



**FUGRO N.V.**

ANNUAL REPORT 2013



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#### **Cautionary statement regarding forward-looking statements**

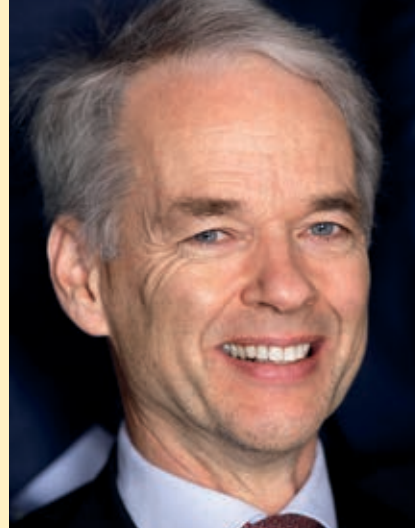
This annual report may contain forward-looking statements. Forward-looking statements are statements that are not historical facts, including (but not limited to) statements expressing or implying Fugro's beliefs, expectations, intentions, forecasts, estimates or predictions (and the assumptions underlying them). Forward-looking statements necessarily involve risks and uncertainties. The actual future results and situations may therefore differ materially from those expressed or implied in any forward-looking statements. Such differences may be caused by various factors (including, but not limited to, developments in the oil and gas industry and related markets, currency risks and unexpected operational setbacks). Any forward-looking statements contained in this annual report are based on information currently available to Fugro's management. Fugro assumes no obligation to make a public announcement in each case where there are changes in information related to, or if there are otherwise changes or developments in respect of, the forward-looking statements in this annual report.

The term 'shares' as used in this Annual Report should, with respect to ordinary shares issued by Fugro N.V., be construed to include certificates of shares (also referred to as 'share certificates' or 'depository receipts' for shares) issued by Stichting Administratiekantoor Fugro (also referred to as 'Fugro Trust Office' or 'Trust Office'), unless the context otherwise requires or unless it is clear from the context that this is not the case. In this Annual Report, Fugro N.V. is also referred to as 'the Company' or 'Fugro'. Fugro N.V. and its subsidiary companies are together referred to as 'the Group'.

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## MESSAGE FROM THE CHAIRMAN



### Dear Stakeholder,

In 2013 we delivered a reasonable performance in the Geotechnical and Survey divisions, and an improving performance in the Subsea Services division. These results were marred by the loss making start of Seabed Geosolutions, the joint venture with CGG, and multi-client sales ending up lower than expected. The overall outcome was a revenue growth (including multi-client) of 1.5% from EUR 2,400 million to EUR 2,437 million, or 6.1% when correcting for the negative foreign currency effect of 4.6%. The net profit margin was 9.3% (2012: 10.7%).

In 2013 we completed the sale of the majority of the Geoscience division to CGG and, together with CGG, established the Seabed Geosolutions joint venture for geophysical data acquisition on the seabed in which Fugro has a 60% controlling stake.

Following this transaction, we put a lot of effort into an in-depth review of our strategy. This resulted in our strategy update 'Growth through Leadership', targeting solid growth, improved margins and returns on capital employed by improving on our market leadership positions. The strategy process involved around 200 senior Fugro employees and input from clients, shareholders and analysts. We presented the strategy update at two capital market day events in London and Houston in September 2013.

We established that the key strategic drivers for our past successes are the same that will carry us forward into the future. These key drivers include market leadership, focus on the quality and development of our employees, operating globally in different markets, product and process innovation while strengthening our corporate standards. A presentation of our eight strategic drivers forms the theme of this Annual Report. A further outcome of our strategy is that we established clear growth, margin and return targets for 2016 and that we can finance the required investments from our own cash flow.

A detailed review of our market positions and growth potential has been part of the strategy process, and has convinced us that the markets in which we operate offer good opportunities for growth. We see this coming from growth in existing business, augmented by growth in emerging economies, leveraging our global capabilities to support clients on large, multi-discipline projects, and providing our clients with consistent quality services globally. To support our growth we are enhancing our regional organisation.

We need to foster collaboration throughout the company, starting at the top. The year 2013 has seen several changes in the Supervisory Board and Executive Committee. The Supervisory Board has actively participated in the strategy process, which contributed to creating a shared vision for the future of the company and to building the Supervisory Board and Executive Committee team.

We anticipate that 2014 will be an exciting year in which we will see the first tangible results from the implementation of our Growth through Leadership strategy, which will set up Fugro for its next phase of profitable growth with improving returns.

Paul van Riel  
Chairman of the Board of Management  
Chief Executive Officer



## OUR DRIVERS TO SUCCESS

Fugro's strategy 'Growth through Leadership' builds on Fugro's historic success in segments of the energy and infrastructure markets, based on high value, technology-intensive offerings to its clients.



### Market leadership

Fugro strives to develop and maintain leadership positions in each of its markets.



### Innovation & technology

Strong focus on innovation and technology enables Fugro to provide the best possible solutions to clients.



### People

Fugro's employees are team players, trained with the right skills to safely and properly deliver Fugro's services around the globe in the most challenging environments.



### Delivery excellence

Delivery excellence is consistently delivering results safely, on time, on budget and meeting or exceeding client requirements.



### Standards

Standards are the key to achieving quality results safely and consistently around the globe, and support proper business practices.



### Multi-market exposure

Fugro operates in multiple markets to achieve resilience against market volatility.



### Organic growth plus M&A

Profitable growth is the key to long term value creation. Fugro complements organic growth with mergers and acquisitions.



### Global coverage

With its global reach, Fugro is uniquely positioned to support global clients on a local basis and mitigates the exposure to local economic volatility.

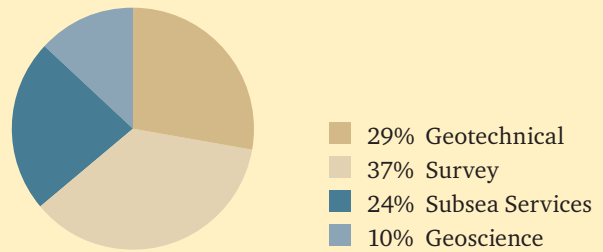


## FUGRO AT A GLANCE

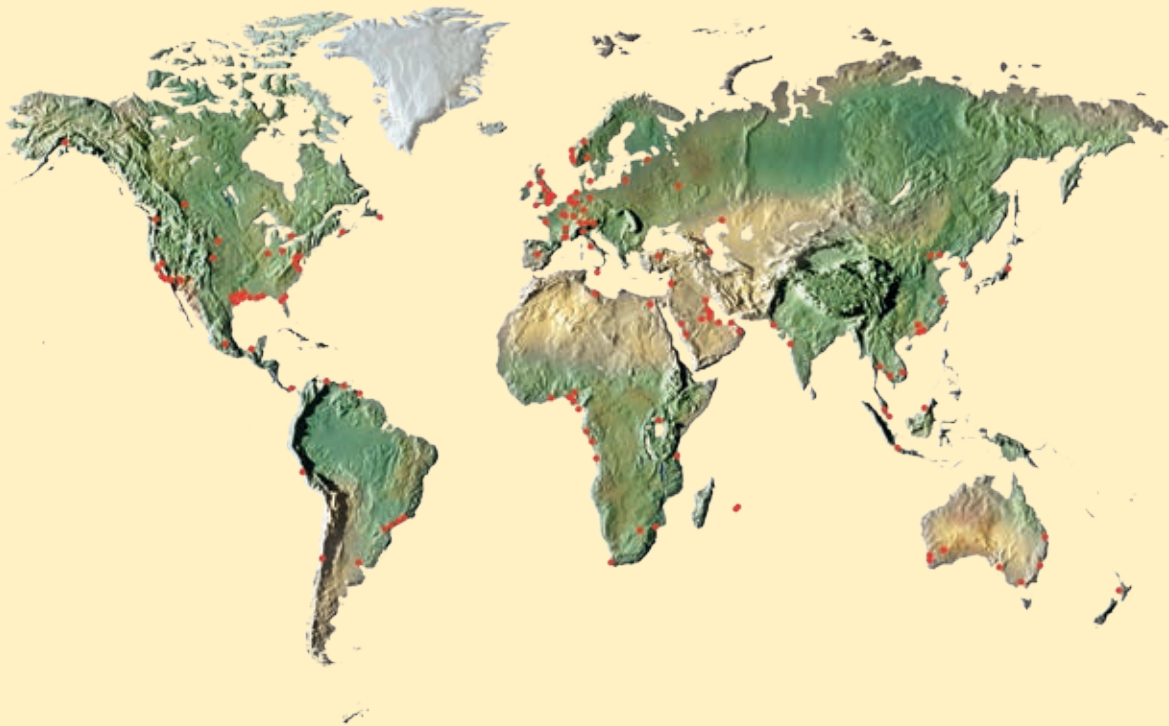
Fugro creates value by acquiring and interpreting earth and engineering data and providing associated consulting services to support clients with their design and construction of infrastructure and buildings. Fugro also supports clients with the installation, repair and maintenance of their subsea infrastructure.

Fugro works around the globe, predominantly in energy and infrastructure markets offshore and onshore. Fugro is listed on NYSE Euronext Amsterdam and is included in the AEX-Index.






Revenue (EUR 2.4 billion in 2013)



**Present in over 60 countries with close to 250 offices**



					
52 vessels	26 aircraft	97 CPT trucks	261 onshore and 17 offshore rigs	30 jack-up platforms	12,591 employees

					
35 laboratories	9 autonomous underwater vehicles (AUVs)	150 remotely operated vehicles (ROVs)	40 diving systems	2,226 nodes	61 nearshore craft

## HIGHLIGHTS 2013

### General

- Reasonable performance of Geotechnical and Survey divisions; improving performance of the Subsea Services division (which was reported as part of the Survey division before 2013); start-up losses for Seabed Geosolutions and lower than expected year-end multi-client sales.
- Completion of the divestment of the majority of the Geoscience division to CGG for a total consideration of EUR 1.2 billion with a net transaction result of EUR 205 million. The sale was completed in two tranches. The first tranche excluding the airborne activities, was completed on 31 January 2013. The second tranche, the sale of the airborne activities was completed on 2 September.
- Establishment of Seabed Geosolutions on 16 February 2013, a joint venture with CGG to which both parties contributed their seabed geophysical activities and in which Fugro has obtained a 60% controlling stake by paying EUR 225 million via a set-off agreement to CGG. Seabed Geosolutions collects geophysical data on the seabed for oil and gas companies.
- An in-depth strategic review resulted in the updated strategy 'Growth through Leadership', which builds on the same strategic drivers which are core to Fugro's historic success. Fugro is targeting expansion of its activities in its strong Geotechnical and Survey divisions, supported by a step-up in investments in the vessel fleet in the next years. In addition, Fugro targets profitability improvement in the Subsea Services division, and both growth and profitability improvement in Seabed Geosolutions.
- Starting with the 2013 dividend (to be paid in 2014), dilution resulting from the optional dividend (cash or shares) will be offset through a share buy-back and cancellation of the same number of shares issued as stock dividend.

### Financial

The activities that have been sold to CGG, comprising the majority of the Geoscience division, are reported as discontinued operations. The multi-client seismic data library was retained by Fugro. In accordance with IFRS the related revenue was reported as discontinued up to and including 31 January 2013 while the results were reported as continued.

As from 1 February 2013, the multi-client revenue is included in continued operations. To facilitate comparison we also report in a number of disclosures throughout this report 'revenue including multi-client', which includes multi-client revenue during the full period 2011 – 2013.

#### Continued

- Revenue increased from EUR 2,165.0 million in 2012 to EUR 2,424.0 million in 2013. This growth is to a large extent related to the fact that multi-client revenue is included only as per February 2013.
- Revenue including multi-client increased by 1.5% from EUR 2,400.0 million to EUR 2,437.2 million. Growth of Survey and the revenue contribution from Seabed Geosolutions were partly offset by lower multi-client sales and a negative foreign currency effect of 4.6%. Corrected for the negative exchange rate effect revenue increased by 6.1%.
- EBIT was 13% lower at EUR 267 million, impacted by the start-up loss of Seabed Geosolutions and a lower contribution from multi-client.
- Net result from continuing operations was EUR 224.2 million in 2013, which is 3.2% lower than in 2012.
- Earnings per share was EUR 2.77 (2012: EUR 2.89).
- Backlog at the beginning of 2014 is EUR 1,800.8 million, or 19% higher than a year ago. Excluding Seabed Geosolutions, the increase at constant exchange rates is 9%.
- Fugro's financial position is solid with a net debt to EBITDA ratio of 1.53 well below the target of less than 2.

#### Continued and discontinued

- Revenue decreased from EUR 2,952.7 million in 2012 to EUR 2,518.2 million in 2013. This decrease is mainly related to the divestment of the majority of the Geoscience activities per 31 January 2013.
- Net result was EUR 428.3 million in 2013 (2012: EUR 289.7 million) and includes the net transaction result of EUR 205 million on the divestment of the majority of the Geoscience activities.
- Earnings per share was EUR 5.29 (2012: EUR 3.61).
- Proposed dividend for 2013 is EUR 1.50 per share.

## KEY FIGURES

	2013	Change %	2012	2011
	<b>Continued</b>			
<b>Result (x EUR million)</b>				
Revenue	2,424.0		2,165.0	1,858.0
Revenue (including multi-client)	2,437.2	1.5	2,400.0	2,014.0
Result from operating activities before depreciation and amortisation (EBITDA)	457.4	(1.7)	465.4	481.9
Result from operating activities (EBIT)	267.0	(12.9)	306.6	352.0
Net operating profit after tax (NOPAT)	219.4	(11.8)	248.7	270.1
Net result <sup>1</sup>	224.2	(3.2)	231.5	293.9
Net result (including discontinued operations) <sup>1</sup>	428.3	47.8	289.7	287.6
Cash flow	404.3	1.0	400.1	431.5
EBIT margin (%)	11.0		14.2	18.9
Net profit margin (%)	9.3		10.7	15.8
<b>Capital (x EUR million)</b>				
Balance sheet total	3,630.6	(12.9)	4,169.7	3,861.6
Balance sheet total (excluding assets and liabilities held for sale)	3,630.6	15.0	3,157.8	3,861.6
Total equity	2,110.9	6.7	1,978.4	1,674.1
Working capital	413.4	56.3	264.5	206.4
Multi-client data library	366.4	(20.1)	458.5	333.8
Capital employed <sup>2</sup>	2,688.6	18.4	2,270.4	2,153.6
Return on capital employed (%) <sup>3</sup>	8.2		11.0	12.5
Net debt	700.7	(49.1)	1,377.4	1,338.9
Net debt/EBITDA	1.53		2.96	2.78
Solvency (%)	55.8		46.9	42.9
<b>Assets (x EUR million)</b>				
Tangible fixed assets	1,129.9	6.0	1,065.9	981.1
Total investments of which	318.8	21.8	261.7	359.2
■ capex (cash out)	253.4		258.3	241.6
■ assets of acquisitions	65.4		3.4	117.5
Depreciation of tangible fixed assets	179.0	15.0	155.6	127.2
<b>Data per share (x EUR 1.–)</b>				
Result from operating activities (EBIT)	3.30	(13.6)	3.82	4.44
Earnings from continuing operations	2.77	(4.2)	2.89	3.71
Earnings (including discontinued operations)	5.29	46.5	3.61	3.63
Cash flow	5.00	0.2	4.99	5.45
Dividend for the year under review	1.50		1.50	1.50
Extra dividend for the year under review related to sale of majority Geoscience business	–		0.50	–
Share-price: year-end	43.32		44.52	44.90
Average price-earnings ratio	7.9		13.2	13.5
Average dividend yield (%)	3.6		4.2	3.1
<b>Other key data</b>				
Outstanding shares (at year-end, in thousands)	84,573		82,844	81,393
Outstanding shares entitled to dividend (at year-end, in thousands)	80,774		81,641	79,230
Number of employees (at year-end)	12,591	3.5	12,165	11,495

<sup>1</sup> Attributable to owners of the company.

<sup>2</sup> Capital Employed: total assets minus current liabilities, full year average (excluding assets and liabilities held for sale).

<sup>3</sup> Return on Capital Employed: NOPAT/full year average capital employed.

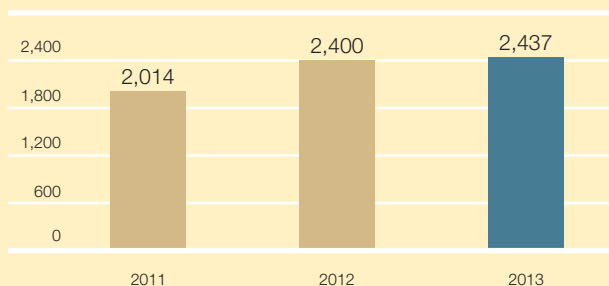


### Clarification continued and discontinued

The activities that have been sold to CGG, representing the majority of the Geoscience division, are reported as discontinued operations. The multi-client seismic library was retained by Fugro. In accordance with IFRS, the related revenue (of EUR 13 million in January 2013, EUR 235 million in 2012 and EUR 156 million in 2011) was reported as discontinued operations. As from 1 February 2013, the multi-client revenue is included in continued operations (EUR 116 million for 1 February – 31 December). However, the EBIT, net result and cash flow generated by multi-client business are part of continued operations during the entire period. For comparison reasons the line ‘revenue including multi-client’, which includes multi-client revenue during the full period 2011 - 2013, has been included in the table on page 8 and in a number of other disclosures throughout this report.

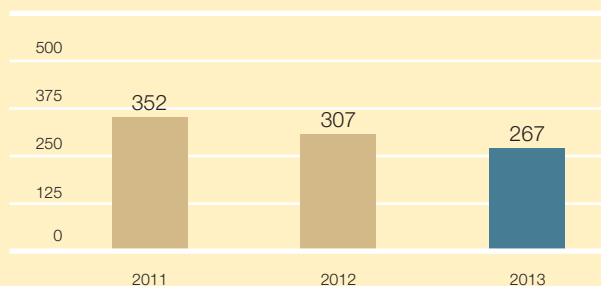
#### Revenue (including multi-client)

(x EUR million)



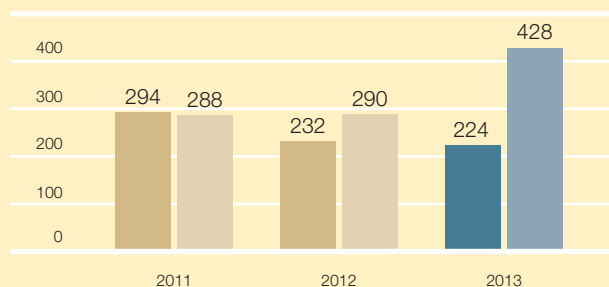
#### EBIT

(x EUR million)



#### Net result

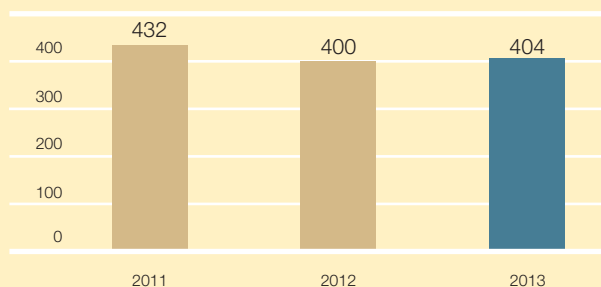
(x EUR million)



■ Continued  
■ Continued and discontinued

#### Cash flow

(x EUR million)



### KEY FIGURES 2016 TARGETS (EXCLUDING MULTI-CLIENT)

In 2013, Fugro has undertaken an in-depth strategic review of its activities and market positions. This has resulted in a strategy update in which 2016 financial targets have been defined, focused on growth, increasing profitability and improving returns. The table below reports on the financial indicators being used to measure the success of the implementation of the strategy. The numbers exclude the marine streamer multi-client business as this activity is non-strategic going forward. The updated strategy and the 2016 targets are discussed on page 13.

(x EUR million)

	2013	Change %	2012
Revenue	2,307.2	7	2,165.0
EBIT margin (%)	10.5		11.7
Return on capital employed (%)	9.0		11.1

## PROFILE AND STRATEGY

### VISION AND MISSION

Fugro creates value by acquiring and interpreting earth and engineering data and providing associated consulting services to support clients with their design and construction of infrastructure and buildings. Fugro also supports clients with the installation, repair and maintenance of their subsea infrastructure.

Fugro operates around the globe, predominantly in the oil and gas, sustainable energy and infrastructure markets, both offshore and onshore. The company strives to be the preferred partner of its clients by safely and consistently delivering quality solutions with teams of employees that apply world class, innovative and often proprietary technology and that perform to high standards of professionalism and integrity.

Fugro aims to lead in every market segment in which it operates, thus generating superior value for its customers and returns for its shareholders.

### PROFILE

Fugro provides earth and engineering data services, from project preparation through data acquisition, processing, analysis and interpretation to reporting and consulting. These services support clients with their engineering design and building of large structures and aim to de-risk major investment decisions. This includes providing information and advice about the best way to locate and build the foundations of a production platform, wind farm, large buildings and infrastructure, and to strengthen dikes and levies. Further value is provided to clients by providing related inspection, maintenance, repair, installation and light construction support services. The majority of services provided to clients provide high value relative to cost and are non-discretionary in nature. In the majority of its markets, Fugro is the leading service provider.

Fugro's activities are organised into four divisions:

- Geotechnical, which provides a wide range of on- and offshore site investigation, consulting and testing services
- Survey, which provides a broad range of on- and offshore services to map and inspect the earth's surface, seabed and manmade structures; and provides a range of positioning, geophysical, oceanographic and environmental services
- Subsea Services, which provides offshore inspection, maintenance, repair, installation and light construction support services

- Geoscience, which provides seabed geophysical data acquisition services and sells data from a large multi-client data library

Most of the revenue is currently generated by projects within the four divisions. The revenue generated from clients that contract for large, integrated multi-disciplinary projects involving services across divisions is increasing. This enables Fugro to leverage its complete suite of services which is a clear differentiator from the competition.

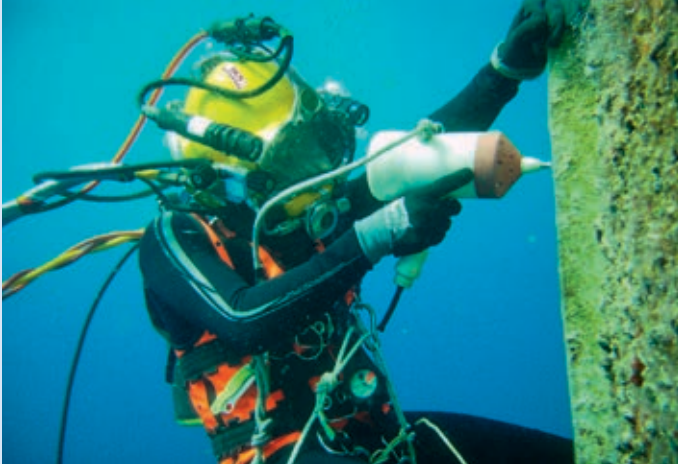
Fugro operates as an independent service provider and has no commercial or other direct interests in the projects of its clients. Fugro's activities are carried out in over 60 countries, onshore, nearshore, offshore and from the air, and are primarily aimed at clients in the:

- Oil and gas industry
- Infrastructure and buildings
- Mining
- Sustainable energy
- Public sector

Within the oil and gas segment, which generates around 75% of revenue, Fugro is mostly active in the mid and latter part of the oil and gas field life cycle by focusing on the development, production and decommissioning stages. For the offshore activities, the major clients are oil and gas companies, construction contractors and wind farm developers. For the onshore, Fugro's major clients are mostly oil and gas companies; and governments, as well as mining and construction companies that operate in local and regional markets. Fugro's broad and global footprint allows it to optimally serve clients that operate internationally. Balanced exposure to multiple market segments around the globe creates resilience against economic downturns as downturns are less likely to hit different market segments in different geographies concurrently.

Fugro has a leading global market position in offshore survey, offshore geotechnical and seabed geophysical activities, with particular strength in remote frontier areas and deepwater. In other market segments, like onshore geotechnical and subsea services, Fugro holds leading market positions in niche and regional markets. Fugro strives to maintain or expand its strong market positions by safely providing high quality services across the globe, often based on in-house developed, proprietary technologies.

Fugro's clients operate in locations around the globe in varying operating environments, and require a wide range of services. To support its clients, Fugro has built



*Fugro diver testing the cathodic protection of an offshore platform, Middle East.*

up a large, regionally organised, global network of offices and facilities. Cross-divisional cooperation is key to providing services on a consistent basis and to providing project solutions that involve multiple disciplines.

Fugro was founded in the Netherlands in 1962 and has been listed on the NYSE Euronext Amsterdam since 1992. Fugro was included in the AEX-index as of September 2008.

Fugro's activities grow both organically and through acquisitions. At the end of 2013 the group employed 12,591 staff.

## ACTIVITIES

### Geotechnical division

Fugro's field data collection, laboratory testing and geoconsultancy services are focused on ground site investigations in both the onshore, nearshore and offshore environments. The sites are characterised through sampling and borehole tests and related geohazard studies. The geologic conditions and foundation zone soils and rocks are assessed at specific locations using in-house developed, proprietary techniques in a multi-phased approach.

The resulting data are integrated and analysed by skilled geoscientists and geotechnical engineers in order to determine a representative ground model to assess geohazard risk and engineering design for offshore structures, onshore and offshore plants and pipelines, ports, wind farms, large buildings, bridges, and other infrastructure. These services are crucial to ensure the long term performance of the clients' assets. Fugro also provides services for environmental engineering, water management, mining, construction materials testing, pavement management and marine installation and construction support.

Fugro's geotechnical services support clients' projects worldwide in the onshore, nearshore and offshore regions. The majority of the revenue from onshore activities (around 60% of divisional revenue) is derived

from projects in the infrastructure, and oil and gas sectors, with a growing base in mining and water. The largest part of the revenue offshore (around 40% of divisional revenue) is generated in the oil and gas sector and increasingly in the sustainable energy (wind farm) market.

### Market position

By globally deploying the largest dedicated deployed geotechnical fleet in the world with unique deepwater capabilities, Fugro is the clear market leader in offshore. Fugro has a particularly strong market share in the deepwater market. Its global presence and ability to execute complex and technically demanding projects globally are key attributes.

In the onshore market, which is fragmented with many local operators, Fugro holds a leading position in many niche markets and regions.

### Main resources (at year-end 2013)

12 vessels, 278 rigs, 97 cone penetration testing (CPT) trucks, 30 jack-up platforms and 35 laboratories.

### Survey division

Through a global network of strategically located, locally resourced, operating companies, the Survey division offers an extensive range of measurement and mapping services, onshore and offshore, across the globe. Its capabilities and expertise are organised into five main business lines, comprising positioning, geophysical survey, construction support, metocean, and geospatial services. A broad range of state-of-the-art data acquisition technologies are deployed on land, from the air and space and at sea.

The division addresses the earth measurement and mapping needs of clients in the oil and gas, construction, renewable energy, mining and public sectors. Data and measurements from various sensors are processed, analysed and integrated by specialists to provide comprehensive reports, including detailed maps, charts and other types of graphical presentations, to describe natural and man-made features on the surface of the earth, in the subsea environment, on the seabed, and

shallow geological features below the earth's surface. These analyses and the resulting reports support planning for safe utilisation of the earth's natural resources and for efficient design, construction and maintenance of large structures and buildings, and infrastructure.

#### **Market position**

With its global presence, technological market leadership and breadth and quality of service, the Survey division ranks among the top-three players globally in its business lines. Fugro is the market leader in the offshore mapping and survey services market and has a strong regional position in the onshore market. Fugro continues to be strong in positioning services. Fugro is the only market player able to offer the full range of survey services across all geographies.

#### **Main resources (at year-end 2013)**

19 vessels, 9 autonomous underwater vehicles (AUVs), 15 near shore crafts and 26 aircraft.

#### **Subsea Services division**

The Subsea Services division provides subsea support services to the oil and gas and renewable energy sectors globally. Services are associated with infrastructures on the seabed and are executed in a range of marine environments from shallow water to 3,000 meters water depth. The services include: inspection, repair and maintenance, construction support, installation and drill support, as well as engineering design and tooling. These services are provided throughout the lifecycle of oil field development, production and decommissioning. The client portfolio comprises oil and gas companies, subsea installation contractors and renewable energy clients.

There are frequent joint activities with Fugro's other divisions, such as when the Subsea Services division makes use of the mapping and positioning services of the Survey division and when Seabed Geosolutions uses Subsea's remotely operated vehicles (ROVs) to place nodes on the seabed.

#### **Market position**

The market for subsea services has grown quickly over recent years as a result of the search for new oil and gas provinces to replace aging onshore reservoirs whose output is generally decreasing over time. This has driven a rapid increase in offshore field development and production, resulting in a dynamic, fragmented subsea market place, with attributes which vary substantially per geographic region. Fugro is one of the largest subsea service providers, operating one of the largest ROV fleets in the world. In specific regions and segments Fugro has leading positions, for example in the Middle East (ROV services), Brazil (inspection, repair and maintenance services) and the North Sea (excluding Norway).

#### **Main resources (at year-end 2013)**

19 support vessels (of which 8 are on tri-partite agreements in Brazil), 150 ROVs and 40 diving systems.

#### **Geoscience division**

##### **Seabed Geosolutions**

Seabed Geosolutions was formed on 16 February 2013 as a joint venture between Fugro (60%) and CGG (40%), by merging Fugro's and CGG's seabed data acquisition businesses. Fugro has a controlling interest in this business. It collects geophysical data on the seabed through an array of imaging technologies that can be used to water depths of 3,000 meters in areas where obstructions at the surface such as infrastructure do not allow for streamer based data acquisition or where data of particularly good quality is required. These imaging technologies include ocean bottom node (OBN), ocean bottom cable (OBC), permanent reservoir monitoring (PRM) and electro magnetic (EM) data acquisition. Seabed Geosolutions has access to technology and support from both parent companies.

The resulting data on hydrocarbon prospects, reservoir characteristics and potential geohazards is used mainly for the development and production phases of oil and gas fields. The market in which Seabed Geosolutions operates is seeing a quick evolution of technology. It is characterised by large contract sizes, whose benefit can be offset by uncertain timing of project start-up. The long term opportunity to increase the size of the market as an alternative to conventional streamer based data acquisition is significant.

#### **Market position**

Seabed Geosolutions is the largest seabed geophysical data acquisition service supplier with the broadest range of technology solutions.

#### **Main resources (at year-end 2013)**

2 vessels, 2,226 OBN (ocean bottom nodes), 61 near shore craft, 325 km of ocean bottom and shallow water cables.

#### **Multi-client seismic library**

The activities are focused on realising the value of the existing multi-client seismic data library. The information contained in the database, contains about 1.8 million km of 2D data and more than 135,000 km of 3D data. Fugro has established non-exclusive marketing and sales agreements with CGG (for the majority of the 3D library) and TGS (for the majority of the 2D library). Following the divestment of the majority of the Geoscience division, Fugro is making only small investments in the future in the library, mostly to reprocess the data to improve data quality. The revenue is expected to taper off over the next four to five years.

## STRATEGY, FINANCIAL TARGETS AND INVESTMENTS

### Strategic update 2013

In 2013, Fugro undertook an in-depth strategic review of its activities and market positions in order to prepare for the future. This has resulted in the updated strategy 'Growth through Leadership', that focuses on the period up to and including 2016, but has also taken into account trends beyond that date.

There were several reasons for this review:

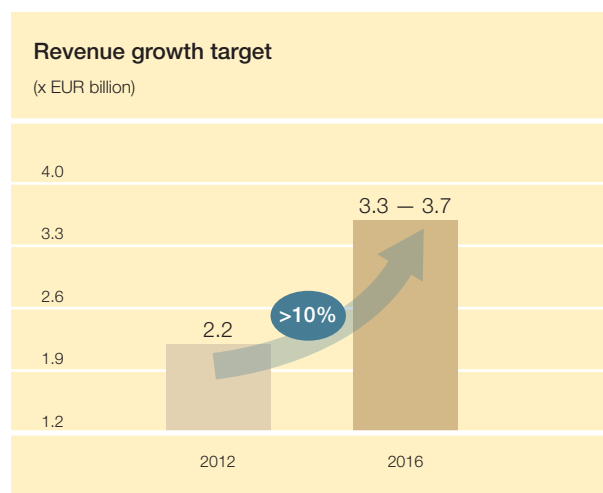
- The sale of the majority of the Geoscience division
- Overall pressure on margins and returns in recent years
- The need for a detailed review of markets and growth opportunities
- The fact that many clients are getting larger and are demanding a consistent, standardised level of service across divisions and geographies
- Increasing contract size and requirements to work in local joint ventures in a number of countries
- Increasing societal expectations towards companies regarding governance, compliance and corporate citizenship
- The need to adjust the organisational set-up in light of Fugro's growth ambition
- To determine how internal cash flow can support the investments required for growth and an increased return to shareholders by offsetting dilution from the optional share dividend

The review incorporated feedback from clients, shareholders and more than 200 senior managers and key staff of Fugro, and, based on Fugro's view of its markets in 2013, led to the following main conclusions:

- There are continued, substantial growth opportunities in Fugro's markets. This is based on growth in world demand for energy, especially from emerging economies, leading to continued development of oil and gas fields, with an increasing share from deepwater markets. This will also lead to growing investments in sustainable energy, with offshore wind in particular being accessible to Fugro. Economic growth, especially in emerging economies, should lead to continued growth in demand for infrastructure and mineral and water resources
- Global scale, quality of staff and services, working to high safety and environmental standards, and providing a balanced portfolio of activities to better support global clients are all increasingly important to long term success
- Innovative technologies and business processes are key to maintaining Fugro's competitive leadership and to provide unique solutions to increasingly complex projects and challenging working environments

### Financial targets 2016

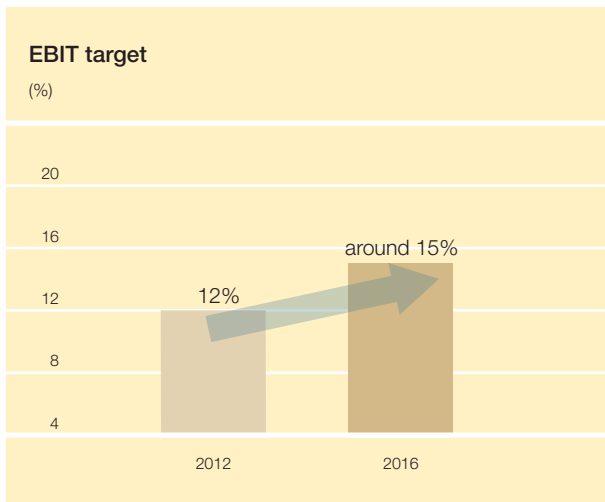
As part of the strategy update, Fugro has set financial targets, focused on organic growth and increasing profitability and returns. These targets are based on the assumption of a reasonable growth of the upstream oil and gas business, stability in the global economy, and on constant exchange rates. The targets, including the 2012 base numbers, exclude the marine streamer multi-client business as this activity is classified as non- strategic going forward, and the related revenue stream will taper off over the next four to five years.



An average revenue growth target of at least 10% per year is in line with Fugro's historic performance, and will be driven by growth in the Survey and Geotechnical divisions and the Seabed Geosolutions activities. Growth is expected to be predominantly organic, complemented by bolt-on acquisitions.

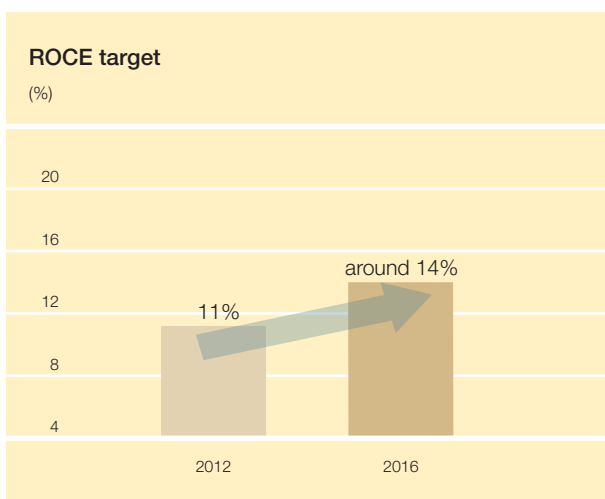
- Geotechnical division: average annual growth of over 10% from EUR 0.7 billion in 2012 to EUR 1.0 – 1.2 billion in 2016
- Survey division: average annual growth rate of over 10% from EUR 0.8 billion in 2012 to EUR 1.1 – 1.3 billion in 2016
- Subsea division: average annual growth of over 5% from EUR 0.5 billion in 2012 to EUR 0.6 – 0.7 billion in 2016
- Seabed Geosolutions: average annual growth of more than 10% to EUR 0.4 – 0.6 billion in 2016





The projected improvement in profitability (EBIT) will mainly be driven by the Subsea division, through profit improvement programs and a refocusing of selected business activities, and improvement of profitability of Seabed Geosolutions.

- Geotechnical division: improvement from 12% in 2012 to above 15% in 2016
- Survey division: a decrease from 22% in 2012 above 18% in 2016, as a result of the expected investment in growth. The emphasis on accelerated organic growth will temporarily increase cost levels associated with staff additions and fleet expansion. Margins are projected to recover after 2016
- Subsea division: improvement from 4% negative in 2012 to around 12% in 2016
- Seabed Geosolutions: above 12% in 2016



Capital employed will increase as a consequence of the investments needed to capture the growth. This will be more than offset by the projected improvement in profitability.

In addition, the following targets were set:

- Earnings per share: average annual growth >10%
- Net debt/EBITDA ratio of below 2

Dividend pay-out as per policy remains at 35% to 55% of net profit. It is expected that investments and dividends (cash dividend plus share repurchases to offset dilution from share dividend) can be paid from operational cash flow. The current low debt level leaves sufficient headroom in case a large acquisition opportunity arises.

### Strategy: 'Growth through Leadership'

To achieve its targets, Fugro's updated strategy 'Growth through Leadership' builds on the same eight strategic drivers which are core to Fugro's historic success: market leadership, innovation and technology, people, delivery excellence, standards, multi-market exposure, organic growth plus mergers & acquisitions and global coverage.

In its portfolio Fugro is targeting amongst others:

- An expansion of its activities in the Geotechnical and Survey divisions. In the Survey division an acceleration of growth is envisaged, particularly in the offshore market. In the Geotechnical division Fugro is committed to retaining its leadership in the offshore market, and to growing specific high value segments in selected onshore geographic markets. Much of this growth will be generated in emerging markets including Africa, Central Asia and potentially South America
- Higher profitability in the Subsea Services division by focusing on its core competencies
- Profitable growth in the promising seabed geophysics market, where Fugro has a market leading position through its participation in Seabed Geosolutions

Achieving these growth plans will ensure that Fugro maintains and even enlarges its market leading positions, expands its exposure to multiple markets, and enhances its global coverage.

In terms of organisation, the goal is to strengthen cooperation and collaboration within the company (characterised as 'Team Fugro') by:

- Better leveraging its scale. The regional organisation that was initiated in 2012 will be strengthened. Profit and loss responsibility will be assigned to the divisional regional directors. In each of the five regions, collaboration across divisions will be enhanced by implementing a cross-divisional marketing and sales team and project management capability. This will improve Fugro's ability to win larger, multidisciplinary projects and better serve clients that use multiple services from different divisions
- Significant attention will be paid to the development of Fugro's employees by expanding the Fugro Academy, by improving recruiting capabilities

and improving retention. This is required to realise the staff level and quality that is needed

- Implementing additional support functions and standards. To support the growth of the company, Fugro is further strengthening governance, control and support functions including finance, QHSSE (quality, health, safety, security and environment), human resources and IT. These processes will be driven by strengthened standards and common procedures throughout the company

Implementation and use of well-designed standards, and working with well-trained staff that have access to state of the art equipment and technology are key to achieving delivery excellence. Achieving delivery excellence is critical for maintaining Fugro's reputation, profitability and leading market positions. Therefore, strong emphasis will be placed on delivering on time and on budget, as well as meeting or exceeding client requirements. Performance discipline as part of delivery excellence will also contribute to margin improvement.

### **Research, development and innovation**

Research, development and innovation are core to Fugro's strategy. It is an area where Fugro has established a strong tradition since developing electric cone penetration testing (CPT) in the 1960s. Other examples, such as the star track high accuracy global positioning system, its in-house designed and built ROVs and its fibre optic sensing tools demonstrate that Fugro continues to be the innovation leader in the markets in which it operates. Its global market position is, to a great extent, dependent on high-performance equipment, technologies, software and business processes.

To enhance its competitive position, Fugro will accelerate innovation and as a consequence grow its investments in research and development. During the coming years, costs and investments relating to research and development are expected to increase to 2-3% of revenue.

Part of the research and development is undertaken internally, in particular for the development of improvements to existing equipment and methods and for business process innovation. Another part, more focussed on developing new equipment and methods, is often done in close conjunction with clients, where new methods and technologies can be demonstrated as part of commercial projects. Increasingly Fugro is involved in research and development efforts that include universities, technology institutes and other companies. Working in such environments can effectively leverage additional research and development and technology, resulting in an improved chance of success and shorter cycle times.

### **Acquisitions**

It is anticipated that growth will be achieved mostly organically, complemented with disciplined bolt-on acquisitions to broaden the company's base and ensure continued sustainable growth. In most cases these serve to strengthen or improve current market positions or to obtain special technologies. Fugro usually completes a number of such acquisitions each year. Generally these acquisitions are small to intermediate in size. The company will consider larger acquisitions if that makes strategic and financial sense.

Because acquisitions always involve an element of risk, a thorough and extensive due diligence (with external expertise when needed) is carried out before the final decision to acquire a company is taken. This limits the risks of the acquisition considerably. The evaluation of an acquisition opportunity is not only based on financial criteria but also on the added-value to Fugro, the match with Fugro's activities, services and culture, its growth potential, position in a certain technology niche market or geographical area, technical and management qualities and risk profile.

### **Joint ventures**

In certain countries and/or regions Fugro is required to work in joint ventures with local partners. This is particularly the case in emerging economies, where Fugro is increasingly active. Fugro will continue to be selective and will only work with reliable and reputable partners.

