



Annual Report 2022

1 January – 31 December 2022

The Annual General Meeting adopted the annual report on 30. May 2023

Michael Kristensen

Chairman of the General Meeting

**DanCann
Pharma**

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www.dancann.com**DISCLAIMER:****Forward looking statements.**

Some statements in this release may contain forward-looking information. All statements, other than of historical fact, that address activities, events, or developments that the Company believes, expects, or anticipates will or may occur in the future (including, without limitation, statements regarding potential acquisitions and financings) are forward-looking statements. Forward-looking statements are generally identifiable by use of the words "may", "will", "should", "continue", "expect", "anticipate", "estimate", "believe", "intend", "plan" or "project" or the negative of these words or other variations on these words or comparable terminology.

Forward-looking statements are subject to several risks and uncertainties, many of which are beyond the Company's ability to control or predict, that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements. Factors that could cause actual results or events to differ materially from current expectations include, among other things, without limitation, the inability of the Company, to obtain sufficient financing to execute the Company's business plan; competition; regulation and anticipated and unanticipated costs

and delays, the success of the Company's research strategies, the applicability of the discoveries made therein, the successful and timely completion and uncertainties related to the regulatory process, the timing and outcomes of regulatory or intellectual property decisions and other risks disclosed in the Company's public disclosure record on file with the relevant securities regulatory authorities.

Although the Company has attempted to identify important factors that could cause actual results or events to differ materially from those described in forward-looking statements, there may be other factors that cause results or events not to be as anticipated, estimated or intended. Readers should not place undue reliance on forward-looking statements. The forward-looking statements included in this presentation are made as of the date of this presentation and the Company does not undertake an obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless required by applicable securities legislation.

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About DanCann Pharma

DANCANN PHARMA A/S (SS: DANCAN) was founded in 2018 and is a Danish biopharmaceutical company powered by cannabinoids. DanCann Pharma is a vertically integrated, licensed production and distribution company based in Denmark. The company focuses on discovering, developing, manufacturing, and commercializing new therapeutic cannabinoids in various disease areas.

DanCann Pharma is EU-GMP-approved by the Danish Medicines Agency under the Danish Pilot Programme for medical cannabis. It has, among other things, a license for manufacturing, export, import, and distribution. The DanCann Pharma group also owns the subsidiary CannGros ApS, which is the market leader in Denmark with the import and distribution of the products Bedrocan®, Bedica®, and Bediol® to all the Danish pharmacies.

Primary activities

DanCann Pharma makes and distributes prescription (Rx-pharmaceuticals) cannabinoid-based pharmaceuticals (both approved and non-approved) primarily as of today focused on pain patients with alternative needs concerning the treatment of their illness – with future targets for further and new patient groups and segments.

DanCann Pharma strives to make tomorrow better than yesterday.

History

DanCann Pharma was established to revolutionize healthcare for pain patients and relatives to ensure no one gets left behind. Due to the limited access to cannabinoid-based drugs and pharmaceuticals, people currently search for products on the uncontrolled, illegal market. Therefore, DanCann Pharma strives to secure treatment access to quality-assured cannabinoid substances.

DanCann Pharma creates and makes solutions for tomorrow's tough challenges using cannabis- and cannabinoids for pharmaceutical and therapeutic purposes. DanCann Pharma is built from a foundation of care, with a passion for improving health and the quality of life for patients with challenges. The products are an alternative for those who have not achieved the desired quality of life with conventional medicine.

Based on knowledge, insight, and innovation, DanCann Pharma innovates life-changing science. Treatment alternatives are not only limited to medical cannabis or cannabinoids – but everything that potentially helps the world to become a better place by improving the quality of life for patients. DanCann Pharma's work revolves around giving new hope to patients and relatives left behind by the conventional healthcare industry.

Driven by a passion for relief

DanCann Pharma's mission is to improve the well-being of patients and their relatives.

The company wants to revolutionize health care for everyone and ensure that no one experiencing pain or trauma gets left behind.

DanCann Pharma is all about challenging the status quo, seeing an issue in the health care system, and now working with determination to challenge it.

Based on knowledge, insight, and innovation, DanCann Pharma innovates life-changing science, going face-to-face with traditional conventions with an approach built on cannabinoid therapeutics. Cannabinoids are active substances that affect brain and human body receptors when consumed. DanCann Pharma wants to democratize the use of these cannabinoids by discovering, developing, manufacturing and commercializing novel cannabinoid therapeutics in various disease areas.

Built from a foundation of care

DanCann Pharma's reason to be lies in what was previously poor and limited access to cannabinoid-based drugs and pharmaceuticals. Patients were forced to search for products in uncontrolled, illegal markets. For such reason, DanCann Pharma today works to improve accessibility to treatments with quality-assured cannabinoid substances.

The company develops and produces solutions for tomorrow's tough challenges and therefore does not limit itself to treatments with medical cannabis or cannabinoids in the future. DanCann Pharma wants to work with everything that potentially improves the quality of life for patients – and, subsequently, their relatives.

OUR VISION

We want to revolutionize health and quality of life for patients with challenges

OUR MISSION

We enhance access to medicines inspired by nature for the benefit of patients and relatives

OUR CORPORATE VALUES

Inspired by patients

- Improve quality of life
- Deliver best-in-class innovation
- Supply medicines inspired by nature

Acting with empathy

- Perform as a team
- Stay trustworthy and fair
- Embrace different opinions

Executing with passion

- Work with resolute determination
- Maintain the highest standards of excellence
- Grow our business responsibly

A strong platform to support the journey

Strong brands create expectations.

As DanCann Pharma works to optimize care and well-being for those with little hope, the brand must reflect that. In 2022, DanCann Pharma did a complete makeover to ensure that the brand platform is perceived at the same standard as the technology, science, and care that is the company's bedrock.

DanCann Pharma thrives on the challenge of making excellent treatment available through alternative medicine, enabling a brighter future for everyone. To do so, a stable flow of medication is needed to meet patients' needs while creating alternatives to the conventional treatments available in the healthcare system.

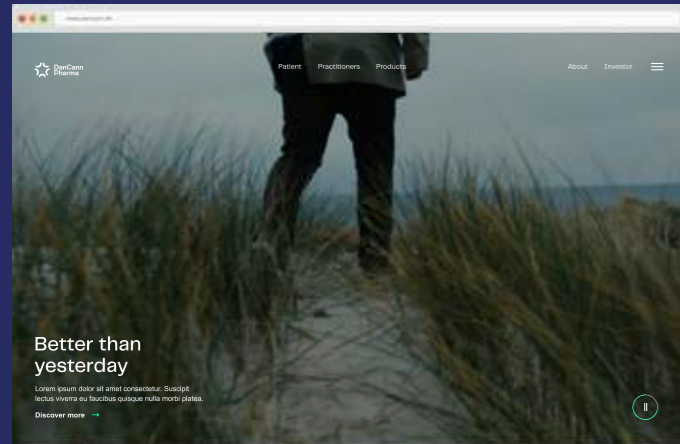
The business model is shaped around democratizing cannabinoid therapeutics and a long-term category impact. As such, the brand identity needs to communicate the same. The brand positioning embodies a passion for helping patients and their relatives while improving their quality of life.

The distinct value position tells a story to the stakeholders. It shows the unique selling points embedded in the DanCann Pharma brand while making the company a relevant medical supplier in the patient base.



The new brand positioning embodies a passion for helping patients and their relatives while improving their quality of life.

Our new website



- For the patients**
Focuses on discovering, developing, manufacturing, and commercializing new therapeutic cannabinoids in a wide range of disease areas.
[Interesting, tell me more](#)
- When your relative**
Focuses on discovering, developing, manufacturing, and commercializing new therapeutic cannabinoids in a wide range of disease areas.
[Interesting, tell me more](#)
- Practitioners**
Focuses on discovering, developing, manufacturing, and commercializing new therapeutic cannabinoids in a wide range of disease areas.
[Interesting, tell me more](#)

Our purpose is to **improve the well-being** of patients and their relatives.

Focuses on discovering, developing, manufacturing, and commercializing new therapeutic cannabinoids in a wide range of disease areas.
[Interesting, tell me more](#)

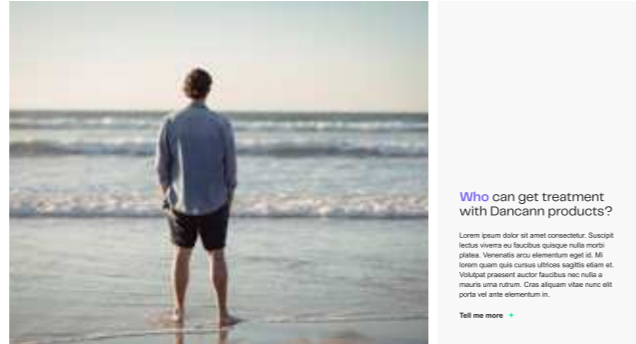
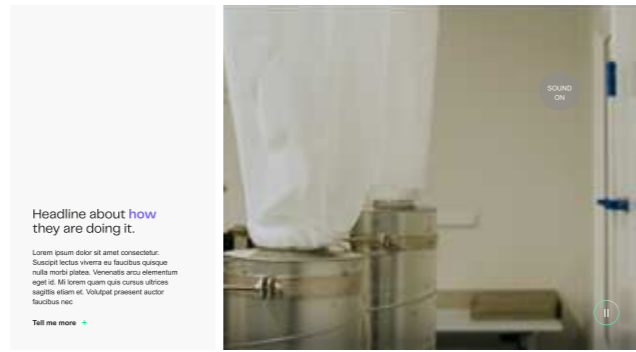


Everything we do, we do **for the patient**

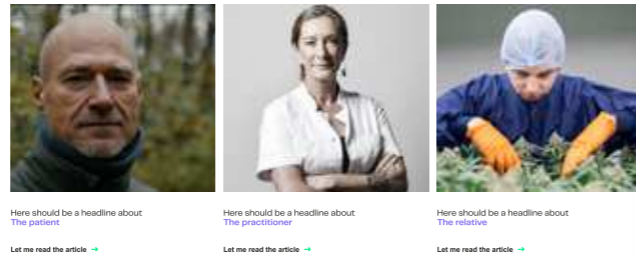
Focuses on discovering, developing, manufacturing, and commercializing new therapeutic cannabinoids in a wide range of disease areas.
[Tell me more](#)

Medicines that potentially **improves the quality of life** for patients

Focuses on discovering, developing, manufacturing, and commercializing new therapeutic cannabinoids in a wide range of disease areas.
[I want to know more](#)



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[Show me all the articles](#)



Sign up to our **newsletter**

Focuses on discovering, developing, manufacturing, and commercializing new therapeutic cannabinoids in a wide range of disease areas.

