



## Invitation to subscribe for shares in STENOCARE A/S prior to its planned listing on Spotlight Stock Market

STENOCARE A/S | CVR no. 39024705 | [www.stenocare.com](http://www.stenocare.com)

**Medical cannabis is a high growth market.** The legalization of medical cannabis is spreading in the western world and has created a large new, attractive market in every country that has been liberalized. Canada, with its 36 million population, is a frontrunner that has seen a growth from 4,000 to 300,000 medical cannabis patients<sup>1</sup> 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<sup>2</sup>. The top-18 companies that have IPO'ed in this space the last two years have a combined market cap of DKK 185 billion as per the 18<sup>th</sup> of September 2018<sup>3</sup>. 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.

**The Danish market has been legalized.** As per 1 January 2018 the Danish market with its approximately 5.8 million population (about 1/6 of the Canadian population) was liberalized and a number of new companies applied for approval to deliver medical cannabis products to the market.

**STENOCARE is the first medical cannabis IPO in Europe and a frontrunner in Denmark.** STENOCARE was the first company to receive a) authorization for import, b) authorization to produce medical cannabis and c) approval for their medical cannabis oil products to be added to the Danish Medicine List. STENOCARE has thus become a frontrunner in the delivery of approved, high quality pesticide free products to the Danish market. STENOCARE has three products which are imported from STENOCARE's strategic partner, the Canadian company CannTrust Inc. [TSX: TRST]. During September 2018, STENOCARE has started shipping these products to all Danish pharmacies and hospitals.

**STENOCARE will produce own products in Denmark.** STENOCARE intends to commence the development of its own production facility of medical cannabis during the fourth quarter of 2018. Having a Danish production facility is a strategic and important asset for STENOCARE, as most other European liberalized markets do not allow for local production and rely on imports. The Company will be able to serve both Denmark and Europe from this facility.

**Listing on Spotlight to finance growth.** STENOCARE is now raising approximately DKK 18.6 million, prior to planned listing on Spotlight Stock Market. The capital is intended to finance the development of the production facility and operating expenses towards executing its ambitious strategy and commercial plans.



<sup>1</sup> <https://www.statista.com/statistics/603356/canadian-medical-marijuana-clients-registered-by-quarter/>

<sup>2</sup> <https://www.statista.com/statistics/587568/estimated-medical-marijuana-market-size-canada/>

<sup>3</sup> <http://marijuanaindex.com/stock-quotes/canadian-marijuana-index/>

# ABOUT THIS MEMORANDUM

*There are two versions of this memorandum, one in Swedish and one in English. In the event of discrepancies between the versions, this English version will prevail.*

## Definitions

In this Memorandum, the following definitions apply, unless stated otherwise: The “**Company**” or “**STENOCARE**” refers to **STENOCARE A/S** with CVR number (Danish corporate registration number) 39024705. “**Spotlight**” refers to **Spotlight Stock Market** (previously AktieTorget), Swedish organisation number 556736-8195.

## Financial adviser and issuing agency

In association with the new issue as described in this memorandum, Sedermera Fondkommission is the financial advisor and issuing agency to STENOCARE. Sedermera Fondkommission is a subsidiary of ATS Finans AB. Sedermera Fondkommission has assisted the Company in the preparation of this memorandum. The Board of Directors for STENOCARE is responsible for the content, whereupon Sedermera Fondkommission and ATS Finans AB disclaim all liability in relation to the shareholders in the Company, as well as with respect to other direct or indirect consequences as a result of investment or other decisions completely or partially based on the information in the memorandum, except in case of gross negligence in matters and formalities in the memorandum not related to the Company itself or the description of the Company’s operations, objectives, etc., but related to the capitalization process.

Furthermore, Nordnet Bank AB is acting as Selling Agent in connection with the issue.

## Exemption from prospectus obligation

The Company’s offer is not covered by the Financial Supervisory Authority’s prospectus requirements in neither Denmark nor Sweden and hence, the memorandum has not been reviewed or approved by the Swedish or Danish Financial Supervisory Authority.

The memorandum has been reviewed by Spotlight in accordance with Spotlights listing agreement. The approval does not involve any guarantee from Spotlight that the facts in the memorandum are correct or complete.

## The area of distribution for the Memorandum

The shares are not subject to trade or applied for in any country other than Sweden and Denmark. The invitation under this memorandum does not apply to people for whom participation requires additional prospectuses, registration measures or measures other than those that arise under Swedish or Danish law. The memorandum must not be distributed in the United States, Australia, Japan, Canada, New Zealand, South Africa, Hong Kong, Switzerland, Singapore, or any other country in which the distribution or this invitation requires further action in accordance with the previous statement or is contrary to the rules in such a country. Disputes arising from the contents of the memorandum or related legal relationships shall be settled in accordance with Danish law and in Danish Courts.

## Accessibility of Memorandum

The memorandum is available at STENOCARE’s office, on the Company’s website ([www.stenocare.com](http://www.stenocare.com)) and on Spotlight’s

website ([www.spotlightstockmarket.com](http://www.spotlightstockmarket.com)). The memorandum can also be accessed via Sedermera Fondkommission’s website ([www.sedermera.se](http://www.sedermera.se)) as well as via the website of Gemstone Capital, which is assisting the Company with marketing in Denmark ([www.gemstonecapital.com](http://www.gemstonecapital.com)).

## Statements regarding the environment and the future

Statements in this document regarding the world at large and future expectations reflect current views of the Company with respect to future events and financial developments. Forward-looking statements express only the assessments and assumptions that have been made by the Company at the date of issue of the memorandum. These statements are thoroughly established, but the reader should be aware that, as for all future assessments, these are associated with uncertainty.

## Auditor review

In addition to what is stated in the audit report and reports incorporated through reference, none of the information in the memorandum has been reviewed or revised by the auditor for the Company.

## References and source referencing

The Company will ensure that information from references and source references has been correctly reproduced and that, to the extent that the Company is aware and can ensure through comparison with other information published by the party concerned – no information has been omitted in a manner that would render the reproduced information incorrect or misleading.

## Spotlight

STENOCARE has applied and is approved for listing on Spotlight, provided that the Company achieves the lowest limit for the new issue and the required proprietary spread. In addition, the Company is also required to comply with other applicable laws, regulations and recommendations that apply to companies listed on Spotlight.

Spotlight is a subsidiary of ATS Finans AB, a securities company under the supervision of the Swedish Financial Supervisory Authority. Spotlight runs an MTF platform (called MHF in Denmark). Companies that are listed on Spotlight have undertaken to adhere to Spotlight’s listing agreement. Among other things, the agreement is intended to ensure that shareholders and other actors in the market receive correct, immediate and concurrent information on all circumstances that may affect the Company’s share price.

Trading on Spotlight takes place in an electronic trading system that is accessible to the banks and stockbrokers that are affiliated with the Nordic Growth Market (“NGM”). This means that those who want to buy and sell shares that are listed on Spotlight can use most banks or stockbrokers.

The listing agreement and share prices can be found on Spotlight’s website ([www.spotlightstockmarket.com](http://www.spotlightstockmarket.com)).

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## OFFERING IN SUMMARY

<b>Subscription period:</b>	24 September – 9 October 2018.
<b>Subscription price:</b>	DKK 8.80 per share.
<b>Subscription post:</b>	The minimum subscription is 400 shares, corresponding to DKK 3,520.
<b>Issue volume and minimum limit for implementation:</b>	The offer comprises no more than 2,113,000 shares, equivalent to DKK 18,594,400 (approximately SEK 26,026,582*). The minimum limit for the new share issue's implementation is DKK 11,088,000 (approximately SEK 15,519,874*).
<b>Number of shares before new share issue:</b>	6,784,762 shares.
<b>Valuation (pre-money):</b>	Approximately DKK 59.7 million, corresponding to approximately SEK 83.6 million*.
<b>Subscription commitments:</b>	The Company has received subscription commitments of approximately DKK 11.2 million, a total of approximately 60 percent of the issue volume.
<b>Listing on Spotlight Stock Market:</b>	The share in STENOCARE is planned to be listed on Spotlight. The trading is planned to commence on October 26, 2018.
<b>The ISIN code for the share:</b>	DK0061078425

*\* Exchange rate applied is 1,3997 DKK/SEK.*

*For full terms and conditions please refer to "TERMS AND CONDITIONS" in this document.*

# HOW TO SUBSCRIBE FOR SHARES IN STENOCARE

	For Swedish investors	For Danish investors
<b>Subscription</b>	<p><b>Reporting of subscription of shares must take place no later than October 9, 2018 at 15.00.</b> Subscription of shares can be done through completion and signing of a subscription form and must be submitted to Sedermera Fondkommission by post or by e-mail during the subscription period. If you have any questions or need help with your subscription, please contact Sedermera Fondkommission on telephone: +46 40 615 14 10 or e-mail: <a href="mailto:issuingservices@sedermera.se">issuingservices@sedermera.se</a>.</p>	
	<p>E-mail: <a href="mailto:issuingservices@sedermera.se">issuingservices@sedermera.se</a> Address: Norra Vallgatan 64, 211 22 Malmö, SE.</p> <p>Filing a subscription may also be done directly using BankID at <a href="http://www.sedermera.se">www.sedermera.se</a>. If you are a customer at Nordnet, you can subscribe directly to their respective websites.</p>	<p>E-mail: <a href="mailto:issuingservices@sedermera.se">issuingservices@sedermera.se</a> Address: Norra Vallgatan 64, 211 22 Malmö, SE.</p> <p>If you are customer of Nordnet, you can subscribe directly on their web-bank.</p>
<b>Allocation and payment</b>	<p><b>All subscribers that receive an allocation of shares will receive a Contract Note shortly after the end of the subscription period. Payment shall be made in accordance with the contract note dispatched</b></p>	
	<p>Payment is to be made to a Swedish bank in Danish crowns (DKK), cf. subscription form.</p>	<p>International payment is to be made to an account with a Swedish bank in Danish crowns (DKK), cf. subscription form.</p>
<b>Trading</b>	<p><b>STENOCARE's share is expected to be admitted for trading on Spotlight Stock Market on October 26, 2018</b></p>	
<b>Banks</b>	<p>The majority of banks in Sweden can obtain Danish shares and hold them in a custodial account or other securities account. This includes, inter alia, the following banks: Avanza, Nordnet, Nordea, Swedbank, Danske Bank, SEB or Handelsbanken. If you have another bank and would like some help with your subscription, contact Sedermera Fondkommission on the telephone number above.</p>	<p>The majority of banks in Denmark have agreements with Spotlight, either directly (Nordnet, Nordea and Danske Bank) or indirectly via a partner bank, which means that they can trade securities on Spotlight. Sedermera Fondkommission is happy to assist with a dialogue with your bank if necessary.</p>

# RISK FACTORS

*A number of risk factors can have a negative impact on STENOCARE's operations. It is, therefore, of great importance to consider the relevant risks alongside the growth opportunities for the Company. Other risks are associated with the shares offered for sale through this memorandum and intended for trading on Spotlight. Risk factors are described below in no particular order and without claiming to be exhaustive. For natural reasons, it is not possible to assess all risk factors without a combined evaluation of other information in the memorandum, along with a general assessment.*

## RISKS RELATED TO THE COMPANY'S OPERATIONS

### Medicinal cannabis pilot programme ("the Programme")

As per January 1, 2018 a four-year trial-programme (the "Programme") made it legal for physicians in Denmark to prescribe medical cannabis to all patients. There is a risk that the Programme may not turn out well and that cannabis after the four-year Programme is no longer legal for medical use in Denmark. Thus, there is a risk that STENOCARE's future revenue opportunities will be wholly or partly absent in Denmark.

### Permission from the Danish Medicines Agency

To be able to market and sell medical cannabis, permission must be obtained from the Danish Medicines Agency ("DMA"). STENOCARE intends to further develop its business with a production plant for the cultivation and production of medical cannabis during the fourth quarter of 2018. The Company's manufactured products will have to undergo an approval process at the Danish Medicines Agency before sales and/or export can commence. There is a risk that STENOCARE will not receive the necessary permits from the DMA or that the Company needs to make adjustments to obtain approval. This poses a risk that STENOCARE's ability to generate revenue will be inhibited temporarily or permanently.

The current rules and interpretations may change. There is a risk that this will affect the Company's ability to meet regulatory requirements. Therefore, there is a risk that STENOCARE, directly or through partners, will not receive the necessary permits. In case the Company does not receive the necessary permits from the Danish Medicines Agency, there is a risk that the Company's earnings and financial position will be adversely affected.

### No historical income

STENOCARE was established in 2017 and has since then conducted start-up of the operation. The Company recently imported their first products from CannTrust and has, therefore, not made any extensive sales or generated any extensive revenue. There is a risk that the Company will not be able to launch any new products or launch products to the extent that the Company intends. It is not possible to anticipate STENOCARE's sales potential in

advance, and there is a risk that revenue will be fully or partially lost.

### Distributors and Customers

STENOCARE started its sales in September 2018. STENOCARE sells its products via distributors, as the Danish law prevents the company from any direct contact/communication with Medical Professionals and patients. STENOCARE has signed distributor agreements with Nomeco A/S and Tjellesen Max Jenne A/S. The Company's contacts with distributors are newly established and it is not possible to evaluate these relationships in advance. There is a risk that this will affect the prospects of the Company. STENOCARE is dependent on distributors making the Company's products available to pharmacies and hospitals. There is a risk that the Company's distributors will not be able to sell STENOCARE's products to the extent that the Company wishes. The Danish physicians are hesitant to write prescriptions of medical cannabis to patients. There is a risk that physicians do not write prescriptions or that STENOCARE is not competitive in pricing, which may result in a total or partial loss of revenue for STENOCARE. In addition, there is a risk that a distributor will choose to terminate its cooperation with the Company, which may result in total or partial loss of revenue for STENOCARE. There is also a risk that a small number of customers account for a large proportion of STENOCARE's total operating income for limited periods of time. There is also a risk that long-term customers and partner relationships cannot be established. In case the Company fails to establish long-term customers and partner relationships, there is a risk that the Company's results will decline.

### Suppliers/Manufacturers

STENOCARE has entered into a license agreement and a commercial agreement with CannTrust Inc. The license agreement ensures that the Company, among other things, receives assistance and help from CannTrust as well as other matters related to production. The commercial agreement determines the conditions under which STENOCARE can import finished products from CannTrust. STENOCARE will in the future have the option to enter additional cooperative relationships with suppliers and manufacturers. In this respect, there is a risk that one or more of these parties decide to end the partnership, which can have a negative impact on the business operations. There is also a risk that the

Company's suppliers and/or manufacturers do not fully meet the quality requirements imposed by the Company. There is a risk that the establishment of relationships with new suppliers or manufacturers will be costlier and/or take a longer time than the Company estimates, whereby there is a risk that the Company's sales are adversely affected or do not occur at all. In the event of a break-up in the partnership with suppliers or manufacturers, there is a risk that STENOCARE will need resources to establish new collaborations. There is a risk that such a process becomes costly, which may result in a decrease in the Company's operating results. There is also a risk that the Company cannot replace a supplier who has terminated its agreement, which may result in reduced or missing cash flow for STENOCARE.

### Key staff and employees

STENOCARE is dependent on key persons to conduct its business and maintain permits. At the date of issue of the memorandum, the Company's key employees consist of the CEO, COO and CCO. There is a risk that a loss of one or more key employees would have adverse consequences for the Company's business operations and its financial results. There is a risk that STENOCARE needs to recruit staff to replace key personnel, which can be a costly process, both in terms of time and money. There is a risk that the Company will incur increased expenses as a result. There is also a risk that the Company cannot replace staff. The risk of unauthorized disclosure of information is also present, which would generate a risk that competitors may receive information about and take advantage of the know-how developed by the Company. There is a risk that STENOCARE's competitors, using such dissemination of information, will further develop their products and that the Company thereby faces increased competition, which may adversely affect the Company's operations, financial position and results.

### Competitors

Some of the Company's competitors and potential future competitors are multinational companies with large financial resources. There is a risk that widespread investment and product development from one or more competitors will result in worsening sales or worsening revenue opportunities for STENOCARE, as the competitor may develop products that outperform the Company's products and thereby take market shares. Furthermore, companies with global operations currently working in neighbouring areas may decide to establish businesses within STENOCARE's business area. There is a risk that increased competition will lead to negative sales and profit effects for the Company in the event that competitors develop products with better functioning and/or better quality.

### Objectives and milestones

There is a risk that STENOCARE's objectives will not be achieved within the established timeframe and that it takes longer than planned to reach the milestones established by the Company, which implies a risk that STENOCARE's operations will be adversely affected.

### Financing and capital needs

STENOCARE's future plans entail significant costs for the Company. A delay in market breakthroughs in new markets may result in weaker revenue for STENOCARE. There is a risk that a delay in product development mean that cash flow will be generated later than planned.

If STENOCARE is not supplied at least approximately DKK 11.1 million in the new share issue and all alternative funding opportunities fail, there is a risk that the Company will have to revise the development plans significantly, which may delay the development of the Company's operations. In the long run, there is a risk that, if all financing opportunities fail, the Company is bankrupt.

STENOCARE may need to acquire additional capital in the future. There is a risk that additional capital cannot be acquired. There is also a risk that development may be temporarily discontinued or that the Company is forced to carry out operations at a lower rate than desired, which may lead to late or non-commercialization and revenue.

### Non-secured subscription commitments

The Company has agreed on subscription commitments with a number of different parties in the current new share issue. However, the subscription commitments have not been confirmed or secured through advance transaction, bank guarantee or similar. In the event that one or more of those who submitted a subscription commitment do not fulfil their contractually agreed commitments, there is a risk that the new share issue will be adversely affected, which in turn may adversely affect the Company's operations through reduced financial resources to drive the business forward.

### Business cycles and economic trends

There is a risk that external factors such as supply and demand, economic booms and recessions, inflation and changes in interest rates will have an impact on operating costs and selling prices. There is a risk that the Company's costs and future revenues will be adversely affected by these factors.

### Foreign exchange risk

There is a risk that part of the sales revenue will flow into international currency, including the euro. Purchasing of products is made in foreign currency. There is a risk that currency exchange rates will be changed significantly and there is a risk that the Company's costs and future revenues are adversely affected by changes in exchange



rates. For example, if the Danish crown (DKK), which is the Company's accounting currency, increases in value, there is a risk that the Company's future exports will decrease. This in turn entails a risk of reduced revenue for STENOCARE and a decline in operating profit for the Company.

#### Political risk

STENOCARE intends to operate in a global market with partners, suppliers and customers in a large number of countries. There is a risk that differences in legal systems and changes in legislation, as well as other relevant regulations related to taxation, duties and fees, as well as other terms that apply to the Company's operations on the international market, adversely affect the Company. Rules, regulations and legal principles may differ regarding substantive law as well as court proceedings and lawsuits. This also leads to the fact that the Company's ability to exercise or enforce its rights and obligations may differ between countries and there is a risk that any disputes or legal proceedings will become expensive, time-consuming and uncertain. Due to the above-mentioned factors, there is a risk that the Company's operations, financial position and earnings in the future will be adversely affected. There is also a risk that changes in laws, taxes, duties, exchange rates and other conditions for foreign companies will adversely affect the Company. The Company is also affected by political and economic uncertainties in these countries. There is a risk that the Company will be adversely affected by possible domestic policy decisions. There is a risk that the above-mentioned factors can adversely affect the Company's operations, financial position and results in the future.

#### Insurance risk

STENOCARE has a corporate insurance which includes property and property damage, theft of products, legal protection and product liability as well as general responsibility. There is a risk that STENOCARE will suffer damages or incur damages that are fully or partially not covered by the insurance, which may adversely affect the Company's operations, results and financial position. This poses the risk that STENOCARE in such a scenario will have to pay damages or repairs from its own funds, which results in a deteriorating financial position for the Company.

#### Product Liability

Given that STENOCARE sells products, risks are raised with product liability. There is a risk that the Company will be held liable for any event in clinical trials, even in cases where clinical trials are conducted by an external party. In case of a possible incident in a clinical study and if the Company were to be held liable for this, there is a risk that the Company's insurance coverage would not be sufficient to cover any future legal requirements. There is a risk that

this will affect STENOCARE negatively, both in reputation and financially.

#### Tax-related risks

The Company's operations are conducted in accordance with the Company's perception and interpretation of relevant tax legislation, tax treaties and other applicable rules. There is a risk that the Company's interpretation of applicable laws, regulations or relevant authorities' interpretation of these or of administrative practice is incorrect or that such rules are changed to the Company's disadvantage. There is a risk that the Company will be subject to tax auditing, the Tax Agency's decision or amended legislation, which may cause the Company's tax situation to deteriorate. There is a risk that this will adversely affect the Company's financial position.

#### Market growth, acquisitions, etc.

STENOCARE plans to expand over the coming years, firstly by increasing the Company's market share in Denmark and secondly by establishing itself in new countries in Europe. There is a risk that establishments will be delayed, resulting in loss of income. Rapid growth may involve the Company making acquisitions of other companies. There is a risk that lack of synergies and less successful integration will affect the Company's operations and results in a negative way. There is also a risk that rapid growth will cause problems at the organizational level. There are also risks in recruiting the right staff, and there may be difficulties in successfully integrating new staff into the organization.

#### Disputes

There is a risk that STENOCARE becomes involved in disputes within the framework of normal business and may be subject to claims regarding contractual matters, product liability and alleged errors in deliveries of the Company's products. There is a risk that such disputes and claims will be time consuming, disruptive to normal operations and lead to significant costs. It is not possible to predict the outcome of complex disputes. Thus, disputes can have a negative impact on the Company's operations, profit and financial position.

#### Ethical risk

STENOCARE conducts its business in a new industry. There is a risk that the Company's business and/or the industry in which STENOCARE operates may be perceived as being controversial. As a result, there is a risk of negative publicity or announcements, justified or not, which may adversely affect the Company's business, both reputationally and financially.

## SHARE-RELATED RISKS

### No previous public trading of shares

There is a risk that an active trade in STENOCARE's shares does not develop and thus, that shareholders will not be able to divest their shares or can only divest their shares at a loss. There is also a risk that the price of the shares will be subject to significant fluctuations. For example, above all, the share price may be affected by changes in supply and demand, fluctuations in profit, the ability to achieve profit changes, changes in the general economic situation, legislative and regulatory amendments and changes in other factors. In addition, the general volatility of the share market may lead to the price of the shares being devalued.

### Price movements

There is a risk that STENOCARE's share price will undergo major variations in connection with an introduction to Spotlight. Exchange rate fluctuations may arise from major changes in purchase and sales volumes and may not necessarily have a connection with the Company's underlying value. There is a risk that the price fluctuations will affect the STENOCARE's share price negatively.

### Psychological factors

There is a risk that the securities market is influenced by psychological factors such as trends, rumours and reactions to news that are not directly linked to the marketplace, etc. There is a risk that the Company's shares will be affected in the same way as all other securities that are traded on different lists. There is a risk that psychological factors and its subsequent effects on price developments will adversely affect the market price of the Company's shares.

### Sale of shares by major shareholders, Board Members and executive management

Major shareholders, CEO and management at STENOCARE have committed not to divest more than 10 percent of their ownership within one (1) year from listing on Spotlight through a commitment to lock up. Notwithstanding the provisions of the Lock Up Agreement, parties who have locked up may divest shares under the terms of a public takeover offer pursuant to The Swedish Corporate Governance Board takeover-rules for certain trading platforms and/or other relevant provisions on public takeover offers in the stock market. However, in the longer term, there is a risk that these parties will divest part or all of their holdings in the Company. There is a risk that this will have an adverse effect on STENOCARE's share price.

### Marketplace – Spotlight

The intention is to trade the Company shares on Spotlight, a subsidiary company of ATS Finans AB, which is a securities company under the supervision of the Financial Supervisory Authority. Spotlight operates a trading platform (MTF or MHF). Shares listed on Spotlight are not subject to the same rules as shares admitted for trading on regulated markets. As a result of the differences in the scope of the different regulations, an investment in shares traded on Spotlight may be riskier than an investment in shares traded on a regulated market.

### Dividend

To date, STENOCARE has not paid any dividends to shareholders. The Company is in a development phase and any surplus is primarily planned for investment in the Company's development. There is a risk that future cash flows will not exceed the Company's capital requirements and/or that the Annual General Meeting will not make any decision regarding dividends in the future.



# INTRODUCTION

## Purpose

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

## Legalization

On January 1, 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. The Programme was approved by nine of the ten political parties in the Danish Parliament and is, therefore, supported widely across the political parties. Even though the Danish legislation will evolve further in the coming years – it is the Company's assessment that a potential change of Government is not likely to alter the support for the Programme. This Programme also allows vendors that have been licensed by the Danish Medicines Agency to cultivate, produce, import and distribute medical cannabis. The Programme can be terminated in December 2021 by the Danish Parliament if the politicians for any reason find that medical cannabis should not continue as a legalized treatment for Danish patients. Based on announcements from, for instance, patient organisations, staff at the DMA and politicians it is the Company's expectation that the four-year Programme will be replaced by regulation that is permanent. The global market for medical cannabis is already extensive, and it is the Company's assessment that the legalization wave is expected to significantly contribute to an expansion of the global market.

## First mover

STENOCARE has established a strategic partnership with CannTrust Inc. ("CannTrust"), a wholly-owned subsidiary of CannTrust Holding Inc. whose shares are listed on the Toronto Stock Exchange [TSX: TRST]. CannTrust is a leading producer of medical cannabis in the Canadian market, with a proven track record of cultivating and producing high quality products. Through CannTrust, and in exchange for co-ownership of STENOCARE, the Company has secured direct access to medical cannabis products through imports, as well as access to extensive know-how and advice concerning cultivation and production. For CannTrust, this partnership is an important part of its international growth strategy<sup>4</sup> and a showcase of its excellence in producing products for a highly regulated market.

STENOCARE is a First-mover in the four-year Programme. At the date of issue of the memorandum, the Company has:

- Received approval from the Danish Medicine Agency to cultivate and produce medical cannabis.
- Received approval from the Danish Medicine Agency to import, manufacture and distribute medical cannabis.
- Received approval to have three medical cannabis oil products on the Danish Medicine List.
- Signed agreements with the two leading distributors and has thereby secured distribution of its medical cannabis oil products to all Danish pharmacies and hospitals.
- Delivered their imported medical cannabis oil products to the two distributors.

## Potential

Deploying metrics from the Canadian market and currently known assumptions on pricing and degree of deployment of medical cannabis to a small share of the more than 500,000 patients<sup>5</sup> with chronic pains (e.g. multiple sclerosis, chemo therapy, osteoarthritis, osteoporosis) in Denmark, it is the Company's assessment that the Danish market alone has the potential to reach approximately DKK 1 billion<sup>5</sup> in annual revenues in total in 2021. The Danish market is a fraction of the much larger European market, representing less than 3 percent of the current European population with access to legal medical cannabis. The European market value in 2022 could potentially reach approximately DKK 30 billion<sup>6</sup>. The Canadian market has during 2014–2018 seen a growth from 4,000 to 300,000 medical cannabis patients<sup>7</sup>. This is equal to a growth from DKK 50 million to DKK 6 billion in annual revenues in just four years, and the Canadian market is projected to reach DKK 11 billion in annual revenues in 2021<sup>8</sup>.

