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Luna Arena
Herikerbergweg 238
1101 CM
Amsterdam
The Netherlands

MORGAN STANLEY B.V.

Interim financial report

30 June 2022

MORGAN STANLEY B.V.

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MORGAN STANLEY B.V.

INTERIM MANAGEMENT REPORT

The Directors present their interim management report, Directors' responsibility statement and the condensed financial statements for Morgan Stanley B.V. (the "Company") for the six months ended 30 June 2022.

RESULTS AND DIVIDENDS

The profit for the six months ended 30 June 2022, after tax, was €628,000 (30 June 2021: €874,000).

During the six months ended 30 June 2022, no dividends were paid or proposed (30 June 2021: €nil).

PRINCIPAL ACTIVITY

The principal activity of the Company is the issuance of financial instruments including notes, certificates and warrants ("structured notes") and the hedging of the obligations arising pursuant to such issuances.

The Company was incorporated under Dutch law on 6 September 2001 and has its statutory seat in Amsterdam, The Netherlands. The business office of the Company is at Luna Arena, Herikerbergweg 238, 1101 CM, Amsterdam, The Netherlands.

The Company's ultimate parent undertaking and controlling entity is Morgan Stanley, which, together with the Company and Morgan Stanley's other subsidiary undertakings, form the "Morgan Stanley Group".

FUTURE OUTLOOK

There have not been any significant changes in the Company's principal activity in the period under review and no significant change in the Company's principal activity is expected.

BUSINESS REVIEW

Exposure to risk factors and the current business environment in which it operates may impact business results of the Company's operations.

Risk factors

Risk is an inherent part of the Company's business activity. The Company seeks to identify, assess, monitor and manage each of the various types of risk involved in its business activities, in accordance with defined policies and procedures.

The Morgan Stanley Group Risk Appetite Statement articulates the aggregate level and type of risk that the Group is willing to accept in order to execute its business strategy.

The Morgan Stanley Group has an established Risk Management Framework, to support the identification, monitoring and management of risk.

The primary risk areas for the Company include Market, Credit, Liquidity and Operational Risks which are discussed in the Risk Management section.

The key risk factors impacting the Company are consistent with those outlined in the 2021 Annual Report and Financial Statements, with the exception of the updates below.

Business environment

During 2022, the Company has continued to monitor the factors in the global environment which impact its performance and financial stability. The war in Ukraine introduced risks and uncertainties that may adversely affect the results and operations of the Company. Other factors which the Company continues to monitor are continued inflation and rising interest rates.

INTERIM MANAGEMENT REPORT

BUSINESS REVIEW (CONTINUED)

Business environment (continued)

Russia and Ukraine War

The Company is monitoring the war in Ukraine and its impact on both the Ukrainian and Russian economies, as well as the related impacts on other world economies and the financial markets. The Company's direct exposure to both Russia and Ukraine remains limited.

Morgan Stanley is not entering into any new business onshore in Russia and activities in Russia are limited to helping global clients address and close out pre-existing obligations.

Macroeconomic Environment

The global economic and geopolitical environment during the period, which has been characterised by continued inflation, rising interest rates and commodity prices and volatility in global financial markets, had limited impact on the Company.

Overview of 2022 interim period

The issued structured notes expose the Company to the risk of changes in market prices of the underlying securities, interest rate risk and, where denominated in currencies other than Euros, the risk of changes in rates of exchange between the Euro and the other relevant currencies. The Company uses the contracts that it purchases from other Morgan Stanley Group undertakings to hedge the market price, interest rate and foreign currency risks associated with the issuance of the structured notes.

The condensed statement of comprehensive income for the six months ended 30 June 2022 is set out on page 8. The profit before income tax for the six months ended 30 June 2022 is €847,000 compared to €1,167,000 recognised for the six months ended 30 June 2021. The decrease in profit before income tax is driven by a decrease in the Company's share of business revenues.

The condensed statement of financial position for the Company is set out on page 10. The Company's total assets at 30 June 2022 are €10,733,007,000, an increase of €939,143,000 or 10% when compared to 31 December 2021. Total liabilities of €10,700,787,000 represent an increase of €938,515,000 or 10% when compared to total liabilities at 31 December 2021. The increase in assets is due to net issuances in the period within loans and advances. The increase in liabilities is driven by market movements of the hedging instruments. Structured notes within debt and other borrowing remain relatively stable as issuances have been offset with market movements.

The performance of the Company is included in the results of the Morgan Stanley Group. The Company's Directors believe that providing further performance indicators for the Company itself would not enhance an understanding of the development, performance or position of the business of the Company.

The risk management section below sets out the Company's and the Morgan Stanley Group's policies for the management of liquidity and cash flow risk and other significant business risks.

INTERIM MANAGEMENT REPORT

BUSINESS REVIEW (CONTINUED)

Risk management

Risk is an inherent part of the Company's business activity. The Company seeks to identify, assess, monitor and manage each of the various types of risk involved in its business activities, in accordance with defined policies and procedures. The Company has leveraged the risk management policy framework of the Morgan Stanley Group. The risk management policy framework includes escalation to the Company's Board of Directors and to appropriate senior management personnel as well as oversight through the Company's Board of Directors.

Note 20 to the Company's annual financial statements for the year ended 31 December 2021 ("2021 annual financial statements") provides more detailed qualitative disclosures on the Company's exposure to financial risks. Note 14 to the condensed financial statements provides more detailed quantitative disclosures.

Set out below is an overview of the Company's policies for the management of financial risk and other significant business risk.

Market risk

Market risk refers to the risk that a change in the level of one or more market prices, rates, spreads, indices, implied volatilities, correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio.

The Company manages the market risk associated with its trading activities at a legal entity trading division and at an individual product level.

Sound market risk management is an integral part of the Company's culture. The Company is responsible for ensuring that market risk exposures are well-managed and monitored. The Company also ensures transparency of material market risks, monitors compliance with established limits, and escalates risk concentrations to appropriate senior management.

The market risk management policies and procedures for the Company are consistent with those of the Morgan Stanley Group and include escalation to the Company's Board of Directors and appropriate senior management personnel.

It is the policy and objective of the Company not to be exposed to net market risk.

Credit risk

Credit risk refers to the risk of loss arising when a borrower, counterparty or issuer does not meet its financial obligations to the Company. Credit risk includes country risk, which is further described below.

Credit risk management policies and procedures for the Company are consistent with those of the Morgan Stanley Group and include escalation to the Company's Board of Directors and appropriate senior management personnel.

Credit risk exposure is managed on a global basis and in consideration of each significant legal entity within the Morgan Stanley Group. The credit risk management policies and procedures establish the framework for identifying, measuring, monitoring and controlling credit risk whilst ensuring transparency of material credit risks, compliance with established limits and escalating risk concentrations to appropriate senior management.

Additional information on the primary credit exposures, credit risk management and mitigation, exposure to credit risk, including the maximum exposure to credit risk by credit rating is presented in note 14.

INTERIM MANAGEMENT REPORT

BUSINESS REVIEW (CONTINUED)

Risk management (continued)

Country risk exposure

Country risk exposure is the risk that events in, or affecting, a foreign country might adversely affect the Company. “Foreign country” means any country other than The Netherlands. Sovereign risk, by contrast, is the risk that a government will be unwilling or unable to meet its debt obligations, or renege on the debt it guarantees. Sovereign risk is single-name risk for a sovereign government, its agencies and guaranteed entities.

The Company conducts the majority of its financial asset transactions with other Morgan Stanley Group undertakings, primarily in Luxembourg, the United Kingdom (“UK”) and the United States of America (“USA”). Both the Company and the other Morgan Stanley Group undertakings are wholly-owned subsidiaries of the same ultimate parent entity, Morgan Stanley. As a result of the implicit support that would be provided by Morgan Stanley, the Company’s country risk is considered a component of the Morgan Stanley Group’s credit risk.

For further information on how the Company identifies, monitors and manages country risk exposure refer to page 4 of the Directors’ report of the Company’s 2021 annual financial statements.

Liquidity risk

Liquidity risk refers to the risk that the Company will be unable to finance its operations due to a loss of access to the capital markets or difficulty in liquidating its assets. Liquidity risk encompasses the Company’s ability (or perceived ability) to meet its financial obligations without experiencing significant business disruption or reputational damage that may threaten the Company’s viability as a going concern as well as the associated funding risks triggered by the market or idiosyncratic stress events that may cause unexpected changes in funding needs or an inability to raise new funding.

For further discussion on the Company’s liquidity risk refer to page 5 of the Directors’ report in the Company’s 2021 annual financial statements.

Operational risk

Operational risk refers to the risk of loss, or of damage to the Company’s reputation, resulting from inadequate or failed processes or systems, from human factors or from external events (e.g. fraud, theft, legal and compliance risks, cyber-attacks or damage to physical assets). Operational risk relates to the following risk event categories as defined by Basel Capital Standards: internal fraud; external fraud; employment practices and workplace safety; clients, products and business practices; business disruption and system failure; damage to physical assets; and execution, delivery and process management.

