



OFFSHORE

ENERGY. COMMITTED.

ANNUAL REPORT 2018

4 FINANCIAL STATEMENTS 2018

issued assessments. The Company believes there is a sound basis for its tax positions in those jurisdictions. The Company provides for taxes that it considers probable of being payable as a result of these audits and for which a reasonable estimate may be made. While the Company cannot predict or provide assurance as to the final outcome of these proceedings, the Company does not expect the ultimate liability to have a material effect on its consolidated statement of financial position or results of operations, although it could have a material adverse effect on its consolidated cash flows.

Each year management completes a detailed review of uncertain tax positions across the Company and makes provisions based on the probability of the liability arising. The principal risks that arise for the Company are in respect of permanent establishment, transfer pricing and other similar international tax issues. In common with other international groups, the difference in alignment between the Company's global operating model and the jurisdictional approach of tax authorities often leads to uncertainty on tax positions.

As a result of the above, in the period, the Company recorded a net tax increase of US\$ 5.7 million in respect of ongoing tax audits and in respect of the Company's review of its uncertain tax positions. This amount is in relation of uncertain tax position concerning various taxes other than corporate income tax. It is possible that the ultimate resolution of the tax exposures could result in tax charges that are materially higher or lower than the amount provided.

The Company conducts operations through its various subsidiaries in a number of countries throughout the world. Each country has its own tax regimes with varying nominal rates, deductions and tax attributes. From time to time, the Company may identify changes to previously evaluated tax positions that could result in adjustments to its recorded assets and liabilities. Although the Company is unable to predict the outcome of these changes, it does not expect the effect, if any, resulting from these adjustments to have a material effect on its consolidated statement of financial position, results of operations or cash flows.

4.3.11 EARNINGS/(LOSS) PER SHARE

The basic earnings per share for the year amounted to US\$ 1.04 (2017: US\$ (0.76)); the fully diluted earnings per share amounted to US\$ 1.04 (2017: US\$ (0.76)).

Basic earnings / (loss) per share amounts are calculated by dividing net profit / (loss) for the year attributable to shareholders of the Company by the weighted average number of shares outstanding during the year.

Diluted earnings / (loss) per share amounts are calculated by dividing the net profit / loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the year plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential shares into ordinary shares.

The following reflects the share data used in the basic and diluted earnings per share computations:

Earnings per share

	2018	2017
Earnings attributable to shareholders (in thousands of US\$)	212,045	(155,122)
Number of shares outstanding at January 1 (excluding treasury shares)	203,417,031	202,042,126
Average number of treasury shares transferred to employee share programs	853,579	807,161
Weighted average number of shares outstanding	204,270,610	202,849,287
Potential dilutive shares from stock option scheme and other share-based payments	34,813	-
Weighted average number of shares (diluted)	204,305,423	202,849,287
Basic earnings per share	US\$ 1.04	US\$ (0.76)
Fully diluted earnings per share	US\$ 1.04	US\$ (0.76)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements, except for issuing of Value Creation Stake shares for the Management Board and matching shares for the Company's Senior Management (see note 4.3.6 Employee Benefit Expenses).

4.3.12 DIVIDENDS PAID AND PROPOSED

In accordance with the Company's dividend policy, and further taking into account the specific circumstances relating to 2018 including the nature of the non-recurring items, a dividend of US\$ 0.37 per share (based on the number of shares outstanding at December 31, 2018), to be paid out of retained earnings, will be proposed to the Annual General Meeting on April 10, 2019. This represents approximately 25% of the Company's US\$ 301 million Directional 2018 net income.

The Company reviews its dividend policy on a regular basis and intends to revise this as follows: the Company's policy is to maintain a stable dividend, which grows over time. Determination of the dividend is based on the Company's assessment of its underlying cash flow position. The proposed change will be presented for discussion at the AGM on April 10, 2019.

Regarding capital allocation, the Company prioritizes payment of the dividend, followed by the financing of growth, with the option thereafter to repurchase shares depending on residual liquidity and cashflow outlook. Based on this approach and having reviewed the current liquidity position, the requirement to fund growth and the resulting cash flow outlook, the Company has determined that it currently has the capacity to repurchase shares. Consequently, on February 14, 2019 the Company will commence a euro 175 million share repurchase program, approximate to the net cash it has received for the Yme Insurance settlement.

4.3.13 PROPERTY, PLANT AND EQUIPMENT

The line item 'Property, plant and equipment' consists of property, plant and equipment owned by the Company and right-of-use assets following the early adoption of IFRS 16:

Property, plant and equipment (summary)

	31 December 2018	31 December 2017
Property, plant and equipment excluding leases	1,072	1,243
Right-of-use assets	126	-
Total	1,198	1,243