

# *Financial report 2018*

Lehman Brothers Treasury Co. B.V.  
*(in liquidation)*

Amsterdam, The Netherlands

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BDO Audit & Assurance B.V.

date - 7 MAY 2019

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## Report of the Liquidators

This Report of the Liquidators of Lehman Brothers Treasury Co. B.V. (*in liquidation*) (the "Company" or "LBT") covers the calendar year 2018.

LBT was a wholly-owned subsidiary of Lehman Brothers UK Holdings (Delaware) Inc, an entity wholly owned by Lehman Brothers Holdings Inc. ("LBHI"), the holding company of the Lehman Brothers group of companies (the "Lehman Brothers Group"). LBT was incorporated for the financing of the business activities of the Lehman Brothers Group by issuing financial instruments, in particular "(structured) notes", to institutional and retail investors. LBHI entered into voluntary US Chapter 11 proceedings on 15 September 2008. LBT was declared bankrupt by the Amsterdam District Court on 8 October 2008 with the appointment of Rutger Schimmelpenninck and, on 13 October 2009, Frédéric Verhoeven as bankruptcy trustees.

On 10 December 2012, LBT offered a composition plan to its creditors (the "Composition Plan"). After approval by its creditors, the Amsterdam District Court confirmed (*gehologeerd*) the Composition Plan on 22 March 2013. On 3 April 2013, the Composition Plan became effective. As a result, LBT emerged from bankruptcy. Subsequently, on 3 April 2013, LBT was placed in voluntary liquidation, and the former bankruptcy trustees of LBT were appointed as liquidators of LBT (the "Liquidators") by Stichting Lehman Brothers Treasury Co. (the "Stichting").

Since 28 February 2012, the Stichting has been the sole shareholder of LBT. The Stichting supervises the implementation and execution of the Composition Plan. The Composition Plan sets out the admitted claims of Noteholders and Other Ordinary Creditors. The total value of these admitted claims (the "Admissible Amount") is EUR 24,755,245,548 as at 31 December 2018. In accordance with the Composition Plan, distributions from LBT to Noteholders and Other Ordinary Creditors are limited to their *pro rata* share (based on Admissible Amounts) of cash received by LBT from LBHI or otherwise arising in the liquidation, adjusted for incurred expenses and reserves.

LBT has an intercompany claim against LBHI arising from loans made by LBT to LBHI; these loans were made with the proceeds of the notes issued by LBT. In the LBHI US Chapter 11 proceedings, the intercompany claim due to LBT was allowed for an amount of USD 34,548,000,000 in LBHI's third amended plan, which was confirmed in December 2011. Per 31 December 2018, the gross distributions received by LBT from LBHI on the allowed amount of USD 34,548,000,000 are set forth below.

<b>Period</b>	<b>Distribution Amount (in USD)</b>	<b>Distribution percentage of claim</b>
Pre-Composition Plan	2,672,723,776	7.74
2013	2,969,657,963	8.60
2014	3,084,874,526	8.93
2015	1,579,417,097	4.57
2016	968,532,451	2.80
2017	964,472,370	2.79
2018	353,763,228	1.02
<b>Total</b>	<b>12,593,441,411</b>	<b>36.45</b>

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Since 3 April 2013, LBT has made fourteen distributions<sup>1</sup> under the Composition Plan to Noteholders and Other Ordinary Creditors, as defined in and in accordance with the Composition Plan. The gross distributions paid by LBT (i.e. before adjustments such as withholdings) are presented below.

<i>Date of distribution</i>	<i>Distribution Amount (in USD)</i>	<i>Distribution percentage of claims<sup>2</sup></i>
Distributions paid in 2013	5,553,514,754	16.86
23 January 2014	4,789,993	0.01
28 April 2014	1,735,103,503	5.06
28 October 2014	1,328,877,953	4.22
27 April 2015	894,777,123	3.32
29 September 2015	11,987,527	0.04
29 October 2015	690,080,299	2.52
28 April 2016	192,801,698	0.69
14 July 2016	282,048,654	1.03
29 November 2016	497,855,341	1.89
2 May 2017	377,972,805	1.40
23 October 2017	241,820,707	0.83
16 January 2018	343,989,891	1.13
4 April 2018	1,436,997	0.00
2 May 2018	132,466,570	0.44
23 October 2018	214,074,413	0.85
<i>Total</i>	<u>12,503,598,228</u>	<u>40.19</u>

#### *Partial wind-down of LBT*

At the end of 2018, LBT announced a partial wind-down, including a solicitation process, the sale of a portion of LBT's intercompany claim against LBHI, and a final distribution to certain of its creditors funded in large part by the proceeds of this sale transaction.

