

Koole Tankstorage
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Koole Terminals Subholding II B.V.

Annual Report 31 December 2019

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Report of the Board of Management

General

The Board of Management herewith submits its Annual Report and Consolidated Financial Statements of Koole Terminals Subholding II B.V. ("the Company") for the year ended on 31 December 2019.

The Company was incorporated on 5 November 2015 with the sole purpose to act as a holding company. The Company is the sole (100%) owner of the Dutch company Koole Terminals Subholding II B.V. and its subsidiaries ("Koole" and together the Group).

The Group is a leading independent storage platform in Northwest Europe and continues to expand its product portfolio as a result of significant investments into new storage capacity, infrastructure, and various add-on acquisitions.

The Group operates around 4.0 million m3 with approximately 90% of storage capacity being located in Rotterdam, the key trade flow hub in Europe. Koole's service offering comprises best-in-class storage services and a wide range of value-added handling, processing and transshipment services tailored to needs of customers and supported by its own shipping fleet. Koole handles a diversified product portfolio of mineral oils, vegetable oils, chemicals, oleo-chemicals, biofuels and other liquid bulk.

Purpose

The purpose of the Company is to act as a holding company. As at 31 December 2019 the Company invests in Koole Terminals Subholding III B.V.

Operations

The main activities within the Group are storage, transshipment and shipping of mineral oil products, edible oils and fats, biofuels, oleo chemicals and certain base oils in Northwest Europe. In addition the Group also performs distillation activities at the KTB terminal.

Going concern

The Company has prepared its consolidated financial statements for the financial year 2019 on the basis of the going concern assumption, based upon the business plan of the Company and the intended strategy of management and shareholders.

The Board of management of the Company confirms that the Company has sufficient liquidity to continue its operational activities for at least a period of twelve months after the date of these financial statements.

Current Year Activities

Operations

Koole is a leading independent storage terminal operator for edible oils and fats, biofuels, oleo chemicals and certain base oils in Northwest Europe and operates a mineral oil products terminal as well as a minerals & (hazardous) chemicals terminal in Rotterdam, the Netherlands.

For the storage of edible oils and fats, biofuels, oleo chemicals and certain base oils, Koole's assets include a deep-sea terminal in Rotterdam, which is the natural port of entry for vegetable oil imports into Europe and has a capacity of 676.000 m3 (the "Pernis Terminal"). Besides the terminal in the port of Rotterdam, Koole operates regional hub terminals in Amsterdam, Zaandam and Nijmegen, and foreign terminals located in Liverpool (UK), Avonmouth (UK) and Gdynia (Poland) which have a combined capacity of 330.000 m3. In addition, Koole provides its integrated logistics and transshipment services via 14 owned ships (3 coasters, 11 inland barges) as well as trucks and complements its service offering with the provision of control and measurement services. Koole's customers are primarily crushers, refiners, processing companies and traders.

The mineral oil products terminal in Rotterdam is a key link in the 24-hour logistics chain of the port of Rotterdam (the "Minerals Terminal" or "KTM"). With an operational capacity of over 1.300.000 m3 the terminal facilities provide a buffer for refineries. The terminal operates dedicated facilities for its customers in order to optimize its performance in its customers' supply chain. The terminal is situated alongside the deep water harbor and operates 24 hours a day, 7 days a week.

Another key terminal in the Koole Group is the Koole Tankstorage Botlek ("KTB") terminal. This terminal provides for 1,6 million m3 gross capacity with an integrated Petrochemical Industrial Distillation (PID) facility used by customers to split products. Part of the capacity is currently not in service, but is being brought back into usage again in the coming months and years. The terminal primarily stores, handles and processes mineral and (hazardous) chemical products.

In february 2019 the Group acquired 100% of the shares of Riho Holding B.V. and its operating subsidiaries ("Riho"). Riho is a provider of liquid bulk storage, handling and transport of non-hazardous food and feed (oil) products. Riho has two terminals with a total capacity of 71.000 m3, which will increase to 80.000 m3 following completion of a expansion project. The majority of the capacity (60.500 m3) is located in Nijmegen. The remainder (19.500 m3) is located in Dodewaard, which is only accessible to road transport and is equipped with a highly automated drum and IBC filling line.

The policy of Koole is to provide customers with dedicated service facilities on a long-term relationship basis in order to fulfill a key role in its customers' supply chains and to operate flexibly, efficiently and in a safe and responsible manner.

Market

During 2019 Koole was able to significantly increase its revenues, from EUR 191,6 million in 2018 to EUR 263,6 million in 2019 as the KTB terminal was now adding revenues for the full year (after the acquisition in sept 2018). During 2019 revenues at KTB have significantly increased compared to previous years, as capacity was brought back in service and Koole was able to benefit from biofuel storage. In addition revenues increased due to the acquisition of Riho and the completion of expansion projects at KTM with additional (contracted) storage capacity. Also at the non-hazardous terminals sales were higher due to higher rates than expected related to favourable market conditions. Revenues generated by short sea shipping and barging activities slightly declined during 2019 due to scheduled maintenance of vessels and less favourable market conditions.

Financial results and financial position of the Group

The net turnover of EUR 263.585k relates to revenue earned during the accounting period from 1 January 2019 until 31 December 2019. The consolidated loss for the year amounted to EUR 48.618k. Koole has a strong operational cash flow and access to a debt facility which will be sufficient. During 2019 the Group has delivered a growth in revenues of approximately EUR 72 million compared to 2018. This was primarily due to significantly higher utilisation at KTB and high utilisation/price levels at the Dutch non-hazardous terminals, as well as higher installed capacity at KTM. The acquisition of Riho resulted in an additional increase in consolidated revenues of EUR 9,7 million, representing approximately 11 months of revenue.

On the cost side 2019 has shown an increase in operating costs of approximately EUR 66,9 million compared to 2018 due to the full year effect of the KTB and Riho acquisition. This resulted in higher operational costs, including energy costs, staff costs and third party contractor costs, which is particularly reflected in the other operating expenses, wages & salaries, costs of subcontractor work and external charges. In 2019 personnel costs have increased due to a new fully harmonised CLA (Collective labour Agreement) for the Koole Terminals. This has resulted in several one-off increases of costs. Depreciation expenses increased as a result of the larger asset base resulting from recently completed projects as well as the full year effect of the KTB acquisition and the Riho acquisition.

The resulting 2019 EBITDA is EUR 118,9 million and increased compared to 2018 because of the following main factors: 12 months of KTB EBITDA included in the consolidated figures (compared to 3 months in 2018), additional installed tank capacity at KTM resulting in higher revenues, the acquisition of Riho Holding B.V., favorable market conditions at the other terminals resulting in higher average storage rates and higher utilisation levels. Excluding the impact of consolidating Riho, organic EBITDA grew from EUR 99,1 million in 2018 to EUR 114,3 million in 2019. KTB full year EBITDA in 2018 was EUR 10,5 million compared to EUR 23,9 million in 2019.

The 2019 consolidated loss of EUR 48,6 million has increased compared to the 2018 consolidated loss of EUR 7,1 million. The higher 2019 loss after taxation was primarily attributable to the 2018 tax impact of lower future tax rates on the deferred tax liability.

The cash flow from business operations for the period from 1 January 2019 until 31 December 2019 amounts to EUR 99.415k and is sufficient to service the debt and to make the necessary investments in maintaining the good operating conditions of the terminals and ships. Koole Terminals Subholding II B.V. ended the year with a negative net cash flow of EUR 11.916k. Which was mainly due to the significant capital expenditures related to the construction projects and the acquisition of Riho Holding B.V. The construction activities have further grown the storage capacity which has been funded by a combination of operational cash flow and draw down of bank loans. Koole expects to further invest in upgrading and expanding the operational capacity at the KTB terminal in order to deliver additional future growth in revenue and profitability.

Summary EUR'000

	Turnover	EBITDA*	Consolidated result	Cash flow from business operations	Net Cash flow
1 January 2019 until 31 December 2019	263.585	118.938	(48.618)	127.073	(11.916)
1 January 2018 until 31 December 2018	191.621	99.111	(7.054)	92.458	(414)

* = corrected for exceptional items

Human resources

The average number of employees for the Group (incl. KTB, but excluding Riho) during the year amounted to 607 FTE's (2018: 584). The average number of employees for the Group (incl. Riho) for 2019 amounted to 624 FTE's. The number of employees is expected to remain stable in 2020.

Environment

The Group places great emphasis on the responsible use of energy and environmental awareness. The Group limits energy consumption wherever possible by implementing effective measures (e.g. insulation) and using smart systems, and making efforts to reduce waste output.

Risk Management

From a risk management point of view six major areas can be distinguished: operational / strategic risk, legal risk, counterparty credit risk, interest rate risk, liquidity risk and Covid 19. Koole has a very low appetite for risk and has taken measures to manage its risks.

