



# Sofia Residential A/S

COMPANY DESCRIPTION 2022



**CERTIFIED ADVISER**



**LEAD SELLING AGENT**

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# Sofia Residential A/S

(the “Company” or “Sofia” or “Sofia Residential”)  
is a Danish public limited liability company incorporated  
under the laws of the Kingdom of Denmark with company  
registration number 41507470.

**OFFERING OF BETWEEN 2,450,980 AND 5,719,608 OFFER SHARES**  
**OFFER PRICE: DKK 10.20 PER OFFER SHARE**

This company description (the “Company Description”) has been prepared in connection with an application for admission to trading of the Company’s existing shares (the “Existing Shares”) and an initial public offering (the “Offering”) of minimum 2,450,980 and a maximum of 5,719,608 new shares of nominal DKK 0.10 (the “Offer Shares”) and in conjunction with the Existing Shares referred to as the “Shares”. As of the date of this Company Description (the “Company Description Date”), but prior to the Offering, the registered share capital, held by the existing shareholder (the “Existing Shareholder”), of the Company is nominal DKK 600,000.00 and consists of 6,000,000 Existing Shares of nominal DKK 0.10 each, all of which are fully paid. The Company has one share class.

The Company has prepared and is responsible for this Company Description, which has been reviewed by Nasdaq Copenhagen A/S.

The exact number of Offer Shares will be determined during the subscription period. If a minimum of 2,450,980 Offer Shares are not subscribed during the subscription period, the Offering will not be completed. The Offering is not guaranteed, but prior to publication of this Company Description, the Company has entered into an agreement with DIFKO A/S (“DIFKO”) under which DIFKO has agreed to endeavour to procure subscribers for the Offer. DIFKO has, on behalf of its clients, agreed to seek a total of DKK 20,000,000 in subscriptions by their clients in the Offering which will be spread between different DIFKO clients. DIFKO does not guarantee a total subscription of DKK 20,000,000 from its clients, thus the final allotment to DIFKO clients may be lower than the DKK 20,000,000. If DIFKO clients subscribe for less than the allotted DKK 20,000,000 then the remaining unallocated amount will be available for general subscription in the Offering. Subscriptions by DIFKO clients under these arrangements, up to the total of DKK 20,000,000, will receive the full allocation of their subscription as set out in section 13.6 below.

The offer price (the “Offer Price”) is DKK 10.20 per nominal DKK 0.10 Offer Share. The Offer Price is fixed. The offer period (the “Offer Period”) will begin 23 February 2022 at 09:00 CET and end on 08 March 2022 at 23:59 CET. The Offer Shares will be deliv-

ered electronically against payment under temporary ISIN code DK0061556503 to investors’ accounts with VP Securities A/S (“VP Securities”). The temporary ISIN code will be replaced by a permanent ISIN code DK0061556693. It is expected that delivery against cash payment of the Offer Shares will take place on or around 14 March 2022 (the “Closing Date”).

Prior to the Offering, the Shares have not been publicly traded. The Company has applied for admission to trading for all Shares on Nasdaq First North Growth Market Denmark (“First North Growth Market”) under the ticker “SOFIA”. First day of trading is expected to be on 15 March 2022. The Existing Shares in the Company and the Offer Shares issued in relation to the Offering will have the same rights and will rank *pari passu* in every respect.

Investing in the Offer Shares involves significant risks. Potential investors are advised to seek independent advice on legal, financial, accounting and tax matters that apply to the individual investor before deciding to invest in the Offering. Reference is made to section 4 “Risk factors” for a review of the primary risk factors that could have an impact on potential investors’ investment in the Offering. The provided information regarding the outlined risk factors and the Company’s historical operating performance is non-exhaustive and potential investors should thus carefully consider putting disproportionate emphasis on the Company’s expectations for future growth opportunities, earnings, and financial position.

The distribution of this Company Description is only intended to be for the use by investors in Denmark. The distribution of this Company Description is, in certain jurisdictions, restricted by law, and this Company Description may not be used for the purpose of, or in connection with, any offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. This Company Description does not constitute an offer of or an invitation to subscribe for Offer Shares in any jurisdiction in which such offer or invitation would be unlawful. Persons into whose possession this Company Description comes shall inform themselves of and observe all such restrictions.





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# 1. Key Information about the Company

## 1.1 FROM THE CHAIRMAN AND FOUNDER

### From the Chairman

The residential market is probably the most risk-averse market niche in real estate due to its unique combination of demand fuelled by usage and by investment. It's also the largest addressable market by liquidity, both in traded volumes and number of market participants. If you want to enter or exit, it happens quickly and without friction. This is also applicable for a burgeoning market like Sofia, Bulgaria.

In my career I have had the chance to work in the Bulgarian market for almost 20 years, become a local public opinion maker and leading analyst, as well as get exposed in the CEE region by helping Colliers expand in the Western Balkans in 2005-2008. That, combined with my studies at the University of Chicago (2010-2012) in the USA, gave me enough basis for comparison of what is missing and what is similar in a developing society like Bulgaria, compared to established western democracies. On one hand many public facts about the local society that need improvement are true: more transparency on public matters, a better media environment and more efficient public policies. However, when it comes to Sofia, the capital and in the private sector, the local environment is not much different from established European cities. It is a very safe, vibrant, and economically active society. The IT and outsourcing sector in Sofia is a leading ecosystem in the region and just before Covid-19, Sofia was welcoming about 1.5 million tourists enjoying the local cuisine, historical heritage and nature landmarks.

When it comes to the overall status of the residential market in Sofia there are a couple of factors at play. Sofia is the largest city in the country: it accounts for approximately 44% of the GDP and attracts 37% of foreign (Reference 2) direct investments of the whole country. The population has a very distinct propensi-

ty to save income: the average growth of savings for the last 10 years is 9% per annum (Reference 3). Real estate, specifically residential properties, have become the leading means of storing wealth for the local population. Prices, as of yet, do not reflect this high demand. The housing stock for sale on the market in Q1 2021 stood at just 3% of total supply, and the years to sell (that stock in process of sale) are estimated at 1.5 years. This is an indication of an undersupplied market with potential for price growth. Another ratio: The residential properties under construction vis-à-vis GDP stands in 2020 at 3.5%. This is considered a healthy level (as a comparison, in the 2008 financial recession, that ratio was 7.5%) (Reference 4).

What attracted me to Sofia Residential is the conservative business model. Sofia Residential does not carry a lot of development risk, yet it taps into the most efficient way of value creation in this segment: by cumulating the discount for volume and early entry in development projects with its unique design, as well as the plan to establish its rental business in the centre of Sofia. This will make Sofia Residential a risk minimized business with a construction business which will earn its money from sale of completed apartments, and a rental business generating steady income for the Company. All locations invested to date are smartly chosen - at the under-priced areas of downtown Sofia. In my work at Colliers and under my management, the valuations team advised and valued assets with a cumulative value over EUR 25 billion. This wealth of knowledge and experience will help me make sure investments are conducted under highest professional standards and transparency.

Georgi Kirov  
Chairman



## From the Founder

Residential Real Estate is generally regarded as one of the most conservative and solid investment classes, primarily as it is driven by genuine demand. Most of us are driven by the desire to own our residential property, which is one of the most important long-term drivers in the market. Historically, Real Estate values have shown consistent appreciation over time. Sofia Residential has one business unit as of now, construction, which is responsible for design and construction of residential buildings and selling these to end users when completed. In addition to the construction business, Sofia Residential will establish a new business area consisting of rental a business with the purpose of operating and renting out residential properties. The business area will be organized separately from the construction company, and a stable cash flow will be generated from the rental income. The Company sees the Offering as an opportunity to launch this new activity and will invest a portion of the net proceeds from the Offer in order to finance this new business area, thus giving the Group a mix of activities within the real estate sector.

I have been involved in the industry for most of my career, in London, Stockholm and Copenhagen. Post the financial crisis in 2011, I started buying distressed properties in Copenhagen primarily in order to develop them, thus increasing the value, before selling them on.

However, it became obvious that, even with a dip in the market, property values here remained relatively high and any further price increases in the Danish market had a natural ceiling, if compared to the average disposable income of residents.

The key to any successful property investment strategy is location - be in the right street, the right city or indeed the right country. During my continuous travel throughout Europe and beyond, it became obvious that the lesser developed countries in Eastern Europe provided far more potential, with less risk, than many of the Western European centres.

With the demise of socialism and the embracing of capitalism, a massive surge of demand has been created in these countries. A whole new middleclass has been created, who aspires to a higher living standard, driven by the higher levels of education and the influx of international companies who are attracted by a highly educated workforce but still relatively low salaries.

Sofia, the capital of Bulgaria, is a prime example of this trend. Since its accession to the EU in 2007, Bulgaria has benefitted, and will continue to, from a massive effort by Brussels to improve living standards. Whilst these have improved significantly, they are still lagging well behind western Europe. When I started in Sofia, I used the knowledge obtained from Denmark regarding environmental design, social and government handling which has now turned into our internal ESG (Environmental, Social and

Governance) profile. Apartments must be bright and well illuminated where possible. Being able to follow the course of the sun is better for people's minds than always having to look the same way and all this enables us to obtain a higher price for our apartments.

Bulgarian Real Estate values are still amongst the lowest in the EU and, given the huge amount of "socialist style" housing still in existence, demand is amongst the highest, driven not by tourism or the luxury segment, but by ordinary residents who want to upgrade. The vast majority of housing is still dating back to the last century and the communist economy and is not attractive any more to today's buyers or renters.

The average Bulgarian household still only spends some 14% of its disposable income on accommodation, highlighting the potential. (reference Figure 3 in section 5.2 below)

I have been involved in the property market in Sofia since 2009 and the thinking then is the same as the thinking now: that developments have to be suited to the local population in order to manage risk prudently.

Sofia Residential does not buy existing buildings and convert them. We design residential projects, have residential property complexes constructed and sell those, thus avoiding any potential legacy issues. All construction is undertaken by local firms, to our specification, but largely at their risk. The company undertakes to purchase the constructed property from the contractor at pre-determined construction-prices, thus de-risking Sofia Residential. The net proceeds from the Offer will enable Sofia Residential to introduce the new business area, as the Company will buy properties on the open market and will establish a rental business organised with the necessary resources and skilled employees, in order for the residential properties to be systematically and efficiently operated and rented out. For the Company, the intention is to become a relevant operator in the market for operating and renting out residential properties

We only work in the centre of Sofia, not in the outskirts nor in the wider countryside, which through existing infrastructure and proximity to city centre amenities is attractive to locally working professionals.

Having enjoyed continuous growth over the last few years and developed a deep understanding of the local market, I would like to welcome investors to participate in the projected growth of Sofia Residential, operating in one of the most exciting property markets in Europe.

Jens Kindberg  
Founder

### 1.2 CORPORATE STRUCTURE

Sofia Residential A/S ("the Company") is a Danish limited liability company incorporated on 1 July 2020 under the laws of the Kingdom of Denmark with company registration number 41507470. The Company's LEI number is 894500SI2NKE581NW315.

The Company's address is:  
Lergravsvej 59A  
2300 Copenhagen S, Denmark.

Telephone number: + 45 3696 0707.  
Website: [www.sofiaresidential.com](http://www.sofiaresidential.com)

The Company acts as the holding company.  
The current Group structure is reflected in the graph:

Sofia Residential A/S (CVR: 41507470)  
is the holding company of the Group.

Sofia Residential BG ApS (CVR: 39154080) is a 100% subsidiary, and the Board will consider taking steps to dissolve the company by an upstream merger into the Company. It was originally planned to merge the companies by the end of 2021. However, given the passage of time, this will be postponed for the time being. Sofia BG ApS was set up as a holding company for the Bulgarian activities and holds those assets. With the creation of

Sofia A/S, the ApS becomes an intermediate holding company, whose share capital is held to 100 pc by the A/S.

Sofia Residential EOOD is incorporated in Bulgaria. Its registration number is UIC: 202985431 and its sole director is Jens Kindberg. It serves as the Group's principal operating company in Bulgaria.

Bregalnitsa 61 EOOD is incorporated in Bulgaria. Its registration number is UIC: 204961614 and its director is Jens Kindberg. It holds the property at Bregalnitsa 61, Sofia.

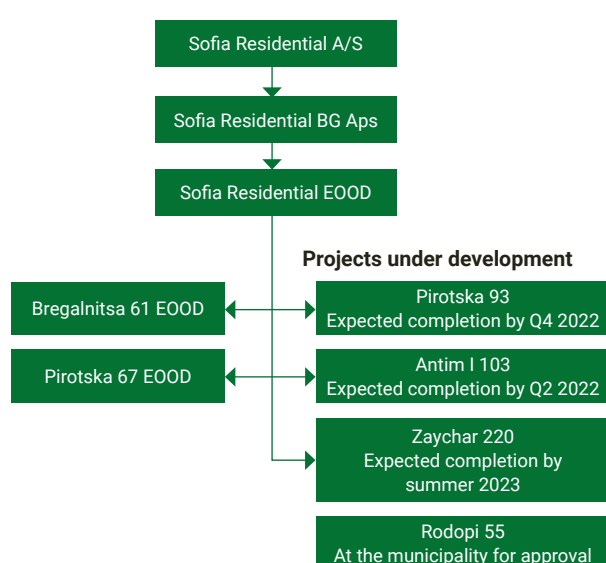
Pirotska 67 EOOD is incorporated in Bulgaria. Its registration number is UIC: 204907310 and its director is Jens Kindberg. It holds the property at Pirotska 67, Sofia.

All intra-Group shareholdings are 100%.

The light grey boxes in Figure 1 represent projects currently under development. Assuming successful completion of each development by the relevant construction company, Sofia Residential EOOD will acquire a new Bulgarian special purpose company owning the relevant property.

Once a project has been fully sold, the relevant special purpose company is either dissolved, or re-purposed for a future development project.

FIGURE 1  
**SOFIA RESIDENTIAL STRUCTURE**



**Ownership**  
100% ownership through the structure

**Entity to be listed**  
Sofia Residential A/S

**Address**  
Lergravsparken 59A,  
2300 København S,  
Denmark

**Board**  
Georgi Kirov (Chairman),  
Emil Bjørn Meincke,  
Henrik Deigaard,  
Majbritt Stabell  
Christensen

**CEO**  
Jens Kindberg

**Accountant**  
Crowe is the auditor for the Sofia Residential group of companies in Denmark.  
Ecovis is the auditor for the Bulgarian companies

**Bank**  
Sydbank in Denmark  
DSK Bank & FI Bank in Bulgaria

**Homepage**  
[www.sofiaresidential.com](http://www.sofiaresidential.com)

The Company intends to operate the new rental business through a newly incorporated subsidiary of Sofia Residential EOOD. Each residential property acquired by the rental business will be held by that company or in a separate wholly owned subsidiary of that company.

### 1.3 REASONS FOR THE OFFERING AND USE OF PROCEEDS

The purpose of the Offering is primarily to provide the Company with the capital needed to strengthen the Group's balance sheet thus generating enhanced purchasing power in Sofia and the ability to enter into further development opportunities as and when these arise as well as to commence the planned rental business.

The Group currently has approximately DKK 31,200,000 in debt (at 31 December 2021). At the moment, the Company has no project finance debt (as defined in Section 10.3.2).

For the terms of the loans please see 10.3.2, where the loans are described. The Company has the option to repay one or both loans at any time and both loans amounts are on equal terms.

The loans comprise a loan to Sofia Residential BG ApS which was originally provided to assist the startup of the operation, and a loan to Sofia Residential A/S resulting from that compa-

ny's acquisition of the partial ownership interest of Peha Invest ApS, in Sofia Residential BG ApS. This transaction is described in section 10.3.1 of this Company Description.

Peha Invest ApS is a medium size family office, active in the Danish real estate sector, which has been known to the founder, Mr. Kindberg, for many years.

At the minimum subscription level, the Company will receive net proceeds of DKK 22,700,000 and would look to eliminate approximately DKK 16,000,000 of the existing debt, leaving approximately DKK 7,000,000 available for investment in the rental business.

At the maximum subscription level, the Company will receive net proceeds of DKK 55,200,000 and would look to eliminate all of the DKK 32,000,000 in debt, leaving approximately DKK 22,000,000 available for investment in the commencement of the rental business.

The incremental available cash between minimum and maximum subscription would enable the Group to react immediately to new opportunities as and when these become available. The Group could initiate two or three rental projects immediately which would speed up the achievement of the Group's goal of having 1,000 rental units as set out more fully in section 5.5 below.

### 1.4 KEY ADVISERS

Certified Adviser	Keswick Global AG	Hoffingergasse 16/1/6 A 1120 Vienna, Austria
Auditors	Crowe Statsautoriseret Revisions interessentskab	Rygårds Allé 104 DK-2900 , Hellerup
Administration Outsource Denmark	Øens Ejendomsadministration	Lergravsvej 59, 2300 København, Denmark
Legal Advisers	Nielsen and Oestergaard	Kong Christians Alle 28, 9000 Aalborg , Denmark
	Elmann Advokatpartnerselskab	Stockholmsgade 41, DK-2100 København Ø, Denmark
Legal Advisors Bulgaria/Administration Outsource Bulgaria	ECOVIS Bulgaria	23, Tvardishki prohod Str., fl. 3, office 12 1404 Sofia, Bulgaria
Issuing Bank	Sydbank A/S	Peberlyk 4 6200 Aabenraa, Denmark
Selling Agent	Nordnet AB	Havneholmen 25, 7, København, Denmark
Agent	DIFKO Invest A/S	Merkurvej 1K, 7. Sal 7400 Herning, Denmark

The Company has not appointed a Liquidity Provider.

Keswick Global AG, the Certified Adviser, holds no Shares in the capital of the Company, nor does it hold any warrants or options to acquire such Shares.

# 2. Liability Statement

## 2.1 LIABILITY STATEMENT OF THE BOARD OF DIRECTORS AND MANAGEMENT

We declare that, to the best of our knowledge, the information provided in the Company Description is accurate and that, to the best of our knowledge, the Company Description is not subject to any omissions that may serve to distort the picture the Company Description is to provide, and that all relevant information in the minutes of Board meetings, auditors' records and other internal documents is included in the Company Description.

**Copenhagen 2022**

### THE BOARD OF DIRECTORS

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Georgi Kirov  
Chairman

---

Emil Bjørn Meincke

---

Henrik Deigaard

---

Majbritt Stabell Christensen

### THE MANAGEMENT

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Jens Kindberg  
CEO

# 3. Certain Information about this Company Description

## 3.1 APPLICABLE LEGISLATION

This Company Description has been prepared for the Offering in compliance with the rules and requirements of Nasdaq First North Growth Market – Rulebook, dated 1 September 2019. As the capital to be raised with the Offering amounts to less than EUR 8,000,000, there is no requirement to prepare a prospectus in accordance with the Consolidated Act no. 2014 of 1 November 2021 on Capital Markets, as amended (the “Danish Capital Markets Act”).

## 3.2 LANGUAGE

This Company Description has been prepared in the English language only.

## 3.3 DISTRIBUTION

The distribution of this Company Description is exclusively intended to be for the use by investors in Denmark.

The distribution of this Company Description is, in certain jurisdictions, restricted by law, and this Company Description may not be used for the purpose of, or in connection with, any offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. This Company Description does not constitute an offer of or an invitation to subscribe for the Offer Shares in any jurisdiction in which such offer or invitation would be unlawful. Persons into whose possession

this Company Description comes shall inform themselves of and observe all such restrictions. The Company does not accept any legal responsibility for any violation by any person of any such restrictions.

## 3.4 FORWARD-LOOKING STATEMENTS

Certain statements in this Company Description are based on the beliefs of the Board of Directors and the Management Team, as well as assumptions made by and information currently available to the Board of Directors and the Management Team, which may constitute statements regarding the future. These statements regarding the future results of operations, financial condition, cash flows and business strategy, and the plans and objectives of the Board of Directors and Management Team for future operations can generally be identified by terminology such as “targets”, “believes”, “expects”, “aims”, “intends”, “plans”, “seeks”, “will”, “anticipates”, “would”, “could”, “estimates” or similar expressions or the negatives thereof.

Such statements regarding the future involve known and unknown risks, uncertainties and other important factors that could cause the actual result, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by such statements regarding the future.

The Company does not intend or assume any obligation to update any statements regarding the future contained in this Company Description, except as may be required by law or the rules of Nasdaq First North Growth Market. All subsequent written and oral statements regarding the future attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained in this Company Description.

## 3.5 MARKET AND INDUSTRY INFORMATION

This Company Description contains historical market data and industry forecasts, including information related to the size of the markets, in which the Company operates. This information has been obtained from a variety of sources, provided business intelligence products and services, literature, market reports, company websites and other publicly available information as well as the Company’s knowledge of the markets. The professional data suppliers state that the historical information they provide has been obtained from sources and through methods believed to be reliable, but that they do not guarantee the accuracy and completeness of this information. Similarly, industry forecasts and market research, while believed to be reliable, have not been independently verified by the Company and the Company does not represent that this historical information is accurate. Industry forecasts are subject to significant uncertainty by nature. There can be no assurance that any of the forecasts will materialize.

The Company confirms that information from third parties has been accurately cited and reproduced and that to the best of the Company’s knowledge and belief, and so far as can be ascertained from the information published by such third party, no facts have been omitted which would render the information provided inaccurate or misleading.

The source of data included in this Company Description is noted at the relevant place. Where data from a particular source is used in a number of places, the source is noted in Section 17 “References” and each use of the data is cited to that reference.

Market statistics are inherently subject to uncertainty and are not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgements by both the researchers and the respondents, including judgements about what type of products and transactions should be included in the relevant market or market segment definitions.

## 3.6 COMPANY VIEWS AND OPINIONS

This Company Description makes use of an array of sources to provide transparency and information to the investor and/or reader. If no source of information is stated, the information and views are of the Company itself.

# 4. Risk Factors

## 4.1 INTRODUCTION

An investment in the Company's Shares is associated with economic risk. The Group is affected by several factors, where the Group only has the power to influence some of these factors with specific actions while some factors are outside the control of the Group. These factors may have a negative impact on the Group's business, earnings, and financial position, and may result in a decline in the market price of the Shares, subsequently resulting in shareholders losing parts or all of their invested capital. Potential investors should carefully consider the risks outlined below before deciding to invest in the Company, and are advised to seek independent advice on legal, financial, accounting, and tax matters that apply to the individual investor before deciding to invest in the Offering.

As it is not possible to outline all risks associated with investing in the Company, this section describes a number of risk factors as of the date of this Company Description, which the Company

considers to be the most significant known risks. Other risks and uncertainties that the Company is not aware of at present may also have a material adverse effect on the Group and the Shares.

The following table summarizes the Company's evaluation of the most important referenced risks in terms of probability of the risk and impact of such risk to the Company, on a scale from 1 to 5, where 1 is low, and 5 is high.

## 4.2 GENERAL ECONOMIC RISKS

The real estate business, especially in terms of residential apartments, is depending on an affluent class in the society with the desire to purchase such housing for themselves, their families, their parents or as investment. A general economic downturn, be it globally as seen in the current pandemic, or regionally or locally, due to numerous potential factors, will potentially lead to lower income, higher unemployment rates,

REFERENCE	RISK TITLE	LIKELIHOOD	IMPACT TO THE COMPANY
4.2	General Economic	3	3
4.3	Political and Country	1	5
4.4.1	Competition	3	2
4.4.2	Market development	3	3
4.43	Regulatory risk	2	2
4.5.1	Continued operation	3	3
4.5.2	Product development	1	3
4.5.3	Dependency key individuals	2	3
4.5.4	Key Partnerships	3	3
4.5.5	Rental market	3	3
4.6.2	Currency risk	1	5
4.6.1	Liquidity risk	2	4



higher levels of inflation and, ultimately, less desire of purchasing real estate. These scenarios may directly influence the Sofa Residential business and adversely affect the results of its operations.

### 4.3 POLITICAL AND COUNTRY RISK

Political risk reflects the influence of the political process in a country, which in turn affects the return on investment. The determining factor for the activity of the Group is the long-term economic program formulated by the government, as well as the will to implement the set priority steps. The degree of political risk is associated with the likelihood of changes in an unfavourable direction of the government's economic policy and, as a consequence, the danger of negative changes in the investment climate.

While Bulgaria's membership of the European Union ("EU") mitigates political risk, there remains the risk that actions taken, or not taken, by the authorities in Bulgaria may adversely impact the Group's operations and financial results.

### 4.4 INDUSTRY AND MARKET RISK

The industry risk is manifested by potential negative trends in the development of the industry as a whole, technological security, regulatory framework, competitive environment, the characteristics of the market environment for the products and raw materials used in the industry; industry risk is associated primarily with the impact on the possibility of income within the industry and in particular on technological changes, increasing interest rates or changes in the specific regulatory framework.

#### 4.4.1 COMPETITION

The business of Sofia Residential is attractive and profitable and several other developers have developed a similar business concept. There is a risk that an existing operator, or new, market entrant, may possess greater financial strength and be able to compete with the Group in a manner which forces the Group to operate with lower margins or, potentially, to be unsuccessful in the acquisition of promising development sites.

#### 4.4.2 MARKET DEVELOPMENT

Fundamentally the future development of the real estate market depends on the balance of supply and demand. Since the accession of Bulgaria to the EU, living standards have risen significantly and this trend is forecast to continue with the influx of funds from the EU and inward investment in general. Available housing stock to meet this demand is limited, as most of the existing stock has been built pre 1990 and does not meet the specifications demand by today's market participants. Notwithstanding this, unexpected changes in the above factors may have an adverse impact on the Group's operations and its financial position.