### **Investments**

Over the years Fugro has achieved a leading position in several markets through organic growth and growth through acquisitions. Continued investment is required in order to realise Fugro's strategy. Under the assumption of good market perspectives, Fugro anticipates average total investments of EUR 400 - 450 million per year up to and including 2016:

- Around EUR 225 million for replacement and expansion of the vessel fleet with dedicated, specialised vessels and equipment mainly in the Survey and Geotechnical divisions
- Around EUR 100 million for maintenance capital expenditures (in line with historic levels)
- Around EUR 75 million for bolt-on acquisitions;
- Around EUR 25 million additional to current levels to accelerate research and development to uphold our differentiated market positions

It is expected that investments can be financed from operational cash flow.

The majority of these investments will support organic growth in the Survey and Geotechnical divisions. For the geotechnical fleet it is mainly for the replacement of older vessels, whereas for the Survey division it is mostly for an

expansion of the fleet with dedicated, specialised vessels in order to capture the growth opportunities in the market.

Purpose-built vessels with own proprietary technology provide Fugro with a competitive advantage, especially for deepwater work. New vessels that replace older vessels also add capacity as they are more efficient. Chartered vessels will continue to provide the company with flexibility and will continue to be an important factor in risk mitigation.

The vessel investment plan is spread over several years and has limited hard commitments, supplemented with build options. This allows Fugro to adapt the investment program in case the markets develop differently than anticipated at present, or in case alternative opportunities become available that are more attractive (for example chartering).

### Strategic highlights per division

#### Geotechnical division: continued growth

In order to retain leadership in the offshore market, and to grow in selected onshore markets, the Geotechnical division is focusing on:

- Capturing market growth in deepwater frontier regions
- Contracting larger, multi-discipline and cross-divisional projects
- Further geographical expansion in emerging economies
- Increasing share of geoconsulting business globally
- Replacing older vessels
- Selective acquisitions, and cooperation through local joint ventures
- Operational efficiency
- Cross-divisional collaboration

#### Survey division: accelerated growth

In order to capitalise on supportive market trends (increased offshore activity, more stringent regulations supporting high quality players), the strategic priorities for this division are:

- Accelerated growth in its core markets and expansion in new geographies
- Improved performance discipline by optimising business processes and standardisation where possible
- Accelerated fleet expansion, investments in new technologies (equipment and software) and business processes
- Enhancing staff quality and numbers
- Improving client management
- Cross divisional collaboration

#### Subsea Services division: refocus on profitability

The rapid growth and changing competitive landscape over the last few years has resulted in decreasing profitability. The strategy of the division is centered

on restoring profitability ahead of further growth by:

- Restructuring (phasing out of selected underperforming activities) and a profit improvement program
- Further differentiation through quality of service and technology
- Cross-divisional collaboration

#### Geoscience division (Seabed Geosolutions) improved profitability and growth

- Increase competitiveness, overall market size and revenue by developing and implementing innovative technologies
- Improve commercial approach to optimise utilisation
- Offer complete suite of methods to cover all water depths
- Increase operational efficiency and drive down costs to grow market uptake
- Collaborate with and leverage parent companies' services and technologies



From left to right:  
A. Jonkman, S.J. Thomson  
P.A.H. Verhagen, P. van Riel  
M.R.F. Heine, W.S. Rainey

## BOARD OF MANAGEMENT

The Board of Management is responsible for the strategy, policies and results of Fugro. The approval of the Supervisory Board is required for important management board resolutions. Managing directors are appointed by the General Meeting. The General Meeting may at any time suspend and dismiss managing directors. A managing director is appointed for a maximum period of four years. The Chief Executive Officer has the ultimate responsibility for the management of the company and its performance.

## EXECUTIVE COMMITTEE

The Executive Committee comprises the members of the Board of Management and the Director Survey division. The Executive Committee is chaired by the CEO. Meetings of the Board of Management and of the Executive Committee are often held jointly.

For the purpose of this annual report, where the Executive Committee is mentioned, this also includes the Board of Management unless the context requires otherwise.

*name* **P. van Riel** (1956)  
*function* Chairman Board of Management and Chief Executive Officer  
*nationality* Dutch  
*employed by Fugro* since 2001  
appointed to Board of Management 2006,  
appointed Chairman of the Board of Management and Chief Executive Officer 16 November 2012  
*current term* until AGM 2014

*name* **S.J. Thomson** (1958)  
*function* Director Subsea Services/Geoscience division  
*nationality* Australian  
*employed by Fugro* since 2000  
appointed to Board of Management 2013  
*current term* until AGM 2017

*name* **A. Jonkman** (1954)  
*function* Chief Financial Officer  
*nationality* Dutch  
*employed by Fugro* since 1988  
appointed to Board of Management 2004  
*current term* until AGM on 6 May 2014  
*other functions* member Supervisory Board Dietsmann N.V.  
member Supervisory Board Grontmij N.V.  
Chairman of the Board, Non-Executive Board  
Member Zytec B.V.

*name* **P.A.H. Verhagen** (1966)  
*function* Member Board of Management;  
Chief Financial Officer as per AGM on 6 May 2014  
*nationality* Dutch  
*employed by Fugro* since 2014  
appointed to Board of Management November 2013  
*current term* until AGM 2018

*name* **W.S. Rainey** (1954)  
*function* Director Geotechnical division  
*nationality* American  
*employed by Fugro* since 1981  
appointed to Board of Management 2011  
*current term* until AGM 2015

*name* **M.R.F. Heine** (1973)  
*function* Director Survey division  
*nationality* Dutch  
*employed by Fugro* since 2000  
appointed to Executive Committee 2012

*Company Secretary* **W.G.M. Mulders** (1955)

# REPORT OF THE BOARD OF MANAGEMENT

## SUMMARY

In 2013 Fugro realised reasonable performance in the Geotechnical and Survey divisions, and modest but improving performance in the Subsea Services division. The results were marred by the loss making start of Seabed Geosolutions and lower than expected multi-client sales.

In the beginning of the year, Fugro completed the divestment of the majority of Geoscience division to CGG. This transaction allowed Fugro to exit the capital intensive and volatile marine streamer seismic segment of the oil and gas exploration market where it did not have a leading market position. The total consideration was EUR 1.2 billion and the net transaction result on the divestment was EUR 205 million.

Also at the beginning of the year, Seabed Geosolutions was established, a joint venture with CGG to which both parties contributed their seabed geophysical activities and in which Fugro has obtained a 60% controlling stake by paying EUR 225 million via a set-off agreement to CGG.

Following the sale of the majority of the Geoscience division, Fugro undertook an in-depth strategic review of its activities and market positions. This has resulted in the updated strategy 'Growth through Leadership', targeting solid growth and improved margins and returns by building out the Company's market leadership positions. Fugro is targeting expansion of its activities in the strongly performing Geotechnical and Survey divisions, Fugro targets profitability improvement in the Subsea Services division, and both growth and profitability improvement in Seabed Geosolutions. The updated strategy has resulted in 2016 targets for growth, EBIT margin and return on capital employed. Fugro expects that total dividends and the investments, mainly in vessels to capture the growth opportunities in the market, can be financed from cash flow.

Revenue increased from EUR 2,165.0 million in 2012 to EUR 2,424.0 million. Revenue including multi-client sales, increased by 1.5% from EUR 2,400.0 million in 2012 to EUR 2,437.2 million in 2013. Growth in the Survey division and the revenue contribution from Seabed Geosolutions were partly offset by lower multi-client sales and a negative foreign currency effect of 4.6%.

Result from operating activities (EBIT) was 12.9% lower at EUR 267.0 million (2012: EUR 306.6 million), driven

by the large start-up loss of Seabed Geosolutions and a lower contribution from multi-client sales.

Net result from continuing operations in 2013 was 3.2% lower at EUR 224.2 million (2012: EUR 231.5 million). Including the net transaction result of EUR 205.1 million on the divestment of the majority of the Geoscience division, the net result including discontinued operations was EUR 428.3 million in 2013 (2012: EUR 289.7 million).

Earnings per share on a continued basis was 2.77 (2012: 2.89) Earnings per share (including discontinued operations) was EUR 5.29 (2012: EUR 3.61).

The proposed dividend for 2013 is EUR 1.50 per share. Starting with the 2013 dividend (to be paid in 2014), dilution resulting from the optional dividend (cash or shares) will be offset through a share buy-back and cancellation of the number of shares issued as stock dividend.

Fugro's financial position is solid with a net debt to EBITDA ratio of 1.53, well below the company target of less than 2.

The backlog at the beginning of 2014 is EUR 1,800.8 million, which is 19% higher than a year ago, and includes a negative currency effect of 6.9%. Specifically Seabed Geosolutions, but also the Geotechnical and Subsea Services divisions, contribute to the increase. Excluding Seabed Geosolutions, the growth of the backlog at constant exchange rates is 9%.

Health, safety, security and environment (HSSE) plays an important role for Fugro. Unfortunately the company in 2013 suffered one work related fatality in a car accident. The company continued to improve its performance as measured against key industry safety indicators.

## MARKET DEVELOPMENTS 2013

The global economy showed a mixed picture during 2013. The US economy continued to strengthen, but the economies of developing countries experienced a reduction of growth, albeit still in excess of growth in the US and Euro zones.

Global oil demand showed the first growth in two years and the oil price remained stable around USD 110 per barrel (Brent) during the year. Growing demand combined with continued depletion of existing





*The newly built Fugro Brasilis, the fourth of Fugro's series of purpose built offshore survey vessels, will be initially utilised on projects in South America.*

production of oil fields continues to drive growth of exploration and production expenditure, although at a lower rate than in the previous years.

Towards the end of the year a number of clients have indicated that investment discipline rather than expansion are key to them.

Oil and gas will remain important for decades and with 'easy oil' production under pressure, the trends towards exploration and production in deep water and frontier areas continued. The impact on the energy markets of shale oil and gas is currently mostly limited to the Americas but the increasing energy independence of the US will likely have an effect on world energy markets. Although use of energy from sustainable sources such as offshore wind farms is growing rapidly, it still only makes a small contribution globally. The effects of the general slow growth of the world economy were limited for Fugro thanks to the company's position in the oil and gas market, the strategy to focus on providing a broad range of services across the value chain of our customers, and our client-, regional-, and market diversity, all differentiators for Fugro. Continued energy demand has resulted in ongoing demand for Fugro's services. The increasing drive of our clients towards deeper water and frontier areas played on Fugro's strength, as does the trend to contract larger, multi discipline projects.

Global developments have resulted in an increasing demand for Fugro's services in various activities, but fell short of expectations in certain specific market segments. This applied specifically to the ocean bottom cable (OBC) activities and sales from the seismic multi-client library. In subsea services, demand showed improvement in aggregate, but still showed weakness in certain areas for specific activities such as remote operating vehicles (ROV) services in the Far East.

The infrastructure and mining sectors in which Fugro operates showed regional variations. Activities that largely depend on government funding, such as infrastructure, aerial mapping and construction, generally continued to be under pressure in the Western

economies. In other areas, like Hong Kong, they continued to be strong, and good opportunities arose in emerging areas like Kazakhstan and East Africa.

## **DIVESTMENT MAJORITY GEOSCIENCE DIVISION**

On 31 January 2013 Fugro completed the sale of the majority of the Geoscience division, excluding the marine streamer seismic multi-client library and ocean bottom nodes (OBN) business, to CGG for EUR 1.2 billion. This was the result of Fugro's review of all options regarding its marine streamer seismic data acquisition business and associated activities that it announced in May 2012. This divestment allowed Fugro to exit the capital intensive and volatile marine streamer seismic segment of the oil and gas exploration market where it did not have a leading market position.

As part of the transaction, Fugro agreed to grant CGG a vendor loan of EUR 225 million, which was drawn in two tranches: the first tranche of EUR 125 million on closing of the main transaction on 31 January 2013 and the second tranche of EUR 100 million in September 2013 at the effective closing of the airborne business, which was completed at a later date as certain administrative steps needed to be concluded as well as government approvals needed to be obtained to transfer some parts of the equipment. A total amount of some EUR 793 million was received from CGG which includes the repayment of the first tranche of the vendor loan in August 2013 of EUR 112.5 million. At year-end the balance of the vendor loan was EUR 112.5 million.

The proceeds of the transaction were used mostly to pay down debt.

The transaction involved the transfer of 2,430 well qualified Fugro employees to CGG.

As a consequence of the divestment, the sales are reported as discontinued operations until the date of closing. The net transaction result on the sale of these activities amounted to EUR 205.1 million in 2013.

## ESTABLISHMENT SEABED GEOSOLUTIONS JOINT VENTURE

On 16 February 2013, Fugro and CGG established the Seabed Geosolutions joint venture, the global leader in seabed geophysics. This joint venture includes Fugro's and CGG's OBN businesses and CGG's transition zone, ocean bottom cable (OBC) and permanent reservoir monitoring (PRM) activities. In addition to the contribution of relevant activities from both parents, Fugro has paid via a set-off agreement EUR 225 million to CGG with respect to the Seabed Geosolutions joint venture to obtain a 60% controlling stake. By combining the strengths of both companies, the Seabed Geosolutions joint venture has an immediate market leading position in seabed geophysical activities and can benefit from synergies with its parent companies.

The formation of the Seabed Geosolutions joint venture increased Fugro's exposure to the development and extended production phases in the life cycle of oil and gas fields, where spending by clients is less volatile.

The joint venture suffered in its first year of operation from low utilisation of the OBC activities and start-up issues as a newly established company. The market in which it operates is characterised by large size projects which tend to take a longer time to get awarded and started up compared to Fugro's other activities.

## ACQUISITIONS 2013

In 2013 Fugro completed four acquisitions:

### Acquisition within the Geotechnical division

Advanced Geomechanics Pty Ltd, Australia, is a consulting company providing highly specialised geotechnical and geophysical engineering and consulting services to the international offshore oil and gas sector.

### Acquisition within the Subsea Services division

DCN Global LLC, Abu Dhabi, is specialised in the provision of subsea engineering and diving services to the offshore civil and oil & gas industry, primarily in the Middle East.

### Acquisitions within the Geoscience division

- Seabed Geosolutions has acquired from CGG its OBN, transition zone, OBC and PRM activities against a 40% interest in Seabed Geosolutions B.V. and EUR 225 million by a set-off agreement.
- In April 2013, the Company acquired shares of FAZ Research Ltd. to reach a 90% interest. FAZTech Research Ltd targets rapid development in the area of optical and photonic technology for sensing and measurement solutions.

Reasons for acquisitions include obtaining new or complementary technology and increasing market share. The annual revenue of the companies acquired in 2013 amounts to EUR 67.7 million. The total consideration of these four acquisitions completed in 2013 was EUR 322.4 million.

For more detailed information on the acquisitions, reference is made to the Financial statements pages 139.

## MULTI-CLIENT ACCOUNTING POLICY

Fugro decided to change the accounting policy for multi-client data libraries to facilitate comparison with the other companies that have a multi-client business. The book value of the multi-client library is per this report presented as an intangible asset rather than as inventory. This presentation change in the balance sheet has no impact on the results.

## JOINT VENTURES

To an increasing extent, Fugro operates in certain parts of the world through partnerships and joint ventures. Fugro sees a trend whereby working in partnerships and joint ventures will become more and more important as the necessity to provide local content increases. At year-end 2013 Fugro had a share in 41 entities of which 7 are consolidated as Fugro has a controlling interest, and 34 are not consolidated, and are presented on the share of profit/ loss of equity accounted investees in the profit and loss statement. In order to give more clarity about joint ventures the following information is provided.

### Joint ventures and partnerships where Fugro has a controlling interest

The consolidated joint ventures and partnerships are included in the financial statements for 100% and the part which belongs to the partner and/or other shareholder(s) is shown as 'non-controlling interest'.

The net loss in 2013 is mainly due to the loss in Seabed Geosolutions.

2013 (x EUR million)	Included in financial statements	
	100% basis	
Revenue	191.0	191.0
Net loss	(29.6)	(29.6)
<ul style="list-style-type: none"> <li>■ Net loss attributable to owners of the company</li> <li>■ Net loss attributable to non-controlling interest</li> </ul>	<ul style="list-style-type: none"> <li>-</li> <li>-</li> </ul>	<ul style="list-style-type: none"> <li>(19.2)</li> <li>(10.4)</li> </ul>



*Preparing ocean bottom nodes for deployment.*

**Joint ventures and partnerships where Fugro does not have a controlling interest**

These joint ventures and partnerships are included in the financial statements on the line ‘Share of profit/(loss) of equity accounted investees’ and in the consolidated statement of financial positions on the line ‘Investments in equity-accounted investees’.

2013 (x EUR million)	100% basis	Included in financial statements
Revenue	44.9	–
Share of profit/(loss) of equity accounted investees	6.5	4.9

## FINANCIAL

### General remarks regarding the presentation of results

As a result of the divestment of the majority of the Geoscience business to CGG, which was closed with the effective date of 31 January 2013, these activities are reported as discontinued operations in 2012 and 2013.

The multi-client library was retained by Fugro but the related revenue (EUR 13 million in January 2013, EUR 235 million in 2012 and EUR 156 million in 2011) was reported as discontinued operations up to and including 31 January 2013. As from 1 February 2013, the multi-client revenue (EUR 116 million from 1 February 2013 to 31 December 2013) is included in continued operations. However, the EBIT, net result and cash flow generated by multi-client business form part of continued operations in 2012 and 2013.

For comparison reasons the line 'revenue including multi-client' has been included in the table below (which includes the multi-client revenue for the full period). Without explicit remarks, all information in the following discussion of the financial results relate to continued business.

Key figures	2013	Change %	2012	2011
<b>Income statement (x EUR million)</b>				
Revenue	2,424.0		2,165.0	1,858.0
Revenue (including multi-client)	2,437.2	1.5	2,400.0	2,014.0
Result from operating activities before depreciation and amortisation (EBITDA)	457.4	(1.7)	465.4	481.9
Result from operating activities (EBIT)	267.0	(12.9)	306.6	352.0
Net operating profit after tax (NOPAT)	219.4	(11.8)	248.7	270.1
Net finance income/(costs)	(7.0)		(15.1)	8.5
Share of profit/(loss) equity-accounted investees	4.9		(1.1)	4.6
Income tax expense	(51.1)		(49.1)	(63.5)
Net result	224.2	(3.2)	231.5	293.9
Net result (including discontinued operations)	428.3	47.8	289.7	287.6
EBIT margin (%)	11.0		14.2	18.9
Net profit margin (%)	9.3		10.7	15.8
Earnings per share from continuing operations	2.77	(4.2)	2.89	3.71
Earnings per share (including discontinued operations)	5.29	46.5	3.61	3.63
Dividend for the year under review	1.50		1.50	1.50
Extra dividend for the year under review related to sale of majority Geoscience division			0.50	
<b>Balance sheet (x EUR million)</b>				
Total investments of which	318.8	21.8	261.7	359.2
■ Capex (cash out)	253.4		258.3	241.6
■ Assets of acquisitions	65.4		3.4	117.5
Intangible assets	1,137.2		1,014.2	1,116.2
Working capital	413.4	56.3	264.5	206.4
Capital employed	2,688.6	18.4	2,270.4	2,153.6
Cash flow (x EUR million)	404.3	1.0	400.1	431.5
Return on capital employed (%)	8.2		11.0	12.5
Net debt/EBITDA	1.53		2.96	2.78

## Key figures as basis for 2016 targets

In 2013, Fugro has undertaken an in-depth strategic review of its activities and market positions. This resulted in a strategy update in which clear financial targets have been defined. The table below reports on progress against the financial parameters being used to measure success of the strategy. The numbers exclude the marine streamer multi-client business as this activity is non-strategic going forward. The updated strategy and the 2016 targets are discussed on page 13.

Key figures excluding multi-client			
(x EUR million)	2013	Change	2012
Revenue	2,307.2	7	2,165.0
EBIT margin (%)	10.5		11.7
Return on capital employed (%)	9.0		11.1

## HIGHLIGHTS INCOME STATEMENT

### Revenue

In 2013 revenue was EUR 2,424,0 million compared to EUR 2,165,0 million in 2012. This increase was mainly related to the fact that multi-client revenue was included only per February 2013, as it was reported as discontinued before that date. Revenue including multi-client increased by 1.5% from EUR 2,400.0 million in 2012 to EUR 2,437.2 million in 2013. Organically, revenue increased by 2.9%, the effect of acquisitions was 3.2% and the negative foreign currency effect was 4.6%. Revenue growth, even when taking into account the negative foreign currency effect, was lower than anticipated. Corrected for the foreign currency effect, the Survey division contributed well with a growth of 13%, the Geotechnical division revenue increased by

1% and the Subsea Services division revenue increased by 9%. The lower than normal growth in the Geotechnical division is partly due to revenue of around EUR 30 million being recorded in the Subsea Services division that has supplied vessels and other resources to the Geotechnical division. The revenue of the Geoscience division declined by 6% corrected for the negative foreign currency effect. The ocean bottom cable (OBC) activities of Seabed Geosolutions suffered from low utilisation as clients took longer than expected to award contracts. The

Geographical distribution of revenue <sup>1)</sup>			
(x EUR million)	2013	2012	2011
Europe	1,141	1,019	813
Africa	51	41	30
Middle East and India	191	186	125
Asia Pacific	511	426	411
North and South America	530	493	479
<b>Total</b>	<b>2,424</b>	<b>2,165</b>	<b>1,858</b>

<sup>1</sup> The new geographical regions as per the strategic review is used.

multi-client sales were lower than in 2012 and lower than expected for 2013. In 2013 Fugro generated EUR 129 million multi-client sales and in 2012 EUR 235 million. The drop in sales was partly due to receiving less underwriting income as investment in new projects was wound down over the year, and partly due to lower sales than expected.

Revenue growth					
(in %)	Organic	Acquisitions	Disposals	Exchange rate	Total
2013 <sup>1</sup>	2.9	3.2	–	(4.6)	1.5
2012	5.3	4.9	–	6.3	16.5
2011	7.6	8.8	(0.2)	(3.2)	13.0
2010	6.0	0.4	–	4.7	11.1
2009	(5.6)	1.1	–	(0.2)	(4.7)
2008	23.4	4.0	–	(7.9)	19.5
2007	22.9	6.4	(0.1)	(3.5)	25.7
2006	18.9	6.8	(0.3)	(1.8)	23.6
2005	12.0	1.4	(1.1)	2.8	15.1
2004	9.7	16.2	(0.6)	(2.7)	22.6
Average (2004-2013)	10.3	5.3	(0.2)	(1.0)	14.4

<sup>1</sup> Including multi-client.



Revenue per division, including multi-client sales				
(x EUR million)	2013	Change %	2012	2011
Geotechnical	702	(3)	723	670
Survey	900	8	835	751
Subsea Services	574	4	554	440
Geoscience; of which Seabed Geosolutions	261	(9)	288	153
	120		-	-
<b>Total</b>	<b>2,437</b>	<b>1.5</b>	<b>2,400</b>	<b>2,014</b>

### EBITDA

EBITDA decreased by 1.7% from EUR 465.4 million to EUR 457.4 million.

### Cost development

Third party costs amounted to EUR 1,003 million in 2013 (2012: EUR 793.3 million). This is an increase of 26.4%, which was mainly due to additional vessel charters to handle the increase in work load and acquisitions. Third party costs as a percentage of revenue were 41.4% (2012: 36.6%). It includes EUR 88 million amortisation expenses associated with the data library (2012: EUR 143 million).

As in past years, managing the workforce was a focus point in 2013. The size of the workforce is carefully evaluated and actively adapted to the demand in services when required. This meant that in some activities the number of employees was reduced and in growth areas more staff was hired. The average cost per employee in 2013 was EUR 59,409, an increase of 2.3% compared to 2012 (EUR 58,067). The increase is amongst others caused by high costs in areas like Brazil and Angola. Total personnel expenses in the year amounted to EUR 743.1 million (2012: EUR 694.5 million), an increase of 7%. Staff costs as a percentage of revenue were 30.7%, which is somewhat lower than in 2012 (32.0%).

Other expenses amounted to EUR 274.1 million in 2013 (2012: EUR 226.6 million), an increase of 21.0%. As a percentage of revenue these costs are 11.3% (2012: 10.5%). Other expenses include a variety of different costs, which cannot be allocated directly to projects, such as repair and maintenance, occupancy, insurances, etc.

### EBIT

The result from operating activities (EBIT) amounted to EUR 267.0 million (2012: EUR 306.6 million), a decline of 12.9%.

The EBIT in 2013 was strongly impacted by the large loss of Seabed Geosolutions (EUR 55 million based on 100% consolidated) and the start-up losses in the new trenching

business (EUR 10 million; part of the Subsea Services division). The one-off external cost for the strategic review and the advisory costs related to the whistleblower procedure were around EUR 10 million. The total of further, smaller one-off costs were on balance EUR 6.3 million. In 2013 there was also a gain on the sale of the technology licences of EUR 18.5 million.

EBIT per division			
(x EUR million)	2013	2012	2011
Geotechnical	98	90	92
Survey	166	185	191
Subsea Services	13	(24)	14
Geoscience; of which Seabed Geosolutions	(10)	56	5
	(55)	-	-
<b>Total</b>	<b>267</b>	<b>307</b>	<b>302</b>

The divisional performance is discussed starting on page 36.

Depreciation of tangible fixed assets increased from EUR 155.6 million in 2012 to EUR 179.0 million in 2013, an increase of 15.0%, which is the result of capacity expansion in the vessel fleet (including related operational equipment) and ROVs. The depreciation of tangible fixed assets was 7.4% of revenue (2012: 7.2%).

### Net finance costs

The net finance costs amounted to EUR 7.0 million in 2013 (2012: EUR 15.1 million).

The net interest charge includes an amount of EUR 6.4 million as a result of a higher effective interest rate on the vendor loan to CGG. The change in fair value of financial assets relates to the warrant on the vendor loan to CGG.

(x EUR million)	2013	2012
Change in fair value financial assets	(0.5)	(12.8)
Net interest charge	11.9	17.9
Foreign currency effects	(4.3)	10.1
Other	(0.1)	(0.1)
<b>Total cost</b>	<b>7.0</b>	<b>15.1</b>

The warrant did not exist on 31 December 2012 and is not materially different from the value reported as per 30 June 2013.

The interest cover (EBIT/net interest charge) is 22 (2012: 17). The foreign currency effect in 2013 was EUR 4.3 million positive (2012: EUR 10.1 million negative). In 2013, in general foreign currencies weakened against the Euro.

### **Taxes**

In 2013, income tax expense amounted to EUR 51.1 million (2012: EUR 49.1 million). The effective tax rate in 2013 amounted to 19.3% (2012: 16.9%). The change is mainly caused by a shift in revenue away from lower tax countries following the divestment of the majority of the Geoscience division. It is expected that the future tax charge will be around 20%, but this will depend on the locations where the projects are executed.

### **Net result**

The profit for the period (continued and discontinued) attributable to the owners of the company increased by 47.8% to EUR 428.3 million (2012: EUR 289.7 million). The net result of the continued business is EUR 224.2 million (2012: EUR 231.5 million), a decrease of 3.2%.

The profit from discontinued operations of EUR 204.1 million relates to the net transaction result on the sale of the majority of the Geoscience division (EUR 205.1 million) and the negative net result of the discontinued operations in January 2013 of EUR 1 million.

The basic earnings per share (continued and discontinued) amounted to EUR 5.29 (2012: EUR 3.61).

### **Dividend**

A dividend for 2013 of EUR 1.50 per share will be proposed to the Annual General Meeting. This equates to a pay-out ratio of 54% of the net result from continuing operations, in line with the dividend policy of a pay-out ratio of 35 to 55%. Based on the net result including discontinued operations, the pay-out ratio is 28%.

For the year 2012, the dividend was EUR 2.00, consisting of a regular dividend of EUR 1.50 increased by an one-off extra dividend of EUR 0.50 in connection with the divestment of the majority of the Geoscience division.

The dividend for 2013 of EUR 1.50 per share will be paid at the choice of the shareholder:

- in cash, or
- in shares

In case no choice is made, the dividend will be paid in shares.

Starting with the 2013 dividend (to be paid in 2014), dilution resulting from the optional dividend (the choice between cash or shares) will be offset. Fugro will buy back the number of shares issued as stock dividend and these shares will be cancelled after having obtained shareholder approval.

## **HIGHLIGHTS BALANCE SHEET**

### **Capital expenditure**

In 2013, the maintenance capex amounted to EUR 78.9 million (2012: EUR 73.2 million). Replacement investments in 2013 were limited to those which were unavoidable.

In 2013 the following changes took place in the vessel fleet:

- Geotechnical division: in the first half of the year the Fugro Voyager was delivered from the yard in India
- Survey division: a new built vessel, the Fugro Brasilis, commenced services in the fourth quarter of 2013. The fleet was further expanded through the new built vessel Fugro Helmert, which commenced operations in the third quarter of the year.

In 2013 major assets under construction of EUR 141.9 million value entered into service, were capitalised and depreciation started.

### **2014 – 2016**

Per 31 December 2013 the level of committed major investments for vessel replacement, fleet capacity expansion and other investments such as buildings and substantial equipment such as jack- ups and ROVs, stood at EUR 46.0 million in total. This includes commitments for four new build special purpose survey vessels, mostly for capacity expansion, and one purpose build geotechnical vessel, that will replace an ageing vessel but also increase capability, and one vessel for Subsea Service. Moreover, there is a component included for the ongoing ROV investments. In addition the company requires around EUR 100 million maintenance capex per year for its ongoing operations. The current commitments and the estimated maintenance capex are shown in the table on page 26.



Fugro trucks performing cone penetration test, Delft-Schiedam, The Netherlands.

As further discussed in Strategy implementation on page 13, additional investments will be made in 2014 and years following to support the further growth of the company.

#### Capital expenditure 2013 committed and required capex

	2013	2014 <sup>1</sup>	2015 <sup>1</sup>	2016 <sup>1</sup>
Maintenance capex	78.9	100	100	100
Capex major assets	41.1	65	25	25
Capex major assets under construction	133.4	40	25	–
<b>Total capex (cash out)</b>	<b>253.4</b>	<b>205</b>	<b>150</b>	<b>125</b>

<sup>1</sup> Estimate

Assets from acquisitions amount to EUR 65.4 million, leading to total investments of EUR 318.8 million in 2013.

Committed fleet renewal/expansion	Type of vessel	Expected start operations
Fugro Scout	Geotechnical	Q3 2014
Fugro Aquarius	Subsea	Q4 2014
Fugro Americas	Survey	Q2 2014
Fugro Proteus	Survey	Q3 2014
Fugro Pioneer	Survey	Q4 2014
Fugro Frontier	Survey	Q1 2015

The Fugro Australis (Survey division), which was planned for the second quarter of 2014, has been cancelled. The requirement for a vessel for the Australian market will be reviewed as part of the new vessel program.

#### Foreign currency

The foreign exchange effect was EUR 163.9 million negative on the equity per 31 December 2013 (2012: EUR 10.8 million positive). This effect arises from the translation of the foreign operations denominated in local

currencies following the strengthened Euro. See also page 74 of the report under risk management and page 180 and 181 of the financial statements under currency risk.

#### Goodwill

The book value of goodwill was EUR 725.4 million at year-end 2013. In 2013, the addition to goodwill amounted to EUR 241.6 million (2012: EUR 23.0 million). The addition is mainly a result of four acquisitions in 2013. There was a negative effect of EUR 36.4 million of foreign exchange rates in 2013 (2012: positive EUR 8.2 million) on the balance sheet for the goodwill. Goodwill is not amortised, but is tested at least once a year for impairment. As in 2012, this did not result in adjustments. Considering the start-up nature of Seabed

Development of goodwill <sup>1</sup>	Goodwill (x EUR million)	Book value as of 31 December
1988-1996	83.9	0
1997	18.1	0
1998	16.9	0
1999	35.3	0
2000	37.4	0
2001	242.8	237.9
2002	3.2	190.9
2003	68.2	253.1
2004	22.9	274.4
2005	8.3	289.2
2006	59.4	347.3
2007	47.3	381.6
2008	76.0	418.5
2009	20.0	459.7
2010	44.1	526.6
2011	171.6	705.6
2012	(185.4) <sup>2</sup>	520.2
2013	241.6	725.4

<sup>1</sup> Up until 2000 goodwill was deducted directly from the shareholders' equity. In the period until 31 December 2002, goodwill was amortised over a 20 year period. The goodwill under IFRS has been recalculated as of 31 December 2002. The book value at year-end is valued against the prevailing exchange rates at that time.

<sup>2</sup> The movement in 2012 (EUR 185.4 negative) includes the transfer of EUR 227.1 million to assets held for sale in connection to the sale of the majority of the Geoscience division.

Geosolutions a significant change in the assumptions applied in the impairment testing is reasonably possible, which could result in an impairment.

### Multi-client data libraries

Fugro decided to change the accounting policy for multi-client data libraries to intangible asset accounting to further align with the industry practice using the provisions in IAS 8.14 and IAS 8.29.

The seismic data libraries were not part of the sale of the majority of the Geoscience activities to CGG. Fugro has retained ownership of the existing libraries. The net book value of the marine streamer multi-client seismic libraries at the end of 2013 amounted to EUR 366.4 million (31 December 2012: EUR 458.5 million); of this decline EUR 52 million was caused by currency effects.

Some 90% of the net book value of the libraries is related to recently acquired 3D data. The geographical split of the net book value is as follows:

- Norway 30%
- Australia 48%
- Rest of the world 22%

Virtually no data acquired during or before 2009 is valued on the balance sheet. The value of the library has been analysed in detail and this review has confirmed that the book value as per 31 December 2013 is supported by the current state of the offshore oil and gas exploration market. Management estimates for net sales proceeds of the relevant libraries have been used, taking into account past experience and an assessment of future prospects for the areas involved. Management reviews the book value twice a year.

In order to determine the net book value Fugro uses the following models:

2D:

- Three years straight line reduction (to zero) in carrying value.
- In addition 75% of each sale is considered as additional amortisation.

3D:

- A fixed percentage of each sale as sales amortisation. This % is set based on the combination of cost and sales outlook.
- In case of low sales, there will be a forced amortisation of up to 20% per year of the data set cost. This means that the net book value of the data set will be reduced to zero five years at the latest after the start of amortisation.

The sales amortisation of the 3D data sets is between 75 and 90% of each sale.

If there is an impairment trigger Fugro will impair data sets faster than per the above mentioned model.

There were no impairments in 2013. During this assessment management has recognised that the 3D marine streamers seismic data library in Australia continues to require careful monitoring as 2013 sales were low and impairment testing has shown there is no headroom. In case of insufficient sales in Australia this could lead to impairment to reduce the book value to the lower recoverable value. In case this happens, it means that future amortisation is pulled forward.

In 2013 Fugro generated EUR 129 million in sales from the seismic libraries (2012: EUR 235 million). The drop in revenue is partly due to underwriting revenue falling away in 2013 as investments in new projects are wound down. The amortisation on the library in 2013 amounted to EUR 88 million (2012: EUR 143 million). Norway performed very strongly this year on the back of new licensing rounds and high exploration interest. The revenue breakdown is as follows:

Multi-client sales		
(x EUR million)	2013	2012
Norway	88.0	156.7
Australia	19.7	35.5
Rest of the world	21.7	43.0
<b>Total</b>	<b>129.4</b>	<b>235.2</b>

Data confidentiality in Australia extends over 15 years and even longer in the USA. In Norway it is 10 years. The period of data confidentiality is the length of time over which the data can be sold.

Fugro retains full ownership of the libraries. CGG has taken over all of the sales force for this activity and markets the Fugro 3D library on behalf of Fugro against a broker fee. A similar arrangement for the majority of the 2D library has been made with TGS. In addition, Fugro has the right to sell the library in parts or as a whole to interested parties.

Except for completing certain data processing projects related to the last acquisition projects completed in 2013, Fugro's investment in the marine streamer seismic multi-client libraries as from the divestment of the majority of the Geoscience division on 31 January 2013 onwards will be limited for example to reprocessing and special processing to update and enhance the sales potential of the data sets in the library. In particular in the next couple of years Fugro expects to benefit from a strong cash inflow from sales of its data sets. Sales thereafter are expected to continue over the full life time of the various data sets, but in aggregate are expected to taper off in the next four to five years.

## Working capital

Working capital amounted to EUR 413.4 million at the end of 2013 (2012: EUR 264.5 million) and can be analysed as follows:

(x EUR million)	31 December 2013 <sup>1)</sup>	31 December 2012 <sup>2)</sup>
Inventories	27.6	21.3
Trade and other receivables	867.5	837.6
Trade and other payables	(483.7)	(389.6)
Net cash and cash equivalents	72.1	(129.9)
Other	(70.1)	(74.9)
<b>Total</b>	<b>413.4</b>	<b>264.5</b>

1) Excluding assets and liabilities classified as held for sale.

2) 2012 adjusted for accounting change multi-client data libraries.

## Capital employed

Capital employed increased from EUR 2,270 million in 2012 to EUR 2,689 million in 2013. This change is caused amongst others by the Seabed Geosolutions joint venture (EUR 280.7 million) and the vendor loan to CGG (EUR 112.5 million).

## Financial position

Fugro's financial position remains healthy with net debt over EBITDA of around 1.53, comfortably below the threshold set by the company of less than 2.

Solvency at the end of 2013 was 55.8% (ultimo 2012: 46.9%). According to the loan covenants, the solvency ratio objective is to be at least 33 1/3%.

At the end of 2013 the gearing amounted to 31% (2012: 66%).

## Return on capital employed

Return on capital employed was 8.2% in 2013 compared to 11.0% in 2012. The decline relates mainly to the negative EBIT contribution from Seabed Geosolutions and the increase in capital employed as described above.

## Financing

In the second half of 2011, Fugro reached agreement with 27 US and UK based investors with respect to so called US Private Placement loans (USPP) with a value expressed in EUR 717 million. The original currencies are US dollar 826 million, EUR 35 million and British pound 67.5 million. The loans have a maturity of 7, 10 and 12 years and have an average coupon of some 4.5%.

Fugro also reached agreement in 2011 with a number of individual banks for committed facilities up to a total value of EUR 775 million for 5 years. These facilities were made available by eight internationally operating banks.

The interest is based on a grid and is Euribor plus 130 BPS. The loans and facilities include, amongst others, the following covenants:

- EBITDA / interest > 2.5
- Debt / EBITDA < 3.0
- Solvency > 33 1/3 %

In 2013 Fugro granted a vendor loan to CGG, to be drawn in two tranches, for a total amount of EUR 225 million. CGG repaid an amount of EUR 112.5 million in August 2013, leaving a balance of EUR 112.5 million at year-end.

In 2013, a total amount of some EUR 793 million was received from CGG which includes the repayment of the vendor loan of EUR 112.5 million. The proceeds were used to repay outstanding bank facilities. No amounts are currently drawn under these facilities. This headroom provides Fugro with ample funds to finance future expansion.

## CASH FLOW

In 2013, the cash flow increased by 1% from EUR 400.1 million to EUR 404.3 million. Cash flow is here defined as the profit for the period plus depreciation and amortisation. The expected future cash flow will enable the company to stay within the current financing covenants and to finance the committed investments and pay out dividend. The cash flow per share equates to EUR 5.00 (2012: EUR 4.99), an increase of 0.2%.

The cash flow relating to sale of the majority of the Geoscience division to CGG is EUR 793 million, consisting of an initial receipt of EUR 703 million, minus settlement of one-off items including working capital of EUR 31 million, and receipt of EUR 112.5 million as repayment of the first tranche of the vendor loan. An amount of EUR 225 million has not been paid to CGG, but used in a set off with respect to the acquisition of CGG related business in the Seabed Geosolutions joint venture.

## EXCHANGE RATES

In 2013, the average US dollar exchange rate decreased to EUR 0.75 (2012: EUR 0.78) the average exchange rate of the British pound decreased to EUR 1.18 (2012: EUR 1.23) and the average exchange rate of the Australian dollar was EUR 0.72. As a result of fluctuations during the year, the net foreign exchange effect in the profit and loss account in 2013 was EUR 4.3 million positive (2012: EUR 10.1 million negative). Exchange differences were caused by the variance in exchange rates between the entry date of trade receivables and the moment of receipt, the revaluation of balance sheet positions and the realised exchange differences on foreign currency transactions.

Exchange rates						
(in EUR)	2013 Year-end	2013 Average	2012 Year-end	2012 Average	2011 Year-end	2011 Average
US dollar	0.73	0.75	0.76	0.78	0.77	0.71
British pound	1.20	1.18	1.23	1.23	1.20	1.15
Australian dollar	0.65	0.72	0.79	0.81	0.79	0.75
Norwegian kroner	0.120	0.127	0.136	0.134	0.129	0.129

## EMPLOYEES

At the end of 2013 the number of employees was 12,591 (2012: 12,165 excluding the geoscience staff of 2,430 people that transferred to CGG in January 2013). In a number of business units reductions in staff were implemented during the year. The net effect of these reductions and new hires in business units where market conditions were favourable, was an addition of 426 employees. This includes an increase of 282 staff through acquisitions. The average number of employees for the financial year was 12,509 (2012: 11,961), an increase of 4.6%. Fugro also works with a large group of experienced and long serving freelance workers who are deployed on a project basis. The use of freelance workers provides Fugro with the flexibility to respond to variations in manpower requirements. Fugro mainly employs local employees and deploys a small number of expatriates.

Despite the global shortage of specialists, Fugro has been successful when it comes to recruiting experienced and professional employees. Increasingly, this is coordinated on a global basis. Fugro's recruitment success is helped by the global spread of its activities and the opportunities that Fugro can offer to innovative and entrepreneurial staff.

Fugro continues to invest in training and education in order to guarantee a high standard of services. Once again, as in prior years, recruiting young talent was deemed critical in 2013. New employees are given technical training and build expertise through on-the-job training and by working together with experienced employees in small teams on projects. Fugro also actively invests in ensuring a healthy and safe work environment.

Personnel data			
	2013	2012	2011
Average number of employees during the year	12,509	11,961	11,385
Revenue per employee (x EUR 1,000)	193.8	181.0	163.2
Net revenue own services per employee (x EUR 1,000)	113.6	114.7	109.0
Geographical distribution at year-end			
Europe	4,528	4,364	3,872
Africa	484	410	383
Middle East and India	2,187	1,780	1,748
Asia Pacific	2,336	2,449	2,218
Americas	3,056	3,162	3,274
<b>Total</b>	<b>12,591</b>	<b>12,165</b>	<b>11,495</b>



## STRATEGY IMPLEMENTATION

### Performance compared to 2016 targets

The table below presents Fugro's results in 2013 against the 2016 targets. The table at this point is presented for information purposes only as the implementation of the updated strategy has only begun in the course of the second half of 2013. The 2014 results will provide the first opportunity to meaningfully discuss the results in light of the implementation of the updated strategy.

