

LFI SILVA INVESTMENTS A/S

ANNUAL REPORT 2017/18

SCHERFIGSVEJ 7, DK-2100 COPENHAGEN Ø

CVR NO. 39 16 29 97

APPROVED AT THE ANNUAL GENERAL MEETING 9 MAY 2019

CHAIRMAN OF THE MEETING

BERTIL FROM

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COMPANY INFORMATION

LFI Silva Investments A/S
Scherfigsvej 7
DK-2100 Copenhagen Ø

Phone +45 39 12 80 00
Homepage: www.lundbeckfonden.com
E-mail: mail@lundbeckfonden.com
Business Registration No 39 16 29 97
Place of residence: Copenhagen

OWNER

LFI Silva Investments A/S is owned by Lundbeckfond Invest A/S (97%) and Cresco Capital A/S (3%)

BOARD OF DIRECTORS

Carsten With Thygesen, Chairman
Bertil From
Morten Mølskov Jarlstrup

EXECUTIVE MANAGEMENT

Bertil From

AUDITOR

Deloitte Statsautoriseret Revisionspartnerselskab

MANAGEMENT REVIEW

PURPOSE

The purpose of LFI Silva Investments A/S is to operate investment business activities by investment in forests and related activities.

The company was established on 12 December 2017.

FINANCIAL RESULT AND FINANCIAL POSITION

The profit for the period 12 December 2017 – 31 December 2018 amounted to DKK 9,580 thousand and the equity at 31 December 2018 amounted to DKK 114,054 thousand.



INCOME STATEMENT

FOR THE PERIOD 12 DECEMBER 2017 – 31 DECEMBER 2018

DKK'000	Note	2017/18
Other external costs		-541
Gross profit		-541
Income from investments in subsidiary		9,461
Financial income		814
Financial expenses		-62
Profit/(loss) before tax		9,672
Tax on profit for the year		-92
Profit/(loss) for the year		9,580
Proposed distribution of profit/(loss):		
Reserve for net revaluation according to equity method		9,461
Retained earnings		119
Profit/(loss) for the year		9,580

BALANCE SHEET

AT 31 DECEMBER, ASSETS

DKK'000	Note	2017/18
Investment in subsidiary	1	111,927
Non-current assets		111,927
Cash and bank balances		2,316
Current assets		2,316
Assets		114,243

BALANCE SHEET

AT 31 DECEMBER, EQUITY AND LIABILITIES

DKK'000	Note	2017/18
Share capital		600
Reserve for net revaluation according to equity method		7,935
Retained earnings		105,519
Equity		114,054
Income tax		92
Other payables		97
Current liabilities		189
Liabilities		189
Equity and liabilities		114,243
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STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD 12 DECEMBER 2017 – 31 DECEMBER 2018

DKK'000	Note	Share capital	Share premium	Reserve for net revaluation according to equity method	Retained earnings	Equity
Issue of share capital on establishment		500	15,500	-	-	16,000
Capital increase		100	89,900	-	-	90,000
Profit for the year		-	-	9,461	119	9,580
Currency adjustments		-	-	-1,526	-	-1,526
Reclassified to retained earnings		-	-105,400	-	105,400	-
Equity at 31 December 2018		600	-	7,935	105,519	114,054

NOTES

1. Investment in subsidiary

DKK'000	2017/18
Cost at 12 December 2017	-
Additions	103,992
Cost at 31 December 2018	103,992
Adjustments at 12 December 2017	-
Profit for the year	9,461
Currency adjustments	-1,526
Adjustments at 31 December 2018	7,935
Carrying amount at 31 December 2018	111,927
Company name:	Interest (%)
LFI Silva Investments Ltd, UK	100%

2. Contractual obligations

LFI Silva Investments A/S are jointly taxed with Lundbeckfond Invest A/S, ALK-Abelló A/S, Falck A/S, H. Lundbeck A/S, and Insusense ApS, and their respective Danish subsidiaries. The companies have partly a joint and several liability and partly a secondary liability with respect to income taxes etc. for the jointly-taxed companies. The companies in the tax pool have partly a joint and several liability and partly a secondary liability with respect to any obligations to withholding tax on interests, royalties and dividends for the jointly-taxed companies. However, in both cases the secondary liability is capped at an amount equal to the share of the capital of the companies directly or indirectly owned by Lundbeckfond Invest A/S.

The company has no other obligations at 31 December 2018.

3. Staff conditions

The company has no employees besides the executive management. Fees to the Board of Directors are recognised in other external costs.

4. Related parties

Related parties exercising controlling interest on LFI Silva Investments A/S:

- Lundbeckfond Invest A/S, Scherfigsvej 7, DK-2100 Copenhagen Ø

The ultimate owner is Lundbeckfonden, Scherfigsvej 7, DK-2100 Copenhagen Ø.

Related parties exercising significant influence on LFI Silva Investments A/S:

- The Board of Directors and Executive Management
- Companies in which the company's Executive Management and Board of Directors exercise controlling interest

LFI Silva Investments A/S has not entered into any transactions with related parties that were not on an arm's length basis.

