

GRO Fund II K/S

Grønningen 17, 2., DK-1270 Copenhagen

CVR no. 39 82 67 71

Annual Report 2022

Lars Dybkjær,
Chairman _____

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on 23 / 3 - 2023

CONTENTS

Management's statement.....	2
Independent auditor's report	3
Company information.....	6
Management's review	7
Financial highlights	10
Statement of comprehensive income.....	11
Balance sheet 31 December	12
Statement of changes in equity for the years 2022 and 2021.....	13
Cash flow statement.....	14
Notes to the financial statements	15
Appendix (SFDR)	25

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 2022 - 31 December 2022.

The Annual Report has been prepared in accordance with the International Financial Reporting Standards, which is approved by EU and further Danish disclosure requirements according to the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2022 and of the results of the Company's operations and cash flow for the financial year 1 January 2022 - 31 December 2022.

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, 23 March 2023

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 2022, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2022 in accordance with International Financial Reporting 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 2022, 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.

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. 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 International Financial Reporting 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, 23 March 2023
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 3-6 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.

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.

During 2022 we worked to strengthen internal processes and procedures for active ownership by taking first steps to implement the recommendations from the Task Force on Climate-Related Financial Disclosures, establishing data collection processes that will enable us to comply with 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, and developing internal reporting frameworks to monitor progress more closely on sustainability in our portfolio companies.

According to the regulation described (SFDR), GRO are required to report on Sustainability. Further information about GRO compliance of SFDR can be found as appendix to this Annual Report.

MANAGEMENT'S REVIEW

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.

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 2022 - 31 December 2022 and the balance sheet as per 31 December 2022.

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.

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.

The Company has in 2022 invested in following portfolio companies:

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 10.

Development in the year

The income statement of the Company for 2022 shows a loss of TEUR 9,553, and at 31 December 2022 the balance sheet of the Company shows equity of TEUR 295,397

The Company's investment activities are handled by the Management Company GRO Capital A/S, which is paid a management fee for this according to the management agreement.

MANAGEMENT'S REVIEW

The Management confirms that the Company is a going concern and that the 2022 financial statements have been prepared on a going concern basis.

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 expenses to be at a level similar to 2022. The level of costs depends on impact of management fee from sale of investments but is expected to be MEUR 3.0 – 4.0. The expectations to next year do not include expectations to value adjustments of investments.

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 2022. 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, 2022, were as follows:

	<u>2022</u> TEUR	<u>2021</u> TEUR	<u>2020</u> TEUR	<u>2019*</u> TEUR	<u>2018*</u> TEUR
Financial highlights					
Key figures					
Value adjustments of investments	-5,189	68,656	33,784	6,160	-
Net profit/loss for the year	-9,553	63,079	28,316	-5,845	-1,544
Total assets	295,437	253,107	142,832	74,090	34,381
Equity	295,397	252,866	142,641	73,960	33,729
Ratios					
Solvency ratio (%)	100%	100%	100%	100%	98%
Return on average equity (%)	-3%	32%	22%	-11%	-5%

*Financial Statements for 2019 and 2018 have been prepared in accordance with Danish Financial Statements Act.

STATEMENT OF COMPREHENSIVE INCOME

	<u>Note</u>	<u>Jan. 1 – Dec. 31 2022 TEUR</u>	<u>Jan. 1 – Dec. 31 2021 TEUR</u>
Value adjustment of investments	4	-5,189	68,656
Other external costs	7	-4,089	-5,448
Operating profit/(loss) (EBIT)		-9,278	63,208
Financial income		0	0
Financial expenses		-275	-129
Profit/(loss) before tax		-9,553	63,079
Tax on net profit/(loss) for the year		0	0
Net profit/(loss) for the year		-9,553	63,079
Other comprehensive income		0	0
Comprehensive income		-9,553	63,079
Equity postings:			
Retained earnings		-4,364	-5,576
Revaluation reserve		-5,189	68,656
Comprehensive income		-9,553	63,079

BALANCE SHEET 31 DECEMBER

	Note	31 December 2022 TEUR	31 December 2021 TEUR
ASSETS			
Investments in portfolio companies	4 & 5	293,566	250,368
Total non-current assets		293,566	250,368
Other receivables		407	1,053
Cash and cash equivalents		1,464	1,686
Total current assets		1,871	2,739
Total assets		295,437	253,107
EQUITY AND LIABILITIES			
Capital contribution		251,470	251,470
Unpaid capital contribution		-36,284	-88,368
Revaluation reserve		103,410	108,599
Retained earnings/(losses)		-23,199	-18,835
Total equity		295,397	252,866
Other payables		40	241
Total short-term liabilities		40	241
Total liabilities		40	241
Total liabilities and equity		295,437	253,107

