

GRO Fund II K/S

Grønningen 17, 2., DK-1270 Copenhagen

CVR no. 39 82 67 71

Annual Report 2023

Lars Dybkjær,
Chairman _____

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on 14 / 3 - 2024

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MANAGEMENT'S STATEMENT

The Executive Board has today discussed and approved the Annual Report of GRO Fund II K/S for the financial year 1 January - 31 December 2023.

The Annual Report has been prepared in accordance with IFRS Accounting Standards as adopted by the EU, further Danish disclosure requirements according to the Danish Financial Statements Act and in accordance with the Regulation (EU) 2019/2088 (also known as the EU Sustainable Finance Disclosure Regulation or the "SFDR").

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2023 and of the results of the Company's operations and cash flow for the financial year 1 January - 31 December 2023.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

The Executive Board recommends that the Annual Report be approved at the Annual General meeting.

Copenhagen, 14 March 2024

Executive Board

Karsten Holst Bork Kristoffersen
GRO Fund II GP ApS

Torben Carlsen
GRO Fund II GP ApS

INDEPENDENT AUDITOR'S REPORT

To the General Partner and Limited Partners of GRO Fund II K/S.

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2023, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2023 in accordance with IFRS Accounting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Financial Statements of GRO Fund II K/S for the financial year 1 January - 31 December 2023, which comprise statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act and the Regulation (EU) 2019/2088 (also known as the EU Sustainable Finance Disclosure Regulation or the "SFDR").

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act and the Regulation (EU) 2019/2088 (also known as the EU Sustainable Finance Disclosure Regulation or the "SFDR"). We did not identify any material misstatement in Management's Review.

INDEPENDENT AUDITOR'S REPORT

Management's Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

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

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.

Copenhagen, 14 March 2024
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Søren Ørjan Jensen
State Authorised Public Accountant
mne33226

COMPANY INFORMATION

The Company

GRO Fund II K/S
Grønningen 17, 2.
DK-1270 Copenhagen

CVR No: 39 82 67 71
Financial period: 1 January – 31 December
Municipality of reg. office: Copenhagen

General Partner (authorised to
sign for the Company)

GRO Fund II GP ApS
Grønningen 17, 2.
DK-1270 Copenhagen

Auditor

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

MANAGEMENT'S REVIEW

Principal activities of the Company

The object of the limited partnership is to generate returns on the limited partnership's capital by making investments in primarily small and medium-sized unlisted Nordic and Northern European companies.

Business model

GRO Fund II K/S is a limited partnership with the intention of being the owner of various portfolio companies. It is a Private Equity fund with the investment mandate to own primarily privately-owned portfolio companies and the ownership stakes may be small or large, minority or majority. GRO Fund II K/S has no employees and no activities other than holding investments made in portfolio companies. Investments are managed and controlled by the Fund Manager for the fund GRO Capital A/S, and external investment professionals is elected to give investment advice and monitor the investments. GRO Fund II GP ApS act as the General Partner.

The limited partnership's purpose is to generate returns on the limited partnership's capital by making investments in primarily small and medium-sized unlisted Nordic and Northern European companies, with an expected exit after 4-7 years. When all the investments are exited the Company will be liquidated.

The General Partner is aware and concerned about the importance of social corporate responsibility and the sustainability aspects of business. The responsibility for this lies not with the Fund its self, but with the portfolio companies and supported by the focus of the Investment Professionals.

Development in the year

The income statement of the Company for 2023 shows a profit of TEUR 55,375, and at 31 December 2023 the balance sheet of the Company shows equity of TEUR 357,982.

The profit and equity are impacted primarily from fair value adjustment of investments and management fee cost. Fair value adjustments increased during 2023 as a result of strong growth and performance in the portfolio companies.

Management expected management fee for 2023 to be MEUR 3,0 – 4,0, which is considered achieved.

Development in activities and financial matters

The Company's financial position and the result of the year will be shown in the following income statement of the financial year 1 January - 31 December 2023 and the balance sheet as per 31 December 2023.

The Company has invested in following portfolio companies:

Omada (2018) is a market leading provider of Software solutions and services for Identity Management and Access Governance. Omada Identity delivers comprehensive identity and access management functionality on-premises or as-a-service.

Adform (2019) is a global leader of ad tech software. Adform is a global, independent and fully integrated advertising platform built for modern marketing, which automate and optimize the effectiveness of digital advertising processes.

Queue-IT (2020) is a global leader virtual waiting room software. A virtual waiting room is a cloud-based service for websites or mobile commerce solutions to control traffic surges.

iPoint (2020) offers product compliance and sustainability software. iPoint empowers companies to collect, analyze and report all necessary data to assess the environmental, social, and economic impacts of their products and related processes.

MANAGEMENT'S REVIEW

Luxion (2021) specializes in advancing state of the art technology in rendering and computer-based lighting simulations. Luxion has expert knowledge in areas related to rendering technology, daylighting (atmospheric scattering), light scattering by materials, light transport algorithms such as photon mapping, and spectral simulations.

Secomea (2021) is a leading provider of remote maintenance Industrial Internet of Things solutions used by Machine Builders, Integrators and Manufacturers worldwide.

Promon (2022) specializes in App and Software security. Promon is providing Next-gen application shielding technology.

The Management Company GRO Capital A/S considers Promon as the last platform investment in GRO Fund II, and the fund is then fully deployed. For additional information, please refer to note 6.

Corporate Responsibility

The Company's business model reflects the fact that each of the portfolio companies are independent companies which operates in different industries and countries and therefore face different corporate responsibility risks. As a holding company, the Company is responsible for setting the overall corporate responsibility priorities and providing the appropriate risk management framework through active ownership. In turn, each portfolio company is responsible for defining their own corporate responsibility strategy with relevant activities and actions, and where necessary, supporting policies.

