

IWC Timberland Partners II K/S

Amalievej 20
1875 Frederiksberg C
Business Registration No
39185954

Annual report 2019

The Annual General Meeting adopted the annual report on 15.05.2020

Chairman of the General Meeting

Name: Henrik Lundqvist

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	3
Income statement for 2019	3
Balance sheet at 31.12.2019	3
Statement of changes in equity for 2019	3
Notes	3
Accounting policies	3

Entity details

Entity

IWC Timberland Partners II K/S
Amalievej 20
1875 Frederiksberg C

Central Business Registration No (CVR): 39185954
Founded: 22.12.2017
Registered in: Frederiksberg
Financial year: 01.01.2019 - 31.12.2019

Executive Board

Otto Frederik Iuel Reventlow
Henrik Lundqvist
Celine Emilie Gaelle Claudon

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 København C

Statement by Management on the annual report

The Executive Board has today considered and approved the annual report of IWC Timberland Partners II K/S for the financial year 01.01.2019 - 31.12.2019.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Frederiksberg, 15.05.2020

Executive Board

Otto Frederik Iuel Reventlow

Henrik Lundqvist

Celine Emilie Gaelle Claudon

Independent auditor's report

To the shareholders of IWC Timberland Partners II K/S

Opinion

We have audited the financial statements of IWC Timberland Partners II K/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 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 the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

Independent auditor's report

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

Copenhagen, 15.05.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR)
33963556

Bill Haudal Pedersen
State Authorised Public Accountant
Identification No (MNE) mne30131

Michael Thorø Larsen
State Authorised Public Accountant
Identification No (MNE) mne35823

Management commentary

Primary activities

The purpose and objective of IWC Timberland Partners II K/S ("ITP II") is, by acting as a fund-of-funds, to make, manage, and dispose of sustainably managed forest investments and related assets.

Development in activities and finances

Since the first closing of ITP II on December 22, 2017, the activities of ITP II have focused on due diligence and Investments in companies related to forests. Final closing of ITP II took place on December 21, 2018. As of December 31, 2019, a total of USD 33.312.617 was contributed from Partners, and remaining uncalled commitment was USD 27.732.478.

The geographical investment allocations have been to Latin America and USA. In accordance with ITP II's limited partnership agreement, the tasks have been performed by the investment manager, IWC Investment Partners A/S.

Economic development

The income statement for the year shows a net profit of USD 1.889.761 and the balance sheet as of December 31, 2019 shows equity of USD 34.459.048.

The economic development of the company has been as expected.

Equity Investments in the portfolio company are reported at fair market value based on audited financial statements of the underlying investments. All investments in the fund have been appraised at fair market value by independent appraisers and are based on a valuation methodology that aims at determining the expected transaction price between independent parties applying usual commercial considerations.

The third-party appraisals are to large degree based on projections, which contain a number of estimates (e.g. discount rate, expected production, sales prices and costs), making third-party appraisal subject to a certain degree of uncertainty.

Appraisal of the subsidiaries can be very volatile, and this should also be expected in the coming years.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report. The outbreak and spread of COVID-19 at the beginning of 2020 has not and is not expected to have a significant impact on the company's financial position and development.

Income statement for 2019

	<u>Notes</u>	<u>2019 USD</u>	<u>2017/18 USD</u>
Fair value adjustments of other investment assets		1.793.594	147.062
Gross profit/loss		1.793.594	147.062
Administrative expenses		(419.046)	(538.786)
Other operating income		42.016	30.557
Operating profit/loss		1.416.564	(361.167)
Other financial income	2	473.204	56.940
Other financial expenses	3	(7)	(69)
Profit/loss for the year		1.889.761	(304.296)
Proposed distribution of profit/loss			
Retained earnings		1.889.761	(304.296)
		1.889.761	(304.296)

Balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 USD</u>	<u>2017/18 USD</u>
Investments in group enterprises		22.402.831	14.862.905
Fixed asset investments	4	22.402.831	14.862.905
Fixed assets		22.402.831	14.862.905
Receivables from group enterprises		495.683	42.608
Other receivables		3.489	3.321
Receivables		499.172	45.929
Cash		11.599.090	370.204
Current assets		12.098.262	416.133
Assets		34.501.093	15.279.038

Balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 USD</u>	<u>2017/18 USD</u>
Contributed capital		33.312.617	15.350.000
Provision for distributions	5	(439.034)	0
Retained earnings		<u>1.585.465</u>	<u>(304.296)</u>
Equity		<u>34.459.048</u>	<u>15.045.704</u>
Trade payables		6.608	125.477
Payables to group enterprises		26.181	44.663
Other payables		<u>9.256</u>	<u>63.194</u>
Current liabilities other than provisions		<u>42.045</u>	<u>233.334</u>
Liabilities other than provisions		<u>42.045</u>	<u>233.334</u>
Equity and liabilities		<u>34.501.093</u>	<u>15.279.038</u>
Contingent liabilities	6		

