

2017

ANNUAL REPORT



EXPERIENCE MATTERS

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4.6.2 INDEPENDENT AUDITOR'S REPORT

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

Report on the financial statements 2017

Our opinion

In our opinion:

- SBM Offshore N.V.'s consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017 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;
- SBM Offshore N.V.'s company financial statements give a true and fair view of the financial position of the Company as at 31 December 2017 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 accompanying financial statements 2017 of SBM Offshore N.V., Amsterdam ('the Company'). The financial statements include the consolidated financial statements of SBM Offshore N.V. and its subsidiaries (together: 'the Group') and the company financial statements.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the following statements for 2017: the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2017;
- the company income statement for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been 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.

The 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 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 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 – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

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.

The Group continues to be affected negatively by the impact that low oil prices have on their clients and prospects, and the circumstances the company is facing in Brazil. The aforementioned conditions resulted in a decreased number of significant project awards, but nevertheless two awards and commencement of work for two new large Engineering Procurement Construction (EPC) contracts in 2017 for the Company. This impacted the Company's financial position and results – particularly its Turnkey segment. Given these facts and circumstances, we focussed on matters such as estimates that involve significant judgement like impairments, provisioning and future scenarios (all of these are disclosed in more detail below as it regards to key audit matters).

The difficult market conditions, leading to a downturn in the results, affected our determination of materiality as described in the materiality section of this report.

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, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain in difficult market circumstances. In paragraph 4.2.7 section 'Use of estimates and judgement' of the financial statements, the company describes the areas of judgment in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the impairment of assets, we considered this to be a key audit matter as set out in the section 'Key audit matters' of this report. Furthermore, we considered the provision for Brazil and settlement in the United States of America with respect to the alleged improper sales activities a key audit matter given the impact on the financial statements and the risks involved. Finally we consider the directional reporting enhancements a key audit matter given the relevance of this information to certain stakeholders.

Other areas of focus, that were not considered to be key audit matters, were Shell exercising the purchase option on FPSO Turritella, uncertain tax provisions, provisions for onerous contracts, IAS 8 disclosures surrounding the implementation and impact assessment of IFRS 9, 15 and 16 and revenue and margin recognition relating to the Liza FPSO project. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Management Board that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a company providing floating production solutions to the offshore energy industry, over the full product life-cycle. We thereto included members with relevant industry-expertise and specialists in the areas of IT, tax, valuations and pension benefit provisions in our audit team and discussed the compliance matters with forensics and risk management specialists.

The outline of our audit approach was as follows:



Materiality

- Overall materiality: USD 21.75 million. As a basis for our judgment we used 0,6% of the net assets for 2017.

Audit scope

- We conducted audit work in 3 locations.
- Site visits were conducted to Monaco.
- Audit coverage: 97% of consolidated revenue, 96% of consolidated total assets and 92% of profit before tax.

Key audit matters

- Assessment of goodwill and asset valuation
- Provision in Brazil and settlement in the United States of America with respect to alleged improper sales activities
- Directional reporting enhancements

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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 judgment, 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>	USD 21.75 million (2016: USD 14 million).
<i>Basis for determining materiality</i>	We used our professional judgment to determine overall materiality. As a basis for our judgment we used 0,6% of the net assets for 2017.
<i>Rationale for benchmark applied</i>	We used this benchmark and the rule of thumb (%), based on the common information needs of users of the financial statements, including factors such as the headroom on covenants and the financial position of the Company. The benchmark changed from last year from 3.5% of adjusted profit before tax to 0,6% of the company's net assets. The company is facing a period of prolonged downturn of the global (offshore) oil & gas market. The change in benchmark reflects the current (asset driven) significant weight of the lease and operate segment in the performance of the company, while facing a declined turnkey segment. As a result of our assessment, we consider net assets the appropriate representative benchmark for the financial performance of the company in 2017.
<i>Component materiality</i>	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between USD 14 million and USD 21.5 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 USD 10 million for balance sheet reclassifications and USD 2.2 million for profit before tax impact (2016: USD 1.4 million) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons in general. This is in line with the changed benchmark.

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 performed sufficient work 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 the component level by the group engagement team and by each component auditor.

The group audit focussed on the significant components: two regional centres in Monaco, the group functions in Amsterdam, the Netherlands and the treasury function shared service center in Marly, Switzerland.

Two components in Monaco and the group functions component were subject to a full scope audit as those components are individually significant to the Group. The treasury function shared service center in Marly was subject to specific risk-focussed audit procedures as they include significant or higher risk areas. Additionally, one component ('Sites and Yards') was selected for audit procedures to achieve appropriate coverage on financial line items in the consolidated financial statements. In total, in performing these procedures, we achieved the following coverage on the financial line items:

<i>Revenue</i>	97%
<i>Total assets</i>	96%
<i>Profit before tax</i>	92%

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. The coverage percentages have been determined on the basis of the financial information of components that are accompanied by an audit opinion from the component auditor, or were subject to specified procedures, and taken into account in full at the consolidated level.

