



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2018

4 FINANCIAL STATEMENTS 2018

| in thousands of EUR | 2018 | | | 2017 | | |
|-------------------------------------|--------------------|------------|------------|--------------------|------------|------------|
| | Basic remuneration | Committees | Total | Basic remuneration | Committees | Total |
| Floris Deckers – Chairman from 11/4 | 107 | 17 | 124 | 75 | 17 | 92 |
| Frans Cremers – Chairman till 11/4 | 34 | 5 | 39 | 120 | 17 | 137 |
| Thomas Ehret – Vice-chairman | 80 | 10 | 90 | 80 | 10 | 90 |
| Lynda Armstrong (till 11/4) | 25 | 5 | 30 | 75 | 16 | 91 |
| Roeland Baan | 54 | 12 | 66 | - | - | - |
| Bernard Bajolet | 54 | 6 | 60 | - | - | - |
| Francis Gugen | 75 | 10 | 85 | 75 | 10 | 85 |
| Sietze Hepkema | 75 | 8 | 83 | 75 | 8 | 83 |
| Laurence Mulliez | 75 | 10 | 85 | 75 | 8 | 83 |
| Cheryl Richard ¹ | 90 | 9 | 99 | 100 | 8 | 108 |
| Total | 669 | 92 | 761 | 675 | 94 | 769 |

¹ Including intercontinental travel allowance.

There are no share-based incentives granted to the members of the Supervisory Board. Nor are there any loans outstanding to the members of the Supervisory Board or guarantees given on behalf of members of the Supervisory Board.

NUMBER OF EMPLOYEES

Number of employees (by operating segment)

| By operating segment: | 2018 | | 2017 | |
|---|--------------|--------------|--------------|--------------|
| | Average | Year-end | Average | Year-end |
| Lease and Operate | 1,524 | 1,535 | 1,506 | 1,513 |
| Turnkey | 1,443 | 1,456 | 1,489 | 1,429 |
| Other | 323 | 343 | 293 | 302 |
| Total excluding employees working for JVs and associates | 3,289 | 3,334 | 3,287 | 3,244 |
| Employees working for JVs and associates | 814 | 745 | 864 | 882 |
| Total | 4,103 | 4,079 | 4,150 | 4,126 |

Number of employees (by geographical area)

| By geographical area: | 2018 | | 2017 | |
|---|--------------|--------------|--------------|--------------|
| | Average | Year-end | Average | Year-end |
| the Netherlands | 342 | 374 | 317 | 309 |
| Worldwide | 2,948 | 2,960 | 2,970 | 2,935 |
| Total excluding employees working for JVs and associates | 3,289 | 3,334 | 3,287 | 3,244 |
| Employees working for JVs and associates | 814 | 745 | 864 | 882 |
| Total | 4,103 | 4,079 | 4,150 | 4,126 |

The figures exclude fleet personnel hired through crewing agencies as well as other agency and freelance staff for whom expenses are included within other employee benefits.

4.3.7 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses amounted to US\$ 23 million (2017: US\$ 33 million) and mainly relate to the internal project 'Digital FPSO', Renewables and FPSO Product Line development costs and investments in laboratory facilities.

The amortization of development costs recognized in the statement of financial position is allocated to cost of sales when the developed technology is used through one or several projects. Otherwise, it is allocated to research and development expenses.

4.3.8 NET IMPAIRMENT GAINS/(LOSSES) ON FINANCIAL AND CONTRACT ASSETS

Impairments of financial assets and contract assets which relate to credit risk as per IFRS 9 requirements are recognized in a dedicated line of the income statement: 'Net impairment losses on financial and contract assets'. Impairments resulting from commercial disputes and other business decisions are not included in this dedicated line of the income statement.

During the year, the following gains/(losses) related to credit risks were recognized in this dedicated line:

| | 2018 | 2017 |
|--|-----------|------------|
| Impairment losses | | |
| - Individually impaired receivables (previous accounting policy) | - | - |
| - Movement in loss allowance for trade receivables | (3) | (1) |
| - Movement in loss allowance for construction work-in-progress | | |
| (Impairment)/impairment reversal losses on financial lease receivables | - | - |
| (Impairment)/impairment reversal losses on other financial assets | 15 | - |
| Net impairment gains/(losses) on financial and contract assets | 13 | (1) |

During the year 2018, the Company recognized a partial impairment reversal of a funding loan provided to an Angolan joint venture. This impairment reversal of US\$ 15 million was recognized based on an updated cash flow forecast which included additional cash available at the level of the joint venture.

4.3.9 NET FINANCING COSTS

| | 2018 | 2017 |
|---|--------------|--------------|
| Interest income on loans & receivables | 10 | 9 |
| Interest income on investments | 19 | 13 |
| Net foreign exchange gain | 17 | 3 |
| Other financial income | 0 | 2 |
| Financial income | 46 | 27 |
| Interest expenses on financial liabilities at amortized cost | (223) | (231) |
| Interest expenses on hedging derivatives | (36) | (88) |
| Interest expenses on lease liabilities | (7) | - |
| Interest addition to provisions | (14) | (23) |
| Net loss on financial instruments at fair value through profit and loss | 0 | - |
| Net cash flow hedges ineffectiveness | - | (17) |
| Net foreign exchange loss | 0 | 0 |
| Impairment of financial assets | 0 | 0 |
| Other financial expenses | - | - |
| Financial expenses | (279) | (358) |
| Net financing costs | (233) | (331) |

The increase in net foreign exchange gain results from an index-linked term deposit protecting the Company against Kwanza devaluation for its cash held in Angola.

The decrease in net financing costs is mainly due to the reduction of interest expenses related to the *Turritella* (FPSO) project loan, including hedging derivatives. The loan was repaid on January 16, 2018 after the receipt of the purchase price from Shell.