



STENOOCARE®

# Interim report

January 2019 - June 2019

## STENOCARE INTERIM REPORT

*In this Interim Report, the following definitions apply, unless stated otherwise: The “Company” or “STENOCARE” refers to STENOCARE A/S with CVR number (Danish corporate registration number) 39024705.*

(KDKK)	04.01.2019 06.30.2019 Q2 2019	04.01.2018 06.30.2018 Q2 2018	01.01.2019 06.30.2019 6 months	01.01.2018 06.30.2018 6 months
Net sales	625	0	4,942	0
Operating profit (EBITA)	-1,821	-968	-297	-1,984
Net financial items	-7	-2	-1	-2
Result per share (DKK)	-0.16	-0.11	-0.03	-0.29
Solidity (%)	68	94	68	44

The Company's result per share: The result for the period divided by the average number of shares. Total number of shares as of June 30<sup>th</sup> 2019, amounted to 8,942,762 (5,681,818\*). Average number of shares for the second quarter 2019 is 8,942,762 (5,681,818\*).

Solidity: Equity divided by total capital.

\*Adjusted for a reversed split in connection with the IPO.

### Highlights during the period

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

April 2019, STENOCARE published its Annual Report for the fiscal year 2017/2018.

May 2019, the Company held its Annual General Meeting.

May 2019, STENOCARE was revealed the winner of the SvD Børsplus IPO-guide award “IPO of the Year 2018” in the category Quality. STENOCARE was also awarded the honorary prize in the category Value growth.

May 2019, STENOCARE announced that the Company is ready with a new medical cannabis product. The new product is named ‘CBD Capsules STENOCARE’ and contains medical cannabis oil in vegan capsules. The product is expected to be available at Danish pharmacies late Summer 2019.

June 2019, STENOCARE announced that the cultivation of medical cannabis plants has commenced at its facility in Jutland. The first harvest is expected later during Q3 2019.

### Highlights after the period

July 2019, STENOCARE announced that the Company is entering the Irish market with its own subsidiary, STENOCARE Ireland Ltd.

July 2019, STENOCARE announced that some of the imported products from its current inventory were not approved at the time of production and have been put in immediate quarantine, which means that they will be isolated and blocked from being sold until the Canadian health authorities, Health Canada and the Danish Medicines Agency have concluded in the matter. This information was a correction of an earlier assessment made by STENOCARE's Board of Directors in which the Company was deemed unharmed by Health Canada's audit of CannTrust.

July 2019, STENOCARE announced that the Company has entered into an agreement with the Dutch company Havecon Horticultural Projects, to establish a large scale strategic state-of-the-art medical cannabis cultivation facility in Denmark. STENOCARE has secured DKK 15 million in debt financing which in combination with cash at hand will finance the contract.

August 2019, STENOCARE announced that the Company has received new information regarding the CannTrust cultivation process at their new greenhouse that questions the validity of pesticide free declarations and future sourcing of products to the Company. The Board of Directors of STENOCARE has tasked the management team with identifying additional partners for sourcing medical cannabis products for the Danish market.



**COMMENTS BY THOMAS SKOVLUND SCHNEGELSBERG, CEO**

With the second quarter of 2019 behind us, we can look back on some significant strategic and operational events for STENOCARE.

STENOCARE was the first in the Danish pilot programme to introduce medical cannabis oil products for Danish patients. We know that doctors and patients would like to have more choices with medical cannabis, and convenient dosage with capsules is a high priority. Therefore, the approval of our new product “CBD Capsules STENOCARE” in May 2019 was an important milestone.

In June 2019, we announced that the cultivation of the medical cannabis plants had commenced at our facility in Jutland, which also represents an important milestone for STENOCARE. We look forward to the next part of this operation; a period of growing, harvesting and testing processes at the facility.

While I have your attention, I would also like to take the opportunity to comment on the development that has occurred after the period. In July 2019, we were informed by CannTrust, that five of their cultivation rooms were found non-compliant during an audit with Health Canada. Some of the products delivered to STENOCARE originated from these rooms. To uphold our focus on patient safety, we have put all products into quarantine until a conclusion from Health Canada is available. This situation has had a negative impact on the Q2 figures, as sales of products were put on hold and existing sales of the products in question were revoked.

On August 20<sup>th</sup> 2019, we published a press release with new information regarding the situation with CannTrust. It came to our attention that their cultivation process, which originally occurred in an indoor facility, now takes place at their new greenhouse with the use of Health Canada approved pesticides. This process questions the validity of pesticide free declarations and future sourcing of products to STENOCARE. The Board of Directors

see this as very severe and has tasked the management team with identifying additional partners for sourcing medical cannabis products for the Danish market. However, it is important to state that CannTrust has had third party laboratory analysis of all products supplied so far, that documented the finished products as free of pesticides and that quality and content was fully compliant with the strict Danish requirements.