Within the corporate responsibility efforts, the Company is focused on the environmental, social and governance areas that build financial and non-financial value in the portfolio companies. Also, by creating value and return to the Company's investors the Company build value to universities and pension funds among others and by that affecting the society at large.

Environment and climate

The Company's activities usually do not cause detectable harm or damage to the environment. The Company through its ownership in the portfolio companies strives to contribute to environmental improvements. The Company believes that strengthening sustainability practices will benefit companies both in the short and long term. The direct positive impact on the environment also translates into economic gains.

The Company has through their active ownership implemented the recommendations from the Task Force on Climate-Related Financial Disclosures by establishing internal processes and procedures for data collection processes to meet the criteria laid out in Article 4(1)(a) of Regulation (EU) 2019/2088 (also known as the EU Sustainable Finance Disclosure Regulation or the "SFDR") and currently applies Article 4(1)(b) of SFDR. GRO Fund II K/S investments are under the scope of SFDR Article 8, and thus, the Company developed internal reporting frameworks to monitor progress more closely on sustainability in portfolio companies due to the responsibility to report in accordance with the framework.

According to the regulation described (SFDR), GRO Fund II K/S are required to report on Sustainability. Accordingly, below description and reporting on Sustainability are aligned with these requirements.

Risk analysis

For an investment fund such as GRO Fund II K/S, the risks are related to making the right investment decisions, being good active owners and managing the investments and transactions properly from a commercial and compliance perspective. Under the above business model, these risk factors are managed by the GRO Fund II GP ApS, and Investment Professionals.

Risks of potential negative effects on environmental, social aspects, work conditions, human rights or anti-corruption factors will occur in the portfolio companies and not directly in the Fund. Thus, risk analysis needs to be done at a portfolio company level and relating to the business activities of the portfolio company. This is supported by the focus of the Investment Professionals.

MANAGEMENT'S REVIEW

Uncertainty relating to recognition and measurement

Investments in portfolio companies consist of shares in unlisted companies where no exact trading value exists. The Company is using recognized valuation methods to measure the portfolio companies at fair value. The valuation is as far as possible based on comparable external market data, but also on estimates and judgements made by Management. As a result, significant uncertainty is associated with this. For additional information, please refer to sensitivity analysis under note 4.

Expectations to next year

Management expects fair value adjustments to increase during 2024 as a continued result of strong growth and performance in the portfolio companies. Management expects the level of cost to decrease in 2024 compared to 2023, since Management fee to GRO Capital A/S is expected to be lowered caused by sale of investments. The impact depends on what investments and the timing. The cost level is expected to be M.EUR 3.0-3.9.

Financial risks

Financial and other risks material to the financial statements is presented in section "Notes to the financial statements". Please refer to note 3. For information about the methods and assumptions used in determining fair value please refer to note 2 and 4.

Consolidated financial statements

The Company meets the conditions of being an investment entity and is exempt from preparing consolidated financial statements for 2023. For further explanation, please refer to note 1.

Subsequent events

No subsequent events have occurred after the balance sheet date.

FINANCIAL HIGHLIGHTS

Financial Highlights

The financial highlights and ratios for the Fund per December 31, 2023, were as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019*</u>
	TEUR	TEUR	TEUR	TEUR	TEUR
Financial highlights					
Key figures					
Value adjustments of investments	59,618	-5,189	68,656	33,784	6,160
Net profit/loss for the year	55,375	-9,553	63,079	28,316	-5,845
Total assets	358,062	295,437	253,107	142,832	74,090
Equity	357,982	295,397	252,866	142,641	73,960
Ratios					
Solvency ratio (%)	100%	100%	100%	100%	100%
Return on average equity (%)	17%	-3%	32%	22%	-11%

*Financial Statements for 2019 have been prepared in accordance with Danish Financial Statements Act.

STATEMENT OF COMPREHENSIVE INCOME

	<u>Note</u>	<u>1 Jan – 31 Dec 2023</u> TEUR	<u>1 Jan – 31 Dec 2022</u> TEUR
Value adjustment of investments	4	59,618	-5,189
Other external costs	7	-4,243	-4,089
Operating profit/(loss) (EBIT)		55,375	-9,278
Financial income		0	0
Financial expenses		0	-275
Profit/(loss) before tax		55,375	-9,553
Tax on net profit/(loss) for the year		0	0
Net profit/(loss) for the year		55,375	-9,553
Other comprehensive income		0	0
Comprehensive income		55,375	-9,553
Equity postings:			
Retained earnings		-4,243	-4,364
Revaluation reserve		59,618	-5,189
Comprehensive income		55,375	-9,533

GRO FUND II K/S

BALANCE SHEET 31 DECEMBER

	Note	31 December 2023 TEUR	31 December 2022 TEUR
ASSETS			
Investments in portfolio companies	4 & 5	356,273	293,566
Total non-current assets		356,273	293,566
Other receivables		57	407
Cash and cash equivalents		1,732	1,464
Total current assets		1,789	1,871
Total assets		358,062	295,437
EQUITY AND LIABILITIES			
Capital contribution		251,470	251,470
Unpaid capital contribution		-29,074	-36,284
Revaluation reserve		163,028	103,410
Retained earnings/(losses)		-27,442	-23,199
Total equity		357,982	295,397
Other payables		80	40
Total short-term liabilities		80	40
Total liabilities		80	40
Total liabilities and equity		358,062	295,437