STATEMENT OF CHANGES IN EQUITY

	Contributed capital	Unpaid share capital	Revaluation reserve	Retained earnings	Equity
	TEUR	TEUR	TEUR	TEUR	TEUR
Balance 1 January 2021	251,470	-135,513	39,943	-13,259	142,641
Payment of unpaid capital contribution	-	47,145	-	-	47,145
Revaluation for the year	-	-	68,656	-	68,656
Result of the year	-	-	-	-5,576	-5,576
Limited partners equity total 31 December 2021	251,470	-88,368	108,599	-18,835	252,866

	Contributed capital	Unpaid share capital	Revaluation reserve	Retained earnings	Equity
	TEUR	TEUR	TEUR	TEUR	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	251,470	-36,284	103,410	-23,199	295,397

CASH FLOW STATEMENT

	2022	2021
	TEUR	TEUR
Operating profit/(loss) (EBIT)	-9,278	63,208
Purchase of financial investments (portfolio Companies)	-48,387	-41,573
Value adjustment of investments (unrealized)	5,189	-68,656
Change in working capital	445	-1,003
Financial expense paid	-275	-129
Cash flow from operating activities	<u>-52,306</u>	<u>-48,152</u>
Payment of unpaid capital contribution	<u>52,084</u>	<u>47,145</u>
Cash flow from financing activities	<u>52,084</u>	<u>47,145</u>
Net increase in cash and cash equivalents	<u>-222</u>	<u>-1,007</u>
Cash and cash equivalents at the beginning of the year	1,686	2,693
Cash and cash equivalents at the end of the year	<u>1,464</u>	<u>1,686</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 Danish Kroner (DKK); however due to GRO Fund II K/S international relations the financial statements are presented in 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 2021 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 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.

Each portfolio company is owned through a holding structure. 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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 2022 and 2021, respectively:

	2022	2021
	MEUR	MEUR
DKK/EUR	11.8	5.2
NOK/EUR	1.7	-

Liquidity risks

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

	Within 1 year	Between 1 and 5 years	After 5 years	Total
	TEUR	TEUR	TEUR	TEUR
Other payables	40	-	-	40

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

The investors in the Company have made unconditional commitments to the Company, of which undrawn commitment amounts to EUR 36 million.

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.

NOTES TO THE FINANCIAL STATEMENTS

Investments are primarily financed through a loan in a holding structure established for each investment. When the Fund has issued a guarantee for the loan a corresponding liability is recorded in the balance sheet. The Fund has not issued any guarantee per 31 December 2022.

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.

All receivables (cash and cash equivalents), amounts due from brokers, cash and short-term deposits are held by parties with a credit rating of AA/Aa or higher.

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.

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 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 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;

NOTES TO THE FINANCIAL STATEMENTS

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.

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

	Level 3 TEUR	Total TEUR
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	293,566	293,566
	Level 3 TEUR	Total TEUR
2021		
Fair value at 1 January 2021	140,139	140,139
Additions	41,573	41,573
Fair value adjustments, unrealized	68,656	68,656
Disposals	0	0
Financial instruments, measured at fair value at 31 December 2021	250,368	250,368

NOTES TO THE FINANCIAL STATEMENTS

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</u> <u>Range used</u>
Level of applied multiples, 2022	1.4 – 8.7
Level of applied multiples, 2021	1.5 – 7.2

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%, 2022 – MEUR 29

Change in applied multiples of 10%, 2021 – MEUR 7.4

5. Financial assets at fair value through profit or loss

	<u>2022</u> <u>TEUR</u>	<u>2021</u> <u>TEUR</u>
Cost at beginning of year	141,769	100,196
Additions	48,387	41,573
Cost at end of year	190,156	141,769
Revaluations at beginning of year	108,599	39,941
Revaluations	-5,189	68,656
Revaluation at end of year	103,410	108,599
Carrying amount at end of year	293,566	250,368

NOTES TO THE FINANCIAL STATEMENTS

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	1,425	29.3%	26,487	(27,551)
Adform A/S (AdTech)	Copenhagen	Mature	TEUR	94	27.1%	32,494	11,513
QUEUE-IT ApS (Virtual waiting room SaaS solution)	Copenhagen	Growth	TDKK	214	71.6%	34,274	12,985
iPoint Systems GmbH (Sustainable Software)	Hamburg	Mature	TEUR	3,000	88.9%	6,799	-578
Luxion Group ApS (3D rendering and engineering software)	Aarhus	Mature	TDKK	6,700	40.0%	661,516	-10,031
Secomea A/S (Remote access provider)	Copenhagen	Growth	TDKK	626	22.0%	52,058	16,020
Promon AS (Cyber Security)	Oslo	Growth	TNOK	697	33.6%	28,774	-21,876

7. Other external costs

Other external costs cover cost for management fee (TEUR 3,894), bank charges (TEUR 91), cost for the fund's advisory and Investment Professionals and fees to other advisors (TEUR 104).

8. Limited partners equity

The total committed capital is MEUR 251 of which MEUR 36 is not called.