These targets, and the comparable 2012 and 2013 numbers mentioned in the table, exclude the multi-client business as this activity is non-strategic going forward.

communications, with a drive to centralise these functions so that the company can better leverage scale, improve consistency and meet requirements in regards to governance and control.

A number of improvements have been made in the financial organisation, aimed at supporting the new regional business organisation. Options to improve the consolidation system were thoroughly reviewed, leading to the choice of the latest version of the Hyperion Financial Management system. The implementation is designed to also support regional data access and consolidation. Implementation is well underway and is planned for completion by the end of 2014. Within the finance organisation, it has been decided to establish a

Key figures 2016 targets (excluding multi-client)				
(x EUR million)	Targets 2016	2013	Change %	2012
Revenue	Average annual growth > 10%, resulting in 2016 revenue of 3,300 – 3,700	2,307.2	7	2,165.0
EBIT margin	Around 15%	10.5%		11.7%
Return on Capital Employed	Around 14%	9.0%		11.1%
Net operating profit after tax (NOPAT)		202.4	(2)	207.4
Capital employed		2,248.2	20	1,873.6

### Regional organisation

Starting in 2012, first steps were taken to move to a regional organisation. The main goal was to build a stronger regional support base, improve collaboration and achieve additional growth by being able to take on larger multi-discipline projects. A key conclusion from the strategy review was that the steps taken since the beginning of 2012 to support regional collaboration had not yet achieved their goal, and that the regional organisation needed to be strengthened. This includes giving full profit and loss responsibility to the regional management teams within the divisions, building a cross-divisional marketing and sales team in each region to handle large opportunities and to coordinate relations with large clients, and the appointment of regional senior project directors to support tendering and execution of large projects. At this point several of the main elements of the new regional organisation have been put in place, and we expect to have implementation largely completed still in 2014.

### Central organisation

Another cornerstone of the strategy is to evolve the support functions such as finance, human resource, information technology, investor relations and

fully independent internal audit function and to enhance the corporate treasury function. A new group controller as of 1 February 2014 has been appointed, while the recruitment of the head of internal audit is underway. Further strengthening of the finance team and additional improvements will continue in 2014. At the Annual General Meeting in May 2014 Paul Verhagen will take over the CFO position from André Jonkman, Fugro's current CFO.

During 2013 other corporate functions have been set up or strengthened. The company has set up investor relations, communications and strategy functions and recruited or appointed staff members to lead these functions. The QHSSE team was already in place, and has been strengthened to support the development and implementation of standards and to audit field performance. A key upgrade to the global HSSE reporting system has been rolled out, as well as a security information portal. In human resources (HR) a single cloud based solution has been selected for Fugro worldwide. Roll out started during the year and will be available to the majority of staff by year end 2014.

The system will serve as the backbone to implementing consistent HR practices through the company, and will support management development and talent management. The Fugro Academy, which is critical to serving Fugro's large training needs for new and existing staff, falls under the remit of HR, and continues to be expanded. This year Fugro Academy built up and opened a new offshore training facility in the UK. Progress on the implementation of various other important elements of the strategy update are discussed in the acquisition and joint venture sections on page 20 and in the divisional sections starting page 36.

## Investments

In the strategic review, considerable attention was placed on the investments required to achieve the growth and return targets. It is expected that investment commitments of in total around EUR 425 million annually will be made during the coming years. This includes on average around EUR 75 million for acquisitions, EUR 25 million for research and development and EUR 100 million for maintenance capex. The remainder, of around EUR 225 million per year, is mostly for investments in vessels to replace old tonnage and for fleet expansion, including the associated equipment. Acquisitions and investments for expansion are flexible, allowing reduction in case of changing market circumstances.

The investment program already committed for in 2012 and 2013 will be merged into the investment program to implement the strategy. As further discussed on page 25, per 31 December 2013 commitments are in place for four additional vessels for the Survey division to replace aging vessels and expand capacity, and for one deep water capable geotechnical vessel to replace aging vessels and increase capacity by virtue of higher efficiency of the newer vessels.

## BACKLOG

At the beginning of 2014 the backlog of work to be carried out during 2014 amounted to EUR 1,800.8 million.

Backlog comprises revenue for work to be carried out in the coming twelve months and includes uncompleted parts of ongoing projects and contracts awarded but not yet started. The proportion of these definite orders is 66% (compared to 58% at the beginning of 2013) and the proportion of projects that have been identified and are highly likely to be awarded is 34% of the total (compared to 42% at the beginning of 2013). The backlog as reported is 18.9% higher than at the beginning of 2013; at constant exchange rates the increase is 25.8%.

The current backlog, relative to 2013 revenue, equals around nine months of revenue, which is relatively high. The most significant increase is in Geoscience, where Fugro had a single OBN crew operational at the start of 2013, whereas since 16 February 2013 (establishment of the joint venture) Seabed Geosolutions offers several crews for OBN, OBC and shallow water work.

Excluding Geoscience, the backlog growth at constant exchange rates is a solid 8.8%.

<b>Backlog at the start of the year (for next 12 months)</b>			
(x EUR million)	2014	2013	2012
<b>Geotechnical</b>			
Onshore	263	245	257
Offshore	233	204	219
	<b>496</b>	<b>449</b>	<b>476</b>
<b>Survey</b>			
Subsea	598	604	514
Geoscience (Seabed Geosolutions, 100%)	420	394	294
	<b>287</b>	<b>67</b>	<b>79</b>
<b>Total</b>	<b>1,801</b>	<b>1,514</b>	<b>1,363</b>

## POST BALANCE SHEET DATE EVENTS

On 3 March 2014, Fugro announced the completion of the acquisition of Roames Asset Services Pty Limited (Roames), based in Brisbane, Australia, from Ergon Energy Corporation Limited (Ergon). Roames specialises in high-resolution mapping services and solutions for the electricity distribution sector. It uses airborne sensors to generate accurate 3D models of electric power transmission networks and surrounding vegetation. In 2014, the Roames revenue is estimated to be around EUR 7 million.

As at 31 December 2013, Fugro has outstanding lease receivables with Geo Pacific AS. Geo Pacific AS has a back-to-back lease arrangement for the vessel Geo Pacific with Seabird Exploraton Plc ('SBX'). As at 31 December 2013, the current and non-current lease receivables amount to EUR 18.8 million (see notes 5.41 and 5.44). On 26 February 2014, SBX communicated in their 2013 results announcement that the company might be subject to significant adverse effects if the company would not be able to refinance its existing debt facilities. Should in future periods Geo Pacific AS and/or SBX not be able to pay the contractual lease terms, Fugro may need to impair its lease receivable.

## MARKET DEVELOPMENT AND OUTLOOK

### Development oil and gas market

Fugro generates around 75% of its revenues from clients in the oil and gas business. Hence continued investment by the upstream oil and gas industry in the exploration, development and production life cycle of oil and gas fields is critical to Fugro's continued success. Various industry investment outlook reports predict that oil companies' global investments, onshore and offshore, continue to grow albeit no longer at double digit figures seen in much of the last decade. Industry forecasts indicate increasing focus on the Middle East and renewed interest in the USA both onshore and offshore. Deepwater spending, to which Fugro has a broad exposure, is expected to continue its significant growth over the coming years (source: Douglas Westwood World Deepwater Market Forecast 2013-2017). At the same time several of the major oil companies have recently announced their intention to become more disciplined about their investments and returns by stabilising exploration spending, by delaying selected large projects and by asset sales, rather than across the board spending stabilisation or reduction. The deceleration in spending growth by the majors is expected to be partly compensated by increased spending growth by NOCs to fulfil domestic strategic agendas and smaller oil companies that are acquiring assets from the majors.

The combination of demand for oil and gas and natural depletion of reservoirs as they are produced drives the upstream oil and gas industry. Depletion means that every year less oil and gas is recovered from reservoirs under production.

Demand remains strong and recently the International Energy Agency (IEA) raised its global demand forecast as a result of the strongest growth in the US in a decade. Depletion is a more important long term investment driver. The average depletion rate for oil reservoirs is now estimated to be 6 to 7% per year, and it continues to increase. Current depletion rates imply that around 50% of oil production needs to be replaced every 10 years to cover depletion. As sources of easy oil and gas run out, cover for demand growth and depletion will for a significant part come from offshore fields that must be found, developed and produced. Increasingly this will be from deep water fields. This plays to Fugro's strengths in all its offshore services offered by the Survey, Geotechnical, Subsea Services divisions and Seabed Geosolutions.

A further point of reference for Fugro is the level of awards won by the large offshore marine construction contractors. Though the fourth quarter of 2013 showed some tapering off, the overall level of awards in 2013 has been at a record high. The company interprets the recent tapering to be a natural correction balancing the record high level of awards earlier in 2013 rather than a sign of a weakening market. Irrespective, the very high level of awards in 2013 is expected to translate to growth in subsea work in the coming two to three years, which should benefit Fugro.

For the upstream oil and gas segment the company remains confident about the growth scenario underpinning the strategy update, be it that some of the developments described above becoming more pronounced could lead to lowering of the growth rate over the short to medium term.

For the short term, the most important market indicator is the oil price. Clients are expected to reduce expenditure if the oil price drops from its current levels of around USD 110 per barrel (Brent) to below a level of USD 95 - 100 per barrel. Clients will generally first cut exploration spending. Following the divestment of the exploration related activities, Fugro has moved away from exploration to the later part of the field life cycle including the pre-development, development and production phases of the oil and gas field life cycle. Investments by oil and gas companies in this part of the field life cycle are less volatile than exploration.

While the majority of Fugro's oil and gas revenues comes from the upstream oil and gas industry, the downstream business segment is of increasing interest. In downstream Fugro is involved in construction projects for liquefied natural gas (LNG) plants, refineries and pipelines. Fugro has a small but increasing exposure to this market, where many new LNG facilities, refineries and pipelines are being developed. This will continue to benefit the onshore and nearshore geotechnical and survey activities of Fugro. Driving part of the growth in this market is that projects often tend to be large and multi-disciplinary in nature and can also incorporate offshore work. Fugro is uniquely capable in delivering on large, multi-discipline projects. In addition, many of these projects are in emerging economies, where few other geotechnical and survey companies offer local support.

## **Development sustainable energy, infrastructure and building, mining and public sector markets**

The remaining revenue of Fugro of about 25% is generated in the sustainable energy, infrastructure and building, mining, water management and other public sector markets. In renewable energy Fugro focuses on offshore wind farms, where it is the largest provider of services to optimally locate and provide advice for the foundation design of wind turbines. In addition Fugro provides power cable routing, specialist construction and installation support, and maintenance and repair services. The market for offshore wind farms is best developed in Europe following European Union targets for use of renewable energy. The renewable energy market in Europe is currently slowing down as subsidies are reduced under austerity programs, but in the next few years is expected to recover as economics of the technologies that are applied improve and to meet sustainable energy targets. In addition, offshore wind farm activity is building up elsewhere. For example in the USA, Fugro is strongly involved in the development of the first offshore wind farm.

Infrastructure and building and water management markets are strongly dependent on the performance of local and regional economies and levels of government spending. As a result we expect to see continued slow markets in Europe for some time, some improvement in the USA, continued buoyant markets in places like Hong Kong, and a positive development in selected emerging markets such as Central Asia, the Middle East and parts of Africa. Fugro is already well placed in many of these emerging markets or is building up positions, for example through the recent opening of an office in Mozambique and entry into a joint venture in Iraq. Fugro's local presence and capability to take on larger, more complex projects in which a range of survey and geotechnical services are bundled should serve it well in these upcoming markets.

The mining sector is a relatively small but growing market for Fugro, even in the current down cycle in this industry. Fugro supplies a range of survey and geotechnical services for the infrastructure associated with the mines, and offers exploration drilling services using geotechnical equipment.

### **Outlook**

The outlook for the markets in which Fugro operates in aggregate continues to support the Growth through Leadership strategy as formulated during 2013 and the related 2016 targets.

The backlog supports achieving further growth in 2014. Corrected for exchange rate effects, the backlog is 26% higher than a year ago. Though most of the backlog

growth is in Seabed Geosolutions, the backlog growth for the Survey, Geotechnical and Subsea divisions is a healthy 9%. Recent awards are further strengthening the backlog. Next to supporting growth, the backlog should support stable performance with potential for improvement. For multi-client we expect to see the normal profile for existing libraries develop, whereby the sales will taper off over time, in particular in the next four to five years.

As described above, the growth in oil and gas investments is decelerating. At this point in time it is too early to determine if this will significantly impact Fugro. Should there be a significant impact on growth, Fugro expects to reduce its investments in its growth, in particular in the expansion of the vessel fleet. This would negatively impact the targeted annual revenue growth rate of at least 10%.

Backlog is strong and supports achieving growth in 2014. There is no indication at this point of deterioration of the E&P market relevant to Fugro. For its full range of activities Fugro sees good opportunities in emerging markets. Management is comfortable that the market outlook supports the 'Growth through Leadership' strategy and related 2016 targets.

### **Board of Management declaration pursuant to section 5:25c of the Financial Markets Supervision Act in the Netherlands**

To the best of the Board of Management's knowledge the financial statements (pages 108 to 201) give a true and fair view of the assets, liabilities, financial position and profit or loss of Fugro N.V. and the companies included jointly in the consolidation, and the annual report gives a true and fair view of the situation on the balance sheet date and the business development during the financial year of Fugro N.V. and the Group companies for which the financial information is recognised in its financial statements. The principal risks and uncertainties with which Fugro N.V. is confronted, are described in this Annual Report.

Leidschendam, 6 March 2014

P. van Riel, Chairman Board of Management /  
Chief Executive Officer  
A. Jonkman, Chief Financial Officer  
W.S. Rainey, Director Geotechnical division  
S.J. Thomson, Director Subsea Services/  
Geoscience division  
P.A.H. Verhagen, Member Board of Management

## OVERVIEW IMPORTANT CONTRACTS

### AMERICAS

**Brazil** Under a contract awarded by Repsol Sinopec Brazil, Fugro was contracted to deliver geophysical, geotechnical and metocean services to support the development of Block BM-C-33. The multi-disciplinary project includes a marine survey campaign which involves Fugro's newest offshore survey vessel, Fugro Brasilis, along with the multi-purpose survey vessel, Geo Prospector, and an autonomous underwater vehicle (AUV).

**Brazil** Fugro was awarded a four year contract starting the first quarter of 2014 to provide a remotely operated vehicle (ROV) and survey and positioning services to Petrobras. The contract has an option for another four year extension. This contract strengthens Fugro's position as the leading supplier of ROV services in the Inspection, repair and maintenance (IRM) market in Brazil with eight tri-partite contracts for Petrobras.

**Brazil** Seabed Geosolutions executed an ocean bottom node (OBN) 4D survey, covering 232km<sup>2</sup> of the Chevron Frade field. This is the first deepwater autonomous node project conducted in Brazil.

**Canada** Fugro performed onshore and offshore geotechnical and geophysical site investigations in support of the design for the Pacific Northwest's liquefied natural gas (LNG) export facility on the West coast of Canada.

**Mexico** Fugro was awarded a contract by PEMEX for ultra deepwater geotechnical and pilot hole drilling and logging services for de-risking of drilling locations and field developments. This contract represents an example of the Fugro synergy employed on deepwater deephole drilling for well support.

**United States of America** The transportation department of the State of Pennsylvania awarded Fugro Roadware a multi-year contract for automated pavement data collection. The contract consists of collecting pavement data on nearly 27,000 miles of highways annually.

**United States of America** Fugro completed preliminary civil and construction land surveys of 350 miles of 20-inch pipeline located in North Texas, that is used for transporting natural gas liquids from the Denver-Julesburg shale basin to the Gulf Coast. Similarly, a 12-inch pipeline from Texas to Louisiana was surveyed; the ecological project scope included wetland delineations and endangered species surveys.

### EUROPE & CASPIAN

**Azerbaijan** Fugro was awarded a seabed survey of over 11,000km in Total's Absheron field. For this project, Fugro in Azerbaijan cooperates closely with Fugro in the United Kingdom to support AUV operations and for data interpretation.

**Azerbaijan & Kazakhstan** Fugro won onshore geotechnical site investigation work for refineries in Azerbaijan. TengizChevrOil awarded a four year call-off contract for site investigations and topographic surveys for their new refinery site in Kazakhstan.

**Norway** Fugro has been awarded a hydrographic charting contract with the Norwegian Hydrographic Service. This survey is part of the Mareano project covering approximately 41,000km<sup>2</sup> and is in addition to the earlier awarded 11,000km<sup>2</sup> in the Barents and in Norwegian Seas.

**United Kingdom** Early 2014, Fugro was awarded two contracts to perform cable burial and survey operations at two wind farm sites. The first contract is for CT Offshore at RWE Innogy's Gwynt y Môr Offshore Wind Farm located in Liverpool Bay. The second contract is a similar work-scope at a wind-farm located off the East coast of the United Kingdom.

**United Kingdom** Fugro undertook a major geotechnical site investigation project off the south coast for a multi-national power generation and supply company. The work consisted of shallow seabed and borehole sampling using a geotechnical vessel, along with laboratory testing, analysis and reporting, to support the design and installation of wind turbines.



## AFRICA

**Angola** Total (E&P) Angola extended its survey and positioning services agreement with Fugro for another three years to support drilling operations for the development in offshore Blocks 17 and 32. Similarly, Esso extended the three year frame agreement for Block 15.

**Ghana** Fugro undertook a major multi-discipline deepwater project for a multinational oil and gas company. The work consisted of integrated hydrographic, metocean, geophysical, geological, environmental and geotechnical data acquisition and consultancy, to support the design and installation of new offshore deepwater oil and gas floating production, storage and offloading (FPSO) production facilities.

**Madagascar** Fugro was contracted by South Atlantic Petroleum (SAPETRO) to acquire geophysical data to provide seep-mapping and interpretation of geology and shallow fluid migration systems. The main objective of this project was to scientifically identify and sample areas where there may be naturally occurring seeping or venting of hydrocarbon-rich fluids.

**Mozambique** Fugro is providing multi-discipline services to ENI to support detailed engineering and design for the development of the Mamba field. It includes multi-year metocean and geotechnical program, and the AUV survey completed by Fugro to date.

## MIDDLE EAST & INDIA

**Iraq** The joint venture for geotechnical and survey services secured several geotechnical contracts for international oil companies and engineering, procurement and construction firms.

**Qatar** Qatar is investing heavily in infrastructure, subways, road networks, stadiums, ports and airports. Fugro was awarded geotechnical work along three new metro lines, a new football stadium and a new port, all in connection with the FIFA World Cup in 2022.

**Middle East region** Fugro was awarded a number of major survey projects in the region. The projects make use of Fugro's 'state of the art' hydrographic survey technology, including bathymetric LiDAR (laser based) and multi-beam sonar, deployed from Fugro's survey aircraft and purpose built vessels. The work will continue well into 2015.

## ASIA PACIFIC

**Australia** Fugro was awarded a contract by Subsea 7 to provide survey services on the Chevron Gorgon. This project ranging water depths from 200m to 1,350m is one of the largest seabed metrology projects undertaken globally.

**China** Fugro carried out a deepwater gas hydrates investigation in the South China Sea for the Guangzhou office of the China Geological Survey.

**Hong Kong** Fugro conducted nearshore site investigation and geomonitoring work for infrastructure projects associated with the Hong Kong - Zhuhai - Macao Bridge, as well as other railway and airport-related developments in the territory.

**Indonesia** Fugro completed a detailed marine survey for the pipeline route from the Greater Sunrise Gas Field to onshore Timor Leste.

**Malaysia** Early 2014, Seabed Geosolutions secured a contract with Petronas for an ocean bottom cable (OBC) services for the Temana and D18 fields. The project will start at the end of the first quarter of 2014 and is expected to take approximately six months to complete.

**Malaysia** Fugro Subsea Services has been awarded a five year contract by Shell in Malaysia for the provision of IRM services for their subsea infrastructure. Fugro can meet the program objectives with its fleet which will support a strong utilisation of the existing fleet. The program is expected to start in the second quarter of 2014.

**Russia** Fugro was awarded a contract by OJSC Mezhrregiontruboprovodstroy to supply the Southern Ocean to perform installation and support activities at the remote Kirinskoye Gas Condensate Field, a part of the Sakhalin 3 Development.



## GEOTECHNICAL DIVISION

### Discussion of results

Revenue for the division was EUR 702 million (2012: EUR 723 million), a decline of 3%. Corrected for the negative exchange rate effect, revenue increased with 1%. The onshore activities generated revenues of EUR 421 million (2012: EUR 423 million) and the offshore business line contributed EUR 282 million (2012: EUR 300 million). Results from operating activities (EBIT) were EUR 98 million (2012: EUR 90 million) corresponding to an EBIT margin of 13.9% (2012: 12.4%). Apart from the negative exchange rate effect, the decline in the revenue compared to last year was due to revenue of around EUR 30 million being recorded in the Subsea Services division that has supplied the vessels and other resources, and not from a shortage of work. Owing to operational synergies, the EBIT margin increased significantly from the previous year while the return on capital employed decreased slightly due to a timing issue related to expenditures on the new build vessel at year-end and associated projects only starting in 2014.

### Course of business

The offshore geotechnical business continues to prosper from a growth in demand for both oil and gas globally and stable oil prices. An increase in energy requirements from developing countries like China and India coupled with the prospect of maturing onshore reservoirs, diminishing shallow water production and scarcer conventional prospects worldwide means that the remote deepwater fields are being developed more actively. Consequently, the deepwater market outlook is strong with development moving to the frontier fields of the trans-Atlantic area between the Gulf of Mexico, Brazil and West Africa, all where Fugro is active.

Natural gas discoveries in East Africa (Mozambique and Tanzania) have elevated this region as a new deepwater focus area and significant work has been completed to support these field developments.

The renewable market (wind farm) progressed in Europe to achieve renewable energy usage targets but demand is slowing compared to previous years. The geotechnical site investigations for wind turbine foundations and corridors for power cable installations continued, particularly in the North Sea. Renewable energy is however not self-sustaining financially and requires government subsidies to persevere in Europe. Consequently there is a great focus on cost reduction by clients which brings geoconsultancy opportunities for Fugro via integrated seabed topography, metocean, ground modeling and optimised site investigations.

For the onshore business, the advancement of horizontal drilling and fracturing has allowed access to unconventional shale gas which has led to an abundance of gas reserves and resultant LNG export projects on the Gulf Coast and Pacific Coast of the USA, and in British Columbia, Canada. Fugro is involved in all of the LNG plants and terminals presently underway in each of these areas. Natural gas prices are staying high in Asia as demand for liquefied natural gas as a replacement for coal and nuclear power is expected to outstrip supply in China, India, Korea and Japan for the foreseeable future.

This will provide new incentives for further development of deepwater gas fields and associated LNG facilities in East Africa and Asia, and expansion of existing plants under construction in Australia. As well, our outlook continues to improve in emerging markets such as Kazakhstan, Azerbaijan, Turkey, Cameroon, Iraq and Qatar with a significant increase in full services supporting energy related projects. Activities in Saudi Arabia continue to generate robust results as does infrastructure work for the government in Hong Kong. The onshore geotechnical workload was weak in Europe where infrastructure projects are generally dependent on government budgets. This specific type of activity is not expected to rebound in the short term due to widespread government debt and high energy costs, and Fugro is re-distributing technical staff and heavy equipment

#### Key figures Geotechnical

(amounts x EUR 1 million)

	2013	Change (%)	2012	2011
Revenue	702	(3)	723	670
Results from operating activities (EBIT)*	98	9	90	92
EBIT margin (%)*	13.9		12.4	13.7
Depreciation of tangible fixed assets	43	(7)	46	43
Capital employed	653	12	582	493

\* Includes pro-rata allocation of formerly unallocated other corporate expenses and finance income over the divisions as per 2011, based on revenue. The historical numbers have been adjusted for comparison purposes.



*Newly-built geotechnical vessel Fugro Voyager, Singapore.*

resources (drill rigs and CPT trucks) to fulfil the needs of emerging markets in the developing world.

As a leading overwater marine contractor, Fugro is also delivering nearshore geotechnical investigation and specialist foundation solutions to the energy and resources sectors, as well as meeting the requirements of civil engineering infrastructure projects such as bridges, ports and harbour developments.

For the mining sector, the division is providing geotechnical engineering services during the installation of foundation systems at new oil sands and potash mining operations in Canada as well as at new mine sites in South America and other projects in Africa and Asia.

The geoconsulting business continues to grow globally due to the nature of the larger remote and technically demanding projects. To increase the share of this business particularly where a stronger geographical presence for both onshore and offshore can be built, Fugro acquired Advanced Geomechanics in Perth Australia, a consulting company that provides highly specialised geotechnical and geophysical engineering and consulting services to the oil and gas sector in Australia and worldwide.

The company will contribute to Fugro's strategy of providing clients with fully integrated consulting solutions from data acquisition through engineering advice. They will play a role in expanding the geoconsultancy globally.

To target the growing well services industry globally using high-end geotechnical resources, Fugro formed a joint venture with a Malaysia oilfield services company, Bumi Armada Berhad. The new joint venture, in which Fugro has a 49% interest and Bumi Armada 51%, features an integrated team with members from both companies having skills in marine operations, well intervention and drilling operations.

Fugro entered the new seabed-based robotic drilling marketplace in 2012 by forming a joint venture company, Seafloor Geotec, with Gregg Marine of the United States. In 2013, Fugro initiated projects by deploying the robotic seabed technology on rock and soil investigations in deepwater for oil and gas companies globally.

As part of the continuing global fleet replacement program where older tonnage is being replaced with new, modern vessels, Fugro Voyager, a purpose built 83-metre geotechnical drilling vessel with dynamic positioning (DP2) and specifically designed to address the varied demands of the deepwater market in Southeast Asia, was delivered. A similar vessel, Fugro Scout, is expected in 2014 for global deployment while a third vessel built for northern European waters is anticipated in 2016.

The results in 2013 demonstrate the success of leveraging scale in capturing market in high growth deepwater frontier regions and contracting large, integrated multi-discipline projects especially in emerging economies. Success has also come from establishing joint ventures in each of the emerging countries with opportunities and building a strong local content to support future work. The division maintained its market position in sustainable energy, mining and general infrastructure markets while relocating from slower growth markets like Europe and replacing older vessels.

## SURVEY DIVISION

### Discussion of results

As per January 2013 Subsea Services, which was formerly part of the Survey division, is reported separately.

In the year under review the Survey division achieved revenue of EUR 900 million, an increase of 8% compared to 2012. Excluding the negative exchange rate effect, revenue increase with 13%. The result from operating activities (EBIT) decreased by 10% to EUR 166 million (2012: EUR 185 million) equating to an EBIT margin of 18.5% (2012: 22.1%). The decrease in EBIT and margin was caused by: low, partially weather related, utilisation in the first quarter; increased third party costs; increased costs for personnel recruitment and training; and some increase in price pressure. Moreover, losses increased in aerial mapping as the market, which relies on government funding, weakened further. Capital employed increased by 13% mostly due to the additional investments in the specialised survey fleet.

### Course of business

The divisions' activities are dominated by the resource exploration and production industry, primarily related to oil and gas. Therefore the oil price and the prevailing oil industry investment climate remain key factors for this business globally. Offshore services extend from geophysical and geological surveys and sea bed mapping to positioning services for a wide variety of applications and users. As part of providing an encompassing service, Fugro also offers meteorological, oceanographic and marine environmental services and studies. Onshore operations include land and airborne surveys and mapping, principally for infrastructure development and maintenance, and increasingly the oil and gas industry. The division is established globally with offices at all major centres from which the oil and gas industry operates.

Survey had a slow start to 2013. The geophysical vessel activity picked up in the second quarter of the year and remained solid until year-end, with the relatively high level of activity in the fourth quarter compensating for the slow start. In Europe there was good demand for survey services from the oil and gas industry. Demand from the renewables sector weakened as the drive from the European Union to increase power generation from renewable sources has faltered as Europe refocused on dealing with the recession. Demand is not expected to pick up until 2016 when the deeper water North Sea wind farm construction projects start. The Echo Surveyor VI, Survey's latest AUV, concluded operations for Caspian's Absheron development, resulting in high quality data deliverables.

The Americas region is affected by reduced activity on the Gulf of Mexico's shelf, which is partially compensated by deep water construction support activities and high demand for survey services in Mexico and the Caribbean. In Brazil Fugro suffered from operational downtime of the Fugro Odyssey at the start of the year, which was solved when the vessel was replaced by the new purpose-built Fugro Brasilis. The African region continued to grow steadily, supported by large multi-divisional projects in West and East Africa. Several recently extended long-term frame agreements for survey and positioning support services will further strengthen the expansion in this region. In the Middle East the division secured a number of significant projects which will result in further growth in the region. The permitting and planning phase of a large LiDAR (measuring system based on laser technology) and bathymetric survey of the Red Sea started in December. India and also Egypt managed to contribute well, despite the unstable political situation in that country. In the Asia-Pacific region the fleet was expanded in 2012 and this has proven successful with the region producing good results.

#### Key figures Survey

(amounts x EUR 1 million)

	2013	Change (%)	2012	2011
Revenue	900	8	835	751
Results from operating activities (EBIT)*	166	(10)	185	191
EBIT margin (%)*	18.5		22.1	25.4
Depreciation of tangible fixed assets	59	7	55	41
Capital employed	670	13	592	475

\* Includes pro-rata distribution of allocation of formerly unallocated other corporate expenses and finance income over the divisions as per 2011, based on revenue. The historical numbers have been adjusted for comparison purposes.



*Checking equipment prior to survey operations in Sharjah, United Arab Emirates*

Throughout the year the onshore geospatial business line was affected by a low activity level in aerial mapping services. This indicates that the market conditions are not yet improving and resulted in heavy competition and price pressure. Poor weather conditions in Europe and Americas contributed further to the disappointing performance of these activities. Further steps have been taken to reduce costs. In addition, the business is being reoriented to becoming a solutions provider rather than just undertaking the collection of data. The terrestrial survey part of the geospatial business line showed good returns and selected niche services will be further expanded around the globe.

The global positioning signal services business showed good results and steady growth in all product lines. The positioning business serves well over two thousand high-end vessels from all segments of the offshore oil and gas sector, cruise vessels, merchant marine and research vessels. The oceanography and meteorology services contributed well in 2013. Increasingly, this business is deriving its revenue from long term contracts for permanent monitoring systems deployed on FPSOs, drill ships and mobile platforms.

In August 2013, Fugro signed a ten-year extension of the joint venture with China Oilfield Services Ltd (COSL). The joint venture, named China Offshore Fugro Geosolutions (COFG) and in which Fugro holds 50%, has been operating successfully in the Chinese offshore environment since 1983. Services provided include precise navigation services, subsea positioning, construction support services and remotely operated vehicle (ROV) services. At the end of the year, Fugro also reached agreement with the State Oil Company of the Azerbaijan Republic (SOCAR) to form a new joint venture for the performance of bathymetric, geophysical & geotechnical surveys, the provision of autonomous underwater vehicles (AUVs) and ROVs, diving services and general positioning support, both onshore and offshore, throughout Azerbaijan.

A number of areas in the world with emerging economies will become important growth markets for the division and Fugro as a whole. The African continent is a good example of this. This year, Fugro opened an office in Maputo, Mozambique. Other countries in East Africa, like Tanzania, Kenya, Uganda and Madagascar are expected to follow and will benefit from new oil and gas developments. West Africa will continue to be an important growth market for Fugro. In Angola, Fugro will strengthen its position with a new, expanded office with warehouse and laboratory facilities as of the second quarter of 2014. The new infrastructure will allow Fugro to support a wider range of Fugro services locally.

Technology is key for the growth of the division. The newly developed remote survey operations services (OARS), which reduces the amount of time that operators have to spend offshore, will be rolled out in 2014 in the Gulf of Mexico. In 2014 the newest AUV, which is 4,500m water depth rated, camera capable, and rough seas launch and recovery ready, will be taken into operation.

During the year, two purpose-built vessels were brought to the market: the Fugro Helmert and Fugro Brasilis. Both vessels have already secured a solid backlog for 2014. Currently, the division has four dedicated, built to high specifications survey vessels under construction. Three of these will be delivered during 2014, of which two will bring additional capacity. With the ongoing renewal and expansion program of the survey fleet and associated investments in state-of-the-art technology, the division is in the process of capturing the growth in the market, in order to reach the targeted acceleration in the growth of the division.

## SUBSEA SERVICES DIVISION

### Discussion of results

In its first year as a separate segment, the Subsea Services division achieved revenue of EUR 574 million, an increase of 4% compared to 2012. Corrected for the negative exchange rate effect, revenue increased with 9%. The result from operating activities (EBIT) increased from EUR 24 million negative to EUR 13 million positive, due to the improvement in underlying results and the fact that the 2012 EBIT includes a EUR 22 million write-off on a minority participation in Expro AX-S Technology that went into receivership. Capital employed increased only moderately due to investment in operating equipment (largely ROVs).

### Course of business

The Subsea Services division activities continued to be dominated by the oil and gas industry and, in particular, the offshore development and production activities of this industry. The relatively stable oil price and the investment climate surrounding the development of new oil and gas reservoirs, especially in deeper marine environments, were factors supporting the primary market demand for its services. However, the division also supplies services to the renewable energy sector such as offshore wind farm development projects. The capabilities of the division range from the support of drilling, provision of support services for field development and construction, to inspection, repair and maintenance on subsea infrastructure, through to the design and build of complex, bespoke remote systems and tools. The division carries this out using a large fleet of remotely operated vehicles (ROVs) and a specialist fleet of support vessels, that are mostly chartered. The division is established globally with major centres covering most principle regions of oil and gas industry operations.

Starting 1 January 2013, Subsea Services is reported as a separate division, previously having been reported on as part of the Survey division. The first part of the year included a detailed analysis of the historical performance of the subsea business, as an integral part of Fugro's strategic review process. The result of this was a business re-focussing program with emphasis on profitability improvement and includes three elements: improvement in on-going performance, restructuring and a profit improvement program.

The improvement in ongoing business as announced as part of the strategic update is evolving as planned. Europe experienced good performance in its core business after a slow first quarter, but was weighed down by underutilisation in its still-young trenching activity, while in West Africa the diving services performed poorly. As a result of the latter, the office of Fugro RUE AS in Norway was closed and its activities were transferred to other Fugro operating companies. In Brazil, results were negatively impacted by delayed delivery and the commissioning of two new diving support vessels under the two latest long term tri-partite agreements. Towards year-end the performance of these two vessels improved. We expect this improvement to continue in 2014 and reach a satisfactory level by the end of that year. Other vessels used for the projects in Brazil are generally performing satisfactorily. As a result of reviewing the commercial environment related to tri-partite agreements in Brazil, we have taken a more conservative approach to bidding for new contracts. During the year, Fugro was awarded the Lot "B" Inspection, Repair and Maintenance (IRM) contract which is slated to begin in 2014.

Key figures Subsea (amounts x EUR 1 million)	Change			
	2013	(%)	2012	2011
Revenue	574	4	554	440
Results from operating activities (EBIT)*	13		(24)**	14
EBIT margin (%)*	2.3		(4.3)	3.2
Depreciation of tangible fixed assets	53	8	49	43
Capital employed	586	0	584	433

\* Includes pro-rata distribution of allocation of formerly unallocated other corporate expenses and finance income over the divisions as per 2011, based on revenue.  
The historical numbers have been adjusted for comparison purposes.

\*\* Includes the write off on a minority participation in Expro AX-S Technology in 2012 that went into receivership for an amount of EUR 22 million.





*Recovery of a remotely operated vehicle (ROV)  
on board a ROV support vessel Island Spirit, Brazil.*

The Middle East performed significantly better in 2013 compared to 2012. This was amongst others due to management changes initiated in late 2012. However, the market remains very competitive and local developments in such countries as Egypt have resulted in higher accounts receivable than planned. In Asia-Pacific, Fugro recorded a better result than the previous year with good fleet utilisation throughout most of the year and good feedback from clients on vessel, project and HSSE management. The ROV fleet continued its renewal program. For the second year in a row, although the ROV fleet size did not increase, the volume of ROV work executed reached a new high. Any future expansion of the ROV fleet will follow demand.

In 2013 the diving services company DCN Global in Abu Dhabi was acquired. Through this acquisition Fugro can now offer bundled IRM services to its Middle East clients, and leverage the combination of subsea and survey services in order to make it easier for clients to manage their complex projects. DCN's expertise will assist in creating a global diving ability to complement Fugro's Brazilian capability. By the end of the year the integration of DCN into Fugro's Abu Dhabi operations was successfully completed.

Early 2014, Fugro was awarded two contracts to perform trenching and survey operations at two wind farm sites. The first contract is for CT Offshore at RWE Innogy's Gwynt y Môr Offshore Wind Farm located in Liverpool Bay. The second contract is a similar work-scope at a wind-farm located off the East coast of the United Kingdom. Also at the beginning of 2014, Fugro was awarded a five year contract by Shell in Malaysia for the provision of IRM services of their subsea infrastructure. Fugro expects to engage most of its Asia Pacific subsea fleet over the duration of the contract, which is expected to commence in the second quarter of 2014.



## GEOSCIENCE DIVISION

### Discussion of results

In 2013, the Geoscience division reported a revenue increase from EUR 53 million to EUR 248 million. This increase was entirely related to the fact that in 2012 and January 2013 the multi-client sales were reported as discontinued operations. Revenue including multi-client (for the full period) declined by 9% to EUR 261 million; the EUR 120 million revenue from Seabed Geosolutions was largely offset by the decline in multi-client revenue (EUR 129 million in 2013 compared to EUR 235 million in 2012). Corrected for the negative exchange rate effect, revenue declined by 6%. Results from operating activities (EBIT) amounted to EUR 10 million negative (2012: EUR 56 million). The decrease was caused by the EUR 55 million loss of Seabed Geosolutions and a lower result on multi-client sales, in part offset by the special gain on the sale of the technology licences of EUR 18.5 million.

Seabed Geosolutions suffered in the first year of its existence due to low utilisation of the OBC activities as clients took longer than expected to award contracts and start-up issues as a newly established company. In multi-client, sales were slower than expected, specifically in Australia and due to some delays in the Norwegian bid round.

Capital employed increased from EUR 513 million in 2012 to EUR 779 million in 2013 due to the start of Seabed Geosolutions per 16 February 2013.

### Course of business

The majority of the activities comprising the former Geoscience division were sold to CGG in January 2013. Fugro's Geoscience activities post the CGG transaction include a 60% controlling interest in the Seabed Geosolutions joint venture with CGG (40%) and sales from the 2D and 3D multi-client data library and some minor residual activities.

Sales activities for the multi-client data library are effected through non-exclusive agreements with third-parties, the primary ones being CGG for the 3D library and TGS for the 2D library. Other parties can be contracted to enter into a sales relationship with Fugro for any part of the library.

#### Key figures Geoscience, continued<sup>1</sup>

(amounts x EUR million)

	2013	Change (%)	2012	2011
Revenue (as reported)	248		53	(3)
<i>of which Seabed Geosolutions<sup>2</sup></i>	120		–	–
Revenue including multi-client <sup>3</sup>	261	(9)	288	153
<i>of which Seabed Geosolutions<sup>2</sup></i>	120		–	–
Results from operating activities (EBIT) <sup>4</sup>	(10)		56	55
<i>of which Seabed Geosolutions<sup>2</sup></i>	(55)		–	–
EBIT margin (%)	(4.0)			
Depreciation of tangible fixed assets	24		6	–
<i>of which Seabed Geosolutions<sup>2</sup></i>	22		–	–
Capital employed	779	52	513	753
<i>of which Seabed Geosolutions<sup>2</sup></i>	204		–	–

<sup>1</sup> The activities that have been sold to CGG, representing the majority of the Geoscience division, are reported as discontinued operations (see page 139 of Financial statements for the discontinued revenue). The multi-client seismic data library was retained by Fugro. In accordance with IFRS the related revenue was also reported as discontinued up to and including 31 January 2013, while the results and assets of multi-client were reported as continued. As from 1 February 2013, the multi-client sales are included in continued operations.

<sup>2</sup> Seabed Geosolutions: 100% consolidated.

<sup>3</sup> For comparison reasons we have included the line 'revenue including multi-client', which includes multi-client sales during the full period (2011, 2012 and 2013)

<sup>4</sup> Includes pro-rata distribution of allocation of formerly unallocated other corporate expenses and finance income over the divisions as per 2011, based on revenue. The historical numbers have been adjusted for comparison purposes.



*Caption: Ocean bottom nodes deployment,  
Middle East*

Seabed Geosolutions was formed on 16 February 2013 by merging the OBN and OBC operations of the parent companies. Several months were spent on the start-up in which the management, organisation and infrastructure of the new company were established, while at the same time executing on-going contracts. The pipeline of pending projects was attractive at inception, unfortunately several of these took longer than expected to mature into contracts. This was especially the case for OBC activities. OBN activity levels were good although operational teething problems led to disappointing results in the year. Underlying demand in the market was good and prospects for the foreseeable future also appear positive.

A significant part of the seabed geophysics market is comprised of a relatively small number of large contracts. This results in a lumpy project pipeline where maintaining satisfactory average utilisation will be a challenge. The main regions of Seabed Geosolutions activity for 2013 were West Africa and the Gulf of Mexico for repeat clients, These are oil and gas provinces where the use of seabed geophysics to design optimum reservoir development is well established.

Multi-client data sales in 2013 varied regionally. The activity levels in the Gulf of Mexico and Australia were lower than expected. The licensing round in Western Australia resulted in some licenses going back to existing lease holders. This has delayed the opportunity for additional data sales. In Norway the licensing round comprised areas well covered by Fugro data and resulting sales were satisfactory, although there has been some slip into 2014 following the delay in the announcement of the 2013 licencing round. The revenue resulted in a significant reduction of the net book value of the library through sales amortisation. Currency effects also resulted in a reduction of the net book value. Fugro made limited investment in multi-client data during the year. This was restricted to concluding data acquisition and processing projects which had already been committed to prior to the transaction with CGG and some reprocessing to enhance sales value of existing data sets. Minor investments, mostly in reprocessing, will continue as market opportunities arise and underwriting levels support.