STATEMENT OF CHANGES IN EQUITY

	Contributed capital TEUR	Unpaid share capital TEUR	Revaluation reserve TEUR	Retained earnings TEUR	Equity TEUR
Balance 1 January 2022	251,470	-88,368	108,599	-18,835	252,866
Payment of unpaid capital contribution	-	52,084	-	-	52,084
Revaluation for the year	-	-	-5,189	-	-5,189
Result of the year	-	-	-	-4,364	-4,364
Limited partners equity total 31 December 2022	<u>251,470</u>	<u>-36,284</u>	<u>103,410</u>	<u>-23,199</u>	<u>295,397</u>
	Contributed capital TEUR	Unpaid share capital TEUR	Revaluation reserve TEUR	Retained earnings TEUR	Equity TEUR
Balance 1 January 2023	251,470	-36,284	103,410	-23,199	295,397
Payment of unpaid capital contribution	-	7,210	-	-	7,210
Revaluation for the year	-	-	59,618	-	59,618
Result of the year	-	-	-	-4,243	-4,243
Limited partners equity total 31 December 2023	<u>251,470</u>	<u>29,074</u>	<u>163,028</u>	<u>-27,442</u>	<u>357,982</u>

CASH FLOW STATEMENT

	<u>2023</u>	<u>2022</u>
	TEUR	TEUR
Operating profit/(loss) (EBIT)	55,375	-9,278
Purchase of financial investments (portfolio Companies)	-3,089	-48,387
Value adjustment of investments (unrealized)	-59,618	-5,189
Change in working capital	390	445
Financial expense paid	0	-275
Cash flow from operating activities	<u>-6,942</u>	<u>-52,306</u>
Payment of unpaid capital contribution	<u>7,210</u>	<u>52,084</u>
Cash flow from financing activities	<u>7,210</u>	<u>52,084</u>
Net increase in cash and cash equivalents	<u>268</u>	<u>-222</u>
Cash and cash equivalents at the beginning of the year	1,464	1,686
Cash and cash equivalents at the end of the year	<u>1,732</u>	<u>1,464</u>

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of significant accounting policies

General information

The Annual Report of the Company has been prepared in accordance with the provisions of the International Financial Reporting Standard which is approved by the EU and further disclosure requirements according to the Danish Financial Statements Act for Class C (medium size entities).

The Annual Report is prepared in TEUR.

The accounting policies applied to these financial statements are consistent with those applied last year.

The Fund's investments are portfolio companies which are not subject to IFRS 9. The Fund has no material assets or liabilities subject to IFRS 9.

The Fund's income consists of fair value changes, on investments in portfolio companies, and the Fund has no contracts subject to IFRS 15.

The most significant elements of the accounting principles applied are described below.

Functional currency and presentation currency

Assets, liabilities and transactions of GRO Fund II K/S are measured in the currency of the primary economic environment in which the company operates (functional currency). Transactions in currencies other than the functional currency are transactions in foreign currencies. The functional currency of the company is Euro (EUR).

Defining materiality

If a line item is not individually material, it is aggregated with other items and notes of a similar nature in the financial statements or in the notes. There are substantial disclosure requirements throughout IFRS.

Management provides specific disclosures required by IFRS unless the information is considered immaterial to the economic decision-making of the users of these financial statements or not applicable.

Implementation of new standards, amendments, and interpretations

The Company has assessed the effect of the new standards, amendments, and interpretations. The Company has concluded that all standards, amendments, and interpretations effective for financial years beginning on or after 1 January 2023 are either not relevant to the Company or have no significant effect on the Financial Statements of the Company.

The Company further believes that other amended Standards and Interpretations, which have not entered into force, will not have significant impact on the financial statements as well as they have not been implemented before time.

Explanation on omitting consolidated financial statements

GRO Fund II K/S has multiple unrelated investors and holds multiple investments in portfolio companies. The Company has been deemed to meet the definition of an investment entity per IFRS 10 as the following conditions exist:

NOTES TO THE FINANCIAL STATEMENTS

- 1) The Limited Partnership has more than one portfolio investment (portfolio companies).
- 2) The Limited Partnership has more than one investor, and its investors are not related parties
- 3) The Limited Partnership's investments in portfolio companies take the form of equity instruments or similar investments (portfolio companies).
- 4) The investments are measured and evaluated on a fair value basis.

As the Company meets the conditions above, it is exempt from consolidating portfolio companies. Instead, it records its controlled investments as financial assets at fair value through profit or loss.

Foreign currency translation

Transactions denominated in foreign currencies are translated at the exchange rates at the date of the transaction.

Receivables, liabilities and other items in foreign currencies which have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date.

Realised and unrealised exchange rate adjustments are included in the income statement as financial income/expenses.

Balance sheet

Investments in portfolio companies etc.

Investments in subsidiaries, associates, other securities and investments comprise investments in portfolio companies and are measured at fair value on the balance sheet date. Value adjustments of portfolio companies are measured at fair value through profit and loss.

When measuring investments in portfolio companies, the company considers the guidelines of the "International Private Equity and Venture Capital" (IPEV) "Valuation Guidelines" and Invest Europe, previously the European Venture Capital Association (EVCA) reporting standards.

Unlisted portfolio companies are valued either by way of capital increase and/or value of comparable companies as well as by applying generally acceptable measurement methods.

Equity

An amount corresponding to net positive unrealised value adjustments of investments in subsidiaries and associated companies is presented as "revaluation reserve" under the equity.

Liabilities

Liabilities are measured at amortized cost, which, in all essentials, corresponds to the net realizable value.

Comprehensive income statement

Value adjustments of investments

Income from investments in portfolio companies comprises gains/losses from divestments, fair value changes and received dividends and other similar types of returns from the investments. Gains/losses from divestment of investments in portfolio companies are stated as the difference between the selling price or disposal consideration and the carrying amount of the portfolio companies at the time of sale or disposal, respectively. Carried interest reduce gain or loss from investments in portfolio companies if the conditions for carried interest are fulfilled.

