



We create chemistry

**BASF Finance Europe N.V.**  
**Arnhem, The Netherlands**

**Annual Report 2021**



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Arnhem, The Netherlands

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BASF Finance Europe N.V.  
Arnhem, The Netherlands

## FINANCIAL REPORT

## 1 REPORT OF THE BOARD OF DIRECTORS

### 1.1 General information

BASF Finance Europe N.V. (hereinafter: the Company) has its legal address in the Netherlands, Groningensingel 1, 6835 EA, Arnhem and is listed under number 09041351 in the Trade Register.

All amounts are in € x 1,000 or in US\$ x 1,000 unless otherwise stated.

The Company is a 100% subsidiary of BASF SE, Ludwigshafen, Germany.

The objective of the Company is to optimize the financial activities within BASF group companies in Europe. The core activities of the Company involve the forming of, financing of, participating in, managing of, supervision of and contribution of services to companies, as well as performing commercial, industrial and financial operations.

The Company has no employees and receives services through the staff of BASF Nederland B.V..

The Supervisory Board and the Board of Directors are each comprised of three natural persons.

### 1.2 Debt Issuance Program

On September 7, 2007 the Company and BASF SE established their Debt Issuance Program (hereinafter: DIP or the Program). Under this DIP, the Company or BASF SE may issue one or more notes to a specific number of banks (so-called: Dealers). As of December 31, 2021, the maximum aggregate principal amount of notes which can be issued and outstanding under the Program is € 20,000,000. Notes issued by the Company under the DIP have the benefit of a guarantee provided by BASF SE. Notes will be issued in such denominations as may be agreed between the issuer and the relevant Dealer and as indicated in the applicable final terms. Notes issued under the DIP can be listed for trading on the regulated market of the Luxembourg Stock Exchange.

The DIP prospectus is updated annually.

Current notes overview at nominal value

Date of issuance	Interest rate	Nominal amount	Carrying amount 12/31/2021
November 10, 2016	0.750%	€ 500,000	€ 496,829
June 20, 2018	3.625%	US\$ 200,000	€ 176,197
Total outstanding notes on December 31, 2021			€ 673,026

### 1.3 Result

The Company has completed the year with a positive result of € 86 (December 31, 2020: negative result of € 1,714). In 2021 a gain was realized due to lower interest and similar expenses compared to 2020.

During the reporting period the Company did not use financial derivatives.

The Company did not suffer from negative consequences from the Covid-19 crisis.

## 1.4 Risk report

The risk management goal of the Company is to identify and evaluate risks as early as possible and limit business losses by taking appropriate measures, thus avoiding risks that pose a threat to the continuity of the Company.

Management is not aware of any significant risks and uncertainties. Therefore, there are no improvement measures planned. Management identified no specific areas where there is a higher fraud risk which need special attention.

### Financial risk

The management of currency and interest rate risks is conducted in the treasury department of BASF Nederland B.V., detailed BASF guidelines and procedures exist for dealing with financial risks.

### Interest risk

Interest rate risks are the result of changes in prevailing market interest rates, which can cause a change in the present value of fixed-rate instruments, and changes in the interest payments of floating rate instruments. To hedge these risks the interest rates of the assets and the liabilities have the same base. This will offset the interest rate risk.

### Liquidity risk

Risks from cash flow fluctuations are recognized in a timely manner as part of the liquidity planning. Uncertainties are taken into account by means of additional risk scenarios and the short-term updating of our liquidity planning. This means we can promptly take the necessary measures when required. The liquidity policy is determined by BASF SE.

### Credit Risk

On a yearly basis, the Company assesses the credit risk for counterparties within the BASF Group where there are loans granted at year-end. So far, the Company has only granted loans to 100% group companies, which are classified as counterparties with low credit risk.

Management follows the rapid developments of the Covid-19 crisis continuously and will take measures to reduce the credit risk when possible. So far there is no significant higher credit risk determined.

The Company's obligations to third parties on the bond markets are guaranteed by BASF SE, the parent company of the BASF Group.

### Foreign currency risk

Financial foreign currency risks are the result of the translation of receivables, liabilities and other monetary items. These risks are not hedged by using derivative instruments.

The Company is exposed to foreign exchange risk on liabilities and receivables denominated in a currency other than Euro, but these related risks are naturally hedged. In general, the Company strives to match foreign exchange risks of its assets and liabilities.

## 1.5 Financial data

### Current ratio

The current ratio as per December 31, 2021 measured as Current Assets / Current Liabilities amounts to 1.396 (2020: 1.685).

### Solvency ratio

The solvency ratio as per December 31, 2021 measured as Shareholders' Equity / Balance sheet total amounts to 0.009 (2020: 0.013).

The low solvency ratio results from the high amount of total liabilities. However, due to the fact that financial fixed assets and non-current liabilities have the same duration with a fixed margin, the Company has limited risk with regards to solvency.

Notes issued by the Company under the DIP have the benefit of a guarantee provided by BASF SE.

### Information on research and development

The Company does not conduct any research and development.

### Outlook for 2022

When new applications for financing will be received during 2022, the Company will decide if, how and where to issue new notes or to take or provide new loans. The Company does not plan to have employees for 2022. The Company does not intend to make investments in 2022.