## MARKET LEADERSHIP

**Fugro strives to develop and maintain leadership positions in each of its markets.**



Fugro has achieved global market leadership in the offshore geotechnical and offshore survey markets by offering good solutions on a global basis and through organic growth complemented with strategic acquisitions. Fugro also has leading positions in seabed geophysics and in subsea and onshore geotechnical services on a regional basis.

The market leader is often instrumental in research and development and is frequently first to the market with ground-breaking technology, thereby creating an immediate advantage over the competition. The market leader also has scale advantages.

Market leadership bears the responsibility of developing services in an innovative way, leading the market in values and sustainability, and offering a safe working environment that attracts the best people in the business.

### **Example: Offshore Geotechnical**

With the largest fleet of dedicated geotechnical vessels, Fugro is the leader in the offshore geotechnical market. Fugro has achieved this position by building a superior technically competent staff who work closely with clients to meet their requirements for global solutions all environments. Fugro combines geotechnical data acquisition with in-house laboratory testing and analysis and consulting to provide solutions that support optimal foundation design and address soil stability issues.

### **Example: Offshore Survey**

Over the years, by combining organic growth with acquisitions, Fugro has become the largest provider of offshore survey services. These services are provided globally and run from nearshore to deep water. A broad range of services is provided covering positioning and underwater metrology, seabed mapping from vessels and autonomous underwater vehicles, high resolution geophysics, seabed sampling, metocean and environmental. Consulting services are provided to combine various data and provide clients with advice.

**“Responsible leadership results in customer loyalty and the market leader attracts the best talent in the business.”**







FUGRO SYNERGY

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## **INNOVATION & TECHNOLOGY**

**Strong focus on innovation and technology enables Fugro to provide the best possible solutions to clients.**

Innovation and technology underpin Fugro's growth and continued market leadership. An innovation mindset helps Fugro to find new opportunities to better serve its customers and to expand its markets.

Many of Fugro's technology solutions are of a highly specialised nature and are often developed in-house or together with industry partners and research institutes. Fugro has significant, increasing R&D resources and capacity to further improve existing products and services and develop new opportunities.



### **Example: Remotely operated vehicles (ROVs)**

Deep water subsea activities are critically dependent on ROVs as the primary tool for any work and inspection on the seabed. Fugro designs and builds its own fleet of work class ROVs capable of working at water depths of up to three kilometres. In-house design allows Fugro to incorporate and deploy the latest developments in underwater engineering and system integration. Fugro-built ROVs serve a large number of different activities including inspection, repair and maintenance of seabed infrastructure, site survey and drill rig duties. A standardised fleet of ROVs allows Fugro to optimise maintenance and spare part programmes.

### **Example: Nodal seabed data acquisition**

In order to develop and enhance production of offshore oil and gas fields, there is a growing interest in the use of seismic data collected on the seabed with nodes. Such data provide a much higher resolution image of the reservoir than can be obtained with conventional surface-based seismic data acquisition. Seabed Geosolutions undertakes research into and develops its own suite of nodal technologies to acquire such data.

**“Innovation and technology are key to staying ahead of the competition as markets, technologies and trends shift.”**





## PEOPLE

**Fugro's employees are team players, trained with the right skills to safely and properly deliver Fugro's services around the globe in the most challenging environments.**



It is the quality of services provided by Fugro staff that has the most enduring impact on clients and ensures they continue to come back to us. Fugro takes pride in developing 'Team Fugro' and retaining a workforce that is diverse, capable and committed to delivering results to clients. Fugro achieves this through recruiting the right talent and creating abundant opportunities for high performing staff to work on interesting projects worldwide.

To execute its work, Fugro requires specific skills covering a broad range of areas including applicable science and technology, field work, and project management. Extensive induction on Fugro core values and health, safety and environment policies complement professional skills.

Continued (in-house) staff education and training are an important part of life for Fugro employees in order to improve their areas of expertise and to acquire and maintain new knowledge.

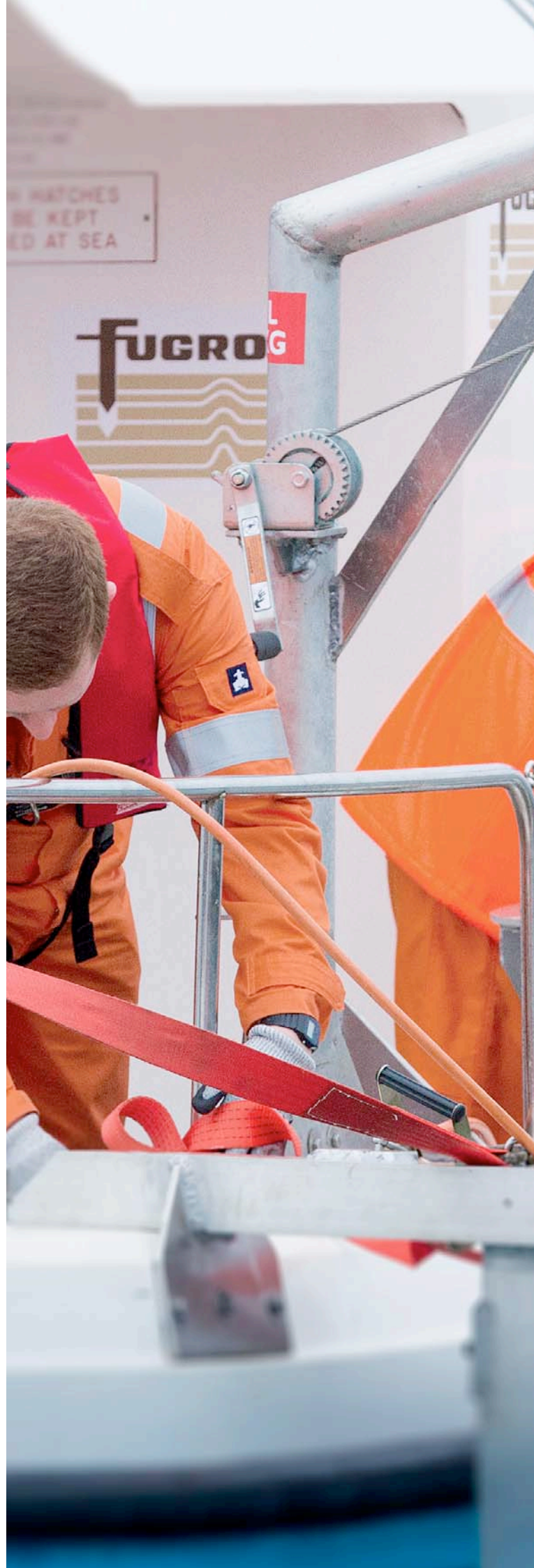
### **Example: Local staff**

Fugro is a true multinational organisation, with staff from at least as many countries as those in which Fugro is active. Employing local people is one of the foundations of the organisation – one that is valued highly by its clients and is important in winning local work.

### **Example: Fugro Academy**

Fugro established the Fugro Academy in 2006 to meet its training needs. The Fugro Academy delivers a complete suite of e-learning, classroom and field courses in specific technical topics and in HSE (health, safety and environment), key business principles, project management, and senior management development. The Fugro Academy continues to expand and enjoys high visibility and a positive reputation amongst staff.

**“Dedicated and committed staff, ready to deliver results, is the cornerstone of a service company such as Fugro.”**











Ørsted Energy

Fugro Seacore

Fugro





## **DELIVERY EXCELLENCE**

**Delivery excellence is consistently delivering results safely, on time, on budget and meeting or exceeding client requirements.**

Delivery excellence starts with understanding the clients' long term needs and project specific objectives and then combining these with Fugro's expertise, resources, and global network to offer project solutions that can meet their requirements. Once a project proposal is accepted by the client, delivery excellence is about consistently delivering to the specifications and doing so safely, reliably and on budget, all the while keeping the client abreast of progress.

Fugro continuously seeks to enhance its business practices, with emphasis on client engagement to obtain feedback on performance and understand future requirements.



### **Example: Innovative maintenance solutions**

At Arklow Bank offshore wind farm, located on a shallow water sandbank in the Irish Sea, Fugro carried out maintenance that required the removal of wind turbine rotors and access to the hub. It was not possible to remove the blades individually so the entire rotor had to be lifted. The operation was carried out with two Fugro jack-up barges.

Extreme shallow water as well as strong currents presented challenges to marine operations. Highly detailed lift planning was essential. The position, deck height and orientation of the jack-ups were precisely calculated and 3D modelling was used to analyse the trajectory of the rotor.

### **Example: New laser bathymetric processing software**

New airborne laser bathymetric processing software is set to reduce data delivery times to Fugro's customers. The software enables data collected with multiple laser sensors to be viewed and edited together with facilities seamless combination of information collected in coastal zones and typically used for nautical charting, coastal zone management and tsunami modeling.

**"Delivery excellence is at the heart of achieving customer loyalty."**





## STANDARDS

**Standards are the key to achieving quality results safely and consistently around the globe, and support proper business practices**



Fugro has adopted a wide range of standards to support its business and proper functioning of the company. Standards cover areas such as HSSE (health, safety, security and environment), business principles, project management, accounting, and a broad range of technical methodologies. Effective standardisation promotes operational efficiency, consistency of services and world class business practices across the globe. High standards also mitigate business, legal and reputational risks.

### **Example: Standardised survey fleet**

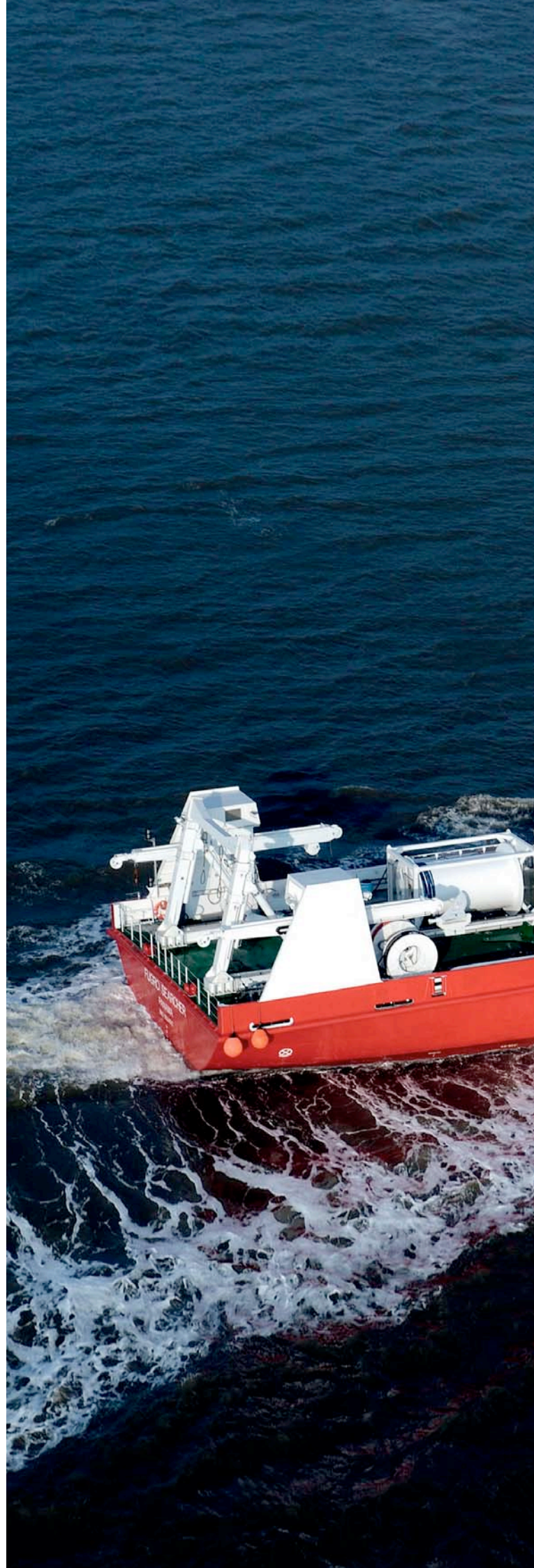
Fugro has led the way in developing standardised, high quality and dedicated geophysical survey vessels. With this fleet Fugro offers superior data quality, high service reliability, a great place to work - all with the smallest possible environmental footprint. The Fugro Searcher, delivered in 2010, was the first of a series of four 65-metre vessels, all built to the same specification and design.

### **Example: HSSE Standards**

Fugro invests heavily in improving standards and implementing a consistent approach to HSSE throughout the group. This has been achieved by the development and implementation of Fugro-wide policies, principles and standards. In order to keep pace with the growth and diverse nature of the organisation and changing external requirements, Fugro continues to improve and upgrade its HSSE standards and provides implementation programmes and campaigns.

The success of Fugro's safety policy is recognised by external organisations as evidenced by the various awards Fugro has achieved over the last decade.

**“Standards are the foundation of Fugro's services delivery and guide the behaviour of its employees.”**















## MULTI-MARKET EXPOSURE

### Fugro operates in multiple markets to achieve resilience against market volatility.

Fugro provides a broad range of geo-data, as well as expertise for managing geo-risks, and provides inspection, repair, maintenance and light construction support services. This broad range of services is supplied globally to several markets including oil and gas and markets in renewable energy, infrastructure, mining and water resources. From Fugro's perspective these markets are adjacent as the company is successful in applying and replicating the skills and expertise of staff and its technology across these different sectors.



#### Example: Large building foundation design

A typical example of a technology applied in different markets around the world is Fugro's high end geotechnical data collection, lab analysis and integrated reporting for large buildings and infrastructure. Fugro has played a part in the construction of world's tallest tower, the one kilometre high Kingdom Tower in Jeddah, Saudi Arabia. The building of such a tall tower in unknown ground required a detailed investigation into the ground conditions and load carrying capabilities of the soils at varying depths. Fugro was engaged for a full scale load testing program.

#### Example: Underwater geological faults

Several years ago, the United States Geological Survey located a previously unrecognised underwater fault near Pacific Gas & Electric Company's Diablo Canyon Power Plant on the Californian coast, USA. Between 2010 and 2012, Fugro undertook a series of offshore low power multi-channel two- and three-dimensional seismic reflection surveys normally applied in the oil and gas industry for geohazard detection. The survey site is highly regulated to protect marine wildlife, particularly mammals, from human activity.

**“Multi-market exposure enables Fugro to leverage its know-how and technologies into different markets and diversify the sources of revenue.”**



## ORGANIC GROWTH PLUS M&A

**Profitable growth is the key to long term value creation. Fugro complements organic growth with mergers and acquisitions.**



Organic growth has consistently underpinned Fugro's development. By being close to the market, Fugro carefully follows its clients' evolving requirements and responds with continued investment in services and capability. Examples of organic growth can be seen in the continued investment in state-of-the-art equipment, vessels and staff. Fugro's survey vessels, geotechnical fleet, in-house developed and built remotely operated vehicles, autonomous underwater vehicles, nodes and a multitude of other tools are available to support clients around the globe.

Fugro has a tradition of further enhancing growth through selected mergers and acquisitions. The company has concluded close to 150 mergers and acquisitions in over 50 years. Fugro focuses on bolt-on acquisitions that bring value geographically or provide a technology which we can leverage into the global market.

### **Example: DCN Global**

DCN is a company specialising in subsea engineering and diving services to the offshore civil and oil and gas industry, primarily in the Middle East. Fugro has a working track record with DCN and with the acquisition of DCN Global, Fugro significantly strengthens its ability to offer an integrated offshore service package of survey, geotechnical and IRM (inspection, repair and maintenance) services.

### **Example: Advanced Geomechanics**

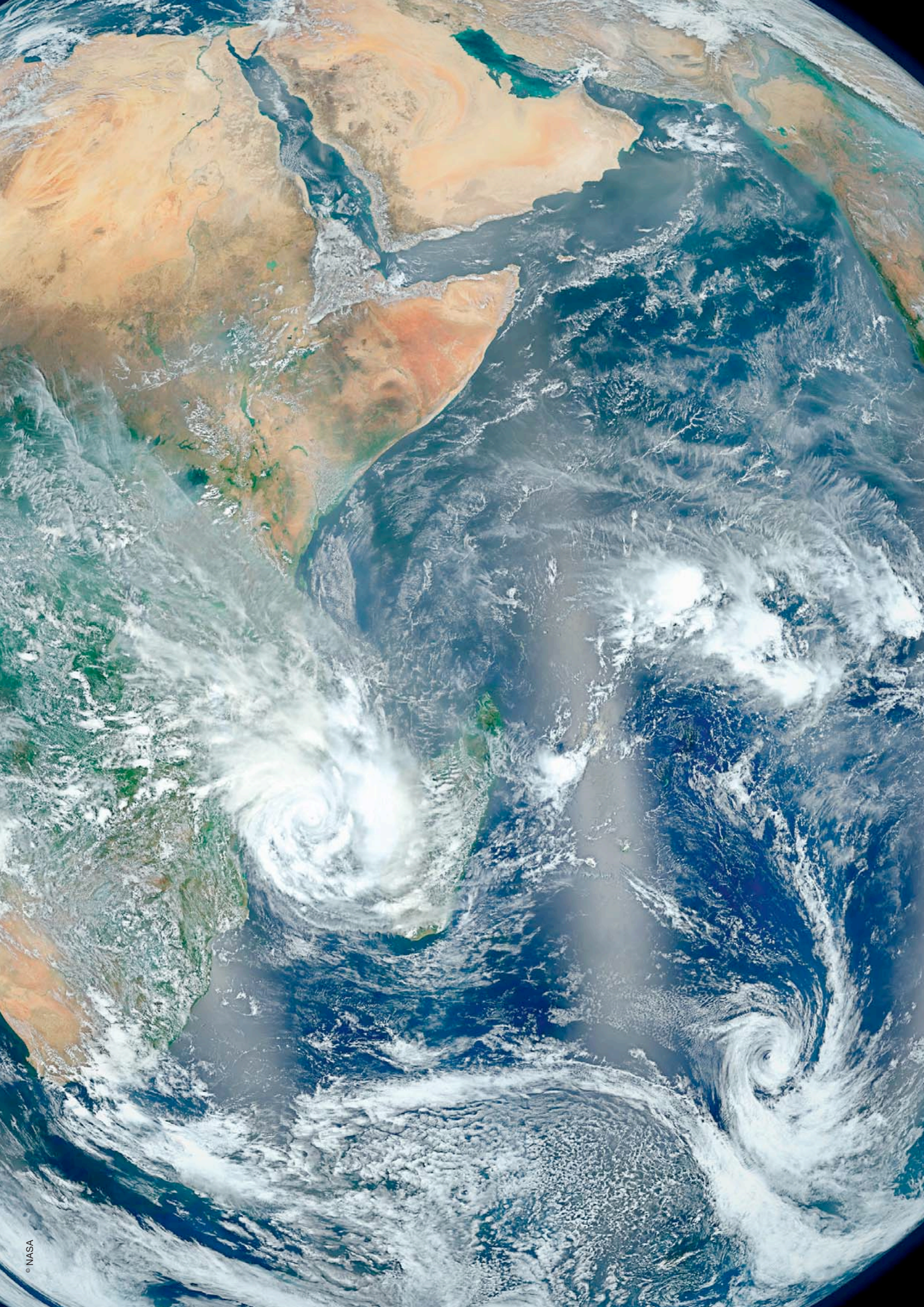
The company, located in Perth, Australia, was recently acquired, because of its worldwide recognised reputation in the offshore geoconsultancy employs highly technically skilled and experienced engineers and consultants. The acquisition contributes to Fugro's strategy to provide clients with fully integrated solutions and to develop geoconsultancy as a key element of further growth.

**“Continued investment in core business is the cornerstone of Fugro's growth strategy.”**













## **GLOBAL COVERAGE**

**With its global reach, Fugro is uniquely positioned to global clients on a local basis and mitigates the exposure to local economic volatility.**

Fugro has local representation in the places that matter to our international clients. Global cover allows quick response for call out services, geared to local circumstances. Through its global office network Fugro can take on large, multi-discipline projects anywhere as a local support office is always close by.

An additional benefit of global coverage is that it makes the company less vulnerable to volatility in local economic conditions.

### **Example: Expanding global coverage**

In 2013 Fugro opened new offices in Mozambique and Tanzania, and entered into a joint venture in Iraq. In addition plans were approved to build a significant Fugro centre in Angola. In this way Fugro is organically growing its local presence in emerging economies. This is often complemented with growth through acquisition of local companies.

Currently Fugro has a presence in more than 60 countries and operates from a network of close 250 offices.

### **Example: Global positioning system (GPS)**

Also technology is provided globally where possible. The prime example is global positioning.

Fugro's involvement in satellite-based positioning began in the early 1990s. Fugro established its leadership position through the acquisition of pioneers such as John E Chance and Intersite. This period saw network-based differential GPS (DGPS) positioning revolutionising the offshore survey industry. Fugro now has two fully redundant and independent GPS monitoring networks complemented by two control centres - in Houston, USA and Perth, Australia. These are manned 24/7 and employ dedicated, secure, high-speed communication links to ensure availability of precise positioning signals anywhere in the world.



**“Global cover in terms of services and offices is a pre-requisite for serving global clients well.”**



*Fugro's observers have the most up-to-date Protected Species Observer training and the relevant skillset to be able to identify all species of large marine fauna.*

## CORPORATE SOCIAL RESPONSIBILITY

### CSR APPROACH AND AMBITIONS

As part of its General Business Principles, Fugro is committed to contributing to sustainable development. This requires balancing short and long term interests of stakeholders and integrating economic, environmental and social considerations into decision-making.

Fugro's services enable clients to make responsible use of the earth and its resources. Fugro assists in the exploration, development, production and transportation of important natural resources. Technical data and information are made available to clients who design and build buildings and infrastructure so that they may do so in a safe and efficient way.

Fugro adds value to the data it collects by optimally combining equipment, technology and expertise. Clients frequently take important decisions on the basis of the information provided by Fugro. People are at the heart of our business and our clients rely on competent, well-trained and dedicated staff for their projects. This is especially relevant because Fugro works in over 60 countries with mainly local staff. Further growth of the company will ultimately only be feasible when it employs the right people with the right technological expertise, skills and drive. As part of its strategy, Fugro is increasing its emphasis on staff development and is growing the number of employees significantly to meet our 2016 strategic targets.

Considering our business environment, safety is key to all our operations, and is an essential element of our Corporate Social Responsibility (CSR) approach. Fugro management takes a proactive approach towards creating a safe working environment for all employees and is accountable for promoting continued safety education and training, assigning responsibility for all aspects of the HSSE policy (health, safety, security and environment), continuously reviewing potential areas of improvement, and ensuring thorough evaluation of every

incident. Our approach is that all incidents and accidents are preventable and our goal is perfection.

Another important aspect of Fugro's CSR approach is respect for the environment, including awareness of the environment. Various developments are creating new opportunities. The demand for energy is increasingly being met by renewables such as solar, wind, biomass and tidal energy. Reducing the environmental impact of Fugro's own operations is also an essential part of its CSR approach. The largest environmental impact relates to fuel consumption by our fleet of vessels and aircraft and energy consumption and use of materials at our office locations. As a consequence, these are the areas that we focus on, for example in new vessels and buildings.

The 2013 strategy update incorporated feedback from stakeholders, such as clients, shareholders and a group of more than 200 senior managers and key staff. Changing demands from clients, shareholders and society at large was one of the key drivers for the strategy review. Fugro is aware of increasing expectations on its corporate citizenship, in line with a general trend of more attention for governance and CSR. Fugro believes it is able to find the right balance between meeting these demands whilst continuing on its growth path. Fugro is considering compliance with the Global Reporting Initiative (GRI) guidelines in order to further strengthen its CSR efforts.

### CSR organisation

The Corporate Social Responsibility agenda is set by the Board of Management and CSR is an intrinsic part of day-to-day operations. The CSR coordinator reports directly to the Chairman of the Board of Management, in order to promote and coordinate this agenda. The individual operating companies are responsible for local implementation of relevant practices within the policy framework set by the Board of Management.



*In many countries, such as Angola, Fugro works with local staff. Apart from providing adequate training, Fugro also extended its sponsorship program to 24 students in topography.*

### CSR policy assurance

Fugro's CSR efforts are an integral part of Fugro's operations, and embedded in:

- **Code of Conduct (General Business Principles)**  
Fugro's Business Principles provide fundamental ethical guidelines as the base for business decisions. Through these principles, every employee and thus every operating company is guided to support the organisation's values and related focus on business integrity, compliance with all applicable laws and regulations, support of local communities and respect for a healthy and safe workplace and the environment. Fugro commits to contribute to sustainable development by balancing short and long term interests and integrating economic, environmental and social considerations into business decision-making.
- **Business Partner Code**  
As Fugro aims to promote responsible behaviour throughout the supply chain, its Business Partner Code requires suppliers and sub-contractors to comply with the General Business Principles, and conduct their business in an honest and ethical manner.
- **Fugro's Health, Safety and Environmental Management System**  
This establishes and defines the corporate vision, policy and principles for our HSSE management system, with which all our operating companies have to comply.
- **OHSAS 18001**  
All operating companies have to be certified in accordance with these guidelines, which encompass the world's most recognized occupational health and safety management systems standard, for implementing occupational health and safety management systems, or obtain equivalent certification.

- **ISO 14001**  
Fugro has set itself the goal of implementing a certified environmental management system (ISO 14001 or equivalent) for all its key operating companies. By the end of 2013, 72% of the key and larger operating companies were certified or were close to certification.
- **Agreements with government authorities**  
As stated in the General Business Principles, Fugro complies with the legal regulations in the countries in which it operates.
- **Agreements within the sector**  
Many Fugro operating companies belong to professional trade organisations and adhere to the relevant CSR guidelines that the profession has set for itself.

In addition, Fugro takes guidelines like ISO 26000 (international guideline for CSR Implementation) and the GRI (widely used guidelines for transparent reporting) into account for the further development of our CSR policy and ambitions. Finally, Fugro actively seeks the opinions and ideas of its stakeholders through regular consultations. This includes use of Fugro uses customer satisfaction surveys, peer reviews, internal and external audits, shareholders' meetings and meetings with works councils in order to maintain an open dialogue on the companies CSR efforts.

## FOCUS AREAS, KEY DRIVERS AND ACHIEVEMENTS 2013

### People

Focus areas	Key drivers	Achievements 2013
Providing a safe, secure and healthy working environment	Corporate HSSE Strategy (2012-2015)	24% reduction in number of recordable incidents and 40% reduction in lost man days
	Strengthening the corporate and regional HSSE organisation	Recognition by external organisations, resulting in various HSSE awards
	Roll out of the iPower™ campaign to communicate cultural changes and to reinforce and promote people's own responsibility for health and safety and to 'watch out' for each other	Development of Managing Safely in Fugro, an in-house course for managers and supervisors, with accreditation by Institution of Occupational Safety and Health
	Mandatory training programs for all staff	Release of updated Golden Rules of HSE  Realisation of Travel Security Portal for employees
Diversity and maximising local involvement	Taking account of local conditions	Increase in use of local staff in numerous markets
	Recruiting as many local staff as possible for technical, support and management positions	Award of skills development fund grant by the state of Texas to hire and train local workers
	Building local offices with local staff	Employment of army veterans personnel transitioning from national service to civilian life
Ensuring ongoing personal development of our employees	Deploying staff on flexible/project basis	Establishment of new Fugro Academy training facility in Gweek, Cornwall, UK
	HR Programme: Partnership for Growth, developing modules to support HR policy	Creation of Business Management and Development Centre within Fugro Academy to develop business, project management and leadership skills
	Setting up short and long-term exchange programmes	
	Fugro Academy: developing and offering classroom and e-learning training courses	Piloting of new Applied Project Management course in Europe and the Middle East
	Maintaining contacts with universities to support staff development and recruitment efforts	



## Environment

Focus areas	Key drivers	Achievements 2013
Contributing to the renewables and sustainable infrastructure markets	<p>Availability of technology</p> <p>Employees' expertise and knowledge</p>	<p>Affiliation with Norstec, a network for key players in the offshore renewables sector.</p> <p>Completion of support services for the world's largest offshore wind farm (London Array)</p> <p>Involvement in the development of the first offshore wind farm in the USA</p>
Reducing the environmental impact of our own operations	<p>Certified environmental management system (ISO 14001 or equivalent) for all key operating companies</p> <p>Implementing environmental planning systems on board vessels</p> <p>Anticipating environmental management systems in the design of new vessels</p>	<p>72% of Fugro's key operating companies are certified or close to certification (ISO 14001 or equivalent)</p> <p>Major Dutch operating company obtained highest level of CO<sub>2</sub> reduction certificate</p> <p>Good progress Ship Energy Efficiency Management Plan</p> <p>Construction of new office/warehouse building in the Netherlands according to LEED requirements</p>

## Society

Focus areas	Key drivers	Achievements 2013
Supporting diverse activities	<p>Initiating activities by local organisations</p> <p>Representation and participation at local level</p>	<p>Financial support for cultural heritage</p> <p>Sponsorship of sports activities</p> <p>Support for local environmental and community initiatives</p>



*In 2013 Fugro released the new version of its Golden Rules of HSE, underscoring its commitment to a healthy and safe working environment.*

## PEOPLE

### Healthy and safe working environment

Focusing on employee health and safety is an integral part of operational management as every employee is entitled to a safe work place. Fugro firmly believes that accidents can be prevented and has therefore implemented an HSSE management system at all levels of the organisation. We implement project-specific safety plans.

Leading by example is important, and that means it is essential to involve senior management in building our safety culture. Fugro promotes visible leadership and a sense of responsibility throughout its organisation, including with respect to safety. Management at all levels is therefore expected to focus on actual safety issues, and visibly and actively motivate, influence and guide employees' individual and collective behaviour. At the same time it is made clear that safety is the responsibility of every employee.

Fugro has a group-wide HSSE strategy. Relevant activities in 2013 included:

- Continuation of roll out of the iPower™ campaign; the main aim is to promote peoples' individual responsibility for their own health and safety, as well as that of their colleagues
- Development and release of an update of the Golden Rules of HSE, focussing on Fugro's high risk activities. The booklet has been translated in eight different languages
- Establishment of the Fugro Travel Security Portal, providing the latest travel security information to employees
- Accreditation by Institute of Occupational Safety and Health of an internal 'Managing safely In Fugro' course for management and HSSE professionals

### Golden Rules of HSE

At the end of 2013 Fugro released the new version of its 'Golden Rules of HSE', which focuses on high-risk activities and sets out criteria by which everyone in Fugro, including contractors, is expected to abide.

Fugro is committed to providing a healthy and safe working environment, which is based on our belief that all incidents are preventable. We recognise that the industries in which we work will continue to expose us to risk and we must make efforts to manage these and prevent them from developing into incidents. The Golden Rules of HSE provide basic guidance which is based on our and industry experience and lessons learned. Compliance with the rules is essential to preventing personal injury and ill health.

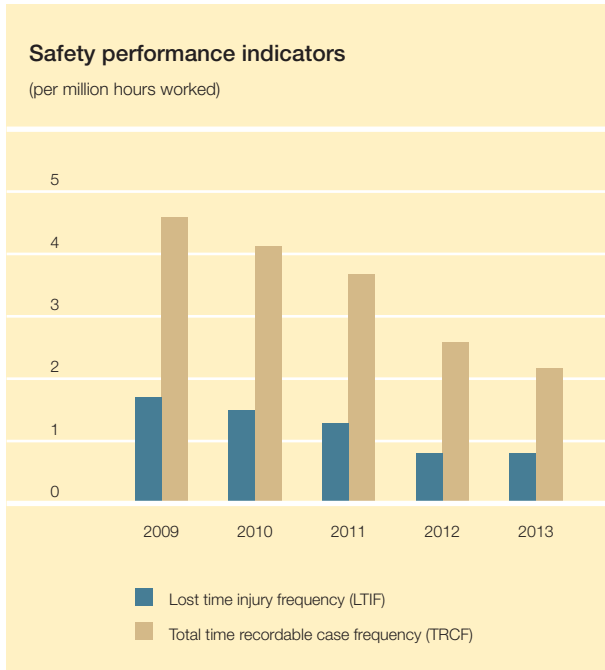
The new HSSE materials, consisting of laminated, strengthened formats for field staff and paper booklets for others, was distributed in 2013. This new version of the Golden Rules is available in eight languages. An introduction to the rules, available via Fugro Academy, and two posters have been developed to support the release and implementation of the Golden Rules.

Fugro strongly believes that adherence to the new Golden Rules of HSE will further strengthen its safety culture.

Statistics show that our HSSE efforts in the past few years has been effective, with a further improvement in performance being recorded during the year under review. The numbers of recordable incidents and lost man days (both per one million man hours worked) decreased in 2013 by 24% and 40%, respectively. Over the past five years, the total decrease was 50% and 60%, respectively.



*Fugro's expertise in water management provides the latest insights into flood risk mapping and levee investigation.*



Fugro works with safety indicators in line with the standards appropriate for the sectors in which it operates, with the aim to achieve an LTIF (Lost Time Injury Frequency) of less than 0.5 per million man hours worked (benchmark set by the International Association of Oil and Gas Producers). In 2013, the LTIF for Fugro services relating to this market segment was close to 0.5.

Within the company, there was one fatal incident in 2013. In May, whilst travelling to the worksite, a pickup truck carrying two Fugro employees was involved in a collision with a heavy truck in Saudi Arabia resulting in one fatality and one case of minor injuries. The accident has been investigated by the HSSE team and senior management. As a result Fugro initiated a companywide review on the type and adequacy of driver and transportation controls.

In addition, it was decided that HSSE auditing in 2013 and 2014 will focus on driving and transportation procedures and training, in particular for operating companies with a high company mileage and/or operate in a hazardous environment with regards to driving.

#### Examples of projects promoting a safe and healthy working environment

The success of Fugro's safety policy is also recognised by external organisations, as evidenced by the various awards we received in 2013. Fugro Survey in Australia, for instance, was awarded a Platinum Safety Achievement Award at the 2013 IFAP/CGU Safe Way Awards ceremony in Perth. The IFAP/CGU Safe Way Awards are open to all West Australian organisations and work groups with the purpose of motivating people to maintain safe work practices and recognise the implementation and continuous improvement of safety management systems within an organisation. Platinum is the highest level award and is attained after five consecutive Gold awards.

In August 2013, Fugro was presented by Chevron Australia with two awards for their Gorgon Expansion Project: Outstanding Crew Award and Outstanding Contractor Award. To 'recognise Fugro and the crew of the Synergy vessel for an exemplary HSSE performance and transparent demonstration of an evolved safety culture', Chevron released a dedicated video called 'A Safety Culture, the way we do things around here', which captured the dedication of the crew aboard the ship.

Fugro itself also awards prizes to operating companies that have distinguished themselves. Fugro Subsea Services in Aberdeen (UK) and Fugro Pelagos Inc. in San Diego (USA) were awarded the 2013 Golden SAM (Safety Always Matters) for their general and consistent HSSE performance.



*Also this year, Fugro was involved in the development of wind farms in amongst others the UK and the USA.*

### **Diversity and maximising local involvement**

Fugro is active in over 60 countries and works mostly with local staff and suppliers. This diversity has a positive effect on our operational activities as we benefit from knowledge of local business procedures, legislation and traditions. Therefore, wherever possible, we recruit local staff and give them opportunities to attend training courses at a local and international level.

The advantage of working with people from diverse cultural backgrounds is that it creates an environment in which people learn to open up to each other and to respect and appreciate each other's qualities. The resulting professional cooperation leads to innovative solutions for Fugro's clients throughout the world.

Wherever possible, decisions about local staff policies, remuneration, pensions and benefits is handled at the local or regional level. This ensures consistency with local or regional situations and customs.

Examples of projects on local involvement:

- **Railway project in Guinea**  
Between June 2012 and October 2013 Fugro Survey conducted a project for a client in Guinea along a 700km railway line, running from an iron ore mine to the deepwater port south of Conakry. For this project, Fugro employed local staff, not only for logistics and construction support but also for data acquisition. During the six months in the field, Fugro hired and trained more than 120 local staff. Work included field reconnaissance surveys, construction of geodetic benchmarks and data acquisition.

- **Increase in use of local staff in Angola**

Fugro has been active in Angola since 2002. It provides survey and geotechnical as well as subsea related services to all major oil operators and contractors in the country. In 2013, Fugro increased its total number of local staff to 90, of which 36 technical staff. With a high priority on training and development of staff, Fugro Angola has provided 2,670 onshore as well as 1,790 offshore training days. Fugro Angola has also continued and extended its local sponsorship program and currently sponsors 24 topographic students. Throughout the program, Fugro provides regular training sessions to the students in topography, where they have access to equipment and where examples of day to day tasks are demonstrated.

- **Employment for army veterans**

The hiring of veterans in certain areas of the world is an important initiative for Fugro. With the rigors of work in the field and at sea, as well as the complex technical nature of our instrumentation, Fugro has found that veterans have not only compatible technical skills but also possess resilience, learning abilities and maturity which come from their time in their national service. In the USA, Fugro is actively involved in transitional military recruitment. For the 5th consecutive year in 2013, Fugro USA has been named a top veteran friendly employer by the publication 'GI Jobs'. The selection process for the prestigious award was amongst others based on the strength of the company's recruiting efforts including meaningful job opportunities, the percentage of new hires with prior military service and retention programs. Military transition recruitment is also occurring in the UK at Fugro Survey and Fugro Subsea Services.





*In Guinea Fugro hired and trained over 120 local staff for a survey project along a 700km railway line.*

### Employees' ongoing personal development

Having an effective internal career policy, which also focuses on personal development opportunities for employees, helps to build a competent staff who can see clear advancement and personal development opportunities in the organisation. In this way, Fugro is building a workforce that will also be able to meet our long-term requirements. The objective of its policies in this area is to create opportunities for all employees, both those demonstrating management potential and those who can develop into in-house technical experts. Special attention is paid to deploying employees on a flexible basis.

Fugro has also put in place a policy aimed at standardisation of technical systems so that we can develop long and short-term staff exchange programmes to enable employees to gain valuable experience outside their home country. Fugro also maintains good contacts with universities all over the world to promote development of its employees and to recruit new talent.

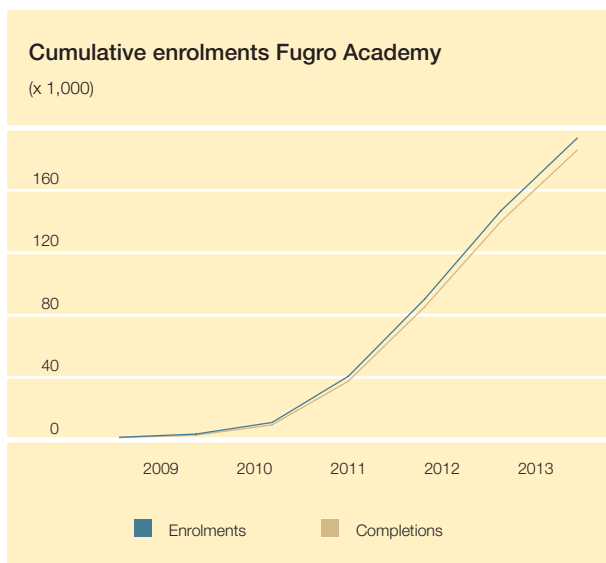
Examples of projects focusing on employees' personal development:

- **Partnership for Growth**

All our operating companies are involved in the global 'Partnership for Growth'. This HR initiative, started in 2011, seeks to encourage employees' personal development, with the objective to match individual career ambitions to the organisation's ambitions and targets. After a successful roll-out of the 'Induction', 'Performance and Personal Development' and 'Recruitment and Selection' modules in the previous years, the importance of the Partnership for Growth was confirmed in 2013 and Fugro has begun plans to improve the existing programs to further support Fugro's growth strategy.

- **Fugro Academy**

By the end of 2013, Fugro Academy has been operating for seven years since its inception. In that time, the range and depth of courses available to staff in the organisation has continued to grow, with a mix of classroom training and e-learning courses being offered, dependent on the subjects being taught.



Prior to initial field deployment, Fugro has to provide specific technical and HSSE training to all employees, new and old, and much of this comes through Fugro Academy. Ensuring that all staff are familiar with the working environment and Fugro systems and processes is key to their successful integration into field teams and operations.

Fugro Academy was conceived as a virtually managed training organisation and continues to operate successfully with this model. Under this approach, experienced training staff deliver training at operating company facilities around the globe.



*Fugro delegates training on board an inshore survey vessel at Fugro's new training center in Cornwall, UK.*

Fugro Academy continues to develop and provide e-learning courses to staff across the organisation so that all staff can benefit from training, irrespective of time and location. Many of the classroom courses are supplemented, either before or after, by e-learning to reduce the time needed in the classroom. Most e-learning material is created internally using a mix of dedicated e-learning professional authors and experienced technical staff. Specialised 2D and 3D modeling software allow interactive courses to be made for complex equipment and processes, allowing staff to be familiarised and trained in systems prior to encountering them in real life.

The major developments in 2013 regarding Fugro Academy were:

- The renovation of an existing Fugro facility in Gweek, Cornwall, United Kingdom has created a permanent training facility in a realistic coastal environment. An investment was made in two vessels and equipment and renovation of the facility. The facility began operations in late 2013, commencing with an offshore survey course which standardises training on a group-wide basis. This reduces the training period significantly, allowing staff to become functionally capable in the field more quickly than before
- Within the scope of Fugro Academy there is a need to focus on talent identification and development of future leaders of Fugro. This is not only done in the management ranks but also in other areas such as project management, whereby sound and consistent practices benefit our clients and Fugro. In 2013, Fugro Academy renewed the journey to commit not only to providing technical and HSSE related training, but also to developing schools of management, project management and other disciplines. Partnering with outside vendors with training customised to Fugro needs, the Talent Centre within the Fugro Academy began running pilot applied project management training programs in 2013. These programs can be offered as one-off training courses or plugged into broader career development ladders. The Talent Centre will continue to develop its structure and launch new programs in 2014

## ENVIRONMENT

### Contributing to the renewables and sustainable infrastructure markets

The growing demand for energy is increasingly being met by renewables such as solar, wind, biomass and tidal energy. New major infrastructure and building projects increasingly need to take environmental issues into account. Reduction of fossil fuel consumption and carbon emissions is therefore increasingly significant in determining the nature of the projects carried out around the world. With its technology and its employees' expertise and knowledge, Fugro has an important role to play in this respect. The demand for sustainable energy and sustainable infrastructure and construction create a range of new opportunities in new markets.