### 4.4.3 REGULATORY RISKS – GENERAL

Potential changes by the Bulgarian authorities to the regulatory environment in which the Group operates such as, but not limited to, changes in the requirements for the approval of building permits, or the required specification of residential developments, may increase the Group's costs of operations and or the time taken to complete its development projects, thus having a negative impact on the Group's financial results.

Further, the Group is subject to the General Data Protection Regulation 2016/679 ("GDPR") and, whilst the Group endeavours to meet these obligations, a failure to fully comply with GDPR requirements may result in a financial sanction which may adversely impact its financial position.

#### 4.4.4 REGULATORY RISK – ALTERNATIVE INVESTMENT FUND

While the Company has retained independent, legal specialist advice that has concluded that the Company does not qualify as an alternative investment fund ("AIF") for purposes of the Danish Alternative Investment Fund Managers' Act (transposing the AIFMD into Danish law) based on the facts described in this Company Description and subject to certain other assumptions and qualifications, there is a risk that the business of the Group entails that the Company or one of the other members of the Group may at a later stage in its development depending on the actual implementation of the business plan be deemed to constitute an AIF under the Danish Alternative Investment Fund Managers' Act. This will require that the Company at the time of being deemed to constitute an AIF apply for and gets permission according to the rules and procedures in the Danish Alternative Investment Fund Managers' Act.

### 4.5 OPERATIONAL RISKS

#### 4.5.1 CONTINUED OPERATION

Property construction can carry a significant amount of risk, some of which may not be apparent prior to the process commencing. This may include factors like environmentally dangerous substances being unearthed or discoveries of archaeological significance being made which could slow down a project and /or increase costs. Permits may not be granted; the construction company engaged by the Group may experience financial difficulties and a number of other problems may occur. The Group mitigates against this by ring-fencing every project in a separate SPV (Special Purpose Vehicle), which will not be purchased from the constructors until construction completion and final legal due diligence has been completed. In the case of total project failure, the Group's direct exposure is limited to the 25% deposit made by the Group at commencement and, while not considered by the Group to be likely, such failure would adversely impact the Group's financial operations.

#### **4.5.2 PRODUCT DEVELOPMENT**

The Group has to continuously update its product from a design, technological and environmentally friendly point of view. It is in permanent contact with major realtors in Sofia to track potential clients tastes and preferences and is confident that its product will continue adapt to a changing market. Notwithstanding this, there is a risk that a sudden change in market taste may render some of the Group's portfolio unattractive to market participants and thus prove harder to sell or rent, thereby negatively impacting the results of the Group's operations.

#### **4.5.3 DEPENDENCY ON KEY INDIVIDUAL**

Sofia Residential was founded, and is led, by Jens Kindberg. Jens is the driving force behind the development and the success of the Group. The success of the Group is heavily dependent on him and on the personal relationships that Jens has built over the years. Mr Kindberg is engaged by the Company under an employment contract which provides for a notice period of twelve months from either party and further prohibits Mr Kindberg from acting for a competitor to the Company during the term of the employment contract. Further details of these arrangements are provided at section 6.4 below. When establishing its rental business, the Company will employ its own employees to manage the rental business, such as maintenance, dialog with tenants as well as renovation and the rental business itself.

In the last few years, the Company has attracted very experienced managers for board positions in Sofia Residential. Sofia Residential has outsourced several services to trusted partners who provide management services. However, the loss of the services of Jens Kindberg, on either a prolonged or permanent basis would therefore mean that a new CEO has to be identified, appointed and become acquainted with the Group's operations. Whilst other members of the Board, in particular Mr. Georgi Kirov, have the requisite skills and would be able to act on an interim basis in such circumstances, the loss of the services of Mr. Kindberg may have a material adverse impact on the results of the Group's operations and its financial position.

#### **4.5.4 DEPENDENCY ON KEY PARTNERSHIPS**

Sofia Residential outsources significant components of its operations which creates a dependency on relationships. Relationships with construction companies as well as the providers of administrative services and real estate agents are essential to ensure the smooth operation of the business. Failure of such partners to provide an adequate service or their loss as a partner may adversely impact the Group's operations. A more detailed description of these partnerships is given in section 6.3. It should be noted that the Group will undertake its rental activities entirely 'in-house' and this segment of the business will therefore not be subject to this risk.

#### **4.5.5 RENTAL MARKET**

The projected expansionary plans of the Group to move into the rental accommodation sector will present its own challenges. Whereas at present units are made available to a purchaser when the apartment and/or parking spaces is finalized and after the full purchase price has been paid.

The listing enables the Group to introduce a new business area, as the Group can (i) buy properties on the open market and (ii) establish a rental business organised with the necessary resources and skilled employees, in order for the residential properties to be systematically and efficiently operated and rented out. This provides some risk, such as but not limited to default on rent may occur, which as well as a loss of income, would incur legal costs. Further, changes in the market dynamics of the rental sector may result in the Group's properties being less attractive to tenants or priced at a point where demand is low. Such factors may impact the Group's cash flow and the results of operations.

### **4.6 FINANCIAL RISKS**

#### **4.6.1 LIQUIDITY RISK**

Whilst the proceeds of the Offering will substantially reduce the Group's interest-bearing debt, the Group may, in the future, seek additional debt financing in order to have sufficient liquidity to pursue opportunities in the market. The lack of availability of such credit, or its availability only on uneconomic terms, may hamper the Group's growth plans and have an adverse impact on the results of its operations.

#### **4.6.2 CURRENCY RISKS**

The Group primarily conducts its business in Bulgarian Lev and reports the results of its operations in Danish Kroner. While both of these currencies are currently tied to the Euro and thus offer relative stability, potential future changes in exchange rates may expose the Group to currency risk both operationally and in its financial reporting.

### **4.7 RISKS RELATED TO THE OFFERING AND THE SHARES**

#### **4.7.1 SHARE PRICE DEVELOPMENT**

Investing in shares and securities is always associated with risk. Prior to the Offering, there is no public market for the Company's Shares. There is a risk that an active and liquid trading market may not develop, or if developed, will not be sustained after the Offering.

If an active and liquid market does not develop or remain developed, there is a risk that the liquidity and trading price of the Shares could be materially affected, and investors may have difficulty selling their Shares. The market price of the Shares may vary from the Offer Price and may be higher or lower than the price paid by investors. There may be fluctuations in the trading price of the Shares as a result of many factors, including external factors, such as financial results varying from expecta-

tions, changes in expectations to future performance, economic downturns, changes in business or regulatory conditions, or changes in geopolitical conditions.

There is also a risk that the global securities market experiencing significant price and volume fluctuations may have a material adverse effect on the market price of the Shares, which may leave investors not being able to sell their Shares for at least the Offer Price.

#### **4.7.2 THE OFFERING OF THE SHARES**

The Company has applied for its Shares (included those to be issued pursuant to the Offering) to be admitted to trading on Nasdaq First North Growth Market Denmark. The admission, as well as the continued admission to trading on Nasdaq First North Growth Market Denmark, is subject to all admission requirements for the Company's Shares being met, as described in section 2.3 in the Nasdaq First North Growth Market Rulebook as set forth by Nasdaq First North Growth Market, before the first day of trading and continually thereafter. If such requirements are not met, the application will be rejected by Nasdaq Copenhagen. Withdrawal of the Offering can also occur as a decision made by the Company, this event can take place any time prior to the announcement of the result of the Offering. In the event of a withdrawal, such information will be announced immediately through Nasdaq First North Growth Market.

Nasdaq First North Growth Market Denmark is a multilateral trading platform operated by Nasdaq and does not have the same legal status as a regulated main market. Companies trading on First North Growth Market are subject to regulatory framework that is less extensive than the framework applicable to companies trading on the regulated main market. However, on both the regulated main market and First North Growth Market, the Market Abuse Regulation applies. Investing in a company admitted to trading on First North Growth Market may include more risk than investing in a company listed on a regulated main market, and investors risk losing part or all of their investment.

#### **4.7.3 SALE OF SHARES BY MAJOR AND EXISTING SHAREHOLDERS**

There is a risk that after the admission to trading, the market price of the Shares may decline as a result of sale of Shares in the market or the perception that such sales could occur. Such sales may also make it difficult for the Company to issue new shares in the future if deemed appropriate.

Sale of a large number of Shares by the Existing Shareholder, or the perception that such sales could occur, may cause a decline in the market price of the Shares.

In connection with the Offering, the holder of the Existing Shares before the Offering has agreed to enter into a lock-up agreement, obligating him to ensure that 90% of his holding of the Existing Shares in the Company are not offered for sale without

prior written consent of the Company's Certified Adviser. The lock-up obligation shall apply from the first day of trading for a period of one year. After expiry of the lock-up obligation, Existing Shares are released from the lock-up obligation. The lock-up obligation does not apply to Shares acquired in connection with the Offering.

#### **4.7.4 SHAREHOLDERS WITH SIGNIFICANT INFLUENCE**

At the date of this Company Description but prior to the Offering, the Company is owned by one Shareholder (the "Existing Shareholder") (See Ownership structure at section 7.1.3). In the event, that the Offering results in the minimum number of Offer Shares sold in the Offering, the Existing Shareholder will own 71.0% of the Shares and if the maximum number of Offer Shares are sold in the Offering, the Existing Shareholder will own 51.2% of the Shares after the Offering.

The Existing Shareholder will have the ability to influence or determine the outcome of specific matters submitted to the shareholders for approval. These matters could include election or dismissal of members of the Board of Directors, policy on dividends and amendments to the Company's articles of association. As a result, the Existing Shareholder may have the ability to influence the future direction of the Company. The interest of the Existing Shareholder with significant influence could differ from the interest of other shareholders and may not be aligned with the interest of minority shareholders.

#### **4.7.5 OFFERING OF ADDITIONAL SHARES**

Should the Company decide to raise additional capital in the future in order to pursue growth opportunities, invest in current business ventures or for other purposes deemed relevant and necessary by the Board of Directors. In its pursuit to raise additional capital, the Company may decide to issue additional equity, which may result in dilution of the Shares.

#### **4.7.6 FUTURE DIVIDENDS**

The Company's ability to pay dividends will depend, among other things, on its financial condition, working capital requirements, and the availability of distributable profits and reserves and cash available, and other factors as the Board of Directors may deem relevant. The Company has currently no intention to pay dividends. The Company is in a growth phase and intends to reinvest any profit in activities to continue the growth. Dividends are decided by the Annual General Meeting following a proposal from the Board of Directors.

# 5. About Sofia Residential

## 5.1 EXECUTIVE SUMMARY

Sofia Residential has been established to take advantage of one of the fastest growing real estate markets in the EU. It is Sofia Residential's mission to supply high quality, but affordable residential units to the burgeoning middleclass and millennials in downtown Sofia.

Real estate values have been rising by between 7% and 9% per annum during the recent past and, whilst personal income has been rising at the same rate, only 14% of post-tax income is being spent on accommodation expenses, be it rent or mortgage repayment plus utility costs, compared to up to 40% in other European Capitals. (Reference 13,14,15)

Based on these numbers it appears obvious that real estate prices do have significant upside potential compared to other economic centres in the EU where the income / housing cost equation can be well over 30 % (Reference 5). Albeit Sofia Residential is not building or renting out properties with the purpose of appreciation on the properties but on the earnings on the development process as well as on the cash flow from the rental business.

### Construction

Sofia Residential is currently exclusively developing new residential development projects in the centre of Sofia. The management of the Company has more than 12 years extensive experience in operating in Bulgaria with the first commercial activities of Sofia Residential in 2015. The Group identifies, designs, and contracts for the development and building of these residential projects. When the residential properties and parking facilities within the construction company are completed, these are or will be sold to the end-user, and the income is generated by assuming and mitigating operational risks related to the construction of the buildings.

Sofia Residential takes control of its real estate projects at the planning stage, thus controlling all aspects of real estate project, including design in particular deciding on size and room partition and, thus, on the number of units per project as well as the quality. As stated above, the target customer group are local citizens in Sofia, not the luxury or tourist markets, therefore de-risking the projects further, as that segment will be more at risk to the vagaries of the global/local economy or indeed a pandemic.

The Group identifies the building sites of interest, whereafter residential properties and parking facilities are designed, constructed and developed to the Group's directions normally with a newly established company (owned by the construction company to who the actual building of the development is subcontracted). The Group controls the process throughout the development phase and, on completion of the building makes the final con-

tractual payment to the construction company and takes ownership. This structure is designed to limit the Group's development risk.

In the construction business there is as of December 31st, 2021, 123 units (comprising 66 apartments and 57 parking spaces) in the project pipeline which will be sold to end-users.

### Rental

Utilising a portion of the proceeds from the Offer, the Group will introduce a new business area, Rental and where Sofia Residential will:

- Buy properties on the open market and
- Establish a rental business organized with the necessary resources and skilled employees, for the residential properties to be systematically and efficiently operated and rented out.

For Sofia Residential, the intention is to become one of the largest operators in the market for operating and renting out residential properties in Sofia, Bulgaria within the next 10 years.

The outlook for the local economy is excellent, supported by various EU programs, with the opportunity for growth to significantly outstrip the more mature economies in Western Europe, giving Sofia Residential a solid environment in which to prosper

## 5.2 THE MARKET

Greater Sofia, the capital of Bulgaria, has approximately 1.7 million inhabitants, which equates to about 20% of the population of the country. It is, by definition, the main driver of the Bulgarian economy (Reference 6).

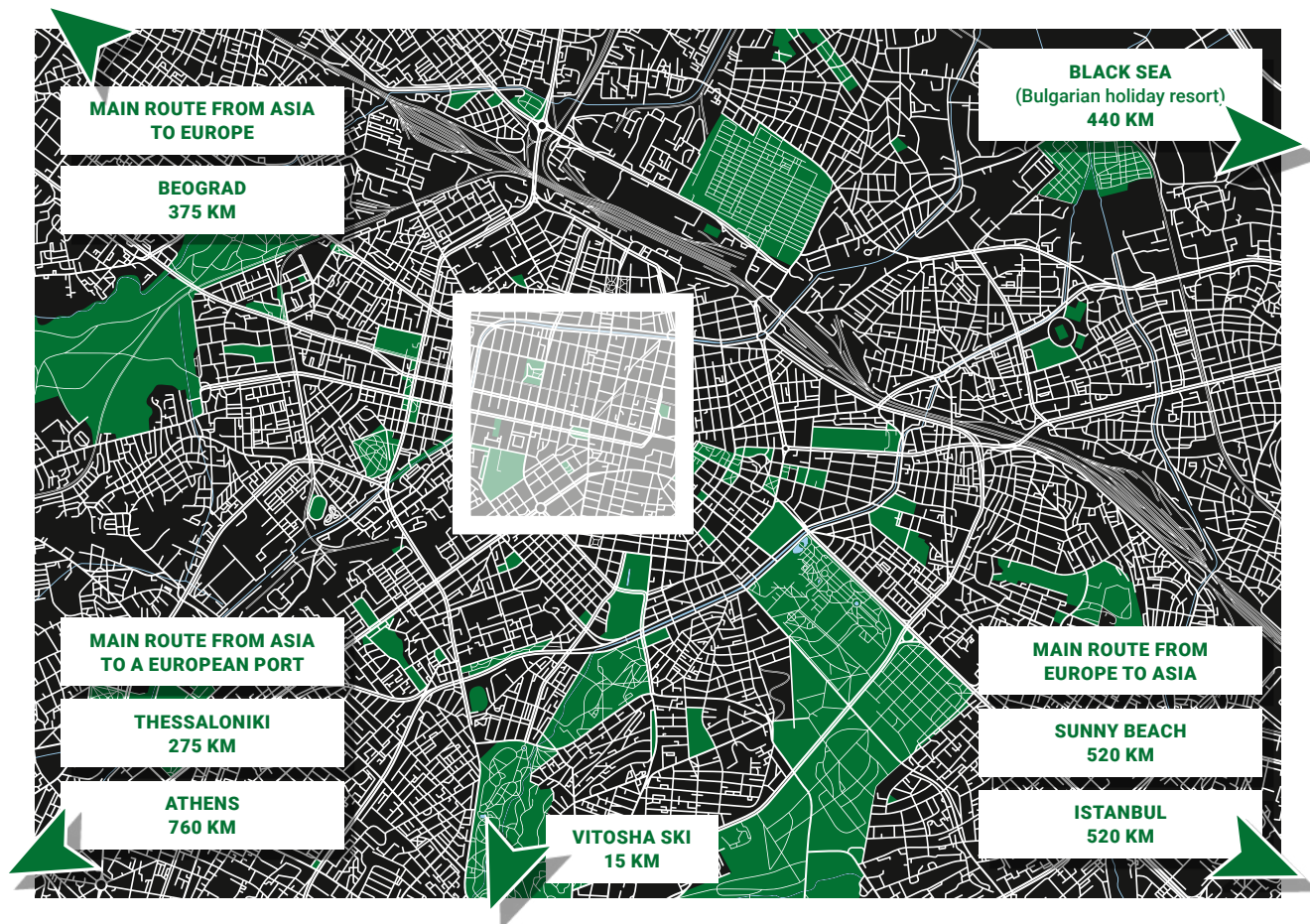
A young well-educated workforce has attracted significant investment from abroad, especially in the IT sector. Companies like SAP, HP, VMware, DraftKings, Luxoft, Ocado Tech, IBM and Visteon (Reference 7) are prime examples of international firms, who have a presence in Sofia.

As a result, Sofia has been transformed over the past 20 years or so and is now a vibrant, young, expanding city, dominated by young professionals, which in turn has created a significant demand for modern dwellings. This has led to a 50% increase in (Reference 8) housing costs over the last five years, albeit from a very low level. About three quarters of all the housing stock in Sofia dates from communist times and is no longer desirable for the burgeoning middle classes.

Sofia's development as a significant settlement owes much to its central position in the Balkans. It is situated in western Bulgaria, at the northern foot of the Vitosha mountain, in the Sofia Valley that is surrounded by the Balkan mountains to the north. Unlike most European capitals, Sofia does not straddle any large



FIGURE 2

**GREATER SOFIA – PRIME LOCATION OF THE SOFIA RESIDENTIAL PROJECTS**

river, but is surrounded by comparatively high mountains on all sides. Three mountain passes lead to the city, which have been key roads since antiquity, Vitosha being the watershed between Black and Aegean Seas. The strategic locations near the mountains have also provided the local residents with a unique opportunity to go skiing only 15km from the city center of Sofia – something not seen in many other capitals.

The city of Sofia with its central location in the Balkans and western Bulgaria has also made Bulgaria a part of the Chinese One Belt One Road project, making Sofia and Bulgaria a main route on land between Western Europe and Asia. Sofia is also only 275 km away from the Greek transportation hub Port of Thessaloniki and 520km away is Istanbul and the route to Asia. To the north the E80 road transports the merchandise to Belgrade and into Western Europe. In essence, transportation be-

tween Asia and Europe via land goes via Sofia, Bulgaria. Sofia represents about 44% of Bulgarian GDP, unemployment is around 4%, (pre Covid-19 it was 2%), savings growth is about 9% and, coupled (Reference 3) with low mortgage rates, it is predicted that demand for modern apartments fit for the 21st century will continue to increase.

As Figure 3 shows, Income, general expenditure and housing costs (indexed from 2010) are growing fairly parallel, with housing expenses as such only accounting for approximately 14% of overall income, compared to up to 40% in some cities in western Europe

Presently GDP per capita in Bulgaria is approximately 6,800 euro, although significantly higher in the capital, it still lags considerably behind the EU average of 27,980 euro (Reference 9), highlighting the overall potential of the property market in gen-

FIGURE 3  
NATIONAL INCOME AND EXPENCES

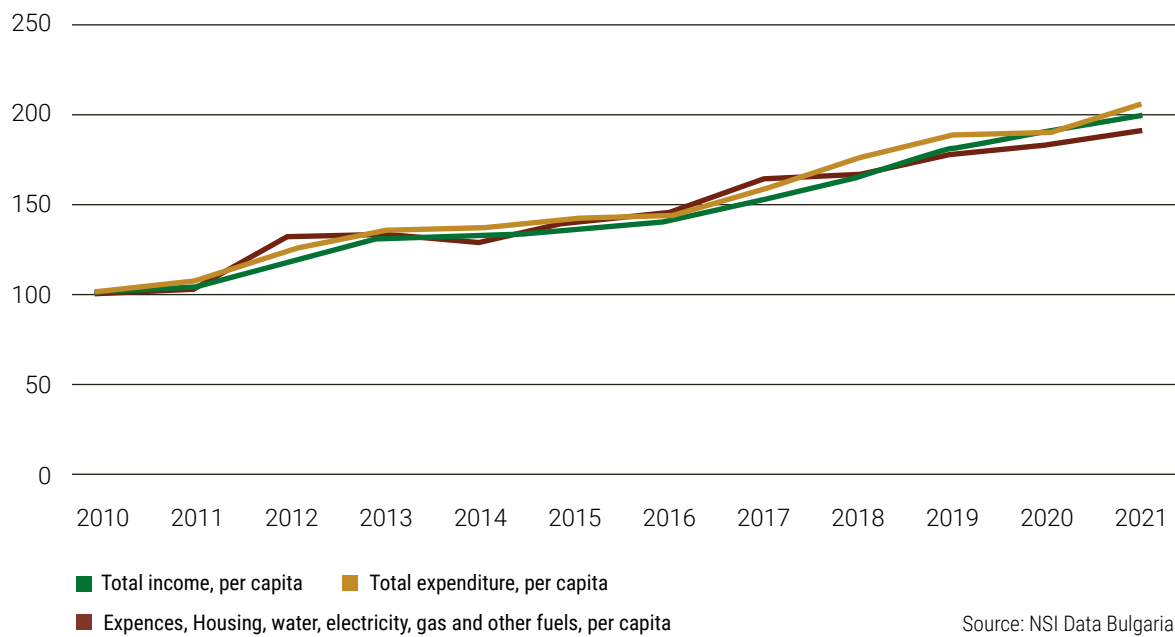
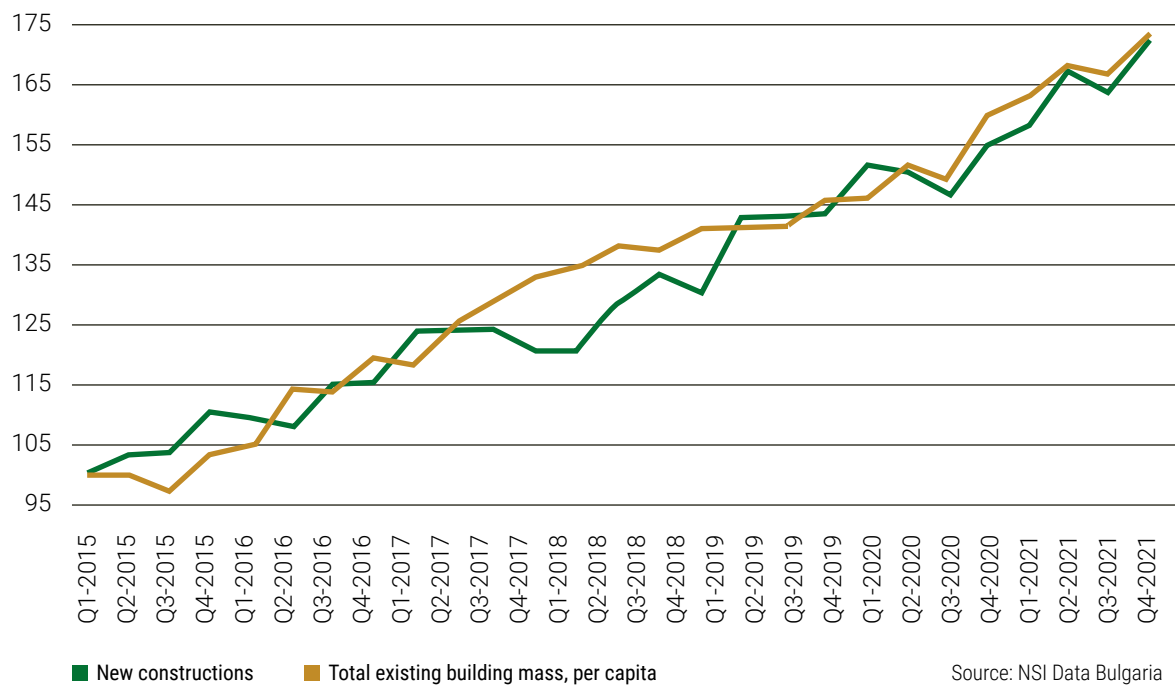


FIGURE 4  
PRICE INDEX GROWTH PER SQUARE METRE





eral and the Group's product in particular. The EU has as a target to lift Bulgaria's GDP per capita to the average of the Union.

### Prices

As shown in Figure 4 the prices are increasing and have been so for the last years. The price per square metre of new constructions is much more volatile as it depends on a few buildings, meaning that the location and the size will impact the price. In the period 2016 until 2020, the market has recorded an average growth rate of 12% per square metre per year. However, in its business plan (see section 5.6) Sofia Residential conservatively only predicts a pricing increase of 3% per annum.

Property prices have increased by more than 50% over the last five years according to the National Statistics Institute, whilst spending on housing as part of income has remained steady at 14%, which has in turn led to relatively high level of savings, which is running at approximately 9% of income (Reference 3), thus underpinning the property market even further, as this will improve access to mortgages.