Other external costs

Management fee comprises of management fee for the period calculated according to the Limited Partnership Agreement. Administrative expenses comprise expenses for establishing the Company and managing the operations of the company, including audit costs, legal advisors and other general expenses.

NOTES TO THE FINANCIAL STATEMENTS

Financial income and expenses

Financial income and expense are recognised in the income statement with the amounts relating to the reporting period. Net financials include interest income and expense and realised and unrealised exchange rate gains and losses on foreign currency transactions.

Tax on profit/loss for the year

The Company is not independently liable to tax and consequently tax has not been recognized.

Cash Flow Statement

The cash flow statement shows the Company's cash flows for the year broken down by operating and financing activities, changes for the year in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items. Working capital comprises current assets less short-term excluding items included in cash and cash equivalents.

Cash flows from financing activities comprise cash flows from payments/distributions and contributions to and from shareholders/limited partners.

Cash and cash equivalents comprise "Cash at bank and in hand" as well as balances in "Credit institutions". The cash flow statement cannot be immediately derived from the published financial records.

2. Critical accounting estimates and judgments

GRO Fund II K/S makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are presented below.

Fair value of investments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value for unlisted equity securities is determined by the General Partner using valuation techniques. Such valuation techniques may include earnings multiples and discounted cash flows. The Partnership adjust the valuation model as deemed necessary for factors such considerations as illiquidity and other differences, advantages and disadvantages between the Partnership's portfolio company and the comparable public companies based in company specific facts and circumstances.

In determining fair value, the General Partner relies on the financial data of investee portfolio companies and on estimates by the management of the investee portfolio companies as to the effect of future developments. Although the General Partner uses its best judgement, and cross-references results of primary valuation models against secondary models in estimating the fair value of investments, there are inherent limitations in any estimation techniques.

The fair value estimates presented herein are not necessarily indicative of an amount the Partnership could realise in a current transaction. Future confirming events will also affect the estimates of fair value. The effect of such events on the estimates of fair value, including the ultimate liquidation of investments, could be material to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

The fair value of securities that are not quoted in an active market are determined by using valuation techniques described below. The Company's general partner seeks to adhere both to Invest Europe reporting standards and to the IPEV Valuation Guidelines.

Valuation is based on a market-based method if possible. Unlisted portfolio companies are valued on the basis of the latest share-based or external capital injection made between independent parties through the use of earnings multiples and/or by comparison to relevant benchmark companies. Please refer to note 4 for further details on the valuation models and processes.

Methods and assumptions for determining fair values in unlisted portfolio companies
The fair value for each unlisted portfolio companies is determined based on methods which best reflect the individual investment's potential and risk.

In general, the fair value is determined following the guidelines which prescribe the use of accepted valuation methods, such as multiple analysis/benchmarking, most recent transaction multiple and other relevant methods. Upon initial investment, cost of the investment is generally determined to represent the fair value. In connection with the use of this method, the Company assesses which multiples are applicable as well as assesses the determination of the applicable earnings to be used in the calculation of the deemed fair value.

The fair value is determined in the functional currency of the portfolio companies, which is then translated to Euro at the exchange rate at the balance sheet date, and any exchange rate adjustment is included in the fair value adjustment of the investment in profit or loss.

The equity interest represents the Company's ownership after dilution of incentive programmes provided to management in the respective portfolio companies and before any effect of different share classes which may be present in the holding structures, such as preference shares.

3. Financial risks and financial instruments

The objective of the Company is to achieve medium to long-term capital growth through investing in a selection of unlisted private companies operating mainly in the Nordic market.

The Company's activities expose it to a variety of financial risks: market risk, foreign exchange risk, liquidity risk and credit risk.

There are none key financial risk factors and exposures in financial statements besides investments in portfolio companies.

Market risks

The Partnership's Investment Professionals provides the General Partner and Partnership with investment recommendations. The Investment Professionals recommendations are reviewed and approved by the General Partner before the investment decisions are implemented. To manage the market price risk, the Investment Professionals, as engaged by the General Partner, reviews the performance of the portfolio companies on a quarterly basis and is often in contact with the management of the portfolio companies for business and operational matters. Any relevant results of these reviews are communicated to the General Partner.

The portfolio of investments is well diversified among various industries within the IT sector. However, the majority of the investments are still in the Nordics and a negative event in the Nordic capital markets would most likely affect the financing and/or exit possibilities in general.

Foreign exchange risks

Some of the Fund's investments are exposed to changes in foreign currencies like EUR, DKK and NOK. The Fund considers the currency risk as part of the whole investment risk and hence, the Fund does not separately hedge the currency risk relating to its investments in portfolio companies.

NOTES TO THE FINANCIAL STATEMENTS

In addition, the Fund is indirectly exposed to currency risks through investments in portfolio companies which trade in other currencies than their functional currencies and hence, development in exchange rates may influence income and thereby their determination of fair value of the portfolio companies.

Foreign exchange sensitivity

The Company's portfolio companies are affected by the development in foreign exchange rates. The fair value of the Company's investments will be affected by changes in local currency compared to the Company's chosen currency (EUR). The impact of the changes in local currency is symmetric for the statement of profit and loss and equity.

The calculation below shows the Company's sensitivity for changes in chosen currency, all other variables kept unchanged. The calculation is based on equal changes in all relevant currencies. The effect on the fair value is as follows, with a change in foreign exchange rates of 5% as per Q4 2023 and Q4 2022, respectively:

	<u>2023</u> MEUR	<u>2022</u> MEUR
DKK/EUR	15.9	11.8
NOK/EUR	2.5	1.7

Liquidity risks

Maturity of financial liabilities is specified below divided into timing intervals. The specified amounts represent the amounts due for payment.

