under a four-year trial-programme, enabling all Danish physicians to prescribe cannabis for medical use. The programme was initialised January 1st, 2018 and will end by December 31st, 2021. In addition to ordinary risks related to the industry in which the Company is operating, the Company is exposed to currencies as finished products from CannTrust are purchased in CAD and sold in DKK. The Company is exposed to the CAD/DKK currency exchange rate as finished products from CannTrust are purchased in CAD and sold in DKK.

EXTERNAL ENVIRONMENT

In 2018, STENOCARE's operations included import and distribution of medical cannabis products from its strategic partner in Canada. The Company has not engaged in the production of the products or its substances and has not handled solvents and chemicals. STENOCARE has an on-going focus on limiting the Company's impact on the environment – including CO2 emissions during operations and business activities.

RESEARCH AND DEVELOPMENT ACTIVITIES

In 2018, STENOCARE's operations included import and distribution of medical cannabis products from its strategic partner in Canada. Thus, the Company has not conducted any research and development activities. In 2019, STENOCARE aims to begin cultivation and production of medical cannabis in the Company's own premises in Jutland and begin the approval process at the Danish Medicines Agency.

SUBSEQUENT EVENTS

February 2019, the Company announced its achievement of delivering more than 2,100 treatments during September to December 2018 and therefore met and exceeded its stated objective.

March 2019, STENOCARE announced that its products are being used in clinical trials at Rigshospitalet Multiple Sclerosis Center.

March 2019, STENOCARE announced that the Company is awaiting plant seedling export certificates from the Canadian authorities and is ready to start the first stage of its own cultivation and production as soon as the Canadian Agencies have issued and completed the corresponding export certificates.

April 2019, the Company announced that its major shareholders plan to nominate Mr. Ian Abramowitz to the Board of Directors, further strengthening its international cannabis expertise.

April 2019, STENOCARE announced that the Company is officially nominated for “IPO of the Year 2018” by Swedish SvD BörsPlus.

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 2017-10-19 – 2018-12-31. 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 2018-12-31 and of the results of its operations for the financial year 2017-10-19 – 2018-12-31. We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

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

Allerød, 2019.04.30

Executive Board

Thomas Skovlund Schnegelsberg
CEO

Board of Directors

Marianne Wier
Chairman of the Board

Rolf Steno Petersen
Member of the Board

Jeppe Bo Petersen
Member of the Board

Søren Melsing Frederiksen
Member of the Board

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF STENOCARE A/S

Opinion

We have audited the financial statements of STENOCARE A/S for the financial year 19.10.17 - 31.12.18, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes inclusive of accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31.12.18 and of the results of the company's operations and cash flows for the financial year 19.10.17 - 31.12.18 in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of the auditor's report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

The management is responsible for the preparation and fair presentation of the financial statements in accordance with the Danish Financial Statements Act and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 International Standards on Auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment 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 the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting in its preparation of the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement regarding the management's review

The management is responsible for the management's review page 13-16.

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

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

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

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

Søborg, Copenhagen, 2019.04.30

Beierholm

Statsautoriseret Revisionspartnerselskab

CVR no. 32 89 54 68

Jan Robert Molin

State Authorized Public Accountant

MNE no. mne10848

Income statement

| | 19.10.17 | 31.12.18 |
|--|----------|-------------------|
| | | DKK |
| Note | | |
| Gross loss | | -1,125,062 |
| 1 Staff costs | | -2,465,996 |
| Profit/loss before depreciation, amortisation, write-downs and impairment losses | | -3,591,058 |
| Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment | | -1,403 |
| Profit/loss before net financials | | -3,592,461 |
| Financial income | | 150 |
| Financial expenses | | -12,721 |
| Profit/loss before tax | | -3,605,032 |
| Tax on profit or loss for the year | | 328,739 |
| Profit/loss for the year | | -3,276,293 |
| 2 Distribution of net profit | | |

Balance sheet

| ASSETS | | 31.12.18 |
|--------|--|-------------------|
| | | DKK |
| Note | | |
| | Leasehold improvements | 19,641 |
| 3 | Total property, plant and equipment | 19,641 |
| 4 | Deposits | 6,000 |
| | Total investments | 6,000 |
| | Total non-current assets | 25,641 |
| | Manufactured goods and goods for resale | 84,222 |
| | Total inventories | 84,222 |
| | Trade receivables | 3,049,633 |
| 7 | Deferred tax asset | 328,739 |
| 5 | Prepayments | 75,346 |
| | Total receivables | 3,453,718 |
| | Cash | 18,146,984 |
| | Total current assets | 21,684,924 |
| | Total assets | 21,710,565 |

EQUITY AND LIABILITIES

| | 31.12.18 |
|-------------------------------------|-------------------|
| Note | DKK |
| <hr/> | |
| 6 Share capital | 715,421 |
| Share premium | 23,033,060 |
| Retained earnings | -3,276,293 |
| Total equity | 20,472,188 |
| <hr/> | |
| Trade payables | 602,895 |
| Other payables | 635,482 |
| Total short-term payables | 1,238,377 |
| <hr/> | |
| Total payables | 1,238,377 |
| <hr/> | |
| Total equity and liabilities | 21,710,565 |
| <hr/> | |
| 8 Contingent liabilities | |
| 9 Related parties | |

Statement of changes in equity

| Figures in DKK | Share capital | Share premium | Retained earnings |
|---|---------------|---------------|-------------------|
| Statement of changes in equity for 19.10.17 - 31.12.18 | | | |
| Capital contributed on establishment | 100 | 0 | 0 |
| Capital increase | 715,321 | 24,274,060 | 0 |
| Cost of changes in capital | 0 | -1,241,000 | 0 |
| Net profit/loss for the year | 0 | 0 | -3,276,293 |
| Balance as at 31.12.18 | 715,421 | 23,033,060 | -3,276,293 |

