



**OFFSHORE**

ENERGY. COMMITTED.



# ANNUAL REPORT 2019

## 4.6.2 INDEPENDENT AUDITOR'S REPORT

To: the general meeting and Supervisory Board of SBM Offshore N.V.

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### *Report on the financial statements 2019*

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#### *Our opinion*

In our opinion:

- the consolidated financial statements of SBM Offshore N.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at 31 December 2019 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of SBM Offshore N.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2019 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

#### *What we have audited*

We have audited the financial statements 2019 of SBM Offshore N.V., Amsterdam, as included in sections 4.2 to 4.5. The financial statements include the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the following statements for 2019: the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flow; and
- the notes, comprising significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2019;
- the company income statement for the year then ended;
- the notes, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

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#### *The basis for our opinion*

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

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

#### *Independence*

We are independent of SBM Offshore N.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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#### *Our audit approach*

##### *Overview and context*

SBM Offshore N.V. serves the offshore oil and gas industry by supplying engineered products, vessels and systems, as well as offshore oil and gas production services. This includes the construction and the leasing and operating of large and complex offshore floating production, storage and offloading vessels (FPSOs). The Group is comprised of several components and, therefore, we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.



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The Group has continued the construction of its large projects and has seen a further demand for its products and services during the year. As a result of this increase in demand, the Group was awarded two additional lease and operate contracts for FPSO in 2019, of which one already contributed to margin and both contributed to turnkey revenue in 2019. With the Group's growing turnkey activities significantly contributing to the Group's results of operations and increasing the Group's asset base, we continue to consider the estimates and judgements in construction contracts to be a key audit matter. The increase in results from the turnkey activities also led to a revision of the benchmark for materiality to profit before tax as described in the section 'Materiality'.

Due to the Group's large asset base, the valuation of the Group's assets remains an area of importance for the (consolidated) financial statements. Although the majority of the assets of the group are backed with long-term lease and operate contracts, conditions such as performance or a failure of equipment can affect the profitability and valuation of these assets. Given the significant estimation uncertainty and the related higher risks in revenue recognition and valuation of construction work-in-progress, as well as the valuation uncertainty in property, plant and equipment, we considered these to be key audit matters as set out in the section 'Key audit matters' of this report.

Lastly, in 2019 the Group has received the notification that the Federal Court has formally closed the improbity lawsuit filed by the Brazilian Federal Prosecutors Office (MPF). This effectuated the leniency agreement between the Group and the MPF, and as a result a portion of the final settlement of BRL 200 million has been paid. As a result of the formal closure of the lawsuit in 2019, we no longer considered this matter to be a key audit matter.

Other transactions and accounting matters that were not considered as key audit matters have also characterized the current year for the Group. This year, the Group has increased its shareholdings in five FPSOs by purchasing the minority share from one of its partners through a public sale auction in Brazil. This transaction affected the Group's equity attributable to shareholders of the parent company under IFRS and the Group's results under its 'directional reporting', which is included in the segment reporting of the financial statements. Other accounting matters, that were not considered to be key audit matters, were the lease classification of awarded contracts, segment reporting disclosures, accounting for uncertain tax provisions and other provisions. There were also internal control matters identified relating to the IT environment that were not considered key audit matters.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the Management Board made important judgements. For example, we considered significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In section 4.2.7 subsection 'Use of estimates and judgement' of the financial statements, the Group describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences, that are needed for the audit of a company providing floating production solutions to the offshore energy industry over the full product life-cycle. We included members with relevant industry-expertise and specialists in the areas of IT and corporate income tax, as well as experts in the areas of valuation and employee benefits, in our audit team. We also discussed the settlement agreements reached in Brazil with forensics specialists.

The outline of our audit approach was as follows:



### *Materiality*

- Overall materiality: US\$27 million.

### *Audit scope*

- We conducted audit work in three locations on four components.
- Site visits were conducted to Monaco and China.
- Audit coverage: 100% of consolidated revenue, 99% of consolidated total assets and 98% of consolidated profit before tax.

### *Key audit matters*

- Estimates and judgements in construction contracts
- Valuation of property, plant and equipment

### *Materiality*

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

<i>Overall group materiality</i>	US\$27 million (2017: US\$21.24 million).
<i>Basis for determining materiality</i>	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 5% of profit before income tax.
<i>Rationale for benchmark applied</i>	<p>We used this benchmark and the rule of thumb (%), based on our analysis of the common information needs of users of the financial statements, including factors such as the headroom on covenants and the financial position of the Group. On this basis, we believe that profit before income tax is an important metric for the financial performance of the Group.</p> <p>The benchmark has changed from last year. In prior year we used net assets as a materiality benchmark. Profit before tax was not considered an appropriate benchmark due to the decreased turnkey activities of the Group. In the current year the Group has seen an increase in the profit contribution of the turnkey segment to the financial results and position of the Group. As a result, we consider the benchmark of profit before tax for the current year appropriate.</p>
<i>Component materiality</i>	To each component in our audit scope, we, based on our judgement, allocated materiality that is less than our overall group materiality. The range of materiality allocated across components was between US\$11 million and US\$20 million.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the Supervisory Board that we would report to them misstatements identified during our audit above US\$10 million (2018: US\$10 million) for balance sheet reclassifications and US\$2 million for profit before tax impact (2018: US\$2.1 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons in general.