The Company may incur operational risk across the full scope of its business activities.

For further discussion on the Company’s operational risk refer to pages 5, 6 and 7 of the Directors’ report in the Company’s 2021 annual financial statements.

INTERIM MANAGEMENT REPORT

BUSINESS REVIEW (CONTINUED)

Risk management (continued)

Legal, regulatory and compliance risk

Legal, regulatory and compliance risk includes the risk of legal or regulatory sanctions, material financial loss; including fines, penalties, judgements, damages and / or settlements, limitations on our business, or loss to reputation which the Company may suffer as a result of a failure to comply with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct applicable to our business activities. This risk also includes contractual and commercial risk, such as the risk that a counterparty's performance obligations will be unenforceable. It also includes compliance with Anti-Money Laundering, anti-corruption and terrorist financing rules and regulations. The Company is generally subject to extensive regulation in the different jurisdictions in which it conducts its business.

For further discussion on the Company's legal, regulatory and compliance risk, refer to page 7 of the Directors' report in the Company's 2021 annual financial statements.

Cyber and information security risk management

The Company maintains a program that oversees its cyber and information security risks. Cybersecurity and information security policies, procedures and technologies are designed to protect the Company's information assets against unauthorised disclosure, modification or misuse and are also designed to address regulatory requirements. These policies and procedures cover a broad range of areas, including: identification of internal and external threats, access control, data security, protective controls, detection of malicious or unauthorised activity, incident response and recovery planning.

For further discussion on the Company's cyber and information security risk management, refer to pages 7, 8 and 9 of the Directors' report in the Company's 2021 annual financial statements.

Culture, values and conduct of employees

Employees of the Morgan Stanley Group are accountable for conducting themselves in accordance with the Morgan Stanley Group's core values Put Clients First, Do the Right Thing, Lead with Exceptional Ideas, Commit to Diversity and Inclusion and Give Back. The Morgan Stanley Group's core values drive a shared set of behaviours and attributes that help employees make decisions consistent with the expectations of our clients, shareholders, regulators, Board of Directors and the public. The Morgan Stanley Group is committed to reinforcing and confirming adherence to the core values through our governance framework, tone from the top, management oversight, risk management and controls, and a three lines of defence structure (business, control functions such as Risk Management and Compliance, and Internal Audit).

The Morgan Stanley Group's Board is responsible for overseeing the Morgan Stanley Group's practices and procedures relating to culture, values and conduct. The Morgan Stanley Group's Culture, Values and Conduct Committee, along with the Compliance and Conduct Risk Committee, are the senior management committees that oversee the Morgan Stanley-wide culture, values and conduct program, report regularly to the Morgan Stanley Group Board; and complement ongoing business and region-specific culture initiatives.

A fundamental building block of this program is the Morgan Stanley Group's Code of Conduct, which establishes standards for employee conduct that further reinforce the Morgan Stanley Group's commitment to integrity and ethical conduct. Every new hire and every employee, annually, is required to attest to their understanding of and adherence to the Code of Conduct. Morgan Stanley's Global Conduct Risk Management Policy also sets out a consistent global framework for managing conduct risk (i.e., the risk arising from misconduct by employees or contingent workers) and conduct risk incidents at Morgan Stanley.

For further discussion on the Company's culture, values and conduct of employees risk management, refer to page 9 of the Directors' report in the Company's 2021 annual financial statements.

INTERIM MANAGEMENT REPORT

BUSINESS REVIEW (CONTINUED)

Going concern

Business risks associated with the uncertain market and economic conditions are being actively monitored and managed by the Company. Retaining sufficient capital and liquidity to withstand these market pressures remains central to the Company's strategy. In particular, the Company's capital and liquidity is deemed sufficient under both a normal and in a stressed market environment for the foreseeable future, including the impact of the current and potential stresses of the war in Ukraine, continued inflation and rising interest rates. The existing and potential effects on the business of the Company have been considered as part of the going concern analysis, including impact on operational capacity, access to liquidity and capital, contractual obligations, asset valuations and other critical accounting judgements and key sources of estimation uncertainty.

Taking all of these factors into consideration, the Directors believe it is reasonable to assume that the Company will have access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the interim financial statements.

DIRECTORS

The following Directors held office throughout the period under review and to the date of approval of this report:

A. Doppenberg
H. Herrmann
S. Ibanez
P.J.G. de Reus
TMF Management B.V.

EVENTS AFTER THE REPORTING DATE

There have been no significant events since the reporting date.

AUDIT COMMITTEE

The Company qualifies as an organisation of public interest pursuant to Dutch and EU law and has established its own audit committee which complies with the applicable corporate governance rules and composition requirements as detailed in the Articles of Association of the Company.

Approved by the Board and signed on its behalf by:

Date: 22 September 2022

A. Doppenberg

H. Herrmann

S. Ibanez

P.J.G. de Reus

TMF Management B.V.

MORGAN STANLEY B.V.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors, the names of whom are set out below, confirm to the best of their knowledge:

- the condensed financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) as adopted by the EU on the basis of the Company’s international connections and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the interim management report includes a fair review of the important events that have occurred during the six months ended 30 June 2022 and the impact on the condensed financial statements and provides a description of the principal risks and uncertainties that the Company faces for the remaining six months of the financial year.

Approved by the Board and signed on its behalf by:

Date: 22 September 2022

A. Doppenberg

H. Herrmann

S. Ibanez

P.J.G. de Reus

TMF Management B.V.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2022

	Note	Six months ended 30 June 2022 €'000 (unaudited)	Six months ended 30 June 2021 €'000 (unaudited)
Net trading (expense) / income on financial assets		(320,411)	41,256
Net trading (expense) / income on financial liabilities		(862,937)	457,000
Net trading (expense) / income		<u>(1,183,348)</u>	<u>498,256</u>
Net expense on other financial assets held at fair value		(75,432)	(3,265)
Net income / (expense) on other financial liabilities held at fair value		1,258,780	(494,991)
Net income / (expense) on other financial instruments held at fair value	2	<u>1,183,348</u>	<u>(498,256)</u>
Other revenue	3	1,507	1,167
Total non-interest revenue		<u>1,507</u>	<u>1,167</u>
Interest income		3,227	5,823
Interest expense		(2,071)	(5,012)
Net interest income	4	<u>1,156</u>	<u>811</u>
Net revenues		<u>2,663</u>	<u>1,978</u>
Non-interest expense:			
Other expense	5	(1,816)	(1,427)
Net reversal of impairment on financial instruments	6	—	616
PROFIT BEFORE INCOME TAX		<u>847</u>	<u>1,167</u>
Income tax expense	7	(219)	(293)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>628</u>	<u>874</u>

All operations were continuing in the current and prior period.

The notes on pages 12 to 37 form an integral part of the condensed financial statements.

MORGAN STANLEY B.V.

CONDENSED STATEMENT OF CHANGES IN EQUITY
Six months ended 30 June 2022

	Share capital €'000	Retained earnings €'000	Total equity €'000
Balance as at 1 January 2021 (audited)	15,018	14,445	29,463
Profit and total comprehensive income for the period	—	874	874
Balance at 30 June 2021 (unaudited)	<u>15,018</u>	<u>15,319</u>	<u>30,337</u>
Balance as at 1 January 2022 (audited)	<u>15,018</u>	<u>16,574</u>	<u>31,592</u>
Profit and total comprehensive income for the period	—	628	628
Balance at 30 June 2022 (unaudited)	<u><u>15,018</u></u>	<u><u>17,202</u></u>	<u><u>32,220</u></u>

The notes on pages 12 to 37 form an integral part of the condensed financial statements.

MORGAN STANLEY B.V.

Registered number: 34161590

**CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 June 2022
(Including Proposed Appropriation of Results)**

	Note	30 June 2022 €'000 (unaudited)	31 December 2021 €'000 (audited)
ASSETS			
Cash and short-term deposits	8	2,140	3,012
Trading financial assets	8	271,268	373,722
Loans and advances	8	8,964,752	8,117,998
Trade and other receivables	10	1,494,433	1,299,132
Current tax asset		414	—
TOTAL ASSETS		<u>10,733,007</u>	<u>9,793,864</u>
LIABILITIES AND EQUITY			
LIABILITIES			
Bank overdraft	8	—	952
Trading financial liabilities	8	1,539,018	650,317
Convertible preferred equity certificates	9	1,125,281	1,125,281
Trade and other payables	11	300,589	149,697
Debt and other borrowings	12	7,735,899	7,835,669
Current tax liability		—	356
TOTAL LIABILITIES		<u>10,700,787</u>	<u>9,762,272</u>
EQUITY			
Share capital		15,018	15,018
Retained earnings		17,202	16,574
Equity attributable to owners of the Company		<u>32,220</u>	<u>31,592</u>
TOTAL EQUITY		<u>32,220</u>	<u>31,592</u>
TOTAL LIABILITIES AND EQUITY		<u>10,733,007</u>	<u>9,793,864</u>

These financial statements were approved by the Board and authorised for issue on 22 September 2022.