### Activity

Demonstrated in Figure 5, real estate transactions in Sofia are at a fairly steady rate of approximately 7,500 per quarter, slightly

lower in the Covid-19 affected quarters but still impressive. By definition, most transactions in the city are apartments rather than houses, hitting the sweet spot of those properties constructed and developed by Sofia Residential as part of its business concept. Old, unattractive housing stock is being demolished and being replaced by new modern and desirable units.

This is also demonstrated in Figure 6, showing a steady rise of the overall volume of successful mortgage applications.

Figure 7 highlights the future potential for further replacement developments, as 76% of all housing in Sofia is still categorized as pre-1999, therefore ripe for replacement in the foreseeable future.

Again, the relatively large margin of disposable income is a significant factor.

Bulgaria has undergone a significant transformation over the past three decades. It has changed from a highly centralized, planned economy to an open, market-based, upper-middle-income country securely anchored in the EU. In its initial transition, Bulgaria went through a decade of slow economic restructuring and growth, high indebtedness, and a loss of savings.

FIGURE 5  
TOTAL NUMBER OF REAL ESTATE TRANSACTIONS  
ACCORDING TO THE REGISTRY AGENCY IN SOFIA

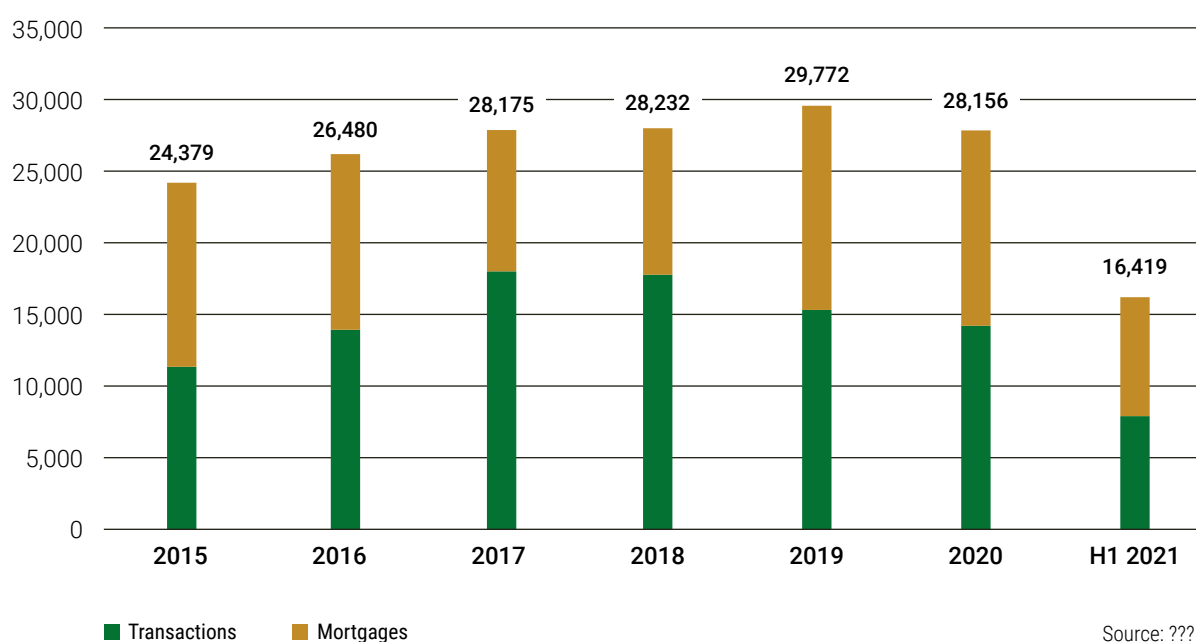
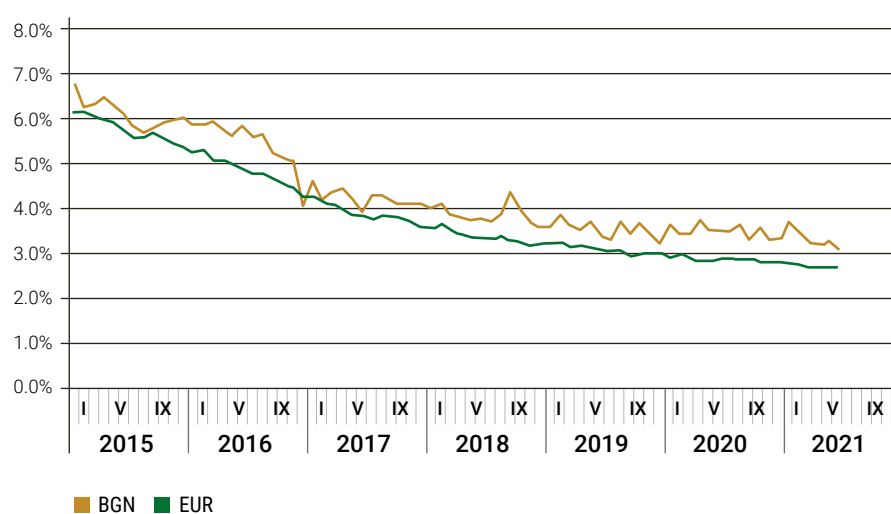
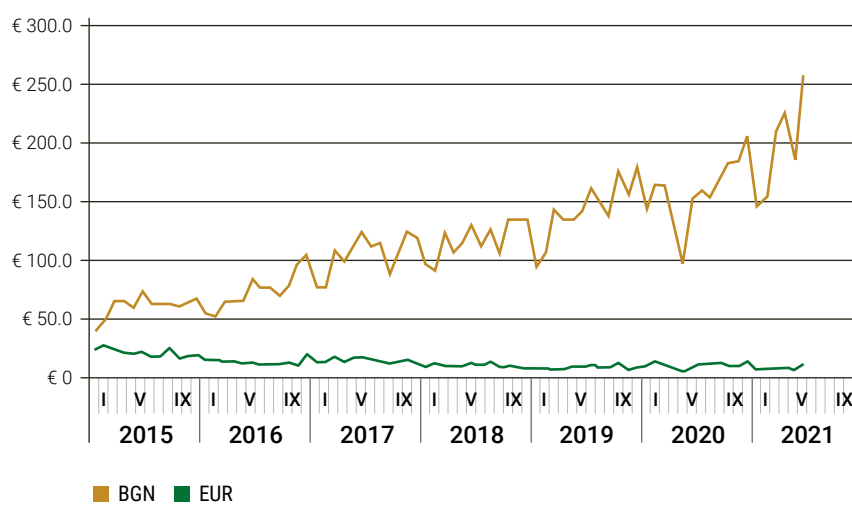


FIGURE 6  
MORTGAGE INTEREST RATES AND VOLUME BULGARIA

### EFFECTIVE INTEREST RATES ON MORTGAGES

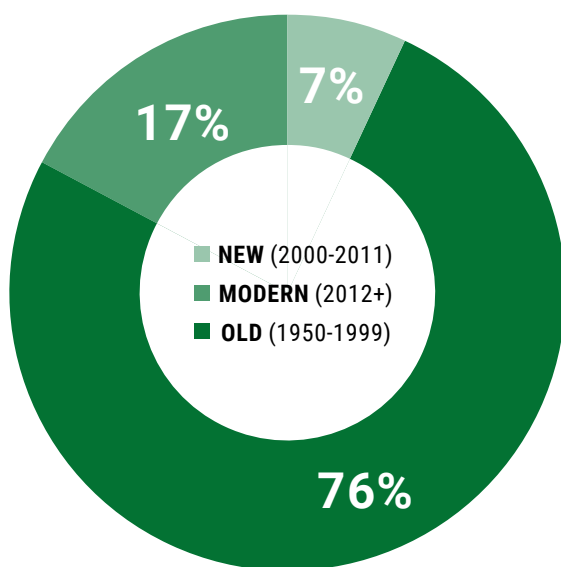


### VOLUME OF TAKEN MORTGAGES (SHOWN IN MIN EUR)



Source: <https://www.ceicdata.com/en/indicator/bulgaria/bank-lending-rate>

FIGURE 7  
AGE STRUCTURE OF HOUSING STOCK IN SOFIA



Source: Worlbank.org

However, the advancement of structural reforms starting in the late 1990s, the introduction of the currency board, and expectations of EU accession unleashed a decade of exceptionally high economic growth and improved living standards. Yet, a number of legacies from that early period, the global economic crisis of 2008, and a period of political instability in 2013–14 undid some of those gains.

The Covid-19 pandemic-induced crisis dragged the economy into a recession in 2020. Poverty is projected to increase in 2021 before trending down, given the job and income losses and rising vulnerabilities associated with the crisis.

In the recovery phase, the biggest task for policy makers would be to ensure only a gradual withdrawal of support measures and the optimal use of an unprecedented amount of EU funds, estimated at €29 billion for 2021–27 (Reference 10).

Going forward, the country's key development challenge remains its transition to a faster, more inclusive, and greener growth path, including the costly decarbonization of its coal-dependent and highly energy-intensive economy. Convergence to average EU income levels can speed up only if the productivity gap with the rest of the EU shrinks markedly and governance and institutional weaknesses are adequately addressed.

Within this framework real estate values in Sofia remain some of the lowest in Europe as indicated by the following publication from the EU.

As described in more detail in this document, it is Sofia Residential's mid- to long term goal to continue its construction business and it expects to develop up to 3,000 units within the next 10 years. It also has the goal of becoming a significant player in the rental market in Sofia and building a holding of over 1,000 apartments for rent.

Under this background it is prudent to describe the market environment for rental residential properties in downtown Sofia and the prospect for this market over the next 10 years.

Collier, one of the large real estate agencies and developers, reported for the first half of 2021 that active demand and a temporary reduction in supply have led, as a consequence of the health crisis, to an 8% increase in sale prices \*\*.

#### Average sales prices\*\* were

- Two-bedroom apartment: 145,000 – 180,000 Euro
- Three-bedroom apartment: 210,000 – 250,000 Euro

\*\* (Collier residential bg, Residential\_Market\_Overview\_H1\_2021\_ENG.pdf)

#### Average monthly rental prices\*\*\* were:

- Two-bedroom apartment: 950 – 1,200 euro.
- Three-bedroom apartment: 1,300 – 1,600 euro.
- House: above 2,000 euro.

The forecast predicts a further strong growth of rental property demand as well as house purchase demand.

\*\*\*The GlobalPropertyGuide.com reports, based on 2019 numbers

The city of Sofia has moderate gross rental yields - i.e., the rental return on a property if fully rented out, before all expenses. Yields in the centre vary from around 4% to around 6% (Reference 4). In its planning the Group utilises the mid-point of this range (5%) although it considers this to be quite conservative as the quality of the units it plans to offer could generate higher yields.

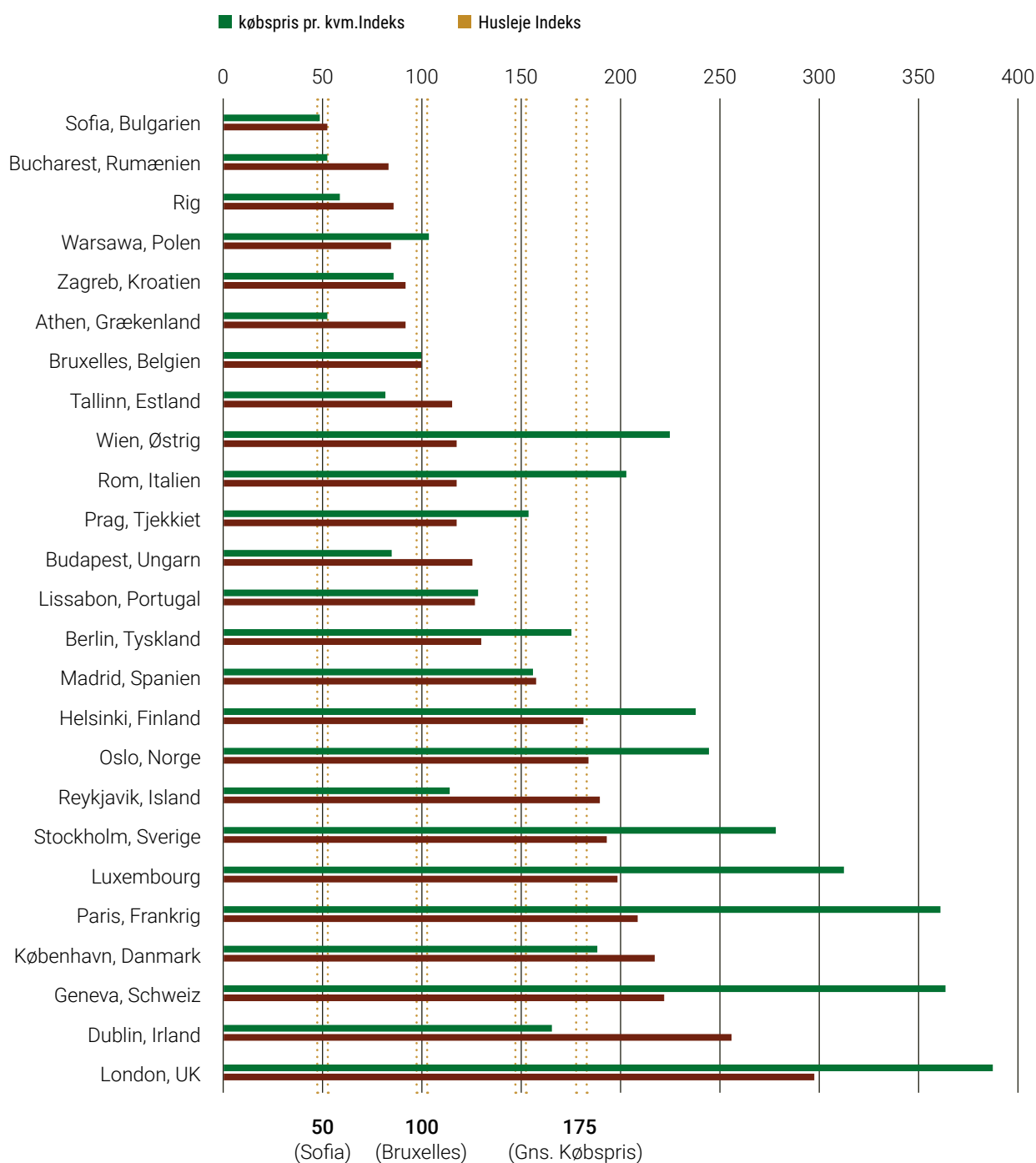
Rentals in Sofia are typically made with annual leases to tenants, which may be renewed upon completion of the term. Tenants are required to provide a security deposit as surety against damage to the property. All tenants pay rent on a monthly basis. Given that the Group will be aware, some months prior to the end of any particular lease, whether or not the tenant intends to renew, there will be time to seek a replacement tenant in the event of non-renewal. As such, the Group does not anticipate and significant number of rental units which are unlet.

Doctor's Garden, Ivan Vazov, Iztok and Lozenets are among the most sought after addresses in the centre. Embassies, museums and universities are located here. These areas also have many parks and green spaces, making them popular with expats. For Sofia Residential, all these analyses are reassuring that the

## 5. About Sofia Residential

FIGURE 8  
**REAL ESTATE PURCHASE (GREEN LINE) AND RENTAL (BLUE LINE)  
PRICES IN EUROPEAN CAPITALS VS. A BENCHMARK OF BRUSSELS.**

INDEX 100 = BRUXELLES



Source: European Commission 2019. Numbeo 2021

business model is in line with the development of both developing high-quality apartments for sale to end-users and establishing a new business unit with high-quality units for rent.

### 5.2.1 SOFIA RESIDENTIAL'S DIFFERENTIATION

Neither of Sofia Residential's two business units see itself as a major force with major projects at the edge of town, but more as a "boutique", operating in the very center of Sofia. Based on the Group's assessment of the market, as set out in section 5.2 above, and in particular having regard to factors such as the age of the present housing stock (Figure 7 above) the Group anticipates that there will be an adequate ongoing supply of both development opportunities for it to consider as well as rental projects available for acquisition in the center of Sofia. The Company's ESG (Environmental, Social and Governance) model is continuously adjusted and developed; some of the headings we work with, which are all based on our ESG framework are 1) Long-term durability and recycling in relation to land, materials, interior design, energy, wind, weather, noise and technical solutions and 2) The good life in terms of access to light, air, wind and visibility. The Management of Sofia believes that this ESG policy differentiates Sofia from its peers.

As illustrated in section 5.3 some 30,000 apartments change hands in greater Sofia every year, whilst the Group's aim is to develop some 78 units in 2022 (comprising of 45 apartments and 33 parking spaces). The Group believes that this rate of completion will rise to some 100 units per year (apartments and parking spaces) in years to come.

Sofia Residential's offering is bespoke from the final fitting point of view, allowing the Group to cater to the individual taste of its customers as opposed to churning out masses of identical dwellings. All its dwellings are, and will be, situated in the absolute centre of town, close to the appropriate infrastructure and, by definition, close to each other - adding to the development of a community spirit amongst its clients.

The business model as such is not exclusive, others, mostly much larger players, are using the same. Sofia's business model has been successful and evolving since the beginning of the activities in 2015, and it has been proceeding since then. Larger competitors need to develop larger projects, which in the centre of town becomes progressively more difficult.

Companies like New Building Property from South Carolina (<https://newbuilding.bg>) as well as Geostroy (<https://www.geostroy.com/en/>) and Stonehard (<http://www.stone-hard.com>), both from London are prime examples of fellow developers.

### 5.2.2 SOFIA RESIDENTIAL'S EVOLUTION

Sofia Residential is a Group that has been founded and built

by real estate professionals with a long-lasting history of doing business in Sofia, with long lasting relationships and with the help of other real estate professionals who know the place well. The Group has high quality standards and a very personal link to the city of Sofia.

Starting in 2008 the Company's founder, Jens Kindberg, started visiting Sofia on behalf of a large investment firm in order to source general investment opportunities.

From 2010 to 2015 Jens Kindberg spent a large amount of time in the Bulgarian capital acting as a consultant to German and Danish banks assisting in the liquidation and re-structuring of distressed assets in the wake of the financial crisis, as he also did in Copenhagen. It was during that time that he got very well acquainted with the local market and began to spot a gap in the market, being the severe shortage of "normal" modern apartments for the "normal" professional middleclass.

During 2015 the first project Ovche Pole 137 with a total space of 1,612 square metre was sourced which led to an agreement and start of construction in 2016.

During 2016 a second project at Bregalnitsa61 was sourced, 1.679 square metre and construction commenced.

During 2017 a third project, Pirotka67 was signed, 2,944 square metres.

During 2018 the first project Ovche Pole 137 was finished and the sale of apartments started. All units have been sold in the meantime.

During 2019 Bregalnitsa61 with 31 units (comprising 21 apartments and 10 parking spaces), was finished and sales started. 10 units (comprising 5 apartments and 5 parking spaces), were held by the Group at year end 2020 and the Group expects to sell the remainder during the first half of 2022.

During 2020 construction of Pirotka67 with 40 units (comprising 18 apartments and 22 parking spaces), was finished and the sales process started. The Group held 14 of the units (apartments only), at year end.

During 2020 contractors started on two further projects Antim I 103, 1,405 square metre and Pirotka 93, 4,337 square metres. Construction is ongoing and planned to finish, on both projects, in 2022.

Also, during 2020 an investment deal for Zaychar220, 2,457 square metres has been concluded and construction commenced in Q3 2021.

## 5. About Sofia Residential



FIGURE 9  
**OVCHE POLE**

The pictures show an example of the “typical” Sofia residential building. In desirable areas of the city the Group designs and constructs modern, attractive buildings with comfortable and looked after floorplans.

### OVCHE POLE PROJECT

#### Example on value stream

Apartments nr. 19A with a size of 47 sq. meters was a part of the Ovche Pole project.

It was bought for EUR 30.000 ex. VAT at project stage.

The fir out was EUR 7.4000 ex VAT. Cheaper than our budget model due to the size of the apartment.

The Apartment was sold for EUR 57.000 ex. VAT, providing a profit of 52,4%

While, in the past, the Group was content to hold completed development units and benefit from value appreciation in an expanding market, the introduction of the new rental business causes a change in the Group’s strategy whereby it will, going forward, seek to maximise the sale of completed units, thus generating funds for further projects.

Several new projects are presently under consideration, and it is expected that some of them will lead to construction agreements in the first half of 2022.

With the completion of the Offering, Sofia Residential will evolve from a construction company which develops residential complexes and selling these off to end-users) to a two tier business including its own residential rental business unit. The new unit will operate independently, though under the control of the same management personnel, and with the purpose of operating and renting out residential properties. The business area will be or-

ganized separately from the construction business, with the aim of establishing a stable cash flow from the rental income.

### 5.3 LOCATION, LOCATION, LOCATION

Location is the essential driver in any property, be it a large professional development or a single residential dwelling for private use or rental. No improvement or renovation will make up for being in the wrong part of town, the wrong village or the indeed the wrong street if you have a wish to sell or rent it to someone else.

The key to a successful real estate business is that it does appeal to a sizable audience when it comes to selling or renting it.

In the context of Sofia Residential this means that historic and future developments are and will be in the absolute centre of Sofia, downtown so to speak. Close to all the amenities the millennials want, close to shops and restaurants, close to transport infrastructure and close to properties of the same quality and



standard ... essentially close to people like themselves, who they can interact with and who have the same requirements. It's the same areas on which the rental business will be focussed, always downtown in order to ensure that there is a qualified population of tenants who want to live close to everything making, for example, a car a luxury good and not the needed way of transportation.

Both target groups for Sofia Residential's two different business units are young professionals, single, couples or young families. The average apartment is 75 square metres, some may be larger or smaller, but always priced to appeal to the local professional, thus assuring that the product is tapping into a continuous pipeline of demand. Sofia Residential sees that this sized product is the most sought after and the one which is priced the highest per square metre within its segment of quality.

Apartments in the construction business are typically put on the market for sale once basic construction has finished and the appropriate certificates from local authorities have been received, but before final fittings have been completed, thus giving the purchaser the opportunity to apply their own touch and feel as far as flooring, colours etc. are concerned. This is most important as several generations in the country have been forced to live in identical dwellings designed by civil servants and there is a great demand for individuality.

It is the mission of Sofia Residential to supply suitable apartments to today's generation of professionals, which satisfy their aspirations.

### 5.3.1 BUSINESS OF SOFIA RESIDENTIAL

**The construction business model of Sofia Residential has already be proven and is already successful. It also offers several attractive components that will be interesting to investors as well as new possibilities within the Group:**

#### **Risk management and profit lock-in**

At the time when a suitable site is found, and the construction permit has been issued the construction starts. The agreement with the company which will undertake the construction is finalised. Sofia Residential always enters into these contracts according to defined milestones based on a pre-agreed fixed final price. Typically, the Group pays around 25% of the final cost in milestone payments with the balance due on completion of construction and sign off of the building by the municipal authorities. The ownership of the building is then transferred to Sofia Residential. This process limits the financial construction risk for the Company to the actual amounts paid in milestone payments.

When it comes to the rental business, Sofia Residential will only purchase residential units in the centre of Sofia thereby de-risk-

ing the rental case and, when it comes to tenants, the aim is to rent out the different units on a 12 month contract which will be up for renewal each year. Locking in one year of rent from the beginning and as well securing the future revenue stream by having the contract up for renewal. All tenants will be required to pay a security deposit thus de-risking the Group from damages to properties. The Group will look to acquire entire buildings for its rental business and will not rent out some of the units in a building which it has constructed with a view to the sale of units. This is due to the operating efficiencies of having a number of units for rent in a single location as opposed to being in a position of having small numbers of rental units in a number of geographically separate sites.

The agreement to purchase a suitable building will be made with the developer of that building either before or in the early stages of construction. In this way, The Group can have influence over the quality and size of the apartments constructed, thus ensuring that they meet Sofia Residential's standards.

#### **Ongoing earnings**

Sofia Residential today is a construction company and its business model consists of designing, constructing and developing residential properties and parking facilities in Sofia, Bulgaria. Historically the Company has made a gross profit of 50% in this business unit. The purpose of establishing a rental business is not based on speculating in future value increases, but to ensure Sofia Residential a stable source of income, which over the years will become larger, so that income is not simply generated from the construction business and thereby the rental business is also de-risking the Company as a whole.

#### **Market trends**

According to the World Bank (source: worldbank.org) property prices in Sofia are expected to increase by an average of 3% over the medium term. Having increased by more than 50% over the last 5 years. It is widely expected that with increasing inflation, prices might increase at a steadier rate and the Company's management considers this to be likely. However, to remain conservative, Sofia Residential have used the projected 3% increase in the budgetary forecasts.

At the same time, the business model offers a low risk profile.