For the group functions 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 we used component auditors who are familiar with the local laws and regulations to perform the audit work.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. The group engagement team visits the component teams on a rotational basis. In the current year the group audit team has visited the Monaco components.

The group consolidation, financial statement disclosures and a number of complex (accounting) items, such as share based payments, onerous contracts, provisions, impairment analysis, directional reporting and the compliance matters, are audited by the group engagement team at the head office.

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 Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

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 that were 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. The key audit matters 'Assessment of goodwill and asset valuation' and 'Provision in Brazil and settlement in the United States of America with respect to alleged improper sales activities' are similar in nature to the key audit matters we reported in 2016 due to the nature of the company's business and its environment. The other audit matters considered key in the 2016 auditor's report, in our opinion, do not longer warrant the classification of key audit matter in 2017.

The key audit matters were addressed 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 comments or observations we make on the results of our procedures should be read in this context.

Key audit matter

How our audit addressed the matter

Assessment of goodwill and asset valuation

The company identified impairment triggers as a result of (a) the Brazilian (Brasa) yard's activity not being able to return to a normal state, and (b) a further deterioration of the outlook in Angola regarding its net investment in the Paenal yard. Furthermore the company performed its annual testing of impairment of the goodwill relating to the regional center Houston.

This required an impairment assessment under IAS 36 of the carrying value of the Houston goodwill (USD 25 million) and the investment in the Brasa yard in Brazil (USD 24 million) based on the future cash flows of these assets and/or the cash generating units to which the assets are allocated. Each assessment contains a number of variables that are subject to (significant) judgement and estimation uncertainty e.g. future level of business at the joint venture yards (expected brown field and integration projects), average margin on those projects, level of required operational and capital expenditure relative to the size of the business. The goodwill and investment in the Brasa yard both did not require impairment.

The investment in the joint venture relating to the Angolan (Paenal) yard has seen its outlook for Angola deteriorate further, resulting in the remaining shareholder loans of net USD 34 million being impaired in full in 2017. Reference is made to note 4.3.13, 4.3.15 and 4.3.31 to the financial statements.

As identifying triggering events for impairment and performing impairment testing involves significant judgement, and given the combined magnitude of the assets at risk, we considered this area to be a key audit matter.

Given the downturn in the industry and the lack of activities due to the limited projects awarded, management assessed triggering events for all relevant assets. We have discussed and agreed to the analysis and performed audit procedures over the resulting impairment assessment for the Brasa yard in Brazil and the shareholder loans to the Paenal yard. In addition, we have audited the required annual impairment assessment for goodwill.

For the Brasa yard and the goodwill, we evaluated and challenged the composition of management's future cash flow forecasts and the process by which they were drawn up. We performed audit procedures on management's assumptions such as revenue and margin from expected brown field and integration projects, the discount rate, terminal value, operational and capital expenditure and number of employees. We have obtained corroborative evidence for these assumptions. We have assessed the reasonableness based on available market data of the number of total projects to undergo maintenance in the area, breakdown of expected projects to be undertaken in the area and the expected timing of awarding of these projects as well as the probability of the company winning these awards in the 6 years to come. We performed analyses to assess the reasonableness of forecasted revenues, margins and expenditures in line with the level of activity forecasted, and obtained further explanations when considered necessary. We compared the long term growth rates used in determining the terminal value, with economic and industry forecasts. In our audit team we included valuations experts. We have re-performed calculations, compared with generally accepted valuation techniques, assessed appropriateness of the cost of capital for the company and

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Key audit matter

How our audit addressed the matter

comparable assets, as well as considered territory specific factors and assessed appropriateness of disclosure of the key assumptions and sensitivities underlying the tests. As a result of our audit procedures, we found the assumptions to be consistent and in line with our expectations.

We have also assessed the impairment of the shareholder loans to the Angolan (Paenal) yard in accordance with IAS 39 by assessing management's estimate of future cash flows as described above. Our audit procedures did not indicate material findings with respect to the impairments as recorded and disclosed in the financial statements for an amount of USD 34 million.

Provision in Brazil and settlement in the United States of America with respect to alleged improper sales activities

The Investigation by the Brazilian authorities into alleged improper sales practices in Brazil as reported in prior years has led the company to sign a leniency agreement in July of 2016. In September 2016, this was revoked by the Fifth Chamber of the Brazilian Federal Prosecutor Service. After addressing the formal matters in the leniency agreement that had led the Fifth Chamber to not approving it, the Federal Court of Accounts (TCU) revoked their permission to the parties involved (Ministry of Transparency, Fiscal matters and Control, MTFC, formerly known as CGU), the General Counsel (AGU) and Petrobras, to sign the amended leniency agreement. In December 2017, the company learned that the TCU decided to allow the MTFC, the AGU and Petrobras to move forward with signing of the leniency agreement. However, in the meantime the Federal Prosecutor's Office (MPF), no longer working as one counterparty with the organisations above, filed a damage claim (relating to the same case of improper sales payments before 2012) based on the Brazilian Improbability Act with the Federal Court in Rio de Janeiro against one Brazilian and one Swiss SBM Offshore entity and a number of individuals including former employees of SBM Offshore. Given the fact that the judge handling the case now has to decide whether to accept the lawsuit before the Brazilian court, and the current status, no additional provision was recorded in this respect. Management considers the provision in place (accreted for 2017 unwinding of discount) their best estimate of expenditure the company would rationally pay to settle at balance sheet date. The provision stands at USD 299 million at December 31, 2017.