Operational / strategic risk

The Group stores and handles both hazardous and non-hazardous goods. Due to the nature of the hazardous goods, the Group is exposed to Health, Safety & Environmental (HSE) risks. The Group mitigates all risks through investment in HSE-awareness, proper maintenance of its assets and a large focus on safety culture. Regular audits are performed by the Group's staff, customers and authorities. Any findings or observations have been corrected or suggestions have been taken on board. The Group aims to continuously improve its results in this area. Due to the acquisition of the Odfjell Terminal, distillation services have been added as a business activity to the Group. The risks associated with these activities are mitigated and managed continuously by a very skilled and experienced group of operational and HSEQ staff with relevant industry background.

Legal risk

Legal risks arise from uncertainties about the possibility that legal or regulatory changes may adversely affect the Group's position. All legal matters are coordinated by management, which involves external legal advisers as deemed necessary. The Group ensures that its rights and obligations are clearly documented and legally enforceable through the use of legal documentation and external advice.

Counter party credit risk

The Group trades only with creditworthy parties and has implemented procedures to monitor the creditworthiness of parties. The Group has also drawn up guidelines for limiting the credit risk associated with each party. Furthermore, the group applies strict credit control and reminder procedures. The Group's credit risk is minimal due to the above measures. In addition, there are no significant concentration of credit risk within the Group and the Group has a very low appetite for credit risk.

Interest rate risk

As the Group's long-term loans are partly based on the six month EURIBOR rate, changing market rates can influence the interest payable on these loans. The Group hedges this risk by entering into interest rate swap contracts. Under these contracts, variable rates of interest are converted to fixed rates for 100% of the senior bank term facilities (Facility A). The swap contracts currently in place were executed on March 2018 (at the refinancing) for notional amount equalling 100% of the commitment under Facility A, and supplemented by additional swaps entered into concurrently with the additional term loan facility raised in December 2018. The fair value of all interest rate swaps as of December 31, 2019 was negative EUR 13,7 million. Facility B is not hedged as it is a revolving facility for capital expenditure and investment purposes. Facility C is not hedged as it is a short term revolving facility for working capital purposes. Koole also holds long-term institutional debt notes which yield fixed rates of interest and therefore do not need to be hedged.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Management, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. Koole manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, and by monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Koole has a EUR 150 million committed Capex Facility and a EUR 30 million committed Revolving Credit Facility. During 2019 Koole has drawn EUR 90 million of the Capex Facility. The Revolving Credit Facility is undrawn.

Covid 19

As the effects of the global outbreak of the Covid-19 virus are starting to unfold, Koole recognises the macroeconomic consequences, the impact on the financial performance and HSEQ effects to its staff. Although Koole is currently not experiencing any material negative impact on the operational and financial performance of the business, this may change in the short to medium term. The scope, duration and breadth of pandemic-related restrictions as well as the subsequent economic effects thereof could have a negative impact on future throughput volumes or demand for Koole's services. At present, management cannot reliably estimate what this negative impact could be, as this is highly dependent on a range of external factors and the subsequent course of the pandemic. Koole management is closely monitoring the developments on this.

Diversity

The Company has all seats on the management board held by men. The company must seek to have at least 30% of seats on the management board held by women and at least 30% by men to the extent that those seats are held by natural persons. For future nominations the Company will take into account the requirements of the balance male and female formation.

Subsequent events

Covid- 19

The global outbreak of the Covid-19 virus in early 2020 has triggered a significant change in macroeconomic circumstances due to a range of government measures taken worldwide to contain the pandemic. Koole has taken appropriate measures to ensure operational continuity and the health and safety of all staff, enabling Koole to continue to play its role as a critical provider of infrastructure in the food, fuels and industrial supply chains. As of the date of signing of the annual report, Koole has not observed a negative material impact on the operational or financial performance of the business. However, the scope, duration and breadth of pandemic-related restrictions as well as the subsequent economic effects thereof could have a negative impact on future throughput volumes or demand for Koole's services. At present, management cannot reliably estimate what this negative impact could be, as this is highly dependent on a range of external factors and the subsequent course of the pandemic. However, management currently does not expect a materially adversely effect on Koole's operational or financial performance, liquidity position or business continuity.

Future Outlook

Due to the recent acquisitions, the construction of new tanks and upgraded infrastructure to enable higher throughput and flexibility for the Groups' core customers, primarily at Koole's Rotterdam terminals, it is expected that turnover and operating result will further increase in 2020. These investments are significantly supported by existing and/or new contracts. Due to the further expansion of business activities, an increase in costs is also anticipated for the coming year.

For and on behalf of
Koole Terminals Subholding II B.V.

April 17, 2020
The Board of Management:

J. J. Kraakman

B. D. Wassenaar

A.G.H. Steenland

Koole Terminals Subholding II B.V.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2019
(before appropriation of result)

EUR'000	Note	31 December 2019	31 December 2018
ASSETS			
Fixed assets			
Intangible fixed assets	(1)	854.136	884.600
Tangible fixed assets	(2)	932.608	787.228
Financial fixed assets	(3)	<u>10.906</u>	<u>11.303</u>
		1.797.650	1.683.131
Current assets			
Inventories		3.309	2.582
Receivables	(4)	75.823	60.804
Cash and cash equivalents	(5)	<u>44.754</u>	<u>56.669</u>
		123.886	120.055
TOTAL ASSETS		<u>1.921.536</u>	<u>1.803.186</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	(6)	0	0
Share premium		381.988	381.988
Revaluation reserves		(601)	(850)
Retained earnings		(325.029)	(317.975)
Result after taxation		<u>(48.618)</u>	<u>(7.054)</u>
		7.740	56.109
Provisions	(7)	223.525	217.436
Long-term liabilities	(8)	1.626.764	1.484.376
Current liabilities	(9)	63.507	45.265
TOTAL EQUITY AND LIABILITIES		<u>1.921.536</u>	<u>1.803.186</u>

The notes form an integral part of these consolidated financial statements

CONSOLIDATED PROFIT AND LOSS STATEMENT FOR 2019

EUR'000	Note	1 January 2019 until 31 December 2019	1 January 2018 until 31 December 2018
Net turnover	(12)	263.585	191.621
Costs of subcontracted work and other:			
External charges	(13)	(75.887)	(48.457)
Wages and salaries		(47.385)	(30.215)
Social security charges		(6.126)	(3.722)
Pension costs		(5.003)	(2.960)
Amortization of intangible fixed assets	(14)	(42.967)	(43.624)
Depreciation of tangible fixed assets	(15)	(48.681)	(31.550)
Release negative goodwill (badwill)		2.926	991
Other operating expenses	(16)	(11.079)	(7.690)
Total operating expenses		(234.202)	(167.227)
Operating result		29.383	24.394
Financial expenses	(17)	(76.035)	(72.816)
Profit/(loss) before taxation		(46.652)	(48.422)
Income taxes	(18)	(1.966)	41.204
Adjustment income taxes	(20)	-	2.402
One-off settlement	(20)	-	(2.238)
Share in profit of participating interests	(19)	-	-
Profit/(loss) after taxation		(48.618)	(7.054)

The notes form an integral part of these consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT FOR 2019

EUR'000	Note	1 January 2019 until 31 December 2019	1 January 2018 until 31 December 2018
Cash flow from operating activities			
Operating result		29.383	24.394
Adjustments for:			
Depreciation and amortization	(8),(14),(15)	88.396	74.183
Movement in financial fixed assets		833	(2.466)
Movement in long term liabilities		(273)	-
Movement in provision	(7)	(1.472)	(199)
		87.484	71.518
<i>Changes in working capital</i>			
Receivables and inventories		(6.552)	(10.922)
Current liabilities		16.758	7.468
		10.206	(3.454)
Cash flow from business operations		127.073	92.458
IC Interest received / (paid)		-	-
Interest received / (paid)		(19.692)	(17.380)
Income tax paid		(7.982)	(6.051)
Share in profit of participating interests	(19)	-	-
Revaluation		16	(49)
		(27.658)	(23.480)
Cash flow from operating activities		99.415	68.978
Cash flow from investing activities			
Additions to intangible fixed assets	(1)	(3.436)	(863)
Additions to tangible fixed assets	(2)	(161.379)	(68.444)
Acquisition / other		(38.493)	(201.822)
Acquisition of cash in participations		2.838	8.830
Cash flow from investing activities		(200.470)	(262.099)
Cash flow from financing activities			
(Parent) loans drawn	(8)	-	96.981
(Bank) loans drawn	(8)	90.000	105.208
Paid transaction costs	(8)	(861)	(6.244)
Settlement previous shareholder	(20)	-	(2.238)
Shareholder distribution	(8)	-	(1.000)
Cash flow from financing activities		89.139	192.707
Net cash flow		(11.916)	(414)
The movement of cash is as follows:			
Opening balance		56.669	57.083
Net cash flow		(11.916)	(414)
Closing balance		44.754	56.669

The notes form an integral part of these consolidated financial statements

STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

EUR'000	1 January 2019 until 31 December 2019	1 January 2018 until 31 December 2018
Consolidated profit /(loss) after taxation	(48.618)	(7.054)
Revaluation	249	(169)
Comprehensive result	<u>(48.369)</u>	<u>(7.223)</u>

Accounting policies used for the consolidated financial statements and company only financial statements

General

Both the consolidated financial statements and Company only financial statements have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. Koole Terminals Subholding II B.V., statutory registered at the chamber of commerce in Amsterdam with registration number 64496147 and with its office at the Sluispolderweg 67 in Zaandam, holds 100% of the shares of Koole Terminals Subholding III B.V.