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

In connection with the Fund's foundation, GRO II CIV I 2018 K/S and GRO II CIV II 2018 K/S were founded. These companies hold B and C-shares.

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 have occurred with other related parties:

	2022 TEUR	2021 TEUR
Management fee	3,894	5,209
Total expenses	3,894	5,209

NOTES TO THE FINANCIAL STATEMENTS

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 2022 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 Omada A/S on request from Nordea Denmark. At 31 December 2022 this amounts to TEUR 2,000.

There are no other security and contingent liabilities at 31 December 2022.

Appendix

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 for the period 01.01.2022 - 31.12.2022.

Product name: GRO Fund II

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input checked="" type="radio"/> <input type="checkbox"/> Yes	<input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> 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.

The companies in the fund were acquired previous to the development of GRO's criteria hereto, hence the due diligence and screening criteria relevant to the pre-investment process were not applied.

● 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.

- GRO has, during the reporting period, followed the investment processes and procedures for ESG screening and due diligence in the fund. One investment was made in 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. Most of the portfolio 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. Most of the portfolio 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 one company in the fund has delivered all data for 2022 as requested by GRO, which assisted in establishing a baseline year for performance on climate, social and governance metrics. In the following years, as the company continues to report, this will enable the tracking of the portfolio's performance on ESG-indicators from year-to-year.

● ...and compared to previous periods?

This is the first year that the fund has made a periodic report, thus there is no reference period.

- What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?

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.



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 during the investment process, where a thorough ESG due diligence was carried out to identify and map potential negative and positive impacts on sustainability factors in the one acquisition carried out during this period. Any potential negative impacts and improvement opportunities identified in the due diligence process were integrated into the improvement and follow-up plans on ESG topics with the investee company.

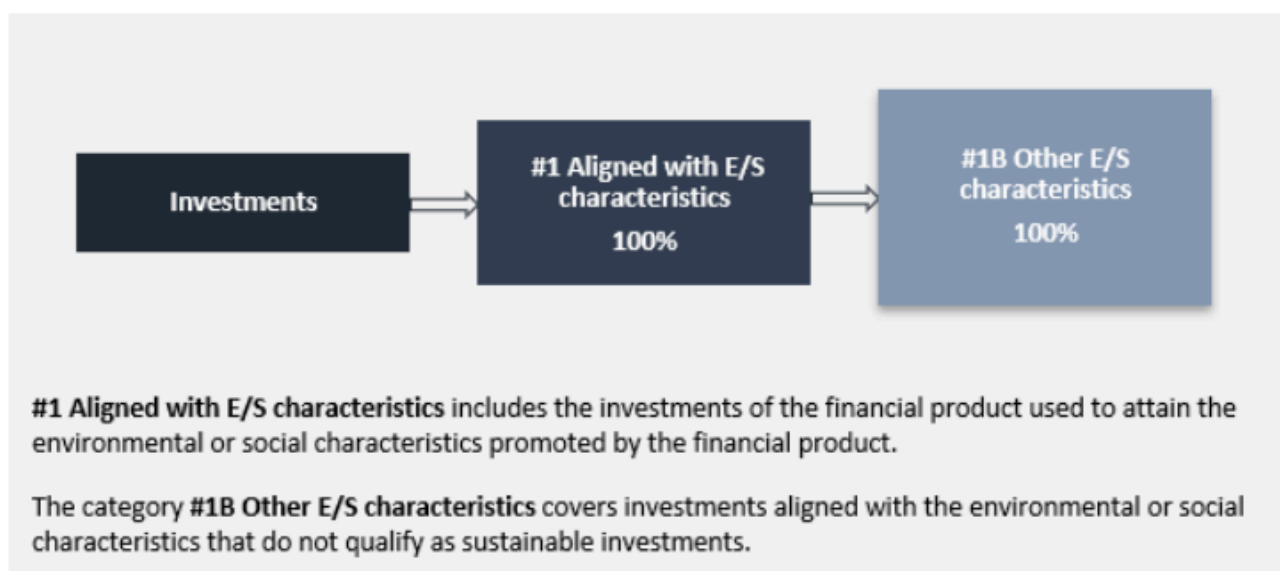


What were the top investments of this financial product?

Largest investments	Sector	% Assets	Country
1. Omada	Software	18%	Denmark
2. Adform	Software	22%	Denmark
3. Queue-IT	Software	17%	Denmark
4. iPoint	Software	14%	Germany
5. Secomea	Software	2%	Denmark
6. Luxion	Software	15%	Denmark
7. Promon	Software	11%	Norway



What was the proportion of sustainability-related investments?



- What was the asset allocation?

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 2022.

- In which economic sectors were the investments made?

During the period, one investment was made within the B2B software sector.



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). Hence, the fund was 0% aligned with the EU Taxonomy.



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 2022, 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 Chairman day and 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.



How did this financial product perform compared to the reference benchmark?

No index has been designated as a reference benchmark.