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Business highlights in 2022

DanCann Pharma Group

- DanCann Pharma Group obtained EU-GMP certification for Biotech Pharm1 from the Danish Medicines Agency
- DanCann Pharma Group admitted under the Danish Pilot Programme for manufacturing by the Danish Medicines Agency
- DanCann Pharma Group raised an additional DKK 31.2 million*
- DanCann Pharma Group lands topline revenue of DKK 5.71 million, 650% YoY growth**
- DanCann Pharma Group secured sales agreements for more than DKK 80 million
- DanCann Pharma Group can be traded on US capital markets through OTCQB
- DanCann Pharma Group's new repackaging facilities approved by Danish Medicines Agency

* The Company has now raised more than DKK 100 million and has more than DKK 75 million in assets.

** Due to the acquisition of CannGros ApS.



Words from the Chairman of the Board

2022 has been a transformative year for DanCann Pharma, with multiple milestones to solidify our future growth journey. New capital was secured, a strengthened licensing portfolio with strong partners, the management and organization was strengthened with focus on future operation and sales, and finally, our EU-GMP approval of our Biotech Pharm1, making it possible to commercialize in-house products.

None of this could be done without the hard work and dedication of the passionate people who make DanCann Pharma's bedrock – those who strive to make life better for patients and relatives.

I also want to take the time to thank our investors for their support. I hope you are equally thrilled about the steps we took in 2022 to build DanCann Pharma further in the following years. Also, I want to thank our Board of Directors for their diligent efforts in shaping DanCann Pharma into what it is today.

All the best,

Carsten Trads

Chairman of the Board at DanCann Pharma A/S



Thoughts from the CEO

I am delighted to provide you with an update on DanCann Pharma's progress in 2022. Our organization has grown stronger and is ready to fulfill our commercial goals, aiming for DKK 60–100 million in annual revenue between 2025 and 2027.

Strengthened by this, we signed two significant binding contracts in 2022, totaling more than DKK 80 million for the upcoming three years, further solidifying our position in the market and enabling us to bring our products to a broader audience. Also, we have taken the necessary steps to ensure that the DanCann Pharma brand reflects our lofty ambitions.

Our manufacturing facility, Biotech Pharm1, received the EU GMP certification, confirming our commitment to delivering safe and effective products to our customers as only one out of a limited number of companies worldwide. At the same time, our shares have begun trading on the OTCQB Venture Market in the US, opening new opportunities for our shareholder base.

We have retrofitted our business to streamline it for the current conditions in the financial markets by the end of 2022. Despite the heavy burden of our emission costs, evident in our Q4–2022 last year, it is noteworthy that we experienced strong growth in our CannGros revenue, achieving record sales of more than DKK 2.1 million in Q4–2022 and a YoY growth of 33 percent in topline revenue. Furthermore, our consolidated topline revenue is growing more than 650% YoY, increasing from DKK 0.87 million in 2021 to over DKK 5.71 million in 2022.

In addition, we have received approval from the Danish Medicines Agency to relocate our CannGros business to new facilities in Ansager, where we have successfully completed our first repackaging process. Moreover, CannGros has secured a new office space in Odense as part of a larger

shared office community, where the executive management team of CannGros will be based, and the entire business development, sales, and regulatory affairs division of the company will operate on a daily basis.

In conclusion, the company has strong expectations of gaining significant insight into our current product application, and we remain optimistic about its imminent approval soon.

All of these developments, within the context of CannGros, will enable us to further fortify our position in the industry and enhance our business's cost-effectiveness.

We raised an additional DKK 31.2 million to further support our growth journey in 2022. As a small piece of information ("fun fact"), the Company has raised more than DKK 100 million since its establishment and currently holds assets valued at over DKK 75 million.

All in all, DanCann Pharma A/S has made strong fundamental progress. We are dedicated to continuing to deliver on our business goals, strengthening our position as a leading player in the industry, and making a difference for patients and relatives.

Let's make tomorrow better than yesterday.

All the best,

Jeppe Krog Rasmussen
Founder, CEO, and Board Member
of DanCann Pharma A/S



REGULATORY PRESS RELEASES

Highlights during the period

JAN. 07
2022

DanCann Pharma A/S: EUROPEAN UNION INTELLECTUAL PROPERTY OFFICE CERTIFICATE OF REGISTRATION for product portfolio trademarks

FEB. 09
2022

DanCann Pharma A/S has submitted an application to the Danish Medicines Agency for EU-GMP-approval for Biotech Pharm1

MAY. 02
2022

DanCann Pharma A/S strengthens the Board of Directors with experienced investment profile Tue Østergaard

MAY 16
2022

DanCann Pharma A/S: Establishing a new benchmark in the industry as impressive test results show extreme product purity without the use of radiation

AUG. 11
2022

DanCann Pharma A/S: CEO Jeppe Krog Rasmussen was appointed to the Board of The Danish Association of Listed Growth Companies

SEP. 12
2022

DanCann Pharma A/S: Pain specialist Tina Horsted and DanCann Pharma A/S in collaboration on an ambitious patient project

OCT. 21
2022

The Board of Directors in DanCann Pharma A/S has resolved a partially (77 percent) secured Rights Issue of approximately DKK 28,5 million and published a prospectus

NOV. 03
2022

DanCann Pharma A/S signed a binding agreement with Polish company Storkpharm worth more than DKK 40 million.

DEC. 05
2022

DanCann Pharma A/S' shares commence trading on the OTCQB venture market in the United States.

DEC. 14
2022

DanCann Pharma A/S: A strengthened market position after an impressive H2-2022.

JAN. 2022

DEC. 2022

JAN. 17
2022

DanCann Pharma A/S Announces Exercise of Warrants for Proceeds of DKK 9.3 million to Strengthen the Financial Position

APR. 12
2022

DanCann Pharma A/S Announces the appointment of Louise Conradsen to accelerate growth as new subsidiary CEO of CannGros ApS

MAY. 12
2022

DanCann Pharma A/S signs Letter of Intent with Aureum Pharma AB for exclusive rights with a minimum commitment of SEK 37 million

AUG. 05
2022

DanCann Pharma A/S: The acquisition of CannGros ApS shows a prominent EBITDA of DKK 1.6 million for the annual 2021-report

AUG. 29
2022

DanCann Pharma A/S signs supply agreement with WEECO Pharma GmbH worth DKK 40 million

SEP. 22
2022

DanCann Pharma A/S has appointed Alexander Schoeneck and Jeppe Krog Rasmussen to the Board of Directors

NOV. 01
2022

DanCann Pharma A/S is targeting annual revenue of approx. DKK 60-100 million – and with several new partnership agreements in the pipeline

DEC. 02
2022

DanCann Pharma A/S receives EU-GMP certification for its manufacturing facility Biotech Pharm1.

DEC. 13
2022

DanCann Pharma A/S: CannGros ApS' new facilities in Ansager have been approved by the Danish Medicines Agency for import, repackaging, and distribution.