LBT finalised the solicitation process on 18 March 2019 pursuant to which certain qualified noteholders were given the option to receive substitute notes in exchange for outstanding eligible notes. Based on the solicitation, noteholders representing 56.8% of the LBT allowed claims pool of EUR 24.8 billion opted to receive substitute notes in exchange for their eligible notes. The remaining 43.2% of the allowed claims pool is comprised of claims from certain former affiliates (12.9%) and Cash-Out Creditors<sup>3</sup> (30.3%) who receive a final distribution. On 2 April 2019, LBT issued 19,648,952,905 substitute notes. Each substitute note has a nominal amount of USD 1.00, hence all payments on these notes will be made in US Dollars. The substitute notes are issued in a manner so as to preserve economic equivalence for the noteholders post-substitution.

On 20 March 2019, LBT sold USD 10.5 billion of its intercompany claim against LBHI and realised gross proceeds of USD 179.5 million. These proceeds, after the deduction of sales-related costs and the addition of a *pro rata* part of available cash, were used to fund a final distribution of USD 187.0 million to Cash-Out Creditors.

On 4 April 2019, LBT received a distribution of USD 27.5 million from LBHI relating to the portion of LBT's intercompany claim against LBHI that was not sold. On 25 March 2019, LBT also received a distribution of HKD 10.3 million from Lehman Brothers Commercial Corp. Asia Ltd. ("LBCCA"), a former affiliate of LBT.

On 15 March 2019, LBT entered into a settlement and partial release agreement with LBHI and Lehman Brothers Special Financing Inc. ("LBSF"). Under this agreement, these former affiliates received an in-kind distribution of their portion of LBT's intercompany claim against LBHI amounting to USD 4.4 billion (nominal), and a proportionate amount of LBT's cash on hand subject to various deductions, add backs and adjustments that reflect the allocation of expenses and reserves.

<sup>1</sup> LBT has approved fourteen distributions. However, due to operational matters, distribution on certain Outstanding Notes were made after the date of the main distribution. Distributions are made in various currencies in accordance with the original currency of the Outstanding Series of Notes or the Other Ordinary Claim, as set forth in the Composition Plan.

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<sup>2</sup> The distribution percentage of claims calculated is based on the foreign exchange rate at the date of the distribution.

<sup>3</sup> Cash out creditors are noteholders that (i) were entitled to opt for an exchange, (ii) that, although entitled to opt for an exchange, did not opt to exchange, or (iii) held notes that were not eligible for an exchange.

At the conclusion of the partial wind-down, LBT has retained USD 19.6 billion of its intercompany claim against LBHI, and has reduced the allowed claims pool to EUR 14.1 billion, represented by the substitute notes on issue.

On 2 May 2019, LBT made its first distribution of USD 7.5 million to holders of substitute notes. Further distributions will be made in accordance with the Composition Plan and in accordance with the terms and conditions of the substitute notes.

Amsterdam, The Netherlands, 7 May 2019  
The Liquidators of LBT

R.J. Schimmelpenninck

F. Verhoeven

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## *Financial statements*

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## Balance sheet

As at 31 December

(after appropriation of result)

<b>Assets</b> (in thousands)	Note	<u>2018</u> USD	<u>2017</u> USD
<i>Non-current assets</i>			
Receivables from former affiliated companies	6.	593,188	1,242,054
<i>Current assets</i>			
<b>Receivables</b>			
Taxes	7.	222	117
<b>Cash and cash equivalents</b>	8.	32,765	335,008
<b>Total Assets</b>		<u>626,175</u>	<u>1,577,179</u>
<b>Shareholders' equity and Liabilities</b> (in thousands)	Note	<u>2018</u> USD	<u>2017</u> USD
<b>Shareholders' equity</b>			
Ordinary share capital	9. 10.	2,288	2,396
Other reserves	11.	(2,288)	(2,396)
		<u>0</u>	<u>0</u>
<b>Liabilities</b>			
<i>Non-current liabilities</i>			
Claims payable	12.	602,795	1,557,299
Future operating expenses	13.	23,380	19,880
		<u>626,175</u>	<u>1,577,179</u>
<b>Total Shareholders' equity and Liabilities</b>		<u>626,175</u>	<u>1,577,179</u>

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## ***Income statement***

*For the years ended 31 December*

(in thousands)	Note	<b>2018</b>	<b>2017</b>
		USD	USD
Net interest and similar income	14.	456	164
Net changes in the value of assets and liabilities	15.	(456)	(164)
<b><i>Operating result</i></b>		0	0
<b><i>Result before tax</i></b>		0	0
Income tax expense		0	0
<b><i>Result after tax</i></b>		0	0