Activities

The Group's main activities are storage and transshipment of mineral oil products, edible oils and fats, biofuels, oleo chemicals and certain base oils in Northwest Europe. Another key activity is the shipping of edible oils and fats, biofuels, oleo chemicals and certain base oils in Northwest Europe.

The terminals in Rotterdam are a key link in the 24-hour logistic chain of the port of Rotterdam. With a joint capacity of over 4.000.000 m3 the terminals facilities provide a buffer for refineries and oil (trading) companies. Apart from storage and logistics services, the Group provides customs services to its customers. The wide variety in tanks of various sizes are used to provide storage and blending services to customers.

Acquisitions

Acquisitions are recognized in the financial statements according to the purchase accounting method. This means that any assets and liabilities acquired are carried at fair value as at the acquisition date. The difference between cost and the identifiable assets and liabilities acquired at the time of the transaction of a participating interest is recognized as goodwill. The amount by which the interest in the fair values of the identifiable assets and liabilities at the acquisition date exceeds the purchase price is recognized as negative goodwill (badwill).

Basis of consolidation

The consolidated financial statements include the financial data of the Company and its group companies as at 31 December 2019. Group companies are legal entities over which the Company exercises control. In connection with this, financial instruments containing potential voting rights that can be exercised immediately are also taken into account.

Group companies are fully consolidated as from the date on which control is obtained up to the date that control no longer exists. The items in the consolidated financial statements are determined in accordance with consistent accounting policies.

Koole Terminals Subholding II B.V. is the parent company of the consolidated group of the following 100% owned group companies as per 31 December 2019:

- Koole Terminals Subholding III B.V., Zaandam;
- Koole Properties B.V., Zaandam;
- Koole Terminals B.V., Zaandam;
- Koole Tankstorage Botlek Holding B.V., Rotterdam (formerly: Odfjell Terminals Europe B.V.);
- Koole Tankstorage Botlek B.V., Rotterdam (formerly: Odfjell Terminals Rotterdam B.V.);
- Koole Tankstorage Botlek II B.V., Rotterdam (formerly: Odfjell Terminals Maritiem B.V.);
- Koole Tankstorage Minerals B.V., Zaandam;
- NOVA Douane Service B.V., Zaandam;
- Koole Renewable Energy B.V., Zaandam;
- Koole Tankrederij B.V., Zaandam;
- Star Bonaire B.V., Zaandam;
- Koole Tankstorage Zaandam B.V., Zaandam;
- Koole Tankstorage Nijmegen B.V., Zaandam;
- Koole Tankstorage Pernis B.V., Zaandam;
- Koole Tankstorage Vondelingenplaat B.V., Zaandam;
- Koole Tankstorage Amsterdam B.V., Zaandam;
- Koole Tankstorage UK Ltd., Liverpool;
- Koole Tankstorage Gdynia Sp. z o.o., Gdynia;
- Krudo HSC B.V., Zaandam;
- Krudo HSC Bvba;
- Hatech B.V., Wormerveer;
- RiHo Dodewaard B.V., Dodewaard;
- RiHo Nijmegen B.V., Nijmegen.

Going concern

The Company has prepared its consolidated financial statements for the financial year 2019 on the basis of the going concern assumption, based upon the business plan of the Company and the intended strategy of management and shareholders.

The Board of management of the Company confirms that the Company has sufficient liquidity to continue its operational activities for at least a period of twelve months after the date of these financial statements.

Foreign currency translation

The consolidated financial statements are prepared in Euro, the functional currency of the Company and the presentation currency of the group.

Transactions denominated in foreign currencies are initially carried at the functional exchange rates at the date of transaction. Monetary balance sheet items denominated in foreign currencies are translated at the functional exchange rates at the balance sheet date.

Exchange differences arising from the settlement or translation of monetary items denominated in foreign currencies are taken to the profit and loss account.

Foreign group companies outside the Netherlands qualify as carrying on of business operations in a foreign currency, with a functional currency different from that of the Company. For the translation of the financial statements of these foreign entities the balance sheet items are translated at the exchange rate at balance sheet date and the profit and loss account items at the exchange rate at transaction date. The translation differences that arise are directly deducted from or added to group equity.

General accounting principles balance sheet

The valuation of the assets and liabilities and the determination of the result are, unless otherwise stated, on the basis of historical costs.

Use of estimates

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

Intangible fixed assets

Intangible fixed assets are carried at the lower of cost of acquisition or production net of accumulated amortization and accumulated impairment losses. Intangible fixed assets are amortized on a straight-line basis over their expected useful economic lives. The useful economic life and the amortization method are reviewed at each financial year-end. Changes in the amortization method, expected useful life and/or residual value over time are treated as changes in accounting estimates.

Intangible fixed assets obtained on the acquisition of a group company are carried at the fair value as at the acquisition date. If the fair value of an intangible fixed asset cannot be determined by reference to an active market, the amount to be capitalized will be limited to an amount that does not result in negative goodwill, or an increase in negative goodwill.

Tangible fixed assets

Tangible fixed assets in use by the Company are carried at the cost of acquisition or production (less any investment grants) net of accumulated depreciation and accumulated impairment losses. Costs of major maintenance are recognized under cost when incurred and if the recognition criteria are met. The carrying amount of the components to be replaced will be regarded as a disposal and taken directly to the profit and loss account. All other repair and maintenance costs are taken directly to the profit and loss account.

Depreciation is calculated on a straight-line basis over the expected useful economic lives, taking into account the residual value. Changes in the depreciation method, expected useful life and/or residual value over time are treated as changes in accounting estimates.

Tangible fixed assets obtained on the acquisition of a group company are capitalized at the fair value as at the acquisition date.

Financial fixed assets

Participating interests over which significant influence is exercised

Participating interests over whose financial and operating policies the group exercises significant influence are valued using the net asset value method. Under this method, participating interests are carried at the Group's share in their net asset value plus its share in the results of the participating interests and its share of changes recognized directly in the equity of the participating interests as from the acquisition date, determined in accordance with the accounting policies disclosed in these financial statements, less its share in the dividend distributions from the participating interests. The Group's share in the results of the participating interests is recognized in the profit and loss account. If and to the extent the distribution of profits is subject to restrictions, these are included in a legal reserve. Revaluations are recognized in the revaluation reserve.

Other financial assets

Financial assets are recognized initially at amortized cost. All purchases and sales of financial assets based on normal market conventions are recognized on the transaction date, i.e. the date the Group enters into a binding agreement.

Inventories

Inventories of raw materials, consumables and spare parts, are carried at the lower of cost of acquisition or net realizable value.

Receivables

Receivables are valued at amortized cost, when necessary a provision is recognized.

Cash and cash equivalents

Cash and cash equivalents are valued at nominal value. Cash is free available, unless otherwise stated.

Provisions

A provision is recognized 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. The provisions are valued at nominal value.

Pensions

Contributions payable to the pension plan administrator are recognized as an expense in the profit and loss account. Contributions payable or prepaid contributions as at year-end are recognized under accruals and deferred income, and prepayments and accrued income, respectively.

Taxes

A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences and carry-forward losses, to the extent that it is probable that future taxable profit will be available for set-off. Deferred tax liabilities and deferred tax assets are carried on the basis of the tax consequences of the realization or settlement of assets, provisions, liabilities or accruals and deferred income as planned by the Group at the balance sheet date. Deferred tax liabilities and deferred tax assets are carried at nominal value. Deferred and other tax assets and liabilities are netted off if the general conditions for netting off are met.

Taxes are settled within this fiscal unity as if each company were an independent taxable entity. Taxes are calculated on the result disclosed in the profit and loss account, taking account of tax-exempt items and partly or completely non-deductible expenses.

Long-term liabilities

Loans are initially recognized at fair value, net of financing fees incurred. Loans are subsequently stated at amortized cost, being the amount received taking account any premium or discount, less financing fees.

Financial lease

Leases in terms of which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, property acquired by way of finance lease is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease. Payments made under finance leases are apportioned between the outstanding interest bearing debts and the finance items so as to achieve a constant periodic rate of interest on the remaining balance of the interest bearing debts.

Badwill

Negative goodwill (badwill) is recognized as a deferred item and is systematically taken to the profit and loss account in proportion to the weighted average remaining useful economic lives of the acquired fixed assets that are amortized. The current portion of the badwill is presented as current liability.

Current liabilities

Current liabilities are valued at amortized cost.

General accounting principles profit & loss account**Income**

Net turnover represents the proceeds from the supply of goods and services, net of VAT, discounts, etc. If the result of a transaction relating to a service can be reliably estimated and the income is likely to be received, the income relating to that service is recognized in proportion to the service delivered.

Results on transactions with and between Group companies are eliminated in full. Results on transactions with and between participating interests carried at net asset value are recognized proportionally.