#### *The scope of our group audit*

SBM Offshore N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of SBM Offshore N.V.

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of the financial statements for us to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at component level by the group engagement team and by each component auditor.

The group audit focused on two significant components in Monaco (Turnkey as well as Operations), the treasury shared service center in Marly, and one other component (Group Corporate Departments). The Turnkey as well as Operations components in Monaco were subject to audits of their complete financial information as those components are individually significant to the Group.

The processes and financial statement line-items managed by the treasury function shared service center in Marly, Switzerland, were subject to specified audit procedures. Additionally, Group Corporate Departments was selected for specified audit procedures to achieve appropriate coverage on financial statement line items in the consolidated financial statements.

In total, in performing these procedures, we achieved the following coverage on the financial line items:

<b>Revenue</b>	100%
<b>Total assets</b>	99%
<b>Profit before tax</b>	98%

For the remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

For the Group Corporate Departments component in Amsterdam, the group engagement team performed the audit work. For the components in Monaco and the treasury function shared service center in Marly, Switzerland, we used component auditors who are familiar with the local laws and regulations to perform the audit work.

Where component auditors performed the work, we determined the level of involvement we needed to have in their audit work to be able to conclude whether we had obtained sufficient and appropriate audit evidence as a basis for our opinion on the consolidated financial statements as a whole.

We issued instructions to the component audit teams in our audit scope. These instructions included among others, our risk analysis, materiality and scope of the work. We explained to the component audit teams the structure of the Group, the main developments that are relevant for the component auditors, the risks identified, the materiality levels to be applied and our global audit approach. We had individual calls with each of the in-scope component audit teams during the year and upon conclusion of their work. During these calls, we discussed the significant accounting and audit issues identified by the component auditors, their reports, the findings of their procedures and other matters, which could be of relevance for the consolidated financial statements.

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The group engagement team visits the component teams and local management on a rotational basis. In the current year, the group audit team visited the Turnkey as well as Operations components in Monaco given the importance of these components to the consolidated financial statements as a whole and the judgements involved in the estimates in construction contracts (refer to the respective key audit matter). In addition, the group audit team visited the SBM Offshore location in Shanghai, China, which is part of the Turnkey component. We have also visited a shipyard in Shanghai where multi-purpose hulls as used in the Company's 'Fast4ward' projects are being constructed. For the components in Monaco and the treasury function shared service center in Marly, Switzerland, we reviewed selected working papers of the respective component auditors.

In addition to the work on the Group Corporate Departments component, the group engagement team performed the audit work on the group consolidation, financial statement disclosures and a number of accounting matters at head office. These included impairment assessments, share-based payments, provisions for warranty obligations, taxes including deferred taxes and uncertain tax provisions and directional reporting as part of the segment reporting disclosures.

By performing the procedures above at components, combined with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence on the Company's financial information as a whole to provide a basis for our opinion on the financial statements.

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### *Our focus on the risk of fraud and non-compliance with laws and regulations*

#### *Our objectives*

The objectives of our audit with respect to fraud and non-compliance with laws and regulations are:

With respect to fraud:

- to identify and assess the risks of material misstatement of the financial statements due to fraud;
- to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses; and
- to respond appropriately to fraud or suspected fraud identified during the audit.

With respect to non-compliance with laws and regulations:

- to identify and assess the risk of material misstatement of the financial statements due to non-compliance with laws and regulations; and
- to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error when considering the applicable legal and regulatory framework.

The primary responsibility for the prevention and detection of fraud and non-compliance with laws and regulations lies with the Management Board, with oversight by the Supervisory Board. We refer to chapter 3 of the Annual Report where the Management Board included its fraud risk assessment and where the Supervisory Board reflects on this assessment.

#### *Our risk assessment*

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We, together with our forensics specialists, evaluated the fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable for the Company. We identified provisions of those laws and regulations, generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements such as the financial reporting framework, tax and pension laws and regulations as well as environmental regulations.

As in all of our audits, we addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud. We refer to the key audit matters 'Estimates and judgements in construction contracts' and 'Valuation of property, plant and equipment', that are examples of our approach related to areas of higher risk due to accounting estimates where management makes significant judgements.