Projects relating to renewables and sustainable infrastructure:

- Fugro has been involved in all stages of the development of the renewable energy project London Array. This project has set a new record as the world's largest offshore wind farm. It is located in the UK's Outer Thames Estuary. The development has 175 wind turbines and two offshore substations generating 630 MW of power. Over the last decade Fugro has provided numerous services: installation of 70 meter high met mast, preconstruction environmental and unexploded ordnance (UXO) surveys, positioning support, geophysical and geotechnical site surveys for turbine foundation and elements of the cable route, metocean measurements to ensure safe and effective working conditions and maintenance services for metocean buoys
- As part of pre-construction work for the first offshore wind farm in the USA, Fugro was involved in one of the most comprehensive geophysical surveys in the history of the US North Atlantic outer continental shelf for construction engineering. The wind farm is to be constructed on Horseshoe Shoal in Nantucket Sound. Appointed as lead contractor, Fugro conducted a geophysical survey and geotechnical ground investigations in order to guide the clients design, engineering and installation planning. Integrating both types of data, a high quality



*Fugro's specialist knowledge of marine regulations and requirements assists the continued development of the world's natural resources.*

definition of the seafloor and subsurface conditions and their variability was developed. The offshore programme involved up to fifty scientists, engineers, archaeologists and geologists and a range of specialised vessels

- There is increasing evidence that climate change and a rising sea level will cause more frequent and more devastating disasters. Levees, dikes and embankments play a vital role in the management of flood risk. Fugro's expertise in water management provides the latest insights into flood risk mapping and levee investigation. Integrating this expertise with 'traditional' Fugro expertise like soil investigations, and technical consulting, enables Fugro to play a key role. In 2013 the International Levee Handbook was launched; a guide to good practice. Based on a five year cooperation between governments, institutes and companies in six countries. Fugro has actively contributed to the project, which has created an international network of leading levee experts in Europe and the USA
- In 2013 Fugro signed up to Norstec, a network that brings together key players in the offshore renewables sector that recognise the opportunities offered by the northern seas' offshore wind and marine potential. The goal of this network is to maximise the potential of the renewable energy resources in Europe's northern seas

### **Marine survey and environmental consultancy**

Extensive experience in all phases of offshore development projects, including site selection, environmental impact assessment and post consent support, enables Fugro to provide a comprehensive marine environmental consultancy package. Organisations operating in marine and coastal environments, like consortia considering building wind farms or other sustainable forms of offshore energy, the oil and gas industry, the mining industry, the fishing industry and government authorities can count on an established team of multidisciplinary specialists for practical and innovative solutions. Working in locations as diverse as the North Sea, Greenland, Australia and West Africa, Fugro's dedicated marine mammal and seabird team provides observation/monitoring services and its specialist knowledge of marine regulations and requirements assists the continued development of the world's natural resources.

In 2013, a project executed in the Gulf of Guinea involved the provision of effective 24-7 acoustic mitigation and monitoring services utilising the latest marine mammal mitigation procedures for seismic projects. The team stays up to date with the latest developments in open-source software and hardware, as well as keeping abreast of the relevant guidelines to implement effective mitigation for marine mammals for seismic and construction projects worldwide.

Elsewhere, the Gulf of Mexico provided a new challenge with strict marine mammal mitigation guidelines and reporting requirements. Fugro's observers have the most up-to-date Protected Species Observer training and the relevant skillset to be able to identify all species of large marine fauna, from turtles and dolphins to whales or even manatees.





*Crew on deck of the Fugro Synergy during a gas hydrate project for Korea National Oil Corporation, South Korea.*

### **Reducing the environmental impact of our operations**

Fugro has set itself an objective of promoting energy savings in its activities and increasing the use of sustainable materials. As well as reducing the impact we have on the environment, this will also generate major cost-savings. Fugro works as a service provider and does not own or operate any production facilities. Therefore our own operations have a relatively low impact on the environment. The largest environmental impact of our operations relate to fuel consumption by our fleet of vessels, vehicles and aircraft and energy consumption and use of materials at our office locations. As a consequence, these are the areas that we focus on.

Fugro has set itself the goal of having a certified environmental management system (ISO 14001 or equivalent) for all its key operating companies. By the end of 2013, 72% of the key operating companies were certified or were close to certification. The decrease compared to the 90% compliance a year ago is related to the divestment of the majority of the Geoscience division, whose activities were almost 100% compliant. Compliance audits are carried out, both internally and by external agencies.

Examples of projects focused on reducing consumption of energy and materials:

- **Progress Ship Energy Efficiency Management Plan**

In 2012 the department that supplies the vessel marine services to Fugro's operating companies received its ISO14001 certificate. This has resulted in numerous improvements onboard the managed survey and geotechnical vessels. Although the energy efficiency program has a legislative mandatory background, Fugro is exceeding compliance, in order to operate in a cleaner and greener manner, and lowering fuel cost in doing so. The framework of the energy efficiency improvement program, initiated late 2012, was finalised early 2013.

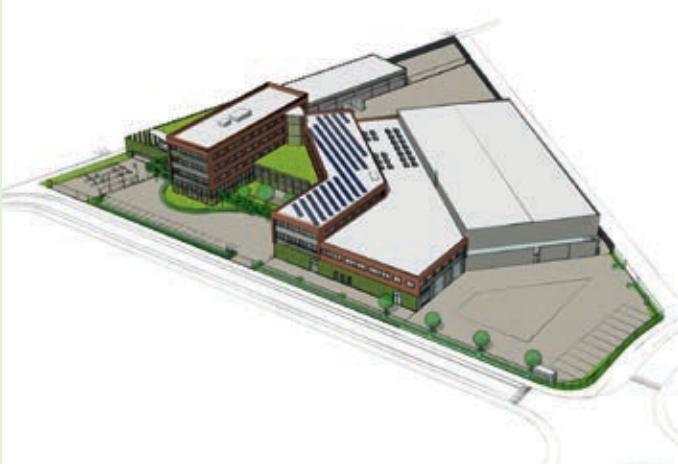
In 2013, more than 60% of vessel crews have been inducted in the importance of energy efficiency, through an awareness campaign onboard, consisting of posters, leaflets and onboard presentations. The approach is proving successful as fleet wide the first results are starting to be noticeable. The awareness campaign will continue throughout 2014 in order to reach all vessel crews.

The framework has been set to allow for improved measurement and monitoring of fuel usage. Accurate measurement and monitoring is key to launching any future improvement measures. As of 1 January 2014 an improved monitoring tool was launched and improved fuel measurement systems will be installed onboard the vessels throughout 2014.

In addition, initiatives were taken on individual vessels, which will be monitored for effectiveness and suitability to implement across the fleet. These initiatives amongst others relate to the use of LED floodlights on deck and propeller pitch experiments in combination with different engine speeds in order to decrease the use of fuel.

- **CO<sub>2</sub> performance ladder, Fugro GeoServices, the Netherlands**

This year, Fugro GeoServices has been certified for the highest level of the CO<sub>2</sub> performance ladder. This is a procurement tool, owned by the Independent Foundation for Climate Friendly Procurement and Business in the Netherlands and is used by the public sector. In order to meet the requirements of the certification scheme, Fugro GeoServices has done a thorough evaluation of the CO<sub>2</sub> emissions of its own activities and those of its main suppliers, including commuting, air travel, the fuel usage of its vehicle fleet and energy consumption of its own offices. In addition, it is committed to a CO<sub>2</sub>-reduction program, which resulted in a 16% reduction in 2013 (= 404 tonnes CO<sub>2</sub>) compared to reference year 2010.



*Artist's impression of Fugro's new office of the geotechnical division in Nootdorp, the Netherlands.*

■ **LEED certification of Fugro's new office in Nootdorp, the Netherlands**

In 2013 construction work started for the new office of the Geotechnical division in the Netherlands. The building provides housing for a warehouse, workshops, laboratories and offices and is designed, developed, constructed and will be maintained and operated according to the Leadership in Energy and Environmental Design (LEED) program of the US Green Building Council. The new premises will be completed in 2014 and have been developed to meet LEED rating requirements. LEED certification is recognised across the globe as the premier mark of achievement in green building.

**SOCIETY**

Fugro operating companies aim to be good corporate citizens by the way in which they contribute directly or indirectly to the general well being of the communities within which they work. Managers and their staff are encouraged, where and when appropriate, to get involved in the local community, support charitable and cultural events and support trade and academic bodies whose aim is to improve the effectiveness of the industries in which Fugro operates.

**Supporting social initiatives**

The company encourages employees to become actively involved in CSR. Most of the projects supported by Fugro were initiated by local operating companies, and range from voluntary work (for example participation in International coastal cleanup in the USA, participation in annual tree planting event in Australia), sponsoring in kind (for example participation in charity sports events, making use of one of our aircrafts for a search and rescue mission in Australia, internships for students in for example Italy) to donations to local hospitals and other charities (for example cancer charities). In South Africa Fugro supports The Homestead project, which helps street children.

Fugro seeks to preserve and promote accessibility to valuable local heritage, and therefore supports many different initiatives around the world, particularly in the area of arts and culture. By sponsoring the Concertgebouw Amsterdam, Fugro contributes to the latter's mission to enable as many people as possible to experience world-class classical music. Fugro also provides financial support to the Hermitage art foundation in Amsterdam, the Hoge Veluwe national park in the Netherlands and the 'Holland' sea tugboat.

In addition to art and cultural heritage, Fugro also supports various local and larger-scale sports events. It sponsors the MS150, a cycle tour from Houston to Austin organised by the American Multiple Sclerosis Society, and also amongst others the Western Australian rugby team Western Force, and an annual cycling event in Jakarta, Indonesia.

**Sector representation**

Fugro actively seeks cooperation with universities, research initiatives and standardisation institutes to find innovative solutions that encourage best practices and provide opportunities to our staff to grow. Fugro is involved in many aspects of the energy supply chain and supports and develops standards and methods that are both efficient and good for the environment and people. To that end, Fugro participates in various organisations that are actively seeking to improve guidelines, standards, agreements, cooperative ventures and so on, in the industries in which we work. The main bodies on which we are represented are listed on the next pages.

## SECTOR REPRESENTATION/PARTICIPATION

1.0 Industry Committees/Advisory bodies	Fugro's contribution
International Standards Organisation (ISO)	Member of working groups for developing new standards: <ul style="list-style-type: none"> <li>■ Offshore structures for the petroleum and natural gas industries</li> <li>■ Marine soils investigation</li> <li>■ Marine geophysical investigations</li> <li>■ European standards for laboratory testing of soils</li> </ul>
International Society for Soil Mechanics and Geotechnical Engineering (ISSMGE)	Secretary and membership of the Offshore Geotechnics Committee Membership of the In situ-testing Committee
Society for Underwater Technology (SUT)	Membership of: <ul style="list-style-type: none"> <li>■ Offshore Site Investigation and Geotechnics Committee (OSIF)</li> <li>■ Honorary secretary Houston Branch</li> <li>■ Working Group on Developing Guidance Notes on Site Investigations for Offshore Renewable Energy Projects</li> <li>■ Working Group on Guidance Notes for Reducing Risks of 'Top Hole Drilling'</li> <li>■ Honorary Secretary of the Houston branch</li> </ul>
International Association of Oil and Gas Producers (OGP)	Membership of the Committee for Guidelines and Technical Memoranda assessing the risks of offshore drilling
OSPAR (Commission for protecting and conserving the North-East Atlantic and its resources)	Study and understanding of the environmental risk of drill cuttings
International Marine Contractors Association (IMCA)	Membership of the Offshore Survey Management Committee Membership of the Sustainable Energy Working Group
Membership of the Sustainable Energy Working Group	
Hydrographic Society	Memberships of Benelux, UK, Australian Branches
Gulf of Mexico Coastal Observing System	President
Weather Museum Houston	Director
Alliance for Coastal technology	Director

2.0 Joint Industry Projects (JIP) and research programs	Fugro's contribution
Lateral Pile behaviour in Chalk	Active participation and financial contribution for determining pile load/behaviour in marl and limestone soils for purposes of gathering information for the wind energy sector
SAFEBUCK	Active participation in design underwater pipelines to prevent potential lateral buckling
Jack-up spud can foundations	Active participation in research into the effects of existing seafloor depressions on the stability of offshore platform foundations
EU Sponsored Marie Curie project	Industrial Partner in the TRANSMIT program. Mitigation of ionospheric threats. Precise positioning
British Engineering and Physical Sciences Research Council (EPSRC)	Industrial Partner in POLARIS on the subject of Ionospheric Scintillation
MUMOLADE	Associated partner multiscale modelling of landslides and debris flows



3.0 Training/courses	Fugro's contribution
Society for Underwater Technology (SUT) Course on Introduction to Offshore Geophysics and Geotechnical Engineering	Organisation (support)
Fugro training course on understanding the challenges involved in Offshore Wind Energy with respect to gathering and interpreting geological, geotechnical and spatial data	Organisation

4.0 Cooperation with universities	Fugro's contribution
Georgia Institute of Technology, USA	Sponsoring
Delft University of Technology, Netherlands	Sponsoring
Heriot-Watt University, United Kingdom	Contribution to MSc programme
IHE UNESCO Delft, Netherlands	Guest lectures on Offshore Geotechnical Surveys for MSc students
Deltares, Delft, Netherlands	Guest lectures for the international course on 'Setting up a geotechnical investigation programme'
Imperial College London, United Kingdom	Funding of MSc scholarship in Soil Mechanics and Engineering Geology
Portsmouth University, United Kingdom	Funding of BEng scholarship in Engineering Geology and Geotechnics
École Nationale Supérieure de Techniques Avancées (ENSTA) in Brest, France	MSc-level guest lectures on subsea positioning
Plymouth University, United Kingdom	Learning courses in hydrography at Oceanology International in London. Fugro has been working with Plymouth for over three years on designing and developing this modular hydrographic surveying qualification.
Newcastle University, United Kingdom	Visiting Professor on integrated positioning, sponsoring of PhD students
Technical University of Catalonia, Barcelona, Spain	Sponsoring of PhD student
Memorial University, Canada	Sponsoring and participation in advanced AUV development Initiatives
Wuhan University, China	Industrial partner, Sponsoring of PhD students
University of Life Sciences, Ås, Norway	Sponsoring of PhD student
University of Calgary and University of York, Toronto, Canada	Sponsoring of PhD student, various cooperations in the field of precise positioning

# RISK MANAGEMENT

## General

Fugro's risk management policy is aimed at long-term sustainable management of its business activities and limiting or, where meaningful, hedging of the associated risks. Due to the wide diversity of markets, clients and regions and its broad portfolio of activities, quantifying all existing risks relevant to the Group as a whole is virtually impossible. Still risks are quantified wherever possible and useful. This applies amongst others to the influence of the exchange rate of the US dollar, the Australian dollar, the Norwegian kroner and the British pound, see page 28.

## Strengths

- Leading market positions in offshore survey, offshore geotechnical and seabed geophysical activities, and in niche or regional markets in onshore geotechnical and subsea services
- Balanced exposure to multiple market segments and geographies
- Consistent execution of strategy
- Professional employees who receive continuous additional training
- Highly specialised and proprietary technology and resources
- Capability to take on large, multi-discipline projects anywhere
- Healthy financial position.

## Weaknesses

- Much of the revenue depends on investment by the oil and gas industry
- Sensitivity to rapid, sharp fluctuations in exchange rates of specifically the US dollar, the Norwegian kroner, the Australian dollar and the British pound
- Underperformance in the Subsea Services division and Seabed Geosolutions
- The Australian multi-client library has no head room
- High working capital level which is difficult to reduce, mostly due to client payment behaviour
- Sub-optimal level of standardisation of service delivery across Fugro's regions and divisions.

## Opportunities

- Increasing demand for energy from a growing and increasingly affluent world population
- Continued investment by the oil and gas industry, amongst others related to depletion of existing fields
- Optimisation of existing oil and gas fields
- Increasing development of deepwater fields
- More and larger infrastructure projects, including coastline protection and pipelines and for seabed data acquisition

- Innovation and research and development
- Emerging markets such as Africa, Middle East and Central Asia
- Differentiation through research and development and innovation.

## Threats

- Strong decrease of the oil price compared to the present level of USD 110 per barrel (Brent), leading to lower investments by the oil and gas industry
- Economic and financial instability as a result of the weak world economy
- Political instability in countries and/or regions important to Fugro
- Payment risk of clients with low financial strength
- Non-compliance by agents and partners with respect to bribery and corruption
- Increasing contract size and complexity and more uncertain timing of contract start-up
- Pressure on prices by clients as a result of lower demand and/or overcapacity in certain markets
- Offshore operations in a number of regions around the globe are vulnerable to acts of piracy
- Cuts in government spending
- Technology break through by competitors
- Lack of availability of technically educated staff
- Increasing protectionism in certain markets, leading to requirements for working in local partnerships.

Fugro's long-term risks are limited due to:

- The diversity of activities in more than one international market segment and region
- Broad client base (unless in case of single large contracts), typically no clients with contracts accounting for more than around 4% of Fugro's total annual revenue
- Use of own modern, often proprietary technologies and professional employees
- The ability to adjust quickly to exchange rate and price changes as most contracts are of short duration
- Geographical spread of activities
- A balanced and flexible vessel fleet composition
- Limited risk related to pension obligations
- Good internal risk management and control systems
- Part of the (manpower) capacity being hired-in on a flexible basis, among which free lance staff
- Strong financial position to support future growth and take on competition
- External review of agents
- Risk on large, complex projects mitigated by strong focus on projectmanagement and training.



Artist's impression of Fugro Gulfstream-II jet aircraft equipped with GeoSAR sea ice mapping system in Arctic region.

## Operational

### Activity portfolio

Although the core activities show a high degree of cohesion, they also target diverse markets, clients and regions. A high proportion of the activities, around 75%, is related to the oil and gas industry. With the divestment of the majority of the Geoscience division, Fugro has reduced its exposure to the volatile exploration segment and is focusing on the more stable development and production segments of the oil and gas field life cycle. The other activities are dependent on developments in markets that include infrastructure and building, and mining.

The influence of positive and negative economic effects is further moderated by:

- Cohesion between a broad range of services provided to different markets
- Good geographical spread
- Being an independent service provider to a diverse base of clients
- Strong market positions
- Size of the Group.

### Client base and price changes

Some of Fugro's contracts are awarded on the basis of long-term preferred supplier agreements. In the course of a year Fugro often carries out several projects for the same client. The projects carried out for any single client do not, however, account for more than around 4% of the total annual revenue. On occasion a client may generate more than 4%, which can happen in case of exceptionally large contracts where most of the revenue falls within a reported period. Having a large number of clients supports Fugro's independence and improves its stability.

To carry out its projects Fugro has at its disposal highly trained employees and technically advanced and expensive equipment. Much of Fugro's work involves short-term contracts. Fugro is, to a degree, sensitive to price changes and sudden changes in exchange rates, although it can adapt relatively quick due to the general short term duration of projects. Fugro's budgets are, for around 75%, based on the expected investments by

the oil and gas industry. Unless there is a structural drop in the oil price to less than around USD 95 – 100 per barrel (Brent), it is not anticipated that substantial (up or down) fluctuations in oil prices will lead to a rapid change in these investments.

### Capacity management

Fugro is constantly alert for signals that indicate changes in market conditions so it can react quickly and appropriately. Sudden and unexpected changes in market conditions are, however, always possible. Some of Fugro's survey activities can precede investment by clients and generally take place at the start of project or investment cycles of clients. This means Fugro's activities can be the first to be affected by changes in market conditions. Postponement and interruption to the flow of orders and project delays can lead to temporary shortfalls in revenue due to under-utilisation of capacity.

The weather and the availability of vessels are key factors for offshore activities in particular. Weather influences are calculated into the budgets and tend to average out over the year.

The strategic review has led to the conclusion that in order to capture the growth potential in the market, a step-up in investment in vessel capacity is needed in the period 2013 – 2016. The majority of these investments will support organic growth in the Survey and Geotechnical divisions. For the geotechnical fleet it relates mainly to the replacement of three older vessels with more efficient vessels which therefore increases capacity. In the Survey division it also relates to an expansion of the fleet with dedicated, specialised vessels to capture the growth opportunities in the market. Purpose-built vessels with its own proprietary technology provide Fugro with a competitive advantage, especially for deepwater work. Chartered vessels will continue to provide the company with additional flexibility and will continue to be an important factor of risk mitigation.

The vessel investment plan is spread over several years and has limited hard commitments, supplemented with build options. This allows Fugro to adapt the investment program in case the markets develop differently than



anticipated at present, or in case alternative opportunities become available that are more attractive (for example chartering).

The fact that Fugro is deploying heavy and specialist equipment means that the risk of capacity under-utilisation will increase. At the same time, the exchange of manpower and equipment between the various business units can improve utilisation.

The deployment of expensive (marine) equipment also leads to risks with regard to loss of revenue due to equipment break downs.

Part of the staff is appointed on a temporary basis or works on a freelance basis, providing Fugro a certain flexibility to respond to variations in manpower needs.

## Financial

### Balance sheet

Fugro has an active policy to optimise its balance sheet ratios in order to limit financial risks and maintain its long-term solvency. Fugro targets a leverage ratio of net debt over EBITDA of less than 2. Being quoted on the stock exchange enables Fugro to make a well considered selection of the optimal financing mix when considering larger investments and acquisitions.

Future interest rate risks are limited to bank loans. Fugro's objective is to limit the effect of interest rate changes on the results.

Research costs are charged directly to the results.

Fugro has evaluated the book value of its assets, including goodwill, within the framework of its normal balance sheet evaluation. This has shown that no impairment of any tangible or intangible asset is necessary.

The Australian component of the multi-client library has zero head room which implies that if sales are weak, impairment may be required. In practical terms, if this happens it means that amortisation is pulled forward.

### Currency exchange rate conversion

Fugro limits its sensitivity to changes in foreign currency rates, but is not immune to exchange rate variances caused by rapid changes to the rates versus the Euro (which is the reporting currency). Besides that, changes in exchange rates will result in translation differences. As most of Fugro's revenue in local currencies is used for local payments, the effect of negative or positive currency movements on operational activities at a local level is minimised. Fugro's international monetary streams are limited and mainly in US dollars, US dollar related currencies, the Euro, the Australian dollar, the Norwegian kroner and the British pound.

Where possible and desirable, forward exchange contracts are executed. Fugro strives to match assets and liabilities in foreign currencies. Rapid and radical changes in exchange rates can also influence the balance sheet and profit and loss account, partly due to the length of time between tenders being submitted and orders being awarded or delayed, during which period forward exchange hedging contracts would not be appropriate. This creates an additional foreign currency risk that cannot be quantified in advance. At the Group's current structure and size, a 10% strengthening of the Euro against the USD would negatively affect profit by EUR 3 million and revenue by approximately EUR 88 million as translation differences. A 10% strengthening of the Euro against the GBP would negatively affect profit by EUR 2 million and revenue by approximately EUR 44 million. A 10% strengthening of the Euro against the NOK would negatively affect profit by EUR 2 million and revenue by approximately EUR 20 million. A 10% strengthening of the Euro against the AUD would lead to a positive effect on profit of EUR 2 million and a revenue effect of approximately EUR 9 million.

### Pension provisions

Fugro maintains pension schemes for its employees in accordance with regulations and customs which prevail in each of the countries in which Fugro operates. Since 1 January 2005 Fugro operates an average salary based pension scheme in the Netherlands. This is

Exchange rates (in EUR)	USD end of period	USD average	GBP end of period	GBP average	AUD end of period	AUD average	NOK end of period	NOK end of period
31 December 2013	0.73	0.75	1.20	1.18	0.65	0.72	0.120	0.127
30 June 2013	0.77	0.77	1.17	1.17	0.71	0.77	0.127	0.132
31 December 2012	0.76	0.78	1.23	1.23	0.79	0.81	0.136	0.134
30 June 2012	0.80	0.77	1.24	1.22	0.81	0.80	0.133	0.132
31 December 2011	0.77	0.71	1.20	1.15	0.79	0.75	0.129	0.129
30 June 2011	0.69	0.70	1.11	1.14	0.74	0.74	0.129	0.128

classified as a 'defined benefit' scheme. The pension commitments in the Netherlands are fully re-insured on the basis of a guarantee contract. The accrued benefits are fully financed.

In the United States Fugro has a 401K system for its employees. Fugro contributes towards the deposits of its employees in accordance with agreed rules and taking the regulations of the Internal Revenue Service (IRS), the American federal tax authority, into account. This system is free of risk for Fugro.

In the United Kingdom Fugro operates a number of pension schemes. All the schemes available to new employees are defined contribution schemes. There is one defined benefit scheme open for long-serving employees and there are other defined benefit schemes which have been closed but which have on-going obligations to their members. Measures have been taken to ensure these obligations can be paid when required.

In the other countries where Fugro has organised retirement provisions for its employees, obligations arising from these provisions are covered by items recognised in the balance sheet of the relevant operating company.

#### **Information and communication technology (ICT)**

Fugro relies on a range of ICT systems (including hardware, software, computer networks and communication links) to manage its business, support operations and to deliver many of the advanced technological solutions which help to differentiate the company in the marketplace. While much of the office based hardware and software used by Fugro are proven off-the-shelf products, Fugro actively develops proprietary hardware and software to support its range of specialist services and to strengthen its market position.

Fugro's global ICT infrastructure is designed to fit the needs of a decentralised global organisation in an efficient, reliable and secure manner. The ICT requirements of individual Fugro operating companies vary according to the size and operational activities of each company. Typically, company managers have local responsibility for their Local Area Network (LAN) infrastructure including its support. At a local or regional level, operating companies are encouraged to share ICT knowhow and support services in order to generate efficiencies of scale. However, at a global level, the interface between every operating company's LAN to that of any other Fugro company and the 'outside world' is monitored and controlled by a dedicated team of ICT security specialists, using state-of-the-art 'firewall' systems and other ICT security related systems. The ICT security team is independent from the ICT support staff in the operating companies. In 2013, Fugro's in-house

ICT security team successfully safeguarded the security aspects of Fugro's ICT infrastructure and applications. Fugro's ICT security team also played a key role in managing ICT security related matters relating to the 'carve-out' of the majority of the Geoscience division (which transferred to CGG during the course of the year), without compromising data/information security and without causing operational down-time to ICT systems as a result.

As a group, Fugro works to mitigate ICT related risks through a variety of measures, which are constantly under review:

- The adoption of new third party software and software upgrades (such as that used in the office environment) is generally delayed until sufficient time has passed to prove that the software is stable and does not pose a security risk
- Proprietary software is subject to comprehensive testing procedures before operational use
- Access to client data and other confidential information is restricted to specific people in the operating company concerned, who have a legitimate reason for such access
- Fugro's central web hosting facilities are protected by high-end web application firewalls specifically designed to protect the applications from known attack vectors
- Data communications within Fugro's global wide area network (WAN) are channelled over an encrypted virtual private network (VPN), the security of which is monitored around the clock
- Fugro's ICT systems are constantly monitored for evidence of contamination by viruses or 'malware' using a variety of independent means
- Access from Fugro's WAN to 'social network' sites is restricted for security reasons.

#### **Insurance and legal risks**

Fugro is insured against a number of risks. Risks related to professional indemnity and general liability are covered at a Group level, except for the operating companies in the US and Canada, where they buy local cover for these risks. Equipment and other assets are insured locally and local cover is arranged for risks associated with normal business operations, such as insurance for vehicles, buildings and employees.

Some operating companies are involved in claims, either as the claimant or the defendant, within the context of normal business operations. Where necessary proper provisions have been accounted for in the financial statements. Based on developments thus far, it is not anticipated that Fugro's financial position will be noticeably affected by any of these proceedings. With regard to items included in the Financial Statements adjustments to estimates are possible.

## **Internal systems**

Due to the generally short-term nature of its assignments, constant monitoring of its markets and its operating and financial results is intrinsic to Fugro's modus operandi.

Clarity and transparency are an absolute must for assessing and evaluating risks. These are fundamental characteristics of the Fugro culture. Due to the wide variety of markets, clients and regions and Fugro's extensive activity portfolio, the management of the operating companies is responsible for the application and monitoring of and compliance with the internal control systems. The monitoring systems consist of the internal control framework described below.

## **General Business Principles (code of conduct)**

Fugro's General Business Principles govern how each of the operating companies conducts its affairs. In particular the anti-bribery section was updated and guidelines were added which contain specific rules related to gifts and payments to third parties. The General Business Principles are posted on the website.

## **Corporate handbook**

Fugro's corporate handbook contains mandatory instructions regarding many business aspects, including risk management. This handbook is for the senior management members responsible for further application within the operating companies.

## **Financial handbook**

This handbook contains detailed guidelines for the financial reporting. The financial handbook is for the senior management and the controllers of all operating companies. The latest update was issued in December 2013.

## **Insurance manual**

The insurance manual contains detailed guidelines with respect to risks to be insured. The insurance manual is distributed to managers of all operating companies and their employees who are responsible for insurances. The latest update was issued in December 2011.

## **Information and communication technology (ICT)**

Fugro endeavours to mitigate the risks associated with ICT systems through a variety of measures. These are described on page 77.

## **Project Management handbook**

This handbook provides procedures for the preparation and execution of projects, and is used by project managers. The latest update was issued in October 2011.

## **Planning**

The business plans of every Fugro unit are translated into budgets. Adherence to the budgets is checked on

a monthly basis. Any unforeseen circumstances that arise, or any substantial deviation from the budgets, must be reported immediately by the management of the operating company to the responsible division director. The monthly reports submitted by the operational management to Fugro include an analysis of the achievements versus the approved plans and a forecast for the coming period.

## **Authorisation level**

Managers are bound by clear authorisation restrictions regarding representation. Projects and contracts with a value or risk that exceeds a specified amount must be approved in accordance with the applicable authorisation matrix which is updated from time to time by the Board of Management. The most recent update is from December 2013.

## **Letter of representation**

Every six months all managers and controllers of operating companies and the responsible division director sign a detailed statement regarding the financial reporting and internal control.

## **Internal audit**

Somewhat fewer internal audits of operating companies were carried out in 2013, due to the CGG transaction and the strategic review. The findings are reported directly to the CEO and the responsible division director. The findings of the internal audits are also shared with the audit committee.

## **Peer reviews**

'Peer reviews' are also carried out on a regular basis. A peer review involves a review of an operating company by a team from other operating companies. The results are reported directly to the responsible division director.

## **Agents**

An enhanced procedure to check agents used by the company and to enforce compliance has been developed in 2013 and will be fully implemented in the first half of 2014. The enhanced procedure includes a review of existing and new agents by an independent third party and a standardised centralised web-based compliance check on a half-yearly basis.

## **Audit committee**

The audit committee comprises three members of the Supervisory Board and, given the risk appetite of the company, it ensures an independent monitoring of the risk management process from the perspective of its supervisory role. The audit committee focuses on the quality of the internal and external reporting, the effectiveness of the internal audits and the functioning of the external auditor. Further information on the audit committee is available on page 84 and in the





Laboratory testing, Fugro Nigeria.

terms of reference of the audit committee. These terms of reference (included in the terms of reference of the Supervisory Board) are posted on Fugro's website.

#### **External audit**

The financial statements of Fugro are audited annually by external auditors. These audits take place on the basis of generally accepted auditing standards. The performance of the external auditor is evaluated annually. The current external auditor, KPMG Accountants N.V., was appointed as Group auditor by the Annual General Meeting in 2010. Their (re)appointment will be on the agenda of the Annual General Meeting in 2014.

#### **Advisory roles**

If necessary, professional external advice is sought from third parties. The external auditor does not act in an advisory capacity, except for occasionally due diligence as part of mergers and acquisitions and activities relating to the financial statements. In the majority of these cases Fugro uses audit firms that are not used to carry out component audits.

#### **Safety**

Key operational subsidiaries are externally certified in accordance with OHSAS 18001 or equivalent. Compliance audits are done by internal specialists and by external agencies when re-certification has to take place.

#### **Quality**

Where required Fugro operating companies work in accordance with the relevant certificates such as ISO 9001 or equivalent. Compliance audits are carried out internally, by clients and by external agencies.

#### **Environment**

Fugro has set a goal that all larger key operating companies will have a certified environmental management system according to ISO 14001 or equivalent. By the end of 2013, 72% of these operating companies were certified or close to certification. As with quality certification, compliance audits are carried out, both internally and by external agencies.

#### **Whistleblowers arrangements**

Employees have the possibility of reporting alleged irregularities of a general, operational or financial nature in any Fugro operating company, worldwide, without jeopardising their legal position. The whistleblower policy is posted on Fugro's website.

#### **Declaration regarding risk management**

Taking the above into account, to the best knowledge of and in the opinion of the Board of Management, Fugro's internal risk management and control systems as described in this annual report provide a reasonable assurance that the financial reporting does not contain any errors of material importance and these systems worked properly in the year under review.



## SUPERVISORY BOARD

*name* **Mr. H.L.J. Noy** (1951)  
*function* Chairman  
*committee* Chairman nomination committee; Member remuneration committee  
*nationality* Dutch  
*first appointed* 2012  
*current term* Until AGM 2016  
*expertise* Management of listed consulting/engineering company; Strategy; Internal risk management and control systems; Shareholder and employee relations  
*previous position* Chairman Executive Board and CEO ARCADIS N.V. until 16 May 2012  
*other functions* Supervisory Board member Royal BAM NV; Board member VEVO (The Dutch Association of Listed Companies); Extraordinary Board member Dutch Safety Board; Board member ING Trust Office and of Foundation Administration Office for shares of TKH Group

*name* **Mr. J.A. Colligan** (1942)  
*function* Vice-chairman  
*committee* Member audit committee  
*nationality* British  
*first appointed* 2003  
*current & final term* Until AGM 2015  
*expertise* Management strategy and risks inherent to the company's business; Management selection, nomination and selection, oil and gas sector, innovation and technology development  
*Other functions* Director Society of Petroleum Engineers Foundation

*name* **Mrs. M. Helmes** (1965)  
*committee* Member audit committee  
*nationality* German  
*first appointed* 2009  
*current term* Until AGM 2017  
*expertise* Financial administration and accounting; Internal risk management and control systems; Financing and general financial management  
*other functions* Speaker of the Management Board and Chief Financial Officer Celesio AG, Stuttgart (Germany); Supervisory Board member Brocacef Holding N.V. and NXP Semiconductors N.V.

*name* **Mr. G-J. Kramer** (1942)  
*committee* Chairman remuneration committee; Member nomination committee  
*nationality* Dutch  
*first appointed* 2006  
*current term* Until AGM 2014  
*expertise* Management selection, nomination and selection; Management strategy and the company's risk profile; Compliance; Oil and gas sector  
*other functions* Vice-chairman Supervisory Board Damen Shipyards Group; Supervisory Board member N.V. Bronwaterleiding Doorn and Energie Beheer Nederland B.V.; Chairman Service Organisation Protestant Churches in the Netherlands; Chairman Board Amsterdam Sinfonietta and Chairman Board The Hague Philharmonic; Foundation Beelden aan Zee Museum; Member Advisory Board De Nieuwe Kerk and Frans Hals Museum

*name* **Mr. J.C.M. Schönfeld** (1949)  
*committee* Chairman audit committee  
*nationality* Dutch  
*first appointed* 2013  
*current term* Until AGM 2017  
*expertise* Financial administration/accounting; Planning and control; Financing; Risk management; Corporate Governance and compliance; Oil and gas sector  
*other functions* Supervisory Board member ARCADIS N.V.; S&B Industrial Minerals S.A. (Athens); The Technical University Delft (Netherlands); The Dutch Authority Financial Markets (AFM); The Royal Art Academy and Conservatorium (The Hague) and Foundation Continuïteit ICT

*name* **Mr. Th. Smith** (1942)  
*committee* Member remuneration committee; Member nomination committee  
*nationality* American  
*first appointed* 2002  
*current & final term* Until AGM 2014  
*expertise* Management strategy and the company's risk profile; Management selection, nomination and selection; Innovation and technology development; The oil and gas sector  
*other functions* Chairman Board Smith Global Services, Inc.; Board member Houston Advanced Research Center; Director WWW United, Inc. and Chief Operations Officer (COO) Satterfield & Pontikes, Inc.

*Secretary to the Supervisory Board* **Mr. W.G.M. Mulders** (1955)

## REPORT OF THE SUPERVISORY BOARD

The year 2013 was marked by the completion, early in the year, of the divestment of the majority of the Geoscience division and the establishment of the Seabed Geosolutions joint venture. This resulted in a shift in Fugro's portfolio, making the company less sensitive to the cyclical seismic data acquisition market. Since the divestment, Fugro's business is organised in four divisions. Despite still difficult economic circumstances in many parts of the world, the Geotechnical and Survey divisions performed reasonably well. The subsea activities now form a separate division and the restructuring of this division is bearing fruit. The Seabed Geosolutions business, which is the core of Fugro's fourth division, had a slower than expected start, but based on recent order intake, prospects are promising.

At the end of September the company presented its updated strategy: 'Growth through Leadership'. We are confident that the strategic choices that have been made, will contribute to the future growth of the company. The implementation of this strategy will be an important task for the Executive Committee in 2014.

### 2013 FINANCIAL STATEMENTS AND DIVIDEND

This Annual Report includes the 2013 Financial Statements, which are accompanied by an unqualified independent auditor's report of the external auditor, KPMG Accountants N.V. (KPMG). These Financial Statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and section 9 of Book 2 Dutch Civil Code.

On 25 February 2014, the audit committee discussed the Financial Statements with the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and KPMG. The audit committee also discussed the auditor's report, the quality of internal risk management and control systems and had a discussion with KPMG without Fugro management being present.

On 6 March 2014, we discussed this Annual Report, including the 2013 Financial Statements, with the Board of Management, in the presence of KPMG. Furthermore we took note of the reporting from the audit committee and reviewed the auditor's report and the quality of internal risk management and control systems. We are of the opinion that the Financial Statements and the report by the Board of Management provide a true and fair view

of the state of affairs of Fugro including the management policies pursued.

We propose that the shareholders adopt the 2013 Financial Statements and discharge the members of the Board of Management in office in the 2013 financial year for their management of the company and its affairs during 2013, and the members of the Supervisory Board in office for their supervision over said management. We agree with the proposal of the Board of Management to distribute a dividend for 2013 of EUR 1.50 per share, to be provided in cash or in shares at the option of the shareholder. This equates to a pay-out ratio of 54% of the net result, excluding the one-off gain relating to the divestment of the majority of the Geoscience division. The company intends to repurchase the shares used for dividends in order to prevent dilution.

### REVISED STRATEGY 'GROWTH THROUGH LEADERSHIP'

The strong growth of Fugro over the last decade and the recent divestment of the majority of the Geoscience division were the main reasons for an in-depth review of the strategy. We spent considerable time on discussions with the Executive Committee about market developments and opportunities, issues to be addressed, strategic alternatives to be considered and financial and organisational consequences. Specific attention was paid to the need to increase the return on capital used to run and grow the business. In our September meeting we approved the strategic plan and agreed with the challenging financial targets set by the Executive Committee. We consider the strategic plan a solid base for the next step in Fugro's development, which includes continued strong growth of Fugro's core business, based on enhanced internal cooperation and synergies in response to changing client demands. Strengthening of the regional organisation and upgrading of the corporate support functions are key elements to achieve the strategic goals. These processes already started in 2013.



## **IMPROVEMENT OF FINANCIAL PROCESSES**

As already set out in the 2012 annual report, mid-December 2012 the company received a whistleblower letter with allegations concerning elements of the company's financial reporting. This led to an extensive, independent investigation, under the supervision of the Supervisory Board, which was completed at the beginning of March 2013. There were no material adverse findings from the investigation and the enhanced financial closing procedures did not result in any material adverse consequences for the 2012 financial statements.

The outcome of the investigation confirmed the need to strengthen Fugro's financial organisation and processes. Fugro's size, geographical spread and growth ambitions require an upgrading of the company's finance function. In close consultation with the audit committee, appropriate actions have been taken. This included the continued use in 2013 of external capacity and expertise to support the financial processes at corporate level, the appointment of Mr. Paul Verhagen to the Board of Management as of 1 January 2014 and a new CFO as of 6 May 2014 and the engagement of a new group controller as of 1 February 2014. In addition, the consolidation system and processes are being upgraded, the control function will be strengthened, especially at the regional level, and the internal audit function and corporate treasury will be enhanced. These measures are also important to support Fugro's growth ambitions in line with its strategic plan.

## **SUPERVISORY BOARD ACTIVITIES AND MEETINGS**

The Supervisory Board had a demanding year with nine meetings. Six regular meetings were held jointly with the Executive Committee, five of which were preceded by 'closed meetings'. In addition, three extra meetings were held by conference call. As a principle the Executive Committee attended all those meetings but in some cases (part of) the meetings were held without (all) members of the Executive Committee being present. None of the Supervisory Directors was regularly absent. The overall attendance percentage was 96%. Members who were absent informed the Chairman in advance of their views on the items on the agenda. Outside of the meetings the Chairman was in regular contact with his colleagues, the CEO and other members of the Executive Committee when necessary or useful. The Chairman acts as the first point of contact within the Supervisory Board for the CEO. By way of preparation, many subjects are discussed in advance in one of the Supervisory Board committee meetings.

A few members of the Supervisory Board attended part of Fugro's annual 'May Managers meeting', at which, amongst others, Fugro's senior management discussed the strategy. In September, our meeting was combined with visits to operating companies in The Netherlands. Besides management of the Dutch operating companies, also management of other European operating companies gave presentations on market developments, competitive position, performance and main challenges going forward. These company visits and meetings with senior management take place annually and provide us with additional insight into the quality of local operations and management. In 2014, the Supervisory Board intends to visit operating companies in the United States.

Each meeting with the Executive Committee started with a discussion on health and safety. Although the health and safety indicators show an improved performance, Fugro unfortunately had one fatality in 2013. We discussed this tragic incident with the Executive Committee and strongly support management in its efforts to further enhance Fugro's health and safety culture and performance.

In the meetings with the Executive Committee the recurring items on the agenda were, amongst others, market developments; financial performance and forecast per division and for Fugro as a whole; developments in operating companies; organisational developments; working capital and cash flow; acquisitions, investments and divestments; internal control and risk management; compliance; share price development; investor relations; and the completion process of the divestment of the majority of the Geoscience division and the establishment and performance of the Seabed Geosolutions joint venture. The meeting reports of the audit committee, the nomination committee and the remuneration committee were also discussed.

Next to the regular agenda items, the following items were discussed:

In January we approved the annual budget for 2013. We also discussed the investigation (as referred to above); the divestment process of the majority of the Geoscience division; the functioning of the members of the Executive Committee and their remuneration; a review of acquisitions during the past five years; and corporate governance developments. In a closed pre-meeting the investigation and related issues were extensively discussed.