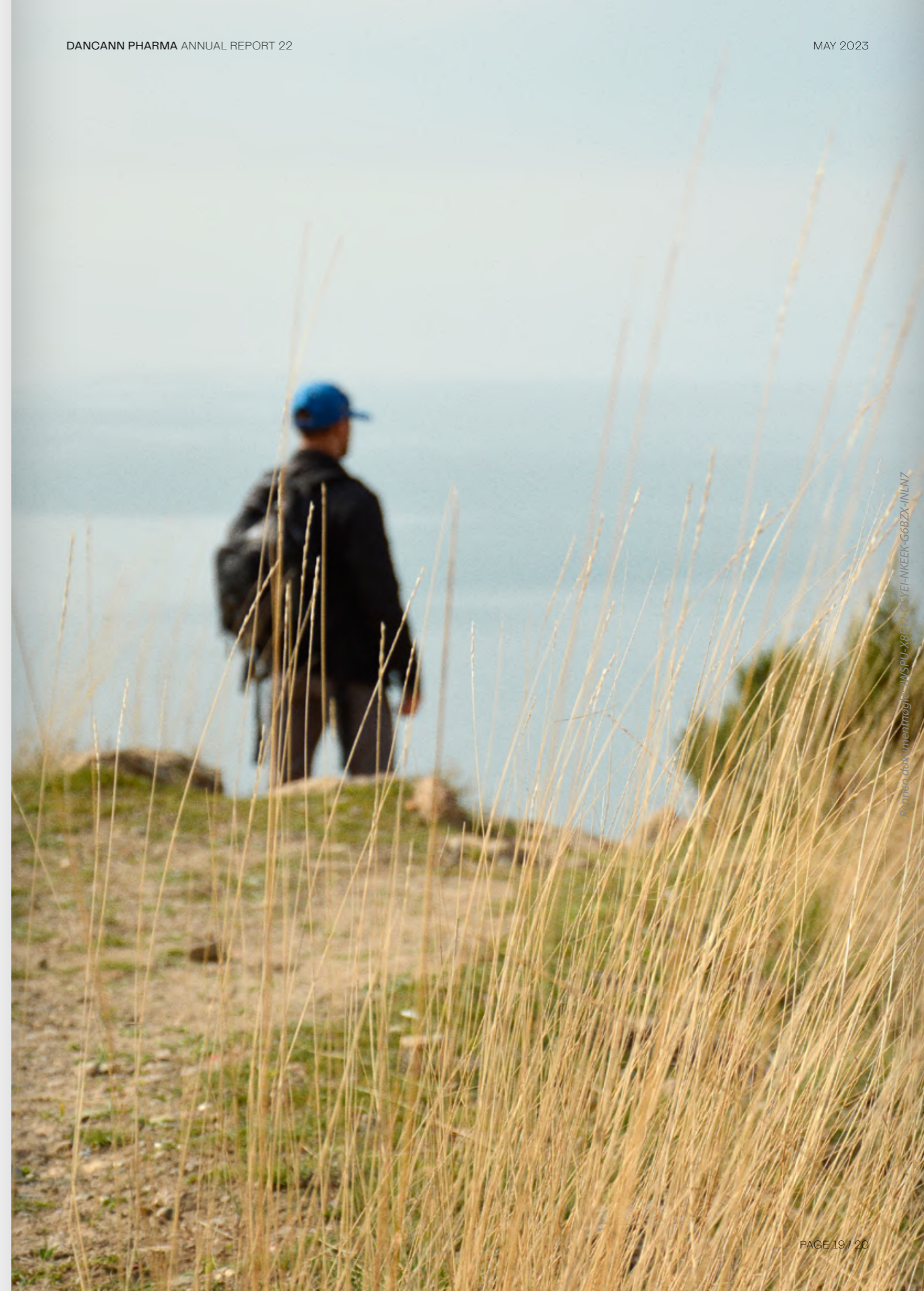
Group Financial Highlights

Income statement	2022 DKK '000	2021 DKK '000	2020 DKK '000	2019 DKK '000	2018 DKK '000
Net revenue.	5.708	874	0	0	0
Gross profit/loss.	-5.670	-6.494	-2,835	527	-86
Operating profit/loss before depreciation and amortisation (EBITDA)	-14.187	-13.618	-5,777	-619	-156
Operating profit/loss of main activities	-16.418	-14.508	-5,871	-627	-156
Financial income and expenses, net	-1.832	-677	-116	-11	-4
Profit/loss for the year before tax	-18.250	-15.185	-5,987	-638	-160
Profit/loss for the year	-16.064	-11.750	-4,255	-500	-125
Results for the year without minority interests	-16.064	-11.750	-4,255	-500	-125
Balance sheet					
Total assets	73.695	68.994	49,551	1,475	58
Equity	62.792	53.370	44,325	-625	-125
Equity ex minority interests	62.792	53.370	44,325	-625	-125
Cash flows					
Cash flows from operating activities	-11.730	-11.985	-7,662	-256	-6
Cash flows from investing activities	-8.269	-32.248	-19,072	-1,010	-4
Cash flows from financing activities	23.014	30.637	47,887	-1,457	0
Total cash flows	3.015	-13.596	21,153	190	-10
Investment in property, plant and equipment	-1.006	-6.370	-4,015	-62	-4
Key ratios					
Equity ratio	85,2	77,4	89,5	Neg.	Neg.
Return on equity	-29,5	-24,0	-19,5	-133,3	-198,4

The group is established on 18 October 2021 at the time for DanCann Pharma A/S purchase of 100% shares in Canngros ApS. The ratios stated in the list of key figures and ratios have been calculated as follows:

Equity ratio: $\frac{\text{Equity (ex. minorities), at year-end} \times 100}{\text{Total assets, at year end}}$

Return on equity: $\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$



Business Summary – for the development in 2022

GMP certification for Biotech Pharm1

Biotech Pharm1 is established based on best practices from the pharmaceutical industry in combination with advanced environmentally controlled agricultural technology (CEA) and vertical agriculture. This means the selected geneticists are developed in multi-story systems without using soil or other media but with a specially developed system that adds the required amount of fluid and nutrients. All this is designed to deliver biomaterials to the European and global market in line with European Union Good Manufacturing Practices (EU-GMP) standards and Good Agricultural and Collection Practices (GACP), and later on, to supply the Company's future biopharmaceutical downstream production.

In April 2021, DanCann Pharma pressed the start button in the Company's first production facility, Biotech Pharm1 in Ansager, after more than two years of design and construction.

At the beginning of 2022, the company applied to the Danish Medicines Agency to be approved according to EU-GMP standards. At the end of 2022, the Danish Medicines Agency completed its inspection of the company's manufacturing facility with no major deviations, marking a significant milestone for the work to democratize cannabinoid therapeutics for patients and relatives. The inspection was carried out from Tuesday 29 November to Wednesday 30 November, after which the Company was notified of the approval. This means the Company with the EU-GMP certification will be officially admitted under the Danish Pilot Programme with medicinal cannabis. Until now, the facility has been categorized under the Development Scheme, a section under the actual Pilot Programme.

The certification of Biotech Pharm1 further means that the company can start producing biomaterials for delivery in 2023. When the first commercial batches from Biotech Pharm1 have been approved, the company will ultimately be able to release its first products in 2023. When sales from Biotech Pharm1 become a reality, the company are one step

closer to achieving its guidance and goals with the commercial assets in the form of already signed agreements of more than DKK 80 million by 2025.

This (the release of products) requires an additional inspection expected to occur in Q2-2023.

Commercial traction becoming evident in 2022

On the back of several key milestones and significant commercial achievements, 2022 has shown to be a truly exciting year for DanCann Pharma, setting the stage for the future growth journey.

First, the company has seen a significant validation of the production facilities, Biotech Pharm1, in Ansager through the EU-GMP certification that will allow the company to start producing the products during 2023. This means the company can begin bringing in-house products to the market.

WEECO Pharma GmbH

DanCann Pharma has set up a 3-year agreement with a minimum commitment of approximately 40 million DKK.

WEECO Pharma is one of the leading importers and distributors of medicinal cannabis in Germany, with a distribution network that includes direct connections to pharmacies, many cannabis suppliers, distributors, and several pharmaceutical wholesalers. Over the last five years, WEECO Pharma has partnered with most leading cannabis firms and has become one of the key players in the cannabis industry in Germany and Europe.

Storkpharm

DanCann Pharma has set up a 2-year agreement with a minimum commitment of approximately 41 million DKK.

Storkpharm is a privately held pharmaceutical wholesale company in Poland, approved by Polish health authorities and

with a widespread distribution network in the country that includes direct connections to pharmacies and hospitals. The company provides medicines, medical devices, food supplements, and cosmetics for public procurement with the consent of the Ministry of Health and other non-public entities in Poland and the European and non-European markets.

DanCann Pharma will sell and export flower products to both companies, focusing mainly on the Tetrahydrocannabinol ("THC") genetics and candidates. The companies will purchase, import, package, market, and distribute the products to the European medicinal cannabis marketplace. The starting point for the agreements, which is 2023, starts lower, after which the volume increases over 2024 and 2025.

Within the Agreement, DanCann Pharma is subject to, and guarantees that the products are manufactured under Danish legislation, with guidelines set by the Danish Medicines Agency and now according to the Danish Ministry of Health requirements, including applicable rules for Good Agricultural and Collecting Practices ("GACP"), and European Union Good Manufacturing Practice ("EU-GMP") standards.

CannGros ApS completes the move to Ansager

Following its acquisition by DanCann Pharma at the end of 2021, CannGros completed a full integration and moved to new facilities in Ansager. In 2022, the Danish Medicines Agency approved the relocation following an inspection in November.

The company is excited about centralizing one activities in Ansager, allowing us to leverage the synergies of operating from a shared location and enabling even more streamlined production.

Furthermore, the CannGros business is experiencing robust growth, increasing sales and market interest. The company achieved a year-on-year topline revenue growth of 33%, driven by record-breaking sales of DKK 2.1 million in Q4, resulting in total sales of over DKK 5.7 million.

This has been a strong year for the DanCann Pharma Group, with revenue growing more than 650% YoY and the company achieving its guidance of DKK 5-6 million for 2022.

Capital injections

In 2022, DanCann Pharma raised a further approx. DKK 31.2 million. This through respectively execution of warrants (approx. DKK 9.3 million) in January and the completion of a rights issue in November (approx. DKK 22 million).

At the beginning of the year, warrant holders exercised a total of 1,917,271 warrants issued pursuant to the terms set out in Schedules 6.5.1 and 7.1 of the Articles of Association. These warrants were exercised based on an agreement between DanCann Pharma and the warrant holders to exercise a total of 1,917,271 warrants early in accordance with clause 5.3 of the warrant terms. Because of the exercise of these warrants, a total of 1,917,271 new shares in DanCann Pharma were issued to the effect that the total amount of shares in DanCann Pharma in January was 28,468,289. The new shares issued made up approx. 6.7% of the total amount of shares in DanCann Pharma (post-transaction). Following the exercise of warrants, the share capital of DanCann Pharma was DKK 1,067,561 nominal value. The warrants were exercised at an exercise price of DKK 4.8685 per warrant, equivalent to a total subscription amount of DKK 9,334,233.94.

