



STENOCARE®

Interim report

January 2019 - September 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.

(DKK)	01.07.2019 30.09.2019 Q3 2019	01.07.2018 30.09.2018 Q3 2018	01.01.2019 30.09.2019 9 months	01.01.2018 30.09.2018 9 months	19.10.2017 31.12.2018 app. 14 months
Net sales	0	1 124	4 942	1 124	4 145
Operating profit (EBITA)	-3 573	- 349	-3 870	-2 333	-3 592
Net financial items	-675	0	-676	-2	-13
Result per share (DKK)	-0.37	-0.04	-0.40	-0.30	-0.47
Solidity (%)	46%	94%	46%	79%	94%

The Company's result per share: The result for the period divided by the average number of shares. Total number of shares as of September 30th 2019, amounted to 8,942,762 (6,784,762*). Average number of shares for the third quarter 2019 is 8,942,762 (6,327,985*).

Solidity: Equity divided by total capital.

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

Highlights during 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 the products 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.

August 2019, the Company announced its Interim Report for the Second Quarter of 2019. The report is available at the Company's website www.stenocare.dk/investor/EN

September 2019, STENOCARE announced a change in the Board of Directors, as Mr. Ian Abramowitz (CannTrust) informed the Board of Directors that he is stepping down from his seat at the Board of STENOCARE

September 2019, STENOCARE announced that the Company terminates the license agreement with CannTrust, and prepares for new partnerships.

September 2019, STENOCARE announced that the Company successfully completes its first harvest without use of pesticides.

Highlights after the period:

October 2019, STENOCARE CEO looked back on the first year as a public company, and shared the ambitions for the future as part of STENOCARE 2.0

COMMENTS BY THOMAS SKOVLUND SCHNEGELSBERG, CEO

Let me start by summarizing

Q3-2019 was a bumpy ride and the uncertainties will continue until new suppliers are secured and approved. At the same time we have made significant progress and our objectives and high expectations are unchanged.

In Q3-2019, STENOCARE experienced a quarter with full effect from the temporary halt in revenues due to the ongoing change in supplier. This is in stark contrast to Q1-2019 where revenue was DKK 4,316,711 at a profit of DKK 1,204,983. In a business-as-usual scenario, we would have continued our Q1-2019 performance – especially because no other competing products have been approved for the market. We are working diligently to return to this level of performance as soon as new suppliers are in place with approved products. The whole situation is costly and unfortunate, but also opens up to creation of a much stronger and diverse supply chain which is a significant new strength that we expect to be able to benefit from as early as next year.

STENOCARE made progress in every other aspect during and after Q3 according to our objectives, which included:

New markets - Ireland

STENOCARE entered the Irish market through our subsidiary STENOCARE Ireland Ltd, a project that was initiated one year ago. We are among the first suppliers to join the Irish pilot programme.

World Class Manufacturing Facility

In the beginning of the quarter, we announced that adding to the existing small scale production set-up, we will establish an innovative hybrid in-door cultivation facility for production of premium medical cannabis at scale. At the same time we announced that we had secured debt based financing of 15mDKK for the same purpose. This decision had been planned for almost a year, yet was especially important as it will further strengthen our supply capacity and control over the entire value chain. By Summer 2020 it is planned that the new facility will be operational.

First harvest

In September we successfully completed the first harvest in line with the very strict requirements of the Danish Medical cannabis programme. This marks an important milestone for STENOCARE. The first objective was to verify that cultivation without the use of pesticides could be realized. These requirements are known to be difficult to meet and are in a class of their own compared to other countries that allow for medical cannabis production. The second objective was to calibrate the equipment to secure uniformity in the various stages from seed to harvest. Both of these objectives were met which represents an important milestone for us. I am proud that we got this right the first time, a significant achievement considering the many ways that an initial production process can be challenged.

On track for STENOCARE 2.0

Getting STENOCARE up and running with all licences required, and delivery of approved products to patients based on prescriptions from doctors, as well as delivery through a distribution infrastructure that includes the major wholesalers and all pharmacies in Denmark, combined with creating the foundation for own production in the highest possible quality, was what we called STENOCARE 1.0. All of this was achieved by end of Q3, with the temporary challenge relating to change in supplier as the unexpected component. With a solution for the supplier challenge in sight, we are now ready to pursue our plans for STENOCARE 2.0. In “2.0” we will accelerate the value creation on basis of the high quality assets that were built and tested in “1.0”. This means that we will lead the way as a continued first-mover with accelerated sales, increasingly based upon own production in Denmark and also establishment in new markets in Europe, with Ireland as an early starter. Other countries are underway.