In a conference call in February, without members of the Executive Committee attending, the investigation was discussed as well as the decision of Mr. Frans Cremers to step down from the Supervisory Board. Shortly afterwards it was decided to appoint Mr. John Colligan as



*Fugro CPT truck collecting data for ground model analysis and design related to earthquake engineering, Christchurch, New Zealand.*

vice-chairman of the Supervisory Board and, for the time being, as chairman of the audit committee.

In March, during a two day meeting, a full day was spent to discuss the findings of the investigation. It was concluded that there were no material adverse findings from the investigation. The annual results 2012 were discussed and the Annual Report 2012 was approved. We also agreed with the dividend proposal. The nomination of Mr. Maarten Schönfeld to join the Supervisory Board and to take over the chairmanship of the audit committee was discussed and the Supervisory Board received an update on the process for the strategy review.

In May a lot of time was spent on the review of the strategy. The Supervisory Board supported the preliminary findings and conclusions of the Executive Committee. The Supervisory Board agreed on the profile for a new CFO and was updated on the search process. Mr. Harrie Noy was appointed chairman of the Supervisory Board, effective from the closing of the AGM in May when Mr. Frank Schreve would step down according to plan. Furthermore it was decided to split the then 'combined' remuneration and nomination committee in two separate committees, each with its own chairman. Mr. Harrie Noy was appointed to chair the nomination committee and Mr. Gert-Jan Kramer the remuneration committee.

In August the half-yearly report 2013 was approved, and the Supervisory Board again spent a lot of time on the review of the strategy. In a closed pre-meeting which was attended by the CEO only, the Supervisory Board discussed, amongst others, the process of strengthening the finance function and the progress on the recruitment of a new CFO.

In September the Supervisory Board extensively discussed the strategic plan as prepared by the Executive Committee, including the financial targets, and agreed with the updated strategy, as well as with the draft Capital Markets Day presentation. It was agreed to change the dividend policy in order to prevent dilution. The Supervisory Board also received a presentation on

the activities and performance of Seabed Geosolutions. After having been informed on the key elements of his contract, the Supervisory Board decided to nominate Mr. Paul Verhagen for appointment to the Board of Management as of 1 January 2014 with the intent that he succeeds the CFO at the close of the AGM in May 2014.

In November the Supervisory Board started with a closed pre-meeting in which it discussed the composition of the Supervisory Board; the profile for a new member of the Supervisory Board; the self-evaluation process; the remuneration policy for the Executive Committee; and the external communication by Supervisory Directors. In its regular meeting the Supervisory Board was informed on feedback from the Capital Markets Day and the road shows that were held in the last week of September; on the progress of strengthening the finance function; on the implementation process of the updated strategy; and it received a presentation by the Global HR Director on his plans to strengthen HR, especially regarding management development and succession planning. The Supervisory Board also agreed with the proposal to buy back shares that are issued as stock dividend in order to avoid dilution.

In a closed meeting in December, the Supervisory Board further discussed the self-evaluation process and the evaluation of the (members of) Executive Committee. Furthermore the board was updated on the selection process for a successor of Mr. Bo Smith who will step down at the end of the AGM in May 2014, as his third four-year term expires.

## **COMPOSITION AND PROFILE OF THE SUPERVISORY BOARD**

The Supervisory Board currently consists of six members of American, British, Dutch and German nationality (see page 80 for details). The Supervisory Board has formulated a profile defining its size and composition, taking into account the nature of the company and its activities. In 2013 this profile was updated when the composition of the Supervisory Board was discussed. The composition of the Supervisory Board and the

combined knowledge, skills, experience and expertise should be such that it fits the profile and the strategy of the company. Diversity, including gender related, is an important consideration in the selection process for (re)appointment of Supervisory Directors. However, the first priority when considering vacancies is quality, expertise, experience, independence and nationality. Gender is important but is only part of diversity. Although the Supervisory Board aims at having at least 30% of each gender among its members in 2016, it is not certain whether this is achievable.

The Supervisory Board attaches great importance to the independence of its members. All Supervisory Board members are independent within the meaning of the Dutch Corporate Governance Code ('Code'). Supervisory Board members do not carry out any other functions that could jeopardise their independence. They were not granted, nor do they possess any Fugro options or shares, with the exception of Mr. Gert-Jan Kramer who, directly and indirectly, holds a 5.4% interest in Fugro. Both the composition of the Supervisory Board and the expertise and experience of its individual members comply with all corporate governance rules and requirements. The Supervisory Board's functioning is governed by terms of reference, which are available on Fugro's website.

## **FUNCTIONING OF THE EXECUTIVE COMMITTEE AND OF THE SUPERVISORY BOARD**

The Supervisory Board evaluated the performance of the Executive Committee and its individual members, with input from the CEO regarding the performance of the members of the Executive Committee. Following this, the nomination committee had meetings with each member of the Executive Committee in which feedback was given on performance and personal targets were set for 2014. The conclusions were discussed in a closed plenary meeting of the Supervisory Board.

In December 2013 and the beginning of 2014 the Supervisory Board also reviewed its composition and its own performance and that of its three committees. It was decided to take a more rigorous approach to the internal evaluation process by engaging an external and independent consultant. The self-assessment of the Supervisory Board focused primarily on the board's size, profile, independence, mix of professionalism and experience, training and knowledge, meeting frequency, board effectiveness and responsibility, team effectiveness, chairmanship and relationship with the Executive Committee. This self-assessment was based on questionnaires, which were completed by each Supervisory Board member and by the CEO, followed by

individual interviews by the external consultant with each Supervisory Board member, the CEO and also the Company Secretary. On the basis of these interviews and the answers to the questionnaires, an anonymous report was provided that was discussed in a closed meeting. The outcome of the self-assessment led to several suggestions for further improvement. These suggestions relate, among other things, to: in-depth discussions on strategic issues; succession planning; risk management; periodic review of investment decisions; and the role and responsibilities of the Supervisory Board versus the Executive Committee.

## **SUPERVISORY BOARD COMMITTEES**

The Supervisory Board has three permanent committees: the audit committee, the nomination committee and the remuneration committee, to which certain tasks are assigned. The chairman of each committee reports the main considerations, findings and recommendations to the full Supervisory Board. In May 2013 it was decided to split the then 'combined' remuneration and nomination committee in two separate committees, each with its own chairman.

## **AUDIT COMMITTEE**

The current members of the audit committee are Mr. Maarten Schönfeld (chairman), Mrs. Marion Helmes and Mr. John Colligan. The composition of the audit committee is in accordance with the requirements of the Code. Collectively the members possess the required experience and financial expertise. Mr. Schönfeld and Mrs. Helmes act as financial experts within the meaning of the Code. The audit committee met four times in 2013. All meetings were attended by the CFO, the external auditor (KPMG) and the Chairman of the Supervisory Board, Mr. Noy. The CEO was present regularly.

Following his appointment as member of the Supervisory Board and chairman of the audit committee in May 2013, Mr. Schönfeld decided to increase the number of regular meetings to five meetings per year in order to have discussions on each of the quarterly results and on next year's annual budget.

Recurring items on the agenda were, amongst others, the annual financial statements and the quarterly and half-yearly results; the 2013 group audit plan; management letter and Board report of KPMG; pensions; taxation; insurance; claims and disputes; compliance; weighted average cost of capital (WACC); next year's internal audit and work plan; and the internal audit reviews. Risk areas, such as hedging, fluctuations in currency exchange rates, valuation of the multi-client



data library, impairment assessments and agency agreements were also discussed as was the functioning of the internal risk management and control system.

Considerable time was spent on discussions regarding improvement of the financial processes and the strengthening of the finance organisation. This was also based on KPMG's management letter that included recommendations for improvement of the finance and accounting organisation. A number of these recommendations, such as to intensify the corporate involvement on key items such as vessel management and the multi-client data libraries, were implemented as part of the 2013 closing process. Also the implementation of other recommendations, such as a certain level of standardisation and staffing of important finance processes, are in progress.

### **Assessment and reappointment of the external auditor**

Based on the new Auditors Bill in the Netherlands that will come into effect on 1 January 2016 and which introduces mandatory rotation of the external auditor every eight years, a selection process will be initiated in order to propose the appointment of a new external auditor effective 2016.

At the AGM held on 6 May 2010, KPMG Accountants N.V. was reappointed as the external auditor for a period of four years. The Executive Committee and the audit committee have conducted a thorough assessment of the functioning of KPMG in accordance with best practice provision V.2.3 of the Code. The outcome of the assessment was positive and, following the recommendation of the audit committee, the Supervisory Board will propose to the AGM on 6 May 2014 to reappoint KPMG for the annual audit for the years 2014 and 2015.

### **NOMINATION COMMITTEE**

The current members of the nomination committee are Mr. Harrie Noy (chairman), Mr. Gert-Jan Kramer and Mr. Bo Smith. In 2013 the committee met three times, mostly with the CEO being present. The Global HR Director participated in part of the meetings. The committee also met informally on a number of occasions. The recurring topics that were discussed included, amongst others, HR strategy, succession planning, (re)appointments, annual assessment of the Executive Committee and its individual members and the process for self-assessment of the Supervisory Board. The committee also evaluated the profile and composition of the Supervisory Board in view of the upcoming vacancies in the board and prepared a revised profile as basis for the selection of new board members.

Considerable time was spent on the succession of the CFO. The committee engaged the services of an executive search firm to assist with the CFO succession. A thorough search process was followed, by firstly defining the specific leadership qualities and competencies needed and including these into the preferred profile. The chairman of the audit committee and the CEO were also involved in the selection process.

### **REMUNERATION COMMITTEE**

The current members of the remuneration committee are Mr. Gert-Jan Kramer (chairman), Mr. Harrie Noy and Mr. Bo Smith. The remuneration committee advises the Supervisory Board on the remuneration policy for the Executive Committee and on the application of the remuneration policy for individual members of the Executive Committee. In 2013 the committee met four times, mostly with the CEO being present. The Global HR Director participated in part of the meetings. The committee also met informally on a number of occasions. The recurring topics that were discussed included, amongst others, the remuneration policy for the members of the Executive Committee and their remuneration; the annual bonus regarding the previous year; targets for next year's annual bonus; the allocation of options to the Executive Committee and to the other participants in Fugro's option plan; and the remuneration of the Supervisory Board.

#### **Amendment of remuneration policy**

In 2013 and at the beginning of 2014, the committee spent much time on the evaluation of the remuneration policy for the Board of Management. The committee took the view that the current remuneration policy should be aligned with the updated strategy and with applicable best practices, taking into account the specific situation in Fugro. An external advisor was involved to review the current remuneration policy, including the share option plan, for the Board of Management/Executive Committee. In particular, the following items were assessed:

- Benchmarking of remuneration levels against a Dutch and an international labour market reference group
- Fixed salary and pension arrangements
- Short-term incentive (annual bonus) and performance criteria
- Long-term incentive scheme and performance criteria.

Following this assessment the committee advised the full Supervisory Board on the proposed adjustments. A proposal will be submitted to the upcoming AGM on 6 May 2014 to adjust the remuneration policy for the Board of Management and to replace the current option



*AUV deployment for seabed survey,  
Gulf of Mexico.*

plan for the Board of Management with a new option and share plan that incentivises the Board of Management for achieving the company's strategic goals. Details of the proposals will be available in the explanatory notes to the agenda for the AGM.

The Remuneration Report for the year 2013 was prepared in accordance with best practice provision II.2.12 of the Code and approved by the Supervisory Board. This report contains an overview of the manner in which the remuneration policy was implemented in 2013. This report is summarised in this annual report (see pages 88 through 92) and also available on Fugro's website.

## **COMPOSITION BOARD OF MANAGEMENT AND SUPERVISORY BOARD**

### **Board of Management**

In the AGM held on 8 May 2013 Mr. Steve Thomson was appointed as member of the Board of Management. He has been with Fugro since 2000 and a member of the Executive Committee since 2006. Mr. Thomson has the specific responsibility for the newly established Subsea Services division.

At the AGM of 8 May 2013 Mr. Kobi Rüegg retired from the Board of Management, after having been with Fugro since 1994. With his deep understanding of Fugro, he greatly contributed to Fugro's development and especially the expansion of the Survey division. Mr. Mark Heine, who has been with Fugro since 2000 and was appointed to the Executive Committee in November 2012, took over the specific responsibility for the Survey division.

In early 2013, Mr. André Jonkman, indicated that he would step down from the Board of Management at the end of the AGM in 2014. At the extraordinary general meeting (EGM) which was held on 27 November 2013, Mr. Paul Verhagen was appointed to the Board of Management as per 1 January 2014. As former CFO of Philips' Lighting division, he has extensive financial management and international experience. He will succeed Mr. Jonkman as CFO of Fugro directly after the AGM of 6 May 2014.

At the end of the upcoming AGM, the four-year term of Mr. Paul van Riel expires. Mr. Paul van Riel is nominated for appointment. The Supervisory Board proposes to reappoint him as member of the Board of Management.

The size and composition of the Board of Management and the combined experience and expertise should be such that best fits the profile and strategy of the company. This aim for the best fit in combination with the availability of qualifying candidates has led to a Board of Management in which currently all four members are male. Attention is paid to gender diversity in the profiles of new Board of Management members. Unfortunately, not many women fill senior positions in the highly technical environment in which Fugro operates. Nevertheless, the company encourages the development of female talent which has already led to several appointments in key management positions.

### **Supervisory Board**

In the AGM on 8 May 2013, Mrs. Marion Helmes was reappointed to the Supervisory Board for a second term of four years. In that same meeting, Mr. Maarten Schönfeld was appointed to the Supervisory Board to fulfil the vacancy that resulted from the stepping down of Mr. Frans Cremers. After his appointment, Mr. Schönfeld took over the chairmanship of the audit committee.

At the end of the AGM on 8 May 2013 Mr. Harrie Noy took over the chairmanship of the Supervisory Board from Mr. Frank Schreve who retired, after his temporary 'return' as chairman in December 2011.

After twelve years on the Board, Mr. Bo Smith will step down from the Board at the end of the upcoming AGM, as he cannot be reappointed. We are very grateful for his contribution and wisdom based on his great experience. The Supervisory Board proposes to appoint Mr. Douglas Wall as member of the Supervisory Board to succeed Mr. Smith. Mr. Wall (61) is a US/Canadian citizen and has extensive experience in senior executive positions in the oil and gas services industry where he worked all of his life. Until his retirement he served for five years as President and Chief Executive Officer of Patterson-UTI Energy, a publicly listed company that provides onshore

contract drilling and pressure pumping services to support exploration and production of oil and natural gas operators in the US and Canada. Prior to joining Patterson-UTI Energy, Mr. Wall worked for ten years at Baker Hughes, a diversified oilfield services company, where he served as Group President of Completions and Production and gained broad international experience. Before that, he held a variety of executive positions with oilfield services companies in Canada. Mr. Wall was selected because of his background, professional career and his business experience in a global oil and gas services environment. He currently serves on the Board of Directors of Select Energy Services, a privately owned company that provides water solutions and well site services to oilfield operators in the United States and Canada.

At the end of the upcoming AGM, the second term of Mr. Gert-Jan Kramer expires, while at the end of the AGM next year the third four-year term of Mr. John Colligan will expire. In order to maintain sufficient Fugro knowledge and experience in the Supervisory Board during the transition period, the Supervisory Board proposes to reappoint Mr. Gert-Jan Kramer for a two year period as member of the Supervisory Board.

## **IN CONCLUSION**

In our view, in the end the commitment and dedication of Fugro's people determine the success of our company. Therefore we would like to thank all employees and the Executive Committee for their hard work and contribution to the company's performance in 2013. The year 2014 will certainly bring new challenges, but we trust that with the updated strategy as guide for the future, the company will be able to cope with these challenges.

Leidschendam, 6 March 2014

H.L.J. Noy, Chairman  
J.A. Colligan  
M. Helmes  
G-J. Kramer  
J.C.M. Schönfeld  
Th. Smith



# REMUNERATION REPORT

The first part of this report outlines the remuneration policy as adopted by the Annual General Meeting (AGM) on 14 May 2008. The second part contains details of the remuneration in 2013 of the members of the Board of Management and of the Supervisory Board. More information on remuneration and share and option ownership of (former) members of the Board of Management is available in Note 5.62 of the financial statements in this annual report. This remuneration report is also available on Fugro's website.

The remuneration committee is mainly responsible for preparing decisions of the Supervisory Board on the remuneration policy for the Board of Management and on the remuneration of individual members of the Board of Management. The current members of the committee are Supervisory Board members Mr. Gert-Jan Kramer (chairman), Mr. Harrie Noy (chairman Supervisory Board) and Mr. Bo Smith. In 2013, the committee met four times, mostly in the presence of the CEO. The Global HR Director participated in part of the meetings.

## EXISTING REMUNERATION POLICY

The objective of the remuneration policy for the members of the Board of Management of Fugro is to provide a remuneration system such that:

- performance that is pursuant to the results and strategy of Fugro is rewarded
- top managers can be attracted and retained as members of the Board of Management of Fugro.

The general meeting of shareholders is authorised to adopt the remuneration policy of the Board of Management, upon a proposal of the Supervisory Board. In its meeting of 14 May 2008, the AGM adopted the remuneration policy (as described below) for the Board of Management.

The Supervisory Board determines the remuneration of the members of the Board of Management, on a proposal by the remuneration committee, within the scope of the remuneration policy. The remuneration of the members of the Supervisory Board is determined by the AGM.

The remuneration structure and elements do not encourage risk taking that is not in line with the risk profile of Fugro.

### Scenario analyses

Before determining the remuneration of individual members of the Board of Management, the Supervisory Board analyses the possible outcomes of the variable

remuneration components and how they may affect the remuneration of the members of the Board of Management.

The Supervisory Board determines the level and structure of the remuneration of the members of the Board of Management by reference to the scenario analyses carried out and with due regard for the pay differentials within the Fugro Group. The Supervisory Board takes into account, among other things, the results, the share price performance and non-financial indicators relevant to the long term objectives of Fugro, with due regard for the risks to which variable remuneration may expose the company.

### Award and payment of annual bonus (short-term incentive)

An annual bonus is awarded and paid only when certain predetermined targets have been achieved or exceeded. The award of an annual bonus is made at the beginning of the year and, with respect to the financial targets, is subject to the final result of the preceding year. If the award is made on the basis of a preliminary result, the annual bonus will be adjusted when the actual result is determined.

### Claw back

The Supervisory Board may recover from the members of the Board of Management any variable remuneration awarded on the basis of incorrect financial or other data. Payment of variable remuneration to the members of the Board of Management is subject to the correctness of the relevant (financial) data.

### Ultimum remedium

Under circumstances, for instance if the predetermined targets/performance criteria would produce an unfair result due to extraordinary circumstances, the Supervisory Board has the discretionary authority to make adjustments (upward or downward) to the amount of the annual bonus. If the Supervisory Board would during the year decide on the payment of severance pay or other special remuneration to one or more members of the Board of Management, an account and an explanation of this payment shall be included in the Remuneration Report.

## REMUNERATION

The remuneration of the Board of Management consists of the following four components:

- fixed salary
- annual bonus (short-term incentive)

- stock options (long-term incentive)
- pension provisions and fringe benefits.

The fixed elements are the fixed salary and the pension/benefits; the performance related elements are the annual bonus and the stock options.

The remuneration policy for the members of the Board of Management is used as a guideline for senior management. It is also coordinated with general remuneration policies applied within the Fugro Group.

### **Fixed salary**

The fixed salary of members of the Board of Management is set in the middle of a peer group of comparable companies.

### **Annual bonus**

Each member of the Board of Management will be eligible for an annual bonus, with a maximum of twelve months (100%) of annual fixed salary (including holiday allowance). On-target performance will result in a bonus of eight months of annual fixed salary.

Part of the bonus is related to quantified financial targets and accounts for 2/3 of the annual bonus and the other part of the bonus is related to non-financial / personal targets and accounts for 1/3 of the annual bonus. At the beginning of each year the Supervisory Board sets the financial and the non-financial targets for that year. The Supervisory Board ensures that the targets are challenging, realistic and consistent with Fugro's strategy. The performance measures and the weighing given to the individual measures are set by the Supervisory Board. Achievement of the targets will be measured shortly after the end of the year.

### **Financial targets**

The weighing given to the individual financial elements is as follows: earnings per share 60%, net profit margin 20% and return on capital employed 20%. These financial elements are based upon Fugro's annual budget. The maximum bonus related to the financial targets will be granted if the targets are exceeded by 30%; if the performance is only 70% of target, the bonus will be 50% of on-target performance; and if performance is less than 70% of target, the part of the bonus that is related to financial targets will be zero.

### **Non-financial targets**

The non-financial targets are derived from Fugro's strategic agenda. These are qualitative individual targets and/or collective targets that are the responsibility of one or more directors and can be influenced by them. These targets could include, among other things, health safety and environment (HSE), corporate social responsibility (CSR), personal development.

### **Non-disclosure**

The actual targets are not disclosed because they qualify as competition-sensitive and hence commercially confidential and potentially price sensitive information.

### **Stock options**

The stock options for the Board of Management form part of a broad option scheme that is in existence already many years and that is applicable (in 2013) to about 621 employees worldwide throughout the group. Options are granted on the basis of the contribution to the long term development of the company, among which the development of the long term strategy, on the basis of measurable targets such as the (growth) targets in the strategic plan and annual budget. Options are granted annually on 31 December and the option exercise price is equal to the price of the Fugro shares at the closing of NYSE Euronext Amsterdam on the last trading day of the year. The vesting period is three years starting at the first of January of the year following the grant date.

The option period is six years. The options granted are unconditional but they may only be exercised if the option holder is still employed by Fugro or one of its group companies. Standard exceptions apply to the latter rule in connection with retirement, long-term disability and death. This part of the remuneration package of members of the Board of Management (and management) depends also on the Fugro share price and is therefore linked to the value of Fugro.

Options will be granted to the members of the Board of Management and other employees in such way that at any moment the maximum number of outstanding options to acquire ordinary shares in Fugro will not exceed 7.5% of the issued ordinary share capital. In order to mitigate dilution, it is Fugro's policy to re-purchase shares to cover the options granted, effectively with the result that no new shares are issued when options are exercised. The Supervisory Board can, at all times, make non-material changes to the option terms. In exceptional circumstances the Supervisory Board will have the discretionary authority to make adjustments to the material conditions of the option terms. If however the Supervisory Board desires to change the maximum number of options or the criteria for granting the options, the approval of the General Meeting will be required.

### **Pension provisions and fringe benefits**

The pension provisions of Messrs. Van Riel, Jonkman, Rüegg (retired in May 2013), Rainey and Thomson (appointed in May 2013) are based upon a defined contribution system.

The fringe benefits are commensurate with the position held and include a company car.

## Remuneration of the members of the Board of Management in 2013

(in EUR)

	Fixed salary	Annual bonus (for 2012, paid in 2013)	Pension costs including disability insurance	Crisis tax	Total
<b>Current members Board of Management</b>					
P. van Riel (CEO)	460,000	320,083	284,952	154,412	1,219,447
A. Jonkman (CFO)	350,000	243,542	284,831	77,377	955,750
W.S. Rainey	350,000	243,542	275,000	–	868,542
S.J. Thomson*	233,334	160,000	188,184	28,830	610,348
<b>Former member Board of Management</b>					
J. Rüegg**	116,667	272,708	6,000	25,752	421,127
A. Steenbakker***				232,326	232,326

\* Appointed to the Board of Management on 8 May 2013. The information shown above covers the period from the date of appointment.

\*\* Mr. Rüegg retired on 8 May 2013. His employment ended on 24 June 2013. The information shown above covers the period until 24 June 2013.

\*\*\* The crisis tax relates to benefits in connection with the exercised options in 2013.

## REMUNERATION OF THE BOARD OF MANAGEMENT IN 2013

### Fixed salary in 2013

Salary levels are reviewed annually. Adjustment of the fixed salary is at the discretion of the Supervisory Board, taking account of external and internal developments. The fixed salaries of the Board of Management did not change in 2013.

### Annual bonus 2012

The details of the annual bonus for the year 2012 (which was paid in 2013) are described in the remuneration report 2012 and in the 2012 annual report (both available on Fugro's website).

### 2013

The elements of the financial targets were: earnings per share (EPS) 60%, net profit margin 20% and return on capital employed (ROCE) 20%. These financial elements were based upon Fugro's annual budget ('profit plan') for 2013. The non-financial (personal) targets were derived from Fugro's strategic agenda.

The Committee has evaluated the predetermined 2013 annual bonus targets in February 2014. Based on the results for the financial and the non-financial targets, the Supervisory Board has established the extent to which the targets for 2013 were achieved.

The financial performance compared to the financial targets results in four months of annual fixed salary. Regarding the non-financial targets the Supervisory Board concluded that these were achieved for 100%, also taking into account the successful sale of the majority of the Geoscience division and the completion of the strategy process. As a result the Supervisory Board has decided to award to each of the members of the Board of

Management an annual bonus for the year 2013 (taking into account the months of service) of eight months annual fixed salary. The payment of the bonus is subject to the correctness of the relevant (financial) data.



## Stock option overview members of the Board of Management

	P. van Riel (CEO)	A. Jonkman (CFO)	W.S. Rainey	S.J. Thomson	J. Rüegg*	P.A.H. Verhagen
Number of options outstanding on 31 December 2012	418,400	411,400	207,700	200,700	301,400	–
Options granted on 31 December 2013 and vesting on 31 December 2016	55,000	47,000	47,000	47,000	n/a	30,000
Value of the options granted on 31 December 2013 according to IFRS (EUR)	748,550	639,670	639,670	639,670	n/a	408,300
Number of options exercised in 2013	(50,000)	(35,000)	–	–	(45,000)	n/a
Number of options expired with no value on 31 December 2013	(75,000)	(85,000)	(35,000)	(35,000)	(45,000)	n/a
Number of options outstanding on 31 December 2013	348,400	338,400	219,700	212,700	211,400	30,000

\* Mr. Rüegg was member Board of Management until 8 May 2013.

Mr. Verhagen, who was appointed to the Board of Management on 27 November 2013 as of 1 January 2014, received upon his appointment, and effectively as of 31 December 2013, a one-off compensation award of 15,000 restricted (certificates of) shares as well as of 30,000 options for shares to compensate for rights with his former employer that he would lose as a result of him joining Fugro. Further details on this compensation award are available in the explanatory to the agenda of the extraordinary general meeting of shareholders which was held on 27 November 2013 and available on Fugro's website.

## Pension

The pension provisions with the members of the Board of Management are based upon a defined contribution system, with the exception of the pension of Mr. Verhagen who joined Fugro as of 1 January 2014. It has been agreed with Mr. Verhagen that he participates in Fugro's (collective) pension scheme. The payment of the premium is on Fugro's account.

## Stock options and restricted shares

On 31 December 2013, a total of 196,000 stock options were granted to the members of the Board of Management. The exercise price of these options is EUR 43.312 (the closing price of the shares at NYSE Euronext Amsterdam on the last trading day of 2013).

Further details on options that were granted to (former) members of the Board of Management are specified in Note 5.61 to the financial statements.

There are no personal loans, guarantees or the like granted to members of the Board of Management.

## Fringe benefits

The customary fringe benefits remained unchanged in 2013 and include a company car.

## Terms of appointment

The members of the Board of Management are each (re)appointed for a maximum period of four years. Their appointments expire as follows:

P. van Riel:	May 2014 (nominated for reappointment)
A. Jonkman:	May 2014 (will step down)
W.S. Rainey:	May 2015
S.J. Thomson:	May 2017
P.A.H. Verhagen:	May 2018

## Severance pay

The employment/service agreements with the members of the Board of Management do – in accordance with the Code – provide for a general severance compensation amounting to a maximum of one year's base salary which in principle is applicable in the event of termination or annulment of the agreement. This severance compensation is also applicable when the termination is justified by such change of circumstances that the members of the Board of Management cannot reasonably be expected to continue the performance of their function/services as a statutory director of Fugro. This may be the case, for example, if Fugro is liquidated, is merged with or taken over by a third party, is subject to

## Share overview members of the Board of Management

	P. van Riel (CEO)	A. Jonkman (CFO)	W.S. Rainey	S.J. Thomson	P.A.H. Verhagen
Number of shares on 31 December 2013	177,376	6,178	4,000	9,832	15,000

an important reorganisation or to a major change of policy.

## REMUNERATION OF THE SUPERVISORY BOARD IN 2013

The remuneration of the Supervisory Board was determined by the AGM on 10 May 2011.

The remuneration of the Supervisory Board members is fixed and not dependent on the results of Fugro. This implies that neither stock options nor shares are granted to Supervisory Board members by way of remuneration. There are no personal loans, guarantees or the like that have been granted to members of the Supervisory Board. In 2013 none of the members of the Supervisory Board held any shares in Fugro, with the exception of Mr. Kramer who, directly or indirectly, holds a 5.4% interest in Fugro (4,581,657 shares).

No proposal to increase the annual remuneration for the members of the Supervisory Board will be submitted to the AGM on 6 May 2014.

## REVISED REMUNERATION POLICY 2014

The remuneration committee has reviewed the current remuneration policy, which was adopted by the AGM on 14 May 2008, and concluded that the policy should be more aligned with the revised strategy of the company. With the assistance of an external consultant, the remuneration committee developed an adjusted remuneration policy that is aligned with the (financial) targets included in the revised strategy. The main changes compared to the existing policy are:

- adjustment of base salary and pension contribution to market practice
- fine tuning of criteria for short-term incentive (bonus) to financial targets of the updated strategy
- conditional shares combined with a reduced number of conditional options as part of the long term incentive
- these options and shares are performance related and vest after three years, depending on the achievement of predetermined criteria, which are focused on long term value creation.

In line with the recommendations of the remuneration committee, the Supervisory Board will present an amended remuneration policy and a new option/share plan for Fugro's Board of Management at the AGM on 6 May 2014. Full details of the proposals will be available in the explanatory notes to the agenda for the AGM.

Leidschendam, 6 March 2014

On behalf of the Remuneration Committee  
Mr. G-J. Kramer, Chairman

### Remuneration of the members of the Supervisory Board in 2013

(in EUR)

	General	Membership committee	Attendance allowance	Total
H.L.J. Noy (chairman)	62,917	8,458	–	71,375
J.A. Colligan (vice-chairman)	53,229	8,500	–	61,729
M. Helmes	50,000	8,000	–	58,000
G-J. Kramer	50,000	10,000	–	60,000
Th. Smith	50,000	8,000	30,000***	88,000
J.C.M. Schönfeld	32,292	6,458	–	38,750
F.H. Schreve*	29,167	3,333	–	32,500
F.J.G.M. Cremers**	5,622	1,022	–	6,644

\* Mr. Schreve retired at the AGM on 8 May 2013.

\*\* Mr. Cremers stepped down on 7 February 2013.

\*\*\* An additional attendance allowance of EUR 5,000 per attended meeting is paid to the US Supervisory Director to compensate for the additional time commitment due to travelling.

# CORPORATE GOVERNANCE

## General

Fugro subscribes to the Dutch Corporate Governance Code, which is based on the principle accepted in the Netherlands that a company is a long-term alliance between the various parties involved in the company. The stakeholders are the groups and individuals who, directly or indirectly, influence – or are influenced by – the attainment of the company's objects: e.g. employees, shareholders and other providers of capital, suppliers, clients, the public sector and civil society. The Board of Management and the Supervisory Board have overall responsibility for weighing up these interests, generally with a view to ensuring the continuity of the enterprise, while the company endeavours to create long-term shareholder value.

It is very important for Fugro to achieve a balance between the interests of its various stakeholders. Good entrepreneurship, integrity, openness and transparent management as well as good supervision of the management are the starting points for Fugro's corporate governance structure. Fugro's governance structure is based on the requirements of Dutch legislation, the company's articles of association and the rules and regulations of NYSE Euronext, complemented by internal policies and procedures.

## Dutch Corporate Governance Code

The Dutch Corporate Governance Code ('the Code') was set up in December 2003. Fugro's corporate governance structure was approved by the Annual General Meeting (AGM) in May 2004. The Code was revised in December 2008. On 10 December 2009 the Dutch legislator designated the revised Code by decree as the new corporate governance code as defined by sections 2:391 Dutch Civil Code. For Fugro the revised Code became effective retrospectively as per 1 January 2009 and had hardly any consequences for Fugro's corporate governance structure. The full text of the Code is available at [www.commissiecorporategovernance.nl](http://www.commissiecorporategovernance.nl).

In accordance with the recommendations of the Corporate Governance Code Monitoring Committee the broad outline of Fugro's corporate governance structure and compliance with the principles and best practices of the Code – including explanation of a few deviations – was discussed in the AGM held on 6 May 2010. Since that date no substantial changes have been made to Fugro's corporate governance structure.

Any substantial changes in the corporate governance structure of Fugro and its compliance with the Code will be submitted to the AGM.

## Compliance with the Code

Fugro's corporate governance structure, its supervision and the way it is reported are in line with the Code. The Code contains principles and best practice provisions that regulate relations between the Board of Management, the Supervisory Board and the General Meeting of Shareholders. The principles may be regarded as reflecting the general views on good corporate governance, which enjoy wide support. They have been elaborated in the form of specific best practice provisions. Companies may depart from the best practice provisions. Departures may be justified in certain circumstances. Fugro takes the view that shareholders, the media, corporate governance 'rating agencies' and proxy advisors should carefully assess the reason for each and every departure from the Code's provisions and should avoid a 'tick-a-box' mentality. A shareholder should vote as he sees fit. A shareholder who makes use of the voting advice of a third party is expected to form his own judgment on the voting policy of this adviser and the voting advice provided by him.

## Compliance with the Code in 2013

A full overview ('comply or explain'-report) of Fugro's compliance with the Code in 2013 is posted on the website. Fugro applies the principles and best practices of the Code, except for the following and for the reasons set out below:

### Principle IV.2

Maintaining its operational independence is crucial for Fugro (see page 95 for a further explanation). One of the ways to safeguard this independence is share certification. Although the Code provides that the certification structure is not meant as a protective measure, Fugro has chosen, in the interest of its clients to also view the certification structure as part of its protective measures. During the performance of its assignments Fugro often receives extremely confidential information. Fugro can only perform its assignments if it can secure the confidential nature of such information towards its clients.

The second reason for the certification structure is the prevention of possible harmful effects as a result of absenteeism in the shareholders' meetings of Fugro. Fugro considers it not to be in the interest of its stakeholders in general that through absenteeism an accidental majority can, based only on its own interest, force through its opinion. To prevent this, ties in with this Principle IV.2.



### **Best practice provision IV.2.1**

In accordance with this provision the Board of the Fugro Trust Office (or 'Trust Office') enjoys the confidence of the holders of certificates and operates independently of Fugro. One deviation from this provision is that the terms of administration of the Trust Office do not stipulate the instances in which and the conditions under which holders of certificates may ask the Trust Office to convene a meeting, except with respect of the right to nominate a candidate for appointment to the Board of the Trust Office (see further the explanation on best practice provision IV.2.2).

### **Best practice provision IV.2.2**

According to this provision the meeting of holders of certificates may make recommendations to the Board of the Trust Office for the appointment of a member to the Board. The Board has decided that holders of certificates representing at least 15% of the issued share capital in the form of certificates of shares may request that a meeting of holders of certificates is convened in order to make recommendations for the appointment of a member to the Board of the Trust Office.

### **Best practice provision IV.2.5**

According to this provision the Trust Office, in exercising its voting rights, should be guided 'primarily by the interests of the holders of certificates, taking the interests of the company and its affiliated enterprise into account'. The articles of association and the terms of administration of the Trust Office provide that if the Trust Office exercises the voting rights, it will do this in such manner that the interest of Fugro and its enterprise, as well as the interests of all stakeholders, will be safeguarded as best as possible (article 2 of the articles of association and article 4 of the terms of administration). The interests of some stakeholders need not necessarily at all times run parallel with that of other stakeholders. For example, some will have a short term focus whilst others have a long term focus. It is up to the Board of the Trust Office to, after balancing the interests, come to a well considered decision on the exercise of the voting rights.

In addition, when considering the exercise of voting rights the Board in any case takes into consideration the (Dutch) law as well as the articles of association and the terms of administration of the Trust Office. The Board can (also) opt, for reasons of its own, to not exercise the voting rights on the shares held by the Trust Office.

### **Best practice provision IV.2.8**

Based on the provisions of section 2:118a Dutch Civil Code and article 18.2 of the terms of administration, the Trust Office will provide a power of attorney to any holder of certificates of shares who so requests, to exercise the voting rights on the (underlying) shares

corresponding to the certificates held by the holder in a shareholders' meeting of Fugro. Holders of certificates of shares can (also) choose to have themselves represented in the shareholders' meeting by a written power of attorney. In specific situations the Trust Office can opt not to provide a requested power of attorney, limit the power of attorney or withdraw a power of attorney. This applies for example in case a public offer for the (certificates of) shares in the share capital of Fugro is announced or is already made, but it applies also in (other) circumstances in which granting a power of attorney in the view of the Trust Office substantially conflicts with the interest of Fugro and its enterprise (article 18.3 terms of administration and section 2:118a Dutch Civil Code). Therefore the deviation of this provision of the Code is that proxies to vote are not issued without any limitation and in all circumstances. This deviation is of course the consequence of the fact that the structure of share certification is also meant as a protective measure.

## **CORPORATE INFORMATION**

### **Capital structure**

The authorised capital of Fugro amounts to EUR 16,000,000 and is divided into:

- (i) 96,000,000 ordinary shares, with a nominal value of EUR 0.05 each
- (ii) 160,000,000 cumulative protective preference shares, with a nominal value of EUR 0.05 each
- (iii) 32,000,000 cumulative financing preference shares, with a nominal value of EUR 0.05 each, which can be sub-divided into two series of 16,000,000 cumulative financing preference shares; and
- (iv) 32,000,000 cumulative convertible financing preference shares, with a nominal value of EUR 0.05 each, which can be sub-divided into two series of 16,000,000 cumulative convertible financing preference shares.

On 31 December 2013 the issued capital amounted to EUR 4,228,626.27 divided into 84,572,525 ordinary shares. No preference shares have been issued. All the ordinary shares have equal voting rights (one share, one vote).

### **Restrictions to the transfer of shares and cancellation of certificates**

The Board of Management's approval is required for each transfer of preference shares. The approval has to be requested in writing stating the name of the intended acquirer of the shares in question.

Ordinary shares may be transferred only to natural persons. Notwithstanding the provisions of the preceding sentence, the transfer of ordinary shares shall not be possible if and insofar as the acquirer, either alone or under a mutual collaboration scheme jointly with one or



*Fugro's dedicated marine mammal and seabird team provides observation services to clients in the oil and gas and renewables industries.*

more others, natural persons and/or legal entities, either directly or – otherwise than as a holder of certificates of shares issued with the cooperation of Fugro – indirectly:

- (i) is the holder of ordinary shares to a nominal amount of one percent or more of the total capital of Fugro issued in the form of ordinary shares (as of 31 December 2013 one percent equalled 845,725 shares); or
- (ii) through such transfer would acquire more than one percent of the total capital of Fugro issued in the form of ordinary shares.

Cancellation of certificates is only possible in accordance with the above-mentioned.

The restrictions to the transfer of ordinary shares stated above are not applicable to:

- (a) the transfer of ordinary shares to Fugro itself or to a subsidiary of Fugro
- (b) the transfer or issue of ordinary shares to, or the exercise of a right to subscribe for ordinary shares by, a trust office or to another legal person, if in respect of such a trust office or other legal person the Board of Management with the approval of the Supervisory Board has by an irrevocable resolution wholly or partially lifted the restrictions limiting the transfer or issue of ordinary shares, to which lifting of restrictions conditions may be attached; in respect of another legal person as referred to above, such restrictions may be lifted only to the extent that such may be required to permit that legal person to avail itself of the facility of the participation exemption, as at present provided for in section 13 of the Corporation Tax Act 1969
- (c) the transfer of ordinary shares acquired by Fugro itself or the issue by Fugro of ordinary shares, if such a transfer or issue takes place within the framework of either a collaborative arrangement with or the acquisition of another enterprise, or a legal merger, or the acquisition of a participating interest or the expansion thereof, in respect of which the Board of Management with the approval of the Supervisory Board by an irrevocable resolution has wholly or partially lifted the restrictions limiting the transfer or issue of ordinary shares, to which lifting of restrictions conditions may be attached

- (d) the transfer or transmission of ordinary shares to shareholders who on 31 March 1992 were recorded as shareholders in the shareholders' register of Fugro, if in respect of such a transfer or transmission the Board of Management, with the approval of the Supervisory Board, by an irrevocable resolution wholly or partially lifted the restrictions limiting the transfer of ordinary shares, to which lifting of restrictions conditions may be attached
- (e) the transfer or transmission of ordinary shares to group companies of legal person-shareholders who on 31 March 1992 were recorded as shareholders in the shareholders' register of Fugro, if in respect of such a transfer or transmission the Board of Management, with the approval of the Supervisory Board, by an irrevocable resolution wholly or partially lifted the restrictions limiting the transfer of ordinary shares, to which lifting of restrictions conditions may be attached.

#### **Substantial interests in Fugro**

Shareholders with an interest in Fugro's share capital of more than 3%, which must be disclosed to the Netherlands Authority for the Financial Markets (AFM) are reported on page 103.

#### **Protective measures (extraordinary control rights; limitation of voting rights)**

When carrying out assignments Fugro can have access to clients' extremely confidential information. For this reason Fugro can only carry out its activities if it can safeguard its independence in relation to its clients.

The main point of Fugro's protection against a hostile takeover depends on the one hand on certification of the ordinary shares and, on the other hand, on the possibility of Fugro to issue cumulative protective preference shares. In addition to this, protective preference shares may also be issued by the Fugro subsidiaries Fugro Consultants International N.V. and Fugro Financial International N.V. to Stichting Continuïteit Fugro (see page 97).

The primary aim of the protective measures is to safeguard Fugro's independence in relation to its clients.



*Ground Penetrating Radar survey on concrete LNG tank, United Kingdom.*

### **Fugro Trust Office ('Trust Office')**

Only (non-voting) certificates of shares are listed and traded on NYSE Euronext Amsterdam. These exchangeable certificates are issued by the Trust Office and the Board of the Trust Office exercises the voting rights on the underlying shares in such manner that the interests of Fugro and its enterprise, as well as the interests of all stakeholders, are safeguarded as best possible. The Board of the Trust Office operates completely independent of Fugro. For the composition of the Board of the Trust Office see page 204.