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# Statement of cash flows

For the years ended 31 December

(in thousands)	<u>2018</u> USD	<u>2017</u> USD
<i>Receipts for the period:</i>		
Distributions received from former affiliated companies	313,633	854,891
Interest received	501	228
Tax refunds received	249	209
Other	1	0
<i>Total Receipts</i>	<u>314,384</u>	<u>855,328</u>
<i>Payments for the period:</i>		
Distributions to creditors	(612,717)	(549,332)
Operating expenses (including any applicable value-added taxes)	(3,264)	(1,329)
Interest paid	(45)	(63)
<i>Total Payments</i>	<u>(616,026)</u>	<u>(550,724)</u>
<i>Cash flows from operating activities</i>	<u>(301,642)</u>	<u>304,604</u>
Foreign exchange gains/(losses) on cash and cash equivalents	(601)	1,800
Net increase/(decrease) in cash and cash equivalents	<u>(302,243)</u>	<u>306,404</u>
<b>Cash and cash equivalents at start of the year</b>	335,008	28,604
Movements during the period	<u>(302,243)</u>	<u>306,404</u>
<b>Cash and cash equivalents at end of the year (note 8)</b>	<u>32,765</u>	<u>335,008</u>

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# Notes to the financial statements

## 1. General notes

### 1.1. Activities

Lehman Brothers Treasury Co. B.V. (*in liquidation*) (the “Company” or “LBT”) was incorporated in the Netherlands (with registration number 33267322 with the Chamber of Commerce and Industry of Amsterdam) as a private limited company on 8 March 1995. The Company was incorporated for the financing of the business activities of the Lehman Brothers Group.

The Company was a wholly-owned subsidiary of Lehman Brothers UK Holdings (Delaware) Inc., which in turn was wholly-owned by Lehman Brothers Holdings Inc. (“LBHI”), the holding company of Lehman Brothers Group. All outstanding shares in the Company were transferred to Stichting Lehman Brothers Treasury Co. on 28 February 2012, and the Company has remained wholly-owned by Stichting Lehman Brothers Treasury Co.

The Company was declared bankrupt by the Amsterdam District Court on 8 October 2008. Subsequently, a Composition Plan was approved by the required majority of creditors and confirmed by the Amsterdam District Court wherein – inter alia – the Composition Plan defined and agreed the amount of each noteholder’s (“Noteholders”) and Other Ordinary Creditor’s allowed claim on a binding basis. In accordance with the Composition Plan, distributions from LBT to Noteholders and Other Ordinary Creditors are limited to their *pro-rata* share (based on the Admissible Amount of the allowed claim as set forth in the Composition Plan) of cash received by LBT from LBHI or otherwise arising in the liquidation. LBT has made 14 distributions as per 31 December 2018, and future distributions are expected to occur in the coming years as cash becomes available to LBT.

Following the confirmation of the Composition Plan, the Company emerged from bankruptcy and was put into voluntary liquidation on 3 April 2013. On that date, the Composition Plan became effective.

At the end of 2018, LBT announced a partial wind-down, including a solicitation process, the sale of a portion of LBT’s intercompany claim against LBHI, and a final distribution to certain of its creditors funded in large part by the proceeds of this sale transaction.

LBT finalised the solicitation process on 18 March 2019 pursuant to which certain qualified noteholders were given the option to receive substitute notes in exchange for outstanding eligible notes. Based on the solicitation, noteholders representing 56.8% of the LBT allowed claims pool of EUR 24.8 billion opted to receive substitute notes in exchange for their eligible notes. The remaining 43.2% of the allowed claims pool is comprised of claims from certain former affiliates (12.9%) and Cash-Out Creditors<sup>4</sup> (30.3%) who receive a final distribution. On 2 April 2019, LBT issued 19,648,952,905 substitute notes to the qualified noteholders who opted to receive substitute notes. Each substitute note has a nominal amount of USD 1.00, hence all payments on these notes will be denominated in US Dollars. The substitute notes are issued in a manner so as to preserve economic equivalence for the noteholders post-substitution.

On 20 March 2019, LBT sold USD 10.5 billion of its intercompany claim against LBHI and realised gross proceeds of USD 179.5 million. These proceeds, after the deduction of sales-related costs and the addition of a *pro rata* part of available cash, were used to fund a final distribution of USD 187.0 million to Cash-Out Creditors.

On 15 March 2019, LBT entered into a settlement and partial release agreement with LBHI and Lehman Brothers Special Financing Inc. (“LBSF”). Under this agreement, these former affiliates received an in-kind distribution of their portion of LBT’s intercompany claim against LBHI amounting to USD 4.4 billion (nominal), and a proportionate amount of LBT’s cash on hand subject to various deductions, add backs and adjustments that reflect the allocation of expenses and reserves.