Signed on behalf of the Board

A. Doppenberg

H. Herrmann

S. Ibanez

P.J.G. de Reus

TMF Management B.V.

The notes on pages 12 to 37 form an integral part of the condensed financial statements.

MORGAN STANLEY B.V.**CONDENSED STATEMENT OF CASH FLOWS****Six months ended 30 June 2022**

	Six months ended 30 June 2022 €'000 (unaudited)	Six months ended 30 June 2021 €'000 (unaudited)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES	<u>80</u>	<u>(4,954)</u>
INVESTING ACTIVITY		
Repayment of interest from another Morgan Stanley Group undertaking	<u>8,938</u>	<u>11,172</u>
NET CASH FLOWS FROM INVESTING ACTIVITY	<u>8,938</u>	<u>11,172</u>
FINANCING ACTIVITIES		
Yield paid on convertible preferred equity certificates	(8,150)	(10,237)
Financing paid to another Morgan Stanley Group undertaking	<u>(788)</u>	<u>(935)</u>
NET CASH FLOWS USED IN FINANCING ACTIVITIES	<u>(8,938)</u>	<u>(11,172)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	80	(4,954)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>2,060</u>	<u>7,050</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u><u>2,140</u></u>	<u><u>2,096</u></u>

The notes on pages 12 to 37 form an integral part of the condensed financial statements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
Six months ended 30 June 2022

1. BASIS OF PREPARATION

Statement of compliance

The Company prepares its annual financial statements in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) as adopted by the EU, Interpretations issued by the IFRS Interpretations Committee and Part 9 of Book 2 of the Dutch Civil Code. The condensed financial statements have been prepared in accordance with IAS 34 as adopted by the EU.

In preparing these condensed financial statements, the Company has applied consistently the accounting policies and methods of computation used in the Company’s 2021 annual financial statements.

New standards and interpretations adopted during the period

The following amendments to standards relevant to the Company’s operations were adopted during the period. These standards, amendments to standards and interpretations did not have a material impact on the Company’s condensed financial statements.

Amendments to IAS 37 ‘*Provisions, Contingent Liabilities and Contingent Assets*’: Onerous Contracts – Cost of Fulfilling a Contract were issued by the IASB in May 2020, for modified retrospective application in accounting periods beginning on or after 1 January 2022. Early application is permitted. The amendments were endorsed by the EU in July 2021.

As part of the 2018-2020 Annual Improvements Cycle published in May 2020, the IASB made an amendment to IFRS 9 ‘*Financial Instruments*’, relating to the treatment of fees in the assessment of whether financial liabilities are modified or exchanged, where such transactions occur on or after 1 January 2022. The amendments were endorsed by the EU in July 2021.

There were no other standards or interpretations relevant to the Company’s operations which were adopted during the period.

New standards and interpretations not yet adopted during the period

At the date of authorisation of these condensed financial statements, the following amendments to standards relevant to the Company’s operations were issued by the IASB but not mandatory for accounting periods beginning 1 January 2022. The Company does not expect that the adoption of the following standards, amendments to standards and interpretations will have a material impact on the Company’s condensed financial statements.

Amendments to IAS 1 ‘*Presentation of Financial Statements*’: Classification of Liabilities as Current and non-Current were issued by the IASB in January 2020 and revised in July 2020, for retrospective application in accounting periods beginning on or after 1 January 2023.

Amendments to IAS 1 ‘*Presentation of Financial Statements*’: Disclosure of Accounting Policies were issued by the IASB in February 2021, for prospective application in accounting periods beginning on or after 1 January 2023. Early application is permitted. The amendments were endorsed by the EU in March 2022.

Amendments to IAS 8 ‘*Accounting Policies, Changes in Accounting Estimates and Errors*’: Definition of Accounting Estimates were issued by the IASB in February 2021, for prospective application in accounting periods beginning on or after 1 January 2023. Early application is permitted. The amendments were endorsed by the EU in March 2022.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
Six months ended 30 June 2022

1. BASIS OF PREPARATION (CONTINUED)

New standards and interpretations not yet adopted during the period (continued)

Amendments to IAS 12 '*Income Taxes*': Deferred Tax related to Assets and Liabilities arising from a Single Transaction were issued by the IASB in May 2021, for retrospective application in accounting periods beginning on or after 1 January 2023. Early application is permitted.

Critical accounting judgements and key sources of estimation uncertainty

In preparing the condensed financial statements, the Company makes judgements and estimates that affect the application of accounting policies and reported amounts.

Critical accounting judgements are key decisions made by management in the application of the Company's accounting policies, other than those involving estimations, which have the most significant effects on the amounts recognised in the condensed financial statements.

Key sources of estimation uncertainty represent assumptions and estimations made by management that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year.

No critical accounting judgements have been made in the process of applying the Company's accounting policies that have had a significant effect on the amounts recognised in the condensed financial statements.

The key source of estimation uncertainty is the valuation of Level 3 financial instruments. For further detail refer to note 22 and accounting policy note 3(d) of the Company's 2021 annual financial statements.

The Company evaluates the critical accounting judgements and key sources of estimation uncertainty on an ongoing basis and believes that these are reasonable.

The going concern assumption

The Company's business activities, together with the factors likely to affect its future development, performance and position, are reflected in the Future Outlook and Business Review section of the Interim management report on pages 1 to 6. In addition, the notes to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The existing and potential impact of the stresses of the war in Ukraine, continued inflation and rising interest rates, on the operational capacity of the business, access to liquidity and capital, and contractual obligations have been considered on pages 1 and 2.

Taking the above factors into consideration, the Directors believe it is reasonable to assume that the Company will have access to adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing the interim management report and condensed financial statements.

MORGAN STANLEY B.V.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2022

2. NET INCOME / (EXPENSE) ON OTHER FINANCIAL INSTRUMENTS HELD AT FAIR VALUE

	Six months ended 30 June 2022 €'000	Six months ended 30 June 2021 €'000
Net income / (expense) on:		
Non-trading financial assets at fair value through profit or loss ("FVPL"):		
Trade and other receivables:		
Prepaid equity securities contracts	(10,208)	8,043
Financial assets designated at FVPL:		
Loans and advances:		
Loans	(65,224)	(11,308)
Financial liabilities designated at FVPL:		
Debt and other borrowings:		
Issued structured notes	1,258,780	(494,991)
	<u>1,183,348</u>	<u>(498,256)</u>

3. OTHER REVENUE

	Six months ended 30 June 2022 €'000	Six months ended 30 June 2021 €'000
Management recharges to other Morgan Stanley Group undertakings	<u>1,507</u>	<u>1,167</u>
	<u>1,507</u>	<u>1,167</u>

Management recharges to other Morgan Stanley Group undertakings represents the amount of fees received in relation to intermediary services of €847,000 (six months ended 30 June 2021: €1,167,000) and the amount of fees received on recovery of residual financing expenses of €660,000 (six months ended 30 June 2021: €nil). These are in line with the transfer pricing principles of the Morgan Stanley Group.

4. INTEREST INCOME AND INTEREST EXPENSE

‘Interest income’ represents total interest generated from financial assets at amortised cost, while ‘interest expense’ represents total interest arising on financial liabilities at amortised cost, recognised using the effective interest rate (“EIR”) method.

No other gains or losses have been recognised in respect of financial assets measured at amortised cost other than as disclosed as ‘Interest income’, foreign exchange differences disclosed in ‘Other expense’ (note 5) and ‘Net reversal of impairment on financial instruments’ (note 6).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
Six months ended 30 June 2022

4. INTEREST INCOME AND INTEREST EXPENSE (CONTINUED)

No other gains or losses have been recognised in respect of financial liabilities at amortised cost other than as disclosed as ‘Interest expense’ and foreign exchange differences disclosed in ‘Other expense’ (note 5).

‘Interest expense’ includes the yield payable on Convertible Preferred Equity Certificates (“CPECs”) (see note 9).

5. OTHER EXPENSE

	Six months ended 30 June 2022 €'000	Six months ended 30 June 2021 €'000
Net foreign exchange losses	1,799	12
Management charges from other Morgan Stanley Group undertakings	—	1,396
Other	17	19
	<u>1,816</u>	<u>1,427</u>

The Company employed no staff during the period (2021: none).

The Company actively manages its foreign currency exposure risk arising on its assets and liabilities in currencies other than Euro. Net foreign exchange losses include translation differences that have arisen due to foreign exchange exposure created as a result of hedging assets and liabilities recognised for Morgan Stanley Group reporting purposes.

