

An aerial photograph of a large, intricate green maze. The maze is composed of numerous narrow, winding paths that create a complex, organic pattern. A single, straight path runs vertically through the center of the maze, starting from the top and extending towards the bottom. The overall appearance is that of a well-maintained, lush green landscape designed for recreational purposes.

INNOVATION INVESTMENT II K/S
ANNUAL REPORT 2023

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Information about the Company

Innovation Investment II K/S

Registration No. 41 97 14 87

Registered Office

Danmarks Eksport- & Investeringsfond
Haifagade 3
2150 Nordhavn
Denmark

General Partner

Innovation Investment Komplementar ApS

Investment Manager

Danmarks Eksport- & Investeringsfond
Haifagade 3
2150 Nordhavn
Denmark

Auditor

Deloitte
Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 København S
Denmark

Bank

Nordea Bank Danmark A/S
Grønjordsvej 10
2300 København S
Denmark

Statement by the Management

The Management has today discussed and approved the annual report of Innovation Investment II K/S for the period January 1 - December 31, 2023.

The annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act with respect to recognition and measurement.

We consider the accounting policies to be appropriate. Accordingly, the annual report gives a true and fair view of Innovation Investment II K/S' assets, liabilities and financial position at December 31, 2023 as well as of the results of Innovation Investment II K/S' activities and cash flows for the financial period January 1 - December 31, 2023.

Copenhagen, March 22, 2024

Lars Nordal Jensen
On behalf of Innovation Investment Komplementar ApS

Erik Balck Sørensen
On behalf of Innovation Investment Komplementar ApS

Independent auditor's report

To the Limited Partners of Innovation Investment II K/S

Opinion

We have audited the financial statements of Innovation investment II K/S for the financial year 1 January – 31 December 2023, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31 December 2023 and of the results of its operations and cash flows for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's 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.

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

Auditor's responsibilities for the audit of the 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 judgement and maintain professional scepticism 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the 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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Copenhagen, March 22, 2024

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Jakob Lindberg
State Authorised Public Accountant
Identification No (MNE) mne40824

Management's Review

Objective

Innovation Investment II K/S' objective is to generate income and capital appreciation by investing in the portfolio funds ACME Fund IV, L.P., Innovation Endeavors IV, L.P., and Root Ventures III, L.P.

Events during the Year

The financial year shows a result of USD -720.239 and the balance statement as of 31 December 2023 shows a capital account of USD 16.217.994.

Management of the Company

Innovation Investment II K/S has no employees. A management agreement has been entered between Innovation Investment II K/S and Danmarks Eksport- & Investeringsfond.

Financial Key Figures

Income Statement (tUSD)	2023	2022
Profit on Investments	(715)	(179)
Profit for the Period	(720)	(186)
Balance Sheet (tUSD)	2023	2022
Assets	16.220	12.019
Committed Capital from Investors	47.000	47.000
Committed Capital from Limited Partners not yet paid in Capital Account	(29.607)	(34.526)
	16.218	12.019
Statement of Cash Flows (tUSD)	2023	2022
Cash Flow from Operations	(3)	(10)
Cash Flow from Investment Activities	(4.909)	(7.219)
Cash Flow from Financing Activities	4.919	7.221
Key Figures	2023	2022
Total Value to Paid-In (TVPI)	0,93x	0,96x
Residual Value to Paid-In (RVPI)	0,93x	0,96x
Distributions to Paid-In (DPI)	0,00x	0,00x
IRR Gross	-4,3%	-3,8%
IRR Net	-4,4%	-3,9%
Number of Portfolio Funds	3	3

Financial Statements
2023

Financial Statements

6.1 Accounting Policies

Basis of preparation

The annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to reporting class B entities with additional provisions applying to reporting class C entities with respect to recognition and measurement.

The accounting policies applied are consistent with those of last year.

The Financial Statements are presented in USD.

Currency exchange rate 31 December 2023 (USD/DKK): 6,7447

Currency exchange rate 31 December 2022 (USD/DKK): 6,9722

Recognition and measurement

Value adjustments of financial assets and liabilities measured at fair value or amortized costs are recognized in the income statement. Moreover, all expenses incurred to achieve the earnings for the year are recognized in the income statement. This includes depreciation, amortization, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognized in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to Innovation Investment II K/S and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow out from Innovation Investment II K/S and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described below.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Financial Statements, which confirm or invalidate affairs and conditions existing on the balance sheet date. USD are used as the measurement currency. All other currencies are regarded as foreign currencies.