Statement of changes in equity for 2019

	Contributed capital USD	Provision for distributions USD	Retained earnings USD	Total USD
	<u>USD</u>	<u>USD</u>	<u>USD</u>	<u>USD</u>
Equity beginning of year	15.350.000	0	(304.296)	15.045.704
Increase of capital	17.962.617	0	0	17.962.617
Ordinary distributions	0	(439.034)	0	(439.034)
Profit/loss for the year	<u>0</u>	<u>0</u>	<u>1.889.761</u>	<u>1.889.761</u>
Equity end of year	<u>33.312.617</u>	<u>(439.034)</u>	<u>1.585.465</u>	<u>34.459.048</u>

Notes

	<u>2019</u>	<u>2017/18</u>
1. Staff costs		
Average number of employees	<u>0</u>	<u>0</u>

	<u>2019</u> <u>USD</u>	<u>2017/18</u> <u>USD</u>
2. Other financial income		
Financial income arising from group enterprises	461.730	42.608
Other interest income	10.626	14.332
Exchange rate adjustments	<u>848</u>	<u>0</u>
	<u>473.204</u>	<u>56.940</u>

	<u>2019</u> <u>USD</u>	<u>2017/18</u> <u>USD</u>
3. Other financial expenses		
Exchange rate adjustments	0	43
Other financial expenses	<u>7</u>	<u>26</u>
	<u>7</u>	<u>69</u>

4. Fixed asset investments

	Investments in group enterprises USD	Total USD
Cost beginning of year	14.715.843	14.715.843
Additions	<u>6.123.421</u>	<u>6.123.421</u>
Cost end of year	<u>20.839.264</u>	<u>20.839.264</u>
Distributions beginning of the year	0	0
Distributions	<u>(377.089)</u>	<u>(377.089)</u>
Distributions end of year	<u>(377.089)</u>	<u>(377.089)</u>
Revaluations beginning of the year	147.062	147.062
Fair value adjustments	<u>1.793.594</u>	<u>1.793.594</u>
Revaluations end of year	<u>1.940.656</u>	<u>1.940.656</u>
Carrying amount end of year	<u>22.402.831</u>	<u>22.402.831</u>

Notes

5. Provision for distributions

Distributions comprise payments to the owners, based on distributions received from investments.

6. Contingent liabilities

The Partnership has as of December 31, 2019 assumed an irrevocable commitment to investments of USD 48.6 million. Of this, total USD 27.9 million is still outstanding,

IWC Timberland Partners II K/S is liable of paying a performance fee to IWC Investement Partners A/S if the internal rate of return exceeds 7 percent pro anno. As of December 31, 2019 the internal rate of return is 7.2%, which corresponds to a performance fee of less than USD 3 thousands.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C. These financial statements are also in compliance with the recognition and measurements of the IFRS. The annual statement has also been presented in accordance with the ILPA guidelines, which has not made any impact on the income statement or balance sheet.

The accounting policies applied for the financial statements are consistent with those applied last year.

The annual report for the company is presented in its functional currency, USD.

The Company has, with reference to section 110(1) of the Financial Statements Act omitted to prepare consolidated financial statements.

Trade payables have been specified in 2019, resulting in change of 2018 comparatives. There have been no changes in profit for the year or equity for 2018.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Income statement

Fair value adjustments of other investment assets

Fair value adjustments of other investment assets comprise adjustments for the financial year of the Entity's investment assets measured at fair value and equity value at the balance sheet date.

The Executive Board assess that the presentation of adjustments measured at fair value and equity value as a total represents a true and fair view.

Accounting policies

Administrative costs

Administrative costs comprise partnership expenses and management fee. Partnership expenses include expenses that have been paid during the year for the performance of the Limited Partnerships's Investment activities. Management fee comprises expenses for the tasks that have been performed by the investment manager IWC Investment Partners A/S.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities.

Other financial income

Other financial income comprises interest income and transactions in foreign currencies.

Other financial expenses

Other financial expenses comprise interest expenses and transactions in foreign currencies.

Balance sheet

Investments in group enterprises

Investments in group enterprises are recorded at a equity value, which is consistent with fair value. The equity value is compiled at balance sheet date and is based on audited financial statements, since equity of the investments is the closest to fair value.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Investments in Group Companies consist of equity investments in quiet funds and loans allocated to these funds through internal holding companies.

Unrealised and realised fair values of financial assets are recognised in the income statement as income from portfolio companies.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Cash

Cash comprises cash in bank deposits.

Other financial liabilities

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