

***Financial report 2019***

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

Amsterdam, the Netherlands

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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 2019.

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 (*gehomologeerd*) 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.

## *Partial Wind-Down of LBT*

In 2019, LBT concluded a Partial Wind-Down, which included a solicitation process with its creditors, 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. The objectives of the Partial Wind-Down were simplification of the LBT estate, reduction of operating costs and preparation of the LBT estate for a final wind-down.

LBT finalised the solicitation process on 18 March 2019 pursuant to which certain qualified noteholders<sup>1</sup> were given the option to receive Substitute Notes (defined below) in exchange for their 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.

Holders of 30.3% of the allowed claims pool, received a final cash distribution. This final distribution (the “Final Distribution”) was in large part funded by LBT’s sale of USD 10.5 billion of its intercompany claim against LBHI. The sale was executed on 20 March 2019 and generated gross sale proceeds of USD 179.5 million.

The former affiliates LBHI and LBSF (representing 12.9% of the allowed claims pool) received an in-kind distribution, by way of an assignment of a portion of LBT’s intercompany claim against LBHI with a principal amount of USD 4.4 billion and a final cash distribution of USD 8.5 million.

On 2 April 2019, LBT issued 19,648,952,905 substitute notes (“Substitute Notes”), including 22,502,313 treasury notes. Each substitute note has a nominal amount of USD 1.00, and all payments on these Substitute Notes are made in US Dollars.

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.

The new and simplified structure of the LBT estate provides the Liquidators with a good starting point to pursue a final wind-down of LBT in 2020 and/or 2021. This accelerated final wind-down leads to a lower estimated future operating expenses balance sheet position per 31 December 2019, compared to 31 December 2018.

## *Distributions*

During 2019, LBT received three gross distributions from LBHI: distribution 17, 18 and 19. The distributions received by LBT are based on LBT’s allowed intercompany claim against LBHI (the “Class 4A Claim”). LBT’s allowed Class 4A Claim was USD 34.5 billion before the start of the Partial Wind-Down. The 17th distribution took place *after* the start of the Partial Wind-Down, whilst distribution 18 and 19 took place *after* the completion of the Partial Wind-Down process. As a result of the above described timing, LBT’s share of the 17th distribution was based on the retained intercompany claim against LBHI of USD 24.1 billion (calculated as the original amount of USD 34.5 billion minus the part of the claim sold by LBT to fund the final cash distribution) and LBT’s

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<sup>1</sup> For the definition of Qualified Noteholders, please see “Definitions – Part 2 – Qualified Noteholders” on page 11 of the information notice on the partial wind-down as published on LBT’s website on 24 January 2019.

share of distribution 18 and 19 was based on USD 19.6 billion (after the Partial Wind-Down had been completed: the amount of USD 24.1 billion mentioned above minus the amount of the portion of LBT's intercompany claim against LBHI assigned to LBHI and LBSF by way of an in-kind distribution as part of the Partial Wind-Down).

The gross distributions received by LBT from LBHI on the allowed Class 4A Claim are set forth below:

<i>Period</i>	<i>Distribution Amount</i>	<i>LBT's allowed Class 4A Claim</i>	<i>Distribution percentage based on allowed Class 4A Claim</i>
	<i>(in USD)</i>	<i>(in USD)</i>	
Pre-Composition Plan	2,672,723,776	34,548,000,000	7.74%
2013	2,969,657,963	34,548,000,000	8.60%
2014	3,084,874,526	34,548,000,000	8.93%
2015	1,579,417,097	34,548,000,000	4.57%
2016	968,532,451	34,548,000,000	2.80%
2017	964,472,370	34,548,000,000	2.79%
2018	353,763,228	34,548,000,000	1.02%
2019	27,465,126	24,072,155,587	0.11%
2019 (post completion of the Partial Wind-Down)	84,909,249	19,626,452,736	0.43%
<b>Total</b>	<b>12,705,815,786</b>		<b>37.00%</b>

On 25 March 2019, LBT also received a distribution of HKD 10.3 million (USD 1,310,417) from Lehman Brothers Commercial Corp. Asia Ltd. ("LBCCA"), a former affiliate of LBT.