Expenses

Expenses are determined with due observance of the aforementioned accounting policies and allocated to the financial year to which they relate. Foreseeable expenses and other obligations as well as potential losses arising before the financial year-end are recognized if they are known before the financial statements are prepared and provided all other conditions for forming provisions are met.

Depreciation and amortization

Depreciation and amortization are calculated on a straight-line basis over their expected useful economic lives, taking into account their residual value.

Financial expenses

Interest is allocated to successive financial reporting periods in proportion to the outstanding principal. Premiums and discounts are treated as annual interest charges so that the effective interest rate, together with the interest payable on the loan, is recognized in the profit and loss account, with the amortized cost of the liabilities being recognized in the balance sheet. Period interest charges and similar charges are recognized in the year in which they fall due.

Taxes

Corporate income taxes are calculated over the result according to the current tariff, taking into account the fiscal facilities.

Share in profit of participating interests

The share of profit of the participating interests include the result of the non-consolidated participations, which have not been consolidated because of the small interest of their result in accordance with Article 2:407 of the Dutch Civil Code.

General accounting principles cash flow statement

The cash flow statement has been drawn up using the indirect method. The cash and cash equivalents in the cash flow statement consist of cash at bank and in hand. Interest received and paid, dividends received and taxes paid are included in cash flow from operating activities. Dividend distributions are included under cash flow from financing activities. The cash and cash equivalents available in these group companies have been deducted from the purchase price and sales price respectively.

NOTES TO THE CONSOLIDATED BALANCE SHEET

ASSETS

1) Intangible fixed assets

EUR'000	31/12/2019	31/12/2018
Goodwill	163.999	169.072
Trade Name	12.704	13.500
Customer Relations / Lease Contract	673.560	699.666
Software	3.873	2.362
	854.136	884.600

Movement in these items were as follows:

EUR'000	Goodwill	Trade Name	Customer Relations / Lease Contract	Software	Total
Balance as of 1 January 2017					
Costs	211.987	15.921	787.625	21.004	1.036.537
Accumulated amortization	(42.915)	(2.421)	(87.959)	(18.642)	(151.937)
Balance as of 31 December 2018	169.072	13.500	699.666	2.362	884.600
Addition	-	-	-	3.436	3.436
Acquisitions	9.067	-	-	-	9.067
Amortization	(14.140)	(796)	(26.106)	(1.925)	(42.967)
Accumulated costs / impairment	221.054	15.921	787.625	24.429	1.049.029
Accumulated amortization	(57.055)	(3.217)	(114.065)	(20.556)	(194.893)
Balance as of 31 December 2019	163.999	12.704	673.560	3.873	854.136

Acquisition of business

On 1 February, 2019, Koole Terminals B.V. acquired 100% of the share capital in Riho Holding B.V., for a total acquisition price of EUR 40,1 million, including approximately EUR 0,2 million of transaction costs.

Riho Holding B.V. is a holding company with four wholly-owned subsidiaries active in the storage, handling, transshipment and packaging of a variety of non-hazardous liquid bulk products for the food and feed industries at two locations, one in Nijmegen and one in Dodewaard. Following the acquisition, the acquired entities were restructured such that Riho Holding B.V. was merged into Koole Terminals B.V., thereby ceasing to exist. The remaining Riho subsidiaries were merged into two subsidiary entities of Koole Terminals B.V., namely Riho Dodewaard B.V. and Riho Nijmegen B.V. The intragroup mergers were completed in early December 2019.

This acquisition was recognized in the financial statements as at 1 February, 2019. The assets and liabilities of the acquired entities were included in the consolidated balance sheet as of this date at net fair values as determined by a Purchase Price Allocation (PPA) process, with assets being depreciated over their respective remaining useful lives. Acquisition costs were capitalised on the balance sheet and will be amortised over a period of 5 years. A goodwill amount of EUR 9,1 million was recognised on the balance sheet, which will be amortised in the profit and loss over a period of 10 years.

For the purpose of impairment testing, goodwill and customer relations acquired in an acquisition is, from the acquisition date, allocated to each of the cash generating units or groups of cash generating units that are expected to benefit from the synergy in the acquisition. The Company assesses, at each reporting date, whether there is any objective evidence that goodwill is impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash generating unit (or group of cash generating units) to which the goodwill relates. When the recoverable amount of the cash generating unit is less than its carrying amount, an impairment loss is recognized.

Goodwill related to the acquisition by the Group of Knight Infrastructure II B.V. "Knight" and Sword Infrastructure II B.V. "Sword" on 16 December 2015 is amortized on a straight-line basis over the estimated useful economic live of 20 years. As at 31 December 2019 the impairment test did not result in an impairment loss (2018: EUR 0k).

The trade name is amortized on a straight-line basis over 20 years.

Customer contracts are amortized over the remaining life of the contract, which is on average 25 years. The remaining economic useful life is assumed longer (than 20 years) based on the low historical attrition rate. This can be explained by the unique physical location of the tanks and the dedicated logistical infrastructure often at close proximity to customer's facilities. As such customers will typically continue to make use of the storage and logistical services of the Group. Taking into account the attrition rate, the range of the remaining useful life of the contracts is estimated at between 15 and 39 years.

Software is amortized on a straight-line basis over their estimated useful lives as follows (in years):

- computer software and licenses	7- 10 years
- others	3-5 years

2) Tangible Fixed Assets

EUR'000	31/12/2019	31/12/2018
Land and buildings	50.210	40.835
Ships	30.970	29.922
Plant & Equipment	736.235	620.479
Other fixed operating assets	7.721	5.602
Assets under construction	107.472	90.390
	932.608	787.228

Movements in these items were as follows:

EUR'000	Land and buildings	Ships	Plant & Equipment	Other fixed operating assets including ICT	Assets under construction	Total
Costs	44.157	37.049	684.686	6.561	90.390	862.843
Accumulated depreciation	(3.322)	(7.127)	(64.207)	(959)	-	(75.615)
Balance as of 31 December 2018	40.835	29.922	620.479	5.602	90.390	787.228
Additions	-	-	-	-	161.822	161.822
Transfers from under construction	334	3.689	139.747	3.089	(146.859)	-
Acquisitions	10.950	-	18.687	413	2.073	32.123
Disposals	(27)	-	(400)	(16)	-	(443)
Revaluation	19	-	168	-	46	233
Depreciation	(1.901)	(2.641)	(42.446)	(1.367)	-	(48.355)
Impairments	-	-	-	-	-	-
Balance as of 31 December 2019	50.210	30.970	736.235	7.721	107.472	932.608
Costs	57.869	40.738	853.856	11.961	107.472	1.071.896
Accumulated depreciation	(7.659)	(9.768)	(117.621)	(4.240)	-	(139.288)
Balance as of 31 December 2019	50.210	30.970	736.235	7.721	107.472	932.608

Land and buildings

In land and buildings land is the price paid for acquiring lease contracts plus historical remediation costs. The land value is depreciated over a period of time in line with the remaining term of the lease contract.

Plant & Equipment

Plant & Equipment consists of storage tanks, pipeline connections, jetties and other terminal infrastructure.

Other fixed operating assets

Other fixed operating assets consist of inventory for the buildings, cars and ICT hardware.

Assets under construction

Assets under construction refer to the Company's improvement projects that are currently still in progress.

In 2019 the main investment projects are capacity expansion projects and further upgrades and improvements of the tank pits. As part of its tank storage expansion program Koole has entered into (contractual) commitments with construction companies and/or contractors. Some of these contracts are already in progress. The total exposure of these contractual commitments is approximately EUR 36 million for the year 2019 (2018: EUR 10,2 million).

Tangible fixed assets except for land are depreciated on a straight-line basis over their estimated useful economic lives. The useful economic lives per asset category is as follows:

- Land	In line with the remaining term lease contract
- Buildings	20-30 years
- Ships	20 years
- Plant & Equipment - Tank components	10-40 years
- Plant & Equipment - Pipeline components	10-25 years
- Other fixed operating assets	5-10 years

3) Financial fixed assets

EUR'000	Other participating interest	Prepaid costs	Deferred tax asset	Total
Balance as of 31 December 2018	2	4.669	6.632	11.303
Acquisition	-	-	42	42
Addition	-	-	394	394
Amortization	-	(833)	-	(833)
Result participations	-	-	-	-
Balance as of 31 December 2019	2	3.836	7.068	10.906

The other participating interests are the 100% participation in Krudo HSC BvBa. Consolidation has not taken place due to the immateriality of these companies in accordance with article 2:407 paragraph 1a of the Dutch Civil Code.

Prepaid costs

The leasehold of the land of the terminal in Amsterdam has been prepaid for 25 years for the period of September 1996 until August 2021. Every year an amount of this prepayment is amortized in the result of the company, recognized as other operating expenses in the profit and loss account.

In 2005 a prepayment has been made for the rent of the jetty in Pernis, near the Pernis Terminal, for 25 year to the Port of Rotterdam for an amount of EUR 4.594k. Every year an amount of 1/25 of this prepayment is amortized in the result of the Company, recognized as other operating expenses in the profit and loss account.