	<u>Within 1 year</u> TEUR	<u>Between 1 and 5 years</u> TEUR	<u>After 5 years</u> TEUR	<u>Total</u> TEUR
Other payables	80	0	0	0

The cash position in the Fund exceeds the payables, in addition the Fund can draw commitment from the Limited Partners when relevant.

The investors in the Company have made unconditional commitments of TEUR 251,470 to the Company, of which undrawn commitment amounts to TEUR 29,074.

The liquidity risk is considered insignificant. No indication of the limited partners ability to contribute the remaining fund commitment occurs.

Credit risks

In some cases, the Fund has receivables from the sale of investments. Typically, the payment is secured by the buyer depositing the receivable on escrow accounts in accepted credit institutions and, therefore, the credit risk is considered limited.

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Interest risks

The Fund itself does not have access to a credit facility.

Capital risk management

In order to maintain or adjust the capital structure, the General Partner may call unfunded commitment from the investors or distribute funds.

NOTES TO THE FINANCIAL STATEMENTS

4. Fair value estimation

The valuations process

Valuations are performed in corporation by the Investment team and the finance team based on the valuation principles and valuation method described in the Valuation and Reporting Policy. Initial valuations are performed by the Responsible Partner in close cooperation with the investment team. The investment team participates by providing relevant input to the variables in the valuation model such as company revenue and the net debt in the portfolio company.

GRO Capital A/S, the Management Company, carries out valuations of Investments with the objective to provide Investors with a fair market value (“FMV”) estimate of their commitment to the relevant AIF. In estimating the FMV of an Investment, GRO Capital A/S applies current market data and company specific inputs.

In accordance with the Company’s policy the valuation is based on comparable trading multiples, and the Investment Team determines appropriate public companies based on industry, size, development stage, revenue generation and strategy. The Investment Team then calculate a trading multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value (EV) with the Company relevant multiple (EBITDA, recurring revenue etc.) The trading multiple or the enterprise value is then adjusted for discounts/premium with regards to such considerations as illiquidity and other differences, advantages and disadvantages between the Partnership’s portfolio company and the comparable public companies based in company specific facts and circumstances.

In determining the continued appropriateness of the chosen valuation techniques, the Investment team may perform back testing to consider the various models’ actual results and how they have historically aligned with the market transactions.

Fair value hierarchy for financial instruments

International Financial Reporting Standards require GRO Fund II K/S to classify, for disclosure purposes, fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Quoted prices in active markets for identical instruments

Level 2: Quoted prices in active markets for similar assets or liabilities or other valuation methods under which all material inputs are based on observable market data;

Level 3: Valuation techniques under which any material inputs are not based on observable market data.

The measurement of investments in portfolio companies classified according to level 3 is based on measurement methods, in which material non-observable inputs are included such as assessment of which method best reflects fair value, assessment of the performance of each group enterprise, determination of multiples and future earnings, and assessment of whether a pervasive negative development should result in the recognition of impairment write-downs.

The fair value of the Fund’s portfolio companies is impacted by the development in applied multiples as well as expected future earnings and development in each group enterprise. A decrease or increase in the above-mentioned material non-observable inputs may have a direct effect on the measurement of the portfolio companies, just as the fair value of the Fund’s portfolio companies is impacted by the development in macroeconomic conditions.

NOTES TO THE FINANCIAL STATEMENTS

The development in the value of investments in portfolio companies classified into level 3 can be summarized as follows:

	Level 3 TEUR	Total TEUR
2023		
Fair value at 1 January 2023	293,566	293,566
Additions	3,089	3,089
Fair value adjustments, unrealized	59,618	59,618
Disposals	0	0
Financial instruments, measured at fair value at 31 December 2023	<u>356,273</u>	<u>356,273</u>
2022		
Fair value at 1 January 2022	250,368	250,368
Additions	48,387	48,387
Fair value adjustments, unrealized	-5,189	-5,189
Disposals	0	0
Financial instruments, measured at fair value at 31 December 2022	<u>293,566</u>	<u>293,566</u>

Significant unobservable inputs at level 3

Investments classified within level 3, has been valued based on significant unobservable inputs, as they trade infrequently. As quoted market prices are not available for these investments, the general partner has used valuation techniques to determine fair value. In order to assess the valuation made for investments within level 3, the Investment Professionals reviews the performance of the portfolio companies. Furthermore, the Investment Professionals is regularly in contact with the management of the portfolio companies in order to make assessments of business and operational matter which are considered in the valuation process. Where appropriate the Investment Professionals also track peer group company multiples, such as multiples on the expected sales level, recent transaction results and credit ratings for similar companies.

	<u>Multiple Range used</u>
Level of applied multiples, 2023	3.6 – 14.0
Level of applied multiples, 2022	1.4 – 8.7

Sensitivity analysis

The fair value of the Company's portfolio companies is affected by the development in applied multiples. A change in significant unobservable input will have an effect on the valuation of the portfolio companies, as well as the fair value will be affected of development in general macro – economic conditions.

A change of applied multiples of 10% will have the following effect on the fair value.