<sup>4</sup> <https://canntrust.ca/canntrust-continues-global-expansion-as-danish-partner-stenocare-receives-license-to-distribute-canntrust-products/>

<sup>5</sup> STENOCARE Danish market data based on [http://www.sum.dk/~media/Filer%20-%20Publikationer\\_i\\_pdf/2014/Kraeft-noegletal-januar-2013/Noegletal\\_kraeft\\_2013.ashx](http://www.sum.dk/~media/Filer%20-%20Publikationer_i_pdf/2014/Kraeft-noegletal-januar-2013/Noegletal_kraeft_2013.ashx) + <https://scleroseforeningen.dk/viden-og-nyt/hvad-er-sclerose/fa-alle-tallene-om-sclerose> + <http://www.smerterdanmark.dk/fakta-om-kroniske-smerter/>

<sup>6</sup> STENOCARE calculated extrapolation from German market data and future projection.

<https://www.fool.com/investing/2018/08/05/5-biggest-international-marijuana-markets-and-the.aspx>

<sup>7</sup> <https://www.statista.com/statistics/603356/canadian-medical-marijuana-clients-registered-by-quarter/>

<sup>8</sup> <https://www.statista.com/statistics/587568/estimated-medical-marijuana-market-size-canada/>

## Plans

In order to ensure delivery capacity in the future, STENOCARE intends to further develop its business operations with a production facility for the cultivation and production of medical cannabis. The Company expects to commence the development of the production facility in the Company's existing 3,000 m<sup>2</sup> premises in Denmark in the fourth quarter of 2018. 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 and uniform quality in the Danish medical cannabis regulations, STENOCARE expects to have a competitive advantage when entering new European markets.

### An objective of achieving a positive financial result during the first quarter of 2020

STENOCARE is a highly ambitious company. At the same time, STENOCARE does not want to participate in the creation of unfounded hype about a new market with no or very limited historical data. Hence and due to a variety of uncertainties, no specific projections are offered. Potential investors should note that many physicians are hesitant concerning this new type of treatment of their patients, as was the case with Canadian physicians. A survey among members of the associations for Polio and Trauma patients found that 88 percent have experienced that their physician did not favour a treatment with medical cannabis<sup>9</sup>. Canada had and still has, similar hesitation on the part of physicians – even though their prescriptions to patients have increased from 4,000 to 300,000 during the last four years. As mentioned in the Risk section of this memorandum, there are, therefore, several uncertainties to consider in the financial projection. Examples of such risk, apart from the assumptions relating to physicians issuing prescriptions to patients (i.e. sales volume development), are uncertainties concerning the continuous access to finished product sourcing (i.e. sales capacity), the competitive situation for products and pricing (i.e. market share) and that regulation/procedures from authorities are not significantly changed during the period (i.e. timeliness and access to the market). Against this background, it is the Company's objective to achieve a positive financial result during the first quarter of 2020. The objective is based on the fact that the approval process by the authorities for the Company's own cultivated products (i.e. future product mix) is estimated to take 6–12 months from harvest and submission of the application to the DMA, although a faster approval process may have a positive effect on the stated objective.



<sup>9</sup> Børsen, 30.7.2018, page 16.

## A FEW WORDS FROM THE CEO, THOMAS SKOVLUND SCHNEGELSBERG



### Our Vision and inspiration

STENOCARE is founded with the clear and simple vision of creating a better quality of life for patients through use of medical cannabis as an alternative and/or a supplement to traditional medicine. Our inspiration came from personal experiences with family members or friends who experienced inhuman amounts of pain and trauma. At the same time, we heard endless examples of the benefits of medical cannabis for a wide variety of illnesses.

### Our story and strategy:

We also learned about the challenges with medical cannabis from the illegal market – where there is great uncertainty as to quality, uniformity and strengths of the products. Therefore, these three parameters (quality, uniformity and strengths) are central to the way we source products, and how we will establish our own production facility. The STENOCARE strategy has two pillars that are key to our success and to realizing our vision of providing a better quality of life to patients.

The first pillar is an import and wholesale operation of finished products for the Danish market. We have secured all the necessary agreements with suppliers and distributors and received the required approvals from the Danish Medicines Agency have commenced this first pillar. In September 2018, we started supplying all Danish pharmacies and hospitals with our three different medical cannabis oil products free of pesticides and produced by our Canadian partner CannTrust Inc. Established in 2014, CannTrust is a leading provider of pharmaceutical grade medical cannabis in Canada.

The second pillar is to build a production facility to cultivate and manufacture our own finished medical cannabis products for patients in Denmark and Europe. The law that regulates the legalization of medical cannabis in Denmark enforces some of the strictest requirements for uniformity and pesticide free cultivation in the world both for imported products and for locally cultivated products. To comply with these requirements, we will build hygienic climate rooms in our indoor production facility. This production model has been developed successfully by CannTrust and is now a proven formula for consistent, high quality, uniformity and strength of the finished products. Also, having 100 percent pesticide-free production and products is a central parameter for Danish politicians to secure patient safety – as pesticides can introduce toxic substances in the finished product. This pesticide requirement will be challenging for greenhouse producers/suppliers that are working to enter our market, and here STENOCARE has a head-start with imported products from CannTrust that are already approved for the Danish Medicines List.

It is pioneering work to execute the STENOCARE strategy in Denmark – because legalization of medical cannabis was only passed by the Danish Parliament on January 1, 2018. Therefore, there is no established industry for medical cannabis in Denmark. Early on, we decided to form a strategic partnership with CannTrust Inc (TSX: TRST), one of the world's leading producers of medical cannabis. They are both our supplier of finished products, our partner to supply know-how and propagation materials for the production facility, and shareholder of our company. Together with the Executive Management Team of STENOCARE, CannTrust is also making an investment in the IPO pre-subscription, which is a great testament to our business case. This partnership brings many years of industry experience into our organization, that will help us avoid critical pitfalls and increase our speed to market. In other words – we can replicate their accumulated know-how into a successful and well-documented production setup for our purposes in Denmark.

For STENOCARE, it is a priority to be a first-mover. We were in the first wave in receiving a license from the Danish Medicine Agency ("DMA") to grow and produce medical cannabis. We were the first company to have all DMA licenses for growing, producing, manufacturing, importing and distributing medical cannabis. Furthermore, we are the first to have imported medical cannabis oil products approved for the Danish Medicine List and as a result we are the first to supply these to patients at scale (started in September 2018). These are just examples of our merits and ability to deliver high quality execution.

We are operating in a highly regulated industry with a demand for continuous compliance and auditing with the DMA. STENOCARE has developed a comprehensive operating model that is formally documented in our Standard Operating Procedures (SOP's) that have been reviewed, audited and approved by the DMA. This will enable us to deliver consistent quality output as our business and organization grows. The Danish legalization and requirements are seen as the strictest in the world. This will enable STENOCARE to comply with high standards in future export markets and successfully compete with producers from more mature markets with legacy production requirements that are not established in accordance with these high standards.

#### Our market and opportunity

Denmark is our home market and our first priority. Due to the recent legalization in January 2018, there is still very limited historical market data for patients and sales of medical cannabis. However, we can build on data for illnesses to estimate and calculate the total base of patients – i.e. the market opportunity. In the patient groups we currently focus on there are approximately 50,000 patients with multiple sclerosis or undergoing chemotherapy. However, using experience from other markets, the potential with a wider group of illness is going to be more than 500,000 patients<sup>10</sup>.

Quantifying the Danish market development – we are building on the historical performance in the Canadian market. The Danish model is in many respects similar to the Canadian one, with Canada currently being 4–5 years ahead of Denmark. Canada started legalization in 2001, but with further de-regulation in 2014–2015, the market experienced a significant dynamic growth. Since 2014, the Canadian active patient base for medical cannabis have grown from 4,000 people to 300,000 people<sup>11</sup>, meaning 0.83 percent of Canadians are using medical cannabis. This has generated an annual revenue (2017) of approximately DKK 3 billion<sup>12</sup>. This revenue number is projected to grow to DKK 11.5 billion in 2021<sup>13</sup>. Based on the Canadian historical figures, it is the Company's assessment that the Danish market has the potential to reach approximately DKK 1 billion in annual revenue in 2021.

When we have initiated our business in Denmark, we will approach the wider European market with our own products from the Danish production facility. Each market will have unique requirements and approval procedures that we will map and prioritize according to market access and size. Currently, eleven EU countries have legalized treatment with medical cannabis – covering approximately 250 million people. The patient groups we focus on within these markets total approximately 31.5 million people, with a projected European market of approximately DKK 30 billion in 2022<sup>14</sup> if we extrapolate from early data from Germany.

STENOCARE has created a leadership role in Denmark through our ability to secure approvals from the Danish Medicines Agency, and compared to our +30 competitors<sup>15</sup>, we have completed many vital milestones in our path towards supplying medical cannabis products to help patients having a better quality of life. We are well positioned to become a market leader in Denmark and a significant vendor in Europe, and the team is ready to start executing the second pillar of our strategy - building our indoor climate room production in our existing Danish facility.

In order to maintain momentum and to take advantage of our market opportunities, we are now implementing an issue of new shares in exchange for an amount of approximately DKK 18.6 million ahead of the planned listing on Spotlight Stock Market. The funds we receive are intended to finance the development of our facility in Jutland and cover operating expenses.

We warmly welcome your interest in investing in STENOCARE and joining our quest for better quality of life for patients and success in a new industry with high growth potential in Denmark and Europe.

*Thomas Skovlund Schnegelsberg*  
CEO, STENOCARE A/S

<sup>10</sup> STENOCARE Danish market data based on [http://www.sum.dk/~media/Filer%20-%20Publikationer\\_i\\_pdf/2014/Kraeft-noegletal-januar-2013/Noegletal\\_kraeft\\_2013.ashx](http://www.sum.dk/~media/Filer%20-%20Publikationer_i_pdf/2014/Kraeft-noegletal-januar-2013/Noegletal_kraeft_2013.ashx) +

<https://scleroseforeningen.dk/viden-og-nyt/hvad-er-sclerose/fa-alle-tallene-om-sclerose> + <http://www.smerterdanmark.dk/fakta-om-kroniske-smerter/>

<sup>11</sup> STATISTICA <https://www.statista.com/statistics/603356/canadian-medical-marijuana-clients-registered-by-quarter/> and <https://www.canada.ca/en/health-canada>

<sup>12</sup> STATISTICA, 1 c\$ rate DKK5 <https://www.statista.com/statistics/587568/estimated-medical-marijuana-market-size-canada/>

<sup>13</sup> <https://www.statista.com/statistics/587568/estimated-medical-marijuana-market-size-canada/>

<sup>14</sup> STENOCARE extrapolation of German market for EU: *The State of Legal Marijuana Markets*, published by Arcview Market Research and BDS Analytics

<sup>15</sup> Danish Medicine Agency homepage: <https://laegemiddelstyrelsen.dk/da/special/medicinsk-cannabis/virksomheder/udviklingsordningen/ansoegere-om-tilladelse-til-dyrkning-og-haandtering/> +

<https://laegemiddelstyrelsen.dk/da/special/medicinsk-cannabis/virksomheder/forsogsordningen/tilladelse-til-fremstilling/ansoegere-om-tilladelse-som-cannabismellemproduktfremstiller/>

# INVITATION TO SUBSCRIBE FOR SHARES

## ISSUE RESOLUTION

The Board of Directors of STENOCARE decided, at a board meeting on September 12, 2018, supported by authorization from the Extraordinary General Meeting on September 10, 2018, on a new issue of shares prior to listing on Spotlight Stock Market.

## ISSUE VOLUME AND ISSUE COSTS

A fully subscribed new share issue will provide the Company with DKK 18,594,400 before issue costs of approximately DKK 1.4 million. With a fully subscribed new share issue, the share capital will increase by DKK 169,040 from DKK 542,780.96 to DKK 711,820.96, and the number of shares will increase by 2,113,000 shares from 6,784,762 shares to 8,897,762 shares. The new issue will be implemented without preferential rights for existing shareholders.



### INVITATION

In accordance with the terms and conditions of this memorandum, you are hereby invited to subscribe for shares of STENOCARE at a subscription price of DKK 8.80 per share.

## LIABILITY

The Board of Directors of STENOCARE A/S is responsible for the content of this memorandum. The people listed below as the Board of Directors hereby jointly assure you that they have taken all reasonable precautionary to ensure that the information contained in the memorandum, to the best of their knowledge, is in accordance with the actual circumstances and that nothing has been omitted that may materially affect the assessment of the Company.

Allerød, September 20, 2018

The Board of Directors of STENOCARE A/S

<i>Marianne Wier</i>	<i>Member of the board and chairman</i>
<i>Rolf Steno Petersen</i>	<i>Member of the board</i>
<i>Jeppe Bo Petersen</i>	<i>Member of the board</i>
<i>Søren Melsing Frederiksen</i>	<i>Member of the board</i>



# CAPITAL REQUIREMENTS

## NEW ISSUE

According to the Company's assessment, the existing working capital, which is intended to finance the development of the business, is not sufficient for current needs. In order to add capital, STENOCARE has decided to raise capital equivalent to approximately DKK 17.2 million after issue costs, prior to planned listing on Spotlight. The capital that STENOCARE is provided through the new issue is primarily intended to finance the development of STENOCARE's production facility in Jutland. In addition, the new share issue is also intended to finance operating expenses.

If the new share issue is not fully subscribed, STENOCARE intends to explore alternative financing options such as raising additional capital, obtaining grants, or alternatively it will conduct its operations at a slower pace than projected, until additional capital can be acquired. In the event that STENOCARE is not supplied at least approximately DKK 11.1 million in the new issue and all alternative financing opportunities fail, there is a risk that the Company will have to revise the development plans significantly, which may delay the development of the Company's operations. In the long run there is a risk that, in the event that all financing opportunities fail, the Company may go bankrupt.

## PREREQUISITES FOR THE IMPLEMENTATION OF THE NEW SHARE ISSUE

The minimum limit for implementing the new issue of shares and thus the planned listing on Spotlight, amounts to approximately DKK 11.1 million. The new share issue will be executed if the lowest limit for the issue is achieved, and if Spotlight give final notice that STENOCARE will be admitted to trading. The new share issue is also subject to Spotlight's ownership spread requirements.

## USE OF FUNDS FROM THE NEW ISSUE

In the event that the current new issue is fully subscribed, the proceeds amounting to approximately DKK 17.2 million after issue costs are intended to finance STENOCARE until STENOCARE reaches break-even, which is expected to occur in the first quarter of 2020. The proceeds are intended to finance the following:

- Approximately 70 percent of the proceeds are intended to be invested in the establishment of a production facility for the cultivation and production of medical cannabis, including adaptation to medical cannabis production at the Jutland facility, equipment for cultivation and trimming, cooling/HVAC, ventilation and water treatment systems, upgrading of power grids (AMP), software and laboratory equipment, carbon dioxide extraction equipment and safe storage.
- Approximately 30 percent of the proceeds are intended to finance part of the organization's running costs.

## FUTURE CAPITAL NEED

In the event that the forthcoming new share issue is fully subscribed, it is the Company's assessment that the proceeds will finance the growth plan until STENOCARE reaches break-even. This is estimated to occur during the first quarter of 2020 assuming the underlaying expectations for physician subscriptions, product supply and regulatory rules and processes are not significantly altered and that the authority approvals on the Company's own products stay within the expected and communicated 6–12 months approval period from harvest and the date of submission of the application to the DMA. If the result of the forthcoming new share issue ends in the low range, i.e. the Company is only provided the minimum limit of DKK 11.1 million, STENOCARE may roll out the development of the production facility at a slower pace to stretch the financial resources. If the development of the production facility is significantly reduced it is the Company's assessment that the funding will finance the Company until minimum the first quarter of 2020.

In parallel with executing the ongoing sales and establishing the production facility in Denmark, STENOCARE will commence the planning of "Project Phoenix", which is a project seeking to identify suitable countries for both export and location for an additional potential production facility in Europe, where legislation allows STENOCARE to apply for a cultivation license and conditions support the Company's distribution model. The aim of Project Phoenix is to assure that the business is sustainable beyond the four-year Programme.

Project Phoenix will in its later phases require additional capital, which the Company intends to acquire through financing, capital from the operating business, partnerships and/or a new share issue. The Company has not yet decided upon a



financing solution, nor is there an estimate of the size of this. Thus, STENOCARE may acquire capital through a new share issue in order to finance a market expansion in Europe within the confines of Project Phoenix.

## SHARE PRICE SETTING

There are no validated valuation models for companies such as STENOCARE. The Company has established a price for the shares in the forthcoming new issue based on a balanced assessment of the current operations and the potential market that STENOCARE addresses in combination with investments made in STENOCARE so far. The valuation of the current new issue has been determined based on the following:

### Operations

- STENOCARE was amongst the very first Danish companies to be granted authorization from the Danish Medicines Agency to both grow and produce medical cannabis as well as to import medical cannabis.
- STENOCARE has secured direct access to medical cannabis, and as per September 2018 is the first and presently only company in Denmark to make legal pharmaceutical-grade medical cannabis oil products available at scale.
- The Company has a strong strategic partner in CannTrust, a leading Canadian producer of medical cannabis, which contributes with access to over 40 years of experience in the pharma industry. CannTrust has a well-documented production setup that STENOCARE can copy for its own purpose in Denmark. This partnership provides know-how, consulting and access to unique propagation materials for STENOCARE. This will be a critical factor in reducing risks when establishing the production and reducing time to market due to CannTrust's proven track record with the entire value chain.
- STENOCARE has three products on the Danish Medicine List, which means the products can be prescribed by physicians to patients.
- Operations profitability is strengthened with the proposed government product subsidies to medical patients in the Danish Programme – offering a refund of 100 percent for terminally ill patients and 50 percent for all other patients.
- STENOCARE's goal is to be a "first mover" within the field of medical cannabis and has created a momentum to position itself as a prominent party in the Danish market.
- STENOCARE has signed distributor agreements with Nomeco A/S and Tjellesen Max Jenne A/S, which encompass distribution to all pharmacies and hospitals in Denmark. Both distributors are local entities of large medicine distribution company groups that are active Europe-wide. At the date of issue of the memorandum, STENOCARE has made its first delivery to its distributors who will distribute the medical cannabis oil to Danish pharmacies and hospitals.
- A strong and competent team behind STENOCARE's operations, and an experienced Board of directors.
- When the manufacturing facility is ready to start production, all competencies and propagation material will be present, allowing STENOCARE to produce raw materials based at the same plants used by CannTrust, which are used in the imported products.

### Market potential

- The market for medical cannabis is already extensive in other mature legalized markets such as Canada. The Danish and European legalization wave is expected to significantly contribute to an expansion of the global market.
- There are currently only two suppliers of medical cannabis in Denmark. STENOCARE is currently the only one with medical cannabis oil products accepted for the Danish Medicine list, and therefore will initially have a leading market share.

- STENOCARE intends to provide medical cannabis to the primary patient group of approximately 50,000 people in the near term, and an extended patient group of approximately 500,000 people in the longer term.
- The Danish market is STENOCARE's first priority. Based on the Canadian historical numbers, the Danish market has the potential to reach approximately DKK 1 billion in 2021<sup>16</sup>. The Company bases its market projection on the fact that western countries have similar demographic data relating to the number of patients within the relevant diseases and by applying the rate of increase in patients using medical cannabis seen in Canada in the last 4-5 years. The market potential has also been estimated based on early data from Germany. For more information on the estimated market potential, please refer to the section "Overview of the market" on page 32 in this memorandum.
- STENOCARE will approach the European market with products from the Company's Danish production facility. Currently, eleven EU countries have legalized medical cannabis – covering approximately 250 million people. The primary audience of patients in these markets are approximately 31.5 million people, with a projected European market of approximately DKK 30 billion in 2022<sup>17</sup> when extrapolating early data from Germany.

### Investments

- From the Company's start-up until now, around DKK 10 million has been invested in STENOCARE's operations in cash (approximately DKK 6 million) and in kind (approximately DKK 4 million).
- In December 2017, Gemstone Capital organized a Private Placement of approximately DKK 2 million to a pre-money valuation of approximately DKK 20 million in STENOCARE. The Private Placement was registered on Erhvervsstyrelsen in January 2018. The capital raise was conducted before the legislation regarding the four-year Programme was approved and before STENOCARE had received the license to cultivate and produce medical cannabis.
- In the beginning of the summer of 2018, Gemstone Capital organized an additional Private Placement of approximately DKK 4 million was made to a pre-money valuation of approximately DKK 46.8 million. The Private Placement was registered on Erhvervsstyrelsen in July 2018. The motive for the valuation increase between the Private Placement registered in January 2018 and the Private Placement registered in July 2018 was mainly that the legislation regarding the four-year Programme was decided on and that STENOCARE in between the Private Placements received the license to import, manufacture<sup>18</sup> and distribute medical cannabis. The two Private Placements were directed to a limited group of investors and were implemented to enable continued development and expansion of the Company's operations up until now forthcoming new share issue prior to planned listing on Spotlight. Since the latest Private Placement that was registered in July 2018, STENOCARE has obtained three approved products (by the Danish Medicines Agency). Thus, STENOCARE is at the moment the only company in Denmark with approved medical cannabis oil on the Danish Medicine List. The Company has received its first batch of imported products from CannTrust and commenced sales, which means that the products have been distributed to pharmacies and hospitals via the distributors. For more information about the valuation in the latest Private Placement, please see the section "Share capital" on page 56 in this memorandum.

### LISTING ON SPOTLIGHT STOCK MARKET

STENOCARE is approved for listing on Spotlight, provided that a minimum of approximately 60 percent of the new issue is completed, and that Spotlight's ownership spread requirements are met. The listing on Spotlight creates increased opportunities for a good promotion of both the Company and its products. Furthermore, possible future capital procurement is facilitated, which promotes a high rate of development and expansion. A listing on Spotlight also helps to make possible business acquisitions significantly easier. The first day of trading is expected to be October 26, 2018.

<sup>16</sup> STENOCARE's own calculation from Canadian numbers

<sup>17</sup> STENOCARE extrapolation of German market for EU: *The State of Legal Marijuana Markets*, published by Arcview Market Research and BDS Analytics

<sup>18</sup> Manufacturing" is the process of pharmaceutical re-packaging and preparation for distribution

## SUBSCRIPTION COMMITMENTS

STENOCARE is hereby implementing a new issue of shares in which the public will also be given the opportunity to subscribe for shares. A fully subscribed new share issue will provide the Company with approximately DKK 18.6 million before issue costs, which is expected to amount to a total of approximately DKK 1.4 million. STENOCARE has obtained subscription commitments corresponding to approximately DKK 11.2 million, equivalent to approximately 60 percent of the issue volume. All parties that have concluded subscription commitments can be reached via the Company's address.

### SUBSCRIPTION COMMITMENTS

The table below presents all the subscription commitments which have been agreed and signed to in writing. The subscription commitments have not been secured through advance transaction, bank guarantee or similar. No premium compensation has been given for these commitments. Note that the allocation of the shares will first take place to subscribers to the new issue, in relation to the concluded subscription commitment.

Subscribers	Subscription commitment (DKK)
CannTrust Inc	2,399,997.60
Ulf Jimmie Mathias Landerman	1,034,607.20
John Andersson Moll	744,612.00
Peter Nilsson	684,613.60
Paginer Invest AB	509,608.00
Prana Holding ApS <sup>1</sup>	499,998.40
Jytte Rust	449,996.80
Mikael Blihaven	484,228.80
CD Holding Aps	399,995.20
Lars Søndergaard	399,995.20
Claus Kristiansen	299,992.00
Daniel Koch	192,306.40
Lars Carpens	149,996.00
Marianne Wier <sup>2</sup>	99,994.40
MS Kjær Holding ApS <sup>3</sup>	99,994.40
Steno Investment IVS <sup>4</sup>	99,994.40
Peter Bugge Johansen <sup>5</sup>	99,994.40
Alexander Schoeneck	99,994.40
Andreas Johansson	99,994.40
Love Carlsson	99,994.40
Jens Miöen	99,994.40
Fredrik Lundgren	99,994.40
Harry Matilainen	99,994.40
Kent Eklund	99,994.40
Sebastian Clausin	99,994.40
Wilhelm Risberg	99,994.40
Jens Olsson	99,994.40
Liselott Moazed	99,994.40
Per Nilsson	99,994.40
Wictor Billström	99,994.40
Oliver Molse	99,994.40
Leo Graf	99,994.40
Kent Mårtensson	99,994.40
Magnus Hoffman	99,994.40
Rickard Tejme	99,994.40
Consentia Group AB	99,994.40
Tonoy Sayeed	99,994.40
Tomoko International AB	99,994.40
Christian Månsson	99,994.40
Michael Mattsson	99,994.40
Johan Larsholm	69,995.20
Kompas Administration ApS	49,992.80
Johan Wehlin	39,996.00
Niclas Bergenblad	34,997.60
Anna Marie Thulstrup /Jimmi Monefelt Hansen	29,999.20

Orla Søre	24,992.00
<b>Totalt</b>	<b>11,199,768.80</b>

<sup>1</sup> Owned to 50 percent by CEO Thomas Skovlund Schnegelsberg.

<sup>2</sup> Marianne Wier is chairman and Board member of STENOCARE.

<sup>3</sup> Owned to 50 percent by COO Søren Kjær.

<sup>4</sup> 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.

<sup>5</sup> Peter Bugge Johansen is the CFO of STENOCARE.

# BACKGROUND

## MEDICAL CANNABIS

Medical cannabis is a category term for anything from dried cannabis flowers, cannabis oils, capsules and tablets to oromucosal spray (mouth spray). But, common to all of these product types is that they contain either parts of the cannabis plant, active substances from the plant or synthetic cannabinoids, and that they are used to alleviate illness. The main active and commonly known cannabinoid compounds are tetrahydrocannabinol (THC) and cannabidiol (CBD). THC has properties that can increase appetite and reduce nausea. CBD has a dampening effect on cramps. Thus, the combination of THC and CBD may potentially provide an efficacy to patients suffering from pain, cramps and/or nausea.

Medical cannabis may be best understood as the use of cannabis under ongoing medical supervision, with an established diagnosis of the target symptom-disease complex. Herbal cannabis is used in conjunction with, or in consideration of, other pharmacological and non-pharmacological approaches and with the goal of reaching prespecified treatment outcomes. The primary purpose of medical cannabis use is symptom relief and improved function and overall quality of life.

While cannabis has a long history of medical use as an analgesic (pain reliever) and antispasmodic agent, for much of the modern era there has been a general lack of awareness among scientists and physicians of its medical benefits. The discovery of the active ingredient THC in the 1960s, as well as the discovery of a system of endogenous cannabinoid receptors<sup>19</sup> and ligands<sup>20</sup> in the late 1980s and early 1990s, promoted inquiry into the therapeutic potential of cannabis and its extracts and derivatives. This work revealed that cannabis can provide relief from certain types of conditions, such as severe chronic pain, and led to the development of various herbal medical cannabis products.

Medical cannabis products produced under regulation and control by the health authorities should not be compared with illegal “medical cannabis” products. Typically, the illegal products are produced from industrial hemp that does not have the same composition (e.g. terpenoids, flavonoids) that is considered to be an important part for the efficacy. Also, the illegal products are not tested for pesticide content and strengths uniformity. The patients have no guarantee that the supplier and the product label is providing accurate information.