### Corporate Governance

The Board of Directors is responsible for the establishment and adequate functioning of internal control in the Company. Consequently, the Board of Directors has implemented a range of processes designed to provide control by the Board of Directors over the Company's operations. These processes and procedures include measures regarding the general control environment as well as specific internal control measures.

All these processes and procedures are aimed at ensuring a reasonable level of assurance that the Company has identified and managed its significant risks and that it meets the operational and financial objectives in compliance with applicable laws and regulations.

While the Board of Directors routinely works towards continuous improvement of the processes and procedures regarding financial reporting, the Board of Directors is of the opinion that, regarding financial reporting risks, the internal risk management and control systems:

- provide a reasonable level of assurance that the financial reporting in this annual report does not contain any errors of material importance;
- have worked properly in 2021.

The duty of the Board of Supervisory Directors shall be to supervise the policies of the Board of Directors and the general course of affairs of the Company and its affiliated business. It shall give advice to the Board of Directors, asked and un-asked for when performing their duties, the Supervisory Directors shall be guided by the interests of the Company and its affiliated business. For further details, see also "1.1 General Information".

The Company does not have an audit committee. Article 21a of the "Wet toezicht accountantsorganisaties" (Wta) offers the (informal) legislator the opportunity to introduce an audit committee. This was done by decree of 26 July 2008 and applies to "public interest entities", what is meant by this is defined in Article 1, letter I of the Wta. The Company meets this definition. However, Article 3(a) of the decree mentions an exemption, which the Company complies with.

## 1.6 Responsibility statement

In accordance with article 5:25c of the Financial Markets Supervision Act (Wet op het financieel toezicht), the Board of Directors confirms that to the best of its knowledge:

- the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company;
- the annual report gives a true and fair view of the position as per December 31, 2021 and the development during the financial year of the Company;
- the annual report describes the principal risks the Company is facing.

Arnhem, The Netherlands, April 7, 2022

BASF Finance Europe N.V.

J. Hoekstra (Director)

R. Holtermann (Director)

F. Wilhelmi (Director)

## 2 CORPORATE GOVERNANCE STATEMENT 2021

This is a corporate governance statement, as referred to in article 2a of the Dutch Decree on additional requirements for annual reports, as applicable to annual reports issued for fiscal years beginning on or after January 1, 2009 (the Dutch Corporate Governance Code).

The Corporate Governance Code does not apply, since the Company is unlisted.

### Internal risk management and control systems

The information concerning the Company's main features of the internal risk management and control systems relating to the financial reporting process, as required by article 3a sub a of the Decree "Besluit nadere voorschriften Inhoud Bestuursverslag (Bib)", can be found in the section of the Report of the Board of Managing Directors Chapter 1 and is deemed to be included and repeated in this statement.

Arnhem, The Netherlands, April 7, 2022

J. Hoekstra (Director)

R. Holtermann (Director)

F. Wilhelmi (Director)



## **FINANCIAL STATEMENTS**

**1 BALANCE SHEET AS OF DECEMBER 31, 2021**  
(before appropriation of the results)

	12/31/2021		12/31/2020	
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
<b>ASSETS</b>				
<b>FIXED ASSETS</b>				
<b>Financial fixed assets</b>	(1)			
Loans to group companies		672,968		658,670
<b>CURRENT ASSETS</b>				
Other receivables	(2)	21,770		21,384
<b>TOTAL ASSETS</b>		<u>694,738</u>		<u>680,054</u>
<b>SHAREHOLDERS' EQUITY</b>				
Issued share capital	(3)	2,087		2,087
Share premium reserve		2,513		10,477
Other reserves		1,437		-2,213
Result of the year		86		-1,714
		<u>6,123</u>		<u>8,637</u>
<b>LONG-TERM LIABILITIES</b>				
Non-current loans	(4)	673,026		658,725
<b>CURRENT LIABILITIES</b>				
Other current liabilities	(5)	15,589		12,692
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<u>694,738</u>		<u>680,054</u>

## 2 PROFIT AND LOSS ACCOUNT FOR 2021

	2021		2020	
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
Interest and similar income (6)	15,129		19,844	
Interest and similar expense (7)	14,792		21,911	
<b>Net financial income and expenses</b>		337		-2,067
General and administrative expense (8)		227		211
<b>Result from ordinary activities before tax</b>		110		-2,278
Tax on result from ordinary activities (9)		-24		564
<b>Net result</b>		86		-1,714

### 3 CASH FLOW STATEMENT FOR 2021

The cash flow statement has been prepared using the indirect method.