In 2018 a penalty has been paid to a customer, because of the delay in building extra storage capacity. This claim is amortized during the duration of the initial contract. An amount of EUR 600k is yearly recognized as other operating expenses in the profit and loss account.

Deferred tax asset

The deferred tax asset receivable concerns the recoverable taxes on losses from the Koole Tankstorage Botlek B.V. for the current and past years. As per December 31, 2019 the deferred tax asset receivable amounts to EUR 7.068k, which amount reflects the expectation for recoverable taxes on losses with profits of the Company in the near future.

CURRENT ASSETS

4) Receivables

EUR'000	31/12/2019	31/12/2018
Trade receivables	29.248	29.600
Provision trade receivables	(372)	(133)
Short-term receivable from Group Companies	28.387	18.657
Taxes and social security charges	12.140	5.754
Deposits	2	2
Prepayments	2.998	5.682
Accrued Income	3.396	1.242
Other receivables	24	-
	75.823	60.804

5) Cash and cash equivalents

The issued guarantees to customs authorities, a total of EUR 17.472k are drawn from the current account and have to be considered as restricted cash. The total amount of issued guarantee to the tax authorities related to the permit limited tax representative is EUR 572k. Koole Tankstorage UK issued a guarantee to the HM Revenue & Customs for the amount of GBP 24k.

An additional EUR 3.900k is held in a restricted account in relation to a pre-acquisition claim at KTB which is fully provisioned. For more details, see item 10) guarantees. The remaining cash and cash equivalents are at the free disposal of the Group.

EQUITY AND LIABILITIES

6) Equity

Reference is made to the note on equity in the company only financial statements.

7) Provisions

EUR'000	Deferred taxation	Environmental	Jubilee	Other	Total
Balance as of 31 December 2018	178.927	31.702	669	6.138	217.436
Acquisitions	3.666	40	-	1.592	5.298
Additions	2.278	213	246	298	3.035
Withdrawals	-	(2.244)	-	-	(2.244)
Release	-	-	-	-	-
Balance as of 31 December 2019	184.871	29.711	915	8.028	223.525
With a term less than 1 year	7.631	1.521	91	992	10.235
With a term between 1 - 5 years	18.693	10.440	309	213	29.655
With a term more than 5 years	158.547	17.750	515	6.823	183.635
	184.871	29.711	915	8.028	223.525

The deferred taxation provision is valued at nominal value and is based on the difference of the fiscal and commercial valuations. The deferred taxation is primarily calculated using a tax rate of 22%. For the DTA related to the shipping activities a blended rate is used as a result of the effect of the "tonnage regeling". The blended rate for the cash generating unit shipping is determined on basis of the assets attributable to the company under the "tonnage regeling" and the entity which is subject to the normal tax regime. The blended rate for intangible assets is calculated at 9,16% and the blended rate for tangible assets is determined at 17,75%.

The total temporary differences not recognised amount to EUR 20.264k. The temporary difference not recognised relates to Property, Plant and Equipment for an amount of EUR 20.264k.

The environmental provision for the site at Tankhoofd 2, for the Pernis Terminal (EUR 3.290k), is recognized at nominal value and relates to the expected remediation costs of the tank pits. The environmental provision for the site at Petroleumweg 30, for the land at Koole Renewable Energy B.V. (EUR 1.000k), is recognized at nominal value and relates to the expected remediation costs of plantsite. The environmental provision for the site at Petroleumweg 56, for the Minerals Terminal (EUR 5.511k), is made for the purpose that at the end of the land lease contract the land needs to be returned in a clean state to the Rotterdam Port Authority. If after the end of the current contract term the Company decides to leave the site, then this liability is expected to materialize. It is therefore of a long-term nature. The liability is recognized at net present value and discounted at 4%. Given the long maturity, the interest is, at present, immaterial.

The environmental provision for Koole Tankstorage Botlek B.V. (EUR 19.870k) consists of:

- 1) a provision for soil pollution, which reflects a detailed plan agreed with local authorities in 2011, including updated cost estimate, to clean up the soil pollution on the terminal in the coming 15 years (EUR 14.744k)
- 2) a provision for remediation of asbestos on terminal facilities, e.g. gaskets, as a result of legislation related to asbestos (EUR 5.127k)

In 2019 the Company acquired Riho Holding B.V. which resulted in a further EUR 40k addition to the environmental provision.

The jubilee provision is valued at nominal value and is based on the expected future jubilee payments, taken into account the stay opportunity of the personnel.

The other provision relates mainly to customer & legal claims (EUR 7.696k).

8) Long-term liabilities

EUR'000	31/12/2019	31/12/2018
Debt to financial institutions	815.202	725.084
Parent loan Koole Terminals Subholding I B.V.	615.877	615.877
Deferred interest (capex) parent loans Koole Terminals Subholding I B.V.	178.794	123.364
Negative goodwill (badwill)	16.891	19.779
Financial lease commitments	-	272
Total	1.626.764	1.484.376

Debt to financial institutions

EUR'000	1 - 5 year	>5 year	31/12/2019
Facility A	-	431.000	431.000
Capex Facility	-	90.000	90.000
Financial institutions	-	300.000	300.000
Prepaid Financing fees	-	(5.798)	(5.798)
Total	-	815.202	815.202

EUR'000	Facility A	Capex Facility	Financial Institutions	Prepaid Financing fees	Total
Balance as of 31 December 2018	431.000	-	300.000	(5.916)	725.084
Addition	-	90.000	-	(861)	89.139
Repayment / release	-	-	-	-	-
Amortization	-	-	-	979	979
Balance as of 31 December 2019	431.000	90.000	300.000	(5.798)	815.202

The interest-rate on Facilities A, C and the Capex Facility is based on an interest-rate Euribor 6M + 1,50%. The scheduled termination date of these facilities is 23 March 2025, except for EUR 100 million of Facility A which matures on 24 September 2025. EUR 331 million of Facility A as well as the entirety of Facility C and the Capex Facility are part of a Senior Facility Agreement (SFA).

Facility A comprises two fully drawn term loan facilities totalling EUR 431 million (EUR 331 million + EUR 100 million under separate SFA's). The variable interest rate exposure on the Facility A debt is fully hedged through interest rate swaps with a notional principle amount of EUR 431 million in total. The swaps comprise two tranches: (i) the first with a notional principal amount of EUR 331 million and a blended fixed rate payable by Koole up to and including December 2020 is 0,49%. Thereafter until maturity the blended fixed rate payable is 1,10%; (ii) the second with a notional principle amount of EUR 100 million and a fixed rate payable of 0,17%. Both tranches expire on 23 March 2023.

Facility C (Revolving Credit Facility) is a committed revolving facility of EUR 30 million available for general corporate purposes.

The Capex Facility is a committed revolving facility of EUR 150 million, available for financing and refinancing capex and permitted acquisitions.

The Financial Institutions debt concerns fully drawn long-term fixed rate funding notes provided by several institutional investors, and is split into (i) a EUR 150 million institutional note facility with a 10 year tenor and a fixed interest coupon of 2,9%, and (ii) a EUR 150 million institutional note facility with a 12 year tenor and a fixed interest coupon of 3,2%.

Interest Coverage and Leverage tests are conducted on a semi annual basis in line with the terms of the SFAs and Note Agreements (which are equivalent).

8) Long-term liabilities continued

Parent loan Koole Terminals Subholding I B.V.

EUR'000

Balance as of 31 December 2018

Additions

Balance as of 31 December 2019

	Parent loan	Capex Parent loan	Total
Balance as of 31 December 2018	545.574	70.303	615.877
Additions	-	-	-
Balance as of 31 December 2019	545.574	70.303	615.877

Deferred interest (capex) parent loans Koole Terminals Subholding I B.V.

EUR'000

Balance as of 31 December 2018

Additions

Repayment

Balance as of 31 December 2019

	Interest Parent loan	Interest Capex Parent loan	Total
Balance as of 31 December 2018	104.087	19.277	123.364
Additions	49.103	6.327	55.430
Repayment	-	-	-
Balance as of 31 December 2019	153.190	25.604	178.794

The interest-rate on the parent loan is based on an fixed interest-rate per tranche of 9,00%. The scheduled termination date of the intercompany loans is 15 December 2025. In line with article 2.3 of the loan agreements, the interest remains unpaid and will be considered as deferred interest. The Supervisory Board may elect to repay such deferred interest periodically, subject to the applicable restrictions in the company's senior financing facilities.

Negative goodwill (badwill)

EUR'000

Balance as of 31 December 2018

Additions

Release

Change in current portion of the negative goodwill (badwill)

Balance as of 31 December 2019

	Koole	KRE	KTB	Total
Balance as of 31 December 2018	2.649	8.447	8.683	19.779
Additions	-	-	490	490
Release	(159)	(2.006)	(761)	(2.926)
Change in current portion of the negative goodwill (badwill)	-	(415)	(37)	(452)
Balance as of 31 December 2019	2.490	6.026	8.375	16.891

The negative goodwill (badwill) of EUR 2,5 million relates to the remaining badwill after allocation to intangible assets in the PPA of the purchase of Koole. This negative goodwill (badwill) is recognized as a deferred item and is annually amortized according to the depreciation of the tangible fixed assets of the corresponding cash generating unit.