This unforeseen development has highlighted the strategic importance of securing internal sourcing of products at scale. Already in July 2019 we advanced this process by raising DKK 15 million in debt financing, allowing us to enter into a contract with leading vendor HAVECON from Holland to build a unique and significant manufacturing facility based upon state-of-the-art design criteria.

Having our own production capacity will enable STENOCARE to serve the patients in the wider European market and earlier in the very eventful month of July 2019 we announced that we are entering the Irish market with our very own subsidiary, STENOCARE Ireland Ltd. We are thrilled to be among the first suppliers to establish a company to serve the Irish pilot program.

The medical cannabis industry is young and defined by almost limitless demand and varying degrees of turbulence and it has to be highlighted that STENOCARE’s development so far has been intense and eventful. The second quarter was no exception. We will continue to lead the way to our vision of producing and supplying medical cannabis products that helps patients getting a better quality of life. However, we need to focus on solving the supply situation for the Danish patients and look forward to the the next stages of the cultivation process as well as continuing our international growth.

**Thomas Skovlund Schnegelsberg,**  
CEO STENOCARE A/S



## ABOUT STENOCARE A/S

On January 1<sup>st</sup>, 2018, medical cannabis was legalized in Denmark under a four-year trial-programme (“the Programme”), enabling all Danish physicians to prescribe cannabis for medical use. This Programme also allows vendors that have been licensed by the Danish Medicines Agency (DMA) to cultivate, produce, import and distribute medical cannabis. STENOCARE was the first company in the Danish market that received approval from the Danish Medicines Agency to cultivate and produce medical cannabis as well as import and distribute medical cannabis oil products for further sale.

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

### The products

In September 2018, STENOCARE introduced three imported medical cannabis oil products, which contain three different types or combinations of cannabis oils. It is the individual physician who decides which of the products a patient is to be treated with. The products, **CBD Drops STENOCARE**, **THC Drops STENOCARE** and **1:1 Drops STENOCARE**, are imported from the Company’s strategic partner CannTrust in Canada. STENOCARE has established distribution agreements with Denmark’s two leading distributors, Nomeco A/S and Tjellesen Max Jenne A/S, whereby the Company has secured a distribution channel to all pharmacies and hospitals in Denmark.

STENOCARE has decided to supplement its existing portfolio of imported products with three additional, capsule based medical cannabis products. The capsule product is a new category that will offer the patients an optional dosage form in their treatment with medical cannabis. The STENOCARE application was submitted to the DMA in December 2018. In May 2019 STENOCARE received acceptance for the Programme from The Danish Medicines Agency for one of the products, “CBD Capsules

STENOCARE” which contains medical cannabis oil in vegan capsules.

It is STENOCARE’s ambition to expand its existing business with local manufacturing of medical cannabis in addition to distribution and sales of imported products. STENOCARE intends to start selling the self-produced products when they have been accepted into the Programme by the DMA for the Danish Medicine List. The first harvest is expected later during Q3 2019. Having its own production capacity will enable STENOCARE to meet supply demand in a market with potential capacity constraints, and will also allow STENOCARE to serve the patients in the wider European market with its own products.

### Target groups

There is a total of about 40+ indications in which medical cannabis may potentially show results in terms of efficacy. STENOCARE’s initial target groups are patients with treatment indications recommended by the 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. 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.

### Market potential

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

DKK 1 billion in 2021 and it is the Company’s objective to capture a significant market share.

STENOCARE intends to start cultivating its own medical cannabis and then identify which international markets will be the focus of sales of self-produced products. Currently, twelve EU countries have legalized treatment with medical cannabis and the market is estimated to amount to

approximately DKK 30 billion in 2022. Denmark is currently one of the few European countries to legalize cultivation of medical cannabis, in addition to imports. The strict Danish requirements for product quality and pesticide-free production will constitute a competitive advantage for Danish manufacturers such as STENOCARE in global markets.

## ABOUT THE INTERIM REPORT

STENOCARE was formed in October 2017 but has only conducted business during 2018 and 2019. STENOCARE is not part of a group and does not have any subsidiaries. Therefore, the financial overview in this interim report applies exclusively to STENOCARE A/S, with CVR number 39024705. Amount within brackets corresponds to comparable period in the previous year.

### Auditor's review

The interim report has not been reviewed by the Company's auditor.

### Turnover and operating results

Net sales for the period amounted to DKK 624,840 (0). Net sales decreased compared to net sales in Q1 2019 due to the Health Canada investigation of CannTrust and the subsequent products in quarantine. The non-compliant products sold and invoiced in Q2 are in quarantine and the sales is reversed in Q2 because the products are revoked from the distributors in July. Operating profit amounted to DKK -1,821,262 (-968,142). The operating profit is influenced by the reversed sales of products in quarantine.