Change in applied multiples of 10%, 2023 – MEUR 36
Change in applied multiples of 10%, 2022 – MEUR 29

NOTES TO THE FINANCIAL STATEMENTS

5. Financial assets at fair value through profit or loss

	2023 TEUR	2022 TEUR
Cost at beginning of year	190,156	141,769
Additions	3,089	48,387
Cost at end of year	193,245	190,156
Revaluations at beginning of year	103,410	108,599
Revaluations	59,618	-5,189
Revaluation at end of year	163,028	103,410
Carrying amount at end of year	356,273	293,566

6. Investments in portfolio companies

Investment (Industry)	Place of registered office	Stage of initial investment	Currency	Share capital Local Currency	Votes and ownership	Equity at last reporting date Local Currency	Net profit/loss for the last reported year Local Currency
Omada A/S (Cyber Security and IAM solutions)	Copenhagen	Mature	TDKK	1,881	28.40%	49,825	-22,948
Adform A/S (AdTech)	Copenhagen	Mature	TEUR	94	26.69%	38,411	5,859
QUEUE-IT ApS (Virtual waiting room SaaS solution)	Copenhagen	Growth	TDKK	213	69.95%	24,124	-10,149
iPoint Systems GmbH (Sustainable Software)	Hamburg	Mature	TEUR	58	79.81%	4,743	-3,554
Luxion Group ApS (3D rendering and engineering software)	Aarhus	Mature	TDKK	125	33.16%	15,702	1,024
Secomea A/S (Remote access provider)	Copenhagen	Growth	TEUR	85	58.53%	6,987	-390
Promon AS (Cyber Security)	Oslo	Growth	TNOK	769	33.14%	30,218	4,704

7. Other external costs

Other external costs cover for management fee (TEUR 3,996) and cost for the fund's advisory board and fees to other advisors (TEUR 247).

According to §61 section 3 (5 and 6) of the Alternative Investment Fund Managers etc. Act, alternative investment funds are required to disclose information about the total remuneration of all employees of the Management Company, the number of beneficiaries and the remuneration to material risk-takers. The information is disclosed in the Annual Report for 2023 for the Management Company GRO Capital A/S, Business Reg. No. 29 42 55 58.

NOTES TO THE FINANCIAL STATEMENTS

The Management Company is also required to disclose the information necessary to provide an understanding of the risk profile of the Fund and the measures that the Management Company takes to avoid or manage conflicts of interest between the Management Company and the Limited Partners. The Board of Directors, of the Management Company, has adopted a remuneration policy in order to ensure that the employees are remunerated according to the Danish Executive Order and disclosure requirements on remuneration for managers of alternative investment funds, etc.

8. Limited partners equity

The total committed capital is MEUR 251,470 of which MEUR 29,074 is undrawn.

The Fund can draw the remaining commitment from the Limited Partners when relevant.

GRO II CIV I 2018 K/S and GRO II CIV II 2018 K/S were founded with the establishment of GRO Fund II K/S. CIV I and CIV II are subject to receive Preferred Return and Carried Interest. The principals regarding this is agreed in the Limited Partnership Agreement (LPA).

9. Related party transactions

The following transactions has occurred with other related parties:

	2023 TEUR	2022 TEUR
Management fee	3,996	3,894
Total expenses	3,996	3,894

10. Subsequent events

No subsequent events have occurred after the balance sheet date.

11. Contingent liabilities

As a collateral for credit at Nordea in Omada A/S the company is committed to inject a cash or capital contributions in the underlying subsidiary in relation to the company's indirect ownership of Omada A/S on request from Nordea Denmark. At 31 December 2023 this amounts to TEUR 1,914.

As a collateral for credit at Nordea in iPoint Systems GmbH the company is committed to inject a cash or capital contributions in the underlying subsidiary in relation to the company's indirect ownership of iPoint Systems GmbH on request from Nordea Denmark. At 31 December 2023 this amounts to TEUR 3,000.

As a collateral for credit at Danske Bank in GRO Holding XII the company is committed to inject a cash or capital contributions in the underlying subsidiary in relation to the company's indirect ownership of Secomea A/S on request from Danske Bank. At 31 December 2023 this amounts to TEUR 2,651.

There are no other security and contingent liabilities at 31 December 2023.

Appendix – part of Management’s review

Periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: GRO Fund II

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input type="radio"/> Yes	<input checked="" type="radio"/> <input type="radio"/> No
<input type="checkbox"/> It made sustainable investments with an environmental objective: ___% <ul style="list-style-type: none"> <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> It made sustainable investments with a social objective: ___%	<input type="checkbox"/> It promoted Environmental/Social (E/S) characteristics and while it did not have as its objective a sustainable investment, it had a proportion of ___% of sustainable investments <ul style="list-style-type: none"> <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective <input checked="" type="checkbox"/> It promoted E/S characteristics, but did not make any sustainable investments



To what extent were the environmental and/or social characteristics promoted by this financial product met?

GRO Capital, The Manager, have committed to promoting social and environmental characteristics for the fund in the manner described in the Manager's "Responsible Investment Policy" and below. The environmental and social characteristics that the product sought to promote are related to climate, gender equality and good governance.

- Climate: GRO sought to influence and work with portfolio companies to address their GHG emissions and set reduction targets.
- Gender equality: GRO sought to influence and work with portfolio companies to establish policies and action plans for gender diversity.

- Good governance: GRO sought to influence and work with portfolio companies to ensure that companies have in place adequate policies and procedures to support good governance, e.g. on anti-corruption and bribery, gender diversity and climate.

The environmental or social characteristics promoted by the product were attained during the period through GRO's active involvement with the portfolio companies. During the period, GRO has committed to work with the portfolio companies to support the implementation of ESG initiatives in line with GRO and the fund's strategic ESG focus areas. This has, among other things, included support with the implementation of policies on key ESG areas, related to climate, gender diversity and good governance, as well as supporting the companies with initiating ESG data collection and reporting to GRO Capital. Going forward, GRO will continue to actively work with the portfolio to continuously support the promotion of the social and environmental characteristics.

No new companies were acquired during the period, hence the due diligence and screening criteria relevant to the pre-investment process were not applied. The companies in the fund were acquired previous to the development of GRO's criteria hereto.