	2021		2020	
	€ x 1,000	€ x 1,000	€ x 1,000	€ x 1,000
<b>Net cash flow from operating activities</b>				
Result before taxation	110		-2,278	
Interest income and interest expense	-337		-233	
Adjustment effective interest methode	3		2,300	
Change in other working capital	4		-4	
		-220		-215
Interest paid	-14,074		-20,299	
Interest received	14,323		21,557	
Corporate income tax	130		-54	
		249		1,204
<b>Net cash flow (used in) / from operating activities</b>		<b>159</b>		<b>989</b>
Issued Financial Assets	-			
Repayment Financial Assets	-		1,000,000	
<b>Net cash flow (used in) / from investing activities</b>		-		1,000,000
Repayment Loans/Notes (Note 5)	-9,000		-1,000,000	
Dividend payment (Note 3)	-2,600		-	
Proceeds Loans/Notes (Note 5)	11,600			
<b>Net cash flow (used in) / from financing activities</b>		-		-1,000,000
Changes in cash & cash equivalents		<b>159</b>		<b>989</b>
The movement in the cash & cash equivalents can be broken down in the Current account with parent company as follows:				
Balance as at January 1		16,506		15,517
Movement during the financial year		159		989
Balance as at December 31 (Note 2)		<b>16,665</b>		<b>16,506</b>

## 4 NOTES TO THE FINANCIAL STATEMENTS

### GENERAL

BASF Finance Europe N.V. (the Company) has been established per April 22, 1976. The first financial year started on April 22 and ended on December 31, 1976. The Company has its legal address in the Netherlands, Groningsingel 1, 6835 EA, Arnhem and is listed under number 09041351 in the Trade Register. The financial year is from January 1, 2021 until December 31, 2021.

### Activities

The activities of the Company involve the forming of, financing of, participating in, managing of, supervision of and contribution of services to companies, as well as performing commercial, industrial and financial operations.

### Ownership

The financial statements of the Company are consolidated in the consolidated financial statements of BASF SE in Ludwigshafen, Germany, the ultimate parent company, which can be found on the website: <https://www.basf.com>. BASF Finance Europe N.V. is a 100% subsidiary of BASF SE, Ludwigshafen, Germany.

### GENERAL ACCOUNTING PRINCIPLES FOR THE PREPARATION OF THE ANNUAL ACCOUNTS

The financial statements have been prepared in accordance with Title 9 Book 2 of the Netherlands Civil Code and the Dutch Accounting Standards.

These financial statements have been prepared on the basis of the going concern assumption.

Valuation of assets and liabilities and determination of the result takes place under the historical cost convention. Unless presented otherwise at the relevant principle for the specific balance sheet item, assets and liabilities are presented at nominal value.

An asset is recognized in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. A liability is recognized in the balance sheet when it is expected to result in an outflow of resources embodying economic benefits and the amount of the obligation can be measured reliably.

An asset or liability that is recognized in the balance sheet, remains on the balance sheet if a transaction (with respect to the asset or liability) does not lead to a major change in the economic reality with respect to the asset or liability.

An asset or liability is no longer recognized in the balance sheet when two conditions have been met: 1. substantially all rights to economic benefits have been transferred to a third party and 2. substantially all risks related to the asset or liability have been transferred to a third party.

### **Management estimates**

The preparation of the financial statements requires the management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. The actual results may differ from these estimates. Revisions of estimates are recognized in the period in which the estimate is revised and in future periods for which the revision has consequences.

The major estimations management made, were regarding the credibility of the counterparties of the loan receivable and the determination of the fair value of the financial instruments.

Management investigated the credibility of the group companies who received a loan and concluded there is no reason for impairment of these loans.

The fair values of the loans represent the clean fair value excluding interest accruals. For the calculation, discount factors based on secondary market yields (source: Bloomberg) were used to reflect BASF risk. The fair value of financial instruments other than the ones stated in the above table is close to the carrying amount.

### **Financial instruments**

Financial instruments are primarily instruments such as receivables and financial derivatives. For the principles of primary financial instruments, reference is made to the treatment per balance sheet item.

Financial instruments are recognized initially at fair value, including discounts/premium and any directly attributable transaction costs. If instruments are not subsequently measured at fair value with value changes recognized in the profit and loss account, any directly attributable transaction costs are included in the initial measurement.

Financial instruments include loans and (other) receivables, cash items, bonds/notes and other financing commitments.

The company has no derivative financial instruments embedded in contracts.

After initial recognition, financial instruments are valued in the manner described below.

### **Determination of Fair Value**

A number of accounting principles and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities.

The fair value of financial fixed assets is estimated on the basis of the expected and/or contractual cash flows. These cash flows are discounted at the market interest rates as at balance sheet date, including a margin representing the relevant risks involved.

If applicable, detailed information concerning the principles for determining the fair value is included in the section that specifically relates to the relevant asset or liability.

**Translation of assets, liabilities and transactions denominated in foreign currency**

Monetary assets and liabilities denominated in foreign currency are translated into the functional currency (Euro) at the balance sheet date at the exchange rate applying on that date. Non-monetary assets and liabilities in foreign currency that are stated at historical cost are translated into Euro at the applicable exchange rates on the transaction date. Translation gains and losses are taken to the profit and loss account as income and expenditure.

The Company granted loans to BASF group companies for the same amount and denominated in the same currency as the loans issued. As such, except for the applicable margin, foreign currency risks are passed on to group companies and do not have any impact on the results of the Company.

The balance sheet positions denominated in foreign currency are translated at the exchange rate on the balance sheet date.

In the profit and loss account foreign currency amounts are translated at monthly average rates. Foreign exchange gains and losses are included in interest and similar income.

**PRINCIPLES FOR VALUATION OF ASSETS AND LIABILITIES****Financial fixed assets**

Financial instruments are initially recognized at fair value, including discount or premium and directly attributable transaction costs. However, if financial instruments are subsequently measured at fair value through profit and loss, then directly attributable transaction costs are directly recognized in the profit and loss account at the initial recognition.