Since 3 April 2013, LBT has made fifteen distributions, including the Final Distribution, on Acknowledged Claims under the Composition Plan to Noteholders and Other Ordinary Creditors, as defined in and in accordance with the Composition Plan. In addition, LBT has made three distributions on the Substitute Notes in accordance with the Composition Plan and in accordance with the terms and conditions of the Substitute Notes. Gross cash distributions paid by LBT (i.e. before adjustments such as withholdings) are set forth below.

### **Cash distributions by LBT to Noteholders and Other Ordinary Creditors (excluding Substitute Notes)**

<i>Date of distribution</i>	<i>Distribution Amount</i>	<i>Admitted claim amount</i>	<i>Distribution percentage based on admitted claim amount<sup>2</sup></i>
	<i>(in USD)</i>	<i>(in EUR)</i>	
2013	5,553,514,754	24,755,245,548	16.86%
23 January 2014	4,789,993	24,755,245,548	0.01%
28 April 2014	1,735,103,503	24,755,245,548	5.06%
28 October 2014	1,328,877,953	24,755,245,548	4.22%
27 April 2015	894,777,123	24,755,245,548	3.32%
29 September 2015	11,987,527	24,755,245,548	0.04%
29 October 2015	690,080,299	24,755,245,548	2.52%
28 April 2016	192,801,698	24,755,245,548	0.69%
14 July 2016	282,048,654	24,755,245,548	1.03%
29 November 2016	497,855,341	24,755,245,548	1.89%
2 May 2017	377,972,805	24,755,245,548	1.40%
23 October 2017	241,820,707	24,755,245,548	0.83%
16 January 2018	343,989,891	24,755,245,548	1.13%
4 April 2018	1,436,997	24,755,245,548	0.00%
2 May 2018	132,466,570	24,755,245,548	0.44%
23 October 2018	214,074,413	24,755,245,548	0.75%
2 May 2019 (Final Distribution)	187,026,996 <sup>3</sup>	7,506,428,759	2.21%

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

<sup>3</sup> The Final Distribution to Noteholders and Other Ordinary Creditors who did not receive Substitute Notes includes an amount of USD 1,311,473 that was withheld for operational reasons and which will be paid later.

<b>Sub-total</b>	<b>12,690,625,224</b>	<b>42.40%</b>
2 May 2019: Final Distribution to LBHI and LBSF	8,496,621	
<b>Total</b>	<b>12,699,121,845</b>	

***Cash distributions by LBT to holders of Substitute Notes***

<b><i>Date of distribution</i></b>	<b><i>Distribution Amount</i></b>	<b><i>Substitute Notes on issue</i></b>	<b><i>Distribution percentage of Substitute Notes</i></b>
	<b><i>(in USD)</i></b>	<b><i>(in USD)</i></b>	
2 May 2019	7,461,941	19,648,952,905	0.04%
30 July 2019	49,694,290	19,648,952,905	0.25%
8 October 2019	40,868,268	19,648,952,905	0.21%
<b>Total</b>	<b>98,024,499</b>		<b>0.50%</b>

On 2 April 2020, LBT received the twentieth distribution of USD 10.6 million from LBHI. On 7 April 2020, LBT paid a fourth distribution of USD 9.3 million to holders of Substitute Notes.

Of the Substitute Notes on issue, USD 22,502,313 were held in treasury by LBT. The corresponding Distribution Amount received by LBT in 2019 amounts to USD 112,259.

*Settlement of disputed claim*

Following the decision of the Court of Appeal in Amsterdam in 21 May 2019 pertaining to a disputed claim, LBT settled the disputed claim for a total amount of USD 4.8 million. Subsequent to this settlement and the third distribution to holders of Substitute Notes, LBT cancelled the treasury notes amounting to USD 22,502,313, reducing the Substitute Notes on issue to USD 19,626,450,592 per 31 December 2019.

*COVID-19*

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity. At this stage, the impact on LBT is limited to a delay in the start of a final wind-down that will take place in 2020 and/or 2021. The exact impact on LBT in the remainder of 2020 and thereafter is uncertain. However, the pandemic has no impact on the financial statements as at 31 December 2019.