### Balance sheet and equity ratio

Total assets amounted to DKK 29,759,343 (794,232) and consisted primarily of cash at bank and equipment, as the construction of the production facility has commenced. Products in quarantine and revoked from the distributors are included in inventory and valued at cost. If the products not are released for sales the costs will be claimed from the supplier.

Shareholders equity amounted to DKK 20,240,763 (345,508) and liabilities amounted to DKK 9,518,580 (448,724). The Company has no long-term liabilities.

### Cash flow and investments

Cash flow from activities before financial items amounted to DKK 516,421 (-1,249,116). Cash flow from financing activities amounted to DKK 0 (0). Cash flow for the period amounted to DKK 516,421 (-1,249,116).

### The share

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

On June 30, 2019, the number of shares was 8,897,762 (5,681,818\*). Every stock share equals the same rights to The Company's assets and results.

*\*Adjusted for a reversed split in connection with the IPO*

### Warrants

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

### Shareholders

The table below presents the current shareholders with more than 5 percent of the votes and capital in STENOCARE.

Name	Number of shares	Proportion of votes and capital (%)
CannTrust Inc.	1,693,182	19.03
Steno Investment IVS	1,502,841	16.89
Prana Holding ApS	1,335,228	15.01
MS Kjør Holding ApS	1,289,773	14.50
Others	3,076,038	34.57
<b>Total</b>	<b>8,897,762</b>	<b>100.00</b>

### Financial calendar

January – September 2019 (Q3):	06.11.2019
Year End report 2019:	26.02.2020

### Accounting policy

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

### Operational risks and uncertainties

The risks and uncertainties that STENOCARE operations are exposed to are summary related to factors such as development, competition, permissions, capital requirements, customers, suppliers/manufacturers, currencies and interest rates.

After the end of Q2 2019 (Press release; “Additional cultivation related issues identified at CannTrust”, August 20<sup>th</sup>, 2019), CannTrust, partner and supplier of STENOCARE, is being investigated by the Canadian Health Authorities and some of the CannTrust products are in quarantine and have been revoked from the distributors. After the end of the period, additional cultivation related issues have been identified at CannTrust and STENOCARE has a risk of a situation for the STENOCARE products from CannTrust, as future supply will be impacted. The immediate implication is that the CannTrust declaration document to STENOCARE cannot meet the conditions for the current accepted products in the Programme. STENOCARE will work with the Danish Medicines Agency to review this situation and seek resolutions within the Danish regulation that since July 2019 allow for the use of plant protection products.

For more detailed description of risks and uncertainties, refer to the memorandum published in October 2018. The documents are available on STENOCARE’s website ([www.stenocare.dk/investor/EN](http://www.stenocare.dk/investor/EN)).

### Submission of interim report

Allerød, August 20, 2019  
STENOCARE A/S  
The Board of Directors

### For further information, please contact

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## INCOME STATEMENT

DKK	01.04.2019 30.06.2019 3 months	01.04.2018 30.06.2018 3 months	01.01.2019 30.06.2019 6 months	01.01.2018 30.06.2018 6 months	19.10.2017 31.12.2018 Approx. 14 months
Net sales	624,840	0	4,941,551	0	4,144,813
Other external expenses	-1,394,308	-585,548	-3,305,332	-1,177,777	-5,269,875
Personnel expenses	-1,045,574	-381,000	-1,925,785	-804,750	-2,465,996
Depreciation of tangible assets	-6,220	-1,594	-7,272	-1,594	-1,403
<b>Operating profit (EBITA)</b>	<b>-1,821,262</b>	<b>-968,142</b>	<b>-296,838</b>	<b>-1,984,121</b>	<b>-3,592,461</b>
Financial expenses	-6,564	-2,089	-1,006	-2,089	-12,571
<b>Total financial items</b>	<b>-6,564</b>	<b>-2,089</b>	<b>-1,006</b>	<b>-2,089</b>	<b>-12,571</b>
<b>Profit/loss for the period</b>	<b>-1,827,826</b>	<b>-970,231</b>	<b>-297,844</b>	<b>-1,986,210</b>	<b>-3,605,032</b>
Tax on profit for the period	391,421	331,718	66,421	331,718	328,739
<b>Net result for the period</b>	<b>-1,436,405</b>	<b>-638,513</b>	<b>-231,423</b>	<b>-1,654,492</b>	<b>-3,276,293</b>