Management charges from other Morgan Stanley Group undertakings represents reimbursement of residual financing income in line with the transfer pricing principles of the Morgan Stanley Group.

6. NET REVERSAL OF IMPAIRMENT ON FINANCIAL INSTRUMENTS

The following table shows the net Expected Credit Loss (“ECL”) reversal for the year.

	Six months ended 30 June 2022 €'000	Six months ended 30 June 2021 €'000
Trade and other receivables	—	616
	<u>—</u>	<u>616</u>

There were no write-offs during the current or prior period.

All of the above impairment reversals were calculated on an individual basis. No collective impairment assessments were made during the current or prior period.

MORGAN STANLEY B.V.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS Six months ended 30 June 2022

7. INCOME TAX EXPENSE

	Six months ended 30 June 2022 €'000	Six months ended 30 June 2021 €'000
Current tax expense	219	293

Reconciliation of effective tax rate

The current period income tax expense is equal to (30 June 2021: equal to) that resulting from applying the average standard rate of corporation tax in The Netherlands of 25.8% (30 June 2021: 25.0%), as shown below:

	Six months ended 30 June 2022 €'000	Six months ended 30 June 2021 €'000
Profit before income tax	847	1,167
Income tax expense using the average standard rate of corporation tax in The Netherlands of 25.8% (30 June 2021: 25.0%)	219	293
Total income tax in the statement of comprehensive income	219	293

The Company is included in a fiscal unity with Archimedes Investments Coöperatieve U.A. and is not a stand-alone taxpayer for Dutch corporate income tax purposes. If, and to the extent that, the Company would benefit from losses of other members of the fiscal unity, these may be settled via inter-company mechanisms.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
Six months ended 30 June 2022

8. FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY

The following table analyses financial assets and financial liabilities as at 30 June 2022 presented in the condensed statement of financial position by classification.

30 June 2022	FVPL (mandatorily) €'000	FVPL (designated) €'000	Amortised cost €'000	Total €'000
Cash and short-term deposits	—	—	2,140	2,140
Trading financial assets:				
Derivatives	271,268	—	—	271,268
Loans and advances:				
Loans	—	8,964,752	—	8,964,752
Trade and other receivables				
Trade receivables	—	—	348,360	348,360
Other receivables	—	—	1,132,844	1,132,844
Prepaid equity securities contracts	13,229	—	—	13,229
Total financial assets	<u>284,497</u>	<u>8,964,752</u>	<u>1,483,344</u>	<u>10,732,593</u>
Trading financial liabilities:				
Derivatives	1,539,018	—	—	1,539,018
Convertible preferred equity certificates	—	—	1,125,281	1,125,281
Trade and other payables:				
Trade payables	—	—	12,593	12,593
Other payables	—	—	287,996	287,996
Debt and other borrowings:				
Issued structured notes	—	7,735,899	—	7,735,899
Total financial liabilities	<u>1,539,018</u>	<u>7,735,899</u>	<u>1,425,870</u>	<u>10,700,787</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
Six months ended 30 June 2022

8. FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY (CONTINUED)

31 December 2021	FVPL (mandatorily) €'000	FVPL (designated) €'000	Amortised cost €'000	Total €'000
Cash and short-term deposits	—	—	3,012	3,012
Trading financial assets:				
Derivatives	373,722	—	—	373,722
Loans and Advances:				
Loans	—	8,117,998	—	8,117,998
Trade and other receivables				
Trade receivables	—	—	57,985	57,985
Other receivables	—	—	1,217,763	1,217,763
Prepaid equity securities contracts	23,384	—	—	23,384
Total financial assets	397,106	8,117,998	1,278,760	9,793,864
Bank overdraft	—	—	952	952
Trading financial liabilities:				
Derivatives	650,317	—	—	650,317
Convertible preferred equity certificates	—	—	1,125,281	1,125,281
Trade and other payables:				
Trade payables	—	—	142,566	142,566
Other payables	—	—	7,131	7,131
Debt and other borrowings:				
Issued structured notes	—	7,835,669	—	7,835,669
Total financial liabilities	650,317	7,835,669	1,275,930	9,761,916

Financial liabilities designated at FVPL

The financial assets and financial liabilities shown in the tables above which are designated at FVPL consist primarily of the following financial assets and financial liabilities:

Structured notes: These relate to financial liabilities which arise from selling structured products generally in the form of notes, certificates and warrants. These instruments contain an embedded derivative which significantly modifies the cash flows of the issuance. The return on the instrument is linked to various underliers including, but not limited to, equity-linked notes. These structured notes are designated at FVPL as the risks to which the Company is a contractual party are risk managed on a fair value basis as part of the Company's trading portfolio and the risk is reported to key management personnel on this basis.

Loans: These are loans to other Morgan Stanley Group undertakings that, along with the prepaid equity securities contracts and the derivative contracts classified as mandatorily at FVPL, are part of the hedging strategy for the obligations arising pursuant to the issuance of the structured notes.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
Six months ended 30 June 2022

8. FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY (CONTINUED)

Financial liabilities designated at FVPL (continued)

The Company determines the amount of changes in fair value attributable to changes in counterparty credit risk or own credit risk, as relating to loans and issued structured notes, by first determining the fair value including the impact of counterparty credit risk or own credit risk, and then deducting those changes in fair value representing managed market risk. In determining fair value, the Company considers the impact of changes in own credit spreads based upon observations of the secondary bond market spreads when measuring the fair value for issued structured notes. The Company considers that this approach most faithfully represents the amount of change in fair value due to both counterparty credit risk and the Company's own credit risk.

The carrying amount of financial liabilities designated at FVPL was €34,256,000 lower than the contractual amount due at maturity (31 December 2021: €1,387,000 lower).

At initial recognition of a specific structured note issuance program, the Company's issuance process, and any planned hedging structure relating to the issuance of those structured notes, has been considered, to determine whether the presentation of fair value changes attributable to credit risk of those structured notes through other comprehensive income would create or enlarge an accounting mismatch in the statement of comprehensive income. If financial instruments, such as prepaid equity securities contracts, derivatives and loans held at FVPL, for which changes in fair value incorporating counterparty credit risk are reflected within the statement of comprehensive income, are traded to economically hedge the structured note issuances in full, the fair value incorporating any counterparty credit risk arising on the hedging instruments may materially offset any changes in the credit risk of these liabilities ("DVA") applied to structured notes, where the counterparties of the hedging instruments are part of the Morgan Stanley Group. In such cases, the DVA of those structured notes is not reflected within other comprehensive income, and instead is presented in the statement of comprehensive income.

The following table presents the change in fair value and the cumulative change recognised in the statement of comprehensive income attributable to own credit risk for issued structured notes and counterparty credit risk for loans.

	Gain or (loss) recognised in the statement of comprehensive income		Cumulative gain or (loss) recognised in the statement of comprehensive income	
	Six months ended 30 June 2022 €'000	Six months ended 30 June 2021 €'000	30 June 2022 €'000	31 December 2021 €'000
Issued structured notes	80,263	30,639	17,201	(63,062)
Loans	(80,263)	(30,639)	(17,201)	63,062
	—	—	—	—

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
Six months ended 30 June 2022

8. FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORY (CONTINUED)

The following tables present the carrying value of the Company's financial liabilities designated at FVPL, classified according to underlying security type, including, single name equities, equity indices and equity portfolio.

30 June 2022	Single name equities €'000	Equity indices €'000	Equity portfolio €'000	Other⁽¹⁾ €'000	Total €'000
Certificates and warrants	92,112	1,591	16,632	—	110,335
Notes	2,376,200	3,001,093	1,622,790	625,481	7,625,564
Total debt and other borrowings	<u>2,468,312</u>	<u>3,002,684</u>	<u>1,639,422</u>	<u>625,481</u>	<u>7,735,899</u>

31 December 2021	Single name equities €'000	Equity indices €'000	Equity portfolio €'000	Other⁽¹⁾ €'000	Total €'000
Certificates and warrants	154,634	2,107	28,417	4,853	190,011
Notes	2,646,297	2,521,839	1,707,638	769,884	7,645,658
Total debt and other borrowings	<u>2,800,931</u>	<u>2,523,946</u>	<u>1,736,055</u>	<u>774,737</u>	<u>7,835,669</u>

⁽¹⁾ Other includes structured notes that have coupon or repayment terms linked to the performance of funds, debt securities, currencies or commodities.

The majority of the Company's financial liabilities designated at FVPL provide exposure to an underlying single name equity, an equity index or portfolio of equities. The prepaid equity securities contracts, derivative contracts and loans held at FVPL that the Company enters into in order to hedge the structured notes are valued as detailed in note 3(d) and note 22(a) of the Company's 2021 annual financial statements, and have similar valuation inputs to the liabilities they hedge.