At the conclusion of the partial wind-down, LBT has retained USD 19.6 billion of its intercompany claim against LBHI, and has reduced the allowed claims pool to EUR 14.1 billion, represented by the substitute notes on issue.

### 1.2. Registered office, legal form and registration number at the chamber of commerce

LBT has its registered office at Strawinskylaan 3127, 1077 ZX, Amsterdam, The Netherlands and is registered at the Chamber of Commerce under number 33267322.

<sup>4</sup> Cash out creditors are noteholders that (i) were entitled to opt for an exchange, (ii) that, although entitled to opt for an exchange, did not opt to exchange, or (iii) held notes that were not eligible for an exchange.

### **1.3. Estimates**

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the Liquidators to exercise judgement in the process of applying the Company's accounting policies. If necessary, for the purposes of providing the view required under Section 362, subsection 1, Book 2 of the Dutch Civil Code, the nature of these estimates and judgments, including the related assumptions, is disclosed in the corresponding notes to the financial statements.

## **2. General principles**

### **2.1. General**

The financial statements have been prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code and the Guidelines for Annual Reporting in the Netherlands.

These financial statements have been prepared on a liquidation basis. Accordingly, assets have been valued at their net realisable value and liabilities at the best estimate of the amounts to be paid. The balance sheet, income statement and statement of cash flows include references to the notes.

### **2.2. Comparison with previous year**

Other than as described at note 3.1.1 and note 6, the valuation principles and method of determining the result are the same as those used in the previous reporting period.

### **2.3. Foreign currencies**

#### **2.3.1. Functional currency**

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in US Dollars ("USD"), which is the functional and presentation currency of the Company.

#### **2.3.2. Transactions, assets and liabilities**

Foreign currency transactions in the reporting period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the income statement.

### **2.4. Statement of cash flows**

The statement of cash flows has been prepared using the direct method. The cash items disclosed in the statement of cash flows are comprised of cash and cash equivalents including deposits with maturities of less than 12 months. All cash flows during the year relate to cash flows from operating activities. Cash flows denominated in foreign currencies have been translated at average exchange rates for the year. Exchange differences affecting cash items are shown separately in the statement of cash flows. Interest paid and received are included in cash from operating activities. Transactions not resulting in an inflow or outflow of cash are not recognised in the statement of cash flows.

## **3. Accounting principles applied to the measurement of assets and liabilities**

### **3.1. Receivables from former affiliated companies**

#### **3.1.1. LBHI receivable**

The LBHI receivable is recognised at net realisable value. The net realisable value is determined based on an observable market transaction. In previous years, the net realisable value was estimated based on data provided by market participants, as further described at note 6.

The ultimate amount of the recovery on the Company's receivable from LBHI is not known with certainty and is subject to change. LBHI is currently in liquidation and its ability to distribute funds is difficult to estimate. Distributions from LBHI depend on a number of unpredictable factors which include the settlement of remaining disputes (including litigation) and the receipt by LBHI of funds from its affiliates.

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### **3.1.2. LBCCA receivable**

The claims receivable is recognised at net realisable value, based on the actual distribution received from Lehman Brothers Commercial Corp. Asia Ltd. ("LBCCA") on 25 March 2019. The Liquidators do not expect any further significant distributions from LBCCA.

### **3.2. Receivables**

Receivables are recognised at net realisable value.

### **3.3. Cash and cash equivalents**

Cash and cash equivalents include bank balances and deposits with maturities of less than 12 months. Cash and cash equivalents are stated at face value.

### **3.4. Claims payable**

Liabilities are recognised at the Liquidators' best estimate of the amount required to settle the liabilities in accordance with the provisions of the Composition Plan with no regard to LBT's own credit risk. Claims payable are measured as equivalent to the net realisable value of the Company's claim on former affiliated companies less estimated future operating expenses plus any interest income.

### **3.5. Future operating expenses**

As the Company is in liquidation, the Liquidators have estimated the future operating expenses that will be required during the liquidation period to cover the costs of liquidating the Company. The estimate of the expenses to be incurred includes Liquidators' fees, legal fees, accounting fees, wind-down costs, audit fees, banking related fees as well as other operating expenses. Estimated future operating expenses are measured on a non-discounted, best estimate basis, and the estimate is updated at each balance sheet date. See note 13.

## **4. Principles for the determination of the result**

### **4.1. General**

The net results of the Company are determined as the difference between the income from assets and the net changes in the value of the assets and liabilities for the period.