The negative goodwill (badwill) of EUR 6,0 million relates to the PPA of Koole Renewable Energy (Biopetrol Pernis). This negative goodwill (badwill) is recognized as a deferred item and is annually amortized in 10 years. In 2019 an extra amortization was applied over the past years, to adjust for a previous miscalculation of the amortization term. The yearly amortization is EUR 1.1 million.

The negative goodwill (badwill) of EUR 8,4 million relates to the PPA of Koole Tankstorage Botlek Holding B.V. (Odffjell Terminals Europe B.V.). This negative goodwill (badwill) is recognized as a deferred item and is annually amortized in 13 years.

Financial lease

The lease debt for the finance lease contract for portocabins at the contractor yard since June 1, 2017 has been fully paid in September 2019, amounting to € 312k. With this payment the Company has purchased the portocabins.

9) Current Liabilities**EUR'000**

	<u>31/12/2019</u>	<u>31/12/2018</u>
Trade creditors	39.503	26.790
Current portion of negative goodwill (badwill)	2.062	1.609
Current portion of financial lease commitment	85	154
Taxes and social security charges	2.905	1.886
Other liabilities	9.952	11.016
<u>Accruals and deferred income</u>		
Accrued holiday days	2.128	1.738
Accrued holiday allowance	1.184	670
Bonuses payable	1.305	1.159
Wages (overtime) payable	9	-
Deferred income	4.374	243
	63.507	45.265

10) Guarantees

Koole Tankstorage Pernis B.V. issued a guarantee to the customs in Rotterdam related to the custom clearance activities for an amount of EUR 2,834k. Koole Tankstorage Pernis B.V. issued a guarantee to the tax authorities related to the permit limited tax representative for an amount of EUR 118k. These guarantees are drawn from the current account and have to be considered as restricted cash. Krudo HSC issued two guarantees to the tax authorities for a total amount of EUR 79k, related to the permit limited tax representative, this amount is drawn from the current account of EUR 200k.

Koole Tankstorage Minerals has issued a guarantee towards the Dutch Customs Authorities of EUR 9,5 million for the collection of customs and excise duties by NOVA Douane Services B.V.

Koole Tankstorage Botlek has issued a guarantee towards the Dutch Customs Authorities of EUR 4,7 million for the collection of customs and excise duties. Koole Tankstorage Botlek B.V. issued a guarantee to the tax authorities related to the permit limited tax representative for an amount of EUR 454k.

Koole Tankstorage Botlek Holding has a restricted cash balance of EUR 3,9 million relating to a guarantee issued in relation to a historical customer claim. Upon settlement of the claim, this amount will be fully paid out to the Seller and has therefore been fully provisioned for in line with the terms of the Share Purchase Agreement.

Riho Dodewaard B.V. has issued a guarantee towards the Dutch Customs Authorities of EUR 355k for the collection of customs and excise duties.

Koole Tankstorage UK issued a guarantee to the HM Revenue & Customs for the amount of GBP 24k.

11) Off-balance sheet information

Fiscal unit VAT

Koole Terminals Subholding I B.V. constitutes a fiscal unit for the VAT together with the group entities Star Bonaire B.V., Koole Tankstorage Nijmegen B.V., Koole Tankrederij B.V., Koole Tankstorage Zaandam B.V., Koole Tankstorage Pernis B.V., Koole Tankstorage Vondelingenplaat B.V., Hatech B.V., Koole Terminals B.V., Koole Properties B.V., Koole Terminals Holding B.V., Koole Terminals Subholding II B.V., Koole Terminals Subholding III B.V., Koole Tankstorage Minerals B.V., NOVA Douane Services B.V., Koole Tankstorage Amsterdam B.V., Koole Tankstorage Botlek Holding B.V., Koole Tankstorage Botlek B.V. and Koole Tankstorage Botlek II B.V.

Krudo HSC B.V. has an independent VAT liability. Consequently, the companies are jointly and several liable for liabilities regarding corporate income taxes and value added taxes of the fiscal unit.

On February 1st 2019 RiHo Dodewaard B.V. and RiHo Nijmegen B.V. have been added to the fiscal unit for the VAT.

Fiscal unit Corporate income tax

The Group constitutes a fiscal unit for the Corporate Income Tax together with the group companies Koole Tankstorage Zaandam B.V., Koole Tankstorage Amsterdam B.V., Koole Tankstorage Nijmegen B.V., Koole Tankstorage Pernis B.V., Koole Tankrederij B.V., Koole Tankstorage Vondelingenplaat B.V., Koole Terminals B.V., Koole Properties B.V., Koole Tankstorage Minerals B.V., NOVA Douane Services B.V., Koole Renewable Energy B.V., Koole Tankstorage Botlek Holding B.V., Koole Tankstorage Botlek B.V., Koole Tankstorage Botlek II B.V., Koole Terminals Subholding II B.V., Koole Terminals Subholding III B.V. and Koole Terminals Holding B.V.

On February 1 2019 RiHo Dodewaard B.V. and RiHo Nijmegen B.V. have been added to the fiscal unit for the Corporate Income Tax.

Consequently, the companies are jointly and several liable for liabilities regarding corporate income taxes and value added taxes of the fiscal unit. Star Bonaire B.V. and Krudo HSC B.V. have an independent corporate income tax liability.

As at 31 December 2019, IIF Dutch Koole Holdco B.V. was 100% shareholder of Koole Terminals Holding B.V. Koole Terminals Holding B.V. is the parent company of the consolidated group, consisting of the following 100% owned group companies:

- Koole Terminals Subholding I B.V., Amsterdam;
- Koole Terminals Subholding II B.V., Amsterdam;
- Koole Terminals Subholding III B.V., Amsterdam;
- Koole Properties B.V., Zaandam;
- Koole Terminals B.V., Zaandam;
- Koole Tankstorage Botlek Holding B.V., Rotterdam;
- Koole Tankstorage Botlek B.V., Rotterdam;
- Koole Tankstorage Botlek II B.V., Rotterdam;
- Koole Tankstorage Minerals B.V., Amsterdam;
- NOVA Douane Service B.V., Zaandam;
- Koole Renewable Energy B.V., Zaandam;
- Koole Tankrederij B.V., Zaandam;
- Star Bonaire B.V., Zaandam;
- Koole Tankstorage Zaandam B.V., Zaandam;
- Koole Tankstorage Nijmegen B.V., Zaandam;
- Koole Tankstorage Pernis B.V., Zaandam;
- Koole Tankstorage Vondelingenplaat B.V., Zaandam;
- Koole Tankstorage Amsterdam B.V., Zaandam;
- Koole Tankstorage UK Ltd., Liverpool;
- Koole Tankstorage Gdynia Sp. z o.o., Gdynia;
- Krudo HSC B.V., Zaandam;
- Krudo HSC Bvba;
- Hatech B.V., Amsterdam.
- RiHo Dodewaard B.V., Dodewaard;
- RiHo Nijmegen B.V., Nijmegen;

403-statement

For the financial statements of Koole Properties B.V. and Koole Terminals B.V., a statement (as referred to section 403 of the Dutch Civil Code 2) of joint and severable liability has been filed with the Dutch Chamber of Commerce. Consequently, these companies are exempted from the publication of the statutory financial statements, as the figures are being consolidated in the financial statements of the parent company.

For the year ending 31 December 2019, Koole Tankstorage UK Ltd is exempted from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. The directors are exempt from the requirements of the Companies Act relating to the audit of individual accounts by virtue of section 479A of the Companies Act.

Transactions with related parties

All transactions between related parties have been charged "at arm's length".

Other liabilities

There is a yearly liability of EUR 787k for Koole Tankstorage Pernis B.V. (Tankhoofd 2) leasehold to the "Gemeentelijk Havenbedrijf Rotterdam" until 2040. The yearly liability for the leasehold to the "Gemeente Zaandam" amounts to EUR 155k until 2050. Against REKO Exploitiemaatschappij B.V. there is a yearly liability for the leasehold in Pernis of EUR 27k until 2054. There is a yearly liability of EUR 352k against the port of Gdynia for the lease of the land until 2030. The yearly liability for the lease for the land in Liverpool against Mersey docks amounts to GBP 102k per year until December 2020. The yearly liability for the lease for the land in Avonmouth against The Bristol Port Company amounts to GBP 60k per year until 2031. Koole Tankstorage Minerals B.V. entered into long-term lease agreements with the Rotterdam Port Authority for the rental of the site at Petroleumweg 56. There is a yearly liability of EUR 4.732k for 4 leaseholds to the "Gemeentelijk Havenbedrijf Rotterdam" with regards to the Petroleumweg 56 in Rotterdam. The leaseholds to the "Gemeentelijk Havenbedrijf Rotterdam" date until 2035.