After initial recognition, loans and other financial commitments are carried at amortized cost using the effective interest rate method. Interest income, based on the effective interest rate method, is accounted for under the interest and similar income from financing activities within the profit and loss account.

A financial asset and a financial liability are offset when the entity has a legally enforceable right to set off the financial asset and financial liability and the company has the firm intention to settle the balance on a net basis, or to settle the asset and the liability simultaneously.

If there is a transfer of a financial asset that does not qualify for derecognition in the balance sheet, the transferred asset and the associated liability are not offset.

### **Impairment of fixed assets**

A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, with negative impact on the estimated future cash flows of that asset, which can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, indications that a debtor or issuer is approaching bankruptcy, or the disappearance of an active market for a security.

The entity considers evidence of impairment for financial assets measured at amortized cost, loan and receivables both individually and on a portfolio basis. All individually significant assets are assessed individually for impairment. Those individually significant assets found not to be individually impaired and assets that are not individually significant are then collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the company uses historical trends of the probability of default, the timing of collections and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

A previously recognised impairment loss is reversed if the decrease of the impairment can be related objectively to an event occurring after the impairment was recognised. The reversal is limited to at most the amount required to measure the asset at its original amortised cost at the date of reversal had the impairment not been recognised.

An impairment loss in respect of a financial asset stated at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognised in the profit and loss account and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised by using the asset's original effective interest rate.

### **Loans granted, other receivables and cash and cash equivalents**

Loans and receivables are initially measured at fair value, including discount or premium and directly attributable transaction costs.

Loans and receivables are measured after their initial valuation at amortized cost using the effective interest rate method, less impairment losses. The loans and receivables with a remaining time to maturity exceeding 12 months are presented as financial fixed assets. Interest income, based on the effective interest rate method, are accounted for in the interest and similar income within the income statement.

### **Provisions**

A provision is recognised when the company has a present obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are valued at nominal value.

### **Long-term liabilities**

Long-term and other financial commitments are initially measured at fair value, including discount or premium and directly attributable transaction costs.

Long-term and current liabilities and other financial commitments are stated after their initial recognition at amortized cost on the basis of the effective interest rate method.

Redemption payments regarding long-term liabilities that are due next year, are presented under current liabilities.



**Notes issued, loans received and other payables**

Notes, loans and other financial commitments are initially measured at fair value, including discount or premium and directly attributable transaction costs.

Notes, loans and other financial commitments are carried after their initial valuation at amortized cost using the effective interest rate method. The notes and loans with a remaining time to maturity exceeding 12 months are presented as non-current liabilities. Interest expense, based on the effective interest rate method, is accounted for in the interest and similar charges.

**PRINCIPLES FOR THE DETERMINATION OF THE RESULT****Determination of the result**

Interest income and expenses are accounted for on accrual basis. Profit is only included when realized on the balance sheet date. Losses originating before the end of the financial year are taken into account if they have become known before preparation of the financial statements.

**Interest and similar expense**

Interest income is recognized in the profit and loss account on an accrual basis, using the effective interest rate method. Interest expenses and similar charges are recognized in the period to which they belong.

Premium, discount and redemption premiums are recognized as interest expense in the period to which they belong. The allocation of these interest expenses and the interest income on the loan is the effective interest rate that is recognized in the profit and loss account. On the balance sheet, the amortized value of the debt(s) is recognised (on balance). The amounts of the premium that are not yet recognised in the profit and loss account and the redemption premiums already recognised in the profit and loss account, are recognised as an increase in debt(s) to which they relate. Amounts of the discount that are not yet recognised in the profit and loss account are recognised as a reduction of the debt(s) to which they relate.

**Taxes**

Corporate income tax expense comprises current and deferred tax. Corporate income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities in the financial statements and the carrying amounts for tax purposes. A deferred tax asset is recognized for future tax benefits, arising from temporary differences and for tax loss carry forwards to the extent that the tax benefits are likely to be realized.

Taxes on income are based on the result in the financial statements, taking into account the permanent differences between determinations of result according to the financial statements on the one hand and according to the fiscal determination of result on the other. Calculation is based on current tax rate.

**PRINCIPLES FOR PREPARATION OF THE CASH FLOW STATEMENT**

The cash flow statement is prepared using the indirect method. Cash flows in foreign currency are translated into euros using the weighted average exchange rates at the dates of the transactions.

The interest received and paid as well as the income tax are allocated to operating cash flows.

Transactions that do not result in exchange of cash and cash equivalents are not presented in the cash flow statement.

## 5 NOTES TO THE BALANCE SHEET AS PER DECEMBER 31, 2021

### ASSETS

#### 1. Financial fixed assets

	12/31/2021	12/31/2020
	€ x 1,000	€ x 1,000
<b>Loans to group companies</b>		
Loan 20, BASF Antwerpen N.V.	496,775	496,141
Loan 22, BASF Nederland B.V.	176,193	162,529
	<u>672,968</u>	<u>658,670</u>

#### *Loan 20, BASF Antwerpen N.V.*

	2021	2020
	€ x 1,000	€ x 1,000
Balance as of January 1	496,141	495,516
Amortization of disagio	634	625
Balance as of December 31	<u>496,775</u>	<u>496,141</u>

Cumulative amortization of disagio as of December 31, 2021 amounts to € 3,160 (December 31, 2020 € 2,526).