### **4.2. Exchange rate differences**

Exchange differences that arise from the settlement or translation of monetary items are recorded in the income statement in the period in which they occur.

### **4.3. Interest income and expense**

Interest income and interest expense are recognised in the income statement when received or paid.

### **4.4. Net changes in the value of assets and liabilities**

Changes in the value of assets and liabilities comprise the unrealised change in the estimated value of the receivable from former affiliated companies, changes in the value of claims payable to LBT creditors under the Composition Plan, changes in the value of the estimate of future operating expenses, and currency translation results.

### **4.5. Income tax expense**

Income tax is calculated on the result before tax in the income statement, taking into account any losses carried forward from previous financial years (where not included in deferred income tax assets) and tax exempt items, and plus non-deductible expenses. Account is also taken of changes in deferred income tax assets and liabilities owing to changes in the applicable tax rates.

Given the liquidation of the Company, it is currently estimated that there will be no corporate income tax liability in respect of 2018.

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## **5. Financial instruments and risk management**

### **5.1. Currency risk**

The Company mainly operates in The Netherlands. The Company's main asset is denominated in US Dollars (the Company's functional currency) but most of the Company's operating expenses are in Euros. The Company's liabilities to Noteholders and Other Ordinary Creditors under the Composition Plan are settled in US Dollars, although USD-denominated distributions made by LBT are physically paid in the specified currency of the underlying claim.

Given the terms of the Composition Plan, the Company does not bear any significant currency risk. Distributions received (note 6) by the Company are received in US Dollars and distributions (note 12) by the Company are made in US Dollars.

The Company maintains cash balances in Euros in order to mitigate the currency risk on future operating expenses, which are largely in Euros.

### **5.2. Credit risk**

The Company is exposed to credit risk on its receivables. The Company has a concentration of credit risk, as the greatest part of the receivable is due from one single party (LBHI). Furthermore, the Company has credit risk as most of its cash and cash equivalents are on deposit at two large international banks.

In accordance with the Composition Plan, any credit-related losses will reduce distributions to Noteholders and Other Ordinary Creditors, and will therefore be absorbed by these creditors.

### **5.3. Liquidity risk**

Given the terms of the Composition Plan, the Company's creditors are only entitled to receive distribution payments if the Company has Available Cash (as defined in the Composition Plan). If the Liquidators determine that the Company has insufficient Available Cash for a distribution to creditors, then no such payments will be made at that time.

Claims arising from transactions after the Company's emergence from bankruptcy proceedings are not subject to the Composition Plan. The Liquidators are not aware of any such claims.

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## 6. Receivables from former affiliated companies

The movements can be specified as follows:

(in thousands)	<u>2018</u> USD	<u>2017</u> USD
<b>Balance at 1 January</b>	1,242,054	1,705,760
Gross distributions received during the period	(353,763)	(964,472)
Change in estimated value of receivable	<u>(295,103)</u>	<u>500,766</u>
<b>Balance at 31 December</b>	<u>593,188</u>	<u>1,242,054</u>

The balance consist:

(in thousands)	<u>31 December 2018</u> USD	<u>31 December 2017</u> USD
LBHI receivable	591,876	1,242,054
LBCCA receivable	1,312	0
<b>Total receivables from former affiliated companies</b>	<u>593,188</u>	<u>1,242,054</u>

### LBHI receivable

LBHI entered into a voluntary US Chapter 11 proceeding on 15 September 2008. The Company has an intercompany claim against LBHI. In the LBHI US Chapter 11 proceedings, the LBT intercompany claim due was agreed at an amount of USD 34,548,000,000 ("Admitted LBHI Amount") in the LBHI's amended plan, which was confirmed in December 2011.

As at 31 December 2018, cumulative distributions received from LBHI amount to USD 12,593,441,411 (31 December 2017: USD 12,239,678,183), which represents approximately 36.45% (31 December 2017: 35.43%) of the Admitted LBHI Amount.

While the Company receives distributions from LBHI, LBHI and certain other former affiliated companies of LBT are also Other Ordinary Creditors of LBT under the terms of the Composition Plan. Consequently, portions of the distributions that LBT receives from LBHI are ultimately redistributed to LBHI and former affiliated companies. In order to minimise the delays in distributions caused by this circularity, an agreement ("Distribution Agreement") was reached with LBHI and its former affiliated companies for LBHI to withhold 90% of LBHI's and its former affiliated companies' expected share in the resulting LBT distribution ("Withheld Amounts"). Because of this Distribution Agreement, the gross distributions deemed to be received from LBHI are higher than the actual cash received by LBT, the difference being the Withheld Amounts. The subsequent distribution made by LBT to its creditors (see note 12) is also reduced by the Withheld Amounts. The Distribution Agreement was terminated in 2019, ahead of LBT's 15<sup>th</sup> distribution and in contemplation of the partial wind-down described in the Report of the Liquidators.