Later in the year, the company disclosed a rights issue issuing units*, targeting approx. DKK 28.5 million. The Rights Issue was subscribed for a total of approximately 77 percent, of which approximately 45 percent was subscribed for with the support of unit rights, and approximately 9,1 percent was subscribed for without the support of unit rights. Underwriters subscribed approximately 22,9 percent. DanCann Pharma received approximately DKK 22 million through the Rights Issue before deducting issue costs. The proceeds from the Rights Issue were primarily used secure financing of, among others, the approval of the Company's GMP facility to get new products on the market and repayment of loans.

In total, 3,654,635 units were subscribed for, resulting in a total issue of 36,546,350 shares and 21,927,810 warrants of series TO 2. Through the Rights Issue, the Company receives approximately DKK 22 million before the deduction of issue costs, which amount to approximately DKK 5 million. In total, 3,654,635 units were subscribed for with and without the support of unit rights, corresponding to approximately 54.1 percent of the Rights Issue. 2,134,089 units were subscribed for with unit rights, corresponding to approximately 45 percent, whereas 433,400 units were subscribed for without unit rights, corresponding to approximately 9,1 percent of the Rights Issue. 1,087,146

units were subscribed for by underwriters, corresponding to approximately 22.9 percent of the Rights Issue.

Through the Rights Issue, the number of shares in DanCann Pharma increased by 36,546,350 shares, from 28,468,289 shares to 65,014,639 shares, and the share capital increased by approximately DKK 1,370,488.125 from approximately DKK 1,067,560.8375 to approximately DKK 2,438,048.9625, corresponding to a dilution effect of approximately 56.2 percent.

Each warrant (TO2) entitles the holder to subscribe for one (1) new share in the Company during the period from and including 16 May 2023 up until and including 31 May 2023 at a subscription price corresponding to 70 percent of the volume-weighted average price (VWAP) of the Company's share during the period from and including 27 April 2023 up until and including 11 May 2023, but not less than the nominal value (quota value) and not more than DKK 1.20 per share. Upon full exercise of all warrants, the Company will receive a maximum additional amount of approximately DKK 0.8 – 26.3 million before issue costs.

If all warrants (TO2) are fully exercised for subscription of new shares in the Company, the number of shares in the Company will increase by an additional 21,927,810 shares, from 65,014,639 shares to 86,942,449 shares. The share capital will increase by an additional approximately DKK 822,292.875 from approximately DKK 2,438,048.9625 to approximately DKK 3,260,341.8375 corresponding to an additional dilution of approximately 25.2 percent.

*Each unit in the Rights Issue consists of ten (10) new shares and six (6) warrants of series TO2.

Uncertainty related to recognition and measurement

The company has capitalized development costs amounting to DKK 35.7 million. The capitalization is based on the management team's assessment that future earnings can be obtained and that the facility is expected to significantly increase the EBITDA of the company by offering a consistent supply of medical cannabis products.

The company has capitalized the goodwill amounting to DKK 11.2 million related to the acquisition of CannGros. The capitalization is based on the management's assessment that continuous development of the existing

business through strategic diversification of the product portfolio from partnerships will increase the cash flow from the operations.

Recognition and measurement of tax-credit are subject to uncertainty

It should be noted that the recognition and measurement of tax credits are subject to uncertainty. This uncertainty arises from the interpretation of the tax law regarding the content and use of the tax-credit system. As a result, the recognition amount for 2022, 1.492 T.DKK, and 2021, 2.919 T.DKK, is subject to some uncertainty.

The company faces the possibility that SKAT may take a different view of the development costs, leading to further uncertainty.

Development projects

In 2022, the company incurred development costs amounting to DKK 6.8 million. They relate to developing a high-tech production facility for the production of medical cannabis. All development costs have been capitalized.

Financial risks

In carrying out its operational activities, investments, and financing, the company is exposed to fluctuations in exchange rates and interest rates. It is the company's policy not to actively take financial risks.

Development in activities and finances

The income statement of the company for 2022 shows a loss of DKK 16.0 million after tax, and on 31 December 2022, the balance sheet of the company shows equity of DKK 62.8 million. The management team consider the results as expected. In 2022, the company secured financing for approx. DKK 31.2 million. The company ended the financial year with 65,014,609 shares and a nominal capital of DKK 2,438 million.

Significant events after the end of the financial year

No further significant events have occurred.



Outlook for 2023: Future Expectation

DanCann Pharma anticipates achieving its commercial breakthrough through increased sales activities driven by the approval of Biotech Pharm1. This expectation is partly based on the attainment of final approvals for the release of products from the facility, as well as the successful sales of biomaterials from the facility. Secondly, the medical cannabis products imported through the CannGros business, which have demonstrated promising and increasing growth and market interest. Additionally, the company plans to expand its imported product portfolio by submitting further formulations throughout 2023, starting with an oil-based extract already in the works.

DanCann Pharma expects annual revenues of DKK 60–100 million between 2025 and 2027, supported by its two business segments: biomaterials and the import/export of medicinal cannabis products to the European market. This projection considers distribution in the company's identified future core markets, which include Denmark, Germany, Poland, the UK, and Israel.

The CannGros growth path

Furthermore, intense work is being done on the business development of CannGros. The current scope of business is heavily isolated around the existing Pilot Programme in Denmark, which imposes natural limitations.

To maximize this and generate further growth, ideation, and solutions are being explored in and around:

1. The trade of pharmaceuticals beyond the realm of cannabis and cannabinoids, thereby achieving a §39 license for the import, export, and distribution of pharmaceuticals.
2. The establishment of an over-the-counter and dietary supplement brand, which will ensure wider reach and exposure of the brand and its products.

CannGros already has a highly robust platform, which the management sees great potential in developing further in new business areas. The overall agenda for this is focused on growth and topline without significant capital commitments.

Financing and capital

To date, at the time of approving the annual report, the company and group does not have the necessary capital to implement all the company's initiatives and operations for the entire year (2023), but has initiated initiatives to do so, in order to raise the necessary capital.

In order to fund its future plans, the company plans to exercise its outstanding warrants ("TO2").

The company anticipates that it will be able to raise funds through its TO 2 warrants, which are scheduled to become effective in May. Due to the TO 2 warrants' built-in mechanism, the company perceives that they are highly likely to provide liquidity and enable the payment of the current outstanding loan, thereby allowing the company to become debt-free after May 2023. Furthermore, the company intends to partially secure the warrants, thus increasing the likelihood of successfully obtaining funding through this means.

If the warrants fail to provide the expected outcome, the company intends to raise additional capital through new financing structures such as equity and debt during 2023, with an estimated requirement of approximately 5–10 million Danish kroner for the next 12 months, based on a conservative forecast for the TO2's.

Management is of the opinion that this financing will be obtained and therefore the annual accounts have been prepared in accordance with the going concern principle. Reference is made to Note 1 in financial statements.

Particular risks

Permissions and approvals from the Danish Medicine Agency

Due to the date of this Annual Report, DanCann Pharma does not have all the necessary licenses needed to realize its business. To be able to promote and sell medical cannabis on a European level, permissions must be obtained from the Danish Medicine Agency.

In 2022, DanCann Pharma achieved numerous significant approvals, with the exception of the final authorization for "release". This is contingent upon DanCann Pharma's ability to demonstrate its capacity to produce consistent products within its facility (Biotech Pharm1), as evidenced by its validation batches.

There is a risk that DanCann Pharma will not receive this last necessary permit from the Danish Medicine Agency. This poses a potential risk to DanCann Pharma's ability to generate revenue temporarily or permanently. In the scenario that DanCann Pharma does not receive the necessary permits from the Danish Medicine Agency, there is a risk that DanCann Pharma's earnings and financial position will be adversely affected.

To mitigate this risk, DanCann Pharma has spent several years developing and investing in state-of-the-art high-tech facilities, which are considered to be one of the industry leaders.

The Danish Pilot Programme with medical cannabis

Due to the date of this Annual Report, DanCann Pharma does not have the security for the continuation of the Pilot Programme for prescription purposes at the end of 2025. There is a risk that the CannGros business and its activities in the Danish market may be affected.

However, the management team attaches great importance to the extension being voted by 102 to 0 in the last vote in the Danish parliament (back in 2021), which shows that the company is dealing with an area that politicians, authorities and NGOs really want to be successful.

The new agreement (made in 2021), which extend the old program with another 4-year (ending in 2025), is good news for the entire Danish medical cannabis industry and the ecosystem, especially in combination with the permanent

scheme for manufacturing of medical cannabis in Denmark, as it will probably attract further investments and stimulate the positive wave that is currently going on in the industry and ensure Denmark's position as a leading nation in the medical cannabis field.

With the decision to make Danish manufacturing of medical cannabis permanent after the expiry of the current Pilot Programme, Denmark formally continues its ambition to become a leading player in medical cannabis with ambitions to serve both the domestic market and international markets.

Likewise, it has never been seen before in Europe that a similar program as the Danish Pilot Programme with medical cannabis for prescription has been withdrawn or canceled, there has in all cases been only progress.

Environmental Situation

DanCann Pharma works for its environment and environmental situation and has the ambition to become a first mover and pioneer as the good example in the field of CO2 emissions. A more detailed strategy is expected to be prepared for this in the near future.

DanCann Pharma has, as of today, among other things, eco-friendly reductions in water (90%), nutrients (70%), and no soil or waste (100%).

Knowledge resources

DanCann Pharma's operations are managed by highly trained and experienced employees in various areas and knowledge.