We have high ambitions and the entire team is energized to execute on the Strategy 2.0



ABOUT STENOCARE A/S

On January 1st, 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 was the first to introduce 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. These products have been quarantined since July 2019, and STENOCARE is currently qualifying new suppliers of medical cannabis products that can comply with the strict Danish regulatory requirements. 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.

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. 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. Together with products from its suppliers and own products, STENOCARE will both offer more choice for patient treatments and secure the future supply chain for its markets.

Target groups

There is a total of about 40+ indications in which medical cannabis may potentially show results in terms of efficacy. STENOCARE’s initial target groups are patients with treatment indications recommended by the 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 400,000 medical cannabis patients during 2014-2019. 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.

Currently, twelve EU countries have legalized treatment with medical cannabis and the market is estimated to amount to approximately DKK 30 billion in 2022. 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. STENOCARE has one subsidiary STENOCARE Ireland Ltd. The Subsidiary has yet no activity and therefore no consolidated figures has been made. 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 0 (1,124,404). Productst are in quarantine hence there is no sales in Q3-2019. Operating profit amounted to DKK -3,573,353 (-348,985). The operating profit is influenced by planned costs related to personnel, production and fundraising fee.

Balance sheet and equity ratio

Total assets amounted to DKK 36,668,741 (4,751,317) and consisted primarily of cash at bank and equipment, as the construction of the production facility has commenced. Products amounting to DKK 2,300,000 in quarantine not yet paid and to be destroyed are reversed in the balance sheet. It is the opinion of the management that STENOCARE shall not pay these products but no credit notes from the supplier have been received yet. Paid products amounting to DKK 200,000 in quarantine and to be destroyed are claimed reimbursed from the supplier. Other payables includes payable to distributors for revoked products.

Shareholders equity amounted to DKK 16,892,082 (3,740,439) and liabilities amounted to DKK 19,776,659 (1,010,878). The Company has no long-term liabilities.

Cash flow and investments

Cash flow from activities before financial items amounted to DKK -7,880,438 (-1,282,689). Cash flow from financing activities amounted to DKK 15,000,000 (3,667,100). Cash flow for the period amounted to DKK 6,866,312 (2,384,302).

The share

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

On September 30, 2019, the number of shares was 8,897,762 (6,784,762). Every stock share equals the same rights to The Company's assets and results.

Warrants

The Board of Directors of STENOCARE has issued a warrant program to Gemstone Capital ApS. The warrant program gives Gemstone Capital the right to a total of 88,977 shares, equivalent to 1 percent of the total number of shares in the Company after the listing on Spotlight Stock Market. Each warrant entitles Gemstone Capital the right to subscribe for one new share in the Company at a subscription price of DKK 8.80. Gemstone Capital has exercised 45,000 warrants at the agreed subscription price of DKK 8.80 per share. Thus, Gemstone Capital has acquired 45,000 shares in STENOCARE, corresponding to DKK 396,000. At the date of this 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 26th, 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 Kjaer Holding ApS	1,289,773	14.50
Others	3,076,038	34.57
Total	8,897,762	100.00

Financial calendar

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.

Products amounting to DKK 2,300,000 in quarantine not yet paid and to be destroyed are reversed in the balance sheet. It is the opinion of the management that STENOCARE shall not pay for these products but no credit notes from the supplier have been received yet. Paid products amounting to DKK 200,000 in quarantine and to be destroyed are claimed reimbursed from the supplier.

Submission of interim report

Allerød, November 06, 2019
STENOCARE A/S
The Board of Directors

For further information, please contact

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INCOME STATEMENT

DKK	01.07.2019 30.09.2019 3 months	01.07.2018 30.09.2018 3 months	01.01.2019 30.09.2019 9 months	01.01.2018 30.09.2018 9 months	19.10.2017 31.12.2018 Approx. 14 months
Net sales	0	1,124,404	4,941,551	1,124,404	4,144,813
Other external expenses	-2,524,276	-895,850	-5,829,608	-2,073,627	-5,269,875
Personnel expenses	-1,032,523	-576,487	-2,958,308	-1,381,237	-2,465,996
Depreciation of tangible assets	-16,554	-1,052	-23,826	-2,646	-1,403
Operating profit (EBITA)	-3,573,353	-348,985	-3 870,191	-2,333,106	-3,592,461
Financial expenses	-675,328	50	-676,333	-2,039	-12,571
Total financial items	-675,328	50	-676,333	-2,039	-12,571
Profit/loss for the period	-4,248,681	-348,935	-4,546,524	-2,335,145	-3,605,032
Tax on profit for the period	900,000	76,766	966,421	408,484	328,739
Net result for the period	-3,348,681	-272,169	-3,580,103	-1,926,661	-3,276,293

