



OFFSHORE

ENERGY. COMMITTED.



ANNUAL REPORT 2019

4 FINANCIAL STATEMENTS 2019

Number of employees (by geographical area)

| By geographical area: | 2019 | | 2018 | |
|---|--------------|--------------|--------------|--------------|
| | Average | Year-end | Average | Year-end |
| the Netherlands | 414 | 453 | 342 | 374 |
| Worldwide | 3,211 | 3,461 | 2,948 | 2,960 |
| Total excluding employees working for JVs and associates | 3,624 | 3,914 | 3,289 | 3,334 |
| Employees working for JVs and associates | 635 | 525 | 814 | 745 |
| Total | 4,259 | 4,439 | 4,103 | 4,079 |

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. The increase year-on-year reflects the increased activity on Turnkey projects.

4.3.7 RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses amounted to US\$24 million (2018: US\$23 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:

| | 2019 | 2018 |
|---|----------|-----------|
| Impairment losses | | |
| - Movement in loss allowance for trade receivables | 3 | (3) |
| - Movement in loss allowance for construction work-in-progress | 0 | - |
| - Movement in loss allowance for finance lease receivables | 0 | - |
| - Movement in loss allowance for other assets | (1) | 15 |
| Net impairment gains/(losses) on financial and contract assets | 3 | 13 |

During the year 2019, the Company recognized US\$ 3 million net impairment gain on financial and contract assets. In 2018, the Company recognized a partial impairment reversal of 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.

The limited amount of loss allowance recognized by the Company over 2019 reflects the creditworthiness of the Company's client portfolio.