Amsterdam, the Netherlands, 19 May 2020

The Liquidators of LBT

R.J. Schimmelpenninck

F. Verhoeven

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## ***Financial statements***

## **Balance sheet**

As at 31 December

(after appropriation of result)

<b>Assets</b> (in thousands)	Note	<u>2019</u> USD	<u>2018</u> USD
<i>Non-current assets</i>			
Receivables from former affiliated companies	6.	221,791	593,188
<i>Current assets</i>			
<b>Receivables</b>			
Taxes	7.	162	222
<b>Cash and cash equivalents</b>	8.	19,622	32,765
<b>Total Assets</b>		<u>241,575</u>	<u>626,175</u>
<b>Shareholders' equity and Liabilities</b> (in thousands)	Note	<u>2019</u> USD	<u>2018</u> USD
<b>Shareholders' equity</b>			
Ordinary share capital	9. 10.	2,247	2,288
Other reserves	11.	<u>(2,247)</u>	<u>(2,288)</u>
		0	0
<b>Liabilities</b>			
<i>Non-current liabilities</i>			
Claims payable	12.	231,575	602,795
Future operating expenses	13.	<u>10,000</u>	<u>23,380</u>
		241,575	626,175
<b>Total Shareholders' equity and Liabilities</b>		<u>241,575</u>	<u>626,175</u>

## ***Income statement***

*For the years ended 31 December*

(in thousands)	Note	<u><b>2019</b></u> USD	<u><b>2018</b></u> USD
Net interest and similar income	14.	407	456
Net changes in the value of assets and liabilities	15.	(407)	(456)
<b><i>Operating result</i></b>		<u>0</u>	<u>0</u>
<b><i>Result before tax</i></b>		0	0
Income tax expense		<u>0</u>	<u>0</u>
<b><i>Result after tax</i></b>		<u><u>0</u></u>	<u><u>0</u></u>



# Statement of cash flows

For the years ended 31 December

(in thousands)	<u>2019</u> USD	<u>2018</u> USD
<i>Receipts for the period:</i>		
Distributions received from former affiliated companies	113,684	313,633
Distribution received on Substitute Notes held by LBT	112	0
Interest received	105	501
Tax refunds received	1,012	249
Gross proceeds from the sale of the monetised LBHI receivable	179,472	0
Interest received on proceeds from the sale of the monetised LBHI receivable	211	0
Other	0	1
<i>Total Receipts</i>	<u>294,596</u>	<u>314,384</u>
<i>Payments for the period:</i>		
Distributions to creditors (including settlement of disputed claim)	(297,072)	(612,717)
Operating expenses (including any applicable value-added taxes)	(10,497)	(3,264)
Interest paid	(21)	(45)
<i>Total Payments</i>	<u>(307,590)</u>	<u>(616,026)</u>
<i>Cash flows from operating activities</i>	<u>(12,994)</u>	<u>(301,642)</u>
Foreign exchange gains/(losses) on cash and cash equivalents	(149)	(601)
Net increase/(decrease) in cash and cash equivalents	<u>(13,143)</u>	<u>(302,243)</u>
<b>Cash and cash equivalents at start of the year</b>	32,765	335,008
Movements during the period	<u>(13,143)</u>	<u>(302,243)</u>
<b>Cash and cash equivalents at the end of the year (note 8)</b>	<u>19,622</u>	<u>32,765</u>

# 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.

LBT 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 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 18 distributions as at 31 December 2019, and distributions are expected to occur in the future 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.

In 2019, LBT concluded a Partial Wind-Down, including a solicitation process with its creditors, the sale of a portion of LBT’s intercompany claim against LBHI, and a Final Distribution to certain of its creditors, funded in a 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 their 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 existing eligible notes. Holders of 30.3% of the allowed claims pool received a final cash distribution.

The former affiliates LBHI and LBSF (representing 12.9% of the allowed claims pool) received an in-kind distribution of their portion of LBT’s intercompany claim against LBHI with a principal amount of USD 4.4 billion and a final cash distribution of USD 8.5 million.

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 creditors who did not receive Substitute Notes (other than former affiliates).

On 2 April 2019, LBT issued 19,648,952,905 Substitute Notes, including 22,502,313 in treasury, to noteholders who opted to receive Substitute Notes. Each Substitute Note has a nominal amount of USD 1.00, and all payments on these Substitute Notes are made in US Dollars. As at 31 December 2019, the treasury notes had been cancelled, and the total Substitute Notes on issue amounted to USD 19,626,450,592.