● How did the sustainability indicators perform?

In the period, GRO has supported the portfolio in developing appropriate disclosures on climate change, social inequality, management or employee misconduct and good governance practices.

The indicators used to measure the attainment of the environmental and social characteristics include:

Whether investments have been conducted in line with the investment strategy and responsible investment policy of the fund and the Manager.

- No new investments were made by the fund during the period.

Whether portfolio companies have formulated and implemented policies on gender diversity, climate and anti-corruption.

- During the period, it was assessed whether the portfolio companies had in place adequate policies and procedures on gender diversity, climate and anti-corruption and bribery. Where policies or procedures were found to be lacking, GRO has supported and influence the companies in developing and implementing the required policies and procedures to ensure their timely implementation. All companies have implemented the required policies during the period.

Whether portfolio companies have formulated action plans for gender diversity and reducing climate impacts.

- During the period, it was also examined whether the companies had in place targets and procedures on gender diversity and climate, in line with GRO's targets for the portfolio. GRO engaged with the individual companies to support the development of action plans to ensure that the companies are on track. All companies have worked to develop action plans during the period.

Whether the portfolio companies in scope have measured and reported on the ESG-data requested by GRO Capital.

- As part of the annual reporting ESG process, all portfolio companies are requested to report on select ESG indicators to enable tracking and disclosure of the performance of the fund. The companies in the fund have delivered all data for 2023 as requested by GRO, which assisted in establishing a baseline year for performance on climate scope 3 metrics. In the following years, as the companies continue to report, this will further enable the tracking of the portfolio's performance on ESG-indicators from year-to-year.

- ...and compared to previous periods?

For both 2022 and 2023 all investments have been conducted in line with the investment strategy and responsible investment policy of the fund and the Manager, and all portfolio companies in scope have measured and reported on the ESG-data requested by GRO Capital. Further all portfolio companies have formulated and implemented policies on gender diversity, climate and anti-corruption and formulated action plans for gender diversity and reducing climate impacts. GRO fund II K/S is considered fully aligned with the indicators for both 2022 and 2023.



How did this financial product consider principal adverse impacts on sustainability factors?

GRO Capital is committed to consider potential adverse impacts on sustainability in the management of the fund. Given the nature of the investment strategy of the product and the sector-specific focus on B2B software, the impacts considered in particular include: Greenhouse gas emissions, gender equality and good governance. During the period, potential adverse impacts on these factors were considered through the focus on supporting and entering into dialogue with the companies in regard to developing policies and procedures to address their impact on these areas. Further, GRO annually gathers data from the portfolio companies to follow the level of impact and development within the fund.



What were the top investments of this financial product?

Largest investments	Sector	% Assets	Country
1. Omada	Software	20%	Denmark
2. Adform	Software	18%	Denmark
3. Queue-it	Software	15%	Denmark
4. iPoint	Software	13%	Germany
5. Secomea	Software	4%	Denmark
6. Luxion	Software	18%	Denmark
7. Promon	Software	13%	Norway

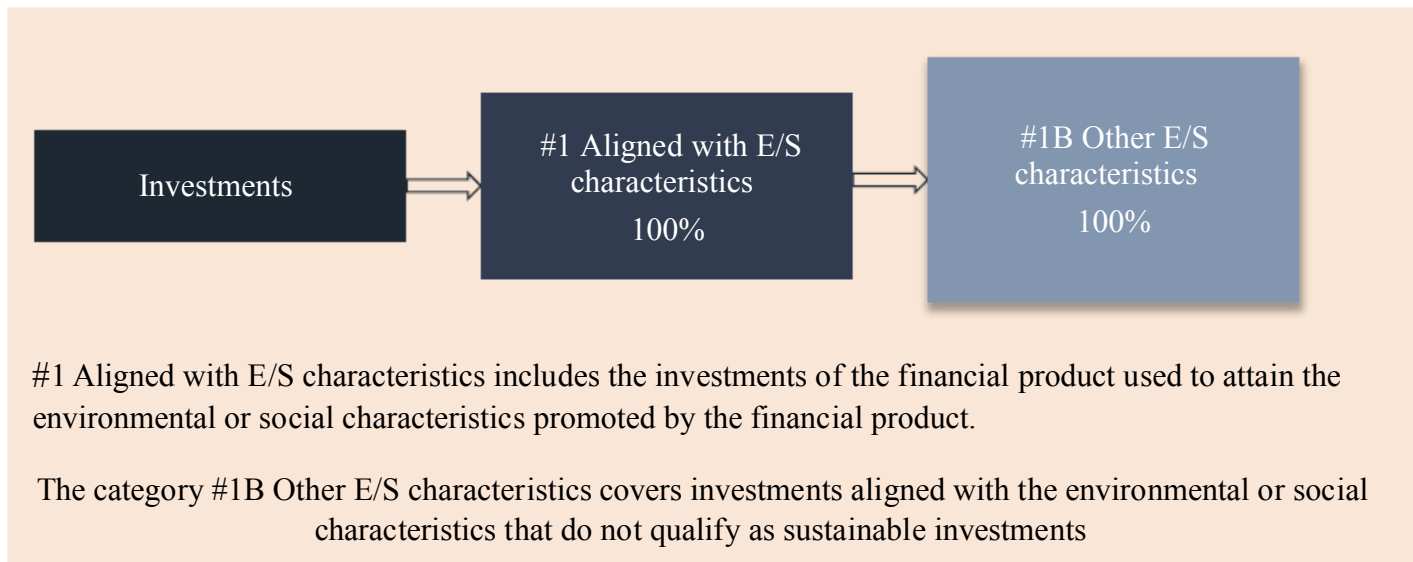


What was the proportion of sustainability-related investments?