9. CONVERTIBLE PREFERRED EQUITY CERTIFICATES

On 30 March 2012, the Company issued 11,252,813 of CPECs of €100 each, classified as financial liabilities at amortised cost. The CPECs were issued to one of the Company's shareholders, Archimedes Investments Coöperatieve U.A. (a Morgan Stanley Group undertaking), in exchange for cash consideration of €1,125,281,000.

The CPECs carry no voting rights. The Company and the holder have the right to convert each issued CPEC into one ordinary share with a nominal value of €100.

On 27 February 2018, the maturity date of the CPECs was amended from 150 years to 49 years from the date of issuance. The CPECs may be redeemed earlier at the option of the Company or on liquidation of the Company.

The CPECs rank ahead of the ordinary shares in the event of liquidation.

The holder of the CPECs is entitled to receive an annual yield on a date agreed by the Company and the holder. The yield for each CPEC is calculated as income deriving from the Company's activities less the necessary amounts to cover the costs of the Company divided by the number of CPECs then in issue. Other income relating to management recharges received from other Morgan Stanley Group undertakings and gains or losses from financial instruments designated or mandatorily at fair value through profit or loss are excluded from the calculation.

MORGAN STANLEY B.V.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

Six months ended 30 June 2022

9. CONVERTIBLE PREFERRED EQUITY CERTIFICATES (CONTINUED)

On 29 March 2022, the Company paid the accrued yield of €8,150,000 (29 March 2021: €10,237,000) to the holders of the CPECs. An accrued yield for the period ended 30 June 2022 of €2,129,000 has been recognised in the condensed statement of comprehensive income in 'Interest expense' (30 June 2021: €5,435,000). The liability to the holders of the CPECs at 30 June 2022, recognised within 'Trade and other payables', is €203,000 (31 December 2021: €7,100,000).

10. TRADE AND OTHER RECEIVABLES

	30 June 2022 €'000	31 December 2021 €'000
Trade and other receivables (amortised cost)		
Trade receivables:		
Amounts due from other Morgan Stanley Group undertakings	348,360	57,985
Other receivables:		
Amounts due from other Morgan Stanley Group undertakings	1,132,847	1,217,766
Less: ECL allowance	(3)	(3)
	<u>1,132,844</u>	<u>1,217,763</u>
Total trade and other receivables (amortised cost)	<u>1,481,204</u>	<u>1,275,748</u>
Trade and other receivables (non-trading at FVPL)		
Prepaid equity securities contracts	13,229	23,384
Total	<u>1,494,433</u>	<u>1,299,132</u>

11. TRADE AND OTHER PAYABLES

	30 June 2022 €'000	31 December 2021 €'000
Trade and other payables (amortised cost)		
Trade payables:		
Amounts due to other Morgan Stanley Group undertakings	12,593	142,566
Other payables:		
Amount due to the Company's direct and indirect parent undertakings	287,996	7,131
Total	<u>300,589</u>	<u>149,697</u>

MORGAN STANLEY B.V.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS Six months ended 30 June 2022

12. DEBT AND OTHER BORROWINGS

	30 June 2022 €'000	31 December 2021 €'000
Debt and other borrowings (designated at FVPL)		
Issued structured notes	<u>7,735,899</u>	<u>7,835,669</u>

Refer to note 8 for details of issued structured notes included within debt and other borrowings designated at FVPL.

13. SEGMENT REPORTING

Segment information is presented in respect of the Company's business and geographical segments. The business segments and geographical segments are based on the Company's management and internal reporting structure.

Business segments

Morgan Stanley structures its business segments primarily based upon the nature of the financial products and services provided to customers and Morgan Stanley's internal management structure. The Company's own business segments are consistent with those of Morgan Stanley.

The Company has one reportable business segment, Institutional Securities, which provides financial services to financial institutions. Its business includes the issuance of financial instruments and the hedging of the obligations arising pursuant to such issuances.

Geographical segments

The Company operates in three geographic regions as listed below:

- Europe, Middle East and Africa ("EMEA")
- Americas
- Asia

The following table presents selected condensed statement of comprehensive income and condensed statement of financial position information of the Company's operations by geographic area. The external revenues (net of interest expense) and total assets disclosed in the following table reflect the regional view of the Company's operations, on a managed basis. The basis for attributing external revenues (net of interest expense) and total assets is determined by trading desk location.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
Six months ended 30 June 2022

13. SEGMENT REPORTING

Geographical segments (continued)

	EMEA		Americas		Asia		Total	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
External revenues net of interest	2,224	1,339	284	453	155	186	2,663	1,978
Profit before income tax	408	528	284	453	155	186	847	1,167
	EMEA		Americas		Asia		Total	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021	30 June 2022	31 December 2021
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Total assets	4,374,976	3,852,585	4,400,229	3,888,905	1,957,802	2,052,374	10,733,007	9,793,864

All of the Company's external revenue (30 June 2021: 100%) arises from transactions with other Morgan Stanley Group undertakings.

14. FINANCIAL RISK MANAGEMENT

Risk management procedures

The Company's risk management procedures are consistent with those disclosed in the Company's 2021 annual financial statements. This disclosure is limited to quantitative data for each risk category and should be read in conjunction with the risk management procedures detailed in note 20 of the Company's 2021 annual financial statements.

Credit risk

Exposure to credit risk

The maximum exposure to credit risk ('gross credit exposure') of the Company as at 30 June 2022 is disclosed below, based on the carrying amounts of the financial assets which the Company believes are subject to credit risk. The table includes financial instruments subject to ECL and not subject to ECL. Those financial instruments that bear credit risk but are not subject to ECL are subsequently measured at fair value. This table does not include receivables arising from pending securities transactions with market counterparties as credit risk is considered insignificant. Where the Company enters into credit enhancements, including receiving cash and security as collateral and master netting agreements, to manage the credit exposure on these financial instruments the financial effect of the credit enhancements is also disclosed below. The net credit exposure represents the credit exposure remaining after the effect of the credit enhancements.

The Company does not have any significant exposure arising from items not recognised on the condensed statement of financial position.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
Six months ended 30 June 2022
14. FINANCIAL RISK MANAGEMENT (CONTINUED)
Risk management procedures (continued)
Credit risk (continued)
Collateral and other credit enhancements

The Company has entered into collateral arrangements with other Morgan Stanley Group undertakings to mitigate credit risk. Collateral held is managed in accordance with the Morgan Stanley Group's guidelines and the relevant underlying agreements.

Exposure to credit risk by class

Class	30 June 2022			31 December 2021		
	Gross credit exposure ⁽¹⁾	Credit enhancements	Net credit exposure ⁽²⁾	Gross credit exposure ⁽¹⁾	Credit enhancements	Net credit exposure ⁽²⁾
	€'000	€'000	€'000	€'000	€'000	€'000
Subject to ECL:						
Cash and short-term deposits	2,140	—	2,140	3,012	—	3,012
Trade and other receivables ⁽³⁾	1,481,204	—	1,481,204	1,275,748	—	1,275,748
Not subject to ECL:						
Trading financial assets ⁽³⁾	271,268	(262,451)	8,817	373,722	(336,649)	37,073
Loans and advances	8,964,752	—	8,964,752	8,117,998	—	8,117,998
Trade and other receivables ⁽³⁾ :						
Prepaid equity securities contracts	13,229	(13,229)	—	23,384	(23,384)	—
	<u>10,732,593</u>	<u>(275,680)</u>	<u>10,456,913</u>	<u>9,793,864</u>	<u>(360,033)</u>	<u>9,433,831</u>

(1) The carrying amount recognised in the condensed statement of financial position best represents the Company's maximum exposure to credit risk.

(2) Of the residual net credit exposure, intercompany cross product netting arrangements are in place which would allow for an additional €25,112,000 (31 December 2021: €169,000) to be offset in the event of default by certain Morgan Stanley counterparties.

(3) At 30 June 2022, net cash collateral pledged of €312,242,000 was recognised in trade and other receivables in the condensed statement of financial position against derivatives classified as trading financial assets/liabilities and prepaid equity securities contract. At 31 December 2021, trade and other receivables included net cash collateral pledged of €41,956,000. Cash collateral is determined and settled on a net basis.

Exposure to credit risk by internal rating grades

Internal credit ratings, as below, are derived using methodologies generally consistent with those used by external agencies.

Investment grade: AAA - BBB

Non-investment grade: BB - CCC

Default: D

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
Six months ended 30 June 2022
14. FINANCIAL RISK MANAGEMENT (CONTINUED)
Risk management procedures (continued)
Credit risk (continued)
Exposure to credit risk by internal rating grades (continued)

The tables below shows gross carrying amounts and, in the case of unrecognised financial instruments, nominal amounts by internal rating grade. All exposures subject to ECL are Stage 1.