At the conclusion of the Partial Wind-Down, LBT had retained USD 19.6 billion of its intercompany claim against LBHI and had 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.

### **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.

### **1.4. COVID-19**

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity. At this stage, the impact on LBT is limited to a delay in the start of a final wind-down. The exact impact on LBT in the remainder of 2020 and thereafter is uncertain.

As at 31 December 2019, LBT retained sufficient cash reserves to be able to pay the estimated future operating expenses (refer to Note 13), including, but not limited to, future operating expenses estimated for 2020. The pandemic has no impact on the financial statements as at 31 December 2019.

## **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**

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. 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 several unpredictable factors which include the settlement of remaining disputes (including litigation) and the receipt by LBHI of funds from its affiliates.

##### **3.1.2. LBCCA receivable**

The claims receivable is recognised at net realisable value.

#### **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 and the terms of the Substitute Notes with no regard to LBT's own credit risk. Claims payable are measured based on the net realisable value of the Company's claim on former affiliated companies less estimated future operating expenses.

#### **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, considering any losses carried forward from previous financial years (where not included in deferred income tax assets) and tax-exempt items, 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 2019.

### **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 creditors under the Composition Plan are, after the conclusion of the Partial Wind-Down, settled in US Dollars.

The Company does not bear any significant currency risk. Distributions received by the Company are received in US Dollars and distributions 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 is also exposed to credit risk resulting from cash and cash equivalents on deposit at two large international banks.

In accordance with the Composition Plan, any credit-related losses will reduce future distributions to 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 could not be subject to the Composition Plan. The Liquidators are not aware of any such claims.

## 6. *Receivables from former affiliated companies*

The movements can be specified as follows:

(in thousands)	<u>2019</u> USD	<u>2018</u> USD
<b>Balance at 1 January</b>	593,188	1,242,054
Distributions received from LBHI	(112,374)	(353,763)
Distribution received from LBCCA	(1,310)	0
Gross proceeds from the sale of the monetised LBHI receivable	(179,472)	0
In-kind distribution LBHI and LBSF	(76,164)	0
Change in estimated value of receivable	(2,075)	(295,103)
Other movements	(2)	0
<b>Balance at 31 December</b>	<u>221,791</u>	<u>593,188</u>

The balance concisely:

(in thousands)	<u>31 December 2019</u> USD	<u>31 December 2018</u> USD
LBHI receivable	221,779	591,876
LBCCA receivable	12	1,312
<b>Total receivables from former affiliated companies</b>	<u>221,791</u>	<u>593,188</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 LBHI’s amended plan, which was confirmed in December 2011.

During 2019, LBT received distributions from LBHI amounting to USD 112.4 million as well as a distribution from LBCCA amounting to USD 1.3 million. In connection with the Partial Wind-Down, LBT sold on 20 March 2019 USD 10.5 billion of its intercompany claim against LBHI, realising gross proceeds of USD 179.5 million. In addition, former affiliates LBHI and LBSF received an in-kind distribution, by way of an assignment of a portion of LBT’s intercompany claim against LBHI with a principal amount of USD 4.4 billion for an amount of USD 76.2 million.

LBT has applied a similar valuation approach as applied in 2018. This approach is based on an actual price observed for LBHI Class 4A claims. For the 2018 financial statements, LBT used the sale price (1.7132%) obtained for the sale of a portion of its Class 4A intercompany claim against LBHI. This sale took place on 20 March 2019 and was part of the Partial Wind-Down. For the 2019 year-end valuation, LBT used the sale price observed in an auction undertaken by LBHI. In November 2019, LBHI undertook and concluded a so-called Claim Consolidation Auction, in which each eligible class of claims against LBHI, including class 4A claims, was sold by eligible noteholders to one single claim purchaser. This auction achieved a final selling price of 1.13% for Class 4A claims. Given that an observed price provides the best evidence for the value of the LBHI receivable, this price is used by LBT to value the LBHI receivable as at 31 December 2019. LBT concluded this, as no market information or event has come to LBT’s attention that would indicate that the transaction price in November 2019 is not a reasonable proxy for the net realisable value of the LBHI receivable as at 31 December 2019. This price results in a value of USD 221.8 million for the LBHI receivable. The change in the estimated value is hence USD 2.1 million.