### How are patients affected by medical cannabis?

Cannabinoids in medical cannabis acts on the endocannabinoid system, a natural signalling system found in the human body. The endocannabinoid system has a regulatory and protective function in the body, and regulates pain, inflammation, sleep, appetite and memory among other things. The system consists of internal cannabinoids, the CB1 and CB2 receptors, along with substances that break them down. Internal cannabinoids are cannabis-like substances that the body forms itself and work on the endocannabinoid receptors. CB1 receptors are predominantly located in the brain and other parts of the central nervous system. The CB2 receptors are found in other parts of the body, in connection with the cells that are involved in our immune system. When the receptors are activated by cannabinoids, they can have an effect on appetite, blood pressure, blood flow to the brain, digestion, nausea, the immune system, inflammation, memory, moods, movement, pain, reproduction and stress. Patients find that medical cannabis from cannabis plants work better than simple medications containing cannabinoids, where active substances are isolated. This difference can be explained by the fact that the interaction between the plant’s many different substances together provides a better efficacy. This effect is also known as the “entourage effect”.

The benefits and risks associated with medical cannabis use vary depending on a variety of factors, including the amount of medical cannabis used and the concentration of cannabinoids in the product, the frequency of medical cannabis use, the patients age, the medical conditions being treated, previous experience with cannabis or cannabinoids, and the use of other prescription or non-prescription drugs. STENOCARE’s products refer to the Danish four-year Programme and meet established requirements for cultivation of the plant and the manufacturing of the cannabis products. It is required that the medical cannabis products are standardized, meaning that the manufacturer must be able to document the content of the product batch by batch, so that the strength and quantity are uniform for all packages. The Danish Medicines Agency has issued guidelines for physicians to help them with prescription of medical cannabis.

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<sup>19</sup> Endogenous substances are those produced by the body

<sup>20</sup> In biology, ligands are substances that bind to receptors

## EUROPEAN COUNTRIES WHERE LEGALIZATION OF MEDICAL CANNABIS IS FULLY OR PARTLY IMPLEMENTED

### STENOCARE EUROPEAN MARKET OVERVIEW

- STENOCARE A/S DK
- Export Markets - 11 Countries  
250 mill Citizens
- Countries with Restricted Legislation



Created with mapchart.net ®

## LEGALIZATION OF MEDICAL CANNABIS IN DENMARK

Since January 1, 2018, all physicians in Denmark have been allowed to issue prescriptions to all patients for a new type of medical cannabis products that was previously not legal in Denmark. The Danish government has initiated a four-year Programme into place with allocation of approximately DKK 64 million for product subsidy for the patients. The Programme opens the possibility for all physicians to prescribe products that, prior to the four-year Programme, were not legal in Denmark, and the purpose of the Programme is to provide patients that have not benefited from treatment with conventional medicinal products with a legal opportunity to try out treatment with medical cannabis. The four-year Programme is intended to provide a better basis for the assessment of cannabis for medical usage. There will be a continuous evaluation by the authorities during the time of the Programme, and the results will provide a basis for future decisions concerning how to deal with the various issues relating to medical cannabis in the near future and about a possible continuation and/or expansion of the Programme beyond December 2021. At the date of issue of the memorandum, no countries that have legalized medical cannabis have withdrawn the legislation.

The law that regulates the legalization of medical cannabis in Denmark enforces some of the strictest requirements in the world. The production of medical cannabis must be carefully controlled and standardized as high-quality products. The products must be cultivated in accordance with good agricultural practices and without the use of pesticides – which even excludes the usage of foliar sprays with natural plant protection agents, substances and applications of heavy metals such as copper (Cu). The Danish politicians see a significant opportunity for Denmark to create a new industry and become an international leader of cultivation and production of medical cannabis. This ambition is further fuelled by the fact, that only a few other EU countries have legalised cultivation and production of medical cannabis.

With the strict requirements in Danish law – producers in Denmark are well positioned to become preferred providers to international markets such as Germany with similar high requirements for uniformity and quality. The Danish legalization is still being developed by Parliament and the authorities. On July 1, 2018, several new regulations were introduced – with the most important being export regulations of Danish finished products and regulations for how to cultivate and produce



without the use of pesticides. The Danish Ministry of Health has announced that further legislation is planned for 2018 and 2019 in order to provide a wider framework for producers to develop their production and business. A current example of this is that the Ministry of Health commenced the formal pre-work “hearing” during July/August to further develop the regulation behind the four-year programme, and the Parliament will have this on their Q4 2018 agenda – with the objective of finalising the revisions by January 2019. The hearing process covers five topics: 1) a regulatory framework for limited and conditioned use of pesticides in imported medical cannabis products for the programme, 2) a regulatory fee structure 3) regulation for how producers may outsource selected procedures 4) Export regulation of BULK production and 5) the Patient product subsidy programme.

In order for cannabis products to be legal, they must be approved by the Danish Medicines Agency and included in the Danish Medicines Agency’s List of admitted medicinal products. The very strict Danish requirements on cultivation without the use of pesticides and high level of uniformity also apply to products from other markets and has proven a challenge for interested exporters to the Danish market. Currently, a total of five products are on the list, and three of these are pharmaceutical grade medical cannabis oils from STENOCARE (CBD Drops STENOCARE, THC Drops STENOCARE and 1:1 Drops STENOCARE) and two herbal tea products (Bediol “CannGross” and Bedrocan “CannGross”), of which sales commenced in January 2018. Based on discussions with pharmacists and distributors, it is the Company’s assessment that the interest for medical cannabis oil products exceeds the interest for herbal tea. From September 2018, STENOCARE is the only company to supply admitted medical cannabis oil products available at scale to the Danish Physicians and Patients under the Programme. It is the vendors (i.e. STENOCARE) who determine which cannabis products they wish to import into Denmark, subject to approval by the Danish Medicines Agency. Thus, there may be a change in the assortment of available medical cannabis products during the four-year Programme period.

The Danish Medicines Agency’s website ([www.laegemiddelstyrelsen.dk](http://www.laegemiddelstyrelsen.dk) and [www.pro.medicin.dk](http://www.pro.medicin.dk)) contains information about which products are available for physicians to prescribe to patients at any time. The products are not approved as traditional medicinal products, but are available for medical use within the framework and scope of the Programme. There are no restrictions on the pricing of approved products i.e. the price of medical cannabis is determined solely by the vendor (i.e. STENOCARE). The price of the particular medical cannabis product will be the same for all pharmacies in Denmark and the price of the product is set for a period of 14 days at a time. A similar system applies for most of the approved medicinal products in Denmark requiring a prescription. The Danish Medicines Agency’s informs pharmacies, physicians and patients about the current prices on the website ([www.medicinpriser.dk](http://www.medicinpriser.dk)).

The Danish Medicines Agency has assessed which patient groups and treatment indications they consider to be appropriate for treatment with medical cannabis. The assessment is based on relevant scientific studies that have been conducted worldwide investigating the benefits of medical cannabis<sup>21</sup>. To date, the Danish Medicines Agency has stated that indications of patients with multiple sclerosis, selected chronic pain patients, and cancer patients who have undergone chemotherapy should be the primary groups of patients to be treated with medical cannabis. These groups of patients in total amount to more than 200,000 persons<sup>22</sup>. An estimate by the company is that approximately 4,000 patients will benefit from medical cannabis during the Programme in 2019. However, as there is an unrestricted right to write prescriptions, all physicians can prescribe medical cannabis for all their patients, irrespective of indication. Therefore, there is nothing that prevents physicians from prescribing medical cannabis to patients suffering from a disease/illness in addition to those highlighted above. Experience from other countries show that indications such as epilepsy, Parkinson, Alzheimer’s, PTSD and arthritis could also benefit from medical cannabis. All patients that have prescriptions issued to them by a physician will receive subsidized pricing. Depending upon the patient’s particular condition, the subsidized price may vary from fully subsidized (100 percent for terminal ill patients) to partially subsidized (50 percent for all other patients).

The Programme enables companies to produce and/or import medical cannabis. Companies can apply for two different types of license within the Programme – cultivation and production of medical cannabis and importation and sale of ready-to-market products. A cultivation/production license also entitles the holder to be able to export the product. The Programme came into effect on January 1, 2018, but it was not until further regulative clarification were passed on July 1, 2018 that it became practically possible for companies licensed by the Danish Medicines Agency to commence the cultivation of medical cannabis in Denmark. Therefore, the first six months of the Programme was only intended for preparation and testing, and from July 2018 Danish producers are able to start cultivation. When the producers have finished products – they then need to complete the 6–12 months approval process of each product with the Danish Medicine Agency.

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<sup>21</sup> <https://laegemiddelstyrelsen.dk/da/special/medicinsk-cannabis/sundhedsprofessionelle/vejledning-til-laegerne/>

<sup>22</sup> <http://sum.dk/>

The regulatory process to have cultivated and/or self-produced products approved for the Danish Medicine List and also for export – requires the producer to formally apply the Danish Medicine Agency for an approval. No company in Denmark has yet completed this process and received an approval of their application. The Danish Medicine Agency communicated their initial processing time to be 6–12 months – depending on the completeness of the documentation provided by the applying company.

Since December 2017, 20 companies have received approval to cultivate medical cannabis, with seven applications pending. Given that the cultivation of medical cannabis commenced in July 2018, in the present situation, all medical cannabis prescribed in Denmark is imported. The Danish Government strives to develop a strong competitive medical industry base in Denmark, based upon stringent quality standards to meet patient needs, secure patient safety and an open competitive market balanced with imports and locally manufactured medical cannabis.

# STENOCARE

## VISION

STENOCARE's vision is to improve the quality of life for patients with daily pain and suffering.

## FIRST MOVER

STENOCARE is one of many vendors preparing for market launch in Denmark under the four-year Programme. However, STENOCARE was the first company in the Danish market to have received a license from the Danish Medicines Agency to both cultivate and produce, as well as import, approved medical cannabis oil products to sell. The licenses are valid until December 31, 2021, which is when the Programme will be evaluated by the Parliament for extension.

The Company offers high quality pharmaceutical grade medical cannabis oil, which is produced by hygienic and high technology cultivation and processing without the use of pesticides. STENOCARE currently imports three products (CBD Drops STENOCARE, THC Drops STENOCARE and 1:1 Drops STENOCARE) which are approved for prescription by all physicians within the scope of the Programme. In addition, STENOCARE will develop a separate production facility for the cultivation and production of medical cannabis at the Company's premises in Jutland/Denmark.

## STRATEGIC PARTNER AND SUPPLIER – CANNTRUST

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 with a market cap of CAN\$ 1.1 billion, corresponding to approximately DKK 5.4 billion (September 14, 2018). CannTrust is a federally regulated and licensed producer of medical cannabis, contributing over 40 years of experience in the pharma industry. CannTrust utilizes its expertise to produce standardized medical grade cannabis for STENOCARE cultivated without the use of pesticides and delivers certified pesticide free product to STENOCARE – which is a challenge for other international suppliers. CannTrust holds the ownership of the entire production chain – from plant strain to cultivation and processing and distribution. CannTrust has tested more than 200 cannabis seeds over a two-year period, resulting in a unique Sativa/Indica hybrid<sup>23</sup>. CannTrust has years of investment in innovation of propagation materials and production methods. CannTrust's original indoor production facility consisting of 50,000 square feet is the model that STENOCARE will build upon. Furthermore, CannTrust operates an additional approximately 430,000 square feet greenhouse facility. CannTrust holds a 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.

STENOCARE has commenced the import of the three medical-grade cannabis products from CannTrust and is thus the first vendor in the Danish market to offer pharmaceutical grade medical cannabis oil to patients at scale. Furthermore, in exchange for shares in STENOCARE (currently 20.94 percent), CannTrust has committed to make available to STENOCARE its entire know-how, consulting and propagation materials in order to allow STENOCARE to establish the highest quality local production in Denmark within the shortest possible time span. For CannTrust, this partnership is an important part of their international growth strategy<sup>24</sup> and a showcase of their excellence in producing products for a highly regulated market.

## STENOCARE's IMPORT PROCESS



The pesticide-free cannabis plant is grown in Canada by STENOCARE's strategic partner CannTrust – an established party in the Canadian market.



Standardized medical cannabis products are produced via the cannabis plant. Strict Standards of Procedures regulate every process in the cultivation and production of cannabinoid Active Pharmaceutical Ingredients (API's) to ensure product quality and uniformity.



The medical cannabis is exported to STENOCARE in Denmark, who has been licensed by the Danish Medicines Agency to import medical cannabis.

<sup>23</sup> A combination of two varieties of the cannabis plant.

<sup>24</sup> <https://canntrust.ca/canntrust-continues-global-expansion-as-danish-partner-stenocare-receives-license-to-distribute-canntrust-products/>



STENOCARE provides the product with its Danish label, and packages the product in its own packaging with its associated product information sheets.



The medical cannabis is distributed to the distributors with whom STENOCARE has signed an agreement.



STENOCARE's distributors are exclusive suppliers of medicines, including the medical cannabis products to pharmacies and hospitals in Denmark. The agreement between STENOCARE and its distributors means that STENOCARE's products are available on the shelves of all pharmacies and hospitals in Denmark. Thus, there is the possibility for patients to be able to quickly have access to medical cannabis if their physician writes out a prescription.



A physician makes an assessment that a patient should be treated with medical cannabis and issues a prescription.



The patient then turns to a pharmacy to receive the prescribed product.



The end product is labelled with a warning triangle and dose labelling according to instructions and approvals from the Danish Medical Agency. The medical cannabis is dispensed to and applied by the patient.

### STENOCARE'S PRODUCTION FACILITY

Presently, STENOCARE's business operations include the sale of imported medical cannabis oil, which means the products have been distributed to Danish pharmacies and hospitals. However, the Company's objective is to develop its own cultivation and production of medical cannabis on the Company's premises in Jutland/Denmark as soon as possible. This will further enable STENOCARE 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 Danish Medicines Agency places great emphasis on compliance with quality standards and regulative requirements on the cultivation of cannabis plants without the use of pesticides, and therefore STENOCARE has carefully evaluated various different cultivation possibilities. It is STENOCARE'S own assessment that cannabis cultivation under greenhouse conditions does not fully comply with the strict requirements of quality, uniformity, strengths and no use of pesticides. Therefore, it has been decided to further develop the indoor production facilities in Jutland/Denmark into a factory with closed hygienic climate-controlled rooms for soil-free and pesticide-free cultivation and production of medical cannabis. This enables the company to control all elements during the production. The Company can handle and regulate important conditions during the growth period, such as temperature, humidity, light, irrigation and other factors that may affect the quality, uniformity and strength. The location of the cultivation and production in a closed climate-controlled system also provides the Company with better possibilities of controlling access to the cannabis plants, which should be handled only by authorized staff.

STENOCARE will attach great emphasis to cleanliness when handling plants and products throughout the entire production process. Hence, all of the Company's employees in the production area will wear full protective clothing, gloves, protective masks and hairnets. The visit made to CannTrust's cultivation facility has provided STENOCARE with deep insights into the methods of pharmaceutically produced cannabis, knowledge that STENOCARE will implement in the Company's own production. It is the Company's assessment that this method will yield the best quality, uniformity and productivity versus any other production method. The intention is to establish a facility where standardized, uniform and consistent products can be cultivated, without the use of pesticides, so that the content of the active ingredients is the same for each harvesting and processing process. The development of the production premises into a finished facility for the cultivation and production of medical cannabis is expected to commence in the fourth quarter of 2018.



Hygienic production is essential for product quality and patient safety. The picture shows the executive management team of STENOCARE inspecting the CannTrust indoor growth rooms.

## STENOCARE's CULTIVATION CAPABILITY

STENOCARE will be able to cultivate CannTrust's cannabis plants in Denmark and it will also gain access to CannTrust's extensive knowledge and experience regarding cultivation and production as well as advice concerning plants and ready-to-market products. According to the Company's assessment, growing CannTrust's hybrid plants and gaining access to CannTrust's extensive experience provides a big competitive edge for STENOCARE. The research and development, and later growing, of a plant that generates products with identical characteristics in each new crop cultivated is an extensive process that takes a long period of time. CannTrust's efforts to develop an optimal strain (version) of the cannabis plant took several years – time which STENOCARE has thus saved via access to CannTrust's plants and know-how. STENOCARE has further prepared for its cultivation and production by ensuring that all competencies and propagation material will be present. This way, STENOCARE can, as soon as its own production facility is completed, commence the cultivation of a plant that generates a standardized product of pure and high quality that has already received approval in one of the largest markets for medical cannabis. STENOCARE and CannTrust have entered into a license and commercial agreement with no ongoing license payment, that secures cost-free transfer of know-how to STENOCARE and access to specially developed propagation materials. More information about the agreements is available under "Essential Agreements" on page 38 of this memorandum.

## STENOCARE's CULTIVATION PROCESS



Propagation materials are initially obtained from CannTrust for cultivation in Denmark by STENOCARE, which has undergone an extensive review process and obtained a license from the Danish Medicines Agency to produce medical cannabis.



STENOCARE produces soil- and pesticide- free medical cannabis in closed hygienic climate-controlled rooms indoors. Stringent demands are imposed on the production in order to ensure a high quality, standardized product. After about 16 weeks, the plants are ready to be harvested.



After the cannabis plants are harvested, processing of Cannabis takes approximately 5 weeks. It includes drying and curing<sup>25</sup> followed by extraction and laboratory analysis to verify the standardized quality parameters and uniformity.



After STENOCARE has produced the first products, they are submitted for review by the Danish Medicines Agency. The review process is estimated to take somewhere between 6 and 12 months. When the Danish Medicines Agency has approved the product, STENOCARE will have the authorization to sell its own self-cultivated medical cannabis. In addition, STENOCARE will also be able to export its products to other countries when the product is approved in each country.

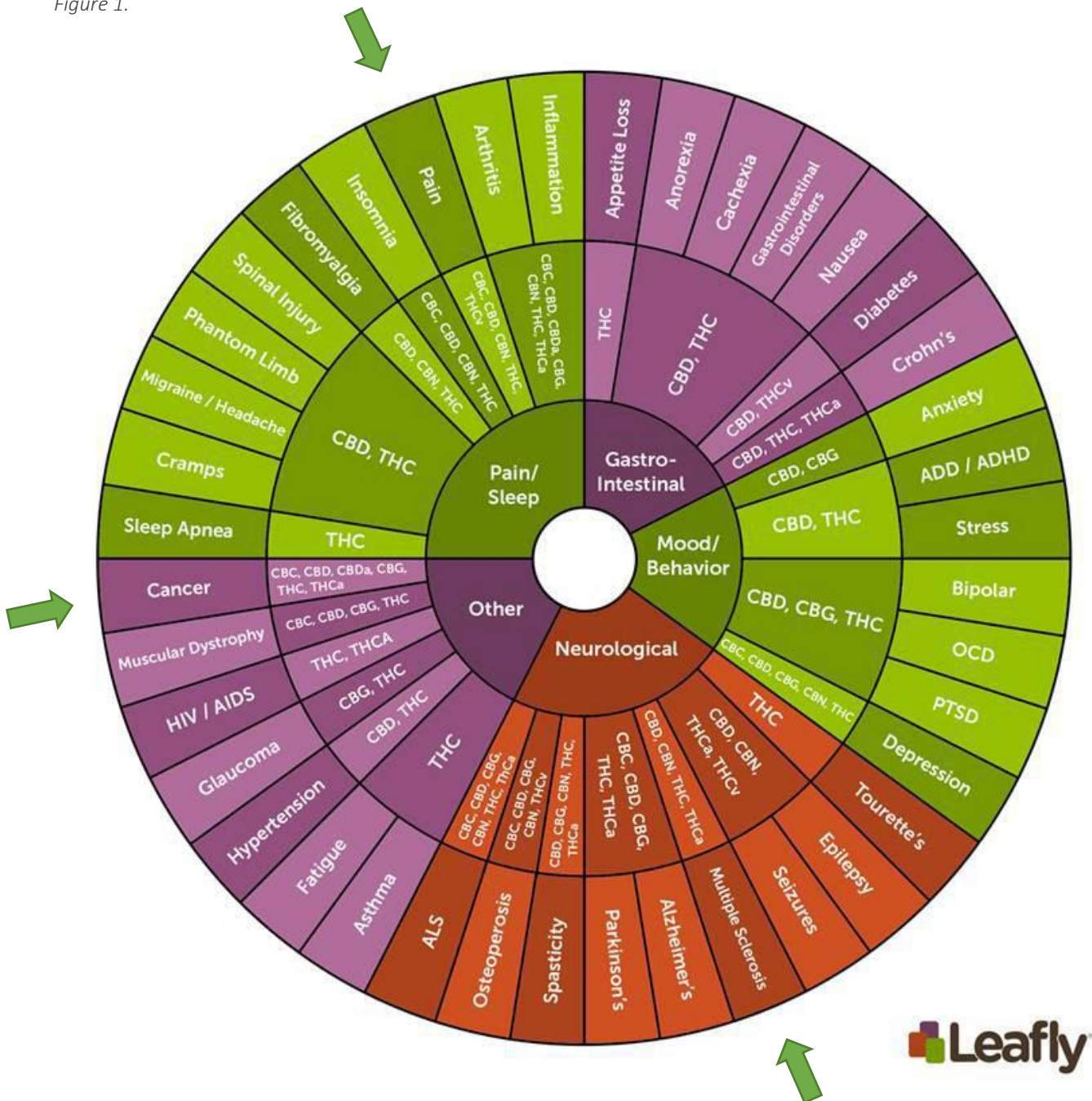
<sup>25</sup> Means further maturation as part of the post-harvest processes



## TARGET GROUP

There is a total of about 40+ indications in which medical cannabis may potentially show results in terms of efficacy. The Danish Medicines Agency has made an assessment concerning which patient groups and treatment indications they primarily recommend being treated with medical cannabis. The Danish Medicines Agency's recommendations (indicated in Figure 1) encompass multiple sclerosis (MS), chronic pain, spinal cord injury (paraplegia), and nausea and vomiting as a result of chemotherapy. 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. The three primary DMA indications are presented below.

Figure 1.





## Multiple sclerosis

In Denmark, approximately 15,000 people suffer from Multiple sclerosis (“MS”)<sup>26</sup>. In Europe, the number is approximately 270,000 people. MS is a disease that affects the central nervous system, i.e. the brain and spinal cord. MS is an autoimmune disease which causes inflammation and scarring of nerve fibres, which means that impulses from the brain do not flow smoothly to the target nerve as they should. Those who suffer from MS are forced to live with the disease for the rest of their life, as presently there is no effective cure. Medicinal products can, however, slow down the long-term progression of the disease and alleviate the discomfort that arises from the disease, such as tremors and sensory disturbances, altered sensations, balance difficulties as well as stiffness and pain in the muscles. Medical cannabis has been shown to provide a positive impact on these symptoms.

## Chronical pain and spinal cord injury (paraplegia)

In Denmark, approximately 850,000 people<sup>27</sup> suffer from chronical pain constantly or recurring episodically and continuing for a long period of time. Examples of conditions are osteoarthritis and osteoporosis, but patients with MS and pain from chemo therapy can also count in this category. The pain may be attributable to an infection, disease or wear and tear on the body, and the symptoms may arise as headaches, joint pain, back pain and muscle aches. Chronic pain is resistant to treatment or lacks a (known) treatment. A spinal cord injury means that the neural connections between the brain and the body are completely or partially damaged, which may give rise to a situation where volitional motor control ceases to function and/or that feeling disappears. Medical cannabis has been shown to provide a positive impact on these symptoms.

## Cytotoxic drugs/chemotherapy

In Denmark, approximately 35,000 new people<sup>28</sup> are treated annually with chemotherapy. Cytotoxic drugs, also known as cytostatic or cytotoxic chemotherapy, are a group of medicinal products used primarily in the treatment of cancerous diseases, but can also be used as a treatment for HIV/AIDS, chronic inflammatory diseases and autoimmune diseases. The medicinal product attacks the cells in the body for the purpose of eradicating or inhibiting their continued growth. The treatment often causes an extremely high stress on the body, and in many cases leads to side effects such as loss of appetite and nausea. The side effects are dependent upon the type of cytotoxic drugs given as well as how high the doses are and the number of courses of treatment that the patient needs to go through. Medical cannabis has been shown to provide a positive impact on these symptoms.

The number of dosages for potential medication by cannabis can, therefore, vary for each patient and is determined by a physician. Some patients may need to take medical cannabis during a pre-determined treatment period – while other patients may need to take the medicinal cannabis for the rest of their life.

STENOCARE’s target groups are patients with treatment indications recommended by the authorities, 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. Patients undergoing treatment with cytotoxic drugs as well as multiple sclerosis patients are major target groups, with over 200,000 patients<sup>29</sup> in Denmark with an annual growth of approximately 35,000 patients<sup>30</sup>. Among the 850,000 patients<sup>31</sup> in Denmark that suffer from chronic pain (e.g. osteoarthritis, osteoporosis), approximately 485,000 patients<sup>32</sup> are treated with opioids (i.e. morphine) at the present time. Medical cannabis can be used as a supplement – to reduce the use of morphine. This will give the patients a better quality of life, since morphine is highly addictive and has strong negative side-effects. Also, there are patient groups that consist of approximately 50,000 patients with epilepsy, 7,000 patients with Parkinson and 50,000 patients with Alzheimer’s Disease<sup>33</sup>.

In the European population, the patient groups consist of approximately 1.5 million new patients annually with multiple sclerosis<sup>34</sup> and patients undergoing treatment for cancer<sup>35</sup>, 95 million people with chronic pain<sup>36</sup>, 6 million patients with epilepsy, 5 million patients suffering from Alzheimer’s Disease and 120 million people with arthritis.<sup>37</sup>

<sup>26</sup> <https://scleroseforeningen.dk/viden-og-nyt/hvad-er-sclerose/fa-alle-tallene-om-sclerose>

<sup>27</sup> <http://www.smerterdanmark.dk/om-smertedanmark/baggrund.aspx>

<sup>28</sup> [http://www.sum.dk/~media/Filer%20-%20Publikationer\\_i\\_pdf/2014/Kraeft-noegletal-januar-2013/Noegletal\\_kraeft\\_2013.ashx](http://www.sum.dk/~media/Filer%20-%20Publikationer_i_pdf/2014/Kraeft-noegletal-januar-2013/Noegletal_kraeft_2013.ashx)

<sup>29</sup> [http://www.sum.dk/~media/Filer%20-%20Publikationer\\_i\\_pdf/2014/Kraeft-noegletal-januar-2013/Noegletal\\_kraeft\\_2013.ashx](http://www.sum.dk/~media/Filer%20-%20Publikationer_i_pdf/2014/Kraeft-noegletal-januar-2013/Noegletal_kraeft_2013.ashx), <http://www.regioner.dk/media/1571/aktivitet-kraeft.pdf>

<sup>30</sup> <https://scleroseforeningen.dk/viden-og-nyt/hvad-er-sclerose/sclerose-i-tal>

<sup>31</sup> <http://www.smerterdanmark.dk/om-smertedanmark/baggrund.aspx>

<sup>32</sup> <https://www.dr.dk/tv/se/afhaengighed-morfin-1-dr2dokumentar-2017/-/dansker-fanget-i-pille-helvede>

<sup>33</sup> <https://www.gigtforeningen.dk/media/3434/gigtforeningens-noegletalspublikation-2017.pdf>, <https://www.epilepsiforeningen.dk/epilepsi/epilepsi-i-tal/>, <http://www.videnscenterfordemens.dk/viden-om-demens/demenssygdomme/neurodegenerative-demenssygdomme/alzheimers-sygdom/forekomst-af-alzheimers-sygdom-og-risikofaktorer/>, <https://www.parkinson.dk/fakta-om-parkinson>

<sup>34</sup> <http://www.emsp.org/wp-content/uploads/2015/08/MS-in-EU-access.pdf>

<sup>35</sup> [http://globocan.iarc.fr/old/summary\\_table\\_site\\_prev.asp?selection=290&title=All+cancers+excl.+non-melanoma+skin+cancer&sex=0&europe=4&build=6&window=1&sort=0&submit=%C2%A0Execute%C2%A0](http://globocan.iarc.fr/old/summary_table_site_prev.asp?selection=290&title=All+cancers+excl.+non-melanoma+skin+cancer&sex=0&europe=4&build=6&window=1&sort=0&submit=%C2%A0Execute%C2%A0), <http://www.emsp.org/wp-content/uploads/2015/08/MS-in-EU-access.pdf>

<sup>36</sup> <http://www.pae-eu.eu/wp-content/uploads/2013/12/The-state-of-pain-management-in-Europe.pdf>

<sup>37</sup> [https://www.eular.org/public\\_affairs\\_home.cfm](https://www.eular.org/public_affairs_home.cfm)

Before the Programme came into effect on January 1, 2018, access to medical cannabis in Denmark was limited. Hence, a large proportion of those who engaged in self-medication with medical cannabis in order to relieve pain and treat cramps, prior to the establishment of the Programme, did this illegally. The quality, strengths and uniformity of the illegal products were not controlled by the authorities and, therefore, exposed patients to undesirable dangers. STENOCARE estimates that currently approximately 200,000 people in Denmark have used medical cannabis illegally. Now that a legal alternative has opened up via the Programme together with product subsidy, it is the Company's assessment that illegal use can be reduced. The government subsidy for medical cannabis products is expected to fuel this change. It is the Company's hope and expectation that the individuals who currently use medical cannabis illegally will in the future use STENOCARE's legal alternative in the event their physician writes a prescription and, in this way, save money.