30 June 2022	AA	A	BBB	Total	Loss allowance	Net of ECL
	€'000	€'000	€'000	€'000	€'000	€'000
Subject to ECL:						
Cash and short term deposits	65	2,075	—	2,140	—	2,140
Trade and other receivables ⁽¹⁾	—	1,451,018	30,189	1,481,207	(3)	1,481,204
Total subject to ECL	65	1,453,093	30,189	1,483,347	(3)	1,483,344
Not subject to ECL:						
Trading financial assets – derivatives	—	256,420	14,848	271,268	—	271,268
Loans and advances	—	8,964,752	—	8,964,752	—	8,964,752
Trade and other receivables:						
Prepaid equity securities contracts	—	13,229	—	13,229	—	13,229
Total not subject to ECL	—	9,234,401	14,848	9,249,249	—	9,249,249
31 December 2021						
	AA	A	BBB	Total	Loss allowance	Net of ECL
	€'000	€'000	€'000	€'000	€'000	€'000
Subject to ECL:						
Cash and short term deposits	338	2,674	—	3,012	—	3,012
Trade and other receivables ⁽¹⁾	—	1,237,449	38,302	1,275,751	(3)	1,275,748
Total subject to ECL	338	1,240,123	38,302	1,278,763	(3)	1,278,760
Not subject to ECL:						
Trading financial assets – derivatives	—	336,165	37,557	373,722	—	373,722
Loans and advances	—	8,117,998	—	8,117,998	—	8,117,998
Trade and other receivables:						
Prepaid equity securities contracts	—	23,384	—	23,384	—	23,384
Total not subject to ECL	—	8,477,547	37,557	8,515,104	—	8,515,104

⁽¹⁾ The Company has no financial assets at stage 3. At 30 June 2022, there were no financial assets past due but not impaired or individually impaired (31 December 2021: €nil).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
Six months ended 30 June 2022

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management procedures (continued)

Liquidity risk

Maturity analysis

In the following maturity analysis of financial assets and financial liabilities, derivative contracts and other financial instruments held at FVPL are disclosed according to their earliest contractual maturity; all such amounts are presented at their fair value, consistent with how these financial instruments are managed. All other amounts represent undiscounted cash flows receivable and payable by the Company arising from its financial assets and financial liabilities to earliest contractual maturities as at 30 June 2022 and 31 December 2021. Receipts of financial assets and repayments of financial liabilities that are subject to immediate notice are treated as if notice were given immediately and are classified as on demand. This presentation is considered by the Company to appropriately reflect the liquidity risk arising from these financial assets and financial liabilities, presented in a way that is consistent with how the liquidity risk on these financial assets and financial liabilities is managed by the Company.

30 June 2022	On demand	Less than 1 year	1 year - 2 years	2 years - 5 years	Greater than 5 years	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Financial assets						
Cash and short-term deposits	2,140	—	—	—	—	2,140
Trading financial assets:						
Derivatives	18,077	136,362	13,876	96,694	6,259	271,268
Loans and advances:						
Loans	88,611	3,499,769	1,518,433	2,586,576	1,271,363	8,964,752
Trade and other receivables:						
Trade receivables	348,360	—	—	—	—	348,360
Other receivables	1,132,844	—	—	—	—	1,132,844
Prepaid equity securities contracts	13,229	—	—	—	—	13,229
Total financial assets	1,603,261	3,636,131	1,532,309	2,683,270	1,277,622	10,732,593
Financial liabilities						
Trading financial liabilities:						
Derivatives	48,520	673,521	319,357	413,235	84,385	1,539,018
Convertible preferred equity certificates	1,125,281	—	—	—	—	1,125,281
Trade and other payables:						
Trade payables	12,593	—	—	—	—	12,593
Other payables	287,996	—	—	—	—	287,996
Debt and other borrowings:						
Issued structured notes	97,065	2,962,610	1,212,952	2,270,035	1,193,237	7,735,899
Total financial liabilities	1,571,455	3,636,131	1,532,309	2,683,270	1,277,622	10,700,787

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
Six months ended 30 June 2022

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management procedures (continued)

Liquidity risk (continued)

Maturity analysis (continued)

31 December 2021	On demand	Less than 1 year	1 year - 2 years	2 years - 5 years	Greater than 5 years	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Financial assets						
Cash and short-term deposits	3,012	—	—	—	—	3,012
Trading financial assets:						
Derivatives	29,597	90,678	58,767	172,505	22,175	373,722
Loans and advances:						
Loans	209,407	3,013,335	1,181,746	2,424,879	1,288,631	8,117,998
Trade and other receivables:						
Trade receivables	57,985	—	—	—	—	57,985
Other receivables	1,217,763	—	—	—	—	1,217,763
Prepaid equity securities contracts	23,384	—	—	—	—	23,384
Total financial assets	1,541,148	3,104,013	1,240,513	2,597,384	1,310,806	9,793,864
Financial liabilities						
Bank overdraft	952	—	—	—	—	952
Trading financial liabilities:						
Derivatives	62,062	379,265	74,445	122,509	12,036	650,317
Convertible preferred equity certificates	1,125,281	—	—	—	—	1,125,281
Trade and other payables:						
Trade payables	142,566	—	—	—	—	142,566
Other payables	7,131	—	—	—	—	7,131
Debt and other borrowings:						
Issued structured notes	171,208	2,724,748	1,166,068	2,474,875	1,298,770	7,835,669
Total financial liabilities	1,509,200	3,104,013	1,240,513	2,597,384	1,310,806	9,761,916

Market risk

Equity price sensitivity analysis

The sensitivity analysis below is determined based on the exposure to equity price risk at 30 June 2022 and 31 December 2021 respectively.

The market risk related to such equity price risk is measured by estimating the potential reduction in total comprehensive income associated with a 10% decline in the underlying equity price as shown in the table below.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
Six months ended 30 June 2022

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management procedures (continued)

Market risk (continued)

Equity price sensitivity analysis (continued)

	Impact on Total Comprehensive Income Gains / (Losses)	
	30 June 2022	31 December 2021
	€'000	€'000
Trading financial instruments	(772,267)	(781,229)
Trade and other receivables – at FVPL	(1,323)	(2,338)
Debt and other borrowings	773,590	783,567
	<u>—</u>	<u>—</u>

The Company's equity price risk is on equity securities spread across EMEA, Americas and Asia.

The Company conducts the majority of its financial asset transactions with other Morgan Stanley Group undertakings, where both the Company and the other Morgan Stanley Group undertakings are wholly-owned subsidiaries of the same group parent entity, Morgan Stanley.

The issued structured notes expose the Company to the risk of changes in market prices of the underlying securities, interest rate risk and, where denominated in currencies other than Euros, the risk of changes in rates of exchange between the Euro and the other relevant currencies. The Company uses the contracts that it purchases from other Morgan Stanley Group undertakings to hedge the market price, interest rate and foreign currency risks associated with the issuance of the structured notes, consistent with the Company's risk management strategy. As such, the Company is not exposed to any net market risk on these financial instruments.

The net foreign exchange losses recognised in 'Other expense' have arisen as a result of exposure to hedging on assets and liabilities recognised for Morgan Stanley Group purposes, under the Morgan Stanley Group's local reporting requirements.

15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING

In the following table:

- 'Gross amounts' include transactions which are not subject to master netting agreements or collateral agreements or are subject to such agreements but the Company has not determined the agreements to be legally enforceable.
- 'Amounts not offset in the condensed statement of financial position' are transactions where master netting arrangements and collateral arrangements have been determined by the Company to be legally enforceable, but do not meet all criteria required for net presentation.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
Six months ended 30 June 2022
15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO OFFSETTING
(CONTINUED)

	Gross and net amounts presented in the statement of financial position ⁽¹⁾	Amounts not offset in the statement of financial position ^{(2) (4)}	Net exposure
	€'000	Cash collateral ⁽³⁾ €'000	€'000
30 June 2022			
Assets			
Trading financial assets:			
Derivatives	271,268	(262,451)	8,817
Trade and other receivables:			
Prepaid equity securities contracts	13,229	(13,229)	—
TOTAL	284,497	(275,680)	8,817
Liabilities			
Trading financial liabilities:			
Derivatives	1,539,018	(587,921)	951,097
Debt and other borrowings:			
Issued structured notes	7,735,899	—	7,735,899
TOTAL	9,274,917	(587,921)	8,686,996
31 December 2021			
Assets			
Trading financial assets:			
Derivatives	373,722	(336,648)	37,074
Trade and other receivables:			
Prepaid equity securities contracts	23,384	(23,384)	—
TOTAL	397,106	(360,032)	37,074
Liabilities			
Trading financial liabilities:			
Derivatives	650,317	(339,332)	310,985
Debt and other borrowings:			
Issued structured notes	7,835,669	—	7,835,669
TOTAL	8,485,986	(339,332)	8,146,654

(1) Amounts include €8,817,000 (31 December 2021: €37,073,000) of trading financial assets – derivatives, €nil (31 December 2021: €nil) of trade and other receivables – prepaid equity securities contracts, €806,937,000 (31 December 2021: €310,985,000) of trading financial liabilities – derivatives and €7,573,002,000 (31 December 2021: €7,675,252,000) of debt and other borrowings – issued structured notes which are either not subject to master netting agreements or collateral agreements or are subject to such agreements but the Company has not determined the agreements to be legally enforceable.