1. Typically, for each individual project a Special Purpose Vehicle (SPV) is created by the constructor. In some cases, Sofia Residential is setting up this SPV. The Group has cooperated for many years with constructors and builders in Sofia. These companies can facilitate the purchasing of the land and the construction of the buildings to Sofia's specification. Sofia Residential will control the process throughout the development phase, regardless of where the ownership is placed,

## 5. About Sofia Residential

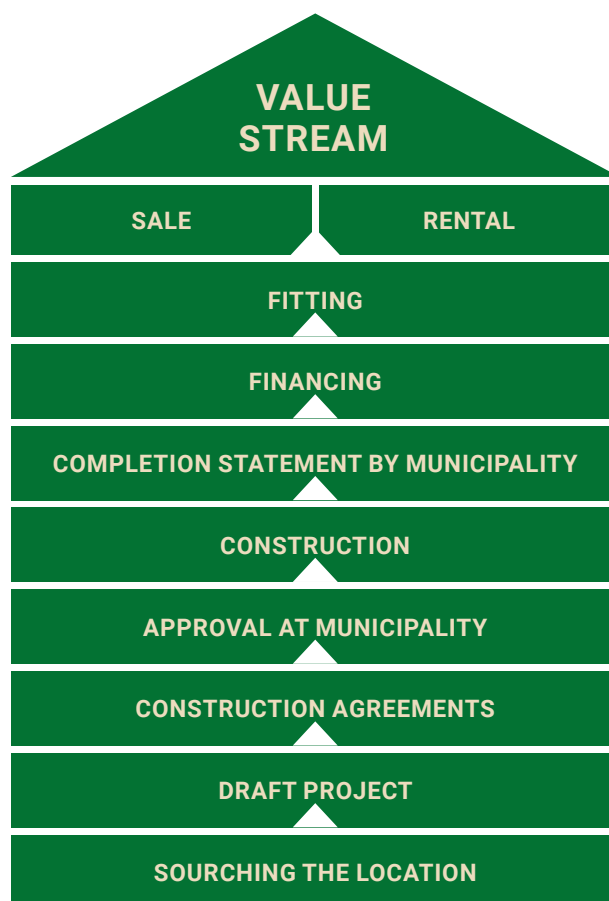
and in the case where someone other than Sofia Residential is the developer, the arrangements are designed to limit the Group's risk, but with a pre-agreed contractual condition that the Group takes over the property once it has been built and before accommodation takes place.

2. This business model enables Sofia Residential to control the entire process of the project with limited financial exposure. Only after the location is found and the project is drafted by Sofia Residential and there is an approval from municipality Sofia Residential starts paying in conjunction with the purchase of the plot in the SPV and the permission to build is issued, at that time Sofia Residential normally pays 25% of the overall cost.
3. Upon final local government approval, the ownership of the SPV containing the project will transfer from the construction company to Sofia Residential, if it was owned by the construction company, against the final payment for the construction. When the residential properties and parking facilities are completed, these are or will be sold to the end-user, and the income is generated by assuming and mitigating operational risks related to the construction of the buildings. It should be noted that local regulation requires developments to provide parking spaces. Such parking spaces are registered as separate titles at the land registry and the Group therefore sells such parking spaces either along with an apartment or in separate stand-alone transactions.

This business model has proven to be reliable and successful in the past. Presently, there are four development projects in various stages of completion with further projects under consideration. Due to the overall demand and supply situation the Group does not anticipate a shortage of opportunities.

For the new rental business unit, the value stream can be similar to that set out in Figure 10 above, albeit that the Company may enter into a purchase agreement with the relevant developer further up the value chain and, potentially, even when the building has received a completion statement from the local government. However, at all times, the Group will influence the development of the site so that the completed building meet the standards set by Sofia residential for its properties (whether for rental or for sale). The cost of the units that the Group acquired for the purposes of its rental business are not expected to be materially different from those acquired for sale – see the example at section 5.4.1 below where a 47 square metre apartment, fitted out, cost €37,400. The Group will finance such acquisitions through mortgages arranged with Bulgarian based banks; typically, such mortgages are currently available with Loan to Value ratios of 70% and annual interest of 5%.

FIGURE 10  
**BUSINESS MODEL FOR THE CONSTRUCTION AND RENTAL BUSINESS.**



### 5.3.2 ABILITY TO EXECUTE

The ability of execution of the Sofia Residential business model is depending on three major items:

Has the model been proven in reality?

Does the Group have enough financial power to execute?

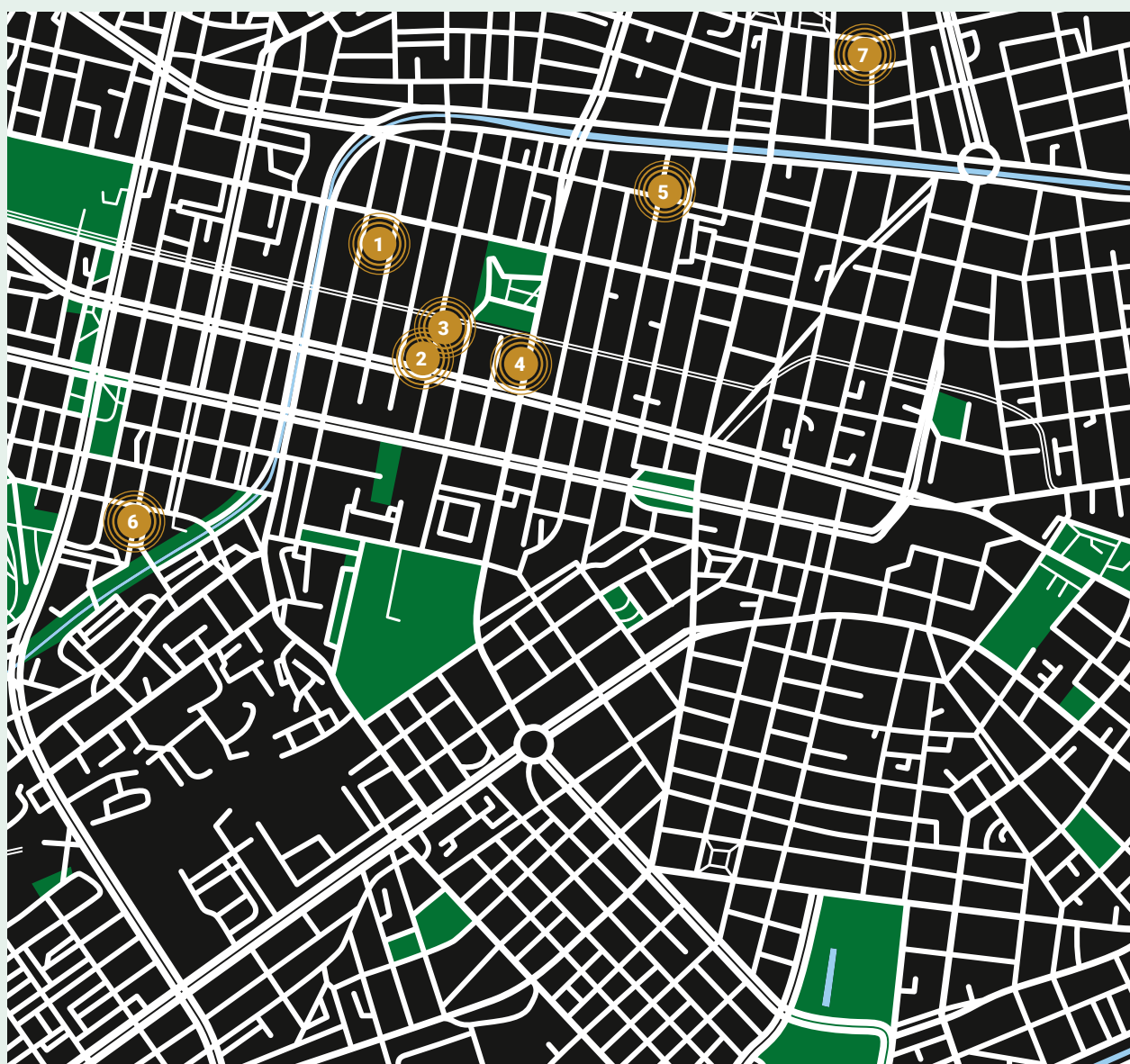
Is the management of the Group experienced enough and does it have the necessary relationships?

The construction business concept has been proven. It has been developed, and proven profitable, on an individual project basis since 2015. At December 31st 2021 the Group held a total of 123 units (comprising 66 apartments and 57 parking spaces) which it anticipates selling in the next 12 – 24 months. The financial position of Sofia Residential is strong and its standing with the banks is solid.

FIGURE 11  
**SOFIA RESIDENTIAL HISTORIC AND CURRENT PROJECTS**

OVECHE POLE 137		STATUS SOLD	APARTMENTS 20	PARKING SPACES 20	SQ. METERS 1.612
BREGALNITSA 61		STATUS SALE/RENTING	APARTMENTS 21	PARKING SPACES 10	SQ. METERS 1.679
PIROTSKA 67		STATUS FIT-OUT	APARTMENTS 18	PARKING SPACES 22	SQ. METERS 2.945
PIROTSKA 93		STATUS CONSTRUCTION	APARTMENTS 38	PARKING SPACES 38	SQ. METERS 4.337
ANTIM I 103		STATUS CONSTRUCTION	APARTMENTS 16	PARKING SPACES 14	SQ. METERS 1.405
ZAYCHAR 220		STATUS MUNICIPALITY PROJECT	APARTMENTS 25	PARKING SPACES 25	SQ. METERS 2.457
RODOPI 51		STATUS MUNICIPALITY PROJECT	APARTMENTS 16	PARKING SPACES 10	SQ. METERS APPROX. 2.000

FIGURE 12  
LOCATON OF THE PROJECTS ON THE MAP



1

**ULITSA "OVCHE POLE" 137**

**SIZE** 1,612 sq.m.

**STATUS** Completed and sold

2

**ULITSA "BREGALNITSA" 61**

**SIZE** 1,679.60 sq.m.

**STATUS** Completed

3

**ULITSA "PIROTSKA" 93**

**SIZE** 4,337 sq.m.

**STATUS** Construction Phase

4

**ULITSA "PIROTSKA" 67**

**SIZE** 2,944.6 sq.m.

**STATUS** Completed

5

**ULITSA "ANTIM" 103**

**SIZE** 1,405.47 sq.m.

**STATUS** Construction Phase

6

**ULITSA "ZAYCHAR" 220**

**SIZE** 2,457 sq.m.

**STATUS** Municipality project

7

**ULITSA "RODOPI" 51**

**SIZE** 2,000 sq.m.

**STATUS** Municipality project



FIGURE 13

**PROJECT:** Ovche Pole 137

**TOTAL PROJECT SIZE**

Apartments 20 and 20 parking spaces  
in a total of 1,612 sq.m.



FIGURE 14

**PROJECT:** Bregalnitsa 61

**TOTAL PROJECT SIZE**

Apartments 21 and 10 parking spaces  
in a total of 1,679 sq.m.



FIGURE 15

**PROJECT :** Ulitsa Pirotska 67

**TOTAL PROJECT SIZE**

Apartments 18 and 22 parking spaces  
in a total of 2,945 sq.m.



FIGURE 16

**PROJECT :** Ulitsa Pirotska 93

**TOTAL PROJECT SIZE**

Apartments 38 and 38 parking spaces  
in a total of 4,337 sq.m.



FIGURE 17

**PROJECT :** Antim I 103

**TOTAL PROJECT SIZE**

Apartments 16 and 14 parking spaces  
in a total of 1,405 sq.m.



FIGURE 18

**PROJECT :** Zaychar 220

**TOTAL PROJECT SIZE**

Apartments 25 and 25 parking spaces  
in a total of 2,457 sq.m



FIGURE 19

**PROJECT :** Rodopi 55

**TOTAL PROJECT SIZE**

Apartments 16 and 10 parking spaces in a  
total of approximately 2,000 sq. meters.



**FIGURE 20**  
**PROFIT MODEL OF THE EXAMPLE**  
**OF THE OVCHE POLE PROJECT**



### Example on value stream

**Apartment nr. 19A with a size of 47sq meters was a part of the Ovche Pole project.**

**The final construction cost including land etc. was EUR 30,000 at project stage. The following fit out was EUR 7,400. Cheaper than our budget model due to the size of the apartment.**

**The apartment was sold for EUR 57,000 Ex VAT to end user, providing a profit of 52,4%.**

The Group is financially strong with the power to execute. The proceeds of the Offering will further strengthen the Company's capital position. Although currently no mortgage agreements have been entered, please note that the start of individual development projects in the future may be partially financed through local mortgage arrangements generally to a maximum of 50% of the cost price. Currently the conditions of such mortgages on a 5-year basis would yield an annual interest rate of 5 to 6 % with the ability to repay earlier. As noted above, similar mortgage products are available for the acquisition of rental properties with a Loan to Value ratio of 70%.

With the start of the new business area with rental units the Company can use the market knowledge within the Group to start its rental business whereas deep market knowledge about the areas and financing possibilities come in hand.

Management is experienced and has good relationships in the market. The Group has demonstrated its ability to execute construction projects in Sofia. This ability is led by Jens Kindberg (CEO) who has considerable experience in the sector in general, and in Sofia in particular. The Company's Board of Directors brings considerable and additional experience from the Bulgarian market and expertise in the real estate sector. Together, the team is very well connected in the local market and the team altogether has best-in-class experience. A good outset to strategically guide the Group going forward.

### 5.4 PROGRESS TO DATE

Since the beginning, Sofia Residential has completed or is in the process of completing a total of 293 units (154 appartements and 139 parking spaces). A unit in the Sofia Residential count is either an appartement or a parking space, hence the parking spaces is also matriculated. As of December 31st, 2021, the Group still owns 123 of those units (comprising 66 apartments and 57 parking spaces). The table gives an overview over the developments so far. Figure 11 gives an overview of the development projects completed or currently under development.

When selecting the development sites, the Group takes care to select a central location which will be extremely attractive to potential buyers for the foreseeable future and ensure market-ability and price stability or the rental business. The map below shows the greater Sofia area with the projects displayed below all being inside the central square of the Sofia map (compare with the yellow highlight of figure 2). In the following figures 13 - 18, the plans and images of the current projects are displayed. The rental business is planned to be located in the same neighbourhoods hence the proximity to the centre and public transportation as well.

#### 5.4.1 SOFIA RESIDENTIAL'S CUSTOMERS – CASE STUDIES

Figure 20 shows a typical case study for the way Sofia Residential is building. The commercial implications are presented on a per apartment basis. The business model offers two profit drivers: Next to the calculated overhead at a moderate level the fact that the construction price is fixed based on the current market price at the time the construction contract is entered into. As explained earlier, the apartments are designed towards the current desire of potential buyers or renters and typically are located in very attractive neighbourhoods for residential living.

For customers, the quality, the outfitting based on client's choice and the well selected construction areas make the offering particularly attractive. In a quote from one of leading realtors in Sofia (with whom the Group cooperates) regarding the sale of the apartment, a company called Yavlena Ltd., wrote in a letter to the Company: "The View, the quality of the construction and



the option for the full fit based on clients' choices made the sale very easy and faster than we see in old buildings."

### 5.5 GROWTH PLAN - SCALING THE BUSINESS

#### Sofia Residential is ready to scale.

Sofia Residential regards the present state of the real estate market in Sofia as most exciting - more than ready to expand its present activities as a boutique developer and become one of central Sofia's leading landlords with an extensive portfolio of easily rentable apartments as well as maintaining the current construction business. However, the size of the single developments will remain in the 20 to 50 apartment range, following the idea of a boutique developer; this will be the same scale in properties acquired by the rental business. The growth strategy of Sofia is robust and not dependent of the success of the subscription. The plan at minimum subscription will provide free additional cash (after partial debt repayment) of approximately DKK 7,000,000, and in case of maximum subscription, also after partial debt repayment, about DKK 39,000,000.

The incremental available cash between minimum and maximum subscription (DKK 26,000,000) would enable the Group to react immediately to new opportunities to acquire rental properties as and when these become available. The Group could initiate two or three projects immediately, which would accelerate

the achievement of the Group's goal of having 1,000 rental units which is targeted for 2030 at the minimum subscription level. The Company's planned progress towards this goal is set out in Figure 21 below.

#### 4 main factors will help Sofia to scale the business

1. Increase of capital will provide more capital flexibility for extra construction projects and for starting up the rental business.
2. Continue to build the relationships with the current partners and market participants will enable the Company to have access to even more projects whether it is plots ready for construction or rental projects ready to purchase in the open market.
3. Strong board of directors and management with deep knowledge of the residential and real estate market in general as well as in Sofia in particular.
4. Continue the current business plan – accelerated the business by adding rental to the model by the receipts of the Offering.

#### Market Potential

In addition to the Company's development activities there are several further opportunities to enhance its profitability.

- Although holding property for capital appreciation is no longer a part of the Group's strategy, in its business plan the Compa-

### GROWTH IN ASSETS

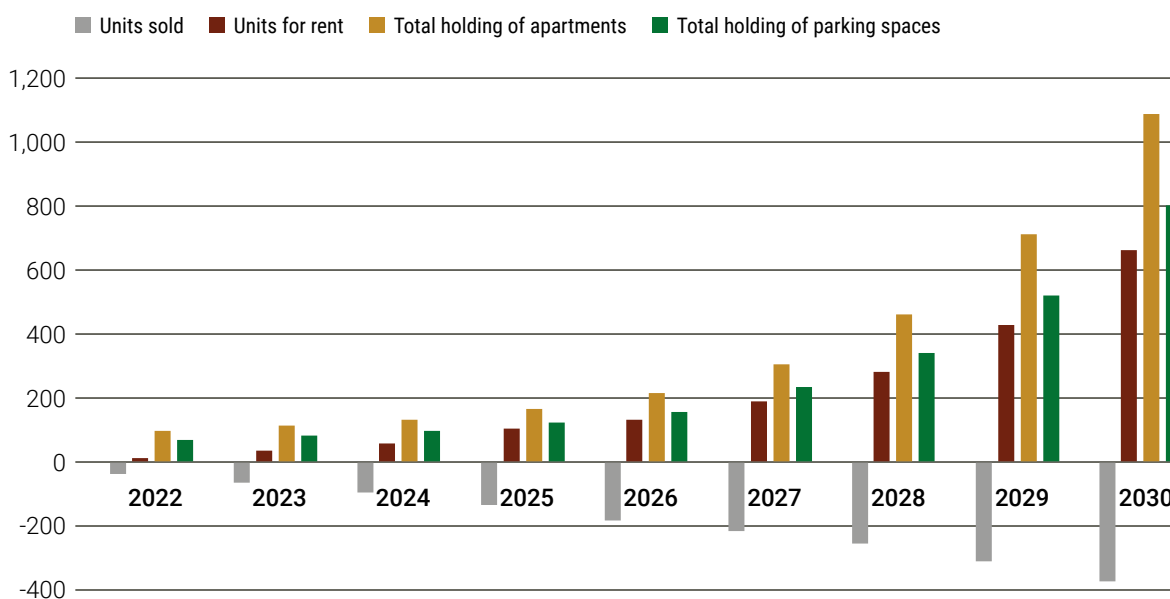


FIGURE 21  
BUSINESS PLAN OF SOFIA RESIDENTIAL AND UNIT DIVISION

## 5. About Sofia Residential

ny is allowing for an annual increase in property prices of 3 %, in line with World Bank forecasts (see 5.3.1 above) although many estimates are suggesting a real annual increase of approximately 6 to 9 % (source: <https://ues.bg/en/blog/747-analysis-of-the-real-estate-market-in-bulgaria-for-2020>)

- the relatively wage and expense structure in Bulgaria, coupled with a young, well-educated workforce, does attract more and more foreign investment into the country, which over time will reduce the disparities in salaries and property prices between western European capitals and Sofia, highlighting the upside potential. This will be accelerated by the adoption of the Euro which is planned in the medium term.

### Market expansion and growth

Sofia Residential's growth plan is two-tiered:

- Enlarge the current development/construction business which already makes a solid return
- Establish a large residential rental business making Sofia Residential a significant force in the Sofia rental market

The management of Sofia Residential has based its assumptions in the forecast model on the current market environment and estimated a conservative development in respect to purchases of new units and sale of finalized units.

The Group normally works with different real estate constructors and different plot owners and normally it takes between 1-2 years from sourcing to completion. Currently there is a pipeline of new development projects which is open for investment, which leads the Company to believe that there is a significant dynamic for the market development in the midterm.

The table shows the current holdings as well as the plan of growth of the combined assets of the separate construction and rental businesses. The two-tier business model also includes that the Group will cash in on the projects in the construction unit, as well as collecting rent from the rental unit, meaning the Group will earn on its different business units at a steady pace thus enabling investments into new construction projects as well as the acquisition of rental properties.

Note that all projections by the Company on asset growth include assets under construction; in the Company's financial statements such assets are only capitalised when the relevant asset is completed and fully owned by the Group.

The plan is to have a portfolio of rental units which will enable a second and stable income stream for the Group (see also 5.2 "the Market").

### TURNOVER DISTRIBUTION

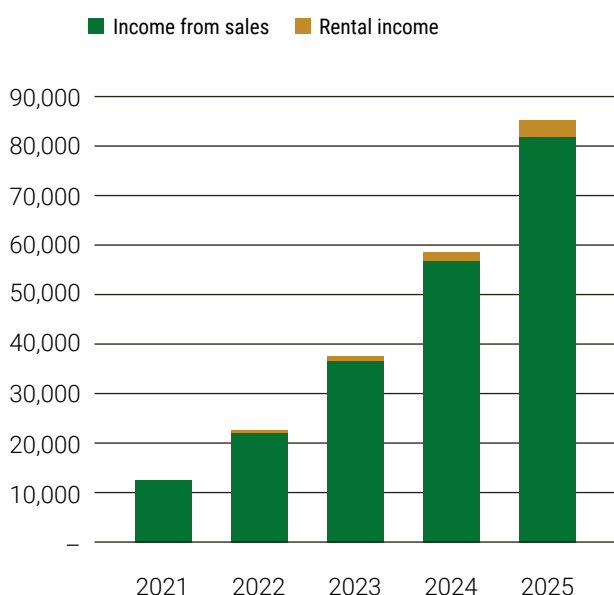


FIGURE 22  
**PLANNED TURNOVER DISTRIBUTION.**  
**1,000 DKK**

### SHAREHOLDERS PROFIT DISTRIBUTION

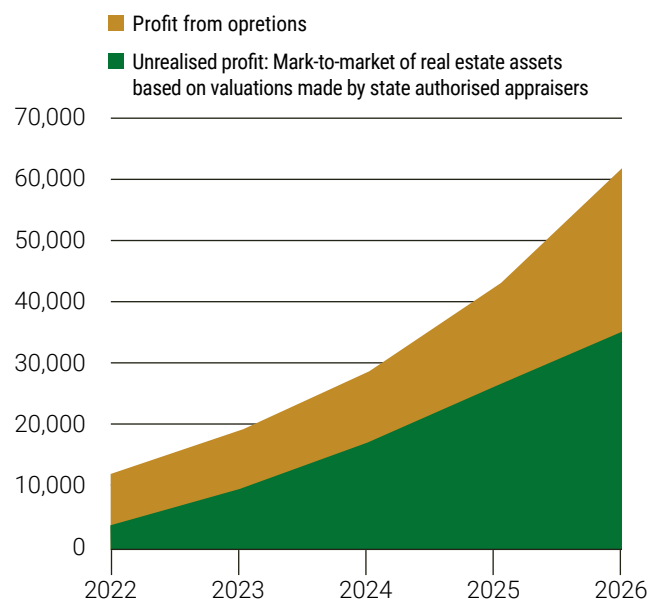


FIGURE 23  
**COMPANY'S PROFIT AND UNREALIZED**  
**GAINS IN DKK '000**

Within the next years it is estimated that the total holding of apartments will raise to a level making the Group a significant player in the rental market in central Sofia.

#### Income forecast

Even though the prices on the real estate market have increased between 6% and 9% for the last 3 years (Reference 4), the Group is only budgeting with a 3% increase of the real estate prices for the next years, as an expression of conservative planning and budgeting of the Group and in line with forecasts of the World Bank – see section 5.3.1 above.

Sofia Residential's business model has been proven to be profitable on a project basis so far. With the expectations based on current market and the historic sales it is expected that the profit will increase further in the future. The total number of apartments and parking spaces in the two business units should increase by more than the sales on the YOY basis hence, both the rental business as well as the development and construction business plans to grow its business each year. The difference in the two business strategies, whereas there is a lot of cash coming in when a project is sold the rental will provide a more stable cash flow. This will lead to a higher percentage of stable income and a significant growth of the balance sheet based on the forecast projects where both business is set to grow the business.

The income from development is based on current price levels. It is expected that the Group sells units for a total of the equivalent of DKK 12,694,000 in 2021, which is a doubling from 2020. Despite the steep growth in the revenue from sales, Sofia has increased its real estate development holdings during 2021 as well. Furthermore, the Company will launch its rental business in 2022 after the completion of the Offering and start renting out units, the estimated gross rental income is DKK 250,000 in 2022 increasing to DKK 26,000,000 in 2030. The speed at which the Company can develop this income flow is dependent on both market conditions as well as the result of the Offering which will impact on how quickly rental properties can be acquired.

With the receipts of the Offering the Group will be reduce its corporate debt if the Offer is subscribed at either the minimum or maximum level which will enable the Group to negotiate more advantageous interest rates and conditions with financial institutions in project specific mortgage financing. The remaining net proceeds will be invested in the strategic plan to start the rental business within Sofia Residential. Such remaining net proceeds will be between DKK 7,000,000 – 22,000,000 (depending on the level of subscription to the Offering). The actual level achieved will be reflected in the speed of development of the rental business as well as the level of indebtedness to be taken on in acquiring the initial rental properties. At present, local interest rates are running at 5%, and the adoption of the Euro is

forecast to show a benefit here. The latest data from Bulgarian state lending underpins the trend with interest rates nearing 4% (<https://www.ceicdata.com/en/indicator/bulgaria/bank-lending-rate>). Management will ensure that the leverage will generally not exceed 50% of the cost price of the development projects and 70% of the rental projects.