## STENOCARE PRODUCTS

From September 2018, STENOCARE provides three medical cannabis oil products. It is the individual physician who decides which of the products a patient is to be treated with. STENOCARE's products, which contain three different types or combinations of cannabis oils, are presented below. The Company presently imports the three cannabis oils – CBD Drops STENOCARE, THC Drops STENOCARE and 1:1 Drops STENOCARE – from its strategic partner CannTrust in Canada. The Cannabis oil formulations imported from CannTrust represent significant advantages to medical patients:

- 1) Active Pharmaceutical Ingredient (API), which makes the product standardized and safe.
- 2) Easy to control dosage with the oral syringe for even very low doses.
- 3) Mild taste in a golden coloured oil.

The STENOCARE imported products:

### CBD DROPS STENOCARE

Pharmaceutically standardized and dosage consistent oral solution containing 1,000 mg of CBD and 80 mg of THC. Each bottle contains 40 ml of cannabis oil\* with over 1,000 mg of activated cannabinoids diluted with MCT (Medium Chain-Triglyceride) oil.

### THC DROPS STENOCARE

Pharmaceutically standardized and dosage consistent oral solution containing 1,000 mg of THC and less than 60 mg of CBD. Each bottle contains 40 ml of cannabis oil with over 1,000 mg of activated cannabinoids diluted with MCT (Medium Chain-Triglyceride) oil.

### 1:1 DROPS STENOCARE

Pharmaceutically standardized and dosage consistent oral solution containing 500 mg of CBD and 500 mg of THC. Each bottle contains 40 ml of cannabis oil with over 1,000 mg of activated cannabinoids diluted with MCT (Medium Chain-Triglyceride) oil.

*\*Cannabis oils allow physicians to look up and prescribe medical cannabis as mg/ml of active components like THC and CBD, and not in grams of dried flower plant matter, which is similar to how Physicians prescribe other medications.*

STENOCARE intends to start selling the products it produces itself when they have been approved by the DMA for the Danish Medicine List, which means that in the future the Company's product range will be complemented by the release of locally manufactured medical cannabis.

## THE BUSINESS MODEL

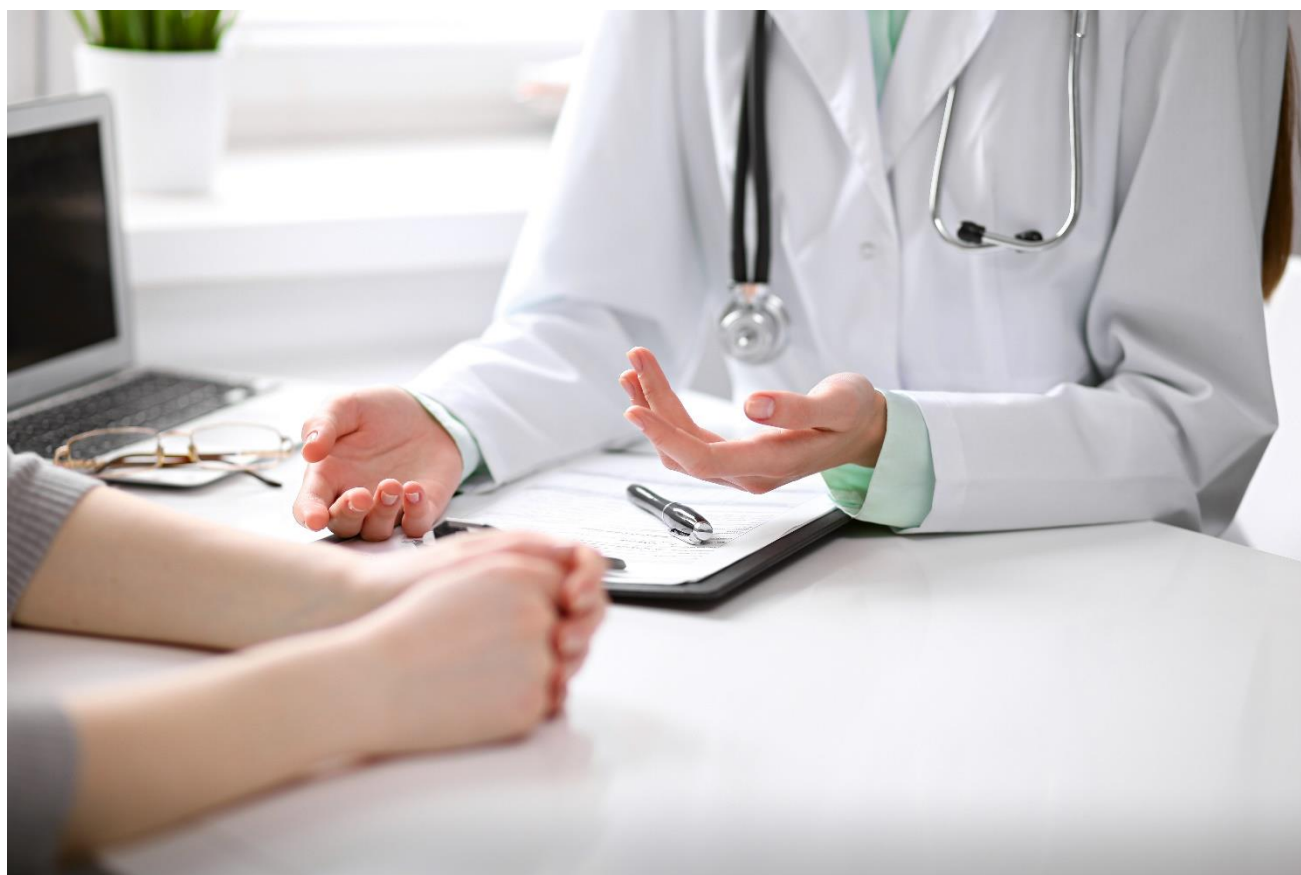
STENOCARE's business model has two pillars that are equally important. The first is import and wholesale of finished products for Danish patients. The second is its own cultivation and production of its own products for Danish and European patients. The Company commenced sales of pharmaceutical-grade medical cannabis oil during September 2018, which means the products have been distributed to Danish pharmacies and hospitals via the two distributors. STENOCARE's initial business and revenue model thus consists of sales of imported medical cannabis via pharmacies and hospitals in Denmark. STENOCARE's intention is to establish its own production facility for the cultivation and production of medical cannabis. 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, via which the Company has thus 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

estimated market share of approximately 70 percent in Denmark. Tjellesen Max Jenne A/S has the remaining market share of approximately 30 percent. STENOCARE imports its medical cannabis from its strategic partner CannTrust in Canada for further distribution to Nomeco A/S and Tjellesen Max Jenne A/S, who in turn distribute the product to Danish pharmacies and hospitals. Within the framework of STENOCARE's business operations, the Company also has the possibility of supplying medical cannabis to hospitals without the use of distributors. STENOCARE is currently evaluating this option. STENOCARE's imported medical cannabis is sold at a final price to patients of approximately DKK 2,795 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.

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.



# STENOCARE TODAY AND THE WAY FORWARD

## STENOCARE TODAY

STENOCARE makes medical cannabis available through import of pharmaceutical grade medical cannabis oil from CannTrust. STENOCARE's three imported products have been placed on the Danish Medicines Agency's list of products as the first approved products under the new regulation and can, therefore, be prescribed by all physicians. The first product batch have been imported, re-packaged with STENOCARE's Danish label and delivered to the two distributors in September 2018.

### Milestones Achieved

#### 2017

- |          |   |  |
|----------|---|--|
| October  | ✓ | Partner Agreement Letter of Intent signed with CannTrust.  |
|          | ✓ | Lease agreement in Jutland is signed concerning production premises and premises for handling and distribution of imported medical cannabis. |
|          | ✓ | Application for authorization to grow and produce medical cannabis is submitted to the Danish Medicines Agency.                              |
| December | ✓ | STENOCARE received authorization to grow and produce medical cannabis.   |
|          | ✓ | Application for authorization to import, manufacture and distribute medical cannabis is submitted to the Danish Medicines Agency.            |

#### 2018

- |           |   |  |
|-----------|---|--|
| January   | ✓ | Private placement implemented of approximately DKK 2 million to a pre-money valuation of approximately DKK 20 million. |
| February  | ✓ | Distribution Agreement signed with Nomeco A/S.   |
| March     | ✓ | Distribution Agreement signed with Tjellesen Max Jenne A/S.  |
|           | ✓ | Received authorization to import, manufacture and distribute medical cannabis.   |
| July      | ✓ | Three products included on the Danish Medicines Agency's List of admitted medicinal products.                          |
|           | ✓ | First product batch ordered from CannTrust.  |
|           | ✓ | Private placement of approximately DKK 4 million to a pre-money valuation of approximately DKK 46,8 million.           |
| September | ✓ | First product batch received from CannTrust for re-packaging for Danish market.  |
|           | ✓ | Delivered products through distributors to pharmacies in Denmark.  |
|           | ✓ | Commencing sales.  |

## THE WAY FORWARD

STENOCARE commenced sales in the Danish market during September 2018, and during Q4 2018 plans to provide medical cannabis to the initial patient group of approximately 50,000 people, corresponding to STENOCARE supplying approximately 2,000 treatments during Q4 2018. 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. Additionally, STENOCARE will listen and learn from Danish physicians and patients to understand whether other forms of medical cannabis products might provide quality of life improvements. When a clear need is identified, then STENOCARE will work with the Danish Medicine Agency to have new products approved.

In order to be able to ensure delivery capacity in the future, STENOCARE also intends to grow and produce its own medical cannabis at the Company's production facility. STENOCARE has signed an agreement for a production site in Jutland/Denmark, and in the fourth quarter of 2018, the Company intends to commence development of its own facility for the cultivation and production of medical cannabis, which includes the acquisition of climate-controlled rooms and production equipment. The investments required to establish a production facility include adaptation to medical cannabis

production at the Jutland/Denmark facility, purchase of equipment for cultivation, growing and trimming, cooling and ventilation equipment, water treatment, AMP upgrades, software and laboratory equipment, carbon dioxide extraction equipment and a safe storage room. When the manufacturing facility is ready to start production, all competencies and propagation material will be present.

STENOCARE intends to commence growing own medical cannabis in early 2019 and plans to harvest the first crop it has cultivated itself during the first half of 2019. STENOCARE initially plans to produce dried medical cannabis that can be sold in this form (flos) or converted into medical cannabis oil. However, STENOCARE intends to be responsive to input from Danish physicians and patients regarding any additional forms of self-produced products. After the products have been produced by the Company, each separate product will need approval from the Danish Medicines Agency in order to be covered by the Programme to be made legally available to patients. Currently, there is no Danish producer that has completed this process. The Danish Medicine Agency has communicated that they expect the approval process to take approximately 6–12 months from the date of submission of the application. Once the product has been approved, STENOCARE is allowed to commence sales of the self-produced medical cannabis and to export STENOCARE products to other countries. Each market will need to approve new products before they can be prescribed to patients, since each country has its own procedures.

During the first 12 months after the forthcoming new share issue, STENOCARE will also investigate its options with a view to identifying the most suitable country for both export and location for the potential establishment of an additional production facility elsewhere in Europe. This initiative is labelled “Project Phoenix” and has the objective of securing the business continuity beyond the Danish four-year Programme, should it not be extended after December 2021. The Danish legislation will evolve further to optimize and clarify the programme. Currently, there are no indications or voiced interest from the Danish Parliament to terminate the Programme in 2021. The Programme was approved by nine of the ten political parties in Parliament and is, therefore supported across the political parties - meaning that a change of Government is not likely to alter support for the Programme. Project Phoenix will potentially require significant capital, which the company will seek to acquire via banks, cash from operations, partnerships and/or a new share issue. There is no decision on timing and location of this potential production facility at the date of issue of the memorandum.

## OBJECTIVES

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. As most European markets only legalize import (i.e. not local production), and with the Danish ambition to become a leading producer of medical cannabis – this represents an attractive opportunity. The Company’s longer-term objectives are based on the openings that continue to occur in the European market for medical cannabis and the growth in the market that is anticipated to take place in the coming years. Pursuing its wider European objectives may create a need for further capital injections. The Company has the following objectives for the near future.

<b>2018</b>	<b>Be the “first mover” in medical cannabis in the Danish market.</b>
Q4	» Import new batches of medical cannabis oil products from Canada.
Q4	» Start the construction of the climate-controlled rooms in the production facility and commence the purchasing and acquisition process of production equipment.
<b>2019</b>	<b>Establish the production facility in Denmark</b>
Q1	» Commence cultivation in the Danish production facility in order to expand supply capacity and supply chain.
Q2	» Harvest self-cultivated medical cannabis and begin the approval process at the DMA.
	» Start exploring and mapping expansion opportunities in the European market.

## Financial objectives

STENOCARE’s primary financial objective is to grow within the Danish market and command a leading market share in 2018 and 2019. The objective is to reach break-even in the first quarter of 2020. This financial objective is based on underlying assumptions for physicians issuing prescriptions to patients (i.e. sales volume development), continuous access to finished product sourcing (i.e. sales capacity), the competitive situation for products and pricing (i.e. market share) and regulation/procedures from the authorities is not significantly changed during the period (i.e. timeliness and access to the market). The product approval process by the authorities for the Company’s own cultivated products (i.e. future product mix) is estimated to take 6–12 months from harvest and date of submission of the application. A faster approval process may thus have a positive effect versus the stated objective.

# OVERVIEW OF THE MARKET

## EXTENSIVE MARKET THAT EXPANDS IN LINE WITH THE LEGALIZATION WAVE OF MEDICAL CANNABIS

The Danish and European markets have no or very limited historical data for the medical cannabis industry. STENOCARE leverages data and extrapolates figures from mature markets such as Canada, and data from demographic databases in Denmark and Europe. Presently, Canada, the world's largest medical cannabis market, and more than 20 states in the United States have legalized the use of cannabis for medical purposes. In addition, in Argentina, Mexico, Chile and Colombia the cannabis plant is allowed to be used in some medical and scientific contexts. Also, in Europe the legalization process has accelerated, and large markets such as Germany legalized imported medical cannabis during 2017 – nearly a year before Denmark. The German market is expected to become the largest in the EU with 691,000 patients<sup>38</sup> using medical cannabis in 2022. The international market for medical cannabis is already extensive, and it is the Company's assessment that the legalization wave will continue beyond the current eleven EU countries, as politicians in many countries are currently engaging publicly in relation to the legalization of medical cannabis. The EU has approved the legalization of medical cannabis, but has left it up to the individual EU member states to set the rate of implementation and level of local legalization. The growing number of countries legalizing medical cannabis and the increased demand for cannabis for medicinal purposes is expected to accelerate the demand for medical cannabis in the next few years.

In Europe today, 250 million people have legal access to medical cannabis – but most live in countries that only legalize import from international suppliers such as Denmark. The Danish Parliament see this as an opportunity to create a new industry that could extend the leading Danish agricultural and medical industry. Currently – Denmark, The Netherlands, Greece, Malta, Croatia and Portugal have chosen to legalize domestic cultivation and production of medical cannabis, the only countries in Europe to do so far.

### The market in Canada

Canada is about six times larger than Denmark in population. The sale of cannabis for medical usage has been legal in Canada since back in 2001. It was not until further de-regulation in 2014–2015 allowing for the production of extracts, that the market saw a growth in the number of patients using medical cannabis from 4,000 to 300,000 in 2018<sup>39</sup>. Even though approximately 114 producers are presently growing and produce medical cannabis, in Canada the demand is still greater than the supply. The market is well established and is expected to see sales in excess of approximately CAN\$ 1.2 billion in 2018<sup>40</sup>, corresponding to DKK 6+ billion and approximately DKK 11.5 billion in 2021. The Company is of the opinion that the market for medical cannabis in Denmark may undergo a similar development to what has occurred in the market in Canada.

### Market penetration in Canada

Year	Number of patients	Market penetration (%)	Revenue (full year)
Q2 2015	23,930	0.07	DKK 200 million
Q3 2015	30,537	0.08	
Q4 2015	39,668	0.11	
Q1 2016	53,649	0.15	DKK 850 million
Q2 2016	75,166	0.21	
Q3 2016	98,460	0.27	
Q4 2016	129,876	0.36	
Q1 2017	167,754	0.47	DKK 3 billion
Q2 2017	201,398	0.56	
Q3 2017	235,621	0.65	
Q4 2017	269,502	0.75	
2018	>300,000	>0.83	DKK 6 billion
2021			DKK 11,5 billion

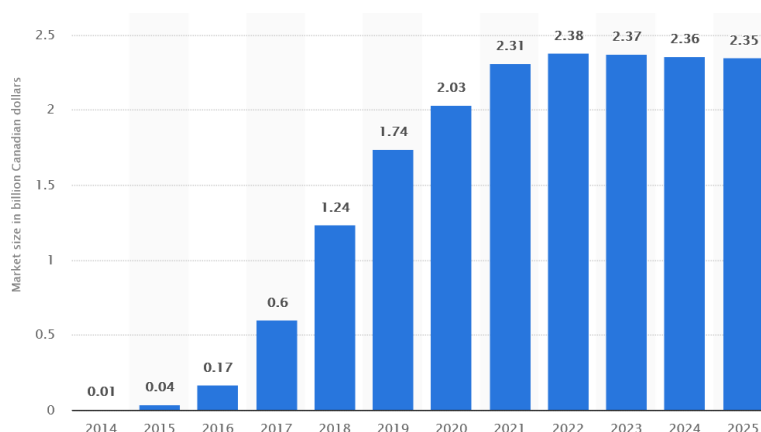
<sup>38</sup> The State of Legal Marijuana Markets, published by Arcview Market Research and BDS Analytics

<sup>39</sup> <https://www.canada.ca/en/health-canada/services/drugs-medication/cannabis/licensed-producers/market-data.html>

<sup>40</sup> <https://www.statista.com/>



The market in Canada is seeing continued strong growth and is expected to reach approximately CAN\$ 2.3 billion by 2021 (www.statista.com).



## MARKETS WHERE STENOCARE MAKES ITS PRODUCTS AVAILABLE

### Denmark

Denmark is STENOCARE's home market and first priority. Medical cannabis is a new field of medicine in Denmark. In Canada, medical cannabis received an initial impact with approximately 0.07 percent of the patients. 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 at approximately 4,000 patients will be treated with medical cannabis during a full year in Denmark.



In Denmark, approximately 50,000<sup>41</sup> 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<sup>42,43</sup>. In addition, approximately 850,000<sup>44</sup> patients in Denmark suffer from chronic pain (e.g. osteoarthritis, osteoporosis), of whom approximately 485,000 patients<sup>45</sup> 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 37+ other indications in which medical cannabis may potentially have an effect (please see Figure 1 on page 26 in this memorandum). 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.

## MARKETS WHERE STENOCARE INTENDS TO MAKE THEIR PRODUCTS AVAILABLE

### Germany

In Germany, medical cannabis was legalized in March 2017. The German government estimated that around 700 patients would apply in 2017 for treatment by medical cannabis. By December 2017, 13,000 patients had applied for subsidies for the medical use of cannabis. The total number of medical cannabis patients has reached 93,000 in 2018 and is expected to exceed 690,000 by 2022<sup>46</sup>. This shows the financial impact of the legalization of cannabis for medical purposes has and will have in the future in the German market<sup>47</sup>. In 2018, prescriptions in Germany for medical cannabis are expected to

<sup>41</sup>[http://www.sum.dk/~media/Filer%20-%20Publikationer\\_i\\_pdf/2014/Kraeft-noegletal-januar-2013/Noegletal\\_kraeft\\_2013.ashx](http://www.sum.dk/~media/Filer%20-%20Publikationer_i_pdf/2014/Kraeft-noegletal-januar-2013/Noegletal_kraeft_2013.ashx),  
<http://www.regioner.dk/media/1571/aktivitet-kraeft.pdf> + <https://scleroseforeningen.dk/viden-og-nyt/hvad-er-sclerose/fa-alle-tallene-om-sclerose>

<sup>42</sup>[http://www.sum.dk/~media/Filer%20-%20Publikationer\\_i\\_pdf/2014/Kraeft-noegletal-januar-2013/Noegletal\\_kraeft\\_2013.ashx](http://www.sum.dk/~media/Filer%20-%20Publikationer_i_pdf/2014/Kraeft-noegletal-januar-2013/Noegletal_kraeft_2013.ashx),  
<http://www.regioner.dk/media/1571/aktivitet-kraeft.pdf>

<sup>43</sup> <https://scleroseforeningen.dk/viden-og-nyt/hvad-er-sclerose/sclerose-i-tal>

<sup>44</sup> <http://www.smerdetanmark.dk/om-smertedanmark/baggrund.aspx>

<sup>45</sup> <https://www.dr.dk/tv/se/afhaengighed-morfin-1-dr2dokumentar-2017/-/danskere-fanget-i-pille-helvede>

<sup>46</sup> Deutscher Hanfverband

<sup>47</sup> <https://www.lexology.com/library/detail.aspx?g=6c803e27-4a81-49b8-bc3a-7f4c35bb6db5>

reach DKK 1.6 billion in 2018<sup>48</sup> as more and more patients have access to medical cannabis prescribed by physicians. In 2022, the medical cannabis market in Germany is estimated to be DKK 9.6 billion<sup>49</sup>. Using Germany as a proxy for the other 11 EU markets (and their 250 million people) that has legalized medical cannabis – this represents a potential market of 2 million active medical cannabis patients, that could generate upwards of DKK 30 billion in market value<sup>50</sup>.

## Europe

As mentioned above, Denmark is STENOCARE's first priority. Next, STENOCARE will approach the European market with the Company's own products from the Danish production facility. In Europe, the patient groups, in only the eleven legalized market, consist of approximately 1.5 million patients with multiple sclerosis<sup>51</sup> and patients undergoing treatment for cancer<sup>52</sup>. However, looking at all of Europe, there are 2.6 million patients in cancer treatment<sup>53</sup>. For all Europe, additional patient groups include 95 million people with chronic pain<sup>54</sup>, 6 million patients with epilepsy, 5 million patients suffering from Alzheimer's Disease and 120 million people with arthritis<sup>55</sup>. When focusing on the 11 legalised EU market, then the market for medical cannabis could amount to upwards of DKK 30 billion in 2022<sup>56</sup>.

## GO TO MARKET

The Danish law does not permit marketing of medical cannabis products from STENOCARE to physicians and patients. Therefore, STENOCARE will work with Patient Associations and physicians to provide information about the use of medical cannabis – following the strict guidelines of the Danish Medicine Agency.

**STENOCARE has identified five channels through which the Company will offer its information:**



STENOCARE plans to use prominent physicians in Denmark as educators and information providers to selected audiences in order to establish fact-based knowledge about medical cannabis in the market. In addition, STENOCARE intends to inform about its medical cannabis products via the Company's website with a comprehensive presentation of the products according to guidelines from the Danish Medicine Agency. STENOCARE products are presented on the Danish Medicines Agency's website where interested parties can find information about the products approved under the Programme. STENOCARE also intends to initiate collaboration with associations, such as patient associations, with the goal of conveying information about medical cannabis to their members (i.e. patients).

The Danish medicine market is controlled by two distributors (Nomeco A/S and Tjellesen Max Jenne A/S). It is not possible for any supplier to supply pharmacies directly due to a very strict IT integration between the distributors and their customers – the pharmacies. This is how the Danish medicine market is designed and operated for all suppliers of finished products. STENOCARE's products are only available on prescription prescribed by a physician. Therefore, by law and unlike Canada, STENOCARE may not sell its products directly to patients or physicians. Companies such as STENOCARE are thus dependent on the distributors in order to assist the Danish pharmacies with their products. Pharmacies are the only parties that can provide prescription drugs directly to patients. STENOCARE has a head-start over the competition, since agreements have already been signed with the distributors, and STENOCARE's medical cannabis oil products started in September 2018 to be delivered to the pharmacies and hospitals. The agreements with distributors mean that STENOCARE's products are continually available at pharmacies and hospitals. To obtain access to products from companies that do not have agreements with distributors is a more extensive process, due to fact that the products must be ordered and delivered to the pharmacy after a prescription has been written by a physician. Thus, it is the Company's assessment

<sup>48</sup>The State of Legal Marijuana Markets, published by Arcview Market Research and BDS Analytics <https://www.fool.com/investing/2018/08/05/5-biggest-international-marijuana-markets-and-the.aspx>

<sup>49</sup>The State of Legal Marijuana Markets, published by Arcview Market Research and BDS Analytics, <https://www.fool.com/investing/2018/08/05/5-biggest-international-marijuana-markets-and-the.aspx>

<sup>50</sup> STENOCARE calculated extrapolation from German market figures for 2022

<sup>51</sup> <http://www.emsp.org/wp-content/uploads/2015/08/MS-in-EU-access.pdf>

<sup>52</sup> [http://globocan.iarc.fr/old/burden.asp?selection\\_pop=50208&selection\\_pop=66250&selection\\_pop=75276&selection\\_pop=156616&selection\\_pop=196528&Text-p=Denmark%2C+France+%28metropolitan%29%2C+Germany%2C+Poland%2C+The+Netherlands&selection\\_cancer=290&Text-c=All+cancers+excl.+non-melanoma+skin+cancer&pYear=3&type=0&window=1&submit=%C2%A0Execute%C2%A0](http://globocan.iarc.fr/old/burden.asp?selection_pop=50208&selection_pop=66250&selection_pop=75276&selection_pop=156616&selection_pop=196528&Text-p=Denmark%2C+France+%28metropolitan%29%2C+Germany%2C+Poland%2C+The+Netherlands&selection_cancer=290&Text-c=All+cancers+excl.+non-melanoma+skin+cancer&pYear=3&type=0&window=1&submit=%C2%A0Execute%C2%A0)

<sup>53</sup> [http://globocan.iarc.fr/old/summary\\_table\\_site\\_prev.asp?selection=290&title=All+cancers+excl.+non-melanoma+skin+cancer&sex=0&europe=4&build=6&window=1&sort=0&submit=%C2%A0Execute%C2%A0](http://globocan.iarc.fr/old/summary_table_site_prev.asp?selection=290&title=All+cancers+excl.+non-melanoma+skin+cancer&sex=0&europe=4&build=6&window=1&sort=0&submit=%C2%A0Execute%C2%A0)

<sup>54</sup> <http://www.pae-eu.eu/wp-content/uploads/2013/12/The-state-of-pain-management-in-Europe.pdf>

<sup>55</sup> [https://www.eular.org/public\\_affairs\\_home.cfm](https://www.eular.org/public_affairs_home.cfm)

<sup>56</sup> [www.fool.com/investing/2018/08/05/5-biggest-international-marijuana-markets-and-the.aspx](https://www.fool.com/investing/2018/08/05/5-biggest-international-marijuana-markets-and-the.aspx) - STENOCARE has extrapolated the DKK 30 billion – using their 2022 projection of DKK 9.6 billion for the EU legalized markets with a 250 million population

that STENOCARE has an edge over those companies that do not have an established working relationship with distributors, by supplying medical cannabis products that have been approved for the Danish Medicine List.

