

Hygge II Investors K/S

c/o CBRE A/S
Rued Langgaards Vej 8
2300 København S
Denmark

CVR no. 42 98 89 87

Annual report 2023

The annual report was presented and approved at
the Company's annual general meeting on

28 June 2024

Jørn Jensen Holm
Chairman of the annual general meeting

Contents

Statement by the Executive Board	2
Independent Auditor's Report	3
Management's review	5
Company details	5
Operating review	6
Financial statements 1 January – 31 December	7
Income statement	7
Balance sheet	8
Statement of changes in equity	10
Notes	11

Hygge II Investors K/S
Annual report 2023
CVR no. 42 98 89 87

Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of Hygge II Investors K/S for the financial year 1 January – 31 December 2023.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2023 and of the results of the Company's operations 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.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 28 June 2024

On behalf of General partner Hygge GP ApS:

Jørn Jensen Holm

Per Alexandar Henrik
Glindtberg Weinreich

Kristian Nittka

Independent Auditor's Report

To the Shareholder of Hygge II Investors 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 for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Hygge II Investors K/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, 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.

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 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.

Independent Auditor's Report

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 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.
- 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.

Hellerup, 28 June 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR no. 33 77 12 31

René Otto Poulsen
State Authorised
Public Accountant
mne26718

Henrik Hornbæk
State Authorised
Public Accountant
mne32802

Hygge II Investors K/S
Annual report 2023
CVR no. 42 98 89 87

Management's review

Company details

Hygge II Investors K/S
c/o CBRE A/S
Rued Langgaards Vej 8
2300 København S
Denmark

CVR no.:	42 98 89 87
Established:	18 January 2022
Registered office:	Copenhagen
Financial year:	1 January – 31 December

On behalf of General partner Hygge GP ApS

Jørn Jensen Holm
Per Alexandar Henrik Glindtborg Weinreich
Kristian Nittka

Auditor

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup
Denmark

Management's review

Operating review

Principal activities

The purpose of the limited partnership is to own, develop, let and manage real estate, directly and indirectly, as well as related business.

Development in activities and financial position

The Company's income statement for 2023 shows a loss of DKK -47,384,160 as against DKK -13,273,953 for the period 18 January 2022 - 31 December 2022. Equity in the Company's balance sheet at 31 December 2023 stood at DKK 95,089,047 as against DKK 45,465,351 at 31 December 2022.

The results for the year are not considered satisfactory.

Events after the balance sheet date

No events have occurred after the balance sheet date which could significantly affect the Company's financial position.

Financial statements 1 January – 31 December

Income statement

DKK	Note	2023	18/1 2022- 31/12 2022
Gross loss		<u>-5,534,274</u>	<u>-6,797,994</u>
Loss before financial income and expenses		<u>-5,534,274</u>	<u>-6,797,994</u>
Other financial income	3	4,103,042	75,951
Impairment losses of financial assets		-28,283,613	0
Other financial expenses	4	<u>-17,669,315</u>	<u>-6,551,910</u>
Loss before tax		<u>-47,384,160</u>	<u>-13,273,953</u>
Tax on loss for the year		<u>0</u>	<u>0</u>
Loss for the year		<u><u>-47,384,160</u></u>	<u><u>-13,273,953</u></u>
Proposed distribution of loss			
Retained earnings		<u>-47,384,160</u>	<u>-13,273,953</u>
		<u><u>-47,384,160</u></u>	<u><u>-13,273,953</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2023	31/12 2022
ASSETS			
Fixed assets			
Investments	5		
Equity investments in group entities		<u>82,555,663</u>	<u>16,242,714</u>
Total fixed assets		<u>82,555,663</u>	<u>16,242,714</u>
Current assets			
Receivables			
Receivables from group entities		87,148,549	16,077,704
Other receivables	6, 7	11,938,579	29,472,247
Prepayments	8	<u>6,758,277</u>	<u>9,369,434</u>
		<u>105,845,405</u>	<u>54,919,385</u>
Cash at bank and in hand		<u>13,259,304</u>	<u>2,040,432</u>
Total current assets		<u>119,104,709</u>	<u>56,959,817</u>
TOTAL ASSETS		<u><u>201,660,372</u></u>	<u><u>73,202,531</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2023	31/12 2022
EQUITY AND LIABILITIES			
Equity			
Contributed capital		155,747,160	58,739,304
Retained earnings		<u>-60,658,113</u>	<u>-13,273,953</u>
Total equity		<u>95,089,047</u>	<u>45,465,351</u>
Liabilities			
Non-current liabilities			
Payables to group entities	9	<u>86,135,802</u>	<u>16,023,079</u>
Current liabilities			
Trade payables		13,462,147	8,719,364
Payables to group entities	9	<u>6,973,376</u>	<u>2,994,737</u>
		<u>20,435,523</u>	<u>11,714,101</u>
Total liabilities		<u>106,571,325</u>	<u>27,737,180</u>
TOTAL EQUITY AND LIABILITIES		<u>201,660,372</u>	<u>73,202,531</u>
Average number of full-time employees	2		
Currency and interest rate risks and the use of derivative financial instruments	7		
Related party disclosures	10		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK	Contributed capital	Retained earnings	Total
Equity at 1 January 2023	58,739,304	-13,273,953	45,465,351
Cash capital increase	97,007,856	0	97,007,856
Transferred over the distribution of loss	0	-47,384,160	-47,384,160
Equity at 31 December 2023	155,747,160	-60,658,113	95,089,047

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Hygge II Investors K/S for 2023 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

The financial statements of 2023 are presented in DKK.