In accordance with LBHI's third amended – and final Chapter 11 – plan, all claims against LBHI are categorised into different classes. The class into which the Admitted LBHI Amount is categorised is not (actively) traded in the market. In connection with the partial-wind down described in the Report of the Liquidators, on 20 March 2019 LBT sold USD 10.5 billion of the Admitted LBHI Amount of USD 34.5 billion through an auction (Dutch auction method), realising gross proceeds of USD 179.5 million. This market transaction, was used to estimate the net realisable value of the LBHI receivable as at 31 December 2018. LBT did not adjust the transaction price on 20 March 2019 for its valuation of the LBHI receivable as at 31 December 2018. LBT concluded this, as no market information or event has come to LBT's attention that would indicate that the transaction price on 20 March 2019 is not a reasonable proxy for the net realisable value of the LBHI receivable as at 31 December 2018.

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In previous years, in the absence of observable market transactions, the net realisable value of the Admitted LBHI Amount was estimated based on price quotations from market participants for a class of claim against LBHI that is relatively more actively traded than the class of which the Admitted LBHI Amount is categorised. Such quotations were then adjusted for differences in class features based on the ratio of historic distributions paid by LBHI on the classes in question. The exact timing and amounts of future distributions that will be paid by LBHI is unknown. However, an indeterminable portion of the receivable is expected to be received within 12 months after the balance sheet date.

Any estimate of the timing and amount of future distributions that will be paid by LBHI and of the net realisable value of the Admitted LBHI Amount is characterised by significant uncertainty.

#### *LBCCA receivable*

LBCCA is a former affiliated company of LBT. On 14 February 2019, the liquidators of LBCCA acknowledged a claim of HKD 17,208,584 made by LBT against LBCCA. On 25 March 2019, LBCCA paid a distribution of HKD 10,273,524 to LBT on this acknowledged claim (being USD 1,312,139 at the exchange rate prevailing on 31 December 2018). This amount has been recognised as a receivable from former affiliated companies as at 31 December 2018 (31 December 2017: nil).

### **7. Taxes**

	<u>31 December 2018</u>	<u>31 December 2017</u>
(in thousands)	USD	USD
Value-added tax receivable	<u>222</u>	<u>177</u>

### **8. Cash and cash equivalents**

As of 31 December 2018, the Company retained cash reserves for expected future operating expenses and for claims disputed by LBT.

### **9. Shareholders' equity**

	<u>Share capital</u>	<u>Other reserves</u>	<u>Total</u>
(in thousands)	USD	USD	USD
<b>Balance as at 1 January 2018</b>	2,396	(2,396)	0
<b>Movements</b>			
Foreign exchange differences	(108)	108	0
<b>Balance as at 31 December 2018</b>	<u>2,288</u>	<u>(2,288)</u>	<u>0</u>

### **10. Ordinary share capital**

The authorised share capital of LBT amounts to EUR 3,405,000 divided into 7,500 ordinary shares of EUR 454 per share. Issued share capital consists of 4,406 ordinary shares. The share capital has been converted to US Dollars at 31 December 2018 at a foreign exchange rate of 1.1439 (31 December 2017: 1.1977).

### **11. Other reserves**

Since the Company is in liquidation and the share capital is not expected to be repaid to the shareholder, other reserves have been created to reduce the share capital to nil.

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## 12. Claims payable

	<u>31 December 2018</u>	<u>31 December 2017</u>
(in thousands)	USD	USD
Payable to Noteholders and Other Ordinary Creditors under the Composition Plan	<u>602,795</u>	<u>1,557,299</u>

The movements can be specified as follows:

	<u>2018</u>	<u>2017</u>
(in thousands)	USD	USD
<b>Balance at 1 January</b>	1,557,299	1,721,245
Gross distributions made	(691,969)	(619,793)
Changes in value of claims payable	(301,656)	494,967
Other movements	39,121	(39,120)
<b>Balance at 31 December</b>	<u>602,795</u>	<u>1,557,299</u>

Distributions are subject to the Distribution Agreement with LBHI and its affiliates; see note 6 for further details.

Other movements relate to Withheld Amounts on the 7 December 2017 distribution received from LBHI.

The amount of claims payable and the timing of payments are unknown, as these matters depend on distributions received from LBHI (see note 6). An indeterminable portion of the payable is expected to be paid more than 12 months after the balance sheet date.

Claims payable include a provision for claims made against LBT in accordance with the Composition Plan that are disputed by LBT; see note 20.