#### 5.5.1 MARKET EXPANSION AND GOALS

Being an active participant in the residential real estate market in the capital of a country with a fast-growing economy is a particularly good spot to be. Looking at the business planning through 2030 it becomes evident that Sofia will remain to be a boutique player in the large market of the Bulgarian capital aiming at developments of 20 to 50 apartments each.

Even though Sofia Residential is building a sizeable and significant business and balance sheet, it will still, according to the 2030 growth plan, remain one of the smaller participants in the overall development market, but will build an expanding portfolio of rental properties, in which it aims to become a significant market player in the rental market. In 2030 the Group expects to increase the number of apartments with than 300 apartments in the Group, (out of a normal sales year of 30,000 in Sofia, (Reference 11) and a have a total holding of apartments of about 1,000 apartments compared to the total number of homes in Sofia of about 600,000 (Reference 12). In 2030 it is also expected that the construction unit of Sofia Residential is selling of around 400 units which is the expected number of completed units in 2030 It is expected that the total number of homes in Sofia will further increase and the tendency of Bulgarians to move into the capital drives a demand for more homes.

The Management also believes that there is a lot of room to grow in this place, due to the overall economy and the dynamic of this particular market. Management believes owning 1000 or more units will make the Group one of the larger renters, and the fact that all these properties are condensed in a geographical area makes the management of these assets easier and more economic.

Although Management believes that Sofia will offer enough growth potential for Sofia Residential to grow organically over the next 20 years, the concept is rather a capital concept than a country concept. Should management detect signs of a slowing dynamic in the home market, the next logical step of expansion would be another eastern European Capital rather than other places in Bulgaria.

Having said that, the goals of the Group's 10-year plan can be achieved, based on the analysis of Management just by serving the Sofia market. The clear advantage of this approach is the established infrastructure and relationships of the Group, which enables the Group's management to concentrate on further development.

# 6. Management and Governance

## 6.1 BOARD OF DIRECTORS

Sofia's Board of Directors currently consists of five board members, including the Chairman. The primary objective of the Board of Directors is to supervise the work of the Executive Management and the direction of the overall strategy. The Executive Management is responsible for planning, leading and controlling the day-to-day operations of the Company.

All Board members are elected for a term of one year at the Annual General Meeting and may be re-elected. The Annual General Meeting also elects a Chairman.

The Registered Management of the Company is Jens Kindberg.

## OVERVIEW OF THE BOARD OF DIRECTORS AND INDEPENDENCE ASSESSMENT

Name	Position	Board member since	Independence Assessment	Shares
Georgi Kirov	Chairman	2020	Independent	0
Emil Bjørn Meincke	Member	2020	Independent	0
Majbritt Stabell Christensen	Member	2020	Independent	0
Henrik Deigaard	Member	2021	Independent	0

Further details about other key positions of the board members are disclosed in section 6.6.



## DESCRIPTION OF THE BOARD OF DIRECTORS



**GEORGI KIROV**  
Chairman

**PROFESSION**  
Real estate executive

**DESCRIPTION**  
Georgi Kirov is an experienced real estate expert, has been a partner in Colliers since 2008, and is the director of the advisory and valuation department at Colliers International in Bulgaria. To date, he has been responsible for the largest real estate transaction in Bulgaria, the sale of Business Park Sofia, which had a transaction size of € 280,000,000.

**OTHER KEY POSITIONS**  
**Director**  
*Capital Markets, Colliers International, Bulgaria*  
**Founder / Partner**  
*Carbon Motors, Bulgaria*  
**Member**  
*The Royal Institute of Chartered Surveyors, London*

**EDUCATIONAL BACKGROUND**  
**MBA**  
*University of Chicago, Booth School of Business*  
**BSc**  
*Finance, University of National and World Economy, Bulgaria*



**MAJBRIITT STABELL CHRISTENSEN**

**PROFESSION**  
Real estate executive

**DESCRIPTION**  
Throughout her professional career, she has worked with real estate, first as a project developer for Lidl upon their entry into Denmark and since in Skanska Øresund, where she was head of development and rental and involved in the rental and development of large urban areas such as Scanport in Copenhagen. She co-founded 2move, an independent tenancy advice service for business tenants in 2013. This quickly became a successful and was sold in 2018. She then founded her current business, Adoor, an IT meeting platform for homeowners and buyers.

**OTHER KEY POSITIONS**  
**CEO, Adoor ApS**

**EDUCATIONAL BACKGROUND**  
**M. Sc.**  
*International Marketing & Management, Copenhagen Business School*  
**B. Sc.**  
*Economics and business administration, Copenhagen Business School*



**EMIL BJØRN MEINCKE**

**PROFESSION**  
Energy trading and real estate investment Co-Founder, Powermart ApS

**DESCRIPTION**  
Since 2012, Emil has worked in energy trading, first at Danske Commodities and from 2014 as an independent with the company Powermart in Aarhus. He lives in Sofia, Bulgaria, where he runs his part of the company Powermart. Emil has personally invested his free funds in real estate in Denmark for a long time, both as a lender and as an equity investor.

**OTHER KEY POSITIONS**  
**Co-Founder and Partner**  
*Powermart ApS*

**EDUCATIONAL BACKGROUND**  
**M. Sc.**  
*Finance and Accounting, Copenhagen Business School*  
**B. Sc.**  
*Economics and business administration, Copenhagen Business School*

*Emil Bjørn Meincke has committed to subscribe for Shares under the Offer in the amount of DKK 3,054,900 – see section 13.6 Pre-Subscription.*



**HENRIK DEIGAARD**

**PROFESSION**  
Real Estate investment executive

**DESCRIPTION**  
Henrik worked for Nordea Bank until 2018 as a Senior Private Banker, dealing with High Net Worth and corporate clients. Since 2018 he has served as Project Manager, Forest and Real Estate Investments, for Difko A/S

**OTHER KEY POSITIONS**  
**Project Manager**  
*Forest and Real Estate Investments, Difko A/S*

**EDUCATIONAL BACKGROUND**  
**Masters degree in Finance**  
*Aarhus School of Business*

*Henrik Deigaard has committed to subscribe for Shares under the Offer in the amount of DKK 127,500 – see section 13.6 Pre-Subscription.*

## 6.2 MANAGEMENT TEAM



**JENS KINDBERG**

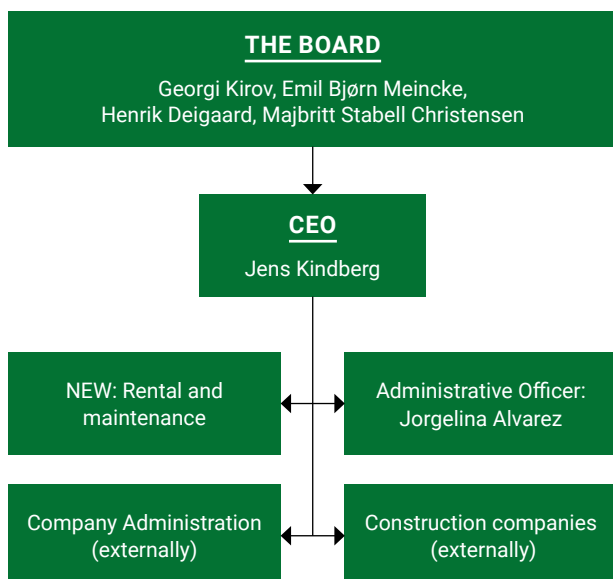
**PROFESSION**  
CEO, Sofia Residential A/S

**DESCRIPTION**  
Following graduation, Jens worked in the financial services sector for companies including Scandium Asset Management A/S, MAN GLG and Nykredit. Since 2011 he has invested in real estate, initially in Denmark, and since 2015 has been focused on the real estate market in Sofia.

**OTHER KEY POSITIONS**  
None

**EDUCATIONAL BACKGROUND**  
**M. Sc.**  
*Finance and Accounting, Copenhagen Business School*  
**B. Sc.**  
*Economics and business administration, Aalborg University*





### 6.3 OVERVIEW OF MANAGEMENT ORGANIZATION

Sofia Residential has a lean Management and board structure:

The Company is led by CEO Jens Kindberg. Jens is responsible for coordinating with:

- **Company Administration** – The company administration team is part of department of Danish law firm OEDV, which is the Company's corporate lawyer, and is acting on the basis of a Danish commercial service contract, which includes appropriate confidentiality provisions. In addition, OEDV is put on the insider list as they will, at all times, have access to unpublished information (particularly financial information) concerning the activities of the Group. The work that they undertake for the Company is elaborated further below.
- **Construction companies** – Sofia is using local Bulgarian providers based on offerings and specific orders whether it is the whole building which is to be constructed or fit-outs for apartments for sale.
- **Property Sales Team** – Sofia has a network of real estate agents providing services based on the best offer and acting under specific local commercial contracts.

Jens is supported in the overall administration of the Company, and the management of outsourcing partners, by the Administrative Officer, Jorgelina Alvarez. Having studied both accounting and marketing, Jorgelina has worked in Denmark since 2019, most recently as an executive assistant dealing with pan-European real estate projects. Her background thus equips her well to manage the administrative functions of the Company, particularly at time when the CEO is travelling.

In addition, Jens is responsible for driving the processes forward and securing new projects for the pipeline so that growth can continue continuously. For the past many years, Jens has continuously been in Sofia to maintain and expand the cooperative relations and thus secure new projects for development.

In establishing the rental business, all key operational and administrative tasks will be handled by internal resources and skilled employees of the new Bulgarian subsidiary. As this business commences, it will be managed by the Group's existing management; however, as it develops and reaches scale, it will hire its own management personnel under the direction of the Group CEO. Initial staffing, which will expand in line with the growth in the number of rental units, will consist of maintenance staff, tenant administration staff etc.

Hiring subcontractors instead of employment contracts de-risks the position for Company in terms of typical employer related risks (compensation, work injury, replacement, training, holiday planning etc.). Hiring through outsourcing partners also improves the ability to attract qualified staff and it makes the Company very flexible in terms of rapidly changing workload as the partners have more employees than Sofia will be able to hire within the different work functions.

With the model of outsourcing in the construction business, the Company can ensure to always be able to retain the best knowledge and skills. Also, it enables the Group to keep tight control of overheads and reduces its dependency on the CEO.

Company administration includes all administrative tasks, and it is handled by Øens Virksomhedsadministration in Denmark ([www.oadv.dk](http://www.oadv.dk)) and Ecovis in Bulgaria ([www.ecovis.bg](http://www.ecovis.bg)). Both firms report directly to the Company's CEO and also directly to the Board of Directors. They also collaborate closely with the Company's auditors. The scope of work includes CFO assistance with the following tasks:

- Handle the financial reporting including the preparation of reports to meet the Company's disclosure obligations
- Manage and keep record of company files and agreements
- Assist in preparing budgets including operating and cash flow budgets

For property sales, the Group works with a wide array of real estate agents in Sofia. Some of them are Mireala, Yavlena & Address. Property administration and handling is intended to be handled internally after the IPO and is also currently assisted by subcontractors and the group works with KAK-BG EOOD, VHOD EOOD and RODJEX EOOD. The work includes arranging and coordinating tasks handled by real estate agent, builders, accountants, lawyers, buyers, notaries, banks, and all other relevant parties. For renovation and fit out the Group works with G K 8 OOD, MAGNUM-D EOOD & GRESIA 2 EOOD. The Group aims to balance the desire to build stable long-lasting relationships with



the suppliers but also to continuously challenge the pricing and quality delivered by the individual suppliers.

### 6.4 BOARD PRACTICES AND GOVERNANCE

Sofia Residential has well-established processes for corporate governance and internal control which it seeks to continuously strengthen as the business grows. As part of the Company's governance structure, the Board of Directors specifies detailed management instructions for the Management, clearly stating the distribution of responsibilities between the Management and the Board of Directors, as well as the division of responsibilities between the Management and those to whom administrative functions are outsourced.

The terms on which administrative functions are outsourced are approved by the Board and organisations to whom significant administrative functions are outsourced have direct access to the Board of Directors (as opposed to reporting solely through the CEO. The recent hiring of Jorgelina Alvarez as Administrative Officer improves the Company's oversight of these administrative functions, particularly whilst the CEO is travelling.

The Board has adopted a policy that the Company shall be bound by the CEO and the Chairman of the Board on all major matters. Any new real estate construction or rental project or the entry by the Group into new debt arrangements have to be approved by the board as a whole.

The Board of Directors holds the ultimate responsibility for the Company and the supervision of the Management. The articles of association states that the Board of Directors is elected by the Company's shareholders at the Annual General Meeting. Board members are elected for one-year terms, which is also the case for the Chairman of the Board of Directors. The outcome of a given subject is determined based on majority of votes.

In addition to the Annual General Meeting and quarterly Board meetings, the Board of Directors gather as the Chairman of the Board of Directors deems necessary, and when requested by a director or manager.

The Board of Directors is responsible for ensuring that the Group is managed in an appropriate manner in accordance with both Danish and local legislation. The Board of Directors is responsible for ensuring that book-keeping and administration of assets is done in a satisfactory manner, implementing procedures for risk management and internal controls, oversee the executive management and procure information on the Company's financial matters. Further, the Board of Directors is responsible for ensuring that the financial position is always appropriate in relation to the operation and cash requirements of the Group.

Board members receive an allowance of € 1,000 per board-meeting, the Chairman of the board receives € 2,000 per month, which reflects customary allowances. The CEO is engaged under a contract of employment with the Company. This provides for a salary of DKK 600,000 per annum payable from the



## 6. Management and Governance

date of the admission of the Company's Shares to trading and is terminable at 12 months' notice from either party. The CEO may engage in a position of trust with other enterprises, such as acting as a supervisory board member, but may not do so with any enterprise in direct competition with the Company; any such engagements must be reported to the Company's Board of Directors.

### 6.5 STATEMENT ON PAST RECORDS

For the previous five years, none of the members of the Board of Directors and the Management Team have been:

- convicted of fraudulent offences,
- been involved in any official public incrimination and/or sanction, or
- been disqualified by the courts from acting as a member of the administrative, managerial or supervisory body of a company.

In addition, save as noted below, in the previous five years, none of the members of the Board of Directors and the Management Team have served as an officer in a company that has entered bankruptcy, receivership or liquidation whilst they held office or within one year of their leaving office.

### 6.6 OTHER POSITIONS OF MEMBERS OF THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

An overview of other current and previous board positions (within the last five years) held by the members of Sofia Residential A/S's Board of Directors and its Executive Management follows. Except where noted, all of the companies are privately held. Positions in companies within the Group are not included.

### 6.7 WARRANTS AND OPTIONS – MANAGEMENT AND EMPLOYEES

The Company has not issued any share options or warrants to its management or employees, although the Board will consider the appropriateness of the introduction of such schemes in the future in order to attract and retain appropriate talent.

### 6.8 BONUS AGREEMENT

The Company currently has no bonus arrangements for management in place, though such schemes will be considered in the future in order to attract and retain key talent.

### 6.9 FINANCIAL CALENDAR

The Company's financial calendar for 2022 is as follows:

**Annual report:**

year to 31 December 2021 27 April 2022

**Annual General Meeting 2021:** 25 May 2022

**Half Year report:**

six months to 30 June 2022 26 August 2022

## GEORGI KIROV

### CURRENT BOARD AND CEO POSITIONS

Name	Incorporation	Appointed
Colliers International EOOD (1)	Bulgaria	01 Jan 2006
Carbon Motors EOOD	Bulgaria	09 Apr 2012
Southern Latitude EOOD	Bulgaria	21 Jan 2018
Varna Retail Development OOD	Bulgaria	03 Jan 2006

(1) This company is a subsidiary of Colliers International Group (NASDAQ: CIGI)

### BOARD AND CEO POSITION IN THE PAST FIVE YEARS: NONE

## MAJBRIITT STABELL CHRISTENSEN

### CURRENT BOARD AND CEO POSITIONS

Name	Incorporation	Appointed
Adoor ApS	Denmark	06 June 2018
Popl ApS	Denmark	14 Mar 2018
Majbritt Holding ApS	Denmark	23 Feb 2015

### BOARD AND CEO POSITION IN THE PAST FIVE YEARS

Name	Incorporation	Appointed	Ceased
2move ApS	Denmark	23 Aug 2013	31 Mar 2018

**EMIL BJØRN MEINCKE****CURRENT BOARD AND CEO POSITIONS**

Name	Incorporation	Appointed
Powermart ApS	Denmark	24 Sep 2014
PM Beta Invest ApS	Denmark	27 May 2020
PM Alfa Invest ApS	Denmark	23 Oct 2017
Meincke Assets ApS	Denmark	19 Dec 2014

**BOARD AND CEO POSITION IN THE PAST FIVE YEARS:  
NONE****HENRIK DEIGAARD****CURRENT BOARD AND CEO POSITIONS**

Name	Incorporation	Appointed
Henrik Deigaard Holding ApS	Denmark	14 Sep 2007
Brdr. Deigaard ApS	Denmark	01 Oct 2012

**BOARD AND CEO POSITION IN THE PAST FIVE YEARS**

Name	Incorporation	Appointed	Ceased
A/S Difko Skov Invest	Denmark	16 Apr 2019	19 Jun 2019
Difko Nørrevænget, Silkeborg	Denmark	03 Dec 2019	24 Mar 2020
Komplementarpartsselskab P/S Difko Nørrevænget, Silkeborg	Denmark	03 Dec 2019	24 Mar 2020
A/S Difko Skov Invest II	Denmark	30 Dec 2019	31 May 2021
A/S Difko Skov Invest 3	Denmark	11 Dec 2020	20 May 2021
A/S Difko Skov Invest 4	Denmark	11 Dec 2020	20 May 2021

**JENS KINDBERG****CURRENT BOARD AND CEO POSITIONS**

Name	Incorporation	Appointed
Sofia Residential A/S (CEO)	Denmark	01 Jul 2020
Kindco Holding ApS	Denmark	14 Feb 2011
Jenka Holding ApS	Denmark	31 Oct 2020
Jenka Ejendomme ApS	Denmark	14 Feb 2011

**BOARD AND CEO POSITION IN THE PAST FIVE YEARS**

Name	Incorporation	Appointed	Ceased
Sofia Residential A/S (Board member)	Denmark	01 Jul 2020	27 Oct 2021
N.N. Ejendomme ApS	Denmark	31 Oct 2020	31 Mar 2018
Jenka Invest ApS	Denmark	17 Feb 2015	28 Dec 2020
DIN Ejendoms-kreditselskab A/S	Denmark	20 Nov 2019	14 Feb 2020
GH Familiebolig ApS	Denmark	11 Jul 2016	06 Jul 2020
DIN Andelskase	Denmark	15 Mar 2017	03 Sep 2020
Kindco Invest ApS	Denmark	12 Dec 2017	09 Aug 2019
Sofia Resi ApS	Denmark	21 Dec 2017	09 Aug 2019
Glentevej 10 ApS	Denmark	26 Nov 2014	01 Jan 2018
Prinsessegade 61-63 ApS	Denmark	13 Feb 2015	21 Dec 2017

# 7. Share Capital and Ownership Structure

## 7.1 SHARE CAPITAL INFORMATION

As of the date of this Company Description the Company has 6,000,000 Existing Shares with each share having a nominal value of DKK 0.10 amounting to a total share capital of DKK 600,000.00 Following the completion of the Offering, the share capital will increase to DKK 845,098.00 if the minimum number of Offer Shares are sold in the Offering and DKK 1,171,960.80 if the maximum number of Offer Shares are sold in the Offering.

The Company was founded with a share capital of 6,000,000 Existing Shares; there have been no changes to the share capital of the Company since the date of incorporation.

### 7.1.1 SHARE CLASS AND VOTING RIGHTS

On Admission to trading the Company will have one share class. All Shares will have equal rights and, save for the provisions of the Lock In arrangements described in section 13.14, are freely transferable. The Offer Shares are issued with a nominal value of DKK 0.10 per Share. Each Share gives the shareholder one vote at the Company's annual general meeting.

### 7.1.2 AUTHORIZATIONS TO CAPITAL INCREASES

Until [•], the Board of Directors is authorized to increase the Company's share capital in one or more transactions by up to [•] shares of DKK 0.10 at market value without the existing shareholders having any pre-emption rights and further by up to [•] shares of DKK [•] with the existing shareholders having pre-emption rights

### 7.1.3 OWNERSHIP STRUCTURE SOFIA RESIDENTIAL A/S

The Existing Shares are held by Kindco Holding ApS, a company owned 100% by Jens Kindberg



### 7.1.4 WARRANTS TO ACQUIRE SHARES

There are no warrants, options, convertible notes or other rights to acquire Shares in existence as of the date of this Company Description.

As set out in section 5.1 of the Company's Articles of Association, the Directors of the Company have the authority to issue warrants or options up to a nominal value of DKK 60,000. (10% of the existing share capital). The Directors have not exercised this authority as of the date of this Company Description.

	OWNERSHIP before the Offering		OWNERSHIP after the Offering			
			Minimum		Maximum	
Shareholder	# of shares	# percent	# of shares	# percent	# of shares	# percent
Kindco Holding ApS	6,000,000	100.0%	6,000,000	71.0%	6,000,000	51.2%
New shareholders from the Offering	0	0.00%	2,450,980	29.0%	5,719,608	48.8%
<b>Total</b>	<b>6,000,000</b>	<b>100.00%</b>	<b>8,450,980</b>	<b>100.0%</b>	<b>11,719,608</b>	<b>100.0%</b>

# 8. Financial Information

## 8.1 FINANCIAL INFORMATION TO 31 DECEMBER 2020

The Annual Report for 2020 has been audited by Crowe Stat-sautoriseret Revisionsinteressentskab and is available on the Company's website at [www.SofiaResidential.com](http://www.SofiaResidential.com)

The financial information for 2020 and 2019\* and 2018\* is summarised below:

\* The A/S was founded in 2020 hence historic numbers are consolidated from the statements within the Group.

### INCOME STATEMENT DKK 000

	2020	2019	2018
Net sales	4.023,4	3.882,4	1.987,6
Cost of goods sold	-2.080,3	-1.988,8	-1.005,8
<b>Gross profit/loss</b>	<b>1.943,1</b>	<b>1.893,6</b>	<b>981,9</b>
Overhead and other costs	-898,6	-581,5	-307,8
Depreciation	0	0	0
Staff costs	0	0	0
<b>Profit/loss before interest and tax</b>	<b>1.044,5</b>	<b>1.312,0</b>	<b>674,1</b>
Net financial expense	-1.979,6	-1.154,0	-1.573,0
<b>Profit/loss before tax</b>	<b>-935,0</b>	<b>158,1</b>	<b>-898,9</b>
Taxation	-19,4	-121,9	-71,7
<b>Net accounting income (no revaluation of real estate included)</b>	<b>-954,5</b>	<b>36,1</b>	<b>-970,6</b>
Unrealised profit in portfolio	19.736,4	9.119,6	5.413,6
Taxation of realising profit	-2.127,8	-602,4	-422,6
<b>Net value generation for the year</b>	<b>16.654,2</b>	<b>8.553,3</b>	<b>4.020,4</b>

### BALANCE SHEET DKK 000

	2020	2019	2018
<b>Assets</b>			
Investments in real estate (cost)	9.125,0	9.887,0	6.747,5
Adjustment to fair market value	63.067,1	15.296,0	6.748,8
<b>Fixed assets</b>	<b>72.192,0</b>	<b>25.183,0</b>	<b>13.496,3</b>
Receivables	1.487,7	883,9	2.665,7
Deferred expenses	647,7	1.120,1	586,7
Other	0	483,9	0
Cash	979,6	1.310,6	274,3
<b>Current assets</b>	<b>3.115,0</b>	<b>3.798,6</b>	<b>3.526,8</b>
<b>TOTAL ASSETS</b>	<b>75.307,0</b>	<b>28.981,6</b>	<b>17.023,1</b>

	2020	2019	2018
<b>Gross value of real estate assets</b>	<b>79.958,6</b>	<b>53.184,0</b>	<b>26.840,7</b>
- Appraiser valuation without deduction for remaining payments			



## 8. Financial Information

### BALANCE SHEET DKK 000

	2020	2019	2018
<b>Equity</b>			
Contributed capital	600,0	500,0	500,0
Retained earnings and other reserves	39.874,6	8.558,0	-1.570,2
<b>Equity</b>	<b>40.474,6</b>	<b>9.058,0</b>	<b>-1.070,2</b>
Non-current liabilities	34.208,8	19.776,9	17.956,1
Current liabilities	623,7	146,7	137,2
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>75.307,0</b>	<b>28.981,6</b>	<b>17.023,1</b>

### 8.2 FINANCIAL INFORMATION TO 30 JUNE 2021

#### CONSOLIDATED PROFIT AND LOSS ACCOUNT, SOFIA RESIDENTIAL A/S 6 MONTHS TO 30 JUNE 2021 (UNAUDITED) DKK 000

	H1 2021	H1 2020
Net sales	3.977,6	2,334.3
Cost of goods sold	-2.133,6	-1,206.9
<b>Gross profit/loss</b>	<b>1.844,0</b>	<b>1,127.4</b>
Overhead and other costs	-546,2	-521.3
Depreciation	0	0
Staff costs	0	0
<b>Profit/loss before interest and tax</b>	<b>1.297,8</b>	<b>606.1</b>
Net financial expense	-1.701,8	-890.8
<b>Profit/loss before tax</b>	<b>-404,0</b>	<b>-284.7</b>
Taxation	-110,0	-11.3
<b>Net accounting income (no revaluation of real estate included)</b>	<b>-514,0</b>	<b>-296.0</b>
Unrealised profit in portfolio	11.324,3	8,881.4
Taxation of unrealised profit	-558,0	-957.5
<b>Net value generation for the year</b>	<b>10.252,3</b>	<b>7,627.9</b>



**CONSOLIDATED BALANCE SHEET, SOFIA RESIDENTIAL A/S AT 30 JUNE 2021 (UNAUDITED) DKK 000**

	H1 2021	H1 2020
<b>Assets</b>		
Investments in real estate (cost)	8,568.7	9,506.0
Adjustment to fair market value	73,833.3	34,460.8
<b>Fixed assets</b>	<b>82,402.0</b>	<b>43,966.8</b>
Receivables	883.9	1,185.8
Deferred expenses	647.7	883.9
Other	0	241.9
Cash	514.8	391.1
<b>Current assets</b>	<b>2,046.4</b>	<b>2,702.7</b>
<b>TOTAL ASSETS</b>	<b>84,448.4</b>	<b>46,669.5</b>
<b>Gross value of real estate assets</b> • Appraiser valuation without deduction for remaining payments • Half year is management estimation based on appraiser input	<b>90.913,8</b>	<b>59,914.2</b>

	H1 2021	H1 2020
<b>Equity</b>		
Contributed capital	600,0	500.0
Retained earnings and other reserves	50.126,9	24216.3
<b>Equity</b>	<b>50.726,9</b>	<b>24,716.3</b>
Non-current liabilities	33.482,6	21,568.0
Current liabilities	238,9	385.2
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>84.448,4</b>	<b>46,669.5</b>



**8.3 COMMENTARY ON SELECTED FINANCIAL INFORMATION**

The following section describes the development in the major financial items between, FY2019 and FY 2020 and H1 2021 in order to provide an overview of the Company’s financial position and general financial trend.  
Please note that only selected financial items have been commented in this section. For details on capitalization and indebtedness please see section 9.