This loan has been issued on November 10, 2016 to BASF group company BASF Antwerpen N.V. for a total amount of € 500,000 less disagio of € 6.385 and a term of 10 years. The nominal interest rate amounts to 0.750% per annum plus the applicable spread of 0.680% per annum. The yield interest 2021 amounts to 1.569%. The loan shall be repaid in full on November 10, 2026.

#### *Loan 22, BASF Nederland B.V.*

Balance as of January 1	162,529	177,433
Amortization of disagio	122	78
FX result	13,542	-14,982
Balance as of December 31	<u>176,193</u>	<u>162,529</u>

Cumulative amortization of disagio as of December 31, 2021 amounts to € 345 (December 31, 2020 € 223).

This loan has been issued on June 20, 2018 to BASF group company BASF Nederland B.V. for a total amount of US\$ 200,000 less disagio of US\$ 834 with the initial value of € 169,147 and a term of 7 years. The nominal interest rate amounts to 3.625% per annum plus the applicable spread of 0.640% per annum. The yield interest 2021 amounts to 4.335% per annum. The loan shall be repaid in full on June 20, 2025.

**CURRENT ASSETS**

	12/31/2021	12/31/2020
	€ x 1,000	€ x 1,000
<b>2. Other receivables</b>		
Receivables from group companies	21,770	21,255
Corporate income tax	-	129
	<u>21,770</u>	<u>21,384</u>
<b>Receivables from group companies</b>		
Interest receivable from group companies	5,105	4,749
Current account with parent company	16,665	16,506
	<u>21,770</u>	<u>21,255</u>

The accounts receivable from group companies and other receivables are due within one year.

The Company has a current account with BASF SE. The interest rate is currently based on Euro Overnight Index Average (EONIA) plus a spread.

## EQUITY AND LIABILITIES

### 3. SHAREHOLDERS' EQUITY

#### Issued share capital

	Ordinary shares
	€ x 1,000
Carrying amount as of January 1, 2020	2,087
Carrying amount as of December 31, 2020	<u>2,087</u>
Balance as of January 1, 2021	2,087
Balance as of December 31, 2021	<u>2,087</u>
Authorized share capital (x € 1,-), consists of ordinary shares	2,086,875
Ordinary shares issued	46,375
Nominal value per ordinary share (x € 1,-)	45.00

	2021	2020
	€ x 1,000	€ x 1,000
<b>Share premium reserve</b>		
Balance as of January 1	10,477	10,477
Reverse correction 2016	-7,964	-
Balance as of December 31	<u>2,513</u>	<u>10,477</u>

The share premium concerns the income from the issuing of shares in so far as this exceeds the nominal value of the shares (above par income).

During 2016 an amount of € 7,964 is added to the share premium reserve due to the adjustment of Loan 21 BASF Antwerpen N.V.. This loan is initially recognized at fair value and the difference between nominal value loan and the calculated fair value is recognized as share premium reserve, net of taxes.

At the end of 2021 the adjustment Loan 21 of € 7,964 is reallocated to the other reserves.

Loan 21 was matured at November 10, 2020.

#### Other reserves

Balance as of January 1	-2,213	-345
Dividend paid	-2,600	-
Result prior year appropriation	-1,714	-1,868
Reverse correction 2016	7,964	-
Balance as of December 31	<u>1,437</u>	<u>-2,213</u>

#### Result of the year

Balance as of January 1	-1,714	-1,868
Transport	-1,714	-1,868

	2021	2020
	€ x 1,000	€ x 1,000
Transport	-1,714	-1,868
Result prior year appropriation	1,714	1,868
Result of the year	86	-1,714
Balance as of December 31	<u>86</u>	<u>-1,714</u>

#### 4. LONG-TERM LIABILITIES

	12/31/2021	12/31/2020
	€ x 1,000	€ x 1,000
<b>Non-current loans</b>		
Note 20, 0.75% EUR bond 2016-2026	496,829	496,192
Note 22, 3.625% USD bond 2018-2025	176,197	162,533
	<u>673,026</u>	<u>658,725</u>

	2021	2020
	€ x 1,000	€ x 1,000
<i>Note 20, 0.75% EUR bond 2016-2026</i>		
Balance as of January 1	496,192	495,561
Amortization of disagio	637	631
Balance as of December 31	<u>496,829</u>	<u>496,192</u>

Cumulative amortization of disagio as of December 31, 2021 amounts to € 3,214 (December 31, 2020 € 2.577).

On November 10, 2016 the Company issued notes for a total amount of € 500,000 less a disagio and bank fees of € 6,385 through the banking group. The notes will be repaid in full on November 10, 2026. The interest amounts to 0.750% per annum (effective interest 0.884% per annum) and is paid annually. BASF SE is the guarantor for these notes.

##### *Note 22, 3.625% USD bond 2018-2025*

Balance as of January 1	162,533	177,436
Amortization of disagio	122	79
FX result	13,542	-14,982
Balance as of December 31	<u>176,197</u>	<u>162,533</u>

Cumulative amortization of disagio as of December 31, 2021 amounts to € 349 (December 31, 2020 € 227).