The company's staff today is 12 full-time employees with broad and professional competencies.

Corporate governance

Company	DanCann Pharma A/S Rugvænget 5 6823 Ansager CVR No.: 39 42 60 05 Established: 20 March 2018 Municipality: Varde Financial Year: 1 January – 31 December
Board of Directors	Carsten Trads, chairman Jeppe Krog Rasmussen Christian Carlsen Tue Østergaard Alexander Schoeneck
Executive Board	Jeppe Krog Rasmussen
Auditor	Deloitte Dokken 8, 6700 Esbjerg
Law Firm	Mazanti-Andersen Amaliegade 10, 1256 København

BOARD OF DIRECTORS



Carsten Trads

Born 1955. Chairman since 2022, board member since 2020.

Carsten Trads holds a Master of Science from Copenhagen Business School, complemented by management training from INSEAD and Harvard Business School. Carsten Trads has more than 30 years international experience within sales, marketing, operations, strategic planning and general management. Executive positions in companies such as Bang & Olufsen A/S, GN ReSound A/S and Plantronics Inc. From 2015 he has been the CEO and owner of C-Plus Consult, assisting smaller business start-ups. Carsten Trads has previously been chairman of the Board of Directors of Vestmedia A/S as well as board member of Brainreader A/S and Profil Optik A/S.

Other ongoing assignments: Founder and Chief Executive Officer of C-Plus Consult.

Shareholding in the Company: 409,031 shares through a wholly owned company.

Warrants: 75,000 warrants issued on 28 April 2021.



Christian Carlsen

Born 1984. Vice-chairman since 2021.

Christian Carlsen holds an executive Master of Business Administration from Henley Business School and have attended the Executive Board Programme and the Advance Board Programme at INSEAD. Christian Carlsen has previously worked for companies such as Bavarian Nordic A/S, Labflex A/S and Novo Nordisk Engineering A/S (NNE). At NNE Christian Carlsen led several strategic projects and activities, including leading an initiative to establish a corporate venture business and establishing a unit with a focus on business model innovation, venture incubation and partnerships. Christian has a long track record of starting, developing and transforming life science and tech companies both in a start-up and corporate environment.

Other ongoing assignments: Chairman of the Board of Directors of QNTM Ventures ApS, QNTM Labs ApS, ProSave ApS, and Knowledge Gate Group ApS. Member of the Board of Directors of Høyrup & Clemmensen A/S, Fibona Accus-tics ApS, TeamsToWork ApS, and Techvolver ApS. Managing Partner of Volvér ApS.

Shareholding in the Company: 241,834 shares.

Warrants: 75,000 warrants issued on 28 April 2021.



Tue Østergaard

Born 1977. Board member since 2022.

Tue Østergaard is an experienced investment profile, who is CEO of the fast-growing HC Andersen Capital. He has engaged himself as an investor, founder, advisor, mentor and board member in a number of companies. With his many years of experience in executive leadership and board membership roles in companies such as HC Andersen Capital, Green Mobility A/S, ABG Sundal Collier and Nordea, Tue Østergaard has the expertise needed to contribute to the further development of DanCann Pharma's business.

Other ongoing assignments: Chairman of the Board of Directors of GreenMobility A/S and Solitwork A/S. Member of the Board of Directors of Curo Capital Fondsmæglerselskab A/S. Chief Executive Officer at HC Andersen Capital.

Shareholding in the Company: 833,340 shares through a wholly owned company.

Warrants: 75,000 warrants issued on 27 April 2022 (ii).



Jeppe Krog Rasmussen

Born 1995. Board member since 2022.

Jeppe Krog Rasmussen, founder and CEO at DanCann Pharma since its formation in 2018. Jeppe Krog Rasmussen has been a part of the whole DanCann Pharma journey since its beginning back in March 2018, when he founded the Company. Jeppe Krog Rasmussen was previously a member of the Board of Directors of DanCann Pharma during the years 2020–2022 (April) and re-elected in September 2022. Jeppe Krog Rasmussen is responsible for the strategic direction and operational execution of all processes relevant to DanCann Pharma. Jeppe Krog Rasmussen is a serial entrepreneur with strong experience from starting and building companies as well as working and investing in complex industries such as Biotech, Pharma, Medtech and the Tech industry, with specialties within corporate finance, investor relations, marketing, strategy, and business development. In addition to DanCann Pharma Jeppe Krog Rasmussen runs his investment company, XIGNOTUS CAPITAL ApS, where he manages his investment portfolio.

Other ongoing assignments: Chairman of the Board of Directors in FOOTBALL CLUB MUNKEBJERG ApS, member of the Board of Directors in Foreningen af Børsnoterede Vækstvirksomheder (FBV) in Denmark and member of the Board of Directors in the industry association for Medical Cannabis Industry (MCI) in Denmark. Chief Executive Officer at XIGNOTUS CAPITAL ApS.

Shareholding in the Company: 5,913,693 shares through a wholly owned company.

Warrants: 254,286 warrants issued on 6 April 2021.

BOARD OF DIRECTORS



Alexander Schoeneck

Born 1983. Board member since 2022.

Alexander Schoeneck has been a part of DanCann Pharma's journey from the beginning and has always worked as an advisor to and for the founder, CEO and member of the Board of Directors Jeppe Krog Rasmussen. Alexander Schoeneck has great experience when it comes to the financial markets, corporate finance, and investor relations.

Alexander Schoeneck has for the past seven years worked as a full-time professional investor with focus on growth companies.

Other ongoing assignments: Member of the Board of Directors and CEO of JJV Invest AB. Chairman of the Board of Directors of ELLWEE EV AB, JEQ Capital AB, and JEQ Capital Holding AB. Member of the Board of Directors of ELLWEE AB (publ), ELLWEE Distribution AB, Corpura Fondkommission AB, Corpura Holding AB, BA Camping Holding AB, Glassaparken AB, and AB MAAvatar. Deputy director of the Board of Directors of Campingstugan Invest AB, Black Lion Media Group AB, and BESC Invest AB.

Shareholding in the Company: Alexander Schoeneck has no shareholding in the Company.

Warrants: Alexander Schoeneck has no warrants in the Company.

Board composition

Once a year, the Board of Directors will conduct a self-evaluation to ensure that the Board promotes the Company's purpose and serves the culture and values of the Company. As of 31 December 2022, the Board of Directors consists of five members. To ensure constructive and value-creating discussions, the Board of Directors aims to ensure the right composition and balance of competencies.

Consequently, it is the mission of the Board of Directors to augment the competencies within scaling and internationalization of pharma and science businesses while also looking to organize itself with Board members with solid experience and a strong track record from listed companies and experience within corporate finance and investor relations.

EXECUTIVE MANAGEMENT



Jeppe Krog Rasmussen

Born 1995. Chief Executive Officer (CEO) since 2018.

Jeppe Krog Rasmussen is also a member of the Board of Directors of DanCann Pharma and the presentation of Jeppe Krog Rasmussen can be found in the section "Board of Directors" above.



Peter Hauberg Søndergaard

Born 1972. Chief Financial Officer (CFO) since 2023

Peter Søndergaard holds a M.Sc. in Business Strategy and Management (Cand. Oecon). He has been the Chief Financial Officer (CFO) of DanCann Pharma A/S since January 2023. For over 15 years, he has worked in all aspects of strategy, finance, management, processes, organizational development, and business development. Among others, he has held positions at Codan and SEAS-NVE.

Other ongoing assignments: Peter Hauberg Søndergaard has no other ongoing assignments.

Shareholding in the Company: Peter Hauberg Søndergaard has no shareholding in the Company.

Warrants: Peter Hauberg Søndergaard has zero warrants in the Company.



Sarah Mai Lykke-Kjeldsen

Born 1987. Chief Operating Officer (COO) since 2022.

Sarah Mai Lykke-Kjeldsen has a Master of Science in Economics and Business Administration from the University of Southern Denmark in Kolding and has her strengths in areas such as management/ change management, organizational development, and project management. She has a broad management experience from positions as Business Development Lead at Education Esbjerg and as head of various departments at Norlys.

Other ongoing assignments: Sarah Mai Lykke-Kjeldsen has no other ongoing assignments.

Shareholding in the Company: 25,002 shares through a wholly owned company.

Warrants: 254,287 warrants issued on 27 April 2022 (i).



Louise Conradsen

Born 1978. Chief Executive Officer (CEO) in CannGros since 2022.

Louise Conradsen has a Mini-Master of Business Administration in leadership and management, and has a Certificate in Business Administration (CBA) from Probana Business School. She has also study management and leadership. Louise Conradsen has more than eighteen years of experience from the pharmaceuticals industry. She has previously worked as, among other things, vice president for purchase and portfolio as well as vice president for purchase and supply chain at Abacus Medicine.

Other ongoing assignments: Louise Conradsen has no other ongoing assignments.

Shareholding in the Company: 200,004 shares through a wholly owned company.

Warrants: 254,287 warrants issued on 27 April 2022 (i).