## 13. Future operating expenses

	<u>31 December 2018</u>	<u>31 December 2017</u>
(in thousands)	USD	USD
Estimated future operating expenses	<u>23,380</u>	<u>19,880</u>

The movements can be specified as follows:

	<u>2018</u>	<u>2017</u>
(in thousands)	USD	USD
<b>Balance at 1 January</b>	19,880	13,641
Operating expenses paid during the year	(2,866)	(1,328)
Increase in the liability due to change in estimate	7,131	5,989
Currency translation result	(765)	1,578
<b>Balance at 31 December</b>	<u>23,380</u>	<u>19,880</u>

Estimated future operating expenses are affected by the foreign exchange rate between US Dollar and Euro, as most of the Company's operating expenses are in Euros whereas the Company's functional and presentation currency is US Dollar.

The estimated future operating expenses have increased due to estimated costs relating to professional services associated with the partial wind-down and the eventual final wind-down of the Company.

FOR IDENTIFICATION PURPOSES ONLY  
BDO Audit & Assurance B.V.

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Operating expenses paid during the year can be specified as follows:

	<u>31 December 2018</u>	<u>31 December 2017</u>
(in thousands)	USD	USD
Liquidators and legal related fees paid to Liquidator's law firm	1,489	601
Insurance, distribution and other professional services	1,293	649
Supervisory Board related payments (see note 18)	84	78
<b>Total operating expense payments during the period</b>	<u>2,866</u>	<u>1,328</u>

Payments in respect of future operating expenses are expected to be made over the liquidation period of the Company. An indeterminable portion of these operating expenses will be paid more than 12 months after the balance sheet date.

#### 14. Interest and similar income

	<u>2018</u>	<u>2017</u>
(in thousands)	USD	USD
Interest income on cash and deposit accounts	<u>456</u>	<u>164</u>

#### 15. Net changes in the value of assets and liabilities

	<u>2018</u>	<u>2017</u>
(in thousands)	USD	USD
Currency translation result	(122)	(26)
Change in value of estimated future operating expenses	7,131	5,989
Revaluation of receivable from former affiliated companies	295,103	(500,766)
Change in value of claims payable	<u>(301,656)</u>	<u>494,967</u>
<b>Net expense</b>	<u>456</u>	<u>164</u>

#### 16. Audit fees

The following audit fees relate to the reporting period:

	<u>2018</u>	<u>2017</u>
(in thousands)	USD	USD
Audit of the financial statements	<u>45</u>	<u>35</u>

These fees relate to the audit of the 2018 financial statements, regardless of whether the work was performed during the financial year.

#### 17. Average number of employees

During the year-ended 31 December 2018, no employees were employed (31 December 2017: none).

#### 18. Related party transactions

During the year, the Company paid expenses on behalf of its sole shareholder, Stichting Lehman Brothers Treasury Co., amounting to USD 84,126 (2017: USD 77,667). These expenses relate to remuneration costs and the out of pocket expenses of the sole shareholder and represent amounts paid during the year.

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### **19. Liquidators' remuneration**

The Liquidators are a partner and a former partner in a law firm. This law firm was paid fees for both legal assistance and administration of the Company for a total amount of USD 1,478,149 in 2018 (2017: USD 496,452).

### **20. Disputed claims**

Claims made by creditors under the Composition Plan that are disputed by LBT are subject to ongoing litigation. A cash reserve for disputed claims is maintained by LBT within cash and cash equivalents.

### **21. Events occurring after the balance sheet date**

After the balance sheet date, LBT substantially completed the partial wind-down described in the Report of the Liquidators dated 7 May 2019 and also made distributions to substitute noteholders and Cash-Out Creditors as described therein. Reference is made to the Report of the Liquidators for details of these subsequent events.

On 25 March 2019 LBT received a distribution from LBCCA, a former affiliated company, the details of which are included in note 6.

On 4 April 2019, LBT received the 17<sup>th</sup> distribution of USD 39.4 million from LBHI.

Amsterdam, The Netherlands, 7 May 2019  
Lehman Brothers Treasury Co. B.V. in liquidation

The Liquidators

R.J. Schimmelpenninck

F. Verhoeven

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# Independent auditor's report

To: the shareholder of Lehman Brothers Treasury Co. B.V. *in liquidation*

## A. Report on the audit of the financial statements 2018

### Our opinion

We have audited the financial statements 2018 of Lehman Brothers Treasury B.V. *in liquidation* ('LBT' or the 'Company'), based in Amsterdam.