Koole Renewable Energy B.V. entered into long-term lease agreements with the Rotterdam Port Authority for the rental of the site at Petroleumweg 30. There is a yearly liability of EUR 95k for the leasehold in Pernis to the "Gemeentelijk Havenbedrijf Rotterdam" with regards to the Petroleumweg 30 in Rotterdam. The leaseholds to the "Gemeentelijk Havenbedrijf Rotterdam" date until 2048.

Also, the Group entered into service level agreements for the provision of utility services at its site and for ICT services.

For the construction of a new quay, Koole Tankstorage Minerals B.V. has issued a guarantee to the Rotterdam Port Authority in relation to the port duties that are expected to result from the higher volumes handled on the Pernis terminal. In 2019 the guaranteed levels were exceeded by a significant margin.

KTB entered into long-term lease agreements with the Rotterdam Port Authority for the rental of the site at Oude Maasweg in Rotterdam Botlek. The yearly liability is EUR 3.556k for Oude Maasweg 6 in Rotterdam Botlek. The leaseholds date until 2044.

The group has concluded operating leases as lessee relating to cars. The future minimum lease payments can be specified as follows:

EUR'000	31/12/2019	31/12/2018
Less than 1 year	551	420
Between 1 and 5 years	1.315	954
more than 5 years	-	-
	<u>1.866</u>	<u>1.374</u>

In 2019 the total paid lease payments amount to EUR 730k, recognised as other operating expenses in the profit and loss account.

NOTES TO THE CONSOLIDATED PROFIT AND LOSS STATEMENT

12) Net turnover

	1 January 2019 to 31 December 2019	1 January 2018 to 31 December 2018
EUR'000		
Storage and handling	233.166	163.800
Inland barging	9.099	8.989
Short-sea shipping	9.103	9.567
Control and survey	7.592	6.772
Trade goods	2.262	1.710
Road transport	1.289	271
Other	1.074	512
	263.585	191.621

The major part of the revenues are generated in The Netherlands, EUR 259 million (2018: EUR 187 million). The other revenues are generated by the terminals in the UK, EUR 3.565k (2018: EUR 3.492k) and by the terminal in Poland, EUR 1.022K (2018: EUR 633k).

13) Costs of subcontracted work and other external charges

EUR'000		
Energy and gasoil	18.929	13.247
Maintenance and operational costs	19.949	12.385
Third party services	5.214	2.293
Property rental and fixed fees	15.711	9.291
Harbour dues	2.028	2.132
Insurance	3.659	2.224
Other external charges	10.397	6.885
	75.887	48.457

14) Amortization intangible fixed assets

EUR'000		
Goodwill amortization	14.140	13.303
Trade name	796	796
Customer relationships	26.106	28.838
Software	1.925	687
	42.967	43.624

15) Depreciation tangible fixed assets

EUR'000		
Land and buildings	1.901	1.282
Ships	2.641	2.202
Plant & Equipment	41.249	26.792
Other fixed operating assets	2.564	501
Assets under construction	-	773
Sales of assets	326	-
	48.681	31.550

16) Other operating expenses

EUR'000		
Housing expenses	4.171	2.929
IT costs	2.249	798
Advisory costs	2.159	1.967
Selling expenses	474	382
Other operating expenses	2.026	1.614
	11.079	7.690

The costs of the Company for the external auditor, the audit organization and the entire network to which the audit organization belongs charged to the financial year are included in the annual report of the ultimate parent company Koole Terminals Holding B.V. Therefore the costs are not disclosed in this annual report.

17) Financial expenses

	1 January 2019 to 31 December 2019	1 January 2018 to 31 December 2018
EUR'000		
Interest expenses facility agreement	9.006	8.728
Commitment fee facility agreement	894	951
Interest expenses institutions	9.313	7.246
Interest expense parent loans	55.429	49.187
Financing fees	1.061	6.498
Exchange rate differences	90	(120)
Other financial income and expenses	242	326
	76.035	72.816

18) Income taxes

The applicable income tax rate in the Netherlands is 20/25%. Star Bonaire B.V. is using the "tonnage regeling" which reduces the corporate income tax on the operating profit. The "income not subject to tax and incentives" as included in this specification of the effective tax rate shows the effect of the "tonnage regeling" for an amount of EUR 73k. The temporary difference not recognised relates to Property, Plant and Equipment (reference is made to page 18). The adjustment in respect of different tax rates for the DTL relates to the valuation of the commercial and fiscal differences against expected future tax rates (from 25% in 2019 to 21,7% as of 2021). The amortization of goodwill is, apart from the amount related to acquisition costs, not deductible for income tax. The effect of the goodwill amortization is included in the specification under change in goodwill on subsidiaries.

In 2019 the interest non-deductibility rules have changed. The 30% EBITDA rules have been introduced (Dutch ATAD), limiting the deduction of net interest expenses to 30% EBITDA, with a threshold amount of EUR 1 million of deductible net interest.

	1 January 2019 to 31 December 2019	1 January 2018 to 31 December 2018
EUR'000		
<u>Current income tax charge</u>		
Current financial year	1.104	(1.905)
Amendments for preceding years	(1.007)	4
	97	(1.901)
<u>Deferred taxes</u>		
Temporary differences fiscal and commercial valuation recognised in P&L	1.869	(41.705)
Temporary differences fiscal and commercial valuation recognised in equity	-	-
	1.869	(41.705)
Total income tax in profit and loss statement	1.966	(43.606)
Total income tax	1.966	(43.606)
<u>Specification of effective tax rate</u>		
	%	%
Profit/(loss) before taxation	(46.652)	(48.422)
One-off settlement	-	(2.238)
Result before tax	(46.652)	(50.660)
Income tax using the domestic corporation tax rate	(11.663)	(12.665)
Effect of tax rates in foreign jurisdictions	(72)	(63)
Income not subject to tax and incentives	(73)	(165)
Expenses not deductible for tax purposes	3.421	22
Change in temporary differences not recognised	522	(301)
Change in goodwill on subsidiaries	2.800	3.054
Adjustment in respect of prior years*	(1.007)	(2.398)
Effect of different tax rates DTL (from 25% to 21%)	8.034	(32.215)
Permanent differences of Koole Tankstorage Botlek B.V.	-	982
Other items	3	144
	1.966	(43.606)
	-4,2%	86,1%

* including EUR 2.4 million release DTL due to settlement (note 20)

19) Share in profit of participating interests

In 2018 and 2019 the participation of Krudo HSC BvBa have not been consolidated because of the small interest of their result in accordance with Article 2:407 of the Dutch Civil Code.

20) Extraordinary result

	<u>2019</u>	<u>2018</u>
EUR'000		
One-off settlement	0	2.238
	<u>0</u>	<u>2.238</u>

Based on the Share Purchase Agreement ("SPA") agreed in December 2015, between Koole Terminals Subholding II B.V. ("Ivy") and the Sellers (Knight Infrastructure I BV and Sword Infrastructure I BV), KTSH2 has an obligation to pay a reversion amount of max. EUR 4.594.622 to the Sellers in case the Sellers decide to reverse the application of the accelerated depreciation over the year 2011, 2012 and 2013. In case the accelerated depreciation is only partly reversed by the Seller, Koole Terminals Subholding II BV has to pay the pro rata amount of the reversal amount. In 2018 an amount of EUR 2,2 million has been paid to the Seller, based on a reverse of 50% of the accelerated depreciation. The Sellers recently have come to a (verbal) agreement with the tax authorities about a reversal of the accelerated depreciation position. With the reversal of the accelerated depreciation, the tax base of Koole Terminals Subholding II B.V. increases. This is reflected in the release of the deferred tax liability with EUR 2,4 million.

Other information

EUR'000	<u>2019</u>	<u>2018</u>
Remuneration Board of Directors	1.546	1.120

<u>Average number of employees (FTE)</u>	<u>2019</u>	<u>2018</u>
Koole Tankstorage Botlek B.V.	189	188
Koole Tankstorage Minerals B.V.	88	71
Koole Tankstorage Pernis B.V.	37	39
Koole Tankstorage Vondelingenplaat B.V.	67	62
Koole Tankstorage Nijmegen B.V.	7	8
Koole Tankstorage Zaandam B.V.	4	4
Koole Tankstorage Amsterdam B.V.	6	5
Koole Tankstorage UK Ltd	13	14
Koole Tankstorage Gdynia Sp. z o.o.	5	5
RiHo Dodewaard B.V.	17	-
Total Storage	433	396
Star Bonaire B.V.	20	21
Koole Tankrederij B.V.	66	65
Total Shipping	86	86
Survey / control - Krudo HSC B.V.	20	20
Hatech B.V.	10	10
Overhead / Administrative - Koole Terminals B.V.	72	70
Koole Terminals Subholding II B.V.	3	2
Total Other	105	102
TOTAL	624	584

Of these employees 18 FTE (2018: 19 FTE) were employed outside the Netherlands.