#### *Our response to the risks identified*

We performed the following audit procedures (not limited) to respond to the assessed risks:

- We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud risks. In case of internal control deficiencies, where we considered there would be opportunity for fraud, we performed supplemental detailed risk-based testing.
- We performed data analysis of high-risk journal entries and evaluated key estimates and judgements for bias by SBM Offshore N.V., including retrospective reviews of prior year's estimates. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk. These procedures also included testing of transactions back to source information.
- Assessment of matters reported on the (Company's) whistleblowing and complaints procedures with the entity and results of management's investigation of such matters.

- With respect to the risk of fraud in revenue recognition we refer to the key audit matter 'Estimates and judgements in construction contracts'. Further, we have performed audit procedures over the various other revenue streams of the Company, such as the lease and operate revenues.
- With respect to the risk of bribery and corruption across various countries, we evaluated the Company's controls and procedures such as due diligence procedures on third parties. We considered the possibility of fraudulent or corrupt payments made through third parties including agents and conducted detailed testing on third-party vendors in high-risk jurisdictions.
- We incorporated elements of unpredictability in our audit.
- We considered the outcome of our other audit procedures and evaluated whether any findings or misstatements were indicative of fraud. If so, we re-evaluated our assessment of fraud risk and its resulting impact on our audit procedures.
- We obtained audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements.
- As to the other laws and regulations, we inquired of the Management Board and/or the Supervisory Board as to whether the entity is in compliance with such laws and regulations and inspected correspondence, if any, with relevant licensing and regulatory authorities.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

As a result of the magnitude of the current projects undertaken by the Group and inherent estimation uncertainty we continue to consider 'Estimates and judgements in construction contracts' a key audit matter. The key audit matter 'Valuation of property, plant and equipment' is similar in nature to the key audit matter 'Valuation of goodwill and non-current assets' we reported in 2018, the key audit matter changed since the identified risk is no longer related to goodwill and is instead focused on property, plant and equipment. The other key audit matter considered in the 2018 auditor's report ('Settlement agreements reached in Brazil'), in our opinion, does not longer warrant the classification of key audit matter in 2019, as the improbity lawsuit was formally closed during the year.

#### Key audit matter

#### Our audit work and observations

#### Estimates and judgements in construction contracts

##### Note 4.2.7, 4.3.3 and 4.3.20 to the consolidated financial statements

The accounting for contracts with customers under IFRS 15 'Revenue from contracts with customers' is complex and is dependent on the specific arrangements between the Group and its clients as agreed upon in the contracts. Given the unique nature of each separate project and contract, management performed a contract analysis on a case-by-case basis to determine the applicable accounting for revenues from construction contracts under IFRS 15.

Significant management judgement is applied in identifying the performance obligations and determining whether they are distinct, the method of revenue recognition as either point in time or over time, contract modifications and variable consideration

We determined, based on reading the contracts with the customers, that the most critical and judgemental inputs and estimates to determine satisfaction of the performance obligations over time is the estimate of the cost to complete and the measurement of progress towards complete satisfaction of the performance obligation, including the assessment of the remaining risks and contingencies that a project is or could be facing.

Given the magnitude of the amounts involved (US\$2,064 million of turnkey revenue and US\$973 million of construction work-in-progress), the complex nature of the Group's construction contracts and the significant judgements and estimates, particularly these areas were subject to the risk of

We have read the relevant contracts. Based on our reading of the contracts, we considered whether the judgements made by management on the accounting treatment and the corresponding selection of the accounting treatment were appropriate. We concur with the estimates and judgements made by management and the corresponding accounting treatment in the consolidated financial statements.

We performed look-back procedures in respect of our risk assessment procedures by comparing the estimates included in the current projects with past projects of similar nature as this provides insight in the ability of management to provide reliable estimates. We found no material deviations.

We gained an understanding, evaluated and tested the controls the Group designed and implemented over its process to record costs and revenues relating to contracts. This includes project forecasting, measurement of the progress towards complete satisfaction of the performance obligation to determine the timing of revenue recognition and the Group's internal project reviews. We found the controls to be designed, implemented and operating effectively for the purpose of our audit.

We examined project documentation and challenged the status, progress and forecasts of projects under construction and discussed those with management, Finance and technical staff of the Group. We evaluated and substantiated the outcome of these discussions by examining modifications

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### *Key audit matter*

misstatement related to either error or fraud. We therefore considered this area to be a key audit matter.

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### *Our audit work and observations*

of contracts such as claims and variation orders between the Group, subcontractors and clients and responses thereto, performing procedures such as a detailed evaluation of forecasts and ongoing assessment of management's judgement on issues, evaluation of budget variances and obtaining corroborating evidence, evaluation of project contingencies and milestones and recalculation of the progress towards complete satisfaction of the performance obligation. In addition, we evaluated management bias.

Our audit procedures did not indicate material findings with respect to the estimates and judgements in construction contracts.