(2) Amounts relate to master netting arrangements and collateral arrangements which have been determined by the Company to be legally enforceable but do not meet all criteria required for net presentation within the condensed statement of financial position.

(3) Cash collateral used to mitigate credit risk on exposures arising under derivatives contracts and prepaid equity securities contracts is determined and settled on a net basis and has been recognised in the condensed statement of financial position within 'Trade and other receivables' in 2022 (2021: within 'Trade and other receivables' and 'Trade and other payables').

(4) In addition to the balances disclosed in the table above, certain 'Trade and other receivables' of €12,884,000 (31 December 2021: €15,316,000 of 'Trade and other receivables') not presented net within the condensed statement of financial position have legally enforceable master netting agreements in place and can be offset in the ordinary course of business and/or in the event of default.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
Six months ended 30 June 2022
16. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE
a. Financial assets and liabilities recognised at fair value on a recurring basis

The following tables present the carrying value of the Company's financial assets and financial liabilities recognised at fair value on a recurring basis, classified according to the fair value hierarchy. The information below is limited to quantitative information and should be read in conjunction with note 22 of the Company's 2021 annual financial statements.

30 June 2022	Quoted prices in active market (Level 1) €'000	Valuation techniques using observable inputs (Level 2) €'000	Valuation techniques with significant unobservable inputs (Level 3) €'000	Total €'000
Trading financial assets:				
Derivatives				
Interest rate contracts	—	7,074	5,194	12,268
Equity contracts	—	252,739	6,261	259,000
	—	259,813	11,455	271,268
Trade and other receivables:				
Prepaid equity securities contracts	—	13,229	—	13,229
Loans and advances:				
Loans	—	8,964,752	—	8,964,752
Total financial assets measured at fair value	—	9,237,794	11,455	9,249,249
Trading financial liabilities:				
Derivatives				
Interest rate contracts	—	29,165	11,846	41,011
Equity contracts	—	1,388,881	108,906	1,497,787
Foreign exchange contracts	—	220	—	220
Commodity contracts	—	—	—	—
	—	1,418,266	120,752	1,539,018
Debt and other borrowings:				
Certificates and warrants	—	106,480	3,855	110,335
Notes	—	7,483,764	141,800	7,625,564
Total debt and other borrowings	—	7,590,244	145,655	7,735,899
Total financial liabilities measured at fair value	—	9,008,510	266,407	9,274,917

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
Six months ended 30 June 2022

16. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

a. Financial assets and liabilities recognised at fair value on a recurring basis (continued)

31 December 2021	Quoted prices in active market (Level 1) €'000	Valuation techniques using observable inputs (Level 2) €'000	Valuation techniques with significant unobservable inputs (Level 3) €'000	Total €'000
Trading financial assets:				
Derivatives				
Interest rate contracts	—	25,758	8,881	34,639
Equity contracts	—	327,448	11,572	339,020
Commodity contracts	—	63	—	63
	—	353,269	20,453	373,722
Trade and other receivables:				
Prepaid equity securities contracts	—	23,384	—	23,384
Loans and advances:				
Loans	—	8,117,998	—	8,117,998
Total financial assets measured at fair value	—	8,494,651	20,453	8,515,104
Trading financial liabilities:				
Derivatives				
Interest rate contracts	—	5,645	7,531	13,176
Equity contracts	—	592,318	44,715	637,033
Foreign exchange contracts	—	95	—	95
Commodity contracts	—	—	13	13
	—	598,058	52,259	650,317
Debt and other borrowings:				
Certificates and warrants	—	190,011	—	190,011
Notes	—	7,524,757	120,901	7,645,658
Total debt and other borrowings	—	7,714,768	120,901	7,835,669
Total financial liabilities measured at fair value	—	8,312,826	173,160	8,485,986

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
Six months ended 30 June 2022
16. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)
b. Transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets and liabilities recognised at fair value on a recurring basis

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the current period and prior year.

c. Changes in Level 3 financial assets and liabilities recognised at fair value on a recurring basis

The following tables present the changes in the fair value of the Company's Level 3 financial assets and financial liabilities for the period ended 30 June 2022 and year ended 31 December 2021. Level 3 instruments may be hedged with instruments classified in Level 2. As a result, the realised and unrealised gains / (losses) for assets and liabilities within the Level 3 category presented in the following tables do not reflect the related realised and unrealised gains / (losses) on hedging instruments that have been classified by the Company within the Level 2 category.

Unrealised gains / (losses) during the period for assets and liabilities within the Level 3 category presented in the following tables herein may include changes in fair value during the period that were attributable to both observable and unobservable inputs.

30 June 2022

	Balance at 1 January 2022	Total gains or (losses) recognised in statement of comprehensive income ⁽¹⁾	Purchases	Issuances	Settlements	Net transfers in and / or out of Level3 ⁽²⁾	Balance at 30 June 2022	Unrealised gains or (losses) for Level 3 assets/ (liabilities) outstanding as at 30 June 2022 ⁽³⁾
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Trading financial liabilities:								
Net derivative contracts ⁽⁴⁾	(31,806)	(94,182)	83	(2,129)	3,396	15,341	(109,297)	(98,939)
Debt and other borrowings:								
Issued structured notes	(120,901)	35,276	—	(48,385)	32,916	(44,561)	(145,655)	37,342
Total financial liabilities measured at fair value	(152,707)	(58,906)	83	(50,514)	36,312	(29,220)	(254,952)	(61,597)

(1) The total gains or (losses) are recognised in the condensed statement of comprehensive income as detailed in the financial instruments accounting policy in the Company's 2021 annual financial statements.

(2) For financial assets and financial liabilities that were transferred into and out of Level 3 during the period, gains or (losses) are presented as if the assets or liabilities had been transferred into or out of Level 3 as at the beginning of the period.

(3) Amounts represent unrealised gains or (losses) for the period ended 30 June 2022 related to assets and liabilities still outstanding at 30 June 2022. The unrealised gains or (losses) are recognised in the condensed statement of comprehensive income as detailed in the financial instruments accounting policy in the Company's 2021 annual financial statements.

(4) Net derivative contracts represent trading financial assets – derivative contracts net of trading financial liabilities – derivative contracts.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
Six months ended 30 June 2022
16. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)
c. Changes in Level 3 financial assets and liabilities recognised at fair value on a recurring basis (continued)

During the period, the Company reclassified approximately €nil net derivative contracts (31 December 2021: €nil) and €76,314,000 of issued structured notes (31 December 2021: €4,392,000) from Level 2 to Level 3. The reclassifications were due to a reduction in the volume of recently executed transactions or a lack of available broker quotes for these instruments, such that certain significant inputs became unobservable.

During the period, the Company reclassified approximately €15,341,000 of net derivative contracts (31 December 2021: €20,049,000) and €31,753,000 of issued structured notes (31 December 2021: €245,812,000) from Level 3 to Level 2. The reclassifications were due to the availability of market data for these or comparable instruments, or available broker quotes, or consensus data such that certain significant inputs became observable.

31 December 2021

	Balance at 1 January 2021	Total gains or (losses) recognised in statement of comprehensive income ⁽¹⁾	Purchases	Issuances	Settlements	Net transfers in and / or out of Level3 ⁽²⁾	Balance at 31 December 2021	Unrealised gains or (losses) for Level 3 assets/ (liabilities) outstanding as at 31 December 2021 ⁽³⁾
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Trading financial liabilities:								
Net derivative contracts ⁽⁴⁾	(41,334)	18,532	382	(8,930)	(20,505)	20,049	(31,806)	(8,276)
Debt and other borrowings:								
Issued structured notes	(413,378)	(14,848)	—	(54,019)	119,924	241,420	(120,901)	(10,182)
Total financial liabilities measured at fair value	(454,712)	3,684	382	(62,949)	99,419	261,469	(152,707)	(18,458)

(1) The total gains or (losses) are recognised in the condensed statement of comprehensive income as detailed in the financial instruments accounting policy in the Company's 2021 annual financial statements.

(2) For financial assets and financial liabilities that were transferred into and out of Level 3 during the period, gains or (losses) are presented as if the assets or liabilities had been transferred into or out of Level 3 as at the beginning of the period.

