

LFI SILVA INVESTMENTS A/S

ANNUAL REPORT 2019

SCHERFIGSVEJ 7, DK-2100 COPENHAGEN Ø

CVR NO. 39 16 29 97

APPROVED AT THE ANNUAL GENERAL MEETING 23 APRIL 2020

CHAIRMAN OF THE MEETING

BERTIL FROM



CONTENTS AND COMPANY INFORMATION

CONTENTS

Company information	2
Management review	3
Income statement	4
Balance sheet	5
Statement of changes in equity	6
Notes	7
Management statement	10
Independent auditor's report	11

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 make investments in commercial forest assets, land, renewable energy and related activities.

ACTIVITIES IN THE FINANCIAL YEAR

Via its wholly owned subsidiary, LFI Silva Investments Ltd, in 2019 the business acquired a further three land and forest properties in Scotland with a total area of approximately 1,017 hectares, meaning that the company now owns approximately 2,620 hectares, primarily composed of productive forest and grazing land. The company is involved in production of renewable energy via ownership and operation of a hydroelectric power station and also production of roundwood for conversion to biomass. In 2019, the company bought a property which includes the potential for wind-turbine construction and the company will be pursuing the development of that in the coming years.

Also in the financial year, the company successfully applied for validation of 29,750 tonnes of CO₂ equivalent, based on a new afforestation project on one of the company's properties under the UK Woodland Carbon Code. The UK Woodland Carbon Code is the voluntary standard for UK woodland creation projects where claims are made about the carbon dioxide they sequester.

FINANCIAL RESULT AND FINANCIAL POSITION

The profit for the year amounted to DKK15,298 thousand (DKK 9,580 thousand in 2017/2018) and the equity at 31 December 2019 amounted to DKK 213,085 thousand (DKK114,054 thousand at 31 December 2018).

The Board of Directors finds the result entirely satisfactory.



INCOME STATEMENT

FOR THE PERIOD 1 JANUARY – 31 DECEMBER

DKK'000	Note	2019	2017/18
Other external costs		-334	-541
Gross profit		-334	-541
Income from investments in subsidiary	1	14.430	9.461
Financial income	2	3.330	814
Financial expenses	3	-1.880	-62
Profit/(loss) before tax		15.546	9.672
Tax on profit for the year	4	-248	-92
Profit/(loss) for the year		15.298	9.580
Proposed distribution of profit/(loss):			
Reserve for net revaluation according to equity method		14.430	9.461
Retained earnings		868	119
Profit/(loss) for the year		15.298	9.580

BALANCE SHEET

AT 31 DECEMBER, ASSETS

DKK'000	Note	2019	2017/18
Investment in subsidiary	1	133.090	111.927
Non-current assets		133.090	111.927
Receivables from affiliates		92.865	-
Receivables		92.865	-
Cash and bank balances		1.335	2.316
Current assets		94.200	2.316
Assets		227.290	114.243

BALANCE SHEET

AT 31 DECEMBER, EQUITY AND LIABILITIES

DKK'000	Note	2019	2017/18
Share capital		710	600
Reserve for net revaluation according to equity method		29.098	7.935
Retained earnings		183.277	105.519
Equity		213.085	114.054
Payables to affiliates		13.870	-
Income tax		248	92
Other payables		87	97
Current liabilities		14.205	189
Liabilities		14.205	189
Equity and liabilities		227.290	114.243

Contractual obligations	5
Staff conditions	6
Related parties	7
Accounting policies	8
Events after the balance sheet date	9

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD 1 JANUARY – 31 DECEMBER

DKK'000	Share capital	Share premium	Reserve for net revaluation according to equity method	Retained earnings	Equity
Equity at 1 January 2019	600	-	7.935	105.519	114.054
Capital increase	110	76.890	-	-	77.000
Profit for the year	-	-	14.430	868	15.298
Currency adjustments	-	-	6.733	-	6.733
Reclassified to retained earnings	-	-76.890	-	76.890	-
Equity at 31 December 2019	710	-	29.098	183.277	213.085

DKK'000	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	2019	2017/18
Cost at 1 January	103.992	-
Additions	-	103.992
Cost at 31 December	103.992	103.992
Adjustments at 1 January	7.935	-
Profit for the year	14.430	9.461
Currency adjustments	6.733	-1.526
Adjustments at 31 December	29.098	7.935
Carrying amount at 31 December	133.090	111.927

Company name:	Interest (%)
LFI Silva Investments Ltd, UK	100%

2. Financial income

DKK'000	2019	2017/18
Exchange gains	2.128	0
Interest on receivables from subsidiaries	1.202	814
Total financial income	3.330	814

3. Financial expenses

DKK'000	2019	2017/18
Exchange losses	1.817	62
Interest on payables to affiliates	54	-
Other financial expenses	9	-
Total financial expenses	1.880	62

4. Tax on profit for the year

DKK'000	2019	2017/18
Current tax	248	92
Tax on profit for the year	248	92

5. 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 2019.

6. Staff conditions

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

7. 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.

8. Accounting policies

The annual report for LFI Silva Investments A/S for 2019 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.

The accounting policies are unchanged from last year. The comparative figures for 2017/18 include the period 12 December 2017 – 31 December 2018.

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.

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.

Receivables

On initial recognition, receivables are measured at fair value and subsequently at amortised cost.

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

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

8. Accounting policies - continued

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 realised, 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.

9. 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. The effects of the global COVID-19 crisis is not considered to have a significant impact on the company's activities.

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 2019.

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 2019, and of the company's activities for the financial year 1 January – 31 December 2019.

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, 23 April 2020

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 1 January – 31 December 2019, 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 2019 and of the results of its operations for the financial year 1 January – 31 December 2019 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, 23 April 2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Erik Holst Jørgensen
State-Authorised Public Accountant
MNE no 9943