Conversion policies

Transactions in foreign currencies are converted at the exchange rates at the transaction date. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognized as financial income and expenses in the income statement.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled on the balance sheet date are converted at the exchange rates on the balance sheet date. Any differences between the exchange rates on the balance sheet date and the transaction date rates are recognized in financial income and expenses in the income statement.

Income Statement

Result from investments in funds

The item "Profit (loss) on investments" in the income statement includes the proportionate share of the profit for the year in Innovation Investment II K/S' investment (fund) which includes realized and unrealized profit and loss on investments in the portfolio companies.

Administrative expenses

Administrative expenses are composed of audit and legal fees as well as other costs related to the administration of Innovation Investment II K/S.

Finance income and expenses

Finance income and expenses are composed of interest and other financial costs related to Innovation Investment II K/S' bank facilities etc.

Tax on profit/loss for the period/year

Innovation Investment II K/S is not an independent tax entity and consequently no tax on the profit for the period/year is recognized in the income statement.

Balance Sheet

Investments in funds

Investments in unlisted funds are measured at fair value based on Innovation Investment II K/S' proportionate share of the investments in the funds. In the settlement of the fair value of the funds, the International Private Equity and Venture Capital Valuation Guidelines' (IPEV) valuation principles are applied to the portfolio investments. The value adjustments for the year are recognized in the income statement.

Information on exchange rates, etc. that emerges after the clearance of accounts will only be incorporated if these are significant for the assessment of the annual accounts.

Determining the value of the portfolio companies in the portfolio funds is carried out by the management companies. Fair value is the price that one would receive by selling an asset in an ordinary transaction in the market. The management companies have different valuation methods depending on the portfolio company. For listed investments, the market price on the cut-off date is used. For investments with substantial and continuous cash flow or earnings, multiples based on peer groups are most often used, while investments without significant earnings most often use cost price or price based on the latest investment round.

Trade payables and other payables

Trade payables and other payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables and other payables are recognized at amortized cost.

Cash Flow Statement

The cash flow statement shows Innovation Investment II K/S' cash flows for the period/year broken down into operating, investment and financing activities, changes for the period/year in cash and cash equivalents as well as Innovation Investment II K/S' cash and cash equivalents at the beginning and end of the period/year.

Cash flows from operating activities

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

Cash flows from investment activities

Cash flows from investment activities are composed of cash flows from payments to and distributions from portfolio funds.

Cash flows from financing activities

Cash flows from financing activities are composed of cash flows from payments from and distributions to Limited Partners.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and borrowings.

Financial Statements

6.2 Income Statement

USD		01.01.2023	01.01.2022
Note		31.12.2023	31.12.2022
	Profit (Loss) on Investment in Portfolio Funds		
1	Value Adjustment of Investments in Portfolio Funds	(715.476)	(179.337)
	Total Profit (Loss) on Investments	(715.476)	(179.337)
	Administrative Expenses		
2	Other Administrative Expenses	(5.797)	(4.265)
	Total Administrative Expenses	(5.797)	(4.265)
	Operating Profit (Loss)	(721.273)	(183.601)
3	Finance Income	1.070	126
3	Finance Costs	(37)	(2.498)
	Profit (Loss) for the Period	(720.239)	(185.974)
	Recommended Appropriation		
	Retained Earnings at December 31	(720.239)	(185.974)

Financial Statements

6.3 Balance Sheet

USD

Note

	31.12.2023	31.12.2022	
Assets			
Non-Current Assets			
4	Investment in Funds	16.210.593	12.017.073
	Total Non-Current Assets	16.210.593	12.017.073
Current Assets			
	Cash and Cash Equivalents	9.311	2.165
	Total Current Assets	9.311	2.165
	Total Assets	16.219.904	12.019.238
Equity and Liabilities			
Capital Account			
	Total Committed Capital from Limited Partners	47.000.000	47.000.000
	Commitment not yet Paid in by Limited Partners	(29.607.276)	(34.526.271)
	Distributions	-	-
	Retained Earnings	(1.174.729)	(454.490)
	Total Capital Account	16.217.994	12.019.238
Current Liabilities			
5	Trade and other Payables	1.910	-
	Total Current Liabilities	1.910	-
	Total Capital Account and Liabilities	16.219.904	12.019.238