## BALANCE SHEET

DKK	30.06.2019	30.06.2018	31.12.2018
<i>Assets</i>			
Furnishing for rented premises	322,412	19,291	19,641
Furniture and equipment	7,809,669	0	0
<b>Total tangible assets</b>	<b>8,132,081</b>	<b>19,291</b>	<b>19,641</b>
Deposits	473,500	6,000	6,000
<b>Total financial assets</b>	<b>473,500</b>	<b>6,000</b>	<b>6,000</b>
<b>Total fixed assets</b>	<b>8,605,581</b>	<b>25,291</b>	<b>25,641</b>
Inventories	1,250,233	0	84,222
<b>Total Inventories</b>	<b>1,250,233</b>	<b>0</b>	<b>84,222</b>
Deferred tax asset	395,160	331,718	328,739
Accounts receivable	1,299,547	0	3,049,633
Other receivables	0	227,496	0
Prepayments	284,125	6,589	75,346
<b>Total receivables</b>	<b>1,978,832</b>	<b>565,803</b>	<b>3,453,718</b>
Cash at bank	17,924,697	203,138	18,146,984
<b>Total current assets</b>	<b>21,153,762</b>	<b>768,941</b>	<b>21,684,924</b>
<b>TOTAL ASSETS</b>	<b>29,759,343</b>	<b>794,232</b>	<b>21,710,565</b>
<i>Liabilities and equity</i>			
Equity			
Share capital	715,421	500,000	715,421
Share premium account	23,033,060	1,500,000	23,033,060
Retained earnings	-3,507,718	-1,654,492	-3,276,293
<b>Total equity</b>	<b>20,240,763</b>	<b>345,508</b>	<b>20,472,188</b>
Short-term liabilities			
Accounts payable	8,700,178	360,713	602,895
Other payables	818,402	88,011	635,482
<b>Total short-term liabilities</b>	<b>9,518,580</b>	<b>448,724</b>	<b>1,238,377</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>29,759,343</b>	<b>794,232</b>	<b>21,710,565</b>

## CHANGE OF EQUITY

DKK	01.04.2018 30.06.2018 3 months	01.04.2018 30.06.2018 3 months	01.01.2019 30.06.2019 6 months	01.01.2018 30.06.2018 6 months	19.10.2017 31.12.2018 Approx. 14 months
Equity at start of the period	21,677,168	984,021	20,472,186	0	0
Share issues	0	0	0	2,000,000	24,989,481
Cost of share issue	0	0	0	0	-1,241,000
Net result for the period	-1,436,405	-638,513	-231,423	-1,654,492	-3,276,293
<b>Equity at end of the period</b>	<b>20,240,763</b>	<b>345,508</b>	<b>20,240,763</b>	<b>345,508</b>	<b>20,472,188</b>

## CASH FLOW STATEMENT

DKK	01.04.2019 30.06.2019 3 months	01.04.2018 30.06.2018 3 months	01.01.2019 30.06.2019 6 months	01.01.2018 30.06.2018 6 months	19.10.2017 31.12.2018 Approx. 14 months
<b>Profit/loss for the period</b>	-1,436,405	-638,513	-231,423	-1,654,492	-3,276,293
Adjustments	-378,639	-328,035	-58,144	-328,035	-314,765
Change in working capital	10,417,591	-280,479	8,655,498	214,639	-1,970,824
<b>Cash flow from operating activities before financial items</b>	<b>8,602,547</b>	<b>-1,247,027</b>	<b>8,365,931</b>	<b>-1,767,888</b>	<b>-5,561,882</b>
Paid financial expenses	-6,564	-2,089	-1,006	-2,089	-12,571
<b>Cash flow from operating activities</b>	<b>8,595,983</b>	<b>-1,249,116</b>	<b>8,364,925</b>	<b>-1,769,977</b>	<b>-5,574,453</b>
Purchases of financial fixed assets	0	0	-467,500	-6,000	-6,000
Purchases of tangible fixed assets	-8,079,564	0	-8,119,712	-20,885	-21,044
<b>Cash flow from investing activities</b>	<b>-8,079,564</b>	<b>0</b>	<b>-8,587,212</b>	<b>-26,885</b>	<b>-27,044</b>
Share issue (net after cost)	0	0	0	2,000,000	23,748,481
<b>Cash flow from financing activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,000,000</b>	<b>23,748,481</b>
<b>Cash flow for the period</b>	<b>516,419</b>	<b>-1,249,116</b>	<b>-222,287</b>	<b>203,138</b>	<b>18,146,984</b>
<b>Cash at the start of the period</b>	<b>17,408,278</b>	<b>1,452,254</b>	<b>18,146,984</b>	<b>0</b>	<b>0</b>
<b>Cash at the end of the period</b>	<b>17,924,697</b>	<b>203,138</b>	<b>17,924,697</b>	<b>203,138</b>	<b>18,146,984</b>