Group Structure

DanCann Pharma A/S

Canngros ApS (100%)

Management Statement:

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of DanCann Pharma A/S for the financial year 1 January – 31 December 2022.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Consolidated Financial Statements and the Annual Financial Statements of the Company give a true and fair view of Group's and the Company's assets, liabilities and financial position at 31 December 2022.

and of the results of Group's and the Company's operations and cash flows for the financial year 1 January – 31 December 2022.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Ansager, 12.05.2023

EXECUTIVE BOARD



Jeppe Krog Rasmussen

BOARD OF DIRECTORS



Carsten Trads, Chairman



Jeppe Krog Rasmussen



Christian Carlsen



Tue Østergaard



Alexander Schoeneck



Independent auditor's report

To the shareholders of Dancann Pharma A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Dancann Pharma A/S for the financial year 01.01.2022–31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2022 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2022–31.12.2022 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements which highlight that further financing is necessary in order to complete the planned activities for 2023. Management have described the measures expected in order to ensure sufficient financing and is of the opinion that it is possible to accomplish these successfully. Our conclusion is not qualified in this respect but emphasis is made in respect to the uncertainty related this matter.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether

due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the management commentary

Management is responsible for the management commentary

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Esbjerg, 12.05.2023

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Anders Rasmussen

State Authorised Public Accountant
Identification No (MNE) mne34316

Income statement 1. jan. – 31. dec.

Income statement	Note	Group		Parent	
		2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000
NET REVENUE		5.708	874	0	0
Raw materials and consumables used		-3.334	-616	-233	-179
Own work, recognised under assets		1.481	1.431	1.481	1.431
Other operating income		41	0	41	0
Other external expenses		-9.566	-8.183	-8.864	-8.025
GROSS PROFIT/LOSS		-5.670	-6.494	-7.575	-6.773
Staff costs	3	-8.517	-7.124	-7.496	-7.091
Depreciation, amortisation and impairment losses		-2.231	-890	-955	-624
OPERATING LOSS		-16.418	-14.508	-16.026	-14.488
Income from investments in subsidiaries		0	0	-606	-76
Other financial income		1.191	578	1.189	578
Other financial expenses		-3.023	-1.255	-3.000	-1.253
LOSS BEFORE TAX		-18.250	-15.185	-18.443	-15.239
Tax on profit/loss for the year	4	2.186	3.435	2.379	3.489
LOSS FOR THE YEAR	5	-16.064	-11.750	-16.064	-11.750

Balance sheet at 31. December

ASSETS	Note	Group		Parent	
		2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000
Intangible fixed assets acquired		821	0	821	0
Goodwill		11.221	12.497	0	0
Development projects in progress and prepayments		35.736	28.954	35.736	28.954
Intangible assets	6	47.778	41.451	36.557	28.954
Other plant, machinery tools and equipment		2.714	3.038	2.714	3.038
Leasehold improvements		3.222	3.210	3.222	3.210
Tangible fixed assets in progress and prepayment		3.345	3.322	3.345	3.322
Property, plant and equipment	7	9.281	9.570	9.281	9.570
Investments in subsidiaries		0	0	12.318	12.924
Rent deposit and other receivables		322	322	322	322
Financial non-current assets	8	322	322	12.640	13.246
NON-CURRENT ASSETS		57.381	51.343	58.478	51.770
Raw materials and consumables		0	10	0	10
Finished goods and goods for resale		339	25	0	0
Prepayments		3	236	0	0
Inventories		342	271	0	10
Trade receivables		1.611	530	0	0
Receivables from group enterprises		0	0	44	0
Other receivables		1.538	2.475	2.352	2.475
Corporation tax receivable		1.598	6.161	1.598	6.107
Joint tax contribution receivable		0	0	193	54
Prepayments	9	474	478	474	478
Receivables		5.221	9.644	4.661	9.114
Cash and cash equivalents		10.751	7.736	10.137	7.208
CURRENT ASSETS		16.314	17.651	14.798	16.332
ASSETS		73.695	68.994	73.276	68.102

Balance sheet at 31. December

EQUITY AND LIABILITIES	Note	Group		Parent	
		2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000
Share capital	10	2.438	995	2.438	995
Reserve for development costs		27.874	22.584	27.874	22.584
Retained earnings		32.481	29.791	32.481	29.791
EQUITY		62.793	53.370	62.793	53.370
Provision for deferred tax	11	0	974	0	974
PROVISIONS		0	974	0	974
Trade payables		2.749	2.915	2.425	2.804
Corporation tax payable		0	352	0	0
Other liabilities		8.153	11.383	8.058	10.954
Current liabilities		10.902	14.650	10.483	13.758
LIABILITIES		10.902	14.650	10.483	13.758
EQUITY AND LIABILITIES		73.695	68.994	73.276	68.102

Contingent liabilities	12
Joint liabilities	13
Charges and securities	14
Related parties	15

Group equity statement

EQUITY	Group				
	Share capital	Share Premium	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2022	995	0	22.584	29.791	53.370
Proposed profit allocation, note 3	0	0	0	-16.064	-16.064
Transactions with owners					
Capital increase	1.443	29.785	0	0	31.228
Cost of capital increase	0	-5.742	0	0	-5.742
Other legal bindings					
Capitalized development costs	0	0	6.782	-6.782	0
Transfer					
Transfer to/from other items	0	-24.043	0	24.043	0
Tax on changes in equity	0	0	-1.492	1.492	0
Equity at 31 December 2022	2.438	0	27.874	32.480	62.792

Parent equity statement

EQUITY	Parent				
	Share capital	Share Premium	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2022	995	0	22.584	29.791	53.370
Proposed profit allocation, note 3	0	0	0	-16.064	-16.064
Transactions with owners					
Capital increase	1.443	29.785	0	0	31.228
Cost of capital increase	0	-5.742	0	0	-5.742
Other legal bindings					
Capitalized development costs	0	0	6.782	-6.782	0
Transfer					
Transfer to/from other items	0	-24.043	0	24.043	0
Tax on changes in equity	0	0	-1.492	1.492	0
Equity at 31 December 2022	2.438	0	27.874	32.480	62.792

During the financial year, 38,463,621 new shares were subscribed new investments with a nominal value of DKK 0.0375 with a total share capital of 1,442,386 DKK.

Cash flow statement 1. jan. – 31. dec.

Group

Cash flow statement	2022 DKK '000	2021 DKK '000
Profit/loss for the year	-16.064	-11.750
Depreciation and amortisation, reversed	2.231	890
Profit/loss from subsidiaries	0	0
Cash from purchase, CannGros ApS	0	277
Net Equity purchase, CannGros ApS	0	-237
Tax on profit/loss, reversed	-2.186	-3.435
Corporation tax received	5.422	206
Change in inventories	-71	-36
Change in receivables (ex tax)	-139	1.780
Change in current liabilities (ex bank, tax, instalments payable and overdraft facility)	-923	344
Other cash flows from operating activities	0	-24
CASH FLOWS FROM OPERATING ACTIVITY	-11.730	-11.985
Purchase of intangible assets	-7.263	-26.033
Purchase of property, plant and equipment	-1.006	-6.370
Sale of property, plant and equipment	0	155
Purchase of financial assets	0	0
CASH FLOWS FROM INVESTING ACTIVITY	-8.269	-32.248
Increase in Loans	5.068	10.175
Decrease in Loans	-7.538	-148
Repayment leasing debt	0	-185
Other capital items – capital raising costs	-5.743	-668
Sharecapital payments	31.227	21.463
CASH FLOWS FROM FINANCING ACTIVITY	23.014	30.637
CHANGE IN CASH AND CASH EQUIVALENTS	3.015	-13.596
Cash and cash equivalents at 1. januar	7.736	21.332
CASH AND CASH EQUIVALENTS AT 31. DECEMBER	10.751	7.736
Cash and cash equivalents at 31 December comprise:		
Cash and cash equivalents	10.751	7.736
CASH AND CASH EQUIVALENTS	10.751	7.736

Note 1 – Assumptions for going concern

Management have prepared the Annual Report based on the going concern assumption.

To date, at the time of approving the annual report, the company and group does not have the necessary capital to implement all the company's initiatives and operations for the entire year (2023), but has initiated initiatives to do so, in order to raise the necessary capital.

In order to fund its future plans, the company plans to exercise its outstanding warrants ("TO2").

The company anticipates that it will be able to raise funds through its TO 2 warrants, which are scheduled to become effective in June. Due to the TO 2 warrants' built-in mechanism, the company perceives that they are highly likely to provide liquidity and enable the payment of the current outstanding loan. Furthermore, the company intends to partially secure the warrants, thus increasing the likelihood of successfully obtaining funding through this means.

If the warrants fail to provide the expected outcome, or only partly can raise the necessary capital, the company intends to raise additional capital through new financing structures such as equity and debt during 2023, with an estimated requirement of approximately 13 million DKK for the for the remaining part of 2023 at the time of approval of the annual report.

Management is of the opinion that this financing is possible to obtain and therefore the annual accounts have been prepared in accordance with the going concern principle.

There is an inherent uncertainty related to the completion of these initiatives, but the management consider it highly probable that it is possible to ensure sufficient financing through these measures.

Note 2 – Uncertainty related to recognition and measurement

The company has capitalized development costs amounting to DKK 35.7 million. As part of preparation of the financial statements management has assessed whether indications of impairment are present at the balance sheet date. No impairment loss is recognized on basis on the assumption that necessary approvals are obtained and the expected cash flows from the assets. The assessment is however based on current judgments and if it should turn out that it is not possible to realize the commercial plans, impairment losses could arise in the future and the effect could be significant.

The company has capitalized the goodwill amounting to DKK 11.2 million related to the acquisition of CannGros. The capitalization is based on the management's assessment that continuous development of the existing business through strategic diversification of the product portfolio from partnerships will increase the cash flow from the operations. There is a risk that impairment losses could arise in the future if the expected commercial development at CannGros is not possible to realize.

Furthermore, it should be noted that the recognition and measurement of tax credits are subject to uncertainty. This uncertainty arises from the interpretation of the tax law regarding the content and use of the tax-credit system. As a result, the recognition amount for 2022, 1.492 T.DKK, and 2021, 2.919 T.DKK, is subject to some uncertainty. The company faces the possibility that SKAT may take a different view of the development costs, leading to further uncertainty.