**Turnover**

The reported turnover of the Group in the last three financial years was:

<b>2018:</b>	DKK 1,987,600
<b>2019:</b>	DKK 3,882,400
<b>2020:</b>	DKK 4,023,000

The turnover for 2021 is expected to be DKK 12,694,000.

**Profit and Loss Statement**

The gross profit in the group has the last 3 years been around 50% of sales.

Historically the Group has not always sought to maximize sales, selling only enough units in order to meet the liquidity needed for expenses and investments. Other units were held for appreciation. It should be noted that, following the completion of the Offering, this strategy will change and units will be sold as soon

as practicable in order to generate funds for further investment in the Group thus facilitating further growth.

**Balance Sheet  
Receivables**

Represents the 25% deposits paid on development projects in progress.

**Deferred expenses**

Prepayment in case where we buy the projects and not the development company.

**Non-current liabilities**

Is debt to financing partners such as banks and/or other financing companies.

**Current liabilities**

Is the debt to the trade suppliers..

**Working capital**

Should the Offering bring only the minimum subscription amount, the Company will be in a position to execute its business plans and have sufficient liquidity for a period of at least twelve months following Admission.

Should the result of the Offering reach the maximum, this will allow the Company to repay more debt and drive its expansion plans more aggressively, maintaining a low risk profile for the benefit of all Shareholders.

# 9. Capitalisation, Indebtedness and Working Capital

## 9.1 CAPITALISATION (AS OF 31 DECEMBER 2021)

As of 31 December 2021, the Group had shareholder's equity of DKK 61,200,000.

## 9.2 NET INDEBTEDNESS (AS OF 31 DECEMBER 2021)

As of 31 December 2021, the Group had net indebtedness of DKK 30,700,000.

## 9.3 WORKING CAPITAL STATEMENT

It is the assessment of the Board of Directors and the Management that Sofia Residential A/S, with the proceeds from the minimum subscription to the Offering, will have sufficient funds to support working capital to continue its activities for at least 12 months following the first day of trading.

SHAREHOLDERS' EQUITY AND LIABILITIES	31 DECEMBER 2021 DKK 000
<b>Equity</b>	
Contributed capital	600.0
Retained Earnings and other reserves	60,596.0
Shareholders' Equity	61,196.0
<b>Interest-bearing debt</b>	
Peha Invest ApS	31,247.5
Total Interest-bearing debt	31,247.5
<b>Cash</b>	
Cash and cash equivalents	520.9
Net Interest-bearing debt	30,726.6

The details of the Peha Invest ApS loans are described in section 10.3.2.

# 10. Legal and supplementary information

## 10.1 GDPR

With Bulgaria being part of the EU, the General Data Protection Regulation 2016/679 ("GDPR") applies to the Group. Whereas the selling process of units is mostly outsourced and Sofia Residential is rarely collecting personal data, during a renting period regularly personal data will be requested and retained under applicable data protection law. The Group has implemented the required data processing procedures and policies and enters into customary data processor agreements with its service providers. Sofia Residential has implemented appropriate safety measures and procedures for handling of personal data that the Group collects and process. Sofia Residential is relying on its local legal counsel for review of its policies and procedures in order to comply with the GDPR and local data protection laws. Sofia Residential has not identified any material issues in respect of data protection compliance of the Group, however ongoing compliance and the further enhancement of the Group's procedures in regard to GDPR is an ongoing area of focus.

## 10.2 PATENTS, TRADEMARKS, AND OTHER IP

The Group holds no patents or trademarks. IP rights are in general not considered of material importance for the Group.

## 10.3 MATERIAL CONTRACTS

Other than the contracts described below, and such contracts that have been entered into in the ordinary course of business, there are no contracts to which the Company or any member of the Company's group is a party which are material to the Group, and which have been entered into in the past year immediately preceding the date of this Company Description.

The Group has entered into customary asset and property management agreements concerning the properties in Sofia. In addition hereto, the Company has entered into project development agreements with developers for ongoing and finalized projects (the normal terms of which are summarised in Section 5.3.1 above). The Company has also entered into administrative services agreements in Copenhagen. The Company considers that all of these agreements have been entered into on industry standard terms and are thus considered part of the Group's ordinary course of business.

### 10.3.1 ACQUISITION OF GROUP COMPANIES

The Company was incorporated on 1 July 2020, Effective from 1st of December 2020, the Company acquired 100% of



the share capital of Sofia Residential BG ApS (which owns the Group's operating companies). The shares in Sofia Residential BG ApS were acquired from Kindco Holding ApS (a company owned by Jens Kindberg, a director of the Company and the Existing Shareholder) and from Peha Invest ApS. The consideration for the acquisition was DKK 56,000,000, payable 50% to each vendor.

As a result of this transaction Sofia Residential BG ApS became a wholly owned subsidiary of the Company.

Following this transaction, Kindco Holding ApS acquired DKK 12,000,000 of the debt due to Peha Invest ApS.

On 31st of December Kindco Holding ApS made an in-kind capital contribution of DKK 40,000,000 to the Company through the forgiveness of debt. The Company has been advised that the contribution of DKK 40,000,000 is not subject to taxation and is recorded as equity in the accounts of the Company.

The result of this series of transactions is that the Company owes DKK 16,000,000 of the purchase consideration to Peha Invest ApS with the remaining DKK 40,000,000 of the consideration having been contributed as capital by Kindco Holding ApS.

### 10.3.2 LOAN AGREEMENTS

#### Sofia Residential A/S

The Company has unsecured loans due the former shareholder in Sofia Residential BG ApS, Peha Invest ApS, a company incorporated in Denmark, resulting from the transactions described in section 10.3.1 above. At 31 December 2020 the amount outstanding was DKK 16,106,667 (such amount including interest accrued to 31 December 2020).

The loan carries interest at 8% per annum although Peha Invest ApS has the right to change the interest rate charged with three months' notice to the Company.

The loan is repayable in full by 31 December 2025. The Company has the right to make early repayment without penalty and Peha Invest has the right to demand repayment at any time with notice of 30 business days. Peha Invest ApS has confirmed to Sofia Residential A/S that it will not call for repayment of the loan before 30 June 2022.

#### Sofia Residential BG ApS

Sofia Residential BG ApS has entered into an unsecured loan agreement with Peha Invest ApS, a company incorporated in Denmark. The loan has been drawn down by Sofia Residential BG ApS in several tranches and was consolidated in a loan agreement dated 31 December 2020 which confirmed that the amount outstanding as of that date was DKK 17,655,590 (such amount including interest accrued to 31 December 2020).

The loan carries interest at 8% per annum although Peha Invest ApS has the right to change the interest rate charged with three months' notice to Sofia Residential BG ApS.

The loan is repayable by 31 December 2025. Sofia Residential BG ApS has the right to make early repayment without penalty and Peha Invest has the right to demand repayment at any time with notice of 30 business days. Peha Invest ApS has confirmed to Sofia Residential BG ApS that it will not call for repayment of the loan before 30 June 2022.

### Project Development Financing

From time to time, the Group secures project development financing of its current projects by securing customary mortgage credit facilities from local Bulgarian banks and finance providers.

As of the date of this Company Description, no such mortgages are in place.

### 10.3.3 AGREEMENT WITH DIFKO

The Company has entered into an agreement with DIFKO Invest A/S ("DIFKO") under which DIFKO has agreed to endeavour to procure subscribers for the Offer. DIFKO receives a commission payment from the Company for the subscriptions procured.

DIFKO has on behalf of its clients agreed to seek a total of DKK 20,000,000 in subscriptions by their clients in the Offering which will be spread between different DIFKO clients. DIFKO does not guarantee a total subscription of DKK 20,000,000 from its clients, thus the final allotment to DIFKO clients may be lower than the DKK 20,000,000.

Subscriptions made by DIFKO clients up to a total of DKK 20,000,000 will receive the full allocation of their subscription, as described in section 13.6 below.

### 10.3.4 SUBSCRIPTION UNDERTAKING BY PEHA INVEST

The Company has obtained a loan of from Peha Invest ApS with an outstanding amount as per 31 December 2020 of DKK 16,106,667, cf. Section 10.3.2 above.

On 27 October 2021 the Company entered into an option agreement with Peha Invest ApS according to which Peha Invest ApS has undertaken a subscription guarantee in relation to the Offer. The subscription guarantee obligates Peha Invest ApS to subscribe for New Shares of up to DKK 15,000,000 of the loan amount by debt conversion, in case the Company's board of directors exercises the option to require conversion of the debt into New Shares (the "Subscription Option"). The conversion shall be made at the Offer Price of DKK 10.20 per share. Hence, full conversion of the subscription amount will result in Peha Invest ApS's subscription of 1,470,588 New Shares of nominal DKK 0.10.

## 10. Legal and supplementary information

The Company's board of directors can discretionarily decide whether to exercise the Subscription Option in full or partially upon conclusion of the Offer Period. Notwithstanding the above, the Subscription Option cannot be exercised, if the Offer's minimum subscription requirement of 2,450,980 New Shares is subscribed for by other investors by the last day of the Offer Period. Accordingly, the Subscription Option is limited to subscription for and conversion of the part of the loan amount, which correspond to the maximum subscription amount required to reach the Offer's minimum subscription requirement of 2,450,980 New Shares.

Further, if the Company elects to exercise the option either in whole or in part it is obligated to also make a cash repayment of debt to Peha Invest no later than ten (10) days after the first day of trading of the Company's Shares on Nasdaq First North Growth Market. The amount of this cash repayment will be DKK 7,500,000 but will be limited to the amount which is required to extinguish the Peha Invest debt owed by the Company following the debt conversion referred to above.

By way of example (only), if the debt to Peha Invest at the end of the Offer Period stood at DKK 16,000,000 and DKK 15,000,000 of the debt had been converted within the Offer, the subsequent cash repayment would be limited to DKK 1,000,000. If only DKK 5,000,000 of debt is converted within the Offer, the cash repayment would be the full DKK 7,500,000.

The decision of the Company to exercise the option does not impact on the net proceeds available to the Company for further

investment in its business, as the Company's debt to Peha Invest is either repaid from cash subscriptions received or is converted to shares under the exercise of the Subscription Option as shown below, utilizing the example above:

The Company has agreed to pay a onetime fee of DKK 750,000 to Peha Invest ApS in consideration of Peha Invest ApS entering into the Subscription Option agreement. The fee of DKK 750,000 is due no later than ten (10) days after the first day of trading of the Company's Shares on Nasdaq First North Growth Market. Further, the Company has accepted to pay all costs related to the debt conversion. The Subscription Option expires in full no later than five (5) days after the last day of the Offer Period as stated in the Company Description. The option agreement is governed by and shall be construed in accordance with Danish law.

If the board of directors of the Company decides to exercise the Subscription Option Peha Invest ApS has agreed to enter into a lock-up agreement, obligating Peha Invest ApS not to sell, offer for sale, enter into any agreement regarding the sale of or in any other way directly or indirectly transfer 75% of Peha Invest ApS' shares or votes in the Company without the prior written consent of the Company's Certified Adviser (the "Lock-Up Obligation"). The Company's Certified Adviser will only grant such consent in exceptional circumstances, such as particular financial hardship, and will also require that the shares are sold in an orderly manner.

The final number of shares covered by the Lock-Up Obligation is, however, subject to the decision of the Company's board of di-

	MINIMUM SUBSCRIPTION		MAXIMUM SUBSCRIPTION
	NO PEHA OPTION	WITH PEHA FULL OPTION	
Cash subscriptions Gross	25.0	10.0	58.3
Cash subscriptions Net	22.7	7.7	55.2
Peha option subscription	0	15.0	0
Conversion of Peha debt	0	-15.0	0
Cash received	22.7	7.7	55.2
Repayment of Peha debt per the option agreement		-1.0	
Cash available to the Company	22.7	6.7	55.2
Planned use of funds:			
Repayment of Peha debt	16.0	0	33.0
<b>Funds available for new projects</b>	<b>6.7</b>	<b>6.7</b>	<b>22.2</b>
	22.7	6.7	55.2





rectors to exercise the Subscription Option and the Company's compliance with free float requirements.

Notwithstanding the above, Peha Invest ApS shall be entitled to complete a sale of shares subject to the Lock-Up Obligation without any prior approval from the Company's Certified Advisor, conditioned on the sale of shares being completed at a price per share of at least DKK 10.20.

The Lock-Up Obligation shall apply from the first day of trading and for a period of 12 months.

#### **10.4 TRANSACTIONS BETWEEN THE COMPANY AND RELATED PARTIES**

The Company's related parties include the Company's Board of Directors, the Management Team, affiliates to said persons, and the Company's major shareholder. Related parties also include companies in which these persons and shareholders have significant influence.

Other than as described in this Company Description, no transactions between the Company and related parties exists, except as stated in the following:

The Company has entered into an employment agreement with Jens Kindberg as executive manager for the Group. The Com-

pany believes that the employment agreement is entered into on market level terms and Jens Kindberg is not entitled to any special benefits or subject to other terms that would be deemed materially outside market standard compared to a similar type of company.

The Company has entered into an agreement with DIFKO INVEST A/S (DIFKO) under which DIFKO has agreed to endeavour to procure subscribers for the Offer, as described above. DIFKO receives a commission payment from the Company for the subscriptions procured. Henrik Deigaard, a member of the Board of Directors of the Company, is a project manager for DIFKO. The Company believes that its arrangements with DIFKO represent normal commercial terms and Mr Deigaard has no personal financial interest in these arrangements. Mr Deigaard will recuse himself from all considerations by the Board of the arrangements with DIFKO in order to avoid any potential conflict of interest.

#### **10.5 LEGAL AND ARBITRATION PROCEEDINGS**

The Company has not been and currently is not involved in any legal or arbitration proceedings, which can significantly affect the Group's position, including any such proceedings which are pending or threatening of which the Company is aware.

# 11. Information concerning the Offer Shares

## 11.1 TYPE AND CLASS OF THE SHARES

The Offering consist of minimum of 2,450,980 Offer Shares and a maximum of 5,719,608 Offer Shares.

In connection with the Offering the Company has applied for admission to trading of all its Shares on Nasdaq First North Growth Market Denmark.

Nasdaq First North Growth Market Denmark has approved the Company's application to admit the Shares for trading, subject to compliance with Nasdaq First North Growth Market's requirements regarding free float and a sufficient number of qualified shareholders.

Accordingly, subject to and upon completion of the Offering the Shares are expected to have the first day of trading on Nasdaq First North Growth Market on 15 March 2022 under the symbol "SOFIA".

### ISIN-codes:

Shares (temporary):

DK0061556503

Shares (permanent):

DK0061556693

Following the admission to trading on Nasdaq First North Growth Market Denmark, the Shares will trade in the Permanent ISIN DK0061556693. The temporary ISIN number noted above will cease to be used.

The Company only has one class of Shares.





### 11.2 GOVERNING LAW AND JURISDICTION

The Shares are issued in accordance with Danish law. This Company Description has been prepared in compliance with the rules issued by Nasdaq First North Growth Market. Any disputes that may arise as a result of the Offering are subject to the exclusive jurisdiction of the Danish courts.

### 11.3 REGISTRATION OF SHARES

The Offer Shares are dematerialized and registered in book-entry form electronically with Computershare. All Shares are registered on account with account-holding banks in VP Securities. Investors that are not residents of Denmark may use a Danish bank directly or their own bank's Danish correspondent bank as their account-holding bank.

All Shares are registered in the name of the holder in the Company's register of shareholders. The Company's register of shareholders is kept by Computershare.

### 11.4 CURRENCY

The Shares are denominated in DKK (Danish Kroner).

### 11.5 RIGHTS ATTACHED TO THE SHARES

#### Dividend rights

Each Share entitles its holder to receive distributed dividends.

The Offer Shares will have the same rights and rank *pari passu* with the Existing Shares, including in respect of eligibility to receive dividends and participate in share buybacks. Upon the issuance and registration of the Offer Shares to be issued by the Company pursuant to the Offering with the Danish Business Authority, the Offer Shares will be entitled to receive dividends to the extent any dividends are declared and payable with respect to the Offer Shares.

Distribution of dividends will be subject to the Board of Directors recommendation taking into account the Company's cash requirements and financial commitments.

The Company's dividends, if declared, are paid in Danish Kroner to the Shareholder's account set up through VP Securities. No restrictions on dividends or special procedures apply to holders of Shares who are not residents of Denmark. The dividend policy follows from the Company's Articles of Association. As referenced, the Company does not expect to distribute dividends in the foreseeable future, as profit will be maintained to develop the Company according to the business plan.

Future dividends. Dividends not claimed by Shareholders will be forfeited in favour of the Company, normally after three years, under the general rules of Danish law on statute of limitations.

#### Voting rights

The Offer Shares are issued with a nominal value of DKK 0.10 or multiples thereof. Each Share gives the holder the right to one

vote at General Meetings. The Existing Shareholder does not have different voting rights.

#### Pre-emption rights

Under Danish law, all Shareholders have pre-emptive subscription rights in connection with capital increases effected as cash contributions. An increase in the share capital can be resolved by the shareholders at a General Meeting or by the Board of Directors pursuant to an authorization given by the Shareholders. In connection with an increase of the share capital, the shareholders may by resolution at a General Meeting, or, where permitted by the Articles of the company (as in the case of Sofia Residential), the Board of Directors may approve deviations from the general Danish pre-emptive rights of the Shareholders. Under the Danish Companies Act, such resolution must be adopted by the affirmative vote of Shareholders holding at least a two-third majority of the votes and the share capital represented at a General Meeting. Furthermore, it is a prerequisite that the capital increase is subscribed for at market price, and if less than market price such resolution must be adopted by the affirmative vote of minimum 90 % of the votes cast and the share capital represented at a General Meeting and in some cases by all Shareholders.

#### Dissolution and liquidation

In the event of a dissolution and liquidation of the Company, the Shareholders will be entitled to participate in the distribution of assets in proportion to their nominal shareholdings after payment of the Company's creditors.

#### Redemption and conversion provision

Except as provided for in the Danish Companies Act, no Shareholders are under an obligation to have his or her Shares redeemed in part or in whole by the Company or any third party, and none of the Shares carry any redemption or conversion rights or any other special rights.

### 11.6 NEGOTIABILITY OF THE SHARES

The Shares are negotiable instruments and no restriction under Danish law applies to the transferability of the Shares.

The Company's articles of association do not contain any transfer restrictions.

### 11.7 RESOLUTIONS, AUTHORIZATIONS AND APPROVALS OF THE OFFERING

The decision to apply for the Shares to be traded on Nasdaq First North Growth Market Denmark and approval of this Company Description has been made by the Board of Directors at a board meeting held on the [•]. First day of trading is expected to be 15 March 2022 under the condition that the requirements as set forth in section 13.13 are met by the first day of trading, at the latest. The Shares will be traded under the ticker "SOFIA" and with the ISIN DK0061556693.

# 12. Taxation

Investors should be aware that tax legislation of the investor's Member State and of the Company's country of incorporation may have an impact on the income received from the securities. Potential shareholders are advised to consult their tax advisors regarding the applicable taxation related to the Offering.

## 12.1 DANISH TAXATION

The following is a brief summary of certain Danish tax considerations relevant to the acquisition, ownership and disposal of Shares in the Company by shareholders that are residents of Denmark for the purposes of Danish taxation ("resident or Danish shareholders") and shareholders that are not residents of Denmark for such purposes ("non-resident or foreign shareholders").

The summary is based on applicable Danish law, rules and regulations as at the date of this Company Description. The law, rules and regulations may be subject to changes after this date, possibly on a retroactive basis for the same tax year. The summary is of a general nature and does not purport to be a comprehensive description of all tax considerations that may be relevant and does not address taxation in any jurisdiction other than Denmark.

The summary does not consider tax issues for the Company, and the summary focuses only on the shareholder categories explicitly mentioned below. Special rules may apply to shareholders that are considered transparent entities for tax purposes, for shareholders holding shares through a Danish permanent establishment, and for shareholders that have ceased or cease to be resident in Denmark for tax purposes.

Each shareholder, and specifically non-resident shareholders, should consult with and rely upon their own tax advisers to determine the particular tax consequences for them. In addition to the above, it should be noted that according to Danish tax rules, Nasdaq First North Growth Market is considered a multilateral trading facility. Consequently, in a Danish tax context the Shares are unlisted shares for individual shareholders and taxable portfolio shares for corporate shareholders holding less than 10% of the share capital of the Company.

### 12.1.1 CATEGORIZATION FOR DANISH TAX PURPOSES OF SHARES HELD BY DANISH CORPORATE SHAREHOLDERS

According to Danish tax law, the Shares held by Danish companies are for Danish tax purposes categorized based on three definitions. The categories are "subsidiary shares", "group shares" and "taxable portfolio shares". Shares are categorized as "Subsidiary shares" if the shareholder owns directly 10% or more of the nominal share capital of the Company. Shares are categorized as "Group shares" if the shareholder and the subsidiary (here: the Company) are subject to mandatory Danish tax consolidation or qualify for Danish optional international tax consolidation or have chosen Danish international tax consoli-

dation (tax consolidation requires that the shareholder directly or indirectly hold more than 50% of the votes in the Company (i.e. control)). "Taxable portfolio shares" are Shares that qualify neither as subsidiary shares nor as group shares.

## 12.1.2 TAXATION OF DIVIDENDS

### Danish corporate shareholders

Dividends distributed from the Company to Danish corporate shareholders (companies with limited liability and similar entities) are in principle taxable and taxed as ordinary corporate income (22%), and the Company is obliged to withhold, notify and pay the withholding tax of 22% to the Danish tax authorities. If, however, the shares held by a Danish corporate shareholder are categorized as "subsidiary shares" or "group shares", the dividend is tax-exempt, and the Company is not to withhold tax at source on the dividend. The tax exemption presupposes that the Danish corporate shareholder is the beneficial owner of the dividend.

### Danish individual shareholders

Dividends distributed from the Company to Danish individual shareholders are taxable as share income at a tax rate of 27%/42%. Dividends are taxed at 27% of the first DKK 56,500 (2021 rate) (spouses share a threshold of DKK 113,000 if married at the end of the income year). The excess dividend is taxed at 42%. The Company is obliged to withhold, notify and pay a withholding tax of 27% to the Danish tax authorities.

### Non-resident corporate shareholders

Dividends received on Subsidiary Shares are exempt from Danish withholding tax provided that taxation shall be waived or reduced under the Parent-Subsidiary Directive (2011/96/EU) or under an applicable tax treaty. Similarly, dividends received on Group Shares, which are not Subsidiary Shares, are exempt from Danish withholding tax if the shareholder is resident in the European Union or the EEA and provided that taxation shall be waived or reduced under the Parent-Subsidiary Directive (2011/1 96/EU) or under an applicable tax treaty had the shares been Subsidiary Shares.

In other cases, dividends will generally be subject to withholding tax at a rate of 27% which the foreign shareholder, partly of full, may reclaim from the Danish tax authorities according to the applicable tax treaty or according to internal Danish rules.

In the event that the shareholder is tax resident in a state with which Denmark has entered into a tax treaty and is entitled to the benefits under such tax treaty, the shareholder may seek a refund from the Danish Tax Agency of the tax withheld in excess of the applicable treaty rate (Danish tax treaties typically provide for a 15% tax rate). Denmark has entered into tax treaties with approximately 80 countries, including the United States and almost all EU member states.