Any estimate of the timing and amount of future distributions that will be paid by LBHI and of the net realisable value of the LBHI receivable is characterised by significant uncertainty. However, an indeterminable portion of the receivable is expected to be received within 12 months after the balance sheet date.

### *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 (USD 1,310,417) to LBT on this acknowledged claim. In October 2019, LBCCA declared its 11th interim distribution. Subsequently, on 6 March 2020, the liquidators of LBCCA informed LBT that LBT will receive a distribution of HKD 94,647 on its acknowledged claim.

## **7. Taxes**

	<u>31 December 2019</u>	<u>31 December 2018</u>
(in thousands)	USD	USD
Value-added tax receivable	<u>162</u>	<u>222</u>

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

As at 31 December 2019, the Company retained cash reserves for expected future operating expenses, contingency expenses and withheld ISINs.

## **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 2019</b>	2,288	(2,288)	0
<b>Movements</b>			
Foreign exchange differences	(41)	41	0
<b>Balance as at 31 December 2019</b>	<u>2,247</u>	<u>(2,247)</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 2019 at a foreign exchange rate of 1.1234 (31 December 2018: 1.1439).

## **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.

## **12. Claims payable**

	<u>31 December 2019</u>	<u>31 December 2018</u>
(in thousands)	USD	USD
Payable to Noteholders and Other Ordinary Creditors under the Composition Plan	<u>231,575</u>	<u>602,795</u>
The movements can be specified as follows:		
	<u>2019</u>	<u>2018</u>
(in thousands)	USD	USD
<b>Balance at 1 January</b>	602,795	1,557,299
Gross distributions made	(293,548)	(691,969)
Settlement of disputed claims	(4,835)	0
Settlement of LBHI and LBSF, through in-kind distribution	(76,164)	0
Change in value of claims payable	2,016	(301,656)
Other movements	1,311	39,121
<b>Balance at 31 December</b>	<u>231,575</u>	<u>602,795</u>

The claims payable balance as at 31 December 2018 included a provision for claims made against LBT in accordance with the Composition Plan that are disputed by LBT. In 2019, LBT settled the disputed claim for a total amount of USD 4.8 million.

In 2019, other movements relate to a withheld amount from the 2 May 2019 Final Distribution, amounting to USD 1,311,473. This amount was withheld for operational reasons and will be paid later. The amount of claims payable and the timing of payments are unknown, as these matters depend on distributions received from LBHI. An indeterminable portion of the claims payable is expected to be paid more than 12 months after the balance sheet date.

### 13. Future operating expenses

(in thousands)	<u>31 December 2019</u>	<u>31 December 2018</u>
	USD	USD
Estimated future operating expenses	<u>10,000</u>	<u>23,380</u>

The movements can be specified as follows:

(in thousands)	<u>2019</u>	<u>2018</u>
	USD	USD
<b>Balance at 1 January</b>	23,380	19,880
Operating expenses paid during the year	(9,546)	(2,866)
(Decrease)/increase in the liability due to change in estimate	(3,297)	7,131
Currency translation result	(537)	(765)
<b>Balance at 31 December</b>	<u>10,000</u>	<u>23,380</u>

The significant amount of operating expenses paid during 2019 is predominantly the result of the Partial Wind-Down concluded in 2019. As at 31 December 2019, LBT re-estimated the future operating expenses, taking into account the re-assessed timing of an accelerated final wind-down. Although the exact impact of the COVID-19 pandemic on LBT in the remainder of 2020 and thereafter is uncertain, the start of the final wind-down will take place in 2020 and/or 2021 instead of 2023, reducing the estimated future operating expenses as at 31 December 2019, compared to 31 December 2018.

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.

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

(in thousands)	<u>31 December 2019</u>	<u>31 December 2018</u>
	USD	USD
Liquidators and legal related fees paid to Liquidator's law firm	2,357	1,489
Insurance, distribution and other professional services	7,123	1,293
Supervisory Board related payments (see note 18)	66	84
<b>Total operating expense payments during the period</b>	<u>9,546</u>	<u>2,866</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>2019</u>	<u>2018</u>
(in thousands)	USD	USD
Interest on cash and deposit accounts	295	456
Distribution received on Substitute Notes held by LBT	112	0
<b>Total interest and similar income</b>	<u>407</u>	<u>465</u>

The income from treasury notes relates to the distribution receivables on the Substitute Notes that were held by LBT in treasury.