Note 3 – Staff costs

Note 2	Group		Parent	
	2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000
Staff costs				
Average number of employees	10	10	10	10
Wages and salaries	7,540	6,283	6,579	6,250
Pensions	783	739	728	739
Social security costs	101	69	97	69
Other staff costs	93	33	92	33
	8,517	7,124	7,496	7,091
Remuneration of Executive Board	1,111	905	1,111	905
Remuneration of Board of Directors	423	313	423	313
	1,534	1,218	1,534	1,218

Incentives Programs

The Board of Directors have granted warrants for the management team. In 2021 508,573 warrants have been issued and can be exercised until 2025. The warrants are vesting in three equal stages over three years. Each warrant gives a right to subscribe a share in DanCann Pharma A/S of nominally DKK 0.0375. When exercising the issued warrants, an amount of DKK 3.3327 is payable per share of a nominal value of DKK 0.0375 (the exercise price).

The Board of Directors have granted warrants for the management team. In 2022 508,574 warrants have been issued and can be exercised until 2026. The warrants are vesting in three equal stages over three years. Each warrant gives a right to subscribe a share in DanCann Pharma A/S of nominally DKK 0.0375. When exercising the issued warrants, an amount of DKK 3.102 is payable per share of a nominal value of DKK 0.0375 (the exercise price).

The company has granted warrants for the Board of Directors. In 2021 150,000 warrants have been issued and can be exercised until 2025. The warrants are vesting in three equal stages over the next three years. Each warrant gives a right to subscribe a share in DanCann Pharma A/S of nominally DKK 0.0375. When exercising the issued warrants, an amount of DKK 3.8993 is payable per share of a nominal value of DKK 0.0375 (the exercise price).

The company has granted warrants for the Board of Directors. In 2022 75,000 warrants have been issued and can be exercised until 2026. The warrants are vesting in three equal stages over the next three years. Each warrant gives a right to subscribe a share in DanCann Pharma A/S of nominally DKK 0.0375. When exercising the issued warrants, an amount of DKK 3.102 is payable per share of a nominal value of DKK 0.0375 (the exercise price).

Note 4 – Tax on profit/loss for the year

Note 3	Group		Parent	
	2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000
Tax on profit/loss for the year				
Calculated tax on income of the year	-1,492	-2,865	-1,492	-2,919
Calculated Joint tax contribution	0	0	-193	0
Adjustment of tax in previous years.	280	-207	280	-207
Adjustment of deferred tax	-974	-363	-974	-363
	-2,186	-3,435	-2,379	-3,489

Note 5 – Proposed distribution of profit

Note 4	Group		Parent	
	2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000
Proposed distribution of profit				
Retained earnings	-16,064	-11,750	-16,064	-11,750
	-16,064	-11,750	-16,064	-11,750

Note 6 – Intangible assets

Intangible assets	Group		
	Intangible fixed assets acquired	Goodwill	Development projects in progress and prepayments
Cost at 1 January 2022	0	12,763	28,954
Additions	821	0	6,442
Transferred	0	0	340
Cost at 31 December 2022	821	12,763	35,736
Amortisation at 1 January 2022	0	266	0
Amortisation for the year	0	1,276	0
Amortisation at 31 December 2022	0	1,542	0
Carrying amount at 31 December 2022	821	11,221	35,736

The company's facility, Biotech Pharm1, is being developed based on best practice from the pharmaceutical industry in combination with advanced environmentally controlled agricultural technology and vertical agriculture. Biotech Pharm1 is designed to supply cannabis to the European market in accordance with EU Good Manufacturing Practice (GMP) standards. Biotech Pharm1 is awaiting EU-GMP the necessary approval from the Danish Medicines Agency and subsequent product approvals in order to generate revenue. The valuation of the development projects is based on the assumption that the necessary approvals are obtained, but there is inherently an uncertainty related to this assessment.

Note 6 – Continued

Intangible fixed assets (continued)	Parent	
	Intangible fixed assets acquired	Development projects in progress and prepayments
Cost at 1 January 2022	0	28,954
Additions	821	6,442
Transferred	0	340
Cost at 31 December 2022	821	35,736
Carrying amount at 31 December 2022	821	35,736

Note 7 – Property, plant, equipment

Property, plant and equipment	Group		
	Other plant, machinery tools and equipment	Leasehold improvements	Tangible fixed assets in progress and prepayment
Cost at 1 January 2022	3,425	3,460	3,322
Additions	175	468	363
Transferred	0	0	-340
Cost at 31 December 2022	3,600	3,928	3,345
Depreciation and impairment losses at 1 January 2022	387	250	0
Depreciation for the year	499	456	0
Depreciation and impairment losses at 31 December 2022	886	706	0
Carrying amount at 31 December 2022	2,714	3,222	3,345

Note 7 – Continued

	Parent		
Property, plant and equipment	Other plant, machinery tools and equipment	Leasehold improvements	Tangible fixed assets in progress and prepayment
Cost at 1 January 2022	3.425	3.460	3.322
Additions	175	468	363
Transferred	0	0	-340
Cost at 31 December 2022	3.600	3.928	3.345
Depreciation and impairment losses at 1 January 2022	387	250	0
Depreciation for the year	499	456	0
Depreciation and impairment losses at 31 December 2022	886	706	0
Carrying amount at 31 December 2022	2.714	3.222	3.345

Note 8 – Financial non-current assets

	Group
Financial non-current assets	Rent deposit and other receivables
Cost at 1 January 2022	322
Cost at 31 December 2022	322
Carrying amount at 31 December 2022	322

Note 8 – Continued

	Parent	
Parent Company	Investments in subsidiaries	Rent deposit and other receivables
Cost at 1 January 2022	13.000	322
Cost at 31 December 2022	13.000	322
Revaluation at 1 January 2022	190	0
Revaluation and impairment losses for the year	670	0
Revaluation at 31 December 2022	860	0
Impairment losses and amortisation of goodwill at 1 January 2022	266	0
Amortisation of goodwill	1.276	0
Impairment losses and amortisation of goodwill at 31 December 2022	1.542	0
Carrying amount at 31 December 2022	12.318	322

Investments in subsidiaries (DKK '000)			
Name and domicil	Equity	Profit/loss for the year	Ownership
CannGros ApS, Varde	1,096,420	669,669	100 %

Note 9 – Prepayments

	Group		Parent	
Prepayments	2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000
Costs	474	478	474	478
	474	478	474	478

Note 10 – Share capital

Share capital		
Allocation of share capital: 1,0 unit in the denomination of 1 DKK	0	0
Capital raise, 14,060,770 unit in the denomination of 0.0375 DKK	527	527
Capital raise, 6,670,000 unit in the denomination of 0.0375 DKK	250	250
Capital raise, 1,702,339 unit in the denomination of 0.0375 DKK	63	63
Capital raise, 1,910,480 unit in the denomination of 0.0375 DKK	72	72
Capital raise, 2,207,399 unit in the denomination of 0.0375 DKK	83	83
Capital raise, 1,254,248 unit in the denomination of 0.0375 DKK	47	0
Capital raise, 663,023 unit in the denomination of 0.0375 DKK	25	0
Capital raise, 36,546,350 unit in the denomination of 0.0375 DKK	1.371	0
	2.438	995

Note 11 – Provision for deferred tax

	Group		Parent	
Deferred tax	2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000
Deferred tax regarding Development projects in progress and prepayments	7.862	6.370	7.862	6.370
Production plant and machinery	-204	-37	-204	-37
Leasehold improvements	-475	-41	-475	-41
Prepayment and accrued income	27	11	27	11
Remaining unused tax losses	-7.210	-5.329	-7.210	-5.329
	0	974	0	974

	Group		Parent	
Deferred tax	2022 DKK '000	2021 DKK '000	2022 DKK '000	2021 DKK '000
Deferred tax, beginning of year	974	1.337	974	1.337
Deferred tax of the year, income statement	-974	-363	-974	-363
Provision for deferred tax 31 December 2022	0	974	0	974

Note 12 – Contingent liabilities

Contingent liabilities

The company has entered into one rental of property with an annual rent of **DKK ('000) 303**.

The rental can not be terminated from the landlord before **1 June 2030** and DanCann Pharma A/S has pre-emptive right to purchase of the property.

Another rental of property have an annual rent of **DKK ('000) 76** that can be terminated by both parties with **6 month notice**.

The company has entered into rent obligations which at the balance sheet date amount to **DKK 1 thousand** during the notice period

The company has entered into an operational leasing contract with a total leasing obligation of **DKK ('000) 41**.

Total Liabilities under rental or lease agreements until maturity **DKK ('000) 31,886**.
(DKK('000) 35,807 in 2021)

Note 13 – Joint liabilities

Joint liabilities

The Danish companies of the group is jointly and severally liable for tax on the group's jointly taxed income and for certain possible withholding taxes such as dividend tax and royalty tax, and for the joint registration of VAT. This is the responsibility of Dancann Pharma A/S.

Tax payable of the group's jointly taxed income amounts to DKK ('000) 0 at the Balance Sheet date.

Note 14 – Charges and securities

Cash of DKK ('000) 656 have been set as security in bank.

Note 15 – Related parties

Related parties

The Company have no related parties with controlling interest

Transactions with related parties

The Company did not carry out any material transactions that were not concluded on market conditions. According to section 98c, subsection 7 of the Danish Financial Statements Act information is given only on transactions that were not performed on common market conditions.

Accounting Policies

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium) with addition of a few provisions governing reporting class C enterprises (large).