Cash flow statement

| | | |
|-------|---|-------------------|
| | | 19.10.17 |
| | | 31.12.18 |
| Note | | DKK |
| <hr/> | | |
| | Net profit/loss for the year | -3,276,293 |
| 10 | Adjustments | -314,765 |
| | Change in working capital: | |
| | Inventories | -84,222 |
| | Receivables | -3,124,979 |
| | Trade payables | 602,895 |
| | Other payables relating to operating activities | 635,482 |
| <hr/> | | |
| | Cash flows from operating activities before net financials | -5,561,882 |
| | Interest income and similar income received | 150 |
| | Interest expenses and similar expenses paid | -12,721 |
| <hr/> | | |
| | Cash flows from operating activities | -5,574,453 |
| <hr/> | | |
| | Purchase of property, plant and equipment | -21,044 |
| | Security deposits | -6,000 |
| <hr/> | | |
| | Cash flows from investing activities | -27,044 |
| <hr/> | | |
| | Paid in share capital and share premium | 23,748,481 |
| <hr/> | | |
| | Cash flows from financing activities | 23,748,481 |
| <hr/> | | |
| | Total cash flows for the year | 18,146,984 |
| <hr/> | | |
| | Cash, end of year | 18,146,984 |
| <hr/> | | |
| | Cash, end of year, comprises: | |
| | Cash | 18,146,984 |
| <hr/> | | |
| | Total | 18,146,984 |
| <hr/> | | |

19.10.17
31.12.18
DKK

1. Staff costs

| | |
|-----------------------------|-----------|
| Wages and salaries | 2,453,663 |
| Pensions | 11,702 |
| Other social security costs | 631 |
| Total | 2,465,996 |

| | |
|---|---|
| Average number of employees during the year | 4 |
|---|---|

Remuneration for the management:

| | |
|-------------------------------|---------|
| Salaries, Board of Executives | 368,500 |
|-------------------------------|---------|

| | |
|---|---------|
| Remuneration for the Board of Directors | 250,000 |
|---|---------|

| | |
|---|---------|
| Remuneration for the Executive Board and Board of Directors | 618,500 |
|---|---------|

2. Distribution of net profit

| | |
|-------------------|------------|
| Retained earnings | -3,276,293 |
| Total | -3,276,293 |

3. Property, plant and equipment

| Figures in DKK | Leasehold improvements |
|---|------------------------|
| Additions during the year | 21,044 |
| Cost as at 31.12.18 | 21,044 |
| Depreciation during the year | -1,403 |
| Depreciation and impairment losses as at 31.12.18 | -1,403 |
| Carrying amount as at 31.12.18 | 19,641 |

4.

| Figures in DKK | Deposits |
|---------------------------|----------|
| Additions during the year | 6,000 |
| Cost as at 31.12.18 | 6,000 |

31.12.18
DKK

5. Prepayments

| | |
|-------------------|--------|
| Prepaid rent | 16,661 |
| Other prepayments | 58,685 |
| Total | 75,346 |

6. Share capital

The share capital consists of:

| | | |
|--|-----------|------|
| Shares | 8,942,762 | 0.08 |
| Capital increase during the financial year | 8,942,762 | 0.08 |

The share capital has been fully paid in at the balance sheet date.

The Company has a warrant programme. The warrant programme allows for the subscription of up to 43,977 shares corresponding to a nominal value of DKK 3,518. The exercise price is DKK 8.80 per share. The utilization period expires on 25 October 2023. There are no conditions of exploitation of the warrants nor will the issued shares have any special rights.

7. Deferred tax

| | |
|---|---------|
| Deferred tax recognised in the income statement | 328,739 |
| Total as at 31.12.18 | 328,739 |

Deferred tax comprises:

| | |
|-------------------------------|---------|
| Property, plant and equipment | -617 |
| Tax losses | 329,356 |
| Total | 328,739 |

8. Contingent liabilities

Lease commitments

The company has concluded lease agreements with terms to maturity of 3 months and average lease payments of 2 t.DKK, a total of 6 t.DKK.

The company has entered into another lease agreement which gives the company rights to use the agreed property and production facilities. The lease agreements cannot be terminated before 30 June 2020. The monthly leasing fee is 111 t.DKK. The total contingent liability is 1,998 t.DKK.

9. 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 1. Staff costs.

10. Adjustments for the cash flow statement

| | |
|---|----------|
| Depreciation, amortisation, impairment losses and write-downs | 1,403 |
| Financial income | -150 |
| Financial expenses | 12,721 |
| Tax on profit or loss for the year | -328,739 |
| <hr/> | |
| Total | -314,765 |
| <hr/> | |

11. 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.

No comparative figures have been provided as this is the company's first financial year.

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.

11. Accounting policies - continued -**LEASES**

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

INCOME STATEMENT**Gross 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.

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.

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:

11. Accounting policies - continued -

| | Useful life, year | Residual value, per cent |
|------------------------|----------------------|-----------------------------|
| Leasehold improvements | 5 | 0 |

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

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

Other net financials

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

Tax on profit/loss for the year

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

BALANCE SHEET**Property, plant and equipment**

Property, plant and equipment comprise leasehold improvements.

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

11. Accounting policies - continued -

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.

Impairment losses on fixed assets

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

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

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

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

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

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

Inventories

Inventories are measured at cost calculated according to the FIFO principle. 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.

11. Accounting policies - continued -**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 accounts as well as operating cash.

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.

11. Accounting policies - continued -**Payables**

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

CASH FLOW STATEMENT

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

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

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

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

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

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