On June 20, 2018 the Company issued notes for a total amount of US\$ 200,000 less disagio of US\$ 834. The notes will be repaid on June 20, 2025. The interest amounts to 3.625% per annum (effective interest 3.694% per annum). BASF SE is the guarantor for these notes.

**5. CURRENT LIABILITIES**

	<u>12/31/2021</u>	<u>12/31/2020</u>
	€ x 1,000	€ x 1,000
<b>Other current liabilities</b>		
Accruals and deferred income	3,989	3,692
Loan 13, BASF Ireland Limited	<u>11,600</u>	<u>9,000</u>
	<u>15,589</u>	<u>12,692</u>

The current liabilities are all due within one year.

The Company paid back two parts Loan 13 each € 4,500 on December 16 , 2021 and December 17, 2021 to BASF Ireland Limited and the new loan for a total of € 11,600 issued at November 29, 2021. This loan will be repaid at November 30, 2022. The interest rate amounts to 0.850%, based on 12-months Euribor with a floor at 0% plus an applicable spread of 0.850%.

## FINANCIAL INSTRUMENTS

### General

During the normal course of business, the Company uses various financial instruments that expose the Company to market, credit and liquidity risks. The Company is exposed to these risks given the portfolio of interest-bearing receivables (mainly taken up in financial fixed assets and cash and cash equivalents), interest-bearing non-current and current liabilities (including bonds, notes and bank loans).

#### *Credit risk*

On a yearly basis, the Company assesses the credit risk for counterparties within the BASF Group where there are loans granted at year-end. So far, the Company has only granted loans to 100% group companies, which are classified as counterparties with low credit risk.

In 2021, 100% (2020: 100%) of the receivables of the Company were held with related parties, which are 100% (2020: 100%) concentrated with BASF Group companies.

In general, the management of the Company assesses and reviews credit risk for counterparties within the BASF Group.

The Company's obligations to third parties on the bond markets are guaranteed by BASF SE, the parent company of the BASF Group.

#### *Interest rate risk*

Interest rate risks are the result of changes in prevailing market interest rates, which can cause a change in the present value of fixed-rate instruments, and changes in the interest payments of floating rate instruments. To hedge these risks the interest rates of the assets and the liabilities have the same base. This will offset the interest rate risk.

The Company is exposed to interest rate risk regarding floating interest rates on receivables and liabilities, but these related risks are naturally hedged. In general, the Company strives to match interest rate risks of its assets and liabilities.

Derivative financial instruments may be used by the entity to hedge interest rate risks, if deemed necessary. Interest rate derivative financial instruments may be used to adjust the fixed or floating nature of the external notes or loans obtained to the desired profile. In 2021 no derivative financial instruments are outstanding and no derivative instruments have been used during the reporting period.

The deviation in a spread of Loan 21, BASF Antwerpen N.V., that caused the negative result, only relates to the share premium and therefore has no cash flow effect.

#### *Cash flow risk*

The Company is currently not exposed to cash flow risk due to the intercompany financing structure. Any cash payment regarding loans payable are directly offset by a cash flow regarding the loans receivable.

#### *Foreign currency risk*

Financial foreign currency risks are the result of the translation of receivables, liabilities and other monetary items. These risks are not hedged by using derivative instruments.

The Company is exposed to foreign exchange risk on liabilities and receivables denominated in a currency other than Euro, but these related risks are naturally hedged. In general, the Company strives to match foreign exchange risks of its assets and liabilities.

Foreign currency derivative financial instruments, mainly currency forwards and swaps, may be used to reduce the foreign currency risk arising on financing and funding transactions in foreign currencies.

*Liquidity risk*

Risks from cash flow fluctuations are recognized in a timely manner as part of the liquidity planning. Uncertainties are taken into account by means of additional risk scenarios and the short-term updating of our liquidity planning. This means we can promptly take the necessary measures when required. The liquidity policy is determined by BASF SE.

Due to a cash-pooling agreement for all bank accounts of the Company with BASF SE, the Company has access to sufficient liquidity reserves so that there is no danger of liquidity risk even if an unexpected event has a negative financial impact on the Company's liquidity situation.

Fair Value

The fair value of the financial instruments stated on the balance sheet can be specified as follows:

	Fair value 12/31/2021	Book value 12/31/2021	Fair value 12/31/2020	Book value 12/31/2020
Financial fixed assets				
Loans to group companies	702,015	672,968	707,051	658,670
Financial current assets				
Loans to Group companies	0	0	0	0
Long term liabilities				
Notes/Loans payable	700,924	673,026	707,345	658,725
Current liabilities				
Notes/Loans payable	0	0	0	0

The fair values represent the clean fair value excluding interest accruals. For the calculation, discount factors based on secondary market yields (source: Bloomberg) were used to reflect BASF SE risk.

The fair value of financial instruments other than the ones stated in the above table is close to the carrying amount.

As per December 31, 2021, no derivative financial instruments were outstanding.

As per December 31, 2020, no derivative financial instruments were outstanding.