We have discussed the status of the Brazilian settlement negotiations with the Management Board. We have examined various in- and external documents. The company is of the opinion that it is probable that a settlement in line with the signed leniency agreement will be reached and continues to be in a position to make a reasonable estimate of the cost of such a potential settlement. We have assessed the reasonableness of such estimate through reconciliation with the draft leniency agreement, inquiry with the Management Board, obtained lawyers letters and held extensive discussions with the Brazilian and Dutch external lawyers. We have assessed the adequacy of the related disclosure in note 4.3.1 and 4.3.26. The amount provided remains management's best estimate. Our aforementioned procedures did not indicate material findings with respect to the provision as recorded and disclosed in the financial statements.

We have also discussed the settlement in the United States of America with the Management Board. As a result of the settlement, we assessed whether the penalties have been appropriately recorded in the income statement. We have examined the Deferred Prosecution Agreement, vouched payment of the monetary penalties to bank statements and assessed adequacy through lawyers letters obtained. We have assessed the adequacy of the related disclosure in note 4.3.1 and 4.3.26. Our audit procedures did not indicate material findings with respect to the settlement as recorded and disclosed in the financial statements.

In November 2017 the company announced that it had signed a Deferred Prosecution Agreement with the U.S. Department of Justice resolving the reopened investigation into the company's alleged improper sales practices and the company's relationship with Unaoil. In prior year, this was disclosed under contingent liabilities in the Company's financial statements, since the requirements of IAS 37 to record a provision were not met. The Company agreed to pay monetary penalties in the total amount of USD 238 million, which has been paid to the U.S. authorities in 2017.

Considering the significance of the provision and settlement, we consider this a key audit matter. Reference is made to notes 4.3.1 and 4.3.26 of the financial statements.

Directional reporting enhancements

The Management Board is managing, monitoring and reporting its business per Lease & Operate and Turnkey segments as described in note 4.2.7.c.e 'Operating segment information'.

We obtained the reports that the Management Board is receiving based on which they make informed decisions and reconciled those to the segments identified in the segment reporting. As part of our procedures we evaluated the reconciliation between Directional and IFRS reporting and in

Key audit matter

Since 2014, the Company's segment reporting for the income statement has been based on 'directional reporting accounting policies' including a reconciliation between the 'Directional reporting' to the consolidated IFRS reporting. As described in note 4.2.7.c.e, the Directional reporting accounts for:

- All investees involved with lease and operate contracts at the Company's share as if they were classified as Joint Operation under IFRS 11, using the proportionate consolidation method;
- All lease contracts as if they were operating lease contracts under IAS 17.

In 2017, the Management Board commenced using a reporting balance sheet and cash flow statement based on 'Directional reporting' accounting policies. Thereto a 'Directional balance sheet and cash flow statement' is provided as part of IFRS 8 disclosure in addition to the Directional income statement.

Considering the non-GAAP nature of Directional reporting, the first-time application of the 'Directional reporting accounting policies' for the balance sheet and cash flow statement and the potential significance to various stakeholders, we considered this a key audit matter.

How our audit addressed the matter

particular the proportionate consolidation method and classification of all leases as operational.

We performed procedures on the impact of the proportionate consolidation under Directional reporting, e.g. tested the IT general controls, consolidation rules and automated calculations performed by the consolidation system, verified integrally that the correct SBM ownership percentages are included in the consolidation system and tested all the manual consolidation entries.

Under Directional reporting, the FPSO's are reflected as property plant and equipment. We have assessed the appropriateness of the historical cost and (accumulated) depreciation of the FPSO's, through reconciling the historical cost to the underlying historical records, evaluated whether intercompany profits were appropriately partially eliminated and assessed whether the assets have been accurately depreciated thus far. In addition, we assessed whether the other effects of the accounting for leases as operating leases are appropriately amended in the 'Directional' balance sheet. This includes the reversal of historical results recognized in equity originating from the accounting for finance leases and the recognition of demobilisation obligations, now for all assets. In addition, we have recalculated the deferred revenues stemming from contractually agreed day-rates.

Our procedures did not result in material findings for the Directional reporting disclosures in note 4.3.2.

Report on the 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:

- chapter 1 to 4.1, 5 and 6 of the annual report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

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 all 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 to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of SBM Offshore N.V. on 13 November 2013 subject to the passing of a resolution by the shareholders at the annual meeting held on 17 April 2014 for a uninterrupted period of 4 years up until the annual meeting of 11 April, 2018.

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 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

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;
- 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.

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 audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all 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, 7 February 2018
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 scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. 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. 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 company's 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 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 communicate to 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 to 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.