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## ACCESS TO MEDICAL CANNABIS IN DENMARK

Presently, medical cannabis is used in a variety of different forms, including dried cannabis flowers, herbal teas, cannabis oils, capsules, tablets or oromucosal (mouth) sprays. All products contain either parts of the cannabis plant, active substances extracted from the plant, or synthetic cannabinoids. The four alternative options that a Danish physician can use when prescribing medical cannabis are listed below.

### Option 1: Legalization of medical cannabis

As of January 1, 2018, all physicians in Denmark can prescribe a new type of cannabis-based product under the new legalisation on medical cannabis. All cannabis products included in the medical cannabis Programme must be approved by the Danish Medicines Agency and included on the Danish Medicines Agency's List of admitted medicinal products. These products are neither authorized medicinal products nor specially produced products. The products covered by the Programme currently include medical cannabis in the form of cannabis oil and tea-bags. The products within the Programme must fulfil the established specified requirements for cultivation of the plants and the production process of the cannabis product. There is also a requirement that the cannabis product is to be standardized, i.e. the producers must be able to document what the product contains, so that the strength and quantity is identical from package to package. At present, a total of five products are approved under the Programme — three pharmaceutical-grade medical cannabis oils from STENOCARE and two types of herbal tea, Bediol "CannGross" and Bedrocan "CannGross."

### Option 2: Customized formulation of medicinal products with cannabis

Physicians have the opportunity to prescribe medical cannabis formulated in a pharmacy (i.e. only two pharmacies in Denmark) specifically for a particular patient, based on the physician's instructions. Some patients may have a special need which cannot be fulfilled with commonly approved medicines. In such cases, pharmacies can prepare the medicinal product with the specific active substances that the patient needs.

### Option 3: Approved medicinal products

Sativex is the only approved cannabis-based medicinal product in Denmark. A basic requirement for a medicinal product is that the benefit such as curing or preventing disease should exceed possible risks. In addition, in most cases, medicinal products must have been tested on cells, animals and humans in order to ensure that it has efficacy and that the side effects are reasonable. The medicinal product must also maintain the proper quality; the packaging must be functional, and the product information must be accurate and understandable. Sativex is an oil-based oromucosal (mouth) spray containing the cannabinoids THC and CBD. The medicinal product is an adjunct therapy which has been developed for the purpose of attenuating the manifestation of moderate to severe spasticity (muscle stiffness and muscle cramps), one of the most common symptoms of people with multiple sclerosis.

### Option 4: Non-approved medicinal products obtained via dispensing delivery

For some time now, there has been a possibility for physicians in Denmark to apply for a license from the Danish Medicines Agency to be able to prescribe medical cannabis for individual patients in Denmark. Products such as Marinol and Nabilone are approved medicines in other countries, but, due to the fact that the producers have not applied for approval in Denmark, these products are not sold in Denmark as an approved medicinal product. Thus, these products can only be prescribed on the basis of a permit to individual patients in Denmark. However, the dispensing of these medicinal products is very limited to a few groups, and many patients who can be regarded as being in need of the medicinal product are not granted a permit from the Danish Medicines Agency. In the case where the Danish Medicines Agency approves the physician's application for authorization to write prescriptions for the medicinal product, the product is imported to the individual patient.

### Illegal cannabis products

In addition, there are a number of patients who self-medicate medical cannabis due to the fact that they have not been granted the legal use of medical cannabis by a physician. These patients purchase medical cannabis illegally in order to alleviate their pain. The illegal products are sold primarily on the internet, and in physical outlets where the sellers often state that they are approved medicinal products or are simply food supplements. This is usually not accurate, due to that these products cannot be compared to legitimate legal products, which are standardized and controlled by the Danish Medicine Agency. There is great uncertainty about how unlawful cannabis medicine is produced and what the products actually contain – and their quality, uniformity and strength. The products and the production process are not controlled or monitored, and it is, therefore, impossible to predict the efficacy or side effects. The medical cannabis on the illegal market is often of uneven quality, which leads to considerable uncertainty regarding its usage and additionally increases the risks to the patient. Medical cannabis sold illegally rarely meets the requirements for medical cannabis from pharmacies and those approved in the legal options (options 1-4).

### Market price of existing products on the market<sup>57</sup> (before product subsidy) – estimated to equal one month's usage

Name	Type of product	Price (DKK)
Bedrocan (5 grams)	Tea bags	2,364 – 3,152
Glostrup pharmacy (THC customized formulation, 30 ml)	Oils	1,990 – 5,739
Sativex (30 ml)	Oromucosal	4,800
STENOCARE (40 ml)	Oils	2,795

### COMPETITORS

STENOCARE's competitive analysis is based on each competitor's ability to secure regulative approvals from the authorities, product availability, access to industry know-how and the financial situation. It is the Company's assessment that STENOCARE is a frontrunner in these parameters and has mapped all competitors with these metrics. In total, 29 parties have applied for authorization to grow and produce medical cannabis in the Danish market or a license to import medical cannabis. Four of these 29 parties have also applied for a license to import medical cannabis. 20 parties have been granted a license to grow, produce and export medical cannabis and two potential parties have been refused licenses. The remaining parties have their business activities and/or products under review at the Danish Medicines Agency. In addition, three companies have been licensed to import medical cannabis, including STENOCARE<sup>58</sup>. There are two primary competitors for the production and import of medical cannabis, Spectrum Cannabis Denmark ApS and Aurora Nordic Cannabis A/S. Spectrum Cannabis Denmark ApS focuses on Germany<sup>59</sup> and grows cannabis in greenhouses, which, according to the Company's assessment, may not comply with the strict Danish requirements – especially regarding cultivation without the use of pesticides. Aurora Nordic Cannabis A/S has its main focus in Europe and Germany specifically and also grows its medical cannabis in greenhouses. These companies constitute STENOCARE's two most significant competitors. In addition to these, there are also other competitors that have approval to produce and/or import medical cannabis in Denmark. Currently, none of these have obtained all the approvals that STENOCARE has obtained<sup>60</sup>.

<sup>57</sup> [www.medicinpriser.dk](http://www.medicinpriser.dk)

<sup>58</sup> <https://laegemiddelstyrelsen.dk/da/special/medicinsk-cannabis/virksomheder/udviklingsordningen/ansoegere-om-tilladelse-til-dyrkning-og-haandtering/>

<sup>59</sup> <https://www.fyens.dk/erhverv/Stor-eftersporgsel-Cannabis-kan-blive-eksport-hit/artikel/3220031>

<sup>60</sup> <https://laegemiddelstyrelsen.dk/en>

# MORE ABOUT THE COMPANY

## GENERAL INFORMATION

Company name	STENOCARE A/S
Trade name/Ticker	STENO
Residence	Allerød, Denmark
CVR-number	39 02 47 05
Date of company formation	10/19/2017
Date when company started its operations	10/19/2017
Country	Denmark
Legal form	Public limited company
Legislation	Danish Companies Act
Address	Frederiksborgvej 54, 3450 Allerød
Phone	+45 3177 0060
Website	www.stenocare.com
LEI code	549300NCH67H3GA28R82
CFI code	ESVUFN
FISN code	Stenocare AS/-

## Group structure and shareholdings

STENOCARE does not have any subsidiaries and is not part of any group. The Company has no shareholdings.

## HISTORY

- 2017**
- » STENOCARE A/S was formed.
  - » STENOCARE signs a partner agreement LOI with CannTrust.
  - » Lease agreement is signed concerning production premises and premises for handling and distribution of imported medical cannabis.
  - » STENOCARE receives approval from the Danish Medicines Agency to grow and produce medical cannabis.
- 2018**
- » Denmark launches a four-year long Programme on medical cannabis.
  - » STENOCARE executes a Private placement of approximately DKK 2 million.
  - » The company signs a distribution agreement with Tjelleesen Max Jenne A/S och Nomeco A/S.
  - » STENOCARE executes a Private placement of approximately DKK 4 million.
  - » STENOCARE receives approval from the Danish Medicines Agency to import, manufacture and distribute medical cannabis.
  - » STENOCARE's three products are listed on the Danish Medicines Agency's "Medicine List".
  - » STENOCARE places its first order for medical cannabis from CannTrust.
  - » STENOCARE receives the first delivery from CannTrust.
  - » Delivery of products to distributors in Denmark.
  - » STENOCARE commences sales.

## RESEARCH AND DEVELOPMENT

STENOCARE works with medical cannabis, which is considered a drug for medical use. All research and development work must comply with pharmaceutical standards, as a minimum, related to human medicinal products.

## ESSENTIAL AGREEMENTS

### License- and Commercial Agreement with CannTrust

STENOCARE has entered into a license agreement and a commercial agreement with CannTrust Inc. Under the terms of the agreements, CannTrust has received an initial 25 percent stake in STENOCARE and has the right to appoint half of the Board members. The right to appoint half of the Board members will cease with the listing of STENOCARE and will not influence the current Board of Directors. The license agreement is significant for STENOCARE, as this agreement ensures that the Company receives assistance and help from CannTrust as well as the transfer of plant propagation materials, production skills, trimming and finishing, staff training, security, storage, remote support and other matters related to production. The license agreement has no elements of one-time and/or ongoing payment for services – as the agreement outline all the CannTrust deliverables to STENOCARE. The license agreement stands alone – as it has no ties to other agreements. The agreement is active as long as STENOCARE is using the CannTrust deliverables under the agreement. Therefore, this agreement has no expiration date. The license agreement is exclusive. However, there are no limitations in the agreement for STENOCARE to distribute their cultivated and self-produced finished products in Denmark and outside Denmark.

The commercial agreement is also important, as this determines the conditions at which STENOCARE can import finished products from CannTrust. The commercial agreement describes the terms and conditions for importing CannTrust finished products for the Danish market. It outlines the pricing and payment terms. This agreement is updated annually or when needed – as new products are introduced from CannTrust. STENOCARE is using this agreement to start sales in Denmark with effect from September 2018. The agreement with CannTrust ensures, that STENOCARE always has access to products, should anything occur at the Danish facility that would inhibit STENOCARE from supplying from own production. This agreement is a sourcing agreement and serves as both a start-up and safety net for STENOCARE. This agreement has no expiration date.

According to the agreements, CannTrust maintain insurance coverage for product liability for any and all claims raised against the Products produced by CannTrust. As a reseller of CannTrust products in Denmark, STENOCARE has all the legally required product insurance policies in effect.

### Wholesale Agreement with Nomeco A/S

STENOCARE has entered into a wholesale agreement with Nomeco A/S. Nomeco A/S is specialised in wholesale trade of medicaments and chemicals. This is the largest wholesale partner with an estimated market share of approximately 70 percent in Denmark. The wholesale agreement between Nomeco A/S and the Company was entered into on March 1, 2018. The fee varies, meaning that the fee depends on how much Nomeco A/S sells to its customers. Also, the more Nomeco A/S sells, the lower is their wholesale margin. The agreement between the Company and Nomeco A/S is valid for a period of one year, starting on March 1, 2018, and is automatically extended “until further notice” unless either of the parties has given three months’ written notice to terminate the agreement. After one year, either party may terminate the agreement by giving six months’ written notice to the other party. The agreement will automatically terminate without notice on December 31, 2021, unless Nomeco A/S and the Company negotiate subsequent terms no later than six months prior to the expiration date.

### Wholesale Agreement Tjellesen Max Jenne A/S

STENOCARE has also entered into a wholesale agreement with Tjellesen Max Jenne A/S. The company specializes in wholesale trade with medical products and products relating to health services with an estimated market share of approximately 30 percent in Denmark. The wholesale agreement between Tjellesen Max Jenne A/S and the Company was entered into on March 19, 2018. The fee varies, meaning that the fee depends on how much Tjellesen Max Jenne A/S sells to its customers. Also, the more Tjellesen Max Jenne A/S sells, the lower their wholesale margin becomes. The agreement with Tjellesen Max Jenne A/S is in force for a period of one year after March 19, 2018, and the period will automatically be extended for a period of one year at a time. Both parties may terminate this license agreement by written notice no less than six months before such a period expires.

### Consultancy agreement regarding pharmaceutical expertise

STENOCARE has entered into a consultancy agreement with a pharmacist, who is responsible for quality assurance and active as the Company’s expert (*fagkyndig person*). As “fagkyndig person” the pharmacist will, among other things, be responsible for implementing quality systems, regulatory processes, education and counselling and other related work. The agreement was concluded in October 2017 and is valid until further notice. Market compensation is paid for the commitment.



# FINANCIAL OVERVIEW

STENOCARE was formed in October 2017. STENOCARE is not part of a group and does not have any subsidiaries. Therefore, the financial overview in this memorandum applies exclusively to STENOCARE A/S, with CVR number 39 02 47 05. The financial overview presents interim accounts for the period 10/19/2017 – 06/30/2018. The financial overview presents financial accounts obtained from the Company's revised interim accounts for the period 10/19/2017 – 06/30/2018, incorporated via reference. The cash flow statement has been prepared for the purpose of being included in this memorandum and has been audited by the Company's auditor. The Company's first fiscal year is 10/19/2017 – 12/31/2018. Due to the formation of the Company in October 2017, no comparative accounts are available.

## Accounting policy

The interim accounts have been prepared in accordance with the provisions of the Danish Annual Accounts Act (Årsregnskabsloven) for accounting class C.

## Documents incorporated with respect to complete historical information

Complete historical financial information is incorporated via reference. The revised interim report 10/19/2017 – 06/30/2018 which is incorporated by reference, includes an audit report of the financial information and accounting principles incorporated by reference. Documents incorporated are to be read as part of the memorandum. Documents incorporated via reference are available at the Company's office (Frederiksborgvej 54, 3450 Allerød, Denmark) and website ([www.stenocare.com](http://www.stenocare.com)).

## Incorporated via reference

STENOCARE A/S Interim report 10/19/2017 – 06/30/2018.

## DATES FOR RELEASE OF FINANCIAL INFORMATION

Current financial year:	10/19/2017 – 12/31/2018
October 2017 – September 2018:	11/21/2018
Year End report 2017/2018:	02/21/2019
Annual Report 2017/2018:	04/30/2019
January – March 2019 (Q1):	05/07/2019
January – June 2019 (Q2):	08/20/2019
January – September 2019 (Q3):	11/06/2019
Year End report 2019:	02/26/2020

## KEY INDICATORS AND SELECTED FINANCIAL INFORMATION

KDKK	10/19/2017
	06/30/2018
	Approx. 8 months.
	(Aud.)
Net sales	0
Operating profit	-1,984
Total financial items	-2
Profit/loss for the year	-1,654
Investments in tangible fixed assets	21
Total assets	794
Equity	346
<i>Cash Flow</i>	
Net cash flow from:	
Ongoing business	-1,770
Investments	-27
Financing	2,000
The year's cash flow	203
Dividend (DKK)	0
<i>Key indicators</i>	
Solidity	44 %

### Definitions:

Solidity: Shareholders' equity at the end of the year divided by total assets.

## INCOME STATEMENT

DKK	10/19/2017 06/30/2018 Approx. 8 months. (Aud.)
<b>Net sales</b>	<b>0</b>
Other external expenses	-1,177,777
Staff costs	-804,750
Depreciation/amortization of intangible assets and tangible assets	-1,594
<b>Operating profit</b>	<b>-1,984,121</b>
Financial costs	-2,089
<b>Total financial items</b>	<b>-2,089</b>
<b>Profit/loss before taxes</b>	<b>-1,986,210</b>
Tax on profit for the year	331,718
<b>Profit for the year</b>	<b>-1,654,492</b>
<i>Proposed distribution of profit</i>	
Transferred results	-1,654,492
<b>Total</b>	<b>-1,654,492</b>

## BALANCE SHEET

DKK	06/30/2018 (Aud.)
<i>Assets</i>	
Furnishing for rented premises	19,291
<b>Total tangible assets</b>	<b>19,291</b>
Deposits	6,000
<b>Total financial assets</b>	<b>6,000</b>
<b>Total fixed assets</b>	<b>25,291</b>
Deferred tax asset	331,718
Other receivables	227,496
Advance payments	6,589
<b>Total receivables</b>	<b>565,803</b>
Cash at bank	203,138
<b>Cash at bank and in hand</b>	<b>203,138</b>
<b>Total current assets</b>	<b>768,941</b>
<b>TOTAL ASSETS</b>	<b>794,232</b>
<i>Liabilities and equity</i>	
<i>Equity</i>	
Share capital	500,000
Share premium account	1,500,000
Transferred results	-1,654,492
<b>Total equity</b>	<b>345,508</b>
<i>Short-term liabilities</i>	
Accounts payable	360,713
Other debts	88,011
<b>Total short-term liabilities</b>	<b>448,724</b>
<b>LIABILITIES AND EQUITY TOTAL</b>	<b>794,232</b>

## CHANGE OF EQUITY

DKK (Rev.)	Share capital	Share premium reserve	Transferred results
Changes in equity for 10/19/2017 – 06/30/2018			
Share capital relating to the formation	500,000	1,500,000	0
Proposed distribution of profit	0	0	-1,654,492
<b>Equity at 06/30/2018</b>	<b>500,000</b>	<b>1,500,000</b>	<b>-1,654,492</b>

## CASH FLOW STATEMENT

DKK	10/19/2017 06/30/2018 Approx. 8 months. (Aud.)
<b>Profit/loss for the year</b>	<b>-1,654,492</b>
Adjustments	-328,035
Change in working capital	
Receivables	-234,085
Accounts payable	360,713
Other operating liabilities	88,011
<b>Cash flow from operating activities before financial items</b>	<b>-1,767,888</b>
Paid interest expenses and similar expenses	-2,089
<b>Cash flows from operating activities</b>	<b>-1,769,977</b>
Purchase of tangible fixed assets	-20,885
Purchase of financial fixed assets	-6,000
<b>Cash flow from investing activities</b>	<b>-26,885</b>
Capital injections	2,000,000
<b>Cash flow from financing activities</b>	<b>2,000,000</b>
<b>The year's cash flow</b>	<b>203,138</b>
<b>Cash at the year-end</b>	<b>203,138</b>
<i>Cash at year-end are stated as follows:</i>	
Cash at bank and in hand	203,138
<b>Total</b>	<b>203,138</b>

# COMMENTS ON FINANCIAL DEVELOPMENT

*Since STENOCARE was formed in October 2017, no comparative figures are available.*

## Turnover and operating results

STENOCARE's net sales for the period 10/19/2017 – 06/30/2018 amounted to DKK 0. The company reported an operating loss of DKK -1,984,121 during the period 10/19/2017 – 06/30/2018. Operating expenses during the period are attributable to start-up of operations and legal costs regarding preparation for listing on Spotlight and fees related to the connection of the Company's shares to VP Securities. In addition, costs include personnel and other costs.

## Balance sheet and equity ratio

STENOCARE's assets amounted to DKK 794,232 at June 30, 2018 and consisted mainly of current assets comprising mainly deferred tax assets and other receivables. Liquid funds at the same time amounted to DKK 203,138.

Shareholders' equity amounted to DKK 345,508 and liabilities to DKK 448,724 per 06/30/2018. Short-term liabilities consisted mainly of accounts payable of DKK 360,713. The company has no long-term liabilities.

## Cash Flow

Cash flow from operating activities before financial items for the period 10/19/2017 – 06/30/2018 amounted to DKK -1,767,888 and was mainly affected by the negative result for the period. For the period, cash flow from operating activities amounted to DKK -1,769,977. For the period 10/19/2017 – 06/30/2018, cash flow from investing activities amounted to DKK -26,885 and cash flow from financing activities to DKK 2,000,000. Cash flow from investing activities mainly consists of purchases of tangible and financial fixed assets. Cash flow from financing activities was affected exclusively by the new share issue that was completed in early 2018. Cash flow for the period amounted to DKK 203,138.

## Financial resources and financial structure

As of 06/30/2018, the equity ratio was 44 percent. Current liabilities amounted to DKK 448,724. STENOCARE has no long-term liabilities. Current liabilities mainly relate to accounts payables.

According to the Company's assessment, STENOCARE's short-term (<12 months) payment capacity is strained. The company needs to be capitalized in order for payment ability to be considered good in the long term (> 12 months) considering that the Company's future plans are capital-intensive.

## Working capital

According to the Company's assessment, the existing working capital intended to finance the development of the operations is not sufficient for the current needs for 12 months as of the date of issue of the memorandum. The deficit amounts to approximately DKK 12.5 million. Working capital needs are expected to arise in November 2018. In order to contribute to the Company's working capital, STENOCARE now carries out a new share issue, amounting to approximately DKK 18.6 million before issue costs. In order for the Company to be provided with sufficient working capital to run the business at the desired rate for at least 12 months ahead, it is required that, after financing of issuance costs, the Company will receive at least approximately DKK 11.1 million through the new share issue described in this memorandum. STENOCARE has, through written agreements, received subscription agreements totalling approximately DKK 11.2 million, corresponding to approximately 60 percent of the issue volume. However, these commitments have not been secured through advance transaction, bank guarantee or similar. If one or more subscribers fail to fulfil their obligations, the Company may not receive at least DKK 11.1 million after the issuance costs have been funded. Then, the Company will examine alternative financing opportunities such as additional capital acquisition, grants or funding together with one or more partners, alternatively, carry out operations at a lower rate than expected until additional capital can be acquired. In the event that STENOCARE is not supplied at least approximately DKK 11.1 million in the new share issue and all alternative funding opportunities fail, there is a risk that the Company will have to revise its development plans significantly, which may delay the development of the Company's operations. In the long run there is a risk that, if all financing opportunities and sales of imported products fail, the Company is bankrupt.

## Restrictions on the use of capital

There are no restrictions on the use of capital.



### Investments in fixed assets and intangible assets

The table below shows book values for STENOCARE's fixed assets. Tangible fixed assets consist mainly of furnishings for rented premises and have been funded by invested capital.

(DKK)	10/19/2017 06/30/2018
Tangible fixed assets	19,291
Financial assets	6,000
Intangible assets	-
<b>Total fixed assets</b>	<b>25,291</b>

### Ongoing and future investments

The Board of STENOCARE has decided to develop its operations with a production facility for cultivation and production of medical cannabis. The development of the production facility in the Company's existing 3,000 m<sup>2</sup> premises in Jutland is expected to commence in the fourth quarter of 2018, financed by the proceeds of approximately DKK 18.6 million before issue costs in the forthcoming new issue. The investments required to establish a production facility include adaptation to medical cannabis production at the Jutland facility, equipment for cultivation, growing and trimming, cooling and ventilation equipment, water treatment, AMP upgrades, software and laboratory equipment, carbon dioxide extraction equipment and safe storage room. STENOCARE currently has made no decisions on potential future investments in addition to the establishment of the production facility in Denmark.

### Pledged collateral and contingent liabilities

#### *Leasing commitments*

STENOCARE has entered into a rental agreement for an import warehouse with a notice period of three months. Average compensation payable by STENOCARE amounts to KDKK 2, totalling KDKK 6.

In addition, STENOCARE has entered into a lease agreement for a production facility. Monthly expenses of KDKK 111 have expired since 1 July 2018. The production facility has not yet received regulatory approval. Until 30 June 2020, it is not possible for the Company to terminate the lease agreement, except in such case that the facility does not receive regulatory approval. If the facility does not receive regulatory approval, the lease will be terminated without any obligations on the part of STENOCARE.

### Significant changes in financial position

In July 2018, STENOCARE implemented a new share issue of approximately DKK 4 million. More information about the share issue is available under "Share Capital" on page 56 of this memorandum. In addition to this, no significant changes with respect to the Company's financial position or its position in the market have occurred since 06/30/2018.

### Auditor's reports and negative observations or comments

The interim report regarding 10/19/2017 – 06/30/2018 have been audited by the Company's Auditor (Beierholm Resiviosnspartnerselskab), without negative observations or comments.

### Accounting policies

#### **In general**

The annual report has been prepared in accordance with the Danish Financial Statements Act for medium-sized enterprises in Class C. There are no comparative figures, as it is the Company's first financial year.

#### **General about recognition and measurement**

Income is recognized in the income statement as they are earned, including value adjustments of financial assets and liabilities. The income statement also recognizes all costs, including depreciation and write-downs.

The balance sheet recognizes assets when it is probable that future economic benefits will flow to the company and the value of the assets can be measured reliably. Liabilities are recognized in the balance sheet when it is probable that future economic benefits will leave the company and the value of the liability can be measured reliably. At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each item.

Recognition and measurement take into account predictable losses and risks that arise prior to the presentation of the interim financial statements and which confirm or cancel conditions that existed at the balance sheet date.

### **Leases**

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

### **Income statement**

#### Net sales

Revenue from sale of goods is recognized in the income statement if delivery and risk transfer to the buyer has taken place before the end of the financial year and when the sales amount can be calculated reliable and expected to be paid. Net sales are measured at fair value and are calculated ex. VAT and taxes charged on behalf of third parties and less discounts.

#### Other external costs

Other external costs include costs for distribution, sales and advertising, administration, premises and losses on debtors insofar as they do not exceed normal write-downs.

#### Development costs

Development costs are expensed in the income statement.

#### Personnel costs

Personnel costs include salaries and other personnel-related costs.

#### Depreciation and amortization

Depreciation of tangible fixed assets is designed to create systematic depreciation over the expected useful life. Linear depreciation is made based on the following useful lives and residual values:

	Useful life, year	Residual value, percent
Furnishings for rented premises	5	0

The depreciation basis is the cost of the asset less the expected residual value at the end of the useful life. The depreciation base is also reduced with any write-downs. The useful life and the residual value are determined when the asset is ready for use and reassessed annually.

Impairment of tangible assets is carried out in accordance with the accounting policies described in the section “Impairment of fixed assets”.

#### Other financial items

Other financial items include interest income and interest expenses, etc.

#### Income tax expense

Current and deferred taxes for the year are recognized in the income statement as tax on profit for the year, with the part attributable to profit for the year and directly to equity attributable to items recognized directly in equity.

### **Balance**

#### Tangible fixed assets

Tangible assets include interior design of rented premises.

Tangible fixed assets are measured in the balance sheet at cost less accumulated depreciation and write-downs.

The cost price includes the acquisition price and costs directly related to the acquisition until the asset is ready for use. Interest on loans to finance the production is not recognized in the cost price.