## 6 NOTES TO THE PROFIT AND LOSS ACCOUNT 2021

	2021	2020
	€ x 1,000	€ x 1,000
<b>6. Interest and similar income</b>		
Loan 20, BASF Antwerpen N.V.	7,784	7,778
Loan 21, BASF Antwerpen N.V.	-	4,721
Loan 22, BASF Nederland B.V.	7,310	7,345
FX result	35	-
	<u>15,129</u>	<u>19,844</u>
<b>7. Interest and similar expense</b>		
Loan 13, BASF Ireland Ltd.	51	53
Note 20, 0.75% EUR bond 2016-2026	4,386	4,382
Note 21, 0% EUR bond 2016-2020	-	1,180
Note 22, 3.625% USD bond 2018-2025	6,228	6,256
	<u>10,665</u>	<u>11,871</u>
Guarantee fees to BASF SE	4,127	10,040
	<u>14,792</u>	<u>21,911</u>

In accordance with DAS 273.104 the guarantee fees are a part of the interest and similar charges.

### Emoluments of directors and supervisory directors

The Company pays no remuneration and has not issued loans or advances to members of the Board of Directors and Supervisory Board.

### Staff

During 2021 and 2020 the Company had no employees.

### 8. General and administrative expense

Other general expenses	<u>227</u>	<u>211</u>
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The other general expenses substantially comprise consulting costs related to accounting, legal, finance and bank charges. They also comprise auditor's fees, non-recoverable VAT and other professional charges as well as service charges from BASF Nederland B.V.

With reference to Section 2:382a (3) of the Netherlands Civil Code the Company did not disclose the fees for the auditor as these are incorporated in the consolidated financial statements of BASF SE.

	2021	2020
	€ x 1,000	€ x 1,000
<b>9. Tax on result from ordinary activities</b>		
Corporate income tax	-24	-13
Movement of deferred tax liability	-	577
	<u>-24</u>	<u>564</u>

Income tax expense consists of current and deferred corporate income tax. The effective tax rate of 21.82% (December 31, 2020: - 24.76%) is not equal to the prevailing tax rates for 2021 (15.00% tax rate on the first € 245,000 of taxable profits, 25% tax rate for the rest) in the Netherlands. For tax purpose the effective tax rate is 21.94%.

### 9. Transactions with related parties

There were no reportable related party transactions with members of the Board of Directors. There are no transactions with related parties, except otherwise disclosed in this report.

Transactions with related parties are assumed when a relationship exists between the company and a natural person or entity that is affiliated with the company. This includes, amongst others, the relationship between the company and its group companies, shareholders, directors and key management personnel. Transactions are transfers of resources, services or obligations, regardless whether anything has been charged.

The Company has loans and receivables outstanding with the shareholder and other group companies. The terms and conditions are disclosed at the respective note.

## 7 OTHER DISCLOSURE

### Subsequent events

No subsequent events occurred. The war between Russia and Ukraine has no direct negative impact on the business of the Company.

### Appropriation of the result for the 2020 financial year

The annual accounts for 2020 were adopted by the General Meeting of Shareholders. The General Meeting of Shareholders has determined the appropriation of the result as it was proposed.

### Appropriation of the profit for 2021

The Board of Managing Directors proposes to add the profit for 2021 of € 86 to the other reserves. Awaiting the approval by the General Meeting of Shareholders, this proposal has not been processed in the annual accounts and is, therefore, included in the unappropriated result.

**Signing of the financial statements**

Arnhem, The Netherlands, April 7, 2022

**Board of Directors for approval**

J. Hoekstra (Director)

R. Holtermann (Director)

F. Wilhelmi (Director)

**Supervisory Board for approval**

O. Nussbaum (Chairman of the Supervisory Board)

B. Benecke (Member of the Supervisory Board)

C. Becx (Member of the Supervisory Board)

## OTHER INFORMATION

### 1 Provisions of the Articles of Association relating to profit appropriation

In the articles of association (article 20) it is stated that profits of the company shall be at the disposal of the General Meeting of Shareholders. At the same time, the articles state that the Company may distribute profits only if and to the extent that its shareholders' equity is higher than the aggregate of the paid and called-up part of the issued capital and the reserves, which must be maintained by law.

The Company can only make payments to the shareholders insofar as:

- the Company can continue to pay its outstanding debts after the distribution (the so-called distribution test), and;
- the shareholders' equity exceeds the legal reserves and statutory reserves under the articles of association to be maintained (the so-called balance sheet test).

If not, the General Meeting of Shareholders shall not approve the distribution.

# Independent auditor's report

To: the shareholders and Supervisory Board of BASF Finance Europe N.V.

A. Report on the audit of the financial statements 2021 included in the annual report

## Our opinion

We have audited the financial statements 2021 of BASF Finance Europe N.V. ('the Company') based in Arnhem.

WE HAVE AUDITED	OUR OPINION
The financial statements comprise: 1. the balance sheet as at 31 December 2021; 2. the profit and loss account for 2021; and 3. the notes comprising a summary of the significant accounting policies and other explanatory information.	In our opinion, the accompanying financial statements give a true and fair view of the financial position of BASF Finance Europe N.V. as at 31 December 2021 and of its result for 2021 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 BASF Finance Europe N.V. in accordance with the EU 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 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.

## B. Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

### **Materiality**

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 6,947,000. The materiality is based on a benchmark of total assets (representing 1% of total assets) which we consider to be one of the principal considerations for the users of the financial statement in assessing the financial performance of the company. 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 Supervisory Board that misstatements in excess of € 347,350, 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.