Similarly, Danish domestic tax law provides for an applicable

15% tax rate, if the non-resident corporate shareholder holds less than 10% of the share capital in the Company and is tax resident in a state that is obligated to exchange information with Denmark under a tax treaty or an international agreement, convention or other administrative agreement on assistance in tax matters. If the shareholder is tax resident outside the EU, it is an additional requirement for eligibility for the 15% tax rate that the shareholder together with related shareholders hold less than 10% of the nominal share capital of the Company.

Any reduced tax rate according to an applicable tax treaty (and/or the 15% tax rate provided for under Danish domestic tax law) will not affect the withholding rate (27%). In order to receive a refund (from 27% to e.g., 15%), the shareholder must make a claim for such refund through certain certification procedures.

#### **Non-resident individual shareholders**

Dividends distributed from the Company to non-resident individual shareholders are always subject to Danish withholding tax (27%). The foreign individual shareholder has the option of claiming a refund of the part of the tax withheld at source that exceeds the dividend tax that Denmark may charge under a

double taxation treaty. Foreign individual shareholders should consult their own advisers regarding the availability of treaty benefits in respect of dividend payments, including the possibility of effectively claiming refund of withholding tax.

Similarly, Danish domestic tax law provides for an applicable 15% tax rate, if the non-resident individual shareholder holds less than 10% of the share capital in the Company and is tax resident in a state that is obligated to exchange information with Denmark under a tax treaty or an international agreement, convention or other administrative agreement on assistance in tax matters. If the shareholder is tax resident outside the EU, it is an additional requirement for eligibility for the 15% tax rate that the shareholder together with related shareholders holds less than 10% of the nominal share capital of the Company.

#### **12.1.3 TAXATION OF CAPITAL GAINS ON THE SHARES**

##### **Resident corporate shareholders**

Capital gains on “subsidiary shares” and on “group shares” are tax-exempt for Danish corporate shareholders (companies with limited liability and similar entities), unless the shareholder’s business activity is trading in shares.

Corporate shareholders are subject to tax (corporate income tax with a tax rate of 22%) on shares listed at a multilateral trading facility that are not “subsidiary shares” or “group shares”. The gain is calculated according to the “mark-to-market-value principle” according to which the annual gain/loss on the Shares is calculated as the difference between the value of the Share at the end of the income year and the beginning of the income year. In the year of disposal, the gain/loss is calculated as the difference between the selling price and the fair value of the Share at the beginning of the year of sale. Thus, gains are taxable and losses deductible even though the Share has not been disposed of and the gain or loss not realized.

##### **Resident individual shareholders**

Danish individual shareholders are taxed on realized capital gains (the realization principle) as share income at a current tax rate of 27%/42%. The gain is taxed at 27% of the first DKK 56,500 (2021 rate) (spouses share a threshold of DKK 113,000 if married at the end of the income year). The excess capital gain is taxed at 42%. Danish individual shareholders can set off realized capital losses (the realization principle) against the income year’s dividends and capital gains arising from other shares (both listed and unlisted shares). Excess capital losses on the Shares can be set-off in the individual shareholder’s personal income tax.

##### **Non-resident shareholders**

Gains from realization of shares by non-resident shareholders are not taxable in Denmark unless the shares are allocated to a Danish permanent establishment of the non-resident shareholder permanent establishment.





# 13. Terms and conditions of the Offer

## 13.1 EXPECTED TIMETABLE OF THE OFFERING

DATE	EVENT
23 February 2022 9.00 (CET)	The Offer Period begins
8 March 2022 23.59 (CET)	The Offer Period ends
10 March 2022 12.30 (CET)	Result of the Offering is announced
14 March 2022	The Offering is complete, and the Offer Shares have been settled. Registration of the Shares with the Danish Business Authority and VP Securities has been finalized
15 March 2022	The Shares have first day of trading on First North Growth Market under permanent ISIN conditional on final completion
15 March 2022 (end of day)	Temporary ISIN and permanent ISIN are merged in VP Securities

The above timetable is subject to change due to unforeseen events.  
Any changes will be announced via Nasdaq First North Growth Market.

## 13.2 TERMS OF THE OFFERING

The Company is offering a minimum of 2,450,980 and a maximum of 5,719,608 Offer Shares, corresponding to subscription amounts between DKK 25,000,000 and DKK 58,340,000.

## 13.3 PRE-ALLOCATIONS AND SUBSCRIPTION OPTION

### 13.3.1 DIFKO: PRE-ALLOCATION

The Company has entered into an agreement with DIFKO INVEST A/S ("DIFKO") under which DIFKO has agreed to endeavour to procure subscribers for the Offer (see 10.3.3 below).

DIFKO has, on behalf of its clients, agreed to seek a total of DKK 20,000,000 in subscriptions by their clients in the Offering which will be spread between different DIFKO clients. DIFKO does not guarantee a total subscription of DKK 20,000,000 from its clients, thus the final allotment to DIFKO clients may be lower than the DKK 20,000,000. If DIFKO clients subscribe for less than the allotted DKK 20,000,000 then the remaining unallocated amount will be available for general subscription in the Offering.

Subscriptions by DIFKO clients under these arrangements, up to the total of DKK 20,000,000, will receive the full allocation of their subscription. In the event that subscriptions from DIFKO clients exceed the DKK 20,000,000 total, then the subscriptions in excess of DKK 20,000,000 will be treated as general subscriptions.

Please see section 13.7 below for further details of the Company's allocation policy.

### 13.3.2 PEHA INVEST: SUBSCRIPTION OPTION

The Company has entered into an agreement with Peha Invest ApS under which the Company has the option to call on Peha

Invest ApS to subscribe for up to 1,470,588 Offer Shares (DKK 15,000,000) in the Offering at the Offer Price of DKK 10,20 per share (the Subscription Option).

To the extent that the Company calls on the Subscription Option, the subscription will be satisfied by the conversion of debt owed by the Company to Peha Invest ApS, into Shares.

The Board of Directors of the Company will decide whether, and to what extent, to exercise the Subscription Option at the conclusion of the Offer Period and will announce its decision in conjunction with the announcement of the results of the Offer. In deciding on the extent to which the Subscription Option will be exercised by the Company, the Board of Directors will take into account the requirements of Nasdaq First North Growth Market, Denmark, regarding the required number of qualified shareholders. The Offer Shares to be issued to Peha Invest ApS as a result of an exercise of the Subscription Option by the Company will be allocated in full.

Please see section 13.7 below for further details of the Company's allocation policy, and section 10.3.4 above for further details of the Subscription Option.

## 13.4 OFFER PERIOD

The Offer Period begins on 23 February 2022 at 9:00 CET and ends on 8 March 2022 at 23:59 CET. Early closure of the Offering will not be admitted.

## 13.5 SUBMISSION OF APPLICATIONS TO SUBSCRIBE

Applications to subscribe for Offer Shares in the Offering should be made by submitting the application form enclosed in this

Company Description to the investor's own account-holding bank during the Offer Period. Applications (save for those made through Nordnet – see below) are binding and cannot be altered or cancelled (subject to the provisions of section 13.9 below). Applications should be made for the number of Offer Shares or for an aggregate amount rounded to the nearest Danish Kroner amount. Only one application will be accepted from each account in VP Securities. For orders to be accepted, the application form must be submitted to the investor's own account-holding bank in complete and executed form in due time to allow the investor's own account holding bank to process and forward the application to ensure that it is in the possession of Sydbank no later than 23:59 Central European Time on 8 March 2022. Subscription applications over DKK 250,000 must include name and address of the subscriber. Sydbank will forward the subscription application to the Company who will make an individual allocation of the subscribed Offer Shares after the conclusion of the Offer Period on 8 March 2022.

Subscription applications can only be validly submitted in accordance with the Offer Price.

### Subscription using Nordnet

Persons who are account customers at Nordnet AB may apply for the acquisition of Offer Shares through Nordnet's Online Ser-

vice. Application with Nordnet can be made until 8 March 2022 at 23:59 CET. In order not to lose the right to allotment, account customers at Nordnet are to have enough cash equivalents available at the account during the period from 23:59 CET on the 8 March 2022 until the settlement day which is estimated to be 11 March 2022. More information regarding the application process is available at [www.nordnet.dk](http://www.nordnet.dk). Applications made through Nordnet may be amended or withdrawn at any time until the closing of the Offer period.

Provided that the Offering is completed, the Offer Shares will be allocated to investors following the allocation plan described below. Customers who have applied for the acquisition of shares through Nordnet's Online Service will receive the decision on the allotment of shares by the delivery of the allotted shares to the account designated by the customer. Payment for the allotted shares will be charged simultaneously from the account designated by the customer. This is estimated to take place 14 March 2022.

### 13.6 PRE SUBSCRIPTION

The Company has obtained subscription commitments corresponding to DKK 10,000,651.20, which, including cash subscriptions from the Board and Management of DKK 3,182,400 is equivalent to approximately 40 percent of the Offering. No underwriting applies, although it is noted that the Company also



## 13. Terms and conditions of the Offer

has the benefit of the option agreement of DKK 15,000,000 under which it can call on Peha Invest ApS to make subscription in the Offer (see section 13.3.2 above).

The tables below list all of the subscription commitments which have been provided. The subscription commitments have not been secured through advance transaction, bank guarantee or similar. No premium compensation has been paid for the cash pre-subscriptions.

PRE-SUBSCRIPTION IN CASH	
Name	Amount in Cash, DKK
Glumsø Invest ApS	3,060,000.00
Meincke Assets ApS (1)	3,054,900.00
Niels Jørgen Pedersen	1,071,000.00
2 Shares ApS	550,800.00
Willy Overgaard Christiansen	510,000.00
Ventomega ApS	200,940.00
Kjeld Frandsen	163,200.00
Kristian Korsgaard Thomsen	153,000.00
Jens Lebeck	150,001.20
Henrik Deigaard (2)	127,500.00
Lars Højsgaard	112,200.00
Bo Haugaard Andersen Holding ApS	112,200.00
Jørgen Ingemann	109,140.00
Jacob Poul Richardt	102,000.00
Anders Kirkegaard Kortbaek	102,000.00
Karsten Bech Pedersen	102,000.00
Frank Hjerlesen	61,200.00
Lene Eskelund	54,570.00
Anders Søndergaard Hjorth	51,000.00
Jørgen Stein	51,000.00
Erik Steinbach	51,000.00
Svend Bræmer	51,000.00
<b>TOTAL</b>	<b>10,000,651.20</b>

(1) The holding company of Emil Bjørn Meincke, a member of the Board of Directors

(2) A member of the Board of Directors

### 13.7 ALLOCATION PLAN, REDUCTION OF PURCHASES AND PRE-ALLOTMENT INFORMATION

Allocation of the Offer Shares will be made by the Board of Directors having taken advice from the Company's Certified Adviser.

#### Sale and purchase by the Existing Shareholder

No shares are being offered for sale by the Existing Shareholder.

#### Pre-allotment information

Offer Shares will be allocated in full to pre-subscribers and to subscribers introduced by DIFKO INVEST A/S (pursuant to the agreement described in section 10.3.3) to a maximum of DKK 20,000,000. Should DIFKO INVEST A/S introduce further subscribers, in excess of the DKK 20,000,000, then those additional subscribers will be treated equally with subscribers from other sources in accordance with the paragraph below.

#### Subscription Option

Offer Shares will be allocated in full to Peha Invest A/S to the extent that the Company calls on the option it holds for Peha Invest A/S to subscribe, as described in section 13.3.2 above.

#### Reduction of purchases

Other allotments will be made by the Board of Directors having regard to both the number of Offer Shares available in the case of over-subscription and the requirement to ensure that the Company has a sufficient number of qualified shareholders in order to be admitted to trading on Nasdaq First North Growth Market, Denmark. Any required reductions in purchases will be made mathematically.

Upon completion of the Offering, assuming the that the Offering is fully subscribed, the Company's share capital will be DKK 1,171,960.80 divided into 11,719,608 Shares with a nominal value of DKK 0.10 each. At the minimum subscription level Company's share capital will be DKK 845,098.00 divided into 8,450,980 Shares with a nominal value of DKK 0.10 each.

### 13.8 MINIMUM AND/OR MAXIMUM SUBSCRIPTION AMOUNTS

The minimum subscription amount is 450 Offer Shares (of nominally DKK 0.10 each) equivalent to a subscription order of DKK 4,590. No maximum purchase amount applies to the Offering. However, the number of shares is limited to the number of Offer Shares in the Offering.

### 13.9 WITHDRAWAL OF THE OFFERING

Completion of the Offering is conditional upon the Offering not being withdrawn. The Offering may be withdrawn by the Company at any time before the announcement of the result of the Offering take place. The Offering will also be withdrawn if Nasdaq Copenhagen is not satisfied that there will be a sufficient number of qualified shareholders of the Offer Shares or if conditions for free float are not satisfied. Any withdrawal of the Offer-

ing will be announced immediately through Nasdaq First North Growth Market. The Offering will be withdrawn if there are insufficient subscribers for the minimum of 2,450,980 Offer Shares.

### 13.10 INVESTORS' RIGHTS OF WITHDRAWAL

In the event that the Company is required to publish an amendment to this Company Description due to a material error or correction, or amend the Offer Price, between the date of publication of this Company Description and the close of the Offer Period at 23.59 CET on 8 March 2022, the Company will make an announcement via First North Growth Market Denmark and publish an amendment to this Company Description with an updated timetable for completion of the Offering. Investors, including pre-subscribers, who have submitted orders to subscribe for Shares in the Offering shall have three trading days following the publication of the relevant amendment within which the investors can withdraw their offer to subscribe for Shares in the Offering in its entirety. The Offer Period will only be extended if the announcement containing significant information is published later than three trading days before the end of the Offer Period.

Should the investor not withdraw the application within three trading days after the publication of the relevant amendment, the submitted subscription application for the specified number of Shares is binding with the new offer price, given that such an offer price has been specified.

If the submitted subscription application instead specifies an order amount, the order is binding at the specified amount with a new number of Shares adjusted for the new offer price, rounded down to the nearest number of Shares.

The right to withdraw an application to subscribe for Shares in the Offering in these circumstances will be available to all investors in the Offering provided the obligation to publish an amendment to this Company Description was triggered before completion of the Offer Period and provided no Shares have been delivered.

### 13.11 PAYMENT AND REGISTRATION OF THE OFFER SHARES

The Shares are dematerialized and will be registered in book entry form electronically with VP Securities, Weidekampsgade 14, DK-2300 Copenhagen S, Denmark. All Shares are registered on account with account holding banks in VP Securities. Investors that are not residents of Denmark may use a Danish bank directly or their own banks Danish correspondent bank as their account-holding bank.

Payment for and settlement of the Offer Shares are expected to take place on 14 March 2022 (i.e. the Closing Date), against payment in immediately available funds in Danish Kroner in book-entry form to investors' accounts with VP Securities. The Offer Shares will be issued to investors following registration of

the capital increase with the Danish Business Authority on the Closing Date.

The account holding bank will normally send a statement to the name and address registered in VP Securities showing the number of Offer Shares purchased or subscribed for by the investor unless otherwise agreed between the investor and the relevant account holding bank. This statement also constitutes evidence of the investor's holding.

All Shares are registered in the name of the holder in the Company's register of Shareholders. The Company's register of shareholders is kept by Computershare.

All dealings in the Offer Shares prior to settlement of the Offering will be for the account of and at the sole risk of the parties involved.

### 13.12 PUBLICATION OF THE RESULT OF THE OFFERING

The result of the Offering will be announced through Nasdaq First North Growth Market, Denmark on 10 March 2022 at 12:30 CET.

### 13.13 PRICING

The Board of Directors has determined the Company's valuation at DKK 61,196,000 (pre-money) based on the equity value of the Group on 31st of December 2021 as reflected in the Statement of Capital and Indebtedness in Section 9.3 above.

The Offer Price for the Offer Shares is fixed at DKK 10.20 per share and is determined by the above-mentioned valuation.





### 13.14 UNDERWRITING AND SETTLEMENT

The Offering is not subject to any underwriting agreements.

The Company has chosen Sydbank A/S to be the settlement agent for the Offering. The settlement agreement between Sydbank A/S and the Company has certain conditions for which the Company deems to be standard practice. In the event that one or more of these conditions are not fulfilled up until the publication of the result of the Offering, the Company may choose to withdraw from the Offering.

### 13.15 ADMISSION TO TRADING

The Shares are expected to be admitted to trading on Nasdaq First North Growth Market, Denmark. The admission as well as the continued admission to trading on Nasdaq First North Growth Market Denmark are subject to all admission requirements set forth by First North Growth Market, for the Company's Shares being met before the first day of trading. First North Growth Market is a multilateral trading platform owned by Nasdaq and does not have the same legal status as a regulated market. Companies admitted to trading on First North Growth Market are regulated by a different regulatory framework that do not have the same legal requirements for trading as the regulated market. However, on both the regulated market and First North Growth Market the Market Abuse Regulation applies. Investing in a company admitted to trading on First North Growth Market includes more risk than investing in a public listed company on a regulated market, and investors risks losing part or all of the investment.

### 13.16 LOCK-UP AGREEMENTS

In connection with the Offering, the Existing Shareholder has agreed to enter into a lock-up agreement, obligating him to not sell, offer for sale, enter into any agreement regarding the sale of, pledge or in any other way directly or indirectly transfer 90% of their Existing Shares or votes in the Company without the prior written consent of the Company's Certified Adviser (the "Lock-Up Obligation"). The Company's Certified Adviser will only give such consent in exceptional circumstances, such as particular financial hardship, and will also require that Shares are sold in an orderly manner. The Lock-Up Obligation shall apply from the first day of trading and for a period of 12 months. The Lock-Up Obligation does not apply to Shares acquired in connection with the Offering.

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#### SHAREHOLDER WITH LOCK-UP AGREEMENT

SHAREHOLDER	# OF SHARES
KINDCO HOLDING APS	6,000,000

Kindco Holding ApS is 100% owned by Jens Kindberg.

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In addition, Peha Invest ApS has agreed that, to the extent the Company exercises its option (as set out in section 10.3.4 above) the resultant Shares issued to Peha Invest will be subject to a lock-up obligation. Peha Invest is obligated not to sell, offer for sale, enter into any agreement regarding the sale of or in any other way directly or indirectly transfer 75% of their shares or votes in the Company without the prior written consent of the Company's Certified Adviser (the "Lock-Up Obligation"). The Company's Certified Adviser will only grant such consent in exceptional circumstances, such as particular financial hardship, and will also require that the shares are sold in an orderly manner.

The number of shares covered by the Lock-Up Obligation is subject to the decision of the Company's board of directors to exercise the option.

Notwithstanding the above, Peha Invest shall be entitled to complete a sale of shares subject to the Lock-Up Obligation without any prior approval for the Company's Certified Adviser, conditional on the sale of Shares being completed at a price per share of at least DKK 10.20.

### 13.17 DILUTION

The Existing Shares will be diluted by the issue of up to 5,719,608 Offer Shares in the Offering corresponding to a total nominal value of DKK 571,960.80. Following the completion of the Offering, the Existing Shares will make up 71.0% of the Company's total share capital at the minimum subscription level and 51.2% at the maximum subscription level.

### 13.18 COSTS RELATED TO THE OFFERING

The Company's costs associated with the admission to trading on Nasdaq First North Growth Market Denmark and the Offering are expected to amount to approximately DKK 3,100,000 at full subscription and DKK 2,300,000 at minimum subscription. Such costs primarily relate to costs for auditors, financial and legal advisors, Nasdaq Copenhagen A/S operating Nasdaq First North Growth Market, the Issuing Bank, marketing partners and the design and distribution of this Company Description as well as costs related to Management presentations and handling fees of 0.25% of the value of allocated Offer Shares, paid to account-holding banks. Other costs may also apply.

The gross proceeds from the issuance of Offer Shares are expected to amount to a minimum of DKK 25,000,000 to a maximum of DKK 58,300,000 before expenses connected with the Offering. After payment of these expenses the Company will receive approximate net proceeds in the range of DKK 22,700,000 – 55,200,000 depending on the Offering resulting in the minimum or maximum subscription level.



# 14. Glossary

ABBREVIATION / TERM	EXPLANATION
BGN	Bulgarian Lev, the currency of Bulgaria
Board of Directors	Georgi Kirov, Emil Bjørn Meincke, Majbritt Stabell Christensen and Henrik Deigaard
CAGR	Compound Average Growth Rate
Certified Adviser	Keswick Global AG (see below)
Company Description	This company description
Company Description Date	22 February 2022
CVR	The registration number of a Danish business
The Company	Sofia Residential A/S CVR 41507470
EBITDA	An abbreviation of "earnings before interest, tax, depreciation and amortization"
EU	The European Union
Existing Shares	The shares in the capital of the Company in issue prior to the Offering
Existing Shareholder	Kindco Holding ApS – a company owned 100% by Jens Kindberg
Founder	Jens Kindberg
Group	The Company and its subsidiaries from time to time
Keswick Global	Keswick Global AG. Incorporated in Vienna, Austria – registered number FN 332389 h
Management Team	Jens Kindberg
Market Abuse Regulation or MAR	Regulation (EU) No 596/2014 of the European Parliament
Nasdaq Copenhagen	Nasdaq Copenhagen A/S, CVR no. 19042677. Operator of Nasdaq First North Growth Market Denmark
Offer Price	DKK 10.20 per Offer Share
Offer Shares	The shares in the capital of the Company to be issued as a result of the Offering
Offering	The offer for sale of shares in the Company as set out in this Company Description
Shares	The shares in the capital of the Company comprising the Existing Shares and the Offer Shares
Shareholder	A holder of Shares from time to time
Sofia Residential	The Company or the Group, as the context requires

# 15. Subscription Form

## SUBSCRIPTION FORM SOFIA RESIDENTIAL A/S

The undersigned hereby applies for subscription in Sofia Residential A/S as follows:

Subscription period: 23 February to 8 March 2022  
Subscription price: DKK 10.20 /share  
Payment: Expected on 14 March 2022  
Permanent ISIN: DK0061556693  
Temporary ISIN: DK0061556503

**NOTE:** This form must be submitted to your own account holding bank in complete and executed form in due time to allow your account holding bank to process and forward the application to ensure that it is in the possession of Sydbank no later than 23:59 (CET) on 8 March 2022.

Number of Offer Shares (minimum 450)	OR	Order amount in DKK (must be equal to a whole number of shares and minimum DKK 4,590.00)
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Fill out where the allotted and paid for shares are to be delivered:

VP custody account number [VP-kontonummer]	Bank
Settlement account number [depot-kontonummer]	Bank

### Subscriber information

Last name/Company		First Name	CPR no./CVR.no
Street address (or equivalent)			Telephone/mobile phone
Postal code	City	Country	E-mail
Place and date		Signature (authorized company signature, if applicable)	

**Note that you should contact your bank and follow their instructions if:** a) you have an account with specific rules for securities transactions, such as an investment savings account or pension account and/or b) if you do not already have a VP custody account.

**Allocation:** In the event that the total number of Offer Shares applied for in the Offering exceeds the number of Offer Shares, allocation of shares will be reduced in accordance with section 13.6 "Allocation plan, reduction of purchases and pre-allotment information" in the Company Description. Submission of a subscription form during the Offer Period does not guarantee the allocation of Offer Shares in full or in part. Pre-subscribed orders from DIFKO INVEST A/S will be allocated in full to a maximum of DKK 20,000,000.

**Settlement of the Offering** will be effected by way of registration of New Shares representing the allocated number of Offer Shares on your custody account with VP against payment in DKK, which will take place on the settlement date. All dealings in the New shares and/or the Offer Shares prior to settlement of the Offering will be for the account of, and at the sole risk of the parties involved.

**By signing this subscription form, I confirm the following:**

That I have read and understood the Company Description dated 22 February 2022, and that I have based my investment decision solely on the contents of the Company Description.

That I have read and understood a) the risks associated with investing in Sofia Residential (see section 4, "Risk" in the Company Description, b) the information stated in section 13 "Details of the offering/Admission to trading" and c) the information in this subscription form.

That I understand and am aware, that a) the offer is not addressed to persons resident in the USA, Australia, Japan, Canada, South Korea, Hong Kong, Switzerland, Singapore or other countries where participating requires other measures than those required by Danish Law, b) the application is not covered by the right of return that follows from the Danish Consumer Contracts Act, c) no amendments or additions may be made to the printed text in this subscription form, d) the allocation of shares in accordance with the subscription cannot be guaranteed, e) an incomplete or incorrect subscription form may be disregarded, f) the subscription is binding, g) Sydbank, Sofia Residential, Keswick and Difko is allowed to receive this form containing my information and signature and h) Sydbank is allowed to forward the form to my custody bank.

If any questions regarding the completion of this subscription form please contact investor@sofiareidential.com

**TEGNINGSFORMULAR SOFIA RESIDENTIAL A/S****Jeg/vi afgiver hermed ordre om at tegne aktier i Sofia Residential A/S.**

Udbudsperiode: 23 Februar til den 8. marts 2022  
 Udbudskurs: DKK 10,20 pr aktie a nominelt 0,1 kr  
 Betaling: Forventelig den 14. marts 2022  
 Permanent ISIN: DK0061556693  
 midlertidig ISIN: DK0061556503

**NOTE:** Denne tegningsformular skal afleveres i dit eget konførende pengeinstitut i udfyldt stand inden udløb af tegningsperioden og i god tid, således dit konførende pengeinstitut kan fremsende tegningsønskede til Sydbank inden tegningsfristens udløb kl. 23:59 den 8. marts 2022.