Tangible assets are depreciated based on the useful lives and residual values which is stated under “Depreciation and amortization”.

Gains or losses on disposal of an asset is determined as the difference between the possible selling price less selling costs and the carrying amount at the time of sale less any costs of disposal.

#### Impairment of fixed assets

The carrying amount of fixed assets, not measured at fair value, is assessed annually for indications of impairment in excess of that expressed by depreciation.

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

If there are indications of impairment, impairment tests of each asset or each group of assets are made.

Write-downs are made at the recoverable amount if this is lower than the carrying amount.

As the recoverable amount, the highest value of net selling price and capital value is used. The capital value is calculated as the present value of the expected net cash flows from the use of the asset or asset group and expected net cash flows on the sale of the asset or asset group after the end of life.

Write-downs are reversed when the reason for the impairment no longer exists.

#### Receivables

Receivables are measured at amortized cost, which usually corresponds to nominal value less impairment losses.

Impairment losses for losses are calculated on the basis of an individual assessment of the individual receivables when there is an objective indication on an individual level that an impairment loss is impaired.

Deposits recognized under assets include paid deposits to the landlord regarding the Company's lease agreements.

#### Prepayments

Prepayments recognized under assets include costs incurred for subsequent financial years.

#### Liquid assets

Cash and cash equivalents comprise deposits on bank accounts and cash holdings.

#### Current and deferred taxes

Current tax receivables are recognized in the balance sheet as calculated tax on the taxable income, adjusted for prepaid tax.

Deferred tax liabilities and deferred tax assets are calculated by all temporary differences between the accounting and tax values of assets and liabilities. Deferred tax, however, is not reported on temporary differences relating to taxable non-amortized goodwill and other items where temporary differences, other than acquisitions, have arisen at the time of acquisition without affecting profit or taxable income. In cases where the tax value can be calculated according to different taxation rules, deferred tax is measured on the basis of the management's planned use of the asset or settlement of the liability.

Deferred tax assets are recognized at the value at which they are expected to be realized by offsetting in deferred tax liabilities or by settlement in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and tax rates that will apply at the balance sheet date when the deferred tax is expected to be triggered as current tax.

#### Liabilities

Short-term liabilities are measured at amortized cost, which normally corresponds to the nominal value of the debt.

**Cash flow statement**

The cash flow statement is prepared according to the indirect method and shows cash flows from operations, investments and financing and cash at the beginning and end of the year.

Cash flow from operations is calculated as profit for the year, adjusted for non-cash operating items, corporation taxes and changes in working capital.

Cash flows from investments include payments in connection with acquisitions and sales of companies and financial assets as well as acquisition, development, improvement and sale of intangible and tangible fixed assets.

Cash flows from financing include changes in the Company's share capital and associated costs and financing from paid dividends to the owners, as well as recognition and repayment of long-term liabilities.

Liquidity at the beginning and end of the year consists of liquid assets and short-term debt to credit institutions.

# BOARD OF DIRECTORS AND MANAGEMENT

Below you will find STENOCARE's Board of Directors and management. All of them can be reached via the Company's address, Frederiksborgvej 54, 3450 Allerød, Denmark. Rolf Steno Petersen (Board Member and CCO) and Søren Kjær (COO) are brothers-in-law, and apart from this there are no family ties between board members and/or senior executives.



## **Marianne Wier – Independent 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. In addition, she is a good communicator. 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.

Wier does not own any shares in STENOCARE and does not hold any warrants. Wier has in the forthcoming new share issue entered into a subscription agreement of approximately DKK 100,000.

## Involvement with and commitments to other companies, over the last five years

Company	Position	Time period
STENOCARE A/S	Member of the Board and chairman	Ongoing
Topdanmark	COO, Group Executive VP	During the period ended
Topdanmark	VP, Claims Administration	During the period ended

## Share ownership over 10 percent over the last five years

No share ownership exceeding 10 percent over the last five years.

## Forced liquidation and bankruptcy in the last five years

In the last five years, Wier has not been active in companies affected by bankruptcy, forced into liquidation or bankruptcy.



#### 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.

Steno Petersen does not own any shares in STENOCARE. However, Steno Petersen is a senior executive of Steno Investment IVS, which owns approximately 21.98 percent of the votes and capital in STENOCARE. Steno Investment IVS is owned by Jens Thulstrup Steno Petersen, son of Rolf Steno Petersen. Steno Petersen does not hold any warrants.

#### Involvement with and commitments to other companies, over the last five years

Company	Position	Time
STENOCARE A/S	Member of the Board, CCO	Ongoing
Steno Group IVS	Senior executive	Ongoing
INSITES ApS	Senior executive	Ongoing
NORDIC CONSULTING & DEVELOPMENT COMPANY, DANMARK A/S	Member of the Board	Ongoing
2INVISION ApS	Founder	During the period ended
STENO CONSULTING, FILIAL AF STENO CONSULTING LIMITED, ENGLAND	Senior executive	During the period ended

#### Share ownership over 10 percent over the last five years

No share ownership exceeding 10 percent over the last five years.

#### Forced liquidation and bankruptcy in the last five years

Steno Petersen was the founder and senior executive in 2INVISION ApS until 05/05-2014, which has been compulsorily dissolved. In addition, Steno Petersen has not been active in companies affected by bankruptcy, forced into liquidation or bankruptcy in the last five years.





#### **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.

Jeppe Bo Petersen does not own any shares in STENOCARE and does not hold any warrants.

#### Involvement with and commitments to other companies, over the last five years

Company	Position	Time
STENOCARE A/S	Member of the Board	Ongoing
Olivia Danmark A/S	CEO	Ongoing
Bagsværd Kostskole & Gymnasium	Member of the Board and chairman	Ongoing
Olivia Danmark A/S	CFO	During the period ended
Valad Europe A/S	CFO	During the period ended

#### Share ownership over 10 percent over the last five years

No share ownership exceeding 10 percent over the last five years.

#### Forced liquidation and bankruptcy in the last five years

Jeppe Bo Petersen has not been active in companies affected by bankruptcy, forced into liquidation or bankruptcy in the last five years.



#### **Søren Melsing Frederiksen – Member of the Board since September 2018**

Søren Melsing Frederiksen, born 1976, holds a Master's 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.

Søren Melsing Frederiksen owns 100 percent of the shares in SML Holding Aps, which owns approximately 1.08 percent of the votes and capital in STENOCARE. Melsing Frederiksen does not hold any warrants.

#### Involvement with and commitments to other companies, over the last five years

Company	Position	Time
STENOCARE A/S	Member of the Board	Ongoing
Aspen Pharma Nordic	Head of commercial ops	Ongoing
LEO Pharma	Head of Dermatology	During the period ended

#### Share ownership over 10 percent over the last five years

Company	Capital (%)	Votes (%)	Time period
VBM Laboratoriet A/S	18.4	18.4	Ongoing
VBM Ejendomsselskabet af 2007 ApS	20.0	20.0	Ongoing
SML Holding Aps	100.0	100.0	Ongoing

#### Forced liquidation and bankruptcy in the last five years

Søren Melsing Frederiksen has not been active in companies affected by bankruptcy, forced into liquidation or bankruptcy in the last five years.



### 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.

Skovlund Schnegelsberg owns 50 percent of the shares in Prana Holding ApS (closely-related party to Skovlund Schnegelsberg owns the remaining 50 percent), which owns approximately 18.84 percent of the votes and capital in STENOCARE. Skovlund Schnegelsberg does not hold any

warrants.

### Involvement with and commitments to other companies, over the last five years

Company	Position	Time period
STENOCARE A/S	CEO, co-founder	Ongoing
Bagsværd Kostskole & Gymn	Vice chairman of the board	Ongoing
PRANA HOLDING ApS	CEO, co-owner	Ongoing
LAURITZ.COM A/S	Member of the Board	During the period ended
Lauritz.com Group A/S	Member of the Board	During the period ended
Microsoft Danmark	Director	During the period ended

### Share ownership over 10 percent over the last five years

Company	Capital (%)	Votes (%)	Time period
Prana Holding ApS	50	50	Ongoing

### Forced liquidation and bankruptcy in the last five years

In the last five years, Skovlund Schnegelsberg has not been active in companies affected by bankruptcy, forced into liquidation or bankruptcy.

## OTHER KEY PERSONS 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.

Kjær owns 50 percent of the shares in MS Kjær Holding ApS (closely-related party to Kjær owns the remaining 50 percent), which owns approximately 18.84 percent of the shares in STENOCARE. Kjær does not hold any warrants.

#### Involvement with and commitments to other companies, over the last five years

Company	Position	Time period
STENOCARE A/S	COO & co-founder	Ongoing
MS Kjær Holding ApS	CEO, founder	Ongoing
DEVCON V/SØREN KJÆR	CEO	During the period ended
STENOCARE A/S	Member of the Board	During the period ended

#### Share ownership over 10 percent over the last five years

Company	Capital (percent)	Votes (percent)	Time period
MS Kjær Holding ApS	50	50	Ongoing

#### Forced liquidation and bankruptcy in the last five years

In the last five years, Kjær has not been active in companies affected by bankruptcy, forced into liquidation or bankruptcy.



### 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.

Peter Bugge Johansen does not own any shares in STENOCARE and does not hold any warrants. Bugge Johansen has in the forthcoming new share issue entered into a subscription agreement of approximately DKK 100,000.

#### Involvement with and commitments to other companies, over the last five years

Company	Position	Time period
STENOCARE A/S	CFO	Ongoing
Realfiction ApS	Member of the Board	Ongoing
Realfiction Holding AB	Member of the Board	Ongoing
PP Capital Asset Management Fondsmælgerselskab A/S	Member of the Board	Ongoing
PP Capital Holding A/S	Member of the Board	Ongoing
ApS Habro Komplementar-21	Member of the Board	Ongoing
K/S Habro-Hampstead	Member of the Board	Ongoing
ApS Habro Komplementar-53	Member of the Board	Ongoing
Habro-Southampton	Member of the Board	Ongoing
ApS Habro Komplementar-56	Member of the Board	Ongoing
Habro-56, Kommanditaktieselskab	Member of the Board	Ongoing
ApS Habro Komplementar-11	Member of the Board	Ongoing
K/S Habro-Tamworth	Member of the Board	Ongoing
Interdan Holding A/S	CEO	During the period ended

#### Share ownership over 10 percent over the last five years

Company	Capital (percent)	Votes (percent)	Time period
ApS Habro Komplementar-21	10	10	Ongoing
K/S Habro-Hampstead	10	10	Ongoing
ApS Habro Komplementar-53	14	14	Ongoing
Habro-Southampton	14	14	Ongoing
ApS Habro Komplementar-56	14	14	Ongoing
Habro-56, Kommanditaktieselskab	14	14	Ongoing
ApS Habro Komplementar-11	10	10	Ongoing
K/S Habro-Tamworth	10	10	Ongoing

#### Forced liquidation and bankruptcy in the last five years

In the last five years, Bugge Johansen has not been active in companies affected by bankruptcy, forced into liquidation or bankruptcy.

## SHARE CAPITAL

- Registered share capital is DKK 542,780.96.
- Nominal value is DKK 0.08 per share.
- At a minimum, the share capital shall, after the forthcoming new share issue, be a total of DKK 643,580.96 and a maximum of DKK 711,820.96.
- At a minimum the number of shares shall, after the forthcoming new share issue, be a total of 8,044,762 and a maximum of 8,897,762.
- The shares have been issued in accordance with the Danish Companies Act and stated in Danish crowns. All shares are issued and fully paid.
- There is one type of share. Each share has equal rights to part of the Company's assets and earnings and entitles the holder to one vote at the Annual General Meeting. One share is equal to one vote.
- The Company share register is kept by Computershare A/S, Lottenborgvej 26 D, 1st Floor, 2800 Kgs. Lyngby. Shareholders in STENOCARE will not receive a physical share certificate. All transactions with the Company's shares take place electronically through authorised banks and securities administrators. Shares that are newly issued will be registered to the person in electronic format.
- The issuing agency and account administration institution is Sedermera Fondkommission, postal address Norra Vallgatan 64, SE-211 22, Malmö, Sweden.
- The ISIN code for the shares is DK0061078425.
- The "ticker symbol" for the share is STENO.

### Developments regarding share capital

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

\* The share issues were made with a subscription price of DKK 9.35 per share corresponding to a valuation of DKK 46,750,000. At the time of the share issues STENOCARE had not received an approval from DMA regarding the three imported products and had not made any revenue. The Company therefore valued STENOCARE to DKK 46,750,000 based on the status of development at the time.

\*\* Based on a fully subscribed share issue.

Number of shares outstanding at the Company's formation in 2017: 100 shares.

Number of shares outstanding as per June 30, 2018: 500,000,000 shares.

### Framework

The Company intends to comply with all laws, regulations and recommendations that apply to companies that are listed on Spotlight. In addition to Spotlight's listing agreement inter alia, the following regulatory rules applies in relevant parts:

- The Danish Companies Act (Selskabsloven).
- The Danish Securities Law (Børsret)

### Authorization

At the Extraordinary General Meeting on September 10, 2018, the Board was authorized to decide on a new share issue of no more than 2,113,000 shares to be carried out before the next annual meeting on one or more occasions and with or without preferential rights for the shareholders. Payment for the shares can be done by cash payment, conversion of debt or a combination hereby. At a board meeting on September 12, 2018 the Board decided to exercise this authorization in the forthcoming new share issue. At the Extraordinary General Meeting on September 10, 2018, the Board was also



authorized to issue warrants to Gemstone Capital ApS, corresponding to one (1) percent of the total number of shares in the Company after listing.

#### Other

- There are no new issues under registration at the date of this memorandum.
- There are no rights or obligations regarding a resolved but uncomplete increase in the share capital or commitment to increase the share capital.
- As far as the Board is aware, there are no shareholder agreements between the Company's owners.
- There are no outstanding share options, convertible loans or subscription rights at the date of issue of the memorandum.
- The Board has the authority to grant warrants corresponding to 1 percent of the total outstanding shares to Gemstone Capital, as of the first day of trading on Spotlight. Beyond this, no outstanding options, convertibles or subscription rights exist at the date of issue of the memorandum.
- During the previous and current fiscal year, there have been no official purchase bids made by any third party.
- With a fully subscribed new issue, the number of shares will increase by 2,113,000, which is equivalent to a dilution of approximately 31 percent for existing shareholders.
- All shares that are offered in this new issue will be newly issued. Therefore, no natural persons or legal entity will offer to sell their securities in this new issue.
- The company has not designated any Market Maker.

# OWNERSHIP

## OWNERSHIP LIST AS OF SEPTEMBER 19, 2018

Name	Number of shares	Proportion of votes and capital
Steno Investment IVS <sup>1</sup>	1,491,478	21.98
CannTrust Inc.	1,420,455	20.94
Prana Holding ApS <sup>2</sup>	1,278,410	18.84
MS Kjær Holding ApS <sup>3</sup>	1,278,410	18.84
Kompas Administration ApS	213,069	3.14
Mikael Blihaven	136,864	2.02
Gerhard Dal	133,688	1.97
John Moll	109,091	1.61
Peter Nilsson	109,091	1.61
Nord FK	109,091	1.61
Other shareholders	505,115	7.44
<b>Total</b>	<b>6,784,762</b>	<b>100.00</b>

<sup>1</sup> 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.

<sup>2</sup> Owned to 50 percent by CEO Thomas Skovlund Schnegelsberg.

<sup>3</sup> Owned to 50 percent by COO Søren Kjær.

The main owners, Steno Investment IVS, CannTrust Holdings Inc., Prana Holding ApS and MS Kjær Holding ApS together own about 80.6 percent of STENOCARE. There are no agreements that regulate that shareholders cannot merge and jointly influence decisions in the Company. Therefore, there is no guarantee that any emerging control may not be misused.

## OWNERSHIP LIST BY FULLY SUBSCRIBED NEW SHARE ISSUE

Name	Number of shares	Proportion of votes and capital
CannTrust Holdings Inc.	1,693,182	19.03
Steno Investment IVS <sup>1</sup>	1,502,841	16.89
Prana Holding ApS <sup>2</sup>	1,335,228	15.01
MS Kjær Holding ApS <sup>3</sup>	1,289,773	14.50
Kompas Administration ApS	218,750	2.46
John Moll	193,706	2.18
Mikael Blihaven	191,890	2.16
Peter Nilsson	186,888	2.10
Gerhard Dal	133,688	1.50
Nord FK	109,091	1.23
Other shareholders	505,115	5.68
New owners through forthcoming new share issue	1,537,610	17.28
<b>Total</b>	<b>8,897,762</b>	<b>100.00</b>

<sup>1</sup> 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.

<sup>2</sup> Owned to 50 percent by CEO Thomas Skovlund Schnegelsberg.

<sup>3</sup> Owned to 50 percent by COO Søren Kjær.

## Warrants

At the Extraordinary General Meeting on September 10, 2018 the Board was authorized to grant warrants to Gemstone Capital ApS ("Gemstone"). Gemstone has assisted with a number of public listing initiatives and acts in the capacity of both strategic and long-term adviser to STENOCARE. As a long-term partner, STENOCARE considers that, through warrants that can be exercised anytime over a five-year period, Gemstone is given an incentive to focus on the Company's sustainable value creation. In the event that the forthcoming new share issue is fully subscribed, the warrants give Gemstone the right to acquire no more than 88,977 shares, equivalent to 1 percent of the total number of shares in the Company after listing.

Each warrant will provide the holder with the right to subscribe for one new share in the Company at a subscription rate of DKK 8.80, which corresponds to the subscription price in the listing issue.

#### **Attachment on lock-up**

The Company's main shareholders and senior executives see their shareholdings as a long-term investment. Prior to the planned listing, the following parties have signed a so-called lock up agreement, which means that they commit to retaining at least 90 percent of their shareholding in the Company over the next 12 months, calculated from the first day of trade on Spotlight Stock Market. However, notwithstanding the foregoing, shares may be sold under the terms of a public offer for the purchase of shares and divestment of allocated emission rights and redemption rights. If there are special reasons, Spotlight may grant further exceptions.

#### The parties listed below have concluded lock up agreements

- Steno Investment IVS<sup>1</sup>
- CannTrust Inc.
- Prana Holding ApS<sup>2</sup>
- MS Kjær Holding ApS<sup>3</sup>

<sup>1</sup> 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.

<sup>2</sup> Owned to 50 percent by CEO Thomas Skovlund Schnegelsberg.

<sup>3</sup> Owned to 50 percent by COO Søren Kjær.

## ADDITIONAL INFORMATION AND LEGAL AFFAIRS

### AUDITOR

The Auditor of the Company is Jan Molin (principal auditor), at Beierholm Revisionspartnerskab.

#### Address:

Knud Højgaards Vej 9,  
DK 2860 Søborg

### EMPLOYEES

10/19/2017 – 06/30/2018	
Men	3
Women	0
<b>Total</b>	<b>3</b>

During the period the company has had following consultant profiles engaged in establishing the business:

- Pharmacist
- Finance
- Legal Counsel
- Designer and text writer
- Webmaster
- Public affairs

### REMUNERATION TO THE BOARD OF DIRECTORS AND MANAGEMENT DURING 10/19/2017 – 06/30/2018

STENOCARE currently has three people (CEO, COO and CCO) which are part of the Company's management. According to an agreement, all members of the management must have equal terms of employment, rights, remuneration, bonus, share options and warrants. At the date of issue of the memorandum, the salary for each person in the management group amounts to DKK 67,000 per month. The salary for the part-time CFO amounts to DKK 40,000 per month. There are currently no bonuses for the management. The table below shows the salaries for the period 10/19/2017 – 06/30/2018 for the three full-time employees of STENOCARE.

(DKK)	Board fees	Basic salary	Pension	Other remuneration	Social fees	Total amount
Thomas Skovlund Schnegelsberg – CEO	-	247,000	-	-	-	247,000
Søren Kjær – COO	-	247,000	-	-	-	247,000
Rolf Steno Petersen – CCO	-	247,000	-	-	-	247,000

### BOARD WORK METHODS

- All board members are elected until the next Annual General Meeting.
- The work of the Board of Directors follows the rules of procedure established by the Board. The work of the CEO is regulated through instructions for the CEO. Both the rules of procedure as well as the instructions are established by the Board on an annual basis in STENOCARE.
- Issues concerning audits and matters of compensation will be decided directly by the Company's Board of Directors.
- The Company is not under an obligation to comply with the Swedish Code of Corporate Governance, nor has it voluntarily undertaken to comply with this.

### AVAILABLE DOCUMENTS

The Company holds the following documents, and makes them available during the period of validity of this document:

- Memorandum of Association (Instrument of Incorporation)
- Articles of Association (Corporate Bylaws)
- Interim report 10/19/2017 – 06/30/2018

The documents are available in paper form at the Company's headquarters at Frederiksborgvej 54, 3450 Allerød, Denmark, and on the Company's website [www.stenocare.com](http://www.stenocare.com).

## TRANSACTIONS WITH RELATED PARTIES

Related Parties	Through company	Refers to	10/19/2017 06/30/2018
Thomas S. Schnegelsberg	Privately	Cash loan to STENOCARE	DKK 202,000
Rolf Steno Petersen	Privately	Cash loan to STENOCARE	DKK 10,000

## DISTRIBUTION OF PROFIT AND VOTING RIGHTS, ETC.

All shares in the Company are entitled to dividends. Profit distribution for shares that are newly issued in the new share issue as described in this memorandum will be paid on the record day for the dividend that occurs after the registration of the shares in the share register kept by VP Securities A/S. The dividend is not an accumulated dividend. The right to a dividend applies to investors who are registered as shareholders in STENOCARE on the record day for the distribution of profit. There are no existing restrictions on dividends or special procedures for shareholders resident outside Denmark, and payment of any distribution of profit is intended to take place via VP Securities A/S in the same manner as for shareholders resident in Denmark. The claim to distribution of profit is limited after ten years. Dividends go to STENOCARE after the limitation. The rights of the shareholders can only be changed in accordance with the procedures specified in the Danish Companies Act. All shares possess equal rights to profit distribution, as well as to any surplus in the event of liquidation or bankruptcy. At the Annual General Meeting, each share has one vote and each voter can vote for their full number of shares without limitation. All shares provide shareholders with equal preferential rights with the issue of warrants and convertibles to the number of shares they own. Under the Companies Act, a shareholder who directly or indirectly holds more than 90 percent of the share capital in a company has the right to redeem the remaining shares from other shareholders in STENOCARE. In a corresponding manner, a shareholder whose shares can be redeemed is entitled to such redemption by the majority shareholder. The shares that are newly issued in the new share issue as described in this memorandum are not subject to an offer that is made as a result of a bid obligation, redemption or resolution obligation.

The Swedish Corporate Governance Board has issued the "takeover rules" for certain trading platforms, which are essentially equivalent to the rules that apply to companies for which shares are admitted to trading on a regulated market. The takeover rules will be applied to public takeover offers for companies in which shares are traded on Spotlight Stock Market. This means that, in their entirety, the rules will apply not only in cases in which the shares are traded exclusively on Spotlight Stock Market but also in cases in which the shares are traded on both Spotlight Stock Market and in a foreign marketplace. It follows from point II.21 (defensive measures) and section III (bid obligation) in the takeover rules that the provisions are not applicable to STENOCARE, as they only apply to target companies that are Swedish limited liability companies.

## STENOCARE'S STAKEHOLDERS

In connection with the new share issue described in this memorandum, Sedermera Fondkommission ("Sedermera") is acting as financial advisor and issuing agency to the Company. Sedermera does not own any shares in the Company, but has the right to subscribe for shares in the new share issue as described in this memorandum under the same terms and conditions as others. Sedermera and Spotlight are, since 15 December 2013 separate and independent secondary names to ATS Finans AB (previously, from March 2010, Sedermera and Spotlight were affiliated companies in the same Group). ATS Finans AB is a financial securities company and is supervised by the Swedish Financial Supervisory Authority. The close relationship between Spotlight and Sedermera poses a risk of a potential conflict of interest. Spotlight in particular has taken this into account in its market listing process and monitoring activity.

The Company's main owners, board members and senior executives have submitted subscription commitments in the current new issue. Submitted subscription commitments are described in more detail in the "Subscription Commitments" section in this memorandum. Furthermore, members of the Board of Directors and the CEO own shares in the Company. Shareholdings for respective people are presented in detail in the "Ownership" section of this memorandum.

STENOCARE has entered into a license agreement and a commercial agreement with CannTrust Inc. The license agreement ensures that the Company receives assistance and help from CannTrust as well as detailing additional matters related to production. The commercial agreement determines the conditions at which STENOCARE can import finished products from

CannTrust. Under the terms of the License agreement, CannTrust received an initial 25 percent stake in STENOCARE. The agreements are exclusive and have no expiration date. There may be a commercial interest in the help and assistance as well as the right to import STENOCARE receives from CannTrust because CannTrust is a shareholder in STENOCARE. This leads to a potential conflict of interest.

Since February 2018, the Company has purchased design consultancy services on market terms from Designby, which is owned by 100 percent of Charlotte Skovlund Schnegelsberg. Charlotte Skovlund Schnegelsberg is married to CEO Thomas Skovlund Schnegelsberg. This leads to a potential conflict of interest. Before invoices from Designby are paid by the Company, these must be approved in accordance with the Company's guidelines for the acceptance of invoices.

The Company also has purchased webmaster consultancy services, since February 2018, on market terms from Steno Consulting, which is owned to 100 percent of Jens Thulstrup Steno Petersen. Jens Thulstrup Steno Petersen is the son of CCO and Board member, Rolf Steno Petersen. This leads to a potential conflict of interest. Before invoices from Steno Consulting are paid by the Company, these must be approved in accordance with the Company's guidelines for acceptance of invoices.

Apart from the above, there are no further potential conflicts of interest in the administration, management and governing bodies or other people in senior positions in STENOCARE and there are no other natural persons or legal entities involved in the issue that have financial or other relevant interests in STENOCARE.

## OTHER

- There are no agreements between STENOCARE and any member of the Board of Directors or individual in senior management providing them with rights to any benefits after the completion of the assignment other than what is stated under the heading "Remuneration of Members of the Board of Directors and Senior Management.
- None of the members of the Board of Directors or senior executives have been involved, during the past five years, in a bankruptcy, compulsory liquidation or been placed in receivership.
- None of the members of the board or executive management have been convicted in fraud-related cases in the past five years and nor have they been subject to business bans in the last five years. There are no charges or sanctions from authorities against these people, and none of these people have been banned from being involved in executive management or governing bodies or from holding executive positions or overall functions in business by a Court in the last five years.
- There are no special agreements with major shareholders, customers, suppliers, administration, management and governing bodies or other parties that include board members or other members of executive management.
- The Company has not been party to any legal proceedings or arbitration proceedings (including non-resolved cases or such that STENOCARE is aware of) during the past twelve months and which have recently had or could have had significant effects on the financial position or profitability of STENOCARE.
- There are no special systems for the acquisition of shares by staff or similar.
- Apart from lock-up agreements, there are no restrictions on the free transfer of the share.
- Jens Thulstrup Steno Petersen owns 21.98 percent of the shares in STENOCARE through his holding company Steno Investment IVS. Jens Thulstrup Steno Petersen is the son of Rolf Steno Petersen, who has the role as Board member and CCO in the Company.
- It is the opinion of the board that the current insurance protection held by STENOCARE is satisfactory with respect to the nature and extent of the operations.
- Note that holding of the Company securities may lead to tax consequences for the holder. Holders of securities in the Company are recommended to obtain advice from tax advisers with respect to taxation consequences that may arise in each individual case.
- STENOCARE intends to communicate to the stock market in English.