CONSOLIDATED FINANCIAL STATEMENTS

LFI Silva Investments A/S is included in the consolidated financial statements for Lundbeckfonden, Copenhagen, Denmark, Business Registration No. 11 81 49 13.

5. Accounting policies

The annual report for LFI Silva Investments A/S for the period 12 December 2017 – 31 December 2018 has been prepared in accordance with the Danish Financial Statements Act for enterprises of reporting class B with selection of certain options from class C.

The annual report is presented in Danish kroner (DKK), which also is the functional currency of LFI Silva Investments A/S. Amounts in DKK are rounded to DKK thousands.

TRANSLATION OF FOREIGN CURRENCY

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Exchange differences arising between the exchange rates at the transaction date and the exchange rates at the date of payment are recognised in the income statement under financial items except in case of hedge accounting. In case of hedge accounting, such differences are recognised in the same item as the hedged item.

5. Accounting policies - continued

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date.

The differences between the exchange rates at the time of recognition and the exchange rates at the balance sheet date or settlement are recognised in the income statement under financial items in respect of unhedged items and under the same item in respect of hedged items.

INCOME STATEMENT

Financial items

Financial income and financial expenses comprise:

- Interest income and expenses
- Exchange gains and losses
- Other financial income and expenses

Other external costs

Other external costs comprise expenses for administration.

Income from investment in subsidiary

Income from investment in subsidiary comprises the proportionate share of profit/loss after tax.

Tax

Danish subsidiaries are jointly taxed with Lundbeckfond Invest A/S as the administration company. The current Danish corporate income tax liability is allocated among the companies of the tax pool in proportion to their taxable income (full allocation subject to reimbursement in respect of tax losses).

Tax for the year, which consists of the year's current tax and the change in deferred tax, is recognised in the income statement as regards the amount that can be attributed to the net profit or loss for the year.

Current tax for the year is calculated based on the income tax rates and rules applicable at the balance sheet date.

BALANCE SHEET

Investment in subsidiary

Investment in subsidiary are measured by the equity method at the proportionately owned share of the equity of the enterprise.

Equity

Dividends are recognised as a liability at the time of adoption of the dividend resolution at the Annual General Meeting (time of declaration).

Corporate income tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet, computed as tax calculated on the taxable income for the year, adjusted for provisional tax paid.

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities and their tax base. However, deferred tax is not recognised on temporary differences arising either on initial recognition of goodwill or from a transaction that is not a business combination if the temporary difference ascertained at the time of the initial recognition affects neither the financial result nor the taxable income. The tax value of the assets is calculated based on the planned use of each asset.

Deferred tax assets are recognised in the balance sheet at the value at which the assets are expected to be realized, either through an offset against deferred tax liabilities or as net tax assets to be offset against future positive taxable income.

Balances calculated according to the provision of the Danish Corporate Tax Act on interest deductibility limitations are allocated between the jointly-taxed companies according to a joint taxation agreement and are allocated between the companies that are subject to deductibility limitation in proportion to their share of the total limitation. Deferred tax liabilities in respect of these balances are recognised in the balance sheet, whereas deferred tax assets are recognised only if the criteria for recognition of deferred tax assets are met.

Debt

Other payables are measured at amortised cost.

6. Events after the balance sheet date

No events of importance to the Annual Report have occurred during the period from the balance sheet date until the presentation of the financial statements.

MANAGEMENT STATEMENT

The Board of Directors and the Executive Management have today considered and approved the annual report of LFI Silva Investments A/S for the financial year ended 31 December 2018.

The financial statements of LFI Silva Investments A/S have been prepared in accordance with the Danish Financial Statements Act.

We consider the accounting policies used to be appropriate. Accordingly, the financial statements give a true and fair view of the company's assets, liabilities and financial position at 31 December 2018, and of the company's activities for the financial year 12 December 2017 – 31 December 2018.

We believe that the Management's review includes a fair review of developments in the company's activities and finances, result for the year and the company's financial position in general.

We recommend that the annual report be approved at the Annual General Meeting.

Copenhagen, 9 May 2019

EXECUTIVE MANAGEMENT

Bertil From

BOARD OF DIRECTORS

Carsten With Thygesen
Chairman

Bertil From

Morten Mølskov Jarlstrup

INDEPENDENT AUDITOR'S REPORT

To the shareholders of LFI Silva Investments A/S

Opinion

We have audited the financial statements of LFI Silva Investments A/S for the financial year 12 December 2017 – 31 December 2018, which comprise the income statement, balance sheet, equity statement, and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of LFI Silva Investments A/S' financial position at 31 december 2018 and of the results of its operations for the financial year 12 December 2017 – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the financial statements* section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of LFI Silva Investments A/S internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on LFI Silva Investments A/S ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause LFI Silva Investments A/S to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management review

Management is responsible for the management review.

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

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

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

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

Copenhagen, 9 May 2019

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Erik Holst Jørgensen
State-Authorised Public Accountant
MNE no 9943