(3) Amounts represent unrealised gains or (losses) for the period ended 31 December 2021 related to assets and liabilities still outstanding at 31 December 2021. The unrealised gains or (losses) are recognised in the condensed statement of comprehensive income as detailed in the financial instruments accounting policy in the Company's 2021 annual financial statements..

(4) Net derivative contracts represent trading financial assets – derivative contracts net of trading financial liabilities – derivative contracts.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
Six months ended 30 June 2022

16. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

d. Valuation of Level 3 financial assets and liabilities recognised at fair value on a recurring basis

The following disclosures provide information on the sensitivity of fair value measurements to key inputs and assumptions.

1. Quantitative information about and qualitative sensitivity of significant unobservable inputs.

The following table provides information on the valuation techniques, significant unobservable inputs and their ranges and averages for each material category of assets and liabilities measured at fair value on a recurring basis.

The level of aggregation and breadth of products cause the range of inputs to be wide and not evenly distributed across the inventory. Further, the range of unobservable inputs may differ across firms in the financial services industry because of diversity in the types of products included in each firm's inventory. The following disclosures also include qualitative information on the sensitivity of the fair value measurements to changes in the significant unobservable inputs. There are no predictable relationships between multiple significant unobservable inputs attributable to a given valuation technique. A single amount is disclosed when there is no significant difference between the minimum, maximum and average (weighted average or similar average / median).

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
Six months ended 30 June 2022

16. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

d. Valuation of Level 3 financial assets and liabilities recognised at fair value on a recurring basis (continued)

30 June 2022		Fair value	Predominant valuation techniques/ Significant unobservable inputs	Range⁽²⁾ (Averages)⁽³⁾
LIABILITIES				
Net derivative contracts: ⁽¹⁾				
–	Interest rate	(6,652)	Option model	
			Interest rate – Foreign exchange correlation	54% to 57% (mean 55%, median 55%)
			Interest rate – Interest rate curve correlation	78% to 95% (mean 87%, median 90%)
			Net asset value (“NAV”) NAV	158%-158% (158%)
–	Equity	(102,645)	Option model	6% to 82% (30%)
			At the money volatility	
			Volatility skew	-2% to 0% (-1%)
			Equity – Equity correlation	36% to 97% (78%)
			Equity – Foreign exchange correlation	-55% to 40% (-22%)
Debt and other borrowings:				
–	Issued structured notes	(145,655)	Option model	17% to 82% (26%)
			At the money volatility	
			Volatility skew	-3% to 0% (-1%)
			Equity – Equity correlation	40% to 95% (71%)
			Equity – Foreign exchange correlation	-55% to 25% (-25%)

(1) Net derivative contracts represent trading financial liabilities – derivative contracts net of trading financial assets – derivative contracts.

(2) The ranges of significant unobservable inputs are represented in percentages.

(3) Amounts represent weighted averages except where simple averages and the median of the inputs are provided when more relevant.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
Six months ended 30 June 2022

16. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

d. Valuation of Level 3 financial assets and liabilities recognised at fair value on a recurring basis (continued)

31 December 2021		Fair value	Predominant valuation techniques/ Significant unobservable inputs	Range⁽²⁾ (Averages)⁽³⁾
LIABILITIES				
Net derivative contracts: ⁽¹⁾				
–	Interest rate	1,337	Option model Interest rate – Foreign exchange correlation	53% to 56% (mean 55%, median 54%)
			Interest rate – Interest rate curve correlation	62% to 98% (mean 84%, median 83%)
			Net asset value (“NAV”) NAV	164%-164% (164%)
–	Equity	(33,143)	Option model At the money volatility	6% to 73% (29%)
			Volatility skew	-3% to 0% (-1%)
			Equity – Equity correlation	35% to 96% (76%)
			Equity – Foreign exchange correlation	-72% to 40% (-26%)
Debt and other borrowings:				
–	Issued structured notes	(120,901)	Option model At the money volatility	16% to 73% (27%)
			Volatility skew	-1% to 0% (-1%)
			Equity – Equity correlation	40% to 87% (83%)
			Equity – Foreign exchange correlation	-55% to 25% (-23%)
			Issued structured notes – Interest rate curve correlation	62% to 98% (mean 84%, median 83%)

(1) Net derivative contracts represent trading financial liabilities – derivative contracts net of trading financial assets – derivative contracts.

(2) The ranges of significant unobservable inputs are represented in percentages.

(3) Amounts represent weighted averages except where simple averages and the median of the inputs are provided when more relevant.

A description of significant unobservable inputs included in the tables above for all major categories of assets and liabilities is included within note 22 of the Company’s 2021 annual financial statements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS
Six months ended 30 June 2022

16. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (CONTINUED)

d. Valuation of Level 3 financial assets and liabilities recognised at fair value on a recurring basis (continued)

2. Sensitivity of fair values to changing significant assumptions to reasonably possible alternatives.

The following table presents the potential impact of both favourable and unfavourable changes, both of which would be reflected in the condensed statement of comprehensive income:

	30 June 2022 ⁽²⁾		31 December 2021 ⁽²⁾	
	Favourable changes €'000	Unfavourable changes €'000	Favourable changes €'000	Unfavourable changes €'000
Trading financial liabilities:				
Net derivatives contracts ⁽¹⁾	4,967	(1,216)	10,118	(11,695)
Debt and other borrowings:				
Issued structured notes	6,152	(2,510)	8,661	(14,467)
	<u>11,119</u>	<u>(3,726)</u>	<u>18,779</u>	<u>(26,162)</u>

⁽¹⁾ Net derivative contracts represent trading financial assets – derivative contracts net of trading financial liabilities – derivative contracts. The reasonably possible alternative assumptions are applied to derivative assets and derivative liabilities separately when assessing potential variability of the fair value measurement.

⁽²⁾ The difference between the total favourable and total unfavourable changes is primarily a result of net derivative contracts classified as Level 3 in the fair value hierarchy hedging issued structured notes which can be classified as either Level 2 or Level 3 in the fair value hierarchy.

e. Assets and liabilities measured at fair value on a non-recurring basis

Non-recurring fair value measurements of assets and liabilities are those which are required or permitted in the condensed statement of financial position in particular circumstances. There were no assets or liabilities measured at fair value on a non-recurring basis during the current period or prior year.

17. ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

For all financial instruments not measured at fair value, the carrying amount is considered to be a reasonable approximation of fair value due to the short term nature of these assets and liabilities.

Regarding the CPECs, their carrying value including the accrued yield in 'Trade and other payables', as detailed in note 9, is considered in aggregate as an approximation of their fair value.

18. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events since the reporting date.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the shareholder of Morgan Stanley B.V.

Our conclusion

We have reviewed the interim financial information for the half year ended 30 June 2022 of Morgan Stanley B.V. based in Amsterdam.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information for the period from 1 January 2022 to 30 June 2022 of Morgan Stanley B.V. is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

The interim financial information comprises:

- The condensed balance sheet as at 30 June 2022.
- The condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half year ended 30 June 2022.
- The notes comprising of a summary of the accounting policies and other explanatory information.

Basis for our conclusion

We conducted our review in accordance with Dutch law, including the Dutch Standard 2410, 'Het beoordelen van tussentijdse financiële informatie door de accountant van de entiteit' (Review of interim financial information performed by the independent auditor of the entity). A review of interim financial information in accordance with the Dutch Standard 2410 is a limited assurance engagement. Our responsibilities under this standard are further described in the 'Our responsibilities for the review of the interim financial information' section of our report.

We are independent of Morgan Stanley B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Responsibilities of management for the interim financial information

Management is responsible for the preparation and presentation of the interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the interim financial information that are free from material misstatement, whether due to fraud or error.

Our responsibilities for the review of the interim financial information

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

The level of assurance obtained in a limited assurance engagement is substantially less than the level of assurance obtained in an audit conducted in accordance with the Dutch Standards on Auditing. Accordingly, we do not express an audit opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the review, in accordance with Dutch Standard 2410.

Our review included among others:

- Updating our understanding of the entity and its environment, including its internal control, and the applicable financial reporting framework, in order to identify areas in the interim financial information where material misstatements are likely to arise due to fraud or error, designing and performing procedures to address those areas, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our conclusion.
- Making inquiries of management and others within the entity.
- Applying analytical procedures with respect to information included in the interim financial information.
- Obtaining assurance evidence that the interim financial information agrees with or reconciles to the entity's underlying accounting records.
- Evaluating the assurance evidence obtained.
- Considering whether there have been any changes in accounting principles or in the methods of applying them and whether any new transactions have necessitated the application of a new accounting principle.
- Considering whether management has identified all events that may require adjustment to or disclosure in the interim financial information.
- Considering whether the interim financial information has been prepared in accordance with the applicable financial reporting framework and represents the underlying transactions free from material misstatement.

Amsterdam, 22 September 2022

Deloitte Accountants B.V.

Signed on the original: J. Penon