6 Information on Fair Value of the Investments

7 Events after the Balance Date

Financial Statements

6.4 Changes in Equity

USD	Committed Capital	Subscribed not Paid Capital	Retained Earnings	Total
December 31, 2021	30.000.000	(24.747.466)	(268.516)	4.984.017
Change in Committed Capital	17.000.000	(17.000.000)	-	-
Contributions by Limited Partners	-	7.221.195	-	7.221.195
Distributions to Limited Partners	-	-	-	-
Profit (Loss)	-	-	(185.974)	(185.974)
December 31, 2022	47.000.000	(34.526.271)	(454.490)	12.019.238
Change in Committed Capital	-	-	-	-
Contributions by Limited Partners	-	4.918.995	-	4.918.995
Distributions to Limited Partners	-	-	-	-
Profit (Loss)	-	-	(720.239)	(720.239)
December 31, 2023	47.000.000	(29.607.276)	(1.174.730)	16.217.994

Financial Statements

6.5 Cash Flows

USD	01.01.2023 31.12.2023	01.01.2022 31.12.2022
Operating Profit (Loss)	(721.273)	(183.601)
Value Adjustments of Investments in Funds	715.476	179.337
Change in Working Capital	1.910	(3.440)
Interest Paid/Received (-/+)	1.034	(2.373)
Cash Flow from Operations	(2.854)	(10.078)
Contributions to Funds	(4.908.995)	(7.218.870)
Distribution from Funds	-	-
Cash Flow from Investment Activities	(4.908.995)	(7.218.870)
Contributions by Limited Partners	4.918.995	7.221.195
Distributions to Limited Partners	-	-
Cash Flow from Financing Activities	4.918.995	7.221.195
Cash and Cash Equivalents at Beginning of Period	2.165	9.917
Cash and Cash Equivalents at the End of the Period	9.311	2.165

Financial Statements

6.6 Notes

Note 1 - Value Adjustments on Investments	01.01.2023	01.01.2022
USD	31.12.2023	31.12.2022
ACME Fund IV, L.P.	(34.317)	(63.803)
Innovation Endeveurs Fund IV L.P.	(147.588)	14.859
Root Ventures III L.P.	(533.570)	(130.392)
Total Value Adjustments on Investments	(715.476)	(179.337)
Value Adjustments in Portfolio Investments	341.929	714.278
Management Fee and other Expenses	(1.057.404)	(893.615)
Total Value Adjustments on Investments	(715.476)	(179.337)
Note 2 - Other Administrative Expenses	01.01.2023	01.01.2022
USD	31.12.2023	31.12.2022
Audit	(2.733)	(2.239)
Lawyer and Consultancy, Other	(699)	-
Innovation Investment komplementar Fee	(1.812)	(1.646)
Other Administrative Expenses	(554)	979
Total Other Administrative Expenses	(5.797)	(2.906)
Note 3 - Finance Income and Costs	01.01.2023	01.01.2022
USD	31.12.2023	31.12.2022
Finance Income	1.070	126
Finance Costs	(37)	(2.498)
Total Finance Income and Costs	1.033	(2.373)

Financial Statements

6.6 Notes

Note 4 - Investment in Funds

USD	31.12.2023	31.12.2022
Cost at Beginning of Period	12.468.870	5.250.000
Additions	4.908.995	7.218.870
Cost at End of Period	17.377.865	12.468.870
Distributions Beginning of Period	-	-
Distributions	-	-
Distributions End of Period	-	-
Value Adjustments at Beginning of Period	(451.797)	(272.460)
Value Adjustments for the Period	(715.476)	(179.337)
Value Adjustments at End of Period	(1.167.272)	(451.797)
Net Book Value at End of Period	16.210.593	12.017.073

Note 5 - Trade and other Payables

USD	01.01.2023	01.01.2022
USD	31.12.2023	31.12.2022
Trade Payables	(1.910)	-
Total Trade and other Payables	(1.910)	-

Note 6 - Information on Fair Value of the Investments

USD	01.01.2023	01.01.2022
USD	31.12.2023	31.12.2022
Fair Value December 31, 2023	16.210.593	12.017.073
Unrealised Value Adjustments Recog. Through Profit or Loss	(715.476)	(179.337)
Unrealised Value Adjustments Recog. Through Equity	-	-

Note 7 - Events after the Balance Date

No significant events affecting the annual report have occurred after the balance sheet date.

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