### **Audit approach fraud risks**

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and process of the Board of Directors for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes.

We refer to section 1.4 of the Report of the Board of Directors for management's fraud risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as among others the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation of internal controls designed to mitigate fraud risks.

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 evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

We identified the following potential material fraud risks and performed the following specific procedures:

- ▶ In accordance with our professional standards (Dutch Standards on Auditing) , we identified and addressed the risk of management override of internal controls. We performed procedures to evaluate key accounting estimates in particular relating to important judgment areas and significant accounting estimates related to the valuation of the loans, issued to BASF Group Companies as disclosed in Note 1 of the financial statements and the current receivables from BASF Group Companies as disclosed in Note 2 of the financial statements. For more information about our audit approach we refer to ‘Our key audit matters’.  
We have also used data analysis to identify and address high-risk journal entries. We evaluated the internal control measures regarding manual adjustments and whether these were subject to internal review. We verified whether material manual adjustments were accurate and recorded completely in the financial statements.
- ▶ Based on the Dutch Standards on Auditing, we always assume a fraud risk with regard to revenue recognition. We have rebutted this presumed fraud risk on revenue recognition, due to the simplicity of the process and the high predictability.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

We considered available information and made enquiries of relevant executives, the Board of Directors and the Supervisory Board.

This did not lead to indications for fraud potentially resulting in material misstatements.

### 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 matter to the Board of Directors and the Supervisory Board. The key audit matter is not a comprehensive reflection of all matters discussed.

This matter was 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 this matter.

VALUATION OF LOANS ISSUED	OUR AUDIT APPROACH
We consider the valuation of the loans, issued to BASF Group Companies as disclosed in note 1 of the financial statements and the interest <b>receivables</b> from BASF Group Companies as disclosed in Note 2 of the financial statements, combined representing 97,6% of the balance sheet total, a key audit matter. We identified this as a key audit matter due to the size of the loans issued and due to the material impact a possible impairment may have on the income statement.	<p>We have performed detailed audit procedures addressing the valuation, including possible impairment triggers of the loans issued to and interest receivables from BASF Antwerpen N.V. and BASF Nederland B.V.</p> <p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>▶ Inspected the financial statements as per 31 December 2020 of the counterparties BASF Antwerpen N.V. and BASF Nederland B.V.</li> </ul>

<p>Initially, loans issued to <b>and the interest</b> receivables from BASF Group Companies are recognized at its fair value and subsequently carried at amortized cost using the effective interest method.</p> <p>Based on the impairment assessment performed by the Company, the Board of Directors has concluded that no impairment is necessary as of year-end.</p>	<ul style="list-style-type: none"> <li>▶ Inspected the loan agreements entered into between the Company and BASF Antwerpen N.V. and BASF Nederland B.V.</li> <li>▶ Inspected the 2021 interim financial statements of the guarantor BASF SE and financial statements as per 31 December 2021 of BASF SE.</li> <li>▶ Evaluated the information derived from credit rating agencies: Standard &amp; Poor's, Moody's and Fitch Ratings.</li> <li>▶ Reviewed the market values of the outstanding notes for indications of recoverability and creditworthiness.</li> <li>▶ Reviewed news reports.</li> <li>▶ Searched and evaluated the information for investors on the website of BASF SE.</li> <li>▶ Assessed the adequacy of the disclosures in the financial statements relating to both the loans issued and interest receivables.</li> <li>▶ Discussed the recent developments in the financial position and the cash flows of relevant group companies with the Board of Directors.</li> </ul>
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### C. Report on other information included in the annual report

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

- ▶ Report of the Board of Directors;
- ▶ Corporate Governance Statement 2021;
- ▶ 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.



The Board of Directors is responsible for the preparation of the other information, including the Report of the Board of Directors 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.

#### D. Report on other legal and regulatory requirements and European Single Electronic Format

##### **European Single Electronic Format (ESEF)**

BASF Finance Europe N.V. has prepared its annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: RTS on ESEF).

In our opinion, the annual report prepared in XHTML-format, including the financial statements of BASF Finance Europe N.V., complies in all material respects with RTS on ESEF.

Management is responsible for preparing the annual report including the financial statements, in accordance with RTS on ESEF.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual report complies with RTS on ESEF.

Our procedures, taking into account Alert 43 of NBA (the Netherlands Institute of Chartered Accountants), included amongst others:

- ▶ obtaining an understanding of the entity's financial reporting process, including the preparation of the annual financial report in XHTML-format;
- ▶ examining whether the annual financial report in XHTML-format is in accordance with RTS on ESEF.

##### **Engagement**

We were engaged by the Supervisory Board as auditor of BASF Finance Europe N.V. as of the audit for financial year 2019 and have operated as statutory auditor ever since that financial year.

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

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

## E. Description of responsibilities regarding the financial statements

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

The Board of Directors is 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 Board of Directors is responsible for such internal control as the Board of Directors 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 Board of Directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Directors should prepare the financial statements using the going concern basis of accounting, unless the Board of Directors either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors 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 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 Board of Directors;
- ▶ concluding on the appropriateness of the Board of Directors use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a 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.

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 findings in internal control that we identify during our audit. In this respect we also submit 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 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 the Supervisory Board, 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, 7 April, 2022

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

drs. M.F. Meijer RA

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