<b>Antal aktier</b> (minimum 450)	<b>ELLER FOR</b>	<b>Beløb i DKK</b> (skal være lig et præcist antal aktier og minimum for kr. 4.590,00)
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**VP-konto og depot nr:**

VP-konto / depot nr.	Bank
Reg.nr. og kontonummer til afregning	Bank

**Konførende institut (navn):**

Efternavn/Virksomhed		Fornavn	CPR nr./CVR.nr
Adresse			Telefon eller mobilnr.
Postnummer	By	Land	E-mail
Sted og dato		Tegningsberettiget underskrift, hvis virksomhed	

**Bemærk at du skal kontakte din egen bank og følge deres instruktioner hvis:** a) du har et ønske om at bruge en konto med specifikke placeringsregler, såsom investeringskonto eller pensionskonto og/eller b) hvis du ikke allerede har en VP-konto.

**Allokering:** I tilfælde af, at det samlede antal aktier, der anmodes om i forbindelse med Udbuddet, overstiger antallet af Udbudte Aktier, vil tildelingen af aktier blive reduceret i overensstemmelse med afsnit 13.6 "Allocation plan, reduction of purchases and pre-allotment information" i virksomhedsbeskrivelsen. Indsendelse af en tegningsblanket i løbet af udbudsperioden garanterer ikke tildeling af aktier hverken helt eller delvist. Fortegnede ordrer fra DIFKO INVEST A/S vil blive tildelt fuldt ud op til maksimalt DKK 20.000.000.

**Afvikling af Udbuddet** vil ske ved registrering af Nye Aktier, der repræsenterer det tildelte antal Udbudte Aktier på din depotkonto hos VP mod betaling i DKK, som finder sted på afregningsdatoen. Alle transaktioner i de Nye aktier og/eller de Udbudte Aktier før afvikling af Udbuddet vil ske for og på egen risiko for de involverede parter.

**Ved underskrift af denne tegningsformular, bekræfter jeg følgende:**

At jeg har læst og forstået virksomhedsbeskrivelsen af 22. februar 2022, og at jeg udelukkende har baseret min investeringsbeslutning på indholdet af virksomhedsbeskrivelsen.

At jeg har læst og forstået a) de risici, der er forbundet med at investere i Sofia Residential (se afsnit 4, "Risiko" i virksomhedsbeskrivelsen, b) oplysningerne i afsnit 13 "Detaljer om udbuddet/optagelse til handel" og c) oplysningerne i denne tegningsformular.

At jeg forstår og er klar over, at a) tilbuddet ikke er rettet til personer bosat i USA, Australien, Japan, Canada, Sydkorea, Hong Kong, Schweiz, Singapore eller andre lande, hvor deltagelse kræver andre foranstaltninger end dem, der kræves af dansk Lov, b) ansøgningen er ikke omfattet af den returret, der følger af forbrugeraftaleloven, c) der må ikke foretages ændringer eller tilføjelser til den trykte tekst i denne tegningsblanket, d) tildeling af aktier i henhold til tegningsformular kan ikke garanteres, e) der kan ses bort fra en ufuldstændig eller forkert tegningsformular, f) tegningsformularen er bindende, g) Sydbank, Sofia Residential, Keswick og Difko får lov til at modtage denne formular med mine oplysninger og underskrift og h) Sydbank har lov til at videresende skemaet til min depotbank.

Ved spørgsmål vedr. udfyldelse af denne tegningsformular, send venligst en mail til [ir@sofiarresidential.com](mailto:ir@sofiarresidential.com)

# 16. Articles of Association

THE ARTICLES OF ASSOCIATION OF SOFIA RESIDENTIAL A/S  
ADOPTED ON THE 27TH OF OCTOBER 2021 FOLLOW.

<p><b>1. SELSKABETS NAVN OG FORMÅL</b></p> <p>1.1 Selskabets navn er Sofia Residential A/S.</p> <p>1.2 Selskabets formål er, direkte eller indirekte, at udvikle ejendomsprojekter i Sofia, Bulgarien.</p> <p><b>2. SELSKABETS KAPITAL</b></p> <p>2.1 Selskabets aktiekapital udgør nominelt kr. 600.000 fordelt på aktier á nominelt kr. 0,10.</p> <p>2.2 Aktiekapitalen er fuldt indbetalt.</p> <p>2.3 Aktierne skal lyde på navn og skal noteres på navn i Selskabets ejerbog.</p> <p>2.4 Selskabets ejerbog føres af Selskabet og skal indeholde en fortegnelse over samtlige aktionærernes navne, adresser og e-mailadresser.</p> <p>2.5 Aktierne er omsætningspapirer. Der gælder ingen indskrænkninger i aktiernes omsættelighed.</p> <p>2.6 Ingen aktier har særlige rettigheder.</p> <p>2.7 Ingen aktionær er forpligtet til at lade sine aktier indløse helt eller delvist af Selskabet eller tredjepart.</p> <p><b>3. UDBYTTE</b></p> <p>3.1 Så snart årsrapporten er godkendt af generalforsamlingen, udbetales udbytte af aktierne til den, der i ejerfortegnelsen står som ejer af de pågældende aktier.</p> <p>3.2 Udbytte, der ikke er hævet inden 3 år fra forfaldsdagen, tilfalder Selskabets reservefond.</p> <p><b>4. BEMYNDIGELSE TIL FORHØJELSE AF KAPITALEN</b></p> <p>4.1 Bestyrelsen bemyndiges til i tiden indtil den 1. september 2026 at forhøje Selskabets aktiekapital ved udstedelsen af nye aktier af én eller flere gange med indtil nominelt DKK 60.000,00 fordelt på aktier á kr. 0,10 til markedskurs uden fortegningsret for de hidtidige aktionærer.</p>	<p><b>NAME AND OBJECT</b></p> <p>The name of the company is Sofia Residential A/S.</p> <p>The object of the company is, direct or indirectly, to develop real-estate projects in Sofia, Bulgaria.</p> <p><b>SHARE CAPITAL</b></p> <p>The company has a share capital of nominal value of DKK 600,000 divided into shares of nominal value of DKK 0.10 per share.</p> <p>The share capital has been fully paid up.</p> <p>The shares are registered in the names of the shareholders and are registered in the company's shareholders' register.</p> <p>The shareholder's register is kept by the company and shall contain a list of all the shareholders' names, addresses and e-mail addresses.</p> <p>The shares are negotiable instruments. No restrictions shall apply to the negotiability of the shares.</p> <p>No shares shall have special rights.</p> <p>No shareholder shall be obliged to have his shares wholly or partly redeemed by others.</p> <p><b>DIVIDEND</b></p> <p>As soon as the annual report has been adopted by the general meeting, dividend on the shares shall be paid by means of transfer to the accounts designated by the shareholders in accordance with the shareholder register.</p> <p>Dividend not claimed within 3 years from the due date shall be transferred to the Company's reserve fund.</p> <p><b>AUTHORISATION TO INCREASE THE SHARE CAPITAL</b></p> <p>Until 1 September 2026, the Board of Directors shall be authorized to increase the Company's share capital in one or more stages by up to a nominal amount for DKK 60,000.00 divided into shares of DKK 0.10 at market value without the existing shareholders having any pre-emption rights.</p>
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<p>4.2 Bestyrelsen bemyndiges i tiden indtil den 1. september 2026 at forhøje Selskabets aktiekapital ved udstedelsen af nye aktier af én eller flere gange med fortegningsret for de hidtidige aktionærer med indtil nominelt DKK 60.000,00 fordelt på aktier á kr. 0,10 til en kurs fastsat af bestyrelsen, herunder under markedskurs, med fortegningsret for de hidtidige aktionærer.</p> <p>4.3 For alle de nye aktier, udstedt i henhold til ovenstående bemyndigelser, skal i øvrigt gælde de samme regler som for de hidtidige aktier i Selskabet. Aktierne skal lyde på navn og skal være noteret på navn i Selskabets ejerbog og være omsætningspapirer. Aktierne skal være underkastet de samme regler om fortegningsret, stemmeret, omsættelighed og indløselighed som de hidtidige aktier. De nye aktier skal indbetales fuldt ud ved gældskonvertering eller kontant indskud, idet delvis indbetaling ikke er mulig. Bestyrelsen træffer beslutning om de øvrige vilkår for kapitalforhøjelserne.</p> <p><b>5. BEMYNDIGELSE TIL UDSTEDELSE AF WARRANTS</b></p> <p>5.1 Selskabet har på generalforsamlingen den 27. oktober 2021 bemyndiget bestyrelsen til at træffe beslutning om udstedelse af warrants (tegningsoptioner) samt til at træffe beslutning om den dertilhørende kapitalforhøjelse. Bemyndigelsen er gældende frem til den 1. september 2026 og omfatter et samlet beløb på op til nominelt kr. 60.000. For bemyndigelsen og forhøjelsen gælder i øvrigt følgende:</p> <p>5.2 Bemyndigelsen kan udnyttes ad én eller flere gange</p> <p>5.3 Selskabets aktionærer skal ikke have fortegningsret ved bestyrelsens udnyttelse af denne bemyndigelse forudsat, at warrants udstedes til en tegnings- eller udnyttelseskurs, som mindst svarer til markedskursen på tidspunktet for bestyrelsens beslutning.</p> <p>5.4 De nærmere vilkår for udstedelse af warrants fastsættes af bestyrelsen – herunder regler om udnyttelsesvilkår for warrants, samt om modtageres retsstilling i tilfælde af kapitalforhøjelse, kapitalnedsættelse, udstedelse af ny warrants, udstedelse af konvertible gældsbreve samt selskabets opløsning, fusion eller spaltning – inden udnyttelsestidspunktet.</p> <p>5.5 Bestyrelsen kan efter de til enhver tid gældende regler i selskabsloven genanvende eller genudstede eventuelle bortfaldne eller ikke udnyttede warrants, forudsat at</p>	<p>Until 1 September 2026, the Board of Directors shall be authorized to increase the Company's share capital in one or more stages by up to a nominal amount for DKK 60,000.00 divided into shares of DKK 0.10 at a price determined by the board of directors and which may be below market value, with pre-emption rights for the existing shareholders.</p> <p>All new shares, issued pursuant to the authorisations above, shall be subject to the same rules as the existing shares of the Company. The shares shall be registered in the name of the holder in the Company's register of shareholders and shall be negotiable instruments. The shares shall be subject to the same rules on pre-emption rights, voting rights, negotiability and redeemability as the existing shares. The new shares shall be fully paid-up by debt conversion or by cash contribution, as partial payment is not feasible. The board of directors shall determine the remaining terms for the capital increases.</p> <p><b>AUTHORISATION TO ISSUE WARRANTS</b></p> <p>At the general meeting on 27 October 2021 the Company authorised the board of directors to issue warrants (options) and to resolve on the related capital increase. The authority is valid until 1 September 2026 and includes a total amount of up to a nominal value of DKK 60,000. The following applies to the authority and the related capital increase:</p> <p>The authorisation may be used at one or more occasions.</p> <p>The Company's shareholders shall not have pre-emption rights at the exercise of this authorisation by the board of directors, provided that warrants are issued at a subscription or exercise price that at least corresponds to the market price at the time of the board's decision.</p> <p>The terms for the issuance of warrants are determined by the board of directors - including rules on the terms of exercise of warrants, as well as the recipients' legal position in the event of capital increase, capital reduction, issuance of new warrants, issuance of convertible debt instruments and the Company's dissolution, merger or division - before the exercise date.</p> <p>The board of directors may in accordance with the Danish Companies Act, reuse or reissue any expired or unexercised warrants, provided that the reuse takes</p>
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<p>genanvendelsen finder sted inden for de vilkår og tidsmæssige begrænsninger, der fremgår af ovennævnte bemyndigelse. Ved genanvendelse forstås adgangen for bestyrelsen til at lade en anden aftalepart indtræde i en allerede bestående aftale om warrants. Ved genudstedelse forstås bestyrelsens mulighed for indenfor samme bemyndigelse at genudstede nye warrants, hvis de allerede udstedte warrants er bortfaldet.</p>	<p>place within the terms and time limits set out in the above authorisation. Reuse means the right of the board to allow another party to enter into an already existing agreement on warrants. Reissue means the ability of the board of directors to reissue new warrants within the same authorisation if the warrants already issued have lapsed.</p>
<p>5.6 De ny aktier, der udstedes som følge af denne bestemmelse, skal være omsætningspapirer og skal noteres på navn. Der findes ingen indskrænkninger i de nye aktiers omsættelighed.</p>	<p>The new shares issued as a result of this provision shall be negotiable instruments and registered shares. There are no restrictions on the negotiability of the new shares.</p>
<p>5.7 Bestyrelsen træffer selv nærmere bestemmelse om de øvrige vilkår for kapitalforhøjelsens gennemførelse, herunder om tidspunktet for rettighedernes indtræden for de nye aktier.</p>	<p>The board of directors determines the other terms for the implementation of the capital increase, including the timing of the rights to the new shares.</p>
<p>5.8 Bestyrelsens beslutning om udstedelsen af warrants skal optages i vedtægterne. Bestyrelsen er bemyndiget til at foretage de dertilhørende fornødne vedtægtsændringer.</p>	<p>The resolution of the board of directors to issue warrants shall be included in the articles of association. The board of directors is authorised to make the related amendments to the articles of association.</p>
<p><b>6. OPKØB AF EGNE AKTIER</b></p> <p>6.1 Bestyrelsen bemyndiges i tiden indtil den 1. september 2026 til at opkøbe Selskabets egne aktier ad én eller flere gange til markedskurs. Selskabets beholdning af egne aktier kan dog maksimalt udgøre 10 procent af den til enhver tid værende nominelle selskabskapital.</p>	<p><b>BUYING OF THE COMPANY'S OWN SHARES</b></p> <p>Until 1 September 2016 the board of directors shall be authorized to purchase the Company's own shares at one or more occasions at market value. However, the Company's holding of own shares may not exceed 10 per cent of the nominal share capital at any time.</p>
<p><b>7. GENERALFORSAMLINGER</b></p> <p>7.1 Selskabets generalforsamling indkaldes af bestyrelsen med mindst to ugers og højst fire ugers varsel via Selskabets hjemmeside og ved e-mail til alle de i ejerbogen noterede aktionærer, som har fremsat begæring herom.</p> <p>7.2 Generalforsamlinger afholdes på Selskabets hjemsted eller i København.</p> <p>7.3 Ordinær generalforsamling afholdes hvert år i så god tid, at den godkendte årsrapport kan indsendes til Erhvervsstyrelsen, så den er modtaget i Erhvervsstyrelsen senest fem måneder efter regnskabsårets afslutning.</p> <p>7.4 Dagsordenen for den ordinære general-forsamling skal omfatte:</p>	<p><b>GENERAL MEETING</b></p> <p>Notice of general meetings is provided by the board of Directors no later than two weeks and no earlier than four weeks via the company's website and with notice by email to each shareholder, which are registered in the shareholders' register.</p> <p>General meetings are held at the Company's registered office or the City of Copenhagen.</p> <p>The annual general meeting is held every year well in advance so that the adopted annual report can be filed with the Danish Business Authority no later than five months after the close of the financial year.</p> <p>The agenda for the annual general meeting must include:</p>

7.5	Valg af dirigent	Election of chairman of the general meeting
7.6	Forelæggelse af årsrapport til godkendelse	Submission of the annual report for adoption
7.6	Beslutning om anvendelse af overskud eller dækning af underskud i henhold til den godkendte årsrapport	Decision on appropriation of profit or loss as recorded in the adopted annual report
7.7	Valg af medlemmer til bestyrelsen.	Election of board of directors
7.8	Valg af revisor	Appointment of an auditor
7.9	Eventuelt	Any other business
7.10	Dagsordenen og de fuldstændige forslag samt for den ordinære generalforsamlings vedkommende udarbejdede årsrapport skal gøres tilgængelige til eftersyn for aktionærerne senest to uger før generalforsamlingen.	The agenda and complete proposal, and for the annual general meeting the annual report, must be available for inspection by the shareholders no later than two weeks before the general meeting.
<b>8.</b>	<b>MØDERET OG STEMMERET</b>	<b>RIGHT TO ATTEND AND VOTING RIGHTS</b>
8.1	Enhver aktionær, der på registrerings-datoen, jf. nedenfor, besidder aktier i Selskabet i overensstemmelse med kravene dertil, er berettiget til at møde på generalforsamlingen, såfremt aktionæren senest 3 dage før generalforsamlingens afholdelse mod behørig legitimation har anmodet om adgangskort til sig selv og sin eventuelle rådgiver.	Any shareholder holding shares in the Company on the record date, cf. below, in accordance with the applicable requirements may attend general meetings provided the shareholder, against presentation of appropriate identification and no later than three days before the general meeting, has requested admission card(s) for himself and his adviser(s), if any.
8.2	Den, der har erhvervet aktier ved overdragelse, kan ikke udøve stemme-ret for de pågældende aktier på generalforsamlinger, der er indkaldt, medmindre vedkommende er noteret i ejerbogen, eller har anmeldt og dokumenteret sin erhvervelse, senest på registreringsdatoen, som ligger 1 uge før generalforsamlingens afholdelse.	Shareholders who have acquired shares through transfer may not exercise the voting rights of those shares at general meetings that were called, unless the shareholders have been registered in the register of shareholders or have given notice of and documented their acquisition on or before the record date which is one week prior to the general meeting.
8.3	Den, der har erhvervet aktier på anden måde end ved overdragelse, kan ikke udøve stemmeret for de pågældende aktier, medmindre vedkommende er noteret i ejerbogen, eller har anmeldt og dokumenteret sin ret senest på registreringsdatoen, som ligger en uge før afholdelsen af generalforsamlingen.	Shareholders who have acquired shares in any other way than by transfer may not exercise the voting rights of those shares unless the shareholders are registered in the register of shareholders or have given notice of and documented their right on or before the record date which is one week prior to the general meeting.
8.4	På generalforsamlingen giver hver aktie på nominelt kr. 0,10 en stemme.	Each share with the nominal value of DKK 0.10 represents one vote at the general meeting.
8.5	Alle beslutninger på generalforsamlingen vedtages med simpelt stemmeflertal, medmindre selskabs-loven kræver en særlig repræsentation eller majoritet.	Decisions must be decided by a simple majority of votes, unless the Danish Companies Act demands a certain representation or majority.

<p>8.6 Aktionærerne har mulighed for at brevstemme, dvs. for at stemme skriftligt, inden generalforsamlingen afholdes. Selskabets bestyrelse fastsætter krav til at sikre behørig identifikation af aktionærerne, som ønsker at brevstemme. Stemmeret kan endvidere udøves gennem fuldmægtig, der skal fremlægge skriftlig og dateret fuldmagt.</p> <p><b>9. SELSKABETS LEDELSE</b></p> <p>9.1 Selskabet ledes af en bestyrelse på 3-5 medlemmer, der varetager den overordnede og strategiske ledelse af Selskabet samt sikrer en forsvarlig organisation af Selskabets virksomhed. Bestyrelsens medlemmer vælges af generalforsamlingen for en periode på ét år ad gangen.</p> <p>9.2 Selskabets bestyrelse ansætter en direktion på 1 medlem, der forestår den daglige ledelse af Selskabet.</p> <p><b>10. ELEKTRONISK GENERALFORSAMLING</b></p> <p>10.1 Bestyrelsen kan, når den anser det for hensigtsmæssigt, og generalforsamlingen kan afvikles på betryggende vis, bestemme, at generalforsamlingen udelukkende skal foregå elektronisk (fuldstændig elektronisk generalforsamling). Bestyrelsen kan herudover under samme forudsætninger tilbyde aktionærerne at deltage elektronisk på generalforsamlinger, der i øvrigt gennemføres ved fysisk fremmøde (delvis elektronisk generalforsamling). Aktionærerne kan derved elektronisk deltage i, ytre sig samt stemme på generalforsamlingen.</p> <p>10.2 Specifikke oplysninger vedrørende tilmelding og procedurer for deltagelse vil til sin tid kunne findes på Selskabets hjemmeside og i indkaldelsen til de pågældende generalforsamlinger, lige som de i Selskabets ejerbog noterede aktionærer vil modtage skriftlig meddelelse herom.</p> <p><b>11. ELEKTRONISK KOMMUNIKATION</b></p> <p>11.1 Selskabet benytter elektronisk dokumentudveksling samt elektronisk post i sin kommunikation med aktionærerne.</p> <p>11.2 Indkaldelse af aktionærer til ordinær og ekstraordinær generalforsamling og tilsendelse af dagsorden, regnskabsmeddelelser, årsrapport, halvårsrapport, kvartalsrap-</p>	<p>The shareholders may vote by post, i.e. vote in writing, before the general meeting is held. The company's board of directors set the requirements to ensure proper identification of the shareholders who wish to vote by post. Furthermore, voting rights may be exercised through a proxy who shall present a written and dated proxy.</p> <p><b>MANAGEMENT OF THE COMPANY</b></p> <p>The company is governed by a board of directors consisting of 3-5 members responsible for the overall and strategic management of the company and ensuring proper organization of the company's business. Members of the board of directors are appointed by the general meeting for a period of one year.</p> <p>The board of directors appoints an executive board consisting of 1 member to be responsible for the day-to-day management of the company.</p> <p><b>DIGITAL GENERAL MEETING</b></p> <p>The board of directors may, where it deems it appropriate and the general meeting may be safely held, decide that the general meeting shall be conducted exclusively electronically (full electronic general meeting). In addition, the board of directors may, under the same conditions, offer shareholders to participate electronically at general meetings, which are otherwise conducted by physical attendance (partial electronic general meeting). Shareholders can thus participate electronically, express themselves and vote at the general meeting.</p> <p>Details of registration and participation procedures will be available in due course on the Company's website and in the notice of the relevant general meetings, and the shareholders listed in the Company's register of shareholders will receive written notice.</p> <p><b>ELECTRONIC COMMUNICATION</b></p> <p>The Company transfers documents electronically and uses electronic mail in its communication with the shareholders.</p> <p>Calling of general meetings and extraordinary general meetings, forwarding of agendas, preliminary statements of accounts, annual reports, semi-annual reports,</p>
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<p>porter, selskabsmeddelelser samt generelle oplysninger fra Selskabet til aktionærerne fremsendes af Selskabet til aktionærerne via e-mail. Ovennævnte dokumenter vil tillige kunne findes på Selskabets hjemmeside <a href="http://www.sofiaresidential.com">www.sofiaresidential.com</a> under "Investorer".</p> <p>11.2 Oplysning om kravene til de anvendte systemer samt om fremgangsmåden i forbindelse med elektronisk kommunikation samt øvrige tekniske oplysninger af betydning herfor vil kunne findes på Selskabets hjemmeside <a href="http://www.sofiaresidential.com">www.sofiaresidential.com</a> under "Investorer".</p> <p><b>12. SELSKABETS SPROG</b></p> <p>12.1 Selskabets sprog er engelsk.</p> <p>12.2 Generalforsamlinger kan afholdes på dansk eller engelsk efter bestyrelsens valg. Simultantolkning til og fra dansk kan tilbydes såfremt bestyrelsen træffer beslutning herom. Alle dokumenter udarbejdet til generalforsamlingens brug i forbindelse med eller efter generalforsamlingen kan i den udstrækning lovgivningen tillader det udarbejdes på engelsk og tillige på dansk, såfremt bestyrelsen måtte beslutte det.</p> <p><b>13. TEGNINGSREGEL</b></p> <p>13.1 Selskabet tegnes af én direktør sammen med bestyrelsesformanden eller af den samlede bestyrelse i forening.</p> <p><b>14. EGNSKAB OG REVISION</b></p> <p>14.1 Selskabets årsrapporter revideres af en af generalforsamlingen valgt revisor, der vælges for 1 år ad gangen.</p> <p>14.2 Selskabets regnskabsår er kalender-året.</p> <p>Således vedtaget på den ekstraordinære generalforsamling den 27. oktober 2021.</p>	<p>quarterly reports, notifications to the Stock Exchange and general information from the Company to the shareholders will be forwarded from the Company to the shareholders via e-mail. The above-mentioned documents can also be found on the Company's website <a href="http://www.sofiaresidential.com">www.sofiaresidential.com</a> under "Investor Relations".</p> <p>Information regarding system requirements, the procedure for electronic communication and other technical information in relation herewith can be found on the Company's website <a href="http://www.sofiaresidential.com">www.sofiaresidential.com</a> under "Investor Relations".</p> <p><b>THE COMPANY'S LANGUAGE</b></p> <p>The Company's corporate language is English.</p> <p>General meetings may be held in Danish or in English by decision by the board of directors. Simultaneous interpretation to and from Danish may be made available for all attendees by decision of the board of directors. All documents prepared for the purpose of general meetings in connection or after the general meetings can – to the extent allowed by law – be in English and, if decided by the board of directors, in Danish.</p> <p><b>RULES OF SIGNATURE</b></p> <p>The Company is bound by the joint signatures of a member of the executive board and the chairman of the board of directors, or by the entire board of directors jointly.</p> <p><b>AUDITING AND FINANCIAL YEAR</b></p> <p>The accounts of the Company shall be audited by an auditor appointed by the general meeting for a period of one year.</p> <p>The Company's financial year is the calendar year.</p> <p>Thus adopted on the extraordinary general meeting on 27 October 2021.</p>
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# 17. References

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