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

	<u>2019</u>	<u>2018</u>
(in thousands)	USD	USD
Currency translation result	(387)	(122)
Change in value of estimated future operating expenses	(3,297)	7,131
Revaluation of receivable from former affiliated companies	2,075	295,103
Change in value of claims payable	2,016	(301,656)
<b>Net expense</b>	<u>407</u>	<u>465</u>

#### **16. Audit fees**

The following audit fees relate to the reporting period:

	<u>2019</u>	<u>2018</u>
(in thousands)	USD	USD
Audit of the financial statements	74	45

These are the fees paid for the audit of the financial statements, regardless of whether the work was performed during the financial year.

#### **17. Average number of employees**

During the year-ended 31 December 2019, no employees were employed (31 December 2018: 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 66,200 (2018: USD 84,126). These expenses relate to remuneration costs and out of pocket expenses of the sole shareholder and represent amounts paid during the year.

#### **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 2,357,103 in 2019 (2018: USD 1,478,149). The increase in fees compared to 2018 resulted from the execution of the Partial Wind-Down in 2019.

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

On 2 April 2020, LBT received the twentieth distribution of USD 10.6 million from LBHI. On 7 April 2020, LBT paid a fourth distribution of USD 9.3 million to holders of Substitute Notes.

On 14 May 2020 LBT received a distribution from LBCCA, a former affiliated company, the details of which are included in note 6.

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity. At this stage, the impact on LBT is limited to a delay in the start of a final wind-down that will take place in 2020 and/or 2021. The exact impact on LBT in the remainder of 2020 and thereafter is uncertain. However, the pandemic has no impact on the financial statements as at 31 December 2019.

Amsterdam, the Netherlands, 19 May 2020  
Lehman Brothers Treasury Co. B.V. in liquidation

The Liquidators

R.J. Schimmelpenninck

F. Verhoeven

# 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 2019 included in the financial report

### Our opinion

We have audited the financial statements 2019 of Lehman Brothers Treasury Co. B.V. *in liquidation* ('LBT' or the 'Company') based in Amsterdam.

WE HAVE AUDITED	OUR OPINION
The financial statements comprise: 1. the balance sheet as at 31 December 2019; 2. the profit and loss account for 2019; and 3. the notes comprising of a summary of the accounting policies and other explanatory information.	In our opinion, the accompanying 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 2019 and of its result for 2019 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 Co. B.V. *in liquidation* in accordance with the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

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

### Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at USD 3.6 million. The materiality has been calculated as 1.5% of the total assets 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 the users of the financial statements for qualitative reasons.

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 judgement, 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 recognized a claim against Lehman Brothers Holdings Inc. ('LBHI') in the financial statements amounting to \$221.7 million as at 31 December 2019 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 which also impacts the claims payable. The net realizable value as at 31 December 2019 was calculated using the actual transaction auction price during the auction undertaken by LBHI in November 2019.</p> <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.</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 auction undertaken by LBHI in November 2019 can be used to calculate the net realizable value as per 31 December 2019.</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.</p> <p>Furthermore, we have assessed the documents showing the results of the auction process of LBHI published on the website of LBHI.</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>

<p>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.</p>	
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### **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.

### **Emphasis of matter paragraph concerning the impact of COVID-19**

We draw attention to the text in the explanatory notes to the financial statements on page 18, which describe the uncertainties about the possible consequences that the coronavirus has for LBT. We have not modified our audit opinion as a result of this matter.

## **B. Report on other information included in the financial report**

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

- ▶ the report of the liquidators;
- ▶ other information as required by Part 9 of Book 2 of the Dutch Civil Code.

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 other information, including the report of the liquidators 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.

## C. 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 financial year 2013 and have operated as statutory auditor ever since that financial year.

## D. 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 fraud or error.

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 scepticism 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.

We provide the liquidators with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the liquidators, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. 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 communicating the matter is in the public interest.

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Amstelveen, 19 May 2020

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

drs. H.W. Opentij RA

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