WE HAVE AUDITED	OUR OPINION
The financial statements which comprise: 1. the balance sheet as at 31 December 2018; 2. the profit and loss account for 2018; 3. the cashflow statement for 2018; and 4. the notes comprising a summary of the applicable accounting policies and other explanatory information.	In our opinion the enclosed financial statements give a true and fair view of the financial position of Lehman Brothers Treasury Co. B.V. <i>in liquidation</i> as at 31 December 2018 and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Lehman Brothers Treasury B.V. *in liquidation* in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Materiality

Based on our professional judgment we determined the materiality for the financial statements as a whole at USD 13.0 million. The materiality has been calculated as 1% of the average total assets over the last three years which is the primary consideration of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the liquidators that misstatements in excess of 5% of the applied materiality, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

**Our key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the liquidators. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

VALUATION OF RECEIVABLE FROM FORMER AFFILIATED COMPANIES	OUR AUDIT APPROACH
<p>The company has recognised a claim against Lehman Brothers Holdings Inc. ('LBHI') in the financial statements amounting to USD 591.9 million as at 31 December 2018 based on the estimated net realizable value.</p> <p>The liquidators have described the uncertainty regarding the estimated recoverability of the claim against LBHI in note 1.1, note 3.1 and note 6 to the financial statements. This also results in an uncertainty regarding the claims payable, as described in note 13, as this liability is estimated at the amount as equivalent to the net realizable value of the claim against LBHI less the administration cost provision and plus any interest income. The actual recoverability of the claim against LBHI may be at variance with the estimated value of the claim against LBHI and related liability. Unlike in previous years where the claim against LBHI was valued based on a quoted price of comparable LBHI debt provided by an investment banker, the net realizable value as at 31 December 2018 was calculated using the actual transaction price when the Company sold a portion of its claim against LBHI in 20 March 2019 in an auction.</p>	<p>As part of our audit procedures, we challenged the liquidators' assumptions used in the valuation model for the claim against LBHI, described in note 1.1, note 3.1 and note 6 to the financial statements, including the assumption that the transaction price of the sale of a portion of its claims against LBHI on 20 March can be used to calculate the net realizable value as per 31 December 2018.</p> <p>We tested the application of the valuation model in comparison to prior years and reviewed the appropriateness and mathematical accuracy of the calculations made in the valuation model.</p> <p>Furthermore, we have reviewed the procedures performed in the auction process.</p> <p>We also considered the appropriateness of the related disclosures in the financial statements to determine if these disclosures appropriately describe the inherent degree of subjectivity in the estimates.</p>

We draw attention to these notes to the financial statements, which describe the uncertainty relating to the valuation of this claim against LBHI and the related liability.

We considered the valuation of the claim against LBHI to be a key audit matter due to the magnitude of this balance, together with the judgements required to be made when assessing the valuation of this claim against LBHI.

### **The basis for preparation of the financial statements**

On 3 April 2013, the company emerged from bankruptcy and was put into voluntary liquidation (refer to note 1.1 to the financial statements). Following these conditions the financial statements have been prepared on a liquidation basis. Accordingly, assets have been valued at their net realizable value. Our opinion is not qualified in respect of this matter.

#### **A. Report on other information included in the annual report**

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- ▶ the report of the liquidators; and
- ▶ the other information.

Based on the following procedures performed, we conclude that the other information:

- ▶ is consistent with the financial statements and does not contain material misstatements;
- ▶ contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Liquidators are responsible for the preparation of the reports of the liquidators and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

## B. Report on other legal and regulatory requirements

### Engagement

We were engaged by the liquidators as auditor of Lehman Brothers Treasury Co B.V. *in liquidation* on 12 February 2014 as of the audit for year 2013 and have operated as statutory auditor ever since that financial year.

## C. Description of responsibilities regarding the financial statements

### Responsibilities of liquidators for the financial statements

The liquidators are responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the liquidators are responsible for such internal control as liquidators determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

The Company was declared bankrupt by the Amsterdam District Court on 8 October 2008 and was put into voluntary liquidation on 3 April 2013. Based on the financial reporting framework mentioned, the liquidators should prepare the financial statements on liquidation basis. As part of our audit of the financial statements, we concur with the liquidators' use of the liquidation basis of accounting in the preparation of the financial statements.

The liquidators are responsible for overseeing the company's financial reporting process.

### Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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.

- ▶ Obtaining 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.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the liquidators.
- ▶ Concluding on the appropriateness of the liquidators' use of the liquidation basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- ▶ Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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


From the matters communicated with the liquidators, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not mentioning it is in the public interest.

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Amstelveen, 7 May 2019

For and on behalf of BDO Audit & Assurance B.V.,

For identification purposes:



drs. H.W. Opentij RA