Omission of consolidated financial statements

Pursuant to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the company, and the value of the assets can be measured reliably.

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

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised in the balance sheet at cost and subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are recognised as other receivables and other payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a fair value hedge of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future transactions are recognised as other receivables or other payables and in equity until the realisation of the hedged transactions. If the future transaction results in the recognition of assets or liabilities, amounts that were previously recognised in equity are transferred to the cost of the asset or liability. If the future transaction results in income or costs, amounts that were previously recognised in equity are transferred to the income statement for the period when the hedged item affects the income statement.

For derivative financial instruments not qualifying for treatment as hedging instruments, changes in fair value are recognised in the income statement on an ongoing basis.

Income statement

Gross loss

Pursuant to section 32 of the Danish Financial Statements Act, the Company has decided only to disclose gross loss.

Other operating income

Other operating income comprises items secondary to the activities of the Company.

Other external costs

Other external costs comprise administration costs.

Financial income and expenses

Financial income and expenses comprise interest income and expense and gains and losses on transactions denominated in foreign currencies.

Dividends from equity investments in group entities measured at cost are recognised as income in the Parent Company's income statement in the financial year when the dividends are declared.

Tax on loss for the year

The Company is a tax transparent entity and therefore not subject to corporate tax.

Balance sheet

Equity investments in group entities

Equity investments in group entities are measured at cost. In case of indication of impairment, and impairment test is conducted. When the cost exceeds the recoverable amount, write-down is made to this over value.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Receivables

Receivables are measured at amortised cost.

Write-down is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Write-downs are calculated as the difference between the carrying amount of receivables and the present value of forecast cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments comprise prepayment of subscription costs incurred relating to subsequent financial years.

Cash at bank and in hand

Cash at bank and in hand comprise cash and bank deposits.

Liabilities

Financial liabilities related to borrowings are recognised at the received proceeds. In following periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value by use of the effective interest. The difference between the proceeds and the nominal value is recognised in the profit and loss account during the term of the loan.

Liabilities relating to investment properties are measured at amortised cost.

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

Corporation tax and deferred tax

The Company is a tax transparent entity and therefore not subject to corporate tax.

Financial statements 1 January – 31 December

Notes

DKK	<u>2023</u>	<u>18/1 2022- 31/12 2022</u>
2 Average number of full-time employees		
Average number of full-time employees	<u>0</u>	<u>0</u>
3 Other financial income		
Interest income from group entities	3,786,030	64,641
Interest credit institutions	<u>317,012</u>	<u>11,310</u>
	<u>4,103,042</u>	<u>75,951</u>
4 Other financial expenses		
Interest expense to group entities	3,852,945	66,726
Other financial costs	14,934	6,485,184
Fair value adjustments of financial instruments	<u>13,801,436</u>	<u>0</u>
	<u>17,669,315</u>	<u>6,551,910</u>

Financial statements 1 January – 31 December

Notes

5 Investments

DKK	Equity investments in group entities
Cost at 1 January 2023	16,242,714
Additions for the year	94,596,562
Cost at 31 December 2023	110,839,276
Revaluations at 1 January 2023	0
Revaluations for the year	-28,283,613
Revaluations 31 December 2023	-28,283,613
Carrying amount at 31 December 2023	82,555,663

Name/legal form	Registered office	Voting rights and ownership interest	Equity	Profit for the year
Subsidiaries:			DKK	DKK
Ejendomsselskabet Kasernebyen delområde 1 ApS	København	100%	13,860,244	-5,508,454
Ejendomsselskabet Kasernebyen delområde 2 ApS	København	100%	23,107,454	17,671,177
Ejendomsselskabet Kasernebyen delområde 3 ApS	København	100%	30,903,251	20,663,151
Gudenåparken Syd ApS	København	100%	15,951,505	-2,492,600
			83,822,454	30,333,274

6 Other receivables

Other receivables include interest rate cap with value as shown below:

mDKK	31/12 2023
Fair value at 1 January 2023	27.9
Realised / settled during the year	-2.2
Fair value adjustment during the year	-13.8
Fair value at 31 December 2023	11.9

Financial statements 1 January – 31 December

Notes

7 Currency and interest rate risks and the use of derivative financial instruments

The Group hedges interest rate risks by means of interest rate cap whereby any increase in the floating interest rates beyond the hedged threshold will be compensated. The fair value of the hedge is expected to be realized in future and will affect the results over the remaining term of the Cap.

	2023			Remaining term
	Amount	Value adjustment recognised in equity	Fair value	
DKK				
Interest rate cap	34,413,000	0	11,938,579	4 years
	<u>34,413,000</u>	<u>0</u>	<u>11,938,579</u>	<u>4 years</u>

8 Prepayments

The prepayments in 2023 relates to concluded forward purchases of 3 properties that will be delivered in 2024.

9 Non-current liabilities

DKK	Total debt at 31/12 2023	Repayment, first year	Outstanding debt after five years
Payables to group entities	93,109,178	6,973,376	0
	<u>93,109,178</u>	<u>6,973,376</u>	<u>0</u>

10 Related party disclosures

Consolidated financial statements

Hygge II Investors K/S is part of the consolidated financial statements of Hygge Top Investors K/S, c/o CBRE A/S, Rued Langgaards Vej 8, 2300 København S, which is the smallest group in which the Company is included as a subsidiary.

The consolidated financial statements of Hygge Top Investors K/S can be obtained by contacting the Company at the address above.