# SPECIAL LEGAL PROVISIONS

STENOCARE is a Danish company subject to Danish company law. Below you will find a short comparative perspective of particular legal provisions regarding Swedish and Danish company law, as well as certain rules for taxation of dividends and capital gains for people who are resident in Sweden for tax purposes and who invest in a Danish company. The Comparative perspective is intended to assist Swedish investors in understanding some of the differences between Danish and Swedish law. Note that it is not exhaustive, but only focuses on highlighting some few significant differences between the two legislations in the two countries. For more detailed information, investors are requested to contact legal representatives.

## COMPARATIVE LEGAL PERSPECTIVE

### SUMMARY

Below is a summary of relevant differences between the Danish Act on Public and Private Limited Companies Consolidation Act (Lovbekendtgørelse) 2015-09-14 nr. 1089 (with the latest legislative changes: L 2017-12-26 nr. 1665) ("The Danish Companies Act") and the Swedish Companies Act (2005: 551) ("ABL") regarding procedures for dividends, annual general meetings and mandatory business events. Note that the description below is not exhaustive and that restrictions and exceptions may be applicable to the regulations described.

### 1. PROCEDURES FOR DIVIDENDS

#### 1.1 Procedures for dividends in accordance with the Danish Companies Act.

##### 1.1.1 Distribution of ordinary dividend

Under section 180 of the Danish Companies Act, the Annual General Meeting is to determine how distribution is to take place of the amount available for distribution in accordance with the financial statements. The Annual General Meeting cannot decide to distribute a dividend higher than what is proposed or accepted by the Company board of directors. Dividends can only be made from the distributable reserves of the Company, i.e. amounts that are reported as capitalized earnings in the most recent audited Company financial statements and reserves that are non-distributable in accordance with the provisions of the Articles of Association.

##### 1.1.2 Distribution of extra dividend

Under section 182 of the Danish Companies Act, the Annual General Meeting can only decide on an extra dividend once the Company has presented its first annual report. The Annual General Meeting cannot decide to distribute a dividend higher than what is proposed or accepted by the Company board of directors. Only earnings that are able to be paid as dividends in accordance with section 180 (2) of the Danish Companies Act or earnings and dividend reserves created or made available after the latest financial year for which an annual report has been prepared, may be distributed as an extra dividend, unless the amount has been distributed, spent or is non-distributable. Under section 183 of the Danish Companies Act, a balance sheet must be attached to each decision regarding an extra dividend. The Board will evaluate whether the balance sheet in the most recent annual report is adequate or if a quarterly balance sheet that shows that there are sufficient earnings available for dividends must be established.

#### 1.2 Distribution procedures under the Swedish Companies Act

With the exception of certain minor formal differences, the Swedish Companies Act contains similar provisions with regard to dividends to shareholders.

*The above box is not applicable to STENOCARE A/S, but only information to disclose the difference between Danish and Swedish company law.*



## 2. ANNUAL GENERAL MEETING

### 2.1 Annual General Meeting under the Danish Companies Act

#### 2.1.1 Right of shareholders to make decisions

Under section 76 of the Danish Companies Act, the right of shareholders to make decisions will be exercised at the general meetings of the company.

#### 2.1.2 Right of shareholders to attend, vote, etc.

Under section 78 of the Danish Companies Act, all shareholders are entitled to attend and speak at general meetings. Under section 80 of the Danish Companies Act, all shareholders are entitled to attend general meetings through a representative. Under section 81 of the Danish Companies Act, shareholders and shareholder representatives must be accompanied by an adviser. Under section 82 of the Danish Companies Act, shareholder agreements are not binding on the company or with reference to decisions made at general meetings.

Under section 84 (5) of the Danish Companies Act, the Articles of Association for public limited liability companies for which shares are not traded on a regulated market contain provisions, for example, regarding the right of shareholders to attend general meetings and vote in accordance with their shares must be determined on the basis of the shareholding of the shareholder on the date of registration. The shareholding and voting rights for a shareholder must be determined on the date of registration on the basis of the number of shares held by the shareholder in accordance with the share register and any notifications of ownership that the company obtains for the purpose of registration in the share register. The registration date is one (1) week before the general meeting.

#### 2.1.3 Time and place

Under section 87 of the Danish Companies Act, the shareholder meetings are to be held in the municipality of the Company, unless the Articles of Association specify that shareholder meetings can or must be held elsewhere.

Under section 88 of the Danish Companies Act, the Annual General Meeting must decide on the following:

- (i) adoption of the annual report;
- (ii) allocation of profit or loss as described in the annual report;
- (iii) appointment of the external auditors for the company;
- (iv) any other business matters that are to be decided by the general meeting in accordance with the Company Articles of Association.

The Annual General Meeting must be held in good time so that the approved annual report can be submitted to the Danish Business Authority no later than five (5) months after the end of the financial year.

The annual report must be made available to the general meeting no later than two (2) weeks before the annual general meeting.

#### 2.1.4 Matters at the General Meeting

Under section 90 of the Danish Companies Act, all shareholders are entitled to raise a specific issue in the agenda of an Annual General Meeting. A request from shareholders to add a certain issue to the agenda must be made in writing no later than six weeks before the Annual General Meeting.

#### 2.1.5 Notice to attend general meetings

Under section 93 (1) of the Danish Companies Act, General Meetings are convened and organised by the Board. Under section 94 (1) of the Danish Companies Act, notice to attend the General Meeting shall be made within four (4) weeks and unless the Articles of Association prescribe a longer deadline no later than two (2) weeks before the General Meeting.

Under section 98 of the Danish Companies Act, the agenda, complete proposals for shareholders resolutions and if it is an Annual General Meeting, also the annual report must be available for review by shareholders no later than two (2) weeks before the General Meeting.

Under section 95 of the Danish Companies Act, notice to attend general meetings must be made in accordance with the Articles of Association.

The Articles of Association of STENOCARE (see section "Articles of Association" in this memorandum) state that notice to attend the General Meeting must take place at the earliest four (4) weeks and no later than two (2) weeks before the meeting, and that the notice to attend the meeting (this both the annual General Meetings and Extraordinary General Meetings) is to be made either by communication through the Company homepage, by email to all shareholders or by using electronic communication. Furthermore, STENOCARE also has to communicate it through a press release on Spotlight Stock Market.

#### **2.1.6 Votes**

Under section 104 of the Danish Companies Act, each shareholder must vote on his shares in aggregate, unless otherwise provided by the articles of association.

Under section 105 of the Danish Companies Act, unless otherwise stated in the Danish Companies Act or in the Articles of Association, all resolutions at general meetings will be adopted by a simple majority of the shares that are represented at the meeting. In the event of an equal number of votes, there will be no resolution on the proposal, except in the case of different personal selections, when a ballot will be held with an equal number of votes.

Under section 106 of the Danish Companies Act, resolutions on amendments to the Articles of Association must be made by at least two-thirds of the votes cast and the shares represented at the general meeting.

Specific exceptions apply.

Under section 107 of the Danish Companies Act, resolutions on amendments to the Articles of Association that will mean an increase in shareholder obligations to the company are only valid if all shareholders vote for the proposal.

Under section 107 (2) of the Danish Companies Act, certain resolutions on changes to the Articles of Association, such as decisions affecting a decrease in shareholder rights, obtaining dividends or distribution of the Company's assets, including subscribing for shares in the Company at an advantageous price, for the benefit of people other than shareholders and employees of the company or its subsidiaries, will only be valid if they are voted for by a nine-tenths majority vote and nine-tenths of the share capital is simultaneously represented at the general meeting.

#### **2.1.7 Resolution rules for different issues**

The Danish Companies Act stipulates that resolutions on both a preferential share issue and a new share issue require a qualified majority of a minimum of two-thirds of a majority vote at the general meeting. Similar rules apply to resolutions on offsetting and non-cash issues cf. The Danish Companies Act section 107

#### **2.1.7 Invalid resolutions at general meetings**

Under section 108 of the Danish Companies Act, the general meeting must not vote for proposals that can obviously lead to unfair advantages for certain shareholders over other shareholders or over the company.

Under section 109 of the Danish Companies Act, a shareholder or member of the board or management (CEO) may initiate a legal process with respect to a resolution made at a general meeting that has not been resolved in a legal manner or that is in contravention of the Danish Companies Act or against the Company's Articles of Association.

## 2.2 Annual General Meeting under the Swedish Companies Act (2005:551)

The provisions of the Danish Companies Act and the Swedish Companies Act concerning annual general meetings for limited liability are consistent and similar overall. An example of differences that can be mentioned are the provisions concerning the timing of notice to attend general meetings. Under the Swedish Companies Act, notice to attend an annual general meeting must take place at the earliest six and at the latest four weeks before the annual general meeting. Notice to attend an Extraordinary General Meeting must take place no earlier than six and no later than two weeks before the Extraordinary General Meeting is held, provided that the Extraordinary General Meeting is not considering changes to the Articles of Association. If changes to the Articles of Association are to be considered at an Extraordinary General Meeting, under the Swedish Companies Act, notice to attend must take place no earlier than six and no later than four weeks before the Extraordinary General Meeting. In addition to purely formal resolutions, there are several mandatory resolutions that will also be addressed at the Annual General Meeting. For example, the matter of discharging the members of the Board and the CEO from liability will be addressed. For resolutions regarding issues, under the Swedish Companies Act a simple majority is generally required at the Annual General Meeting in the event that it does not concern a new private issue, which deviates from the provisions of the Danish Companies Act. With regard to the process of approving a non-cash value that is carried out by an independent valuer with the non-cash issues, similar provisions apply under both the Swedish Companies Act and the Danish Companies Act. For so-called related transactions, the Swedish Companies Act stipulates special rules. Under chapter 16 of the Swedish Companies Act, the so-called Leo Law, a qualified majority is required for at least nine tenths of both the votes cast and the shares represented at the Annual General Meeting so that the Annual General Meeting can decide on certain related transactions in accordance with the provisions. This majority requirement differs from the Companies Act, which, in the case of closely related transactions, requires only qualified majority voting at least at least two thirds at the Annual General Meeting.

*The above box is not applicable to STENOCARE A/S, but only information to disclose the difference between Danish and Swedish company law.*

## 3. SHAREHOLDER RIGHT OF INITIATIVE

### 3.1 Shareholder right of initiative under the Danish Companies Act

Under section 89 of the Danish Companies Act, minority shareholders of at least five percent of all shares in the company or the smaller share permitted by the Articles of Association, may request in writing that an Extraordinary General Meeting is held at which a given matter is to be addressed. Notice to attend such a general meeting must be issued within two weeks from receipt of the request from the minority shareholder.

### 3.2 Shareholder right of initiative under the Swedish Companies Act

The Swedish Companies Act also contains rules regarding the shareholder right of initiative. Under the rules of the Swedish Companies Act, this right fall to the minority owner who holds at least one-tenth of all shares in the company.

*The above box is not applicable to STENOCARE A/S, but only information to disclose the difference between Danish and Swedish company law.*

## 4. SPECIAL REVIEW

### 4.1 Special review under the Danish Companies Act

Under section 150 of the Danish Companies Act, at the Annual General Meeting or at a general meeting at which the issue has been raised on the agenda, a shareholder may submit proposals for a review of company management and financial accounts. If the proposal is adopted by a simple majority, it is thereafter incumbent on the meeting to select one or several reviewers. If the proposal is not adopted, shareholders may request in Court that a reviewer is appointed for at least 25 percent of all shares in the company. Such a request must have been received by the Court no later than four weeks from the general meeting.

#### 4.2 Special review under the Swedish Companies Act

The Swedish Companies Act contains provisions for special review that are similar to the Danish provisions. The main difference is that under the Swedish Companies Act, the action for the appointment of a special reviewer can be raised by shareholders representing at least one tenth of company shares.

*The above box is not applicable to STENOCARE A/S, but only information to disclose the difference between Danish and Swedish company law.*

### 5. MINORITY AUDITOR

#### 5.1 Minority auditor under the Danish Companies Act

Under section 144 of the Danish Companies Act, a shareholder may request that the Danish Business Authority appoint an auditor to participate in the audit along with the auditor(s) of the company, provided that shareholders who hold at least one-tenth (1/10) of all shares in the company have voted for this at a general meeting at which auditor selection is to take place and that the request is made within two weeks of the meeting.

#### 5.2 Minority auditor under the Swedish Companies Act

Under the Swedish Companies Act, shareholders who hold at least one-tenth of company shares or hold at least one-third of the shares that are represented at the Annual General Meeting, may request the appointment of a minority auditor.

*The above box is not applicable to STENOCARE A/S, but only information to disclose the difference between Danish and Swedish company law.*

### 6. TRANSPARENCY REPORTING AND DEFERRED PUBLICATION OF INSIDER INFORMATION

Those in executive management and their associates in STENOCARE will report transactions conducted in the Company's financial instruments to the Danish equivalent of the Financial Supervisory Authority (FSA). Therefore, investors may contact the FSA to read the completed transparency transactions ([www.finanstilsynet.dk](http://www.finanstilsynet.dk)).

In the event that STENOCARE decides to postpone insider information for publication, the marketplace (Spotlight Stock Market) must be informed. When the inside information finally has been disclosed, Finansinspektionen in Sweden must be notified. In addition, it's recalled that the Company has to comply with the provisions stipulated in the Market Abuse Regulations and the Danish capital market law.

### 7. RECOMMENDATION ON NEW ISSUES AND TAKEOVER RULES

The Swedish securities market has a significant element of selfregulation, as an alternative and complement to the legislation. The selfregulation means that the business community and other stakeholders in the market jointly formulate and decide on the rules in the securities market and what is good practice. One of the major advantages of self-regulation is that it can be developed flexibly and quickly and adapted to changes. This creates and maintains the confidence of both domestic and foreign market players, and provides a stable and efficient securities market with good conditions for listed companies, investors and other stakeholders. Through its listing on Spotlight Stock Market, STENOCARE will be subject to Swedish self-regulation, which implies takeover rules and recommendations on directed cash issues, while the Swedish Stock Market Committee may, on request, decide whether a measure by STENOCARE or its shareholders is consistent with good practice.

### 8. TAX REGULATIONS IN SWEDEN

Below certain Swedish rules for taxation of dividends and capital gains for those who are resident in Sweden for tax purposes and who invest in shares in STENOCARE are briefly summarized. The summary is based on currently applicable legislation and is only intended as general information.

It should be noted that the tax processing for each individual shareholder is dependent upon their specific tax situation and may also depend on the application of foreign tax rules and tax treaties. Later in the information there are examples of situations that are not addressed in the summary.

### 8.1 Tax regulations for natural persons in Sweden

For natural persons who are unlimited taxpayers in Sweden because they are resident in Sweden or permanently reside here, capital income such as dividends and capital gains is taxed as capital income. The capital income tax rate is 30 percent.

In the calculation of capital gain or capital loss, the sales allowance for the divested shares will be reduced by the cost of the shares (acquisition cost). When calculating the acquisition cost, all shares of the same type and variety are to be aggregated and calculated with the application of the average method. For shares, the alternative standard method could be applied, which means that the expense amount instead could be calculated as 20 percent of the sales allowance after deduction of the cost of the sale.

If a divestment of market-listed shares leads to a capital loss, the loss could be deducted from taxable capital gains that arise in the same year on market-listed shares and securities that are taxed as shares (although not shares in mutual funds or special funds that only contain Swedish creditors, so-called interest funds). If capital losses on market-listed shares cannot be settled in accordance with the above, deduction from capital income is permitted at 70 percent of the loss.

If the net income from capital is negative, the taxpayer is entitled to a tax reduction of 30 percent up to SEK 100,000. Where the negative income from capital exceeds SEK 100,000, the tax reduction is 21 percent of the remaining deficit. Deficits in capital income that cannot be utilized for a certain year are lost and cannot be utilized in subsequent years.

### 8.2 Tax regulations for Swedish listed companies

All income for Swedish limited companies including dividends and capital gains on market-listed shares, is taxed in the income category of business activities. The tax rate is 22 percent.

Capital gains or capital losses are calculated based on the difference between the sales allowance obtained for the divested shares and the cost of the shares (acquisition cost). When calculating the acquisition cost, all shares of the same type and variety are to be aggregated and calculated with the application of the average method. For listed shares, the alternative standard method could be applied, which means that the expense amount instead could be calculated as 20 percent of the sales allowance after deduction of the cost of the sale.

### 8.3 Situations that are not addressed in the summary

The information above is of a general nature and probably does not cover all specific situations for each individual shareholder.

Below are examples of situations that are not addressed in the summary:

- the special rules on tax-free capital gains or non-deductible capital losses under the participation exemption regulations;
- the special tax rules for companies and groups regarding deductions for capital losses on listed shares that constitute capital assets;
- situations where shares are held as stock assets in business operations;
- situations in which shares are held by trade or limited partnership company;
- situations in which special rules will become applicable to shares in companies that are or have been a closely held;
- situations in which a natural person is considered to be an unlimited taxpayer in Sweden because the taxpayer has a significant connection (essential connection) to Sweden;
- foreign companies operating through a permanent establishment in Sweden.

Furthermore, special tax rules apply to certain categories of company and legal entities, for example, investment companies and mutual funds or special funds. Special regulations also apply to investment in shares through investment savings account (ISA) and equity insurance.

## 9. DANISH SOURCE TAX ON DIVIDENDS

It should be noted that dividends on shares in STENOCARE that are submitted to people who are resident in Sweden for tax purposes, are subject to 27 percent withholding tax in Denmark as a starting point. However, under the Nordic tax agreement, the source tax on shares is usually limited to 15 percent. To avoid double taxation on dividend income, under certain circumstances, settlement of foreign tax in Sweden is allowed against the Swedish tax payable on the dividend income. If the Danish withholding tax exceeds 15 percent, the taxpayer may in some cases apply for a refund of the excess tax from Denmark.

# TERMS AND CONDITIONS

## THE OFFER

Existing shareholders, the public and professional investors in Sweden and Denmark are hereby invited to subscribe for shares in STENOCARE during the period from the 24th of September 2018 until the 9th of October 2018. The Board of Directors of STENOCARE on the 12th of September 2018 decided, with the authorization of the Extraordinary General Meeting on the 10th of September, 2018, on implementing a new share issue in STENOCARE's share capital by at least DKK 100.800,00 and a maximum of DKK 169.040,00 through a new issue of at least 1.260.000 shares and a maximum of 2.113.000 shares, each with a nominal value of DKK 0.0800 at a subscription price of DKK 8.80. The total new share issue amounts to a minimum of DKK 11.088.000,00 and a maximum of DKK 18.594.400,00.

## SUBSCRIPTION PRICE

The subscription price is DKK 8,80 per share. Commission may occur. The minimum subscription post is 400 shares, which corresponds to DKK 3.520,00 and thereon after subscription may be made in any number of shares.

## VALUATION

STENOCARE's valuation amounts to approximately MDKK 59,7 (pre-money).

## APPLICATION FOR SUBSCRIPTION OF SHARES

Subscription notes and memorandum are available on STENOCARE's website [www.stenocare.com](http://www.stenocare.com), Spotlight Stock Market's website [www.spotlightstockmarket.com](http://www.spotlightstockmarket.com) and Sedermera Fondkommission's website [www.sedermera.se](http://www.sedermera.se).

Subscription of shares shall be affected by filling out and signing the application form and shall be submitted to the Sedermera Fondkommission during the subscription period at the following address or by email:

Case: STENOCARE A/S  
Sedermera Fondkommission  
Norra Vallgatan 64  
211 22 Malmö  
Sweden  
Telephone: +46 (0)40-615 14 10  
Fax: +46 (0)40-615 14 11  
E-mail: [issuingsservices@sedermera.se](mailto:issuingsservices@sedermera.se)  
(scanned subscription note)

For Swedish subscribers, subscription can be made directly with BankID at [www.sedermera.se](http://www.sedermera.se).

All subscribers, Danish and Swedish, can also subscribe directly via Nordnet's website.

## Subscription - via Nordnet

Customers at Nordnet can subscribe for shares via Nordnet's Internet Service until 11.59 PM on the 9th of October 2018. In order not to risk losing the right to any allocation, Nordnet's customers must have sufficient funds available at the depot from the 9th of October 2018 at 11:59 PM until the settlement date, which is expected to be in the middle of October 2018. More information about the application process via Nordnet is available at [www.nordnet.se](http://www.nordnet.se).

Especially for Danish investors: please note that Danish subscribers can not subscribe for shares through a retirement depot or via a cash account. Subscription of shares shall be made on a Danish VP account.

Anyone who registers for the subscription of shares must have a Danish VP account or a custody account with a Swedish or Danish bank/trustee to which delivery of shares may take place. Subscribers who do not have a Danish VP account or custody account must open a VP account or a custody account at a Swedish or Danish bank/trustee, such as Nordnet before the subscription form is submitted to Sedermera Fondkommission. Please note that this may take some time.

If a working account number is not available on the last day of the subscription period, the 9th of October 2018, there is a risk that allotted shares will not be delivered in time for the listing date or that the shares are transferred to another party.

Please note that the application is binding.

### SUBSCRIPTION FOR OVER EUR 15,000

In the event that subscriptions amount to or exceed EUR 15,000, money laundering forms must be completed and submitted to the Sedermera Fondkommission pursuant to Act 2017: 630 on measures against money laundering and terrorist financing. Please note that Sedermera Fondkommission can not guarantee that the application form is taken into account until the money laundering control is available to Sedermera Fondkommission.

### SUBSCRIPTION PERIOD

Subscription of shares shall take place within the period from the 24th of September 2018 until the 9th of October 2018.

The completed subscription form must be submitted to Sedermera Fondkommission no later than at 3:00 PM on the 9th of October 2018. Subscription forms sent by post should be sent in due time before the last day of the subscription period.

The Board of Directors of STENOCARE reserves the right to extend the subscription period and the time of payment. In the event of a decision to extend the subscription period, STENOCARE shall, by means of a press release, inform the market accordingly. It is only allowed to submit one (1) subscription form per signatory. In case several subscription forms are submitted, only the last received will be considered. Incomplete or incorrectly completed subscription forms may be disregarded. No additions and changes may be made in the text printed on the subscription form.

### PUBLICATION OF THE OUTCOME OF THE NEW SHARE ISSUE

As soon as possible after the subscription period has ended, STENOCARE will disclose the outcome of the new share issue. The publication is scheduled for the middle of October 2018 and will be made through a press release which will be available on STENOCARE's website.

### SPECIFIC ABOUT THE RECEIVANCE OF DANISH SHARES FOR SWEDISH INVESTORS

Note that the person who has a custody account or other securities account with a bank/trustee must check with the bank/trustee for the account, if, and if so how, the acquisition of Danish shares under the offer is possible. It is possible to obtain Danish shares in a custody account or share account at the following Swedish banks: Avanza, Nordnet, Nordea, Swedbank, Danske Bank, SEB or Handelsbanken. If you have a custody account or other securities account with another bank/trustee, you can contact Sedermera Fondkommission at the telephone number or e-mail address below for assistance on how to subscribe.

Please also note that the person who has a custody account or account with specific rules for securities transactions, such as an investment account (ISK) or a capital insurance account (KF), must check with the bank/administrator as for the account, if, and if so how, the acquisition of securities within the framework of the offer are possible. In this case, the application should be made in agreement with the bank/administrator for the account.

### ALLOCATION

Allocation of shares will be decided by STENOCARE's Board of Directors, on the following principles;

- a) Full allocation shall be made to the parties who have left subscription commitments;
- b) As it is necessary to broaden the Company's shareholders on more parties prior to the planned listing and, as far as possible, the Board will ensure that each subscriber receives at least 400 shares,
- c) To create investment space for certain parties, which, according to the Board's assessment, can specifically contribute strategic values to the Company or form part of the Company's financial adviser's investment network, but in the event of an oversubscription, no more than 10% of the new share issue amount,
- (d) If the number of subscribers in the new share issue exceeds the possible number of shareholders, and thus makes it impossible to allocate each subscriber the minimum number of shares, as per the terms and conditions in the memorandum, allotment of shares will be decided by the drawing of lots. This is a computerised process which relies on algorithms that randomly execute the drawing of lots and will be executed by Sedermera as issuing agent in the new share issue.



Please note that the Board of Directors decides on allocation, which means that allocation may be made with fewer shares than the subscription form relates to or it can be completely eliminated, which means that allocation can partly or entirely be made through random selection. Allocation is not dependent on when the subscription form is submitted during the subscription period.

### NOTIFICATION OF ALLOCATION

Allocation of shares is planned to happen as soon as possible after the terminated subscription period and the notification will be received in the form of a contract note which is planned to be sent out in the middle of October 2018.

#### Allocation – via Nordnet

Those who have subscribed through the Nordnet Internet service will receive notification of allocation through a subscription of shares with immediate payment from a given custody account, which is planned to happen in the middle of October 2018.

### PAYMENT

Payment must be made in accordance with the contract note. Payment must be made to a Swedish account in Danish Kroner (DKK) no later than five (5) days after dispatch of the contract note. Please note that the signatory (Swedish and Danish) need to make a Euro Payment/International Payment in Danish Kroner (DKK) from their Swedish or Danish account. Please note that the cost of a European payment/International payment may vary (from about SEK 0 to 11,50 in Swedish and Danish banks). A cost of currency exchange may occur.

Payment is made in accordance with instructions on the contract note which is sent out after the Board of Directors of STENOCARE has decided on allocation of shares, which is expected to take place in the middle of October 2018.

If payment or confirmation of payment is not made in time, there may be a risk that allocated shares will not be delivered in time for the listing date or a risk that the shares are transferred to another. Should the sale price of such transfer be below the subscription price of this offer, the original subscriber who acquired these securities may be responsible for all or part of the difference.

#### Payment - via Nordnet

Allocated shares will be booked against payment at the designated depot, which is expected to take place in middle of October 2018.

### DELIVERY OF SHARES

Shares will be delivered after the Board of Directors of STENOCARE have decided on allocation of shares and the new share issue has been registered on Erhvervsstyrelsen, which is planned to happen in the end of October 2018.

In connection with the delivery of shares, the subscriber with a VP account will receive a notification confirming that the deposit of securities has taken place on the subscriber's VP account. Shareholders who have their holdings registered in a custody at a bank or trustee will receive information from their respective trustees.

Since STENOCARE is a Danish public limited company, all of the Company's shares will be registered in VP Securities A/S ("VP") system. For trading of the shares, settlement takes place within the framework of the Danish securities center VP's system.

### POTENTIAL PAYABLE FEES

Clearing and settlement takes place within the framework of VP's system in Denmark. This may mean that banks and managers who are not members of VP in Denmark may charge an administrative fee for subscription of shares in STENOCARE's new issue.

In addition, a fee, in the form of a commission, may be taken for trading in STENOCARE's share. (The price model of the banks Nordnet and Avanza is the same for the entire Nordic region).

### COMMENCEMENT OF TRADING

At the time of the memorandum publication, STENOCARE has been approved by Spotlight Stock Market, subject to the disclosure requirement. STENOCARE's shares are traded on Spotlight Stock Market under the label STENO and with ISIN code DK0061078425. The shares have CFI code ESVUFN and FISN code Stenocare AS/-. All shares in STENOCARE are expected to be admitted to trading on the 26th of October 2018. Trading takes place in DKK. Prerequisite for listing is (i) Spotlight Stock Market's disclosure requirements are met and (ii) the lowest level of approximately DKK 11.088.000 for the implementation of the new issuance is achieved.