The Annual Report is prepared consistently with the accounting principles applied last year.

Consolidated Financial Statements

The Consolidated Financial Statements include the Parent Company DanCann Pharma A/S and the subsidiaries in which DanCann Pharma A/S directly or indirectly holds more than 50% of the voting rights or in any other way has a controlling influence. Enterprises in which the Group holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence, are considered associates, see the Group structure.

Basis of consolidation

The Consolidated Financial Statements consolidate the Financial Statements of the Parent Company and the subsidiaries by combining uniform accounts items. Inter-company income and expenses, shareholdings, intercompany accounts and dividend, and realised and unrealized gains and losses arising from transactions between the consolidated enterprises are fully eliminated in the consolidation.

Business combinations

Newly acquired or established enterprises are recognised in the Consolidated Financial Statements from the date of acquisition. Sold or wound up enterprises are recognised in the Consolidated Income Statement up to the date of disposal. Comparative figures are not adjusted for newly acquired, sold or wound up enterprises.

The date of acquisition is the date at which the Group gains actual control over the acquired enterprises. Acquired enterprises are recognised in the Consolidated Financial Statements under the acquisition method, reassessing all identified assets and liabilities to fair value at the acquisition date. The fair value is calculated based on acquisitions made in an active market, alternatively calculated using generally accepted valuation methods. Deferred tax on the taken over reassessments is recognized with the exception of goodwill.

At calculation of the fair value of investment properties, a discounted cash flow model is applied based on discounted cash flow of future earnings. Operating equipment is recognised at fair value based on an assessor's opinion, using an overall assessment of the production equipment.

Positive differences (goodwill) between the acquisition value and fair value of acquired and identified assets and liabilities are recognised in intangible fixed assets as goodwill and amortised systematically in the Income Statement under an individual assessment of the useful life.

Investments in associates are measured in the Balance Sheet at the proportional share of the equity value of the enterprises, calculated under the accounting policies of the Parent Company and eliminating proportionally any unrealised intercompany gains and losses. The proportional share of the results of the associates is recognised in the Income Statement after elimination of the proportional share of internal gains and losses.

Negative differences are recognised in the Income Statement at the date of acquisition. Transaction costs, incurred in connection with acquisition of enterprises, are recognized in the Income Statement in the year in which the costs are incurred.

Investments in subsidiary enterprises are set off by the proportional share of the subsidiaries' fair value of net assets and liabilities at the acquisition date.

INCOME STATEMENT

Net revenue

Net revenue from the sale of merchandise and finished goods is recognised in the Income Statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received.

Net revenue is recognised exclusive of VAT and less duties and discounts related to the sale.

Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Own work capitalised

Own work capitalised comprises staff costs incurred in the financial year and recognised in cost for proprietary intangible assets.

Other operating income

Other operating income includes items of a secondary nature in relation to the enterprises' principal activities, including salary refunds. Compensations are recognised when the income is estimated to be realisable.

Other external expenses

Other external expenses include other production, sales, delivery and administrative costs, including costs of energy, marketing, premises, loss on bad debts, lease expenses, etc

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions, and other costs of social security etc., for the Group and the Parent Company's employees.

Income from investments in subsidiaries

The proportional share of the results of subsidiaries, stated according to the Parent Company's accounting policies and with full elimination of unrealised intercompany profits/losses and deduction of amortisation of added value and goodwill resulting from purchase price allocation at the date of acquisition, is recognised in the Parent Company's Income Statement.

Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses debt and transactions in foreign currencies, as well as charges and allowances under the tax-on-account scheme, etc.

Financial income and expenses are recognised by the amounts that relate to the financial year. Interest income and expenses are calculated on amortised cost prices.

Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the Income Statement by the share that may be attributed to the profit for the year, and is recognised directly in equity by the share that may be attributed to entries directly to equity.

BALANCE SHEET

Intangible fixed assets

Licences are measured at the lower of cost less accumulated amortisation and the recoverable amount.

Licences are amortised over the period of the agreement, however, no more than 10 years.

Acquired goodwill is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over the expected useful life which is estimated to 10 years. The period of amortisation is determined based on an assessment of the acquired Company's position in the market and earnings profile, and the industry-specific conditions.

Development costs comprise costs, including wages and salaries, and amortisation, which directly or indirectly can be related to the company's development activities and which fulfil the criteria for recognition.

Capitalised development costs are measured at the lower of cost less accumulated amortisation or recoverable amount.

Capitalised development costs are amortised on a straight line basis over the estimated useful life after completion of the development work. The amortisation period is to begin after completion of the development work.

Intangible fixed assets are generally written down to the lower of recoverable value and carrying amount.

Profit or loss from sale of intangible fixed assets is calculated at the difference between the sales price and the carrying amount at the time of the sale. Profit and loss are recognized in the Income Statement under other operating income or other operating expenses.

Tangible fixed assets

Other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Other plant, fixtures and equipment	1-5 years	0-63 %
Leasehold improvement	5-10 years	0 %

Profit or loss on sale of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the date of sale. Profit or loss is recognised in the Income Statement as other operating income or other operating expenses.

Fixed asset investments

Investments in Equity interests in subsidiaries are measured in the Parent Company Balance Sheet under the equity method, which is regarded as a method of measuring/consolidation.

Equity investments in subsidiaries are measured in the Balance Sheet at the proportional share of the enterprises' carrying equity value, calculated in accordance with the Parent Company's accounting policies with deduction or addition of unrealised intercompany profits or losses and with addition or deduction of the residual value of positive or negative goodwill calculated according to the acquisition method.

Negative goodwill is recognised in the Income Statement when the equity interest is acquired. Where the negative goodwill is related to acquired contingent liabilities, the

negative goodwill will be recognised as income when the contingent liabilities have been settled or cease.

Acquired enterprises are subject to the acquisition method, reassessing all identified assets and liabilities to fair value at the acquisition date. The fair value is calculated based on acquisitions made in an active market, alternatively calculated using generally accepted valuation models.

A discounted cash flow model is used to calculate the fair value of investment properties based on a discounted cash flow of future earnings. Operating equipment is recognised at fair value based on an assessor's opinion, based on an overall assessment of the production equipment.

The acquisition date is the date on which the Company gains actual control over the acquired entity. Consolidated goodwill is amortised over the expected useful life, which is determined on the basis of Management's experience within the individual lines of business.

Consolidated goodwill is amortised on a straightline basis over the amortisation period, which is 10 years.

The amortisation period is determined on the basis of an assessment of the acquired entity's market position and earnings profile, and the industry specific condition.

Net revaluation of equity interests in subsidiaries is transferred under equity to reserve for net revaluation under the equity value method to the extent that the carrying amount exceeds the acquisition value.

Other receivables are measured at amortised cost which usually corresponds to the nominal amount. The amount is written down to meet expected losses.

Impairment of fixed assets

The carrying amount of intangible fixed and tangible assets together with fixed assets, which are not measured at fair value, are assessed annually for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the asset is written down to the recoverable amount.

The recoverable amount is calculated at the higher of the capital value and the sales value less expected costs of a sale. The capital value is determined as the Company's share in the current value of the net cash flows which the subsidiary is expected to generate through its activities and from sale of assets after the end of their useful lives. A discount rate is used which reflects the risk-free market rate and the owners' minimum return on interest requirements for similar assets. The growth rate in the terminal period is determined in accordance with the standards within the industry.

Inventories

Inventories are measured at cost using the FIFO-principle. If the net realisable amount is lower than cost, the inventories are written down to the lower amount.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The net realisable value of inventories is stated at the expected sales price less direct completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price of the inventories.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is written down to meet expected losses.

Prepayments

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the Balance Sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The Company is subject to joint taxation with Danish Group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. Current joint taxation contributions payable or joint taxation contributions receivable are recognised in the balance sheet, calculated as tax computed on the taxable

income for the year, which has been adjusted for prepaid tax. For tax losses, joint taxation contributions receivable are only recognised if such losses are expected to be used under the joint taxation arrangement.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, are measured at the amount at which the asset is expected to be used within a reasonable number of years, either by setoff against tax on future earnings or by setoff against deferred tax liabilities within the same legal tax entity. Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the Balance Sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less transaction costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the Income Statement over the loan period. The amortised cost of current liabilities corresponds usually to the nominal value.

Leasing services relating to operational leasing agreements are recognized on a straight-line basis in the income statement above the lease period.

Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the Income Statement as a financial income or expense.

Receivables, payables and other monetary items in foreign currencies that are not settled on the Balance Sheet date are translated at the exchange rate on the Balance Sheet date. The difference between the exchange rate on the Balance Sheet date and the exchange rate at the date when

the receivables or payables come into existence recognised in the Income Statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

CASH FLOW STATEMENT

The cash flow statement shows the Company's cash flows for the year for operating activities, investing activities and financing activities in the year, the change in cash and cash equivalents of the year and cash and cash equivalents at beginning and end of the year.

Cash flows from operating activities:

Cash flows from operating activities are computed as the results for the year adjusted for non-cash operating items, changes in net working capital and corporation tax paid.

Cash flows from investing activities:

Cash flows from investing activities include payments in connection with purchase and sale of intangible and tangible fixed asset and fixed asset investments.

Cash flows from financing activities:

Cash flows from financing activities include changes in the size or composition of share capital and related costs, and borrowings and repayment of interest-bearing debt and payment of dividend to shareholders.

Cash and cash equivalents:

Cash and cash equivalents include bank overdraft and cash in hand.

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Jeppe Krog Rasmussen

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Tue Østergaard

Bestyrelsesmedlem

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Christian Carlsen

Bestyrelsesmedlem

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