BALANCE SHEET

DKK	30.09.2019	30.09.2018	31.12.2018
<i>Assets</i>			
Furnishing for rented premises	528,279	18,398	19,641
Furniture and equipment	7,840,169	0	0
Total tangible assets	8,368,448	18,398	19,641
Deposits	473,500	6,000	6,000
Total financial assets	473,500	6,000	6,000
Total fixed assets	8,841,948	24,398	25,641
Inventories	0	253,843	84,222
Total Inventories	0	253,843	84,222
Deferred tax asset	1,295,160	408,484	328,739
Accounts receivable	0	1,405,504	3,049,633
Other receivables	1,726,375	63,729	0
Prepayments	14,249	7,919	75,346
Total receivables	3,035,784	1,885,636	3,453,718
Cash at bank	24,791,009	2,587,440	18,146,984
Total current assets	27,826,793	4,726,919	21,684,924
TOTAL ASSETS	36,668,741	4,751,317	21,710,565
<i>Liabilities and equity</i>			
Equity			
Share capital	715,421	542,781	715,421
Share premium account	23,033,060	5,124,319	23,033,060
Retained earnings	-6,856,399	-1,926,661	-3,276,293
Total equity	16,892,082	3,740,439	20,472,188
Short-term liabilities			
Loan	15,675,000	0	0
Accounts payable	513,134	925,506	602,895
Other payables	3,588,525	85,372	635,482
Total short-term liabilities	19,766,659	1,010,878	1,238,377
TOTAL EQUITY AND LIABILITIES	36,668,741	4,751,317	21,710,565

CHANGE OF EQUITY

DKK	01.07.2019 30.09.2019 3 months	01.07.2018 30.09.2018 3 months	01.01.2019 30.09.2019 9 months	01.01.2018 30.09.2018 9 months	19.10.2017 31.12.2018 Approx. 14 months
Equity at start of the period	20,240,763	345,508	20,472,185	0	0
Share issues	0	4,000,000	0	6,000,000	24,989,481
Cost of share issue	0	-332,900	0	-332,900	-1,241,000
Net result for the period	-3,348,681	-272,169	-3,580,103	-1,926 661	-3,276,293
Equity at end of the period	16,892,082	3,740,439	16,892,082	3,740,439	20,472,188

CASH FLOW STATEMENT

DKK	01.07.2019 30.09.2019 3 months	01.07.2018 30.09.2018 3 months	01.01.2019 30.09.2019 9 months	01.01.2018 30.09.2018 9 months	19.10.2017 31.12.2018 Approx. 14 months
Profit/loss for the period	-3,348,681	-272,169	-3,580,103	-1,926,661	-3,276,293
Adjustments	-208,120	-75,764	-266,263	-403,799	-314,765
Change in working capital	-4,323,638	-934,756	4,331,857	-720,117	-1,970,824
Cash flow from operating activities before financial items	-7,880,439	-1,282,689	485,491	-3,050,577	-5,561,882
Paid financial expenses	-328	50	-1,333	-2,039	-12,571
Cash flow from operating activities	-7,880,767	-1,282,639	484,158	-3,052,616	-5,574,453
Purchases of financial fixed assets	0	0	-467,500	-6,000	-6,000
Purchases of tangible fixed assets	-252,921	-159	-8,372,633	-21,044	-21,044
Cash flow from investing activities	-252,921	-159	-8,840,133	-27,044	-27,044
Share issue (net after cost)	0	3,667,100	0	5,667,100	23,748,481
Loan	15,000,000	0	15,000,000	0	0
Cash flow from financing activities	15,000,000	3,667,100	15,000,000	5,667,100	23,748,481
Cash flow for the period	6,866,312	2,384,302	6,644,025	2,587,440	18,146,984
Cash at the start of the period	17,924,697	203,138	18,146,984	0	0
Cash at the end of the period	24,791,009	2,587,440	24,791,009	2,587,440	18,146,984