#### TRADING IN DKK ON SPOTLIGHT STOCK MARKET

Trading in STENOCARE's share will be made in DKK on Spotlight Stock Market. To enable trading in DKK, clearing and settlement will be made within the framework of VP's system in Denmark.

It is required that your bank/trustee is a member of Spotlight Stock Market or has a collaborative bank that is a member of Spotlight Stock Market, for trading in STENOCARE shares.

Most Swedish banks are members of Spotlight Stock Market. Some Danish banks are members of Spotlight Stock Market either directly (Nordnet, Nordea and Danske Bank) or indirectly via a collaborative bank, which means that they can trade securities on Spotlight Stock Market. Sedermera can assist you in a dialogue with your bank if necessary.

#### RIGHT TO DIVIDEND

The new shares entitle the shareholder to a dividend the first time after the new share issue has been registered with the Danish Business Authority. Any dividends are paid in DKK and following a resolution by the AGM. The payment is provided by VP or for nominee registered holdings in accordance with the respective trustee's routines. The right to a dividend is paid to the person who on the record day of the shareholders' meeting was registered as a shareholder in the share register held by Computershare A/S.

#### APPLICABLE LAW

The shares are given out under the Danish Selskabsloven (equivalent to the Swedish Companies Act) and governed by Danish law. However, under Swedish law, the Company is, in relevant respects, directly attributable to Spotlight Stock Market's listing agreement and Swedish stock exchange rights.

#### SHAREHOLDER'S REGISTER

STENOCARE is a VP-based reconciliation company. STENOCARE's share register with information about shareholders is handled and accounted by Computershare A/S, Lottenborgvej 26 D, 1st Floor, 2800 Kgs. Lyngby.

#### SHAREHOLDER'S RIGHTS

Shareholders' rights regarding distribution of profits, voting rights, pre-emption rights for subscription of shares, etc. are governed partly by STENOCARE's Articles of Association, which are available through STENOCARE's website and partly by the Danish Companies Act (equivalent to the Swedish Companies Act).

#### SHAREHOLDER'S REPORT OBLIGATION

All shareholders in STENOCARE have an obligation to comply with the reporting rules to the "Public Ownership Register". The registration of holdings shall be made to STENOCARE within 14 days after the registration obligation has been actualized (when the holding amounts to or exceeds five percent in the company and/or passes some other thresholds).

See [https://erhvervsstyrelsen.dk/sites/default/files/vejledning\\_det\\_offentlige\\_ejerregister.pdf](https://erhvervsstyrelsen.dk/sites/default/files/vejledning_det_offentlige_ejerregister.pdf) for more information about the rules regarding "The Public Shareholder's Register".

#### TAX REGISTRATION FOR DANISH SUBSCRIBERS

Purchases of shares in STENOCARE in connection with the listing are not automatically reported to the Danish tax authorities. A Danish signatory must thus report its share purchase to the Danish tax authorities.

#### RESTRICTIONS REGARDING PARTICIPATION IN THE OFFER

Due to restrictions in the securities law in the United States, Canada, Australia, Hong Kong, Singapore, South Africa, Switzerland, New Zealand, Japan or other countries where participation requires further prospectuses, registrations or actions other than those under Swedish and Danish law, the offer to subscribe for shares is not directed at persons or others with registered address in any of these countries.

#### ADDITIONAL INFORMATION

The offer is conditional on the fact that no circumstances occur which may result in the timing of the new issuance being deemed inappropriate and that ownership spreading requirements are met. Such circumstances may, for example, be of an economic, financial or political nature and may relate to circumstances in Sweden or Denmark as well as abroad, as well as the interest in participating in the new issue of the STENOCARE's Board is deemed insufficient. In such cases, the Board will not complete the new share issue. If the offer is revoked, this will be published via press release no later than before the contract notes are sent, which is scheduled to take place in the middle of October 2018.

All shares that are offered through this new share issue will be newly issued. Because of this, there are no natural or legal persons offering to sell securities in this new share issue.

#### ISSUER

Sedermersa Fondkommission and VP are acting as issuing agents in connection with current new share issue.

#### QUESTIONS WITH REGARDS TO THE NEW SHARE ISSUE CAN BE ADDRESSED TO

Sedermersa Fondkommission  
Telephone: +46 (0)40-615 14 10  
E-mail: [issuing-services@sedermersa.se](mailto:issuing-services@sedermersa.se)

# ARTICLES OF ASSOCIATION

For/of STENOCARE A/S (“**Selskabet**” / the “**Company**”)  
CVR-nr./Central Business Register (CVR) no. 39024705  
Den. 10. September 2018/ September the 10th 2018

## 1. NAVN

1.1 Selskabets navn er STENOCARE A/S.

## 2. FORMÅL

2.1 Selskabets formål er at drive forretning ved fremstilling, udvikling, forarbejdning, salg og distribution af palliative produkter.

## 3. SELSKABSKAPITAL

3.1 Selskabets selskabskapital udgør DKK 542.780,96 fordelt i kapitalandele á DKK 0,08.

3.2 Selskabskapitalen er fuldt indbetalt.

3.3 Alle kapitalandele har lige rettigheder i Selskabet.

## 4. KAPITALANDELE

4.1 Selskabets kapitalandele er udstedt på navn og skal noteres på navn i Selskabets ejerbog.

4.2 Kapitalandelene er omsætningspapirer.

4.3 Selskabet udsteder ikke ejerbeviser. Kapitalandelene udstedes i papirløs form gennem og registreres hos VP Securities A/S, CVR-nr. 21599336. Udbytte udbetales gennem VP Securities A/S. Rettigheder vedrørende kapitalandelene skal anmeldes til VP Securities A/S efter de herom gældende regler.

4.4 Selskabets ejerbog føres af VP Securities A/S, CVR-nr. 21599336, eller som bestemt af Selskabets bestyrelse.

## 5. BEMYNDIGELSE TIL KAPITALFORHØJELSE

5.1 På den ekstraordinære generalforsamling den 10. september 2018 blev bestyrelsen i perioden frem til 31. maj 2019 bemyndiget til at foretage én eller flere kapitalforhøjelser, hvorved der kan tilføres Selskabet et samlet beløb på op til DKK 18.600.000,00 ved udstedelse af nye kapitalandele.

## NAME

The Company's name is STENOCARE A/S.

## OBJECTS

The Company's purpose is to do business by manufacturing, development, processing, sale and distribution of palliative products.

## SHARE CAPITAL

The Company's share capital is DKK 542,780.96 divided into shares of DKK 0.08.

The share capital has been fully paid.

All shares in the Company have equal rights.

## SHARES

The Company's shares are registered shares and must be registered in the Company's register of shareholders.

The shares are negotiable instruments.

The Company does not issue share certificates. The shares are issued in paperless form through and registered with VP Securities A/S, CVR no. 21599336. Dividend is paid through VP Securities A/S. Rights relating to the shares must be notified to VP Securities A/S in accordance with the applicable rules.

The Company's register of shareholders is kept by VP Securities A/S, CVR no. 21599336, or as determined by the Company's Board of Directors.

## AUTHORIZATION FOR SHARE CAPITAL INCREASE

At the Extraordinary General Meeting held on the 10<sup>th</sup> of September 2018, the Board of Directors was in the period until 31 May 2019 authorized to carry out one or more capitals increases whereby an aggregate amount of up to DKK 18.600.000,00 can be contributed to the Company by issuing new shares.

Kapitalforhøjelsen skal ske uden fortegningsret for kapitalejerne og rettet til offentligheden for herved at muliggøre optagelse af Selskabets aktier på Spotlight Stock Market. Tegningen skal ske til markedskurs fastsat af bestyrelsen (evt. med markedsmæssig emissionsrabat i hvert enkelt tilfælde)

De nye kapitalandele skal være omsætningspapirer og skal lyde på navn. Der skal ikke gælde indskrænkninger i de nye kapitalandales omsættelighed. Der skal ikke gælde indskrænkning i de nye kapitalejeres fortegningsret ved fremtidige forhøjelser af selskabskapitalen. Ingen ny kapitalejer skal være forpligtet til at lade sine kapitalandele indløse. De nye kapitalandele skal tilhøre samme kapitalklasse og have samme rettigheder i Selskabet, som de eksisterende kapitalandele. Kapitalforhøjelsen skal ske ved udstedelse af nye kapitalandele ved kontant indbetaling, konvertering af gæld eller en kombination heraf. De nye kapitalandele skal indbetales fuldt ud.

De nye kapitalandales rettigheder, herunder stemmeret, indtræder fra det tidspunkt, hvor kapitalandelene er fuldt indbetalt.

Bestyrelsen skal foretage de ændringer af Selskabets vedtægter, som er en nødvendig følge af den / de gennemførte kapitalforhøjelser, herunder at slette denne bemyndigelse fra vedtægterne, når bemyndigelsen er udnyttet fuldt ud, eller når fristen derfor er udløbet.

## 5.2 **Bemyndigelse til bestyrelsen til at udstede Warrants med den dertilhørende kapitalforhøjelse.**

Bestyrelsen er i henhold til selskabslovens § 155 stk. 2 bemyndiget til ad én eller flere gange at udstede warrants til Gemstone Capital ApS, CVR-nr. 32939848, og foretage de(n) dertil hørende kapitalforhøjelse(r).

Bestyrelsens bemyndigelserne er gældende i perioden fra noteringen af Selskabets kapitalandele på Spotlight Stock Market i

The capital increase is made without pre-emption rights for the shareholders and directed to the public in order to enable the listing of the Company's shares on Spotlight Stock Market. The subscription shall be at market price, (possibly with a market-based emission discount in each case) which shall be determined by the Board of Directors.

The new shares must be negotiable instruments and registered by name. There should be no restrictions on the transferability of the new shares. There should be no restrictions on the new shareholders' pre-emption rights in the event of future increases of the share capital. No new shareholder shall be obliged to redeem its shares. The new shares shall belong to the same share class and have the same right in the Company as the existing shares.

The capital increase shall be completed by issuance of new shares by either cash payment, conversion of debt or in a combination hereby. The new shares shall be paid in full.

The rights of the new shares, including voting rights, arise from the date when the shares have been fully paid.

The Board of Directors must make the changes to the Company's articles of association, which is a necessary consequence of the capital increases made, including to delete this authorisation from the articles of association when the authorisation has been fully utilized or when the deadline has expired.

## **Authorization to the Board to issue Warrants with the corresponding capital increase.**

The Board of Directors is in accordance with section 155(2) of the Danish Companies Act authorized to issue warrants to Gemstone Capital ApS, CVR-nr. 32939848 one or more times and make the related capital increase(s).

The Board of Directors authorization are valid during the period from the listing of the Company's

Stockholm, der forventes gennemført i efteråret 2018 ("IPO'en") til den 10. september 2023.

Bemyndigelse indebærer, at bestyrelsen er berettiget til ad en eller flere gange at udstede warrants, der giver Gemstone Capital ApS ret til tegning af op til 88.977 kapitalandele i Selskabet á DKK 0,08, dog maksimalt det antal kapitalandele, der modsvarer 1,00 % af de efter IPO'en udstedte kapitalandele. De kapitalandele, der udstedes af bestyrelsen ved udnyttelse af bemyndigelsen kan tegnes til kurs 11.000 modsvarende en pris på DKK 8,80 pr. kapitalandel á DKK 0,08 hvilket er den kurs, som Selskabets kapitalandele skal tegnes til i forbindelse med IPO'en (emissionskursen).

Hvis der inden bemyndigelsen må være udnyttet fuldt ud, udstedes fondsaktier, indebærer Bestyrelsens bemyndigelse, at Bestyrelsen til Gemstone Capital ApS kan udstede det antal kapitalandele, der sikrer, at Gemstone Capital i forhold til antallet af kapitalandele i henhold til bemyndigelsen, stilles som før fondsaktiekapitalforhøjelsen var besluttet. Bestyrelsen bemyndiges endvidere til i dette tilfælde at udstede kapitalandelene til den af Bestyrelsen fastsatte kurs, der sikrer, at Gemstone Capital stilles som før fondsaktiekapitalforhøjelsen var besluttet.

Bemyndigelsen indebærer, at kapitalforhøjelsen skal ske ved udstedelse af nye kapitalandele, at de nye kapitalandele skal indbetales fuld ud, at de nye kapitalandele skal tilhøre samme kapitalklasse som de eksisterende kapitalandele, at de nye kapitalandele tegnes i størrelser á DKK 0,08, at der ikke er fortegningsret for eksisterende kapitalejere, at der ikke er indskrænkninger for de nye kapitalejere ved fremtidige kapitalforhøjelser, at der ikke gælder indskrænkninger i de nye kapitalandele's omsættelighed, at ingen af de nye kapitalejere skal være forpligtet til at lade sine kapitalandele indløse, at de nye kapitalandele er omsætningspapirer, og at de nye kapitalandele skal noteres på navn og registreres i Selskabets ejerbog som varetages af VP Securities A/S eller som besluttet af bestyrelsen.

shares at Spotlight Stock Market in Stockholm, which is expected to be completed in the autumn of 2018 ("The IPO") until 10<sup>th</sup> September 2023.

Authorization implies that the Board of Directors is entitled to issue warrants entitling Gemstone Capital ApS to subscribe for up to 88,977 shareholdings in the Company at DKK 0.08, or at most, to the maximum number of shares corresponding to 1.00% of the shares issued after the IPO. The shares issued by the Board of Directors upon exercise of the authorization can be subscribed at price 11,000 corresponding to a price of DKK 8.80 per share of DKK 0.08 which is the price at which the Company's equity interests are to be subscribed for in connection with the IPO (issue price).

If, prior to the authorization, full share capital are issued to the maximum, Bonus shares are issued, the Board of Directors's authorization implies that it may issue to Gemstone Capital ApS the number of shares that ensure that Gemstone Capital in proportion to the number of shares in accordance with the authorization is set as before the Bonus Share capital increase was decided. In addition, the Board of Directors is hereby authorized to issue the shares at a rate determined by the Board, which ensures that Gemstone Capital is set as before the Bonus Share capital increase was decided.

The authorization implies that the capital increase shall be effected by issuing new shares, that the new shares must be fully paid off, that the new shares will belong to the same capital class as the existing shares, the new shares will be subscribed in amounts of DKK 0.08, there is not pre-emptive right for existing shareholders, that there are no restrictions on the new shareholders for future capital increases, that there are no restrictions on the negotiability of the new shares, that none of the new shareholders must be obliged to redeem their holdings, that the new shares are negotiable securities and the new equity shares are to be registered in the name and registered in the Company's register of shareholders, which is held by VP Securities A / S or as decided by the Board of Directors.

## 6. GENERALFORSAMLINGEN, KOMPETENCE, STED OG INDKALDELSE

6.1 Generalforsamlingen har den højeste myndighed i alle Selskabets anliggender, inden for de i lovgivningen og disse vedtægter fastsatte grænser.

6.2 Kapitalejernes beslutningskompetence udøves på generalforsamlingen. Kapitalejernes beslutninger på generalforsamlingen kan dog konkret træffes under fravigelse af lovens og vedtægternes form- og fristkrav, herunder ved skriftlig behandling, hvis samtlige kapitalejere er enige herom. Alle beslutninger skal dog indføres i Selskabets forhandlingsprotokol.

6.3 Bestyrelsen udpeger dirigenten for generalforsamlingen. Dirigenten afgør alle spørgsmål vedrørende sagernes behandling og stemmeafgivningen.

6.4 Generalforsamlinger indkaldes af bestyrelsen senest 2 uger og tidligst 4 uger før generalforsamlingen på Selskabets hjemmeside eller pr. e-mail til alle i ejerbogen noterede kapitalejere.

6.5 Indkaldelse skal ligeledes ske via en pressemeddelelse på Spotlight Stock Market, jf. Listing agreement, Danish supplement for Spotlight Stock Market.

## 7. GENERALFORSAMLINGEN, STEMMERET OG BESLUTNINGER

7.1 Hver kapitalandel af nominelt DKK 0,08 giver én stemme på Selskabets generalforsamling.

7.2 En kapitalejer har ret til selv at møde på generalforsamlingen eller ved en fuldmægtig og i begge tilfælde sammen med en rådgiver.

En fuldmægtig kan udøve stemmeret på en kapitalejers vegne mod forevisning af skriftlig og dateret fuldmagt. Selskabet stiller en skriftlig eller elektronisk fuldmagtsblanket til rådighed for

## GENERAL MEETINGS; POWERS, VENUE AND NOTICE

The General Meeting has the supreme authority in all the Company's affairs subject to the limits set by statute and these Articles of Association.

The shareholders' authority to pass resolutions shall be exercised at the General Meeting. The shareholders' resolutions passed at General Meetings may, however, derogate from the formal requirements and deadlines under Danish law and the articles of association, including by written transaction, if so agreed by all shareholders. All resolutions shall, however, be recorded in the Company's minute book.

The Board of Directors shall appoint the chairman of the General Meeting. The chairman decides all questions relating to the proceedings and the voting.

General Meetings shall be convened by the Board of Directors no later than 2 weeks and no earlier than 4 weeks before the date of the General Meeting on the Company's Webpage, or by e-mail to those of the shareholders registered in the Company's register of shareholders.

The notice must also be made via a press release at Spotlight Stock Market, cf. Listing agreement, Danish supplement for Spotlight Stock Market.

## GENERAL MEETINGS; VOTING RIGHTS AND RESOLUTIONS

Each share of nominally DKK 0.08 shall carry one vote at the General Meeting.

A shareholder is entitled to attend the General Meeting or by a proxy and in both cases together with an advisor.

A proxy may exercise voting rights on behalf of a shareholder against the submission of written and dated power of attorney. The Company makes a written or electronic proxy form available to any



	enhver kapitalejer, der er berettiget til at stemme på generalforsamlingen.	shareholder who is entitled to vote at the General Meeting.
7.3	En kapitalejers ret til at deltage i og afgive stemmer på generalforsamlingen fastsættes i forhold til de kapitalandele, som den pågældende besidder på registreringsdatoen.	A shareholder's right to attend and vote at the General Meeting shall be determined on basis of the shares held by the person on the date of registration.
7.4	Registreringsdatoen ligger 1 uge før generalforsamlingens afholdelse.	The registration date is 1 week before the date of the General Meeting.
7.5	Beslutninger på generalforsamlingen afgøres ved simpelt stemmeflertal, medmindre andet følger af lovgivningen eller disse vedtægter.	Decisions at the General Meeting shall be decided by simple majority of votes, unless otherwise provided by the legislation or these articles of association.
7.6	Beslutning om vedtægtsændring, Selskabets opløsning, fusion eller spaltning kræver, at beslutningen vedtages med mindst 2/3 af såvel de afgivne stemmer som af den på generalforsamlingen repræsenterede selskabskapital, medmindre lovgivningen stiller strengere eller lempeligere vedtagelseskrav eller tillægger bestyrelsen eller andre organer selvstændig kompetence.	Resolution on amendment of the articles of association, dissolution, merger or division of the Company requires that the resolution be adopted by at least two thirds of both the votes cast and the share capital represented at the General Meeting unless the legislation imposes stricter or more restrictive adoption requirements or imposes the Board of Directors or other bodies' independent competence.
7.7	Over forhandlingerne på generalforsamlingen føres en protokol, der underskrives af dirigenten. Protokollen eller en bekræftet udskrift af denne skal senest 2 uger efter generalforsamlingens afholdelse være tilgængelig for kapitalejerne på Selskabets hjemsted.	Minutes shall be kept of the proceedings at General Meetings, which shall be signed by the chairman of the meeting. The minutes or a certified copy of the minutes shall be available for inspection by the shareholders at the Company's registered office no later than two weeks after the General Meeting.
8.	<b>ORDINÆR GENERALFORSAMLING</b>	<b>ANNUAL GENERAL MEETING</b>
8.1	Den ordinære generalforsamling skal afholdes hvert år i så god tid, at den godkendte årsrapport kan modtages i Erhvervsstyrelsen inden udløbet af fristen i årsregnskabsloven.	The annual General Meeting shall be held every year in time for the adopted annual report to reach the Danish Business Authority before expiry of the time limit provided by the Danish financial Statements Act.
8.2	<b>Indkaldelse</b> I en sammenhængende periode på højst 4 uger og mindst 2 uger før general-forsamlingen skal følgende oplysninger gøres tilgængelige for kapitalejerne på Selskabets hjemmeside og på Selskabets kontor:  ▪ indkaldelsen,	<b>Notice</b> For a consecutive period of no more than 4 weeks and no less than 2 weeks before the General Meeting, the following information shall be made available to the shareholders on the Company's website and at the Company's office:  ▪ the notice,

- det samlede antal stemmer,
- de dokumenter, der skal fremlægges på generalforsamlingen,
- dagsorden og de fuldstændige forslag, og
- fuldmagts- og brevstemme-blanket, medmindre blanketterne sendes direkte til kapitalejerne.

I henhold til Spotlight Stock Markets listing agreement – supplement for Danmark, skal indkaldelsen ligeledes indeholde følgende:

- tidspunkt og sted for generalforsamlingen.
- en beskrivelse af de procedurer, som kapitalejerne skal overholde for at kunne deltage i og stemme på generalforsamlingen enten personligt eller ved fuldmægtig.
- registreringsdatoen, der afgør retten for kapitalejerne til at deltage i og stemme på generalforsamlingen.
- en beskrivelse af kapitalejernes ret til at stille spørgsmål vedrørende forhold på dagsordenen enten under generalforsamlingen eller ved at stille spørgsmålet til Selskabet på forhånd.
- den internetadresse, hvor generalforsamlingsdokumenterne og de foreslåede beslutninger er tilgængelige.
- det samlede antal kapitalandele og stemmerettigheder på datoen for indkaldelsen.
- adressen på Selskabets hjemmeside.

Samtidig skal det ovenfor nævnte materiale tilstilles enhver noteret kapital ejer, der har fremsat begæring herom og givet Selskabet meddelelse om en e-mailadresse, hvortil materialet kan sendes.

### 8.3 Dagsorden, ordinær generalforsamling

På Selskabets ordinære generalforsamling skal dagsordenen være følgende:

- Bestyrelsens beretning om Selskabets virksomhed i det forløbne år.
- Fremlæggelse af den reviderede årsrapport til godkendelse.

- the total number of votes,
- the documents to be submitted at the General Meeting,
- agenda and the full proposals, and
- the power of attorney form and the postal vote form, unless the forms are sent directly to the shareholders.

According to Spotlight Stock Markets listing agreement – supplement for Denmark, the notice must also include the following:

- the time and place of the General Meeting.
- A description of the procedures that shareholders must comply with in order to participate in and vote at the General Meeting either in person or through proxy representative,
- the date of registration that defines the right to participate in and vote at the General Meeting,
- a description of shareholders' right to ask questions related to an item on the agenda either during the meeting or by submitting the question to the Company in advance,
- the internet address where the General Meeting documents and proposed resolutions are available,
- the total number of shares and voting rights on the date of the notice to convene, and
- the address of the Company's website

At the same time, the abovementioned material must be submitted to any listed shareholder who has applied for it and notified the Company of an e-mail address to which the material may be sent.

### Agenda, the Annual General Meeting

The agenda for the Company's Annual General Meeting shall include:

- The Board of Directors' report on the Company's business in the past year.
- Presentation of the revised annual report for approval.

- Anvendelse af overskud eller dækning af underskud i henhold til den godkendte årsrapport.
- Valg af bestyrelsesmedlemmer.
- Valg af revisor.
- Eventuelle forslag fra bestyrelsen og/eller kapitalejerne.

- Decision regarding use of surplus or coverage of losses according to the approved annual report.
- Election of members to the Board of Directors.
- Election of auditor.
- Any suggestions received from the Board of Directors and/or the shareholders.

## 9. BESTYRELSE OG DIREKTION

9.1 Selskabet ledes af en bestyrelse på 4-6 medlemmer valgt af generalforsamlingen for indtil næste ordinære generalforsamling. Genvalg kan forekomme.

9.2 Bestyrelsen skal vedtage en forretningsorden om udførelsen af sit hverv.

9.3 Bestyrelsen vælger 1-3 direktører til at varetage den daglige ledelse af Selskabets virksomhed.

## BOARD OF DIRECTORS AND EX-ECUTIVE BOARD

The Company is managed by a Board of Directors consisting of 4-6 directors elected by the General Meeting to hold office until the next Annual General Meeting. Re-election may happen.

The Board of Directors shall adopt rules of procedure governing the performance of its duties.

The Board of Directors elects one to three executive officers to be responsible for the day-to-day management of the Company's business.

## 10. ELEKTRONISK KOMMUNIKATION MELLEM SELSKABET OG KAPITALEJERE

10.1 Selskabet kan anvende elektronisk dokumentudveksling samt elektronisk post (e-mail) i kommunikation mellem Selskabet og kapitalejerne. Dette omfatter indkaldelse af kapitalejerne til ordinær og ekstraordinær generalforsamling, herunder de fuldstændige forslag til vedtægtsændringer, tilsendelse af dagsorden, årsrapport m.v. samt øvrige generelle oplysninger fra Selskabet til kapitalejerne. Selskabet kan altid benytte almindelig brevpост som alternativ til elektronisk kommunikation. Det er kapitalejernes ansvar at sikre, at Selskabet er i besiddelse af korrekt elektronisk kontaktoplysning. Kapitalejerne kan få oplysninger om kravene til de anvendte systemer og om fremgangsmåden ved elektronisk kommunikation ved henvendelse til Selskabet.

## ELECTRONIC COMMUNICATION BETWEEN THE COMPANY AND SHAREHOLDERS

The Company and its shareholders may exchange documents electronically and communicate by e-mail. Electronic modes of communication may be used for giving notice to shareholders of annual and Extraordinary General Meetings, including the full text of any proposed amendments to the Articles of Association, the agenda for the General Meeting, the annual report, and any other general information from the Company to its shareholders. The Company may use regular post as an alternative to electronic communication at any time. The shareholders are responsible for ensuring that the Company has their correct electronic contact information. Information about the requirements for the systems to be used and the procedures to be followed when communicating electronically can be obtained from the Company.

## 11. TEGNINGSREGEL

11.1 Selskabet tegnes af bestyrelsesformanden i forening med en direktør eller af 3 bestyrelsesmedlemmer.

## POWER TO BIND THE COMPANY

The Company is bound by the joint signatures of the chairman of the Board of Directors in association with a Director or by 3 board members.

12 **REVISION**

- 12.1 Selskabets årsregnskab og et eventuelt koncernregnskab revideres af én eller to statsautoriserede eller registrerede revisorer valgt af generalforsamlingen for tiden indtil næste ordinære generalforsamling.

13. **REGNSKABSÅR**

- 13.1 Selskabets regnskabsår løber fra den 01/01 – 31/12.

I tilfælde af uoverensstemmelse mellem den danske ordlyd og den engelske oversættelse er den danske ordlyd gældende.

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Således vedtaget på Selskabets  
ekstraordinære generalforsamling  
Den 10.09.2018.

**AUDITING**

The Company's annual report shall be audited by one or two stateauthorised public accountants elected at the General Meeting to hold office until the next annual General Meeting.

**FINANCIAL YEAR**

The Company's financial year shall be 01/01 – 31/12.

In case of inconsistency between the Danish wording and the English translation, the Danish wording prevails.

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As adopted at the Company's  
Extraordinary General Meeting  
the 10.09.2018

STENOCARE A/S  
Frederiksborgvej 54, 3450  
Allerød, Danmark

[www.stenocare.com](http://www.stenocare.com)