Holders of certificates (and their authorised proxies):

- may, after timely written notification, attend and speak at shareholders' meetings
- are entitled to request from the Trust Office a proxy to exercise the voting rights on the (underlying) shares corresponding to their certificates. The Trust Office may solely limit, exclude or revoke this proxy if:
  - a public offer has been announced or made on the (certificates of) shares of Fugro or if a justifiable expectation prevails that such an offer shall be made, without agreement thereon having necessarily been reached with Fugro
  - a holder of certificates or a number of holders of certificates, in accordance with an agreement between and among them to co-operate, together or not, with subsidiaries, acquire at least 25% of the issued capital of Fugro; or
  - in the opinion of the Trust Office, the exercise of voting rights by a holder of certificates constitutes a real conflict of interests with those of Fugro
  - may, provided they are natural persons and they have not entered into an agreement between and among them to co-operate, exchange their certificates for ordinary shares entitled to vote up to a maximum of 1% of the issued share capital of Fugro per shareholder.

Generally speaking a certificate holder's notification to attend a General Meeting of shareholders will be treated as a request to the Trust Office to grant a proxy to vote in respect of the number of (underlying) shares for which certificates have been issued to the holder.

### **Stichting Beschermingspreferente aandelen Fugro ('Foundation Protective Preference Shares')**

The objects of Foundation Protective Preference Shares are to attend to Fugro's interests and of Fugro's businesses as well as the businesses of the entities that form part of the Group, in such way that Fugro's interests and the interests of the relevant businesses as well as the interests of all parties involved, are safeguarded to the extent possible, and that Fugro and the relevant businesses are defended to the extent possible against factors that could negatively affect the independence and/or continuity and/or identity of Fugro and the relevant businesses, as well as all activities which are incidental to or which may be conducive to any of the foregoing. The Foundation aims to achieve its objects independent from Fugro, by acquiring protective preference shares and by exercising the rights attached to such shares. Fugro has entered into a call option agreement with the Foundation pursuant to which the Foundation was granted the right to acquire cumulative preference protective shares in Fugro's share capital, each share with a nominal value of EUR 0.05, up to an amount to be determined by the Foundation up to a maximum equal to 100% minus 1 share of the aggregate nominal value of ordinary shares and preference financing shares in Fugro that are held by third parties at the time the right to acquire preference protective shares is exercised by the Foundation. By entering into the option agreement, the Foundation is in a position to achieve its objects – i.e. safeguarding the company and its businesses – autonomously, independently and effectively should the occasion occur. The Board of Foundation Protective Preference Shares operates completely independent of Fugro. For the composition of the Board of the Foundation see page 204.



### **Stichting Continuïteit Fugro (‘Foundation Continuity’)**

The call option on protective preference shares granted by Fugro Consultants International N.V. and Fugro Financial International N.V. (both registered in Curaçao) to Foundation Continuity has been approved by the AGM in 1999. The objective of Foundation Continuity corresponds to that of Foundation Protective Preference Shares. The protective measures described above shall be put up, especially in a takeover situation, when this is in the interest of Fugro to protect its independence and also in defining Fugro’s position in relation to that of the raider and the raider’s plans and it creates the possibility, when necessary, to look for alternatives. The protective measures will not be put up to protect the Board of Management’s own position. Due to the uncertainty regarding the situations with which Fugro could be confronted, the use of protective measures in circumstances other than those described above cannot be discounted. For the composition of the Board of Foundation Continuity see page 204.

### **Stock option scheme**

Fugro has a stock option scheme that has been approved by the AGM on 14 May 2008. Details of the option scheme are described on page 89 of this Annual Report. Options on ordinary shares are granted to the members of the Board of Management and other employees in such way that at any moment the maximum number of outstanding options to acquire ordinary shares in Fugro will not exceed 7.5% of the issued ordinary share capital (including treasury stock). In order to mitigate dilution, it is Fugro’s policy to purchase own shares to cover the option scheme with the result that no new shares are issued when options are exercised. The total number of options to be granted is subject to the approval of the Supervisory Board as is the grant of options to members of the Board of Management itself.

### **Functioning of the General Meeting of shareholders**

The powers of the (Annual) General Meeting of shareholders are stipulated in legislation and in the articles of association of Fugro and can be stated concisely as follows: approval of decisions that would cause a major change to the identity or character of Fugro or its business; appointment and dismissal of members of the Board of Management and of the Supervisory Board; adoption of the remuneration policy for the members of the Board of Management; approval of the stock option scheme for the members of the Board of Management; determination of the remuneration of members of the Supervisory Board; adoption of the financial statements; discharge of members of the Board of Management and of the Supervisory Board; approval of the profit appropriation; authorisation to acquire own shares, to issue shares (or to grant rights to subscribe for shares)

and to restrict or exclude pre-emptive rights in respect of shares; and approval of decisions to amend the articles of association or to dissolve Fugro. In addition, the following is discussed in the (Annual) General Meeting: the annual report, changes to the profile of the Supervisory Board, the dividend policy and substantial changes in the corporate governance structure of Fugro and in the compliance with the Code.

At least one (Annual) General Meeting is convened each year. Extraordinary General Meetings are convened as often as the Supervisory Board or the Board of Management deems this necessary. The shareholders’ meeting is chaired by the chairman of the Supervisory Board. The Supervisory Board and the Board of Management provide the shareholders’ meeting with all the information requested, unless there is a very good reason why providing the information would not be in the interests of Fugro.

### **Appointment and dismissal of members of the Board of Management and Supervisory Board**

The members of both the Board of Management and the Supervisory Board are appointed by the General Meeting of shareholders for a maximum period of four years on a binding nomination of the Supervisory Board. The binding nature of such a nomination may, however, be overruled by a resolution adopted by an absolute majority of the votes cast by the General Meeting, provided such majority represents more than one-third of the issued share capital. If this proportion of the capital is not represented at the meeting, but an absolute majority of the votes cast is in favour of a resolution to cancel the binding nature of the nomination, a new meeting may be convened at which the resolution may be passed by an absolute majority of votes, regardless of the proportion of the capital represented at the meeting. If a binding nomination has not been made or has not been made in due time, the General Meeting may appoint a Managing Director or a Supervisory Director at its discretion. Unless the resolution is proposed by the Supervisory Board, the General Meeting may only pass a resolution to suspend or dismiss a member of the Board of Management or Supervisory Board with a majority of two-thirds of the votes cast, which majority represents more than one-half of the issued capital. With regard to the overruling of the binding nature of a nomination by the Supervisory Board and the decision to suspend or dismiss a member of the Board of Management or Supervisory Board, convening a second meeting pursuant to section 2:120, subsection 3, Dutch Civil Code shall not be permitted.

### **Amendment of the articles of association**

A resolution to amend the articles of association of Fugro may be passed only on a proposal thereto of the Board of Management with the prior approval of the Supervisory Board and by a majority of at least two-thirds of the votes

cast at a General Meeting of shareholders at which at least one-half of the issued capital is represented. If at a General Meeting at which the proposal to amend the articles of association is to be considered, the required part of the capital is not represented, then a second meeting may be convened at which second meeting the resolution to amend the articles of association may be passed, irrespective of the part of the capital represented at such meeting, provided such resolution is adopted by a majority of at least two-thirds of the votes cast. Insofar as a resolution to amend the articles of association brings about a change in the rights vested in the holders of protective preference shares or the holders of financing preference shares or the holders of convertible financing preference shares, such a resolution shall require the approval of the meeting of holders of protective preference shares or the meeting of holders of financing preference shares or the meeting of the holders of convertible financing preference shares, as the case may be.

Fugro's articles of association were last amended on 28 June 2010 and are posted on the website.

**Authorisation of the Board of Management with regard to the acquisition (purchase) of own shares and the issue of shares**

Fugro regularly proposes to its shareholders to authorise the Board of Management to acquire and to issue shares. On 8 May 2013 the AGM authorised the Board of Management for a period of 18 months as from 8 May 2013 until 8 November 2014, to, subject to the approval of the Supervisory Board, cause Fugro to purchase its own (certificates of) shares, up to a maximum of 10% of the issued capital at the date of acquisition, provided that Fugro will hold no more (certificates of) shares in stock than at maximum 10% of the issued capital, either through purchase on a stock exchange or otherwise, at a price, excluding expenses, not lower than the nominal value of the shares and not higher than 10% above the average of the closing price of the certificates of the shares on NYSE Euronext Amsterdam for the five business days before the day on which the purchase is made. Also on 8 May 2013 the AGM designated the Board of Management as the corporate body which is authorised for a period of 18 months as of 8 May 2013 until 8 November 2014, to, subject to the approval of the Supervisory Board:

- (a) resolve on the issue of – and/or on the granting of rights to subscribe for – all ordinary shares and all sorts of financing preference shares (not the protective preference shares) in which the authorised capital is divided at the date of the relevant resolution

- (b) restrict and/or to exclude pre-emption rights that accrue to shareholders upon issue of (grant of rights to subscribe for) ordinary shares and/or financing preference shares.

The authorisation of the Board of Management with respect to the issue of ordinary shares and financing preference shares and/or to grant rights to subscribe for ordinary shares and financing preference shares was limited to 10% of the issued share capital of Fugro at the time of the issue plus an additional 10% of the issued capital of Fugro at the time of the issue in connection with or on the occasion of mergers and acquisitions.

The Board of Management may resolve, with the approval of the Supervisory Board, to dispose of shares acquired by Fugro in its own capital.

**Key agreements containing change-of-control provisions**

Fugro differentiates four categories of agreements as referred to in the Decree on Section 10 EU Takeover Directive:

- a) Credit facility with Rabobank of EUR 150 million for five years. This agreement was implemented in 2011 and the facility has not been utilised. The facility may be cancelled in the event of a 'change of ownership' of Fugro whereupon all or part of the loans may become immediately due and payable.

Credit facility with ING Bank N.V. of EUR 150 million for five years. This agreement was implemented in 2011 and the facility has not been utilised. The facility may be cancelled in the event of a 'change of ownership' of Fugro whereupon all or part of the loans may become immediately due and payable.

Credit facility with The Royal Bank of Scotland N.V. of EUR 100 million for five years. This agreement was implemented in 2011 and the facility has not been utilised. The facility may be cancelled in the event of a 'change of ownership' of Fugro whereupon all or part of the loans may become immediately due and payable.

Credit facility with HSBC Bank Plc. of EUR 100 million for five years. This agreement was implemented in 2011 and the facility has not been utilised. The facility may be cancelled in the event of a 'change of ownership' of Fugro whereupon all or part of the loans may become immediately due and payable.

Credit facility with BNP Paribas S.A. of EUR 100 million for five years. This agreement was implemented in 2011 and the facility has not been utilised. The facility may be cancelled in the event of a 'change of ownership' of Fugro whereupon all or part of the loans may become immediately due and payable.

Credit facility with Barclays Bank Plc. of EUR 75 million for five years. This agreement was implemented in 2011 and the facility has not been utilised. The facility may be cancelled in the event of a 'change of ownership' of Fugro whereupon all or part of the loans may become immediately due and payable.

Credit facility with ABN AMRO Bank N.V. of EUR 50 million for five years. This agreement was implemented in 2011 and the facility has not been utilised. The facility may be cancelled in the event of a 'change of ownership' of Fugro whereupon all or part of the loans may become immediately due and payable.

Credit facility with Credit Suisse A.G. of EUR 50 million for five years. This agreement was implemented in 2011 and the facility has not been utilised. The facility may be cancelled in the event of a 'change of ownership' of Fugro whereupon all or part of the loans may become immediately due and payable.

- b) Private placement USD loans. As described in paragraph 5.7.2 of the Financial statements, Fugro has concluded long term loans with American investors in 2002. The terms and conditions of these loans provide that Fugro may consolidate or merge with any other person or legal entity if either a) Fugro shall be the surviving or continuing person, or b) the surviving, continuing or resulting person or legal entity that purchases, acquires or otherwise acquires all or substantially all of the assets of the company i) is a solvent entity organised under the laws of any approved jurisdiction (any of the following jurisdictions: the Netherlands, The United States, Canada and any country which is a member of the EU (other than Greece) at the time of the date of the agreement, ii) is engaged in any similar line of business as Fugro and iii) expressly assumes the obligations of Fugro under this agreement in a writing which is in form and substance reasonably satisfactory to the holders of at least 51% of the outstanding principal amount of the notes.

Fugro has also concluded long term loans with American and British institutional investors in 2011. In case of a 'Change of Control' Fugro shall give written notice of such fact to all holders of the loan notes. The notice shall contain an offer by Fugro to prepay the entire unpaid principal amount of loan notes held by each holder at 100% of the principal amount of such loan notes at par (and without any make-whole, premium, penalty or make-whole amount whatsoever or howsoever described), together with interest accrued thereon to the prepayment date selected by Fugro.

- c) Joint venture agreement between Fugro Consultants International N.V. and CGG dated 27 January 2013. This agreement contains a change of control clause with respect to the situation that a third party, other than an affiliate of Fugro or CGG acquires direct or indirect control over i) the affairs of Fugro or CGG; ii) more than 30% of the voting rights in the capital of Fugro or CGG; or iii) on the appointment or dismissal of the majority of the managing directors or a board of directors of Fugro or CGG.
- d) Employee option agreements. The employee option agreements stipulate that in the event of a restructuring of the share capital of Fugro or a merger of Fugro with any other legal entity, the option holder is entitled for every option to such securities, cash or other property as to which a shareholder of Fugro is entitled per share immediately prior to the restructuring or merger, unless the option period is shortened by Fugro. In the event of a restructuring of its share capital or merger with another company, Fugro may shorten the option period so as to terminate immediately prior to the time at which the restructuring or merger is effectuated. In the event that a public offer is considered hostile and such offer is declared unconditional, all options become immediately exercisable.

#### **Payment to members of the Board of Management on termination of employment/ services agreement resulting from a public bid**

Fugro has not entered into any agreements with members of the Board of Management or employees that provide for a specific severance compensation on termination of the employment or services agreement as a result of a public bid within the meaning of section 5:70 or 5:74 of the Dutch Act on Financial Supervision. The agreements with the members of the Board of Management do – in accordance with the Code – provide for a general severance compensation amounting to a maximum of one year's base salary which in principle is applicable in the event of termination or annulment of the agreement.





Technical meeting, Saudi Arabia.

This severance compensation is also applicable when the termination is justified by such change of circumstances that the members of the Board of Management cannot reasonably be expected to continue the performance of their function/services as a statutory director of Fugro. This may be the case, for example, if Fugro is liquidated, is merged with or taken over by a third party, is subject to an important reorganisation or to a major change of policy.

### Corporate Governance statement

This is a statement concerning corporate governance as referred to in section 2a of the decree on additional requirements for annual reports (Vaststellingsbesluit nadere voorschriften inhoud jaarverslag) effective as of 1 January 2010 (the 'Decree'). The information required to be included in this corporate governance statement as described in sections 3, 3a and 3b of the Decree can be found in the following chapters, sections and pages of this Annual Report 2013 and are deemed to be included and repeated in this statement:

- the information concerning compliance with the Dutch Corporate Governance Code, as required by section 3 of the Decree, can be found in the chapter on 'Corporate Governance'
- the information concerning Fugro's main features of the internal risk management and control systems relating to the financial reporting process, as required by section 3a sub a of the Decree, can be found in the chapter on 'Risk Management'
- the information regarding the functioning of Fugro's General Meeting of shareholders, and the authority and rights of Fugro's shareholders and holders of certificates of shares, as required by section 3a sub b of the Decree, can be found in the chapter on 'Corporate Governance'
- the information regarding the composition and functioning of Fugro's Board of Management, the Supervisory Board and its Committees, as required by section 3a sub c of the Decree, can be found in the relevant sections of the chapter on 'Corporate Governance', the Report of the Supervisory Board and on pages 84 and 86; and

- the information concerning the disclosure of the information required by the Decree on Section 10 EU Takeover Directive, as required by section 3b of the Decree, may be found in the chapter on 'Corporate Governance'.

This corporate governance statement is also available on Fugro's website.

## INFORMATION FOR SHAREHOLDERS

### Financial calendar

7 March 2014	Publication of 2013 annual results (7.00 CET)
25 March 2014	Notice for the Annual General Meeting published on <a href="http://www.fugro.com">www.fugro.com</a>
8 April 2014	Record date for Annual General Meeting
6 May 2014	Trading update first quarter 2014 (7.00 CET)
6 May 2014	Annual General Meeting in the Crown Plaza hotel in Den Haag (14.00 CET)
8 May 2014	Quotation ex-dividend
12 May 2014	Record date dividend entitlement (after trading hours)
15 – 28 May 2014	Dividend option period (cash or shares)
2 June 2014	Determination and publication (7.00 CET) of exchange ratio based upon the volume weighted average of the share on 28, 29 and 30 May
6 June 2014	Dividend payable
11 August 2014	Publication of the half-year results (7.00 CET)
12 November 2014	Trading update third quarter 2014 (7.00 CET)
27 February 2015	Publication of the 2014 annual results (7.00 CET)
30 April 2015	Annual General Meeting

Fugro's Investor Relations policy is aimed at providing timely, full and consistent information to existing and potential shareholders, other capital providers and its intermediaries. Fugro wants to enable them to develop a clear understanding of its strategy, activities, historical performance and outlook for the future.

Fugro offers comprehensive information regarding the company on its website and through presentations to and meetings with analysts, investors and media and by means of press releases. Shareholders and certificate holders are able to follow general meetings and analyst presentations by means of webcasting. The presentations, posted on the website, are given particularly during the periods March/April and August/September. During these presentations Fugro's strategy and activities are further explained in detail by members of the Board of Management.

In 2013, Fugro hosted Capital Markets Days in September relating to the strategic update. Roadshows in London and Houston are held twice a year, amongst others in the United States, the United Kingdom, The Netherlands and Germany. Together with further individual personal contacts with investors and analysts this results annually in around 250 'one-on-one'-meetings, presentations and telephone conferences.

These activities are carried out in strict accordance with the requirements of NYSE Euronext and the Netherlands Authority for the Financial Markets. Fugro complies with all best practice provisions in the Dutch Corporate Governance Code that concern the relations of a company with its shareholders. Fugro has drawn up a clear disclosure policy detailing how information is provided to investors, analysts, financial institutions, the press and other stakeholders. For more information, including press releases, presentations and the policy on bilateral contacts, please see [www.fugro.com](http://www.fugro.com).

## Listing on the stock exchange

Fugro has been listed on the NYSE Euronext stock exchange in Amsterdam since 1992. The certificates of shares have been included in the AEX-index as of September 2008 (symbol: FUR/ISIN code: NL0000352565). Options on Fugro shares are traded on the European Option Exchange in Amsterdam (Euronext Life).

Only certificates of shares of Fugro are listed on NYSE Euronext Amsterdam. These certificates are issued by the Fugro Trust Office, which carries out the administration of the underlying shares, for which it has issued the certificates. On 31 December 2013 the Fugro Trust Office administered 98.6% of the issued underlying shares. For more information on share capital, certificates and the Fugro Trust Office see pages 206 and 207.



AEX calibrated to the Fugro share price on 2 January 2009

## Trading information

	2013	2012	2011	2010	2009
Market capitalisation (x EUR 1 million)	3.663	3.688	3.655	4.937	3.171
Highest closing share price on NYSE Euronext	48.81	57.88	63.53	62.06	41.85
Lowest closing share price on NYSE Euronext	35.24	37.65	34.47	37.10	19.09
Year-end closing share price on NYSE Euronext	43.32	44.52	44.90	61.5	40.26
Average daily trading on NYSE Euronext (shares)	475,733	482,637	517,252	421,570	539,557
Average price/earnings ratio	7.9	13.0	13.5	14.3	8.8
Average dividend yield (%)	3.6	4.2	3.1	3.0	4.9

## Information per share

(x EUR 1.-)	2013	2012*	2011*	2010*	2009*
Cash flow	5.00	4.99	5.45	6.25	5.99
(Basic) Earnings per share	5.29	3.61	3.63	3.47	3.46
Diluted earnings per share	5.26	3.58	3.74	3.42	3.42
Dividend paid out in the year under review	2.00	1.50	1.50	1.50	1.50
Proposed dividend over the year under review	1.50	1.50	1.50	1.50	1.50
Extra dividend for the year under review related to sale of majority Geoscience business		0.50			
Pay-out ratio (%) over the year under review	54	56	41	43	44

\* Continued and discontinued business.



### Shareholders owning 3% or more in Fugro's share capital (public register AFM)

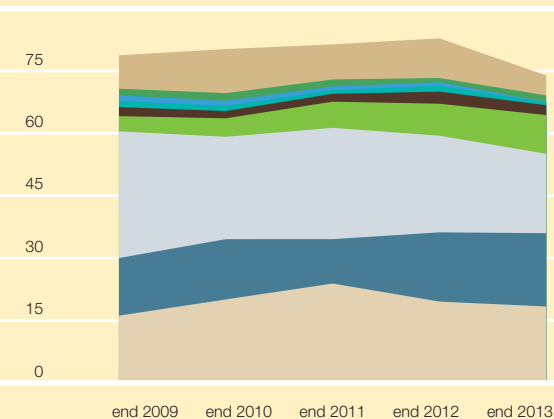
	Ownership	Date Notification
G-J. Kramer (directly and indirectly)	5.36%	6 January 2014
Sprucegrove Investment Management Limited	5.18%	14 March 2013
ING Groep NV	5.05%	22 November 2013
Franklin Resources, Inc	5.01%	13 December 2013
Harris Associates L.P.	5.00%	27 September 2013
Columbia Wanger	4.97%	28 October 2011
Fidelity Management and Research	4.80%	5 May 2008
Capital Group International Inc.	4.60%	27 February 2013

### Shareholders

Under the Dutch Financial Supervision Act, shareholdings of 3% or more must be disclosed to the Netherlands Authority for the Financial Markets (AFM). On 31 December 2013, Fugro owned 4.5% of its own shares to cover options granted to employees. As far as is known, approximately 74% of the outstanding shares is held by non-Dutch investors.

### Distribution of shareholders

(x 1,000 shares)



On the basis of anonymous data provided by custodian banks.

### Participations and employee options

On 31 December 2013 around 1% of Fugro's share capital was held by members of the Board of Management and other Fugro employees.

Of the total number of employee options granted during the past years, 5,491,865 options (including the option grants as per 31 December 2013) were outstanding on 31 December 2013. A total number of 956,925 new options, with an exercise price of EUR 43.315 were granted to a total of 621 employees on 31 December 2013. Of these options, 26.60% were granted to the six members of the Executive Committee (see also pages 188 and 189).

Options are granted annually on 31 December and the option exercise price is equal to the price of the certificates of shares at the closing of NSYE Euronext Amsterdam on the last trading day of the year. The vesting period for the granted options is three years starting on 1 January of the year following the grant date. The option period is six years. The options granted are unconditional and are not subject to any further conditions of exercise, except that the option holder is still employed by Fugro or one of its operating companies. Standard exceptions apply to the latter rule in connection with retirement, long-term disability and death. In the event that a public offer is considered hostile and such offer is declared unconditionally, all options become immediately exercisable.

Number of outstanding shares	2013	2012
Outstanding at 1/1	82,844,371	81,392,981
Stock dividend	1,728,154	1,451,390
Outstanding at 31/12	84,572,525	82,844,371
Balance held for option scheme (31/12)	3,798,736	1,202,566
Entitled to dividend as of 31/12	80,773,789	81,641,805

Movement in number of shares held to cover employee options	2013	2012
Balance on 1/1	1,202,566	2,162,746
Purchased	3,000,000	0
Sold in connection with option exercise	(403,830)	(960,180)
Balance on 31/12	3,798,736	1,202,566
Granted, not exercised options as of 31/12	5,491,865	6,534,920

Options are granted in such a way that at any moment the maximum number of outstanding options to acquire shares in Fugro will not exceed 7.5% of the issued ordinary share capital (including treasury shares), taking into account the number of shares repurchased for the option plan. In order to mitigate dilution, it is Fugro's policy to purchase own shares to cover the options granted with the result that no new shares are issued when options are exercised.

In 2013 Fugro purchased 3,000,000 shares (2012: nil shares) at an average price of EUR 44,39 per share. On 31 December 2013 a total of 3,798,736 own shares were held. These shares are not entitled to dividend and there are no voting rights attached to these shares. The exercise of all outstanding options as of 31 December 2013, including the options granted on this date, could – after having used the purchased shares – lead to an increase of the issued share capital by a maximum of 2%. As stated above it is Fugro's policy to purchase own shares to cover the options granted with the result that no new shares are issued when options are exercised. Since the 1st of January 2014 a total of 27,700 options were exercised.

#### **Dividend policy**

Fugro strives for a pay-out ratio of 35% to 55% of the net result. Shareholders have a choice between cash or shares. In case no choice is made, the dividend will be paid in shares.

In 2013 about 50% of the shareholders chose to receive the dividend for 2012 in shares (2012: 55%). In 2013, 1,728,154 new shares were issued for this purpose.

In September 2013 Fugro updated its dividend policy. Starting with the 2013 dividend, Fugro will offset dilution resulting from the optional dividend (cash or shares). Fugro will buy-back the number of shares issued as stock dividend and these shares will be cancelled after having obtained shareholder approval. This way, the tax advantage for a substantial part of the shareholders related to stock dividend is retained.

### Dividend for 2013

It is proposed that the dividend for 2013 will be EUR 1.50 per share (2012: EUR 2.00, consisting of a regular dividend of EUR 1.50 and an one-off extra dividend of EUR 0.50 in connection with the divestment of the majority of the Geoscience business). The proposed dividend for 2013 equates to a pay-out ratio of 54% of the net result from continuing operations, in line with the dividend policy of a pay-out ratio of 35 to 55%.

### Annual General Meeting

The agenda, including explanatory notes, of the General Meeting will be posted on [www.fugro.com](http://www.fugro.com) at least 42 days prior to the meeting.

Fugro offers the possibility to grant proxies, whether or not with voting instructions, by electronic means. Fugro also offers the holders of certificates of shares the possibility to issue voting instructions by using an internet e-voting system: [www.abnamro.com/evoting](http://www.abnamro.com/evoting). As the technology matures and becomes more trustworthy, Fugro will evaluate whether to facilitate the use of electronic means to cast votes during the meeting without being present in person or by proxy.

### Prevention of the misuse of inside information

Fugro considers prevention of the misuse of inside information when trading in securities to be essential for its relationship with the outside world. Fugro has issued internal guidelines on the holding of and effecting transactions in Fugro securities which apply to the members of the Supervisory Board, the Board of Management and other designated persons. A record is kept of all so-called 'insiders'. Fugro has appointed a Compliance Officer. Dealings in securities by members of the Supervisory Board, the Board of Management and the managers who are considered insiders as meant in Section 5:60 of the Dutch Financial Supervision Act, are notified to the AFM ([www.afm.nl](http://www.afm.nl)).

### Contact

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#### Percentage of (certificates of) shares represented in past shareholders' meetings

	Certificates and shares (excl. Fugro Trust Office)	Shares held by Fugro Trust Office*	% of issued capital**
EGM 2013	69	30	99
AGM 2013	62	37	99
AGM 2012	61	38	99
EGM 2011	57	42	99
AGM 2011	57	42	99

\* Fugro Trust Office votes on the shares for which certificates have been issued and on which shares the certificate holders do not vote themselves as representative of the Fugro Trust Office. See page 206 for more information on Fugro Trust Office

\*\* Excluding own shares held by Fugro.





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# 1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

(EUR x 1,000)	2013	2012*
<b>Continuing operations</b>		
(5.26) Revenue	2,423,971	2,164,996
(5.29) Third party costs	(1,003,441)	(793,250)
Net revenue own services (revenue less third party costs)	1,420,530	1,371,746
(5.30) Other income	54,112	14,806
(5.31) Personnel expenses	(743,143)	(694,537)
(5.36) Depreciation	(179,036)	(155,619)
(5.37) Amortisation of software and other intangible assets	(11,382)	(3,125)
(5.32) Other expenses	(274,061)	(226,647)
<b>Results from operating activities (EBIT)</b>	<b>267,020</b>	<b>306,624</b>
Finance income	20,142	13,972
Finance expenses	(27,126)	(29,039)
(5.33) Net finance income/(costs)	(6,984)	(15,067)
(5.40) Share of profit/(loss) of equity-accounted investees (net of income tax)	4,937	(1,068)
<b>Profit before income tax</b>	<b>264,973</b>	<b>290,489</b>
(5.34) Income tax expense	(51,120)	(49,085)
Profit for the period from continuing operations	213,853	241,404
(5.46) Profit for the period from discontinued operations	204,073	58,210
<b>Profit for the period</b>	<b>417,926</b>	<b>299,614</b>
<b>Attributable to:</b>		
Owners of the Company	428,303	289,745
Non-controlling interests	(10,377)	9,869
<b>Profit for the period</b>	<b>417,926</b>	<b>299,614</b>
<b>Basic earnings per share from continuing and discontinued operations (attributable to owners of the Company during the period)</b>		
(5.48) From continuing operations (EUR)	2.77	2.89
(5.48) From discontinued operations (EUR)	2.52	0.72
(5.48) <b>From profit for the period</b>	<b>5.29</b>	<b>3.61</b>
<b>Diluted earnings per share from continuing and discontinued operations (attributable to owners of the Company during the period)</b>		
(5.48) From continuing operations (EUR)	2.76	2.86
(5.48) From discontinued operations (EUR)	2.51	0.72
(5.48) <b>From profit for the period</b>	<b>5.27</b>	<b>3.58</b>

\* Restated see pages 117 – 119.

The notes on pages 117 to 201 are an integral part of these consolidated financial statements.



# 1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December

(EUR x 1,000)	2013	2012*
Profit for the period	417,926	299,614
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss</b>		
(5.50) Defined benefit plan actuarial gains (losses)	(5,163)	3,800
<b>Total items that will not be reclassified to profit or loss</b>	<b>(5,163)</b>	<b>3,800</b>
<b>Items that may be reclassified subsequently to profit or loss</b>		
(5.33) Foreign currency translation differences of foreign operations	(207,271)	3,861
(5.33) Foreign currency translation differences of equity-accounted investees	(333)	36
(5.33) Net change in fair value of hedge of net investment in foreign operations	26,805	6,235
(5.33) Net change in fair value of cash flow hedges transferred to profit or loss	626	773
(5.33) Net change in fair value of available-for-sale financial assets	(95)	353
Net change in translation reserve transferred to profit or loss due to disposal	10,839	–
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>(169,429)</b>	<b>11,258</b>
<b>Total other comprehensive income for the period (net of tax)</b>	<b>(174,592)</b>	<b>15,058</b>
<b>Total comprehensive income for the period</b>	<b>243,334</b>	<b>314,672</b>
<b>Attributable to:</b>		
Owners of the Company	259,789	305,451
Non-controlling interests	(16,455)	9,221
<b>Total comprehensive income for the period</b>	<b>243,334</b>	<b>314,672</b>
<b>Total comprehensive income attributable to equity shareholders arises from:</b>		
Continuing operations	45,377	244,998
Discontinued operations	214,412	60,453
	<b>259,789</b>	<b>305,451</b>

\* Restated see pages 117 – 119.

The other comprehensive income includes defined benefit plan actuarial results of EUR 500 thousand gain (2012: EUR 1,602 thousand gain) and foreign currency translation differences of foreign operations of EUR 1,000 thousand loss (2012: EUR 641 thousand gain) relating to the discontinued operations.

## 2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

(EUR x 1,000)	2013	2012*	1 January 2012*
<b>Assets</b>			
(5.36) Property, plant and equipment	1,129,920	1,065,873	1,482,981
(5.37) Intangible assets	1,137,210	1,014,201	1,116,192
(5.40) Investments in equity-accounted investees	52,659	34,707	1,632
(5.41) Other investments	150,604	19,337	59,247
(5.42) Deferred tax assets	49,561	45,221	55,262
<b>Total non-current assets</b>	<b>2,519,954</b>	<b>2,179,339</b>	<b>2,715,314</b>
(5.43) Inventories	27,583	21,343	31,069
(5.44) Trade and other receivables	867,535	837,645	884,550
(5.35) Current tax assets	51,345	27,500	60,278
(5.45) Cash and cash equivalents	164,185	92,019	170,384
(5.46) Assets classified as held for sale	–	1,011,870	–
<b>Total current assets</b>	<b>1,110,648</b>	<b>1,990,377</b>	<b>1,146,281</b>
<b>Total assets</b>	<b>3,630,602</b>	<b>4,169,716</b>	<b>3,861,595</b>

\* Restated see pages 117 – 119.

## 2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December

(EUR x 1,000)	2013	2012 <sup>*</sup>	1 January 2012 <sup>*</sup>
<b>Equity</b>			
Share capital	4,228	4,143	4,070
Share premium	431,227	431,312	431,385
Other Reserves	(447,888)	(164,565)	(210,809)
Retained earnings	1,609,101	1,396,094	1,143,544
Unappropriated result	428,303	289,745	287,595
<b>Total equity attributable to owners of the Company</b>	<b>2,024,971</b>	<b>1,956,729</b>	<b>1,655,785</b>
Non-controlling interests	85,947	21,640	18,349
<b>(5.47) Total equity</b>	<b>2,110,918</b>	<b>1,978,369</b>	<b>1,674,134</b>
<b>Liabilities</b>			
(5.49) Loans and borrowings	689,023	1,166,734	1,215,173
(5.50) Employee benefits	95,003	89,757	98,320
(5.51) Provisions	225	1,165	4,215
(5.42) Deferred tax liabilities	38,231	18,130	13,683
<b>Total non-current liabilities</b>	<b>822,482</b>	<b>1,275,786</b>	<b>1,331,391</b>
(5.45) Bank overdraft	92,085	221,923	167,810
(5.49) Loans and borrowings	31,595	10,814	79,776
(5.52) Trade and other payables	483,690	389,553	512,692
Other taxes and social security charges	41,499	37,501	46,279
(5.35) Current tax liabilities	48,333	54,239	49,513
(5.46) Liabilities classified as held for sale	–	201,531	–
<b>Total current liabilities</b>	<b>697,202</b>	<b>915,561</b>	<b>856,070</b>
<b>Total liabilities</b>	<b>1,519,684</b>	<b>2,191,347</b>	<b>2,187,461</b>
<b>Total equity and liabilities</b>	<b>3,630,602</b>	<b>4,169,716</b>	<b>3,861,595</b>

\* Restated see pages 117 – 119.

The notes on pages 117 to 201 are an integral part of these consolidated financial statements.

### 3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR x 1,000)

2013

	Share capital	Share premium	Translation reserve	Hedging reserve	Reserve for own shares	Retained earnings	Unappropriated result	Total	Non-controlling interest	Total equity
<b>Balance at 1 January 2013</b>	4,143	431,312	5,697	(1,704)	(168,558)	1,396,094	289,745	1,956,729	21,640	1,978,369
<b>Total comprehensive income for the period:</b>										
Profit or (loss)							428,303	428,303	(10,377)	417,926
<b>Other comprehensive income</b>										
(5.33) Foreign currency translation differences of foreign operations			(201,193)					(201,193)	(6,078)	(207,271)
(5.33) Foreign currency translation differences of equity-accounted investees			(333)					(333)		(333)
(5.33) Net change in fair value of hedge of net investment in foreign operations			26,805					26,805		26,805
(5.34) Defined benefit plan actuarial gains (losses)						(5,163)		(5,163)		(5,163)
(5.33) Net change in fair value of cash flow hedges transferred to profit or loss				626				626		626
(5.33) Net change in fair value of available-for-sale financial assets						(95)		(95)		(95)
(5.33) Net change in translation reserve transferred to profit or loss due to disposal			10,839					10,839		10,839
<b>Total other comprehensive income (net of tax)</b>			(163,882)	626		(5,258)		(168,514)	(6,078)	(174,592)
<b>Total comprehensive income for the period</b>			(163,882)	626		(5,258)	428,303	259,789	(16,455)	243,334



### 3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

(EUR x 1,000)

2013

	Share capital	Share premium	Translation reserve	Hedging reserve	Reserve for own shares	Retained earnings	Unappropriated result	Total	Non-controlling interest	Total equity
<b>Transactions with owners recognised directly in equity</b>										
Contributions by and distributions to owners										
(5.31) Share-based payments						8,858		8,858		8,858
Share options exercised					13,106			13,106		13,106
Addition to reserves						209,407	(209,407)			
(5.47) Own shares acquired and stock dividend	85	(85)			(133,173)			(133,173)		(133,173)
(5.40) Disposal									(16,477)	(16,477)
(5.47) Dividends to shareholders							(80,338)	(80,338)	(2,261)	(82,599)
(5.27) Non-controlling interest arising on establishment of Seabed Geosolutions B.V.									99,500	99,500
<b>Total contributions by and distribution to owners</b>	<b>85</b>	<b>(85)</b>			<b>(120,067)</b>	<b>218,265</b>	<b>(289,745)</b>	<b>(191,547)</b>	<b>80,762</b>	<b>(110,785)</b>
<b>Balance at 31 December 2013</b>	<b>4,228</b>	<b>431,227</b>	<b>(158,185)</b>	<b>(1,078)</b>	<b>(288,625)</b>	<b>1,609,101</b>	<b>428,303</b>	<b>2,024,971</b>	<b>85,947</b>	<b>2,110,918</b>

The notes on pages 117 to 201 are an integral part of these consolidated financial statements.

### 3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

(EUR x 1,000)

2012

	Share capital	Share premium	Translation reserve	Hedging reserve	Reserve for own shares	Retained earnings	Unappropriated result	Total	Non-controlling interest	Total equity
<b>Balance at 1 January 2012</b>	4,070	431,385	(5,083)	(2,477)	(203,249)	1,143,544	287,595	1,655,785	18,349	1,674,134
<b>Total comprehensive income for the period:</b>										
Profit or (loss)							289,745	289,745	9,869	299,614
<b>Other comprehensive income</b>										
(5.33) Foreign currency translation differences of foreign operations			4,509					4,509	(648)	3,861
(5.33) Foreign currency translation differences of equity-accounted investees			36					36		36
(5.33) Net change in fair value of hedge of net investment in foreign operations			6,235					6,235		6,235
(5.34) Defined benefit plan actuarial gains (losses)						3,800		3,800		3,800
(5.33) Net change in fair value of cash flow hedges transferred to profit or loss				773				773		773
(5.33) Net change in fair value of available-for-sale financial assets						353		353		353
<b>Total other comprehensive income (net of tax)</b>	-	-	10,780	773	-	4,153	-	15,706	(648)	15,058
<b>Total comprehensive income for the period</b>	-	-	10,780	773	-	4,153	289,745	305,451	9,221	314,672
<b>Transactions with owners recognised directly in equity</b>										
Contributions by and distributions to owners										
(5.31) Share-based payments						16,686		16,686		16,686
Share options exercised					34,691			34,691		34,691
Addition to reserves						231,711	(231,711)	-		-
(5.47) Own shares acquired and stock dividend	73	(73)						-		-
(5.47) Dividends to shareholders							(55,884)	(55,884)	(5,930)	(61,814)
<b>Total contributions by and distribution to owners</b>	73	(73)	-	-	34,691	248,397	(287,595)	(4,507)	(5,930)	(10,437)
<b>Balance at 31 December 2012*</b>	4,143	431,312	5,697	(1,704)	(168,558)	1,396,094	289,745	1,956,729	21,640	1,978,369

\* Restated see pages 117 – 119.

The notes on pages 117 to 201 are an integral part of these consolidated financial statements.

#### 4 CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

(EUR x 1,000)	2013	2012*
<b>Cash flows from continuing operations</b>		
<b>Cash flows from operating activities</b>		
Profit for the period	213,853	241,404
<b>Adjustments for:</b>		
(5.36) Depreciation	179,037	155,619
(5.37) Amortisation of intangible assets	11,382	3,125
Amortisation of transaction costs related to loans and borrowings	1,331	1,048
(5.43) Expensed inventories	32,488	25,263
(5.37) Amortisation multi-client data libraries	88,029	142,945
Reversal of impairment loss	–	990
(5.54) Change in allowance for impairment on trade receivables	7,266	3,659
(5.33) Net finance costs (excluding net foreign exchange variance and net change in fair value of financial assets at fair value through profit or loss)	15,623	17,733
(5.40) Share of profit of equity-accounted investees	(4,937)	(1,068)
(5.33) Net change in fair value of financial assets at fair value through profit or loss	(506)	(7,968)
Gain on sale of property, plant and equipment	(2,213)	(3,324)
(5.31) Equity-settled share-based payments	8,858	13,833
(5.34) Income tax expense	51,120	49,085
<b>Operating cash flows before changes in working capital and provisions</b>	<b>601,331</b>	<b>642,344</b>
Change in inventories	(36,569)	(48,097)
Change in trade and other receivables	(185,403)	32,256
Change in trade and other payables	84,339	(20,146)
Change in provisions and employee benefits	2,223	5,223
Interest paid	(30,848)	(18,646)
Income tax paid	(69,692)	(54,016)
<b>Net cash generated from operating activities</b>	<b>365,381</b>	<b>538,918</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of the majority of the Geoscience operations	792,762	–
Proceeds from sale of property, plant and equipment	3,832	7,149
Proceeds from sale of other investments	971	61,527
(5.33) Interest received	6,583	992
(5.33) Dividends received	2,939	173
Acquisition of other investments	(170)	–
(5.27) Acquisition of subsidiaries, net of cash acquired	(23,147)	(27,837)
(5.36) Acquisition of property, plant and equipment	(111,475)	(89,317)
(5.36) Investments in assets under construction	(141,865)	(168,999)
(5.37) Acquisition of intangible assets	(6,732)	(6,293)
(5.37) Additions multi-client data libraries	(48,327)	(259,648)
(5.37) Internally developed intangible assets	(3,904)	(9,848)
Investment in equity-accounted investees	(158)	(32,358)
<b>Net cash used in investing activities</b>	<b>471,309</b>	<b>(524,459)</b>

#### 4 CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December

(EUR x 1,000)	2013	2012 <sup>*</sup>
<b>Cash flows from financing activities</b>		
Proceeds from issue of long-term loans	3,093	503
Repurchase of own shares	(133,173)	–
Paid consideration for the exercise of share options	13,106	(17,084)
Proceeds from the sale of own shares	–	51,775
Repayment of borrowings	(435,614)	(111,902)
Dividends paid	(82,599)	(61,814)
<b>Net cash used in financing activities</b>	<b>(635,187)</b>	<b>(138,522)</b>
<b>Change in cash flows from continuing operations</b>	<b>201,503</b>	<b>(124,063)</b>
<b>Cash flows from discontinued operations</b>		
(5.45) Cash flows from operating activities	(1,011)	38,423
(5.45) Cash flows from investing activities	–	(78,839)
(5.45) Cash flows from financing activities	–	21
<b>Change in cash flows from discontinued operations</b>	<b>(1,011)</b>	<b>(40,395)</b>
Net increase/(decrease) in cash and cash equivalents	200,492	(164,458)
Cash and cash equivalents at 1 January	(161,038)	2,574
Cash and cash equivalents transferred (as held for sale)	(13,857)	
Bank overdraft transferred (as held for sale)	44,991	
Effect of exchange rate fluctuations on cash held	1,512	846
<b>Cash and cash equivalents at 31 December</b>	<b>72,100</b>	<b>(161,038)</b>
<b>Presentation in the statement of financial position</b>		
(5.45) Cash and cash equivalents	164,185	92,019
(5.45) Bank overdraft	(92,085)	(221,923)
Cash and cash equivalents (as held for sale)	–	13,857
Bank overdraft (as held for sale)	–	(44,991)
	<b>72,100</b>	<b>(161,038)</b>

\* Restated see pages 117 – 119.