FINANCIAL STATEMENTS COMPANY ONLY

FOR THE PERIOD FROM 1 JANUARY 2019 UNTIL
31 DECEMBER 2019

BALANCE SHEET - COMPANY ONLY

(before appropriation of result)

EUR'000	Note	31 December 2019	31 December 2018
ASSETS			
Fixed assets			
Intangible fixed assets	(1)	155.769	169.072
Financial fixed assets	(2)	<u>738.676</u>	<u>730.185</u>
		894.445	899.257
Long term receivables			
	(3)	<u>551.032</u>	<u>473.815</u>
		551.032	473.815
Current Assets			
Receivables	(4)	85.180	61.722
Cash		<u>2.635</u>	<u>1.506</u>
		87.815	63.228
TOTAL ASSETS		<u>1.533.292</u>	<u>1.436.300</u>
EQUITY AND LIABILITIES			
Equity			
Share Capital	(5)	0	0
Share premium		381.988	381.988
Revaluation reserve		(601)	(850)
Retained earnings		(325.029)	(317.975)
Result after taxation		<u>(48.618)</u>	<u>(7.054)</u>
		7.740	56.109
Long term liabilities			
	(6)	<u>1.504.166</u>	<u>1.367.506</u>
		1.504.166	1.367.506
Current Liabilities			
	(7)	<u>21.386</u>	<u>12.685</u>
		21.386	12.685
TOTAL EQUITY AND LIABILITIES		<u>1.533.292</u>	<u>1.436.300</u>

The notes form an integral part of these financial statements

PROFIT AND LOSS STATEMENT - COMPANY ONLY

EUR'000	2019	2018
Company result after taxation	(56.860)	(58.962)
Result participation after taxes	8.242	51.908
Net profit / (loss)	<u>(48.618)</u>	<u>(7.054)</u>

NOTES TO THE COMPANY ONLY FINANCIAL STATEMENTS

The company only financial statements have been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. The accounting policies used are the same as those explained in the notes to the consolidated financial statements unless otherwise stated.

The profit and loss account is prepared in accordance with Article 2:402.

1) Intangible fixed assets

Goodwill	2019	2018
EUR'000		
Book value as of 1 January	169.072	182.375
Amortization	(13.303)	(13.303)
Book value as of 31 December	155.769	169.072

Goodwill related to the acquisition by the Group of Knight Infrastructure II B.V. "Knight" and Sword Infrastructure II B.V. "Sword" on 16 December 2015 is amortized on a straight-line basis over the estimated useful economic life of 20 years.

2) Financial fixed assets

Participations	2019	2018
EUR'000		
Book value as of 1 January	730.185	685.946
Revaluation	249	(169)
Dividend	-	(7.500)
Result participation	8.242	51.908
Book value as of 31 December	738.676	730.185

Participating interest over whose financial and operational policies the Company exercises control are valued using the asset value method. Koole Terminals Subholding II B.V. holds 100% of the shares of Koole Terminals Subholding III B.V.

The revaluation is due to the revaluation of the foreign entities Koole Tankstorage UK Ltd. and Koole Tankstorage Gdynia Sp.z o.o.

3) Long term receivables

	Loan to subsidiary	Accrued interest	Total
EUR'000			
Book value as of 1 January	459.244	14.571	473.815
Additions	149.908	6.049	155.957
Repayment	(78.385)	(356)	(78.741)
Book value as of 31 December	530.766	20.265	551.032

The scheduled termination date of the intercompany loans is 15 December 2025.

4) Receivables

	2019	2018
EUR'000		
Short-term receivable from Group Companies	75.054	52.850
Accrued interest on intercompany loan	6.300	5.154
Taxes and social security charges	3.804	3.701
Other receivables	22	17
	85.180	61.722

Accrued interest on intercompany loan

	2019	2018
EUR'000		
Book value as of 1 January	5.154	2.653
Additions	5.820	4.482
Repayment	(4.673)	(1.981)
Book value as of 31 December	6.300	5.154

The interest-rate on the intercompany loan to its group companies, is based on the Senior Facility Agreement (SFA). Reference is made to the note on the long-term liabilities in the consolidated financial statements (page 20).

5) Equity

EUR'000	Share capital	Share premium	Revaluation reserve	Retained earnings	Result after taxation	Total
Balance as of 1 January 2018	-	381.988	(681)	(282.677)	(35.298)	63.332
Addition	-	-	-	(35.298)	35.298	-
Disposal	-	-	-	-	-	-
Revaluation	-	-	(169)	-	-	(169)
Result current year	-	-	-	-	(7.054)	(7.054)
Balance as of 31 December 2018	-	381.988	(850)	(317.975)	(7.054)	56.109
Addition	-	-	-	(7.054)	7.054	-
Disposal	-	-	-	-	-	-
Revaluation	-	-	249	-	-	249
Result current year	-	-	-	-	(48.618)	(48.618)
Balance as of 31 December 2019	-	381.988	(601)	(325.029)	(48.618)	7.740

In accordance with the articles of association, the company has an authorized share capital of EUR 100.

The authorized capital of the company is divided into 10.001 shares, consisting of 10.000 shares B with a nominal value of one Eurocent (EUR 0,01) and 1 share A with a nominal value of ten Eurocents (EUR 0,10).

The total 10.001 shares have been issued and fully paid up. The A-share and B-shares are held by Koole Terminals Subholding I B.V. The A-share has no voting rights in the general meeting, but (i) provides for meeting rights ("vergader rechten") and (ii) will have the right to vote in the meeting comprising the shareholders.

The revaluation is due to the revaluation of the foreign entities Koole Tankstorage UK Ltd. And Koole Tankstore Gdynia Sp.Z.o.o.

6) Long term liabilities

EUR'000	2019	2018
Debt to financial institutions	815.202	725.084
Parent loan Koole Terminals Subholding I B.V.	518.896	518.896
Deferred interest (capex) parent loans Koole Terminals Subholding I B.V.	167.578	120.877
Negative goodwill (badwill) KTG	2.490	2.649
Total	1.504.166	1.367.506

Reference is made to the note on long term liabilities in the consolidated financial statements.

7) Current Liabilities
EUR'000

	<u>2019</u>	<u>2018</u>
Trade creditors	16	6
Current portion of long-term liabilities	159	159
Short-term liabilities to Group Companies	20.500	11.920
Taxes and social security charges	40	74
Other liabilities	671	526
	<u>21.386</u>	<u>12.685</u>

Other information

The remuneration of the Board of Management directors is stated under the Other information section of the consolidated annual report.

Subsequent events

Covid- 19

The global outbreak of the Covid-19 virus in early 2020 has triggered a significant change in macroeconomic circumstances due to a range of government measures taken worldwide to contain the pandemic. Koole has taken appropriate measures to ensure operational continuity and the health and safety of all staff, enabling Koole to continue to play its role as a critical provider of infrastructure in the food, fuels and industrial supply chains. As of the date of signing of the annual report, Koole has not observed a negative material impact on the operational or financial performance of the business. However, the scope, duration and breadth of pandemic-related restrictions as well as the subsequent economic effects thereof could have a negative impact on future throughput volumes or demand for Koole's services. At present, management cannot reliably estimate what this negative impact could be, as this is highly dependent on a range of external factors and the subsequent course of the pandemic. However, management currently does not expect a materially adversely effect on Koole's operational or financial performance, liquidity position or business continuity.

Appropriation of Result

The loss for the year amounts to EUR 48.618k. The Board of Management proposes that this loss will be deducted from the reserves in accordance with the Articles of Association.

April 17, 2020

The Board of Management:

J. J. Kraakman

B. D. Wassenaar

A.G.H. Steenland

OTHER INFORMATION

Appropriation of Result

According to Article 24 of the Articles of Association of the company, the result of the company is at the disposal of the General Meeting of Shareholders.

Independent auditor's report

The independent auditor's report of Ernst & Young Accountants LLP is included on the next pages.

Independent auditor's report

To: the shareholders and management of Koole Terminals Subholding II B.V.

Report on the audit of the financial statements 2019 included in the annual report

Our opinion

We have audited the financial statements 2019 of Koole Terminals Subholding II B.V., based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Koole Terminals Subholding II B.V. as at 31 December 2019, and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The consolidated and company balance sheet as at 31 December 2019
- The consolidated and company profit and loss account for 2019
- The notes comprising a summary of the accounting policies and other explanatory information

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 Koole Terminals Subholding II B.V. in accordance with 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.

Emphasis of matter relating to Corona developments

The developments surrounding the Corona (Covid-19) virus have a profound impact on people's health and on our society as a whole, as well as on the operational and financial performance of organizations and the assessment of the ability to continue as a Going Concern. The financial statements and our auditor's report thereon reflect the conditions at the time of preparation. The situation changes on a daily basis giving rise to inherent uncertainty. The impact of these developments on Koole Terminals Subholding II B.V. is disclosed in the report of the board of management (refer to page 5 and 6) and the disclosure about events after the reporting period (refer to page 33). We draw attention to these disclosures. Our opinion is not modified in respect of this matter.

Report on other information included in the annual report

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

- The management board's report
- 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.

Management is responsible for the preparation of the other information, including the management board's report 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.

Description of responsibilities for the financial statements

Responsibilities of management for the financial statements

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

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

Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control

Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management

Concluding on the appropriateness of management's 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 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. 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

Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with management 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.

Amsterdam, 17 April 2020

Ernst & Young Accountants LLP

Signed by G.M.J. Bloetjes