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### *Valuation of property, plant and equipment*

*Notes 4.2.7 and 4.3.13 to the consolidated financial statements*

Property, plant and equipment are subject to an impairment test when triggering events are identified. Impairments are recognized when the carrying value is higher than the recoverable amounts. The recoverable amounts of the cash-generating units ('CGUs') have been determined based on value-in-use calculations based on expected future cash flows from those CGUs.

In particular, we focused our audit procedures on the identification of triggering events and instances where triggering events occurred. In those cases management prepared an updated value-in-use calculation, for instance related to the Thunder Hawk semi-submersible production unit, which led to an impairment charge of US\$16 million in the current year following an update of the unit's production profile (Thunder Hawk is the only facility in the Group lease fleet portfolio for which revenues are linked to volumes produced). We also noted a triggering event for Deep Panuke, which resulted in an impairment of US\$9 million.

We determined the valuation of property, plant and equipment to be a key audit matter, due to the aggregate size of these assets and because in case of a triggering event, management's determination of the recoverable values includes a variety of significant assumptions, such as internal and external factors with respect to the future level and results of the business and the discount rates applied to the forecasted cash flows. Therefore, this area is particularly subject to the risk of misstatement either due to error or fraud.

We have discussed and reviewed the triggering event analysis of management. Based on this analysis, management did not identify any triggering events for impairment, other than the triggering event relating to the Thunder Hawk semi-submersible production unit and the Deep Panuke MOPU.

We evaluated whether management's triggering event analysis identified all relevant CGU's and the completeness of factors included in the analysis. These included among others contractual arrangements, operational performance, financial performance and changes in discount rates. We challenged these aspects and with the assistance of our valuation experts, we independently calculated the discount rates. In calculating the discount rates, the key inputs used were independently sourced from market data and comparable companies. We compared the discount rates determined by management to our independently calculated rates. Based on the sensitivity analysis, we found the discount rates used by management to be within an acceptable range. We concur with management's conclusions on the triggering events for impairment.

In relation to the determination of the recoverable value of the impaired assets, we considered the prior year forecast to determine whether this forecast included assumptions that, with hindsight, had been too optimistic. We performed audit procedures on management's inputs and assumptions such as prospective financial information based on the approved budget, externally sourced production profile forecasts, contractually agreed rates and operating costs. We reconciled the carrying amount of the CGU with the amounts as included in the (consolidated) financial statements. We have re-performed calculations and compared the impairment models with generally accepted valuation techniques. We further evaluated the adequacy of the disclosure of the key assumptions and sensitivities underlying the tests, as well as management bias.

As a result of our audit procedures, we found the assumptions to be reasonable and supported by the available evidence. Our procedures did not identify material omissions in the disclosures in the financial statements.

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#### *Report on the other information included in the Annual Report*

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

- the director's report comprising of chapters ' 1 At a Glance ', ' 2 Strategy and Performance ', ' 3 Governance ' (with the exception of section 3.4 Remuneration Report ), ' 4.1 Financial Review ', and ' 5.3 Non-Financial Indicators ' of the Annual Report;
- the other information pursuant to article 392.1 Part 9 of Book 2 of the Dutch Civil Code as included in section 4.6.1 of the Annual Report;
- the chapters ' 3.4 Remuneration Report ', ' 4.7 Key Figures ', ' 5 Non-Financial Data ' (with the exception of section 5.3 Non-Financial Indicators ) and ' 6 Other Information ' of the Annual Report

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is 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 in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our 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 such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The Management Board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

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#### *Report on other legal and regulatory requirements*

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##### *Our appointment*

We were nominated as auditors of SBM Offshore N.V. on 13 November 2013 by the Supervisory Board and appointed through the passing of a resolution by the shareholders at the annual meeting held on 17 April 2014. Our appointment has been renewed on 11 April 2018 for a period of three years by the shareholders. Our appointment represents a total period of uninterrupted engagement of six years.

##### *No prohibited non-audit services*

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding the statutory audit of public-interest entities.

##### *Services rendered*

The services, in addition to the audit, that we have provided to the Company and its controlled entities, for the period to which our statutory audit relates, are disclosed in note 4.3.34 to the financial statements.

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#### *Responsibilities for the financial statements and the audit*

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##### *Responsibilities of the Management Board and the Supervisory Board for the financial statements*

The Management Board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board should prepare the financial statements using the going-concern basis of accounting unless the Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.



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

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 12 February 2020  
PricewaterhouseCoopers Accountants N.V.

M. de Ridder RA

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

*The auditor's responsibilities for the audit of the financial statements*

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 consisted, among other things of the following:

- 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 intentional 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 Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.
- Concluding on the appropriateness of the Management Board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding the statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board 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 Supervisory Board, 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 communicating the matter is in the public interest.