The financial product invested in mature equity and equity-related majority and minority stakes in Nordic and North European, mid-market technology companies with a focus on business-to-business software. All investments are 100% aligned with the E/S characteristics of the fund.

Refer to section one for an overview of how this was achieved in 2023.

● What was the asset allocation?



● In which economic sectors were the investments made?

The fund made no new investments during the period. Investments made in previous periods, including an overview of sectors, are described in the section “What were the top investments of this financial product?”



To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

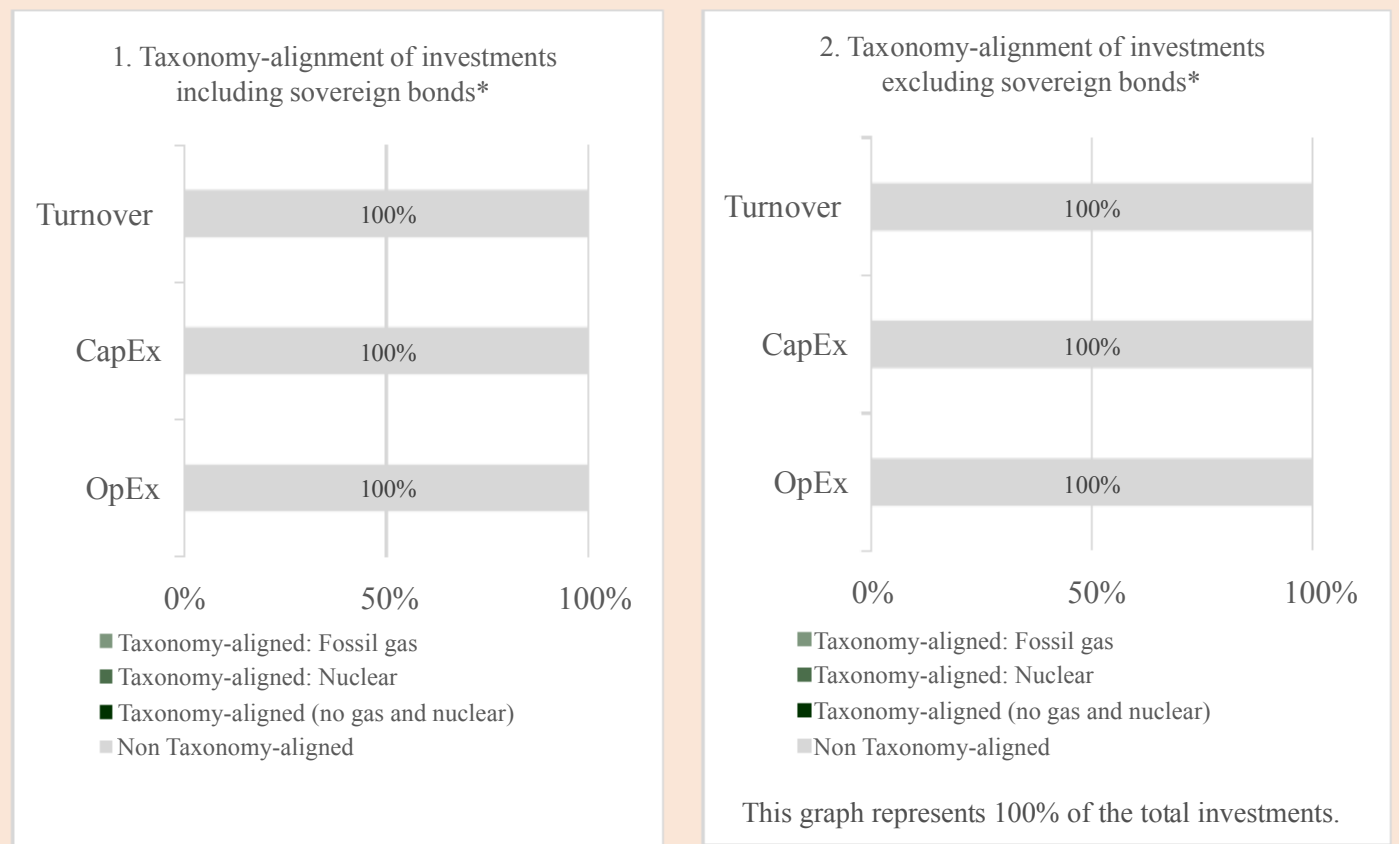
GRO Fund II intends to promote environmental and social characteristics, but does not intend to make sustainable investments as defined by EU regulation 2019/2088 (Sustainable finance disclosure regulation) and 2020/852 (Taxonomy). There is no reliable data available due to given investment space, hence, the fund was 0% aligned with the EU Taxonomy.

Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy?

- Yes:
 - In fossil gas
 - In nuclear energy
- No

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.

GRO Fund III has no established commitment to invest Taxonomy aligned, in fossil gas nor nuclear. As there is no reliable data available due to given investment space Turnover, CapEx and OpEx is set at 0%.



* For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?

As there is no reliable data available due to given investment space Turnover, CapEx and OpEx is set at 0%. The percentage of investments that were aligned with the EU Taxonomy was 0% in FY22 and is 0% in FY23.



What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

Not applicable, as no investments were included under the “other” category.



What actions have been taken to meet the environmental and/or social characteristics during the reference period?

During the ownership phase in 2023, GRO has engaged with the portfolio company in the fund and its management to ensure that the environmental and social characteristics and objectives of the fund have been addressed. This was done through direct involvement with management, as well as through GRO’s ESG forum, where management was invited to discuss ESG, including GRO’s minimum requirements, policies, action plans and the ESG targets of the fund.

Besides from the periodic reporting, GRO annually also share insights on ESG matters through the year with shareholders in GRO’s annual ESG report.