The notes on pages 117 to 201 are an integral part of these consolidated financial statements.



## 5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5.1 General

Fugro N.V., hereinafter to be referred to as 'Fugro' or 'the Company', has its corporate seat in The Netherlands. The address of the Company's principal office is Veurse Achterweg 10, 2264 SG, Leidschendam, the Netherlands. The consolidated financial statements of Fugro as at and for the year ended 31 December 2013 include Fugro and its subsidiaries (together referred to as the 'Group') and the Group's interests in equity-accounted investees. A summary of the main subsidiaries is included in chapter 6.

### 5.2 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code.

On 6 March 2014 the Board of Management and Supervisory Board authorised the financial statements for issue. Publication is on 7 March 2014.

The financial statements will be submitted for adoption to the Annual General Meeting on 6 May 2014. The official language for the financial statements is the English language as approved by the Annual General Meeting on 10 May 2011. With reference to the Company income statement of Fugro N.V., use has been made of the exemption pursuant to section 2:402 of the Netherlands Civil Code.

### 5.3 Basis of preparation

#### 5.3.1 Functional and presentation currency

The financial statements are presented in EUR x 1,000, unless mentioned otherwise. The Euro is the functional and presentation currency of the Company.

#### 5.3.2 Basis of measurement

The financial statements have been prepared on the basis of historical cost, except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments at fair value through profit or loss, available-for-sale financial assets and plan assets associated with defined benefit plans.

#### 5.3.3 Change in accounting policy multi-client data libraries

Fugro decided to change the accounting policy for multi-client data libraries to intangible asset accounting to further align with the industry practice using the provisions in IAS 8.14 and IAS 8.29. In the industry multi-client data libraries are commonly accounted for as intangible assets. This change in accounting policy to intangible assets will enhance the relevance of Fugro's financial statement and increase the comparability of financial statements with other companies in the industry.

Previously Fugro accounted for multi-client data libraries as inventory. This has an effect on the consolidated statement of financial position and consolidated statements of cash flows, which are further explained below. This change does not have an effect on the carrying amounts of the multi-client data libraries, nor does it have an effect on equity, nor does it have an effect on the 'Profit for the period', nor does it have an effect on 'Earnings per share'.

Multi-client data libraries were accounted for as part of inventories and are now included in the intangible asset line item. The change is as follows:

**Consolidated statement of financial position**

	31 December 2012	1 January 2012
Inventory previously reported	479,822	364,875
Multi-client data libraries	(458,479)	(333,806)
Inventory restated	21,343	31,069
Intangible assets previously reported	555,722	782,386
Multi-client data libraries	458,479	333,806
Intangible assets restated	1,014,201	1,116,192

The statement of financial position as at 31 December 2012 has been updated to reflect the change in presentation. A statement of financial position as at 1 January 2012 has been included to reflect the change in presentation on the opening balance sheet.

The non-cash amortisation of the multi-client has been presented in the past under 'Expensed inventories', but is now separately presented as 'Amortization multi-client data libraries' in the consolidated statement of cash flows. Furthermore, the additions to the multi-client data libraries were previously part of 'Change in inventories' in the consolidated statement of cash flows, but are now presented separately as 'Additions multi-client data libraries' as part of cash flows from investing activities. The changes are shown below:

**Consolidated statement of cash flows**

	Previously reported for the year ended 31 December 2012	Changes	Restated for the year ended 31 December 2012
Expensed inventories	168,208	(142,945)	25,263
Amortisation multi-client data libraries (new line item)		142,945	142,945
Change in inventories	(307,745)	259,648	(48,097)
Net cash generated from operating activities	279,270	259,648	538,918
Additions multi-client data libraries (new line item)		(259,648)	(259,648)
Net cash used in investing activities	(264,811)	(259,648)	(524,459)

**5.3.4 Other changes in accounting policies resulting from changes in IFRS**

As a result of the amendments to IAS 1 'Presentation of financial statements', the Company has grouped items of other comprehensive income in its consolidated statement of comprehensive income, on the basis of whether they are potentially recycled to profit or loss subsequently.

IAS 19 'Employee benefits', revised (IAS 19R), amends the accounting for employee benefits. The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. There is no change to determining the discount rate; this continues to reflect the yield on high-quality corporate bonds. The change in the standard has resulted in an increase of the pension expenses as the discount rate applied to assets is lower than the expected return on assets. This has no effect on total comprehensive income for the period as the increased charge in profit or loss is offset by a credit in other comprehensive income.

The effect of the changes to the accounting principles is shown in the following table.

(EUR x 1,000)	For the year ended 2012		
	Previously stated	Impact IAS19R	After effect IAS19R restated
<b>Consolidated statement of comprehensive income</b>			
Personnel expenses	(692,892)	(1,645)	(694,537)
Result from operating activities (EBIT)	308,269	(1,645)	306,624
Income tax expense	(49,502)	417	(49,085)
Profit/(loss) for the period from discontinued operations	58,810	(600)	58,210
Profit for the period	301,442	(1,828)	299,614
Profit attributable to owners of the company	291,573	(1,828)	289,745
Defined benefit plan actuarial gains (losses)	1,972	1,828	3,800*

(EUR x 1,000)	As at 31 December 2012		
	Previously stated	Impact IAS19R	After effect IAS19R restated
<b>Consolidated statement of financial position</b>			
Retained earnings	1,394,266	1,828	1,396,094
Unappropriated result	291,573	(1,828)	289,745

(EUR x 1,000)	For the year ended 2012		
	Previously stated	Impact IAS19R	After effect IAS19R restated
<b>Consolidated statement of changes in equity</b>			
Total comprehensive income for the period: Profit or (loss)	291,573	(1,828)	289,745
Defined benefit actuarial gains (losses)	1,972	1,828	3,800

(EUR x 1,000)	For the year ended 2012		
	Previously stated	Impact IAS19R	After effect IAS19R restated
<b>Consolidated statement of cash flows</b>			
Profit for the period	242,632	(1,228)	241,404
Income tax expense	49,502	(417)	49,085
Operating cash flows before changes in working capital and provisions	643,989	(1,645)	642,344
Change in provisions and employee benefits	3,578	1,645	5,223

\* The defined benefit plan actuarial gain (loss) for 2012 includes a gain of EUR 1.6 million relating to discontinued operations.

The amendments to IFRS 7, 'Financial instruments: Disclosures – Offsetting financial assets and financial liabilities', focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset. Fugro has included the additional disclosures required.

IFRS 13 'Fair Value Measurement' affects nearly all instances where assets and liabilities are currently measured at fair value, primarily by refining the measurement concept to represent an asset or liability's exit value. The standard also introduces certain additional considerations to the measurement process. The adoption of this standard did not have a material impact.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory for Fugro until 1 January 2014, however Fugro has decided to early adopt the amendment as of 1 January 2013.

#### 5.3.5 Use of estimates and judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ materially from these estimates.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making the judgements about the carrying values of the assets and liabilities that are not readily apparent from other sources. The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty and references to the notes which include information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in note 5.63.

#### 5.3.6 New standards and interpretations

For the following new standards Fugro has not opted for early adoption:

IFRS 9 Financial Instruments, as issued in 2009 and revised in 2010, is required to be adopted by 2015 under the presumption that the standard is endorsed by the European Union. The Standard could change the classification or measurement of financial assets upon adoption; the full impact of the changes in accounting for financial instruments on Fugro has not been determined yet.

IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities' and revised standards IAS 27 'Separate Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' were issued during 2011 and are required to be adopted, with retrospective effect, by 2014. The standards reinforce the principles for determining when an investor controls another entity, can amend in certain cases the accounting for arrangements where an investor has joint control and can introduce changes to certain disclosures. The changes have been reviewed and have been assessed as to have an insignificant impact on the group.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material. There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

#### 5.3.7 Divestment of the majority of the Geoscience activities

On 31 January 2013, Fugro sold the majority of the Geoscience division excluding the multi-client data library and the ocean bottom nodes activities to CGG. The airborne activities, that are part of the divestment, have been transferred on 2 September 2013 after receiving all administrative approvals. The total transaction value amounts to EUR 1.2 billion on a cash and debt free basis.

The multi-client library remained with Fugro while all multi-client sales and marketing staff transferred to CGG as part of the transaction. After closing of the transaction Fugro has stopped the further development of the multi-client library with the exception of prior commitments and potential reprocessing. As part of the transaction, parties have entered into



a non-exclusive sales and marketing agreement under which CGG sells licenses to the multi-client library that is owned by Fugro for a revenue based fee. A similar agreement for the majority of the 2D library has been made with TGS. Fugro retains the right to enter into non-exclusive agreements with other parties as well as an outright sale of (all or parts of) the library.

Share options held by Fugro employees that are transferred to CGG and were exercisable at completion expired after 15 December 2013. The stock options that had not vested at completion of the transaction, are replaced by a CGG phantom share option plan with the similar terms and conditions as Fugro's share option plan. If these options are exercised after vesting, CGG will pay the option holder the difference between Fugro's opening share price on the day of exercise and the exercise price of the option.

The Geoscience activities that were sold are reported as 'discontinued operations' in the consolidated statement of comprehensive income. In this statement, the net profit/(loss) from the discontinued operations has been presented on a separate line 'profit for the period from discontinued operations'. The consolidated statement of cash flow includes separate cash flows and cash balances of the discontinued operations. More details of the discontinued operations are presented in note 5.46.

#### 5.4 **Significant accounting policies**

The accounting policies set out below have been applied consistently by all subsidiaries and equity-accounted investees to all periods presented in these consolidated financial statements.

##### 5.4.1 **Basis of consolidation**

###### 5.4.1.1 **Accounting for business combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- The fair value of the existing equity interest in the acquiree, if the business combination is in stages; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

#### 5.4.1.2 **Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, it is accounted for as an equity-accounted investee or as an available for sale financial asset depending on the level of influence retained.

#### 5.4.2 **Equity-accounted investees**

Equity-accounted investees are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Refer to note 5.10 for the accounting policy for equity-accounted investees.

#### 5.4.3 **Other investments**

Other investments are those entities in whose activities the Group holds a non-controlling interest and has no control or significant influence. Refer to note 5.11 for the accounting policy for other investments.

#### 5.4.4 **Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### 5.5 **Foreign currency**

#### 5.5.1 **Foreign currency transactions and translation**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the respective functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at foreign exchange rates effective at the date the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale financial assets and equity-accounted investees, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised in other comprehensive income.

A summary of the main currency exchange rates applied in the year under review and the preceding years reads as follows:

	USD at year-end	USD average	GBP at year-end	GBP average	NOK at year-end	NOK average	AUD at year-end	AUD average
2013	0.73	0.75	1.20	1.18	0.120	0.127	0.65	0.72
2012	0.76	0.78	1.23	1.23	0.136	0.134	0.79	0.81
2011	0.77	0.71	1.20	1.15	0.129	0.129	0.79	0.75

### 5.5.2 Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to EUR at foreign exchange rates effective at the reporting date. The income and expenses of foreign operations are translated to EUR at exchange rates effective at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve for foreign operations (Translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. If the Group disposes of only part of its investment in an equity-accounted investee that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount in the translation reserve is reclassified to profit or loss.

If the settlement of a monetary item, receivable from or payable to a foreign operation, is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the Translation reserve in equity.

### 5.5.3 Hedge of a net investment in foreign operations

The Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the functional currency of Fugro (EUR), regardless of whether the net investment is held directly or through an intermediate parent.

Foreign currency differences arising on the (re-)translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the Translation reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged net investment is disposed of, the relevant amount in the Translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

## 5.6 Determination of fair values

A number of the Group's accounting policies and disclosures requires the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, additional information on the determination of fair values is disclosed in the notes of the specific asset or liability.

### 5.6.1 Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is the estimated amount for which a property could be exchanged on the date of acquisition between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

### 5.6.2 Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned.

The fair value of customer relationships acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

### 5.6.3 Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

### 5.6.4 Equity and debt securities

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate. The fair value of held-to-maturity investments is determined for disclosure purposes only.

### 5.6.5 Trade and other receivables

The fair value of trade and other receivables, is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes or when such assets are acquired in a business combination.

### 5.6.6 Forward exchange contracts and interest rate swaps

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

### 5.6.7 Other non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For financial leases the market rate of interest is determined by reference to similar lease agreements.

### 5.6.8 Share-based payment transactions

The fair value of the employee share options are measured using a binomial model. Measurement inputs include the share price on the measurement date (year-end date of the year of granting), the exercise price of the instrument, expected volatility (based on an evaluation of the historic volatility of Fugro's (certificates of) shares, particularly over the historic period commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

## 5.7 Financial instruments

### 5.7.1 Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.



The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. Reference is made to note 5.11 and 5.58.

Loans and receivables comprise cash and cash equivalents and trade and other receivables. Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

#### 5.7.2 **Non-derivative financial liabilities**

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial liabilities and assets are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Other financial liabilities are recognised initially at fair value net off any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables. Reference is made to note 5.45 Cash and cash equivalents and note 5.52 Trade and other payables.

#### 5.7.3 **Derivative financial instruments, including hedge accounting**

The Group holds derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational and financing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80-125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

##### 5.7.3.1 **Cash flow hedges**

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the Hedging reserve in equity.

The amount recognised in the Hedging reserve is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the Hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in profit or loss.

#### 5.7.3.2 **Other non-trading derivatives**

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

### 5.8 **Property, plant and equipment**

#### 5.8.1 **Owned assets**

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (refer accounting policy 5.16). The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the costs of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Property, plant and equipment that is being constructed or developed for future use is classified as property, plant and equipment under construction and stated at cost until construction or development is complete, at which time it is reclassified as land and buildings, plant and equipment, vessels or other property, plant and equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within 'other income' or 'other expenses' in profit or loss.

#### 5.8.2 **Leased assets**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Other leases are operating leases and are not recognised in the Group's statement of financial position. Lease payments are accounted for as described in accounting policy 5.23.2.

#### 5.8.3 **Subsequent cost**

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group, and its cost can be measured reliably. Ongoing repairs and maintenance is expensed as incurred.

#### 5.8.4 **Depreciation**

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The estimated useful lives for the current and comparative period of significant items of property, plant and equipment are as follows:

Category	Years
<b>Land and buildings</b>	
Land	Infinite
Buildings	20 – 40
Fixtures and fittings	5 – 10
<b>Vessels</b>	
Vessels and jack-ups	2 – 25
<b>Plant and equipment</b>	
Plant and equipment	4 – 10
Survey equipment	3 – 5
Ocean bottom nodes	5 – 6
Aircraft	5 – 10
AUVs and ROVs	6 – 7
Computers and office equipment	3 – 4
Transport equipment	4
<b>Other</b>	
Dry-docking	3 – 5
Used plant and machinery	1 – 2

## 5.9 Intangible assets

### 5.9.1 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, refer to note 5.4.1.1 Accounting for business combinations.

Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but is tested for impairment annually or when there is an indication for impairment (refer accounting policy 5.16). In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

### 5.9.2 Multi-client data libraries

The multi-client data libraries have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses. Multi-client data libraries consist of completed and in progress collection of seismic data that can be sold non-exclusively to one or more clients in the ordinary course of business. The group uses standard licensing contracts that are used throughout the industry to arrange the sale of the seismic data. These licensing contracts usually include an one-off fee for the non-exclusive use of the seismic data during either an indefinite period or period that exceeds the useful life. These seismic data libraries are recognised initially at cost. The costs of completed and in progress libraries comprise of directly attributable data collection, data processing, other direct costs and related overheads (including borrowing costs and transit costs where applicable). Recognition of costs in the carrying amount of the multi-client data libraries ceases when the asset is ready for sale. After initial recognition, the multi-client data libraries are carried at its cost less any accumulated amortisation and any impairment losses.

At each reporting date, the Group reviews the multi-client data libraries for indications for impairment (also refer to note 5.39) at the relevant level (independent multi-client data libraries or groups of libraries). If and when impairment conditions have been identified for independent surveys or groups of surveys, the Group compares the carrying amount to the recoverable amount, and records an impairment for the amount the carrying amount exceeds the recoverable amount.

The recoverable amount is based on the value in use and is approximated by estimating the future sales during the period in which the data or group of data is expected to be marketed, net of selling costs, which includes amongst other fees to be paid to CGG and TGS under the relevant marketing and sales agreements. The value in use is based on estimated future cash flows, which involves significant judgment (refer to 5.63 for estimates and management judgements).

#### 5.9.3 **Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The capitalised expenditure includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses (refer accounting policy 5.16).

#### 5.9.4 **Software and other intangible assets**

Software and other intangible assets acquired or developed by the Group and that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses (refer accounting policy 5.16).

#### 5.9.5 **Subsequent expenditure**

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

#### 5.9.6 **Amortisation**

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite life are systematically tested for impairment annually or when there is an indication for impairment (refer accounting policy 5.16). Other intangible assets and software are amortised from the date they are available for use. The estimated useful life of software and other capitalised development costs is, in general, five years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

For multi-client data libraries amortisation takes into account the pattern in which the libraries future economic benefits are expected to be consumed by the entity. Fugro uses an amortization model that includes the following:

- straight line amortisation (3 years for 2D data sets, for 3D data sets a minimum annual reduction of 20% of the carrying value commencing after the ready for sale date);
- sales related amortisation (75% for 2D data sets, 50%-90% for 3D data sets).

Seismic data multi-client projects are classified into the same category when they are located in the same area with the same estimated sales ratio.

As it is expected that sales lead to a lower carrying amount of the multi-client data libraries, these expected decreases in value are taken into account at the moment of sale throughout the financial year. The costs of each sale of data are based on a percentage of the total costs to the estimated total sales revenue (sales ratio). This sales ratio is based on historical patterns and depending on the category of data, we use a sales ratio amortisation between 50-90% corresponding with the total estimated costs over total estimated sales.

#### 5.10 **Investments in equity-accounted investees**

Investments in equity-accounted investees are accounted for using the equity method and are recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses (refer accounting policy 5.16). The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the



Group's share of losses exceeds the carrying amount of the equity-accounted investee, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or has made payments on behalf of the investee.

## 5.11 **Other investments**

### 5.11.1 **Other investments in equity instruments**

Other investments in equity instruments do not have a quoted market price in an active market. As the fair value cannot be reliably measured the equity instruments are stated at cost. Dividends received are accounted for in profit or loss when these become due.

### 5.11.2 **Financial assets at fair value through profit or loss**

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

### 5.11.3 **Long-term loans and other long-term receivables**

Long-term loans and other long-term receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value net off any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method; less any impairment losses (refer to accounting policy 5.16).

### 5.11.4 **Available-for-sale financial assets**

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (refer to note 5.16) and foreign currency differences on available-for-sale debt instruments (refer to note 5.5.1), are recognised in other comprehensive income and presented in the other reserves in equity. When an investment is derecognised, the cumulative gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities and debt securities.

## 5.12 **Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

## 5.13 **Trade and other receivables**

Services rendered on contract work completed but not yet billed to customers are included in trade and other receivables as unbilled revenues on completed contracts.

Trade and other receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method less, any impairment losses (refer accounting policy 5.16).

#### 5.14 **Cash and cash equivalents**

Cash and cash equivalents, comprising cash balances and call deposits, are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method less, any impairment losses (refer accounting policy 5.16). Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

#### 5.15 **Assets of disposal group classified as held for sale and discontinued operations**

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated and any equity-accounted investees are no longer equity-accounted.

A discontinued operation is a component of the Group's business, the operation and cash flows of which can be clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business or geographical area of operations
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusive with a view to resale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the Comparative Statement of Comprehensive Income has been re-presented as if the operation had been discontinued from the start of the comparative year.

Further disclosure on the discontinued operations is included in note 5.46.

#### 5.16 **Impairment**

##### 5.16.1 **Non-derivative financial assets**

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in other comprehensive income, and presented in equity, to profit or loss. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss.

Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

#### 5.16.2 **Non-financial assets**

The carrying amounts of the Group's non-financial assets other than inventories, assets arising from employee benefits and deferred tax assets (refer accounting policy 5.24), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (or group of cash-generating units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated, are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of cash generating units that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one cash-generating unit. Corporate assets are allocated to cash-generating units on a reasonable and consistent basis and tested for impairment as part of the testing of the cash generating units to which the corporate asset is allocated.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are reviewed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### 5.17 **Share capital**

##### 5.17.1 **Share capital**

Share capital is classified as equity. The term 'shares' as used in the financial statements should, with respect to ordinary shares issued by Fugro, be construed to include certificates of shares ('share certificates' or 'depository receipts' for shares) issued by 'Stichting Administratiekantoor Fugro' (also referred to as 'Fugro Trust Office' or 'Trust Office'), unless the context otherwise requires or unless it is clear from the context that this is not the case. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

#### 5.17.2 **Repurchase and sale of shares**

When shares are repurchased or sold, the amount of the consideration paid or received, including direct attributable costs, net of any tax effects, is recognised as a change in equity. Repurchased shares and related results are reported as reserve for own shares and presented separately as a component of total equity.

#### 5.17.3 **Dividends**

Dividends are recognised as a liability in the period in which they are declared.

#### 5.18 **Loans and borrowings**

Loans and borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost using the effective interest rate method.

#### 5.19 **Employee benefits**

##### 5.19.1 **Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than twelve months after the end of the period in which the employees render the service are discounted to their present value.

##### 5.19.2 **Defined benefit plans**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The discount rate is the yield at the reporting date on AA credit-rated (high quality) corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed by qualified independent actuaries using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss. Employee contributions for which the amount is independent of the number of years of service are recognised as a reduction of the service costs in the period in which the related service is rendered.

When the benefits of a plan are changed or when a plan is curtailed, then resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

##### 5.19.3 **Other long-term employee benefits**

The Group's net obligation in respect of long-term employee benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any assets is deducted. The discount rate is the yield at the reporting date on AA credit-rated corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

##### 5.19.4 **Share-based payments**

The share option scheme allows some assigned Group employees to acquire shares in Fugro. The fair value of granted options is recognised as an employee expense, with a corresponding increase in equity. The fair value is determined on the date of granting and is spread over the period during which the employees become unconditionally entitled to the options.



The amount recognised as an expense is adjusted to reflect the number of options for which the related service vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of options that meet the related service conditions at the vesting date.

#### 5.20 **Provisions**

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

##### 5.20.1 **Restructuring**

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

##### 5.20.2 **Onerous contracts**

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

#### 5.21 **Trade and other payables**

Trade and other payables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

#### 5.22 **Revenue**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when persuasive evidence exists, usually in the form of an executed sales agreement, the amount of revenue can be measured reliably, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from sales of goods of seismic data, software licences and subscription income do not qualify as a significant category of revenue as referred to in IAS 18.35 (b); however for completeness sake the relating revenue recognition policies are set out in 5.22.2, 5.22.3 and 5.22.4.

##### 5.22.1 **Services rendered**

Revenue from services rendered to third parties relate to fixed price contracts and 'cost plus' contracts (mainly daily rates or rates per (square) kilometre). This revenue is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed using the proportion of contract cost incurred for work performed to the reporting date, compared to total contract cost (as this method is most appropriate for the majority of the services provided by the Group), which are mainly based on daily rates for staff and equipment or rates per (square) kilometre for vessels and airplanes.

##### 5.22.2 **Sales of goods**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs of goods can be estimated reliably, and there is no continuing management involvement with the goods.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs. An expected loss on a contract is recognised immediately in profit or loss.

#### 5.22.3 **Seismic data**

Revenue from the sale of non-exclusive seismic data libraries results from sales of data after completion of a data library which have been (substantially) delivered to the client. Sales of data after completion are recognised as revenue when data have (substantially) been delivered to the client. Multiple (service) elements, such as annual maintenance fees or training fees, are accounted for over the period in which these services have been delivered to the customer, using a straight line basis over the term of the contract. The amount of revenue allocated to each element is based upon the relative fair values of the various elements.

#### 5.22.4 **Software licences and subscription income**

Software licences and subscription income are recognised in the period during which the underlying services have been provided, using a straight line basis over the term of the contract.

#### 5.22.5 **Net revenue own service (revenue less third party costs)**

Net revenue own service comprises all revenue minus costs incurred with third parties related to the employment of resources (in addition to the resources deployed by the Group) and other third party cost such as charter-lease costs and other cost required for the execution of various projects.

#### 5.22.6 **Other income**

Other income concerns income not related to the key business activities of the Group, such as income from the sale of non-monetary assets and/or liabilities, exceptional and/or non-recurring income.

#### 5.22.7 **Government grants**

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Grants that compensate the Group (partly) for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that (partly) compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

### 5.23 **Expenses**

#### 5.23.1 **Third party costs**

Third party costs are matched with related revenues on contracts and accounted for on a historical cost basis.

#### 5.23.2 **Lease payments**

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

#### 5.23.3 **Net finance costs**

Net finance costs consist of finance costs, finance income and foreign currency gains and losses.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, losses on disposal of available-for-sale financial assets, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables), and losses on hedging instruments that are recognised in profit or loss.

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, gains on the re-measurement to fair value of any pre-existing interest in an acquiree, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in profit or loss on the date the Group's right to receive payment is established, which in the case of quoted shares is normally the ex-dividend date.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

#### 5.24 **Income tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for: taxable temporary differences arising on the initial recognition of goodwill; temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

#### 5.25 **Statement of cash flows**

The consolidated statement of cash flows is prepared using the indirect method. The cash flow statement distinguishes between operating, investing and financing activities. Cash flows in foreign currencies are converted at the exchange rate at the dates of the transactions. Currency exchange differences on cash held are separately shown. Payments and receipts of corporate taxes are included as cash flow from operating activities and interest paid is shown as cash flow from operating activities. Cash flows as a result from acquisition/divestment of financial interest in subsidiaries and equity accounted investees are included as cash flow from investing activities, taking into account the available cash in these interests. Dividends paid are part of the cash flow from financing activities.

#### 5.26 **Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Executive Committee to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

##### 5.26.1 **Operating segments**

As an engineering firm with operations throughout the world, the Group delivers its services to clients located all over the globe and collects and interprets data related to the earth's surface and the soil and rock beneath. On the basis of this data the Group provides advice, generally for purposes related to the oil and gas industry, the mining industry and the infrastructure and buildings industry. The Group had historically three reportable segments, being the Group's divisions. The divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the divisions, the Executive Committee reviews internal management reports on a monthly basis.

Following the appointment of a division director for Subsea Services as per 1 January 2013, Fugro has identified four reportable segments: Geotechnical, Survey, Subsea Services and Geoscience. The performance of the Subsea Services activities is separately reported and reviewed by the Group's Executive Committee (CODM).

As such the Subsea Services activities are considered as a separate operating and reporting segment, and four reportable segments are disclosed in the consolidated financial statements as per 31 December 2013. Previously, the Subsea Services activities formed part of the Survey Services segment and their performances were measured jointly. The comparative reportable segment figures of last year have been restated for comparison purposes.

The segments are managed on a worldwide basis, and operate in five principal geographical areas: Europe, Africa, Middle East/India, Asia Pacific and the Americas. In presenting information on the basis of geographical areas, segment revenue is based on the geographical location of operating companies. The allocation of segment assets is based on the geographical location of the operating company using the assets.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's Executive Committee. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Fugro decided to allocate all other corporate expenses and finance income to the reportable segment profit (or loss) before income tax of the respective operating segments pro-rate based on net revenue. Assets that are used by more than one



operating segment and liabilities that relate to more operating segments are pro-rate allocated based on net revenues to the respective reporting segments as well. The comparable figures for past years have been adjusted for comparison purposes. In 2012, total unallocated other corporate expenses and finance income amounted to EUR 46,834 thousand (loss) and EUR 29,825 thousand (gain) respectively. Total unallocated assets and liabilities amounted to EUR 166,554 thousand and EUR 16,977 thousand respectively as at 31 December 2012.

The following summary describes the operations in each of the Group's reportable segments:

### **Geotechnical**

The Geotechnical division investigates the engineering properties and geological characteristics of near-surface soils and rocks using (in-house developed) proprietary technologies, advises on foundation design, provides construction materials testing, pavement assessment and installation support services. Geoconsulting services provide integrated geophysical, engineering geology and engineering analysis to solve engineering problems or to provide solutions for our clients and their projects. These services support clients' projects worldwide in the onshore, near shore and offshore environments, including deep water. Typical projects include support of infrastructure development and maintenance, large construction projects, flood protection and support of the design and installation of oil and gas facilities and wind farms.

### **Survey**

The Survey division provides a range of services in support of the oil and gas industry, renewable energy, commercial and civil industries, as well as governments and other organisations. It encompasses numerous offshore activities as well as on shore geospatial activities. It also manages global positioning systems that support these and other Group activities. Offshore services include geophysical investigations for geohazards, pipeline and cable routes, inspection and construction support services, hydrographic charting and meteorological and oceanographic studies. Geospatial services concentrate on land survey and aerial and satellite mapping services for a wide range of clients. Fugro's global positioning system (which augments GPS and Glonass signals to provide precise positioning globally) is used for the foregoing services, but is also provided on a subscription basis to clients in the oil and gas and shipping industries.

### **Subsea Services**

The Subsea Services division provides underwater support services to the oil and gas, marine construction and renewable energy industries. It operates a modern fleet of Remotely Operated Vehicles (ROVs) ranging from light inspection to heavy work class units, as well as ROV support vessels and dive support vessels providing services in water depths to over 3,000 metres. These activities are provided throughout the life of oil and gas fields and range from ROV support during exploration drilling, to field development, installation and construction support, long term Inspection Repair and Maintenance (IRM) of Subsea Services assets during production and through to assistance in the final decommissioning of those assets. The Fugro Subsea Services division also provides tooling and engineering services to enable the design and build of purpose-built tools and interfaces for ROV-based activities. ROV inspection services are augmented by air- and saturation-diving capabilities.

### **Geoscience**

The Geoscience division provides services and products to acquire geophysical data that are used for the exploration, appraisal, development and production of offshore natural resources. The data sets are collected on or close to the seabed from shallow to ultra deep water. Multi-component seismic, time-lapse seismic, gravity and electromagnetic methods are supported. These activities are carried out in the Seabed Geosolutions joint venture with CGG. Fugro has a 60% (controlling) stake in this joint venture and is therefore fully consolidated. Clients are predominantly oil and gas companies. The Geoscience division owns and sells data from a large, geographically diverse 2D and 3D marine streamer seismic multi-client data library.

## Operating segments

(EUR x 1,000)

	Geotechnical		Survey		Subsea Services		Geoscience		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Segment revenue	749,374	783,519	966,191	891,027	638,381	592,966	341,896	889,177	2,695,842	3,156,689
Of which inter-segment revenue	46,838	60,762	66,312	55,801	64,492	38,704	–	48,736	177,642	204,003
Revenue	702,536	722,757	899,879	835,226	573,889	554,262	341,896	840,441	2,518,200	2,952,686
<b>Segment result</b>	<b>142,083</b>	<b>136,441</b>	<b>226,248</b>	<b>240,540</b>	<b>66,100</b>	<b>25,235</b>	<b>26,248</b>	<b>244,086*</b>	<b>460,679</b>	<b>646,302</b>
Depreciation	(43,386)	(45,635)	(59,031)	(55,394)	(52,835)	(48,953)	(23,785)	(71,779)	(179,037)	(221,761)
Amortisation software and other intangible assets	(981)	(1,180)	(1,047)	(642)	(347)	(41)	(9,007)	(7,789)	(11,382)	(9,652)
<b>Result from operating activities (EBIT)</b>	<b>97,716</b>	<b>89,626</b>	<b>166,170</b>	<b>184,504</b>	<b>12,918</b>	<b>(23,759)</b>	<b>(6,544)</b>	<b>164,518</b>	<b>270,260</b>	<b>414,889</b>
EBIT in % of revenue	13.9	12.4	18.5	22.1	2.3	(4.3)	(1.9)	19.6	10.7	14.1
Finance income	19,508	(965)	26,263	1,626	15,453	1,179	11,642	12,356	72,866	14,196
Finance expense	(17,085)	(1,686)	(19,687)	3,725	(26,163)	(11,746)	(20,935)	(40,301)	(83,870)	(50,008)
Share of profit of equity-accounted investees	(184)	(1,130)	2,747	119	156	79	2,218	8	4,937	(924)
<b>Reportable segment profit before income tax</b>	<b>99,955</b>	<b>85,845</b>	<b>175,493</b>	<b>189,974</b>	<b>2,364</b>	<b>(34,247)</b>	<b>(13,619)</b>	<b>136,581</b>	<b>264,193</b>	<b>378,153</b>
Income tax	(14,870)	(8,600)	(37,774)	(32,640)	3,696	7,424	(2,403)	(44,723)	(51,351)	(78,539)
Gain on sale of the majority of the Geoscience business, net of tax (see 5.46)									205,084	
<b>Profit for the period</b>	<b>85,085</b>	<b>77,245</b>	<b>137,719</b>	<b>157,334</b>	<b>6,060</b>	<b>(26,823)</b>	<b>(16,022)</b>	<b>91,858</b>	<b>417,926</b>	<b>299,614</b>
Capital employed	653,396	581,745	669,936	592,072	585,901	583,915	1,194,229	1,381,793	3,103,462	3,139,525
Reportable segment assets	881,290	805,105	981,441	916,068	701,345	733,012	1,066,526	1,715,531	3,630,602	4,169,716
Reportable segment liabilities	385,370	447,703	401,231	315,742	302,051	357,844	431,032	1,070,058	1,519,684	2,191,347
Capital expenditure, property, plant and equipment	69,304	66,977	86,111	114,543	77,697	88,111	22,035	25,913	255,147	295,544
Capital expenditure software and other intangible assets	312	179	580	471	72	(537)	9,672	89,582	10,636	89,695
Additions multi-client data libraries	–	–	–	–	–	–	48,327	259,648	48,327	259,648
Movement in other investments	424	–	(115)	(1,256)	345	(4,292)	120,872	(47,317)	121,526	(52,865)

\* The segment result includes an impairment loss of EUR 7 million in respect of the multi-client data libraries in 2012.

## Geoscience segment

(EUR x 1,000)

	Continued		Discontinued		Total	
	2013	2012	2013	2012	2013	2012
Segment revenue*	247,667	53,596	94,229	835,581	341,896	889,177
Of which inter-segment revenue	–	845	–	47,891	–	48,736
Revenue	247,667	52,751	94,229	787,690	341,896	840,441
<b>Segment result</b>	<b>23,007</b>	<b>63,152**</b>	<b>3,241</b>	<b>180,934</b>	<b>26,248</b>	<b>244,086</b>
Depreciation	(23,784)	(5,637)	(1)	(66,142)	(23,785)	(71,779)
Amortisation software and other intangible assets	(9,007)	(1,262)	–	(6,527)	(9,007)	(7,789)
<b>Result from operating activities (EBIT)</b>	<b>(9,784)</b>	<b>56,253</b>	<b>3,240</b>	<b>108,265</b>	<b>(6,544)</b>	<b>164,518</b>
EBIT in % of revenue	(4.0)	106.6	3.4	13.7	(1.9)	19.6
Finance income	11,456	10,443	186	1,913	11,642	12,356
Finance expense	(16,729)	(17,643)	(4,206)	(22,658)	(20,935)	(40,301)
Share of profit of equity-accounted investees	2,218	(136)	–	144	2,218	8
<b>Reportable segment profit (or loss) before income tax</b>	<b>(12,839)</b>	<b>48,917</b>	<b>(780)</b>	<b>87,664</b>	<b>(13,619)</b>	<b>136,581</b>
Income tax	(2,172)	(15,269)	(231)	(29,454)	(2,403)	(44,723)
<b>Profit for the period</b>	<b>(15,011)</b>	<b>33,648</b>	<b>(1,011)</b>	<b>58,210</b>	<b>(16,022)</b>	<b>91,858</b>
Capital employed	779,375	512,644	414,854	869,149	1,194,229	1,381,793
Reportable segment assets	1,066,526	703,661	–	1,011,870	1,066,526	1,715,531
Reportable segment liabilities	431,032	868,527	–	201,531	431,032	1,070,058
Capital expenditure, property, plant and equipment	20,228	(14,037)	1,807	39,950	22,035	25,913
Capital expenditure software and other intangible assets	9,672	22,017	–	67,565	9,672	89,582
Additions multi-client data libraries	48,327	259,648	–	–	48,327	259,648
Movement in other investments	120,872	(47,318)	–	1	120,872	(47,317)

\* Consistent with last year, the revenue of the multi-client data libraries forms part of the discontinued operations until 31 January 2013, as the revenue generating capacity (by means of the seismic and the related sales force) has been transferred to CGG. The multi-client data library remains with Fugro. In 2013, Fugro presented the revenues of the multi-client data libraries until 31 January 2013 of EUR 13.2 million (1 January 2012 through 31 December 2012: EUR 235 million) as part of the discontinued operations within the Geoscience segment. As from 31 January 2013, Fugro operates under a different model, whereby the sales are performed by third parties (CGG and TGS), but whereby Fugro remains the principal seller. The revenue of the multi-client as from 31 January 2013, forms part of the continued operations and amounts to EUR 115.8 million. In 2013, the total revenue of multi-client amounts to EUR 129 million in 2013.

\*\* The segment result includes an impairment loss of EUR 7 million in respect of the multi-client data libraries in 2012.

## Geographical areas

(EUR x 1,000)

	Europe		Africa		Middle East/India		Asia Pacific		Americas		Total	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Revenue from external customers	1,140,933	1,018,624	51,468	41,277	190,473	185,506	510,875	426,232	530,222	493,357	2,423,971	2,164,996
Non-current assets	1,394,473	1,102,512	12,773	11,305	68,818	38,936	523,100	515,059	520,790	511,527	2,519,954	2,179,339

**Reconciliation of reportable segment revenues, profit or loss, assets and liabilities and other material items**

(EUR x 1,000)	2013	2012*
<b>Revenues</b>		
Total revenue for reportable segments	2,695,842	3,156,689
Elimination of inter-segment revenue (from continuing operations)	(177,642)	(156,112)
Revenue from Geoscience (discontinued including inter-segment revenue)	(94,229)	(835,581)
Consolidated revenue (from continuing operations)	<u>2,423,971</u>	<u>2,164,996</u>
<b>Profit or loss</b>		
Total profit (or loss) for reportable segments before income tax	264,193	378,153
(Profit)/loss from discontinued operations before income tax	780	(87,664)
Consolidated profit before income tax (from continuing operations)	<u>264,973</u>	<u>290,489</u>
<b>Assets</b>		
Total assets for reportable segments	3,630,602	4,169,716
Consolidated assets	<u>3,630,602</u>	<u>4,169,716</u>
<b>Liabilities</b>		
Total liabilities for reportable segments	1,519,684	2,191,347
Consolidated liabilities	<u>1,519,684</u>	<u>2,191,347</u>

\* Restated see page 117 – 119.

**Other material items 2013 in respect of elements of profit or loss**

(EUR x 1,000)	Reportable segment totals	Discontinued Geoscience	Adjustments and other unallocated amounts	Consolidated totals
Finance income	72,866	(186)	(52,538)	20,142
Finance expense	(83,870)	4,206	52,538	(27,126)
Depreciation	(179,037)	1	–	(179,036)
Amortisation software and other intangible assets	(11,382)	–	–	(11,382)

**Other material items 2012 in respect of elements of profit or loss**

(EUR x 1,000)	Reportable segment totals	Discontinued Geoscience	Reclassifications	Consolidated totals
Finance income	14,196	(1,913)	1,689	13,972
Finance expense	(50,008)	22,658	(1,689)	(29,039)
Depreciation	(221,761)	66,142	–	(155,619)
Amortisation software and other intangible assets	(9,652)	6,527	–	(3,125)



## 5.27 Acquisitions and divestments of subsidiaries

### 5.27.1 Acquisitions 2013

The Group acquired a 100% interest in the following companies, assets and activities:

(EUR x million)	Conside- ration	Goodwill	Country	Division	Annual revenue as of 1 January 2013	Number of employees	Acquisition date
Ocean bottom nodes, transition zone, ocean bottom cables, shallow water and permanent reservoir activities	280.7	214.2	Global	Geoscience	54.0	146	16 February
Other acquisitions	41.7	27.4			34.6	136	
<b>Total</b>	<b>322.4</b>	<b>241.6</b>			<b>88.6</b>	<b>282</b>	

### 5.27.2 Ocean bottom nodes, transition zone, ocean bottom cables, shallow water activities and permanent reservoir activities (formerly owned by CGG)

Fugro and CGG formed Seabed Geosolutions B.V. (Seabed). This agreement was signed on 16 February 2013. Seabed has acquired from CGG its ocean bottom nodes (OBN), transition zone, ocean bottom cable (OBC), shallow water activities (SW) and permanent reservoir activities (PRM).

The goodwill amounts to EUR 214 million.

The OBN/SW/OBC and PRM business acquisition had the following effect on the Group's assets and liabilities:

(EUR x million)	2013
Property, plant and equipment	60.4
Intangible assets	23.2
Deferred tax assets	0.8
Inventories	1.5
Trade and other receivables	25.5
Cash and cash equivalents	6.8
Deferred tax liabilities	(4.4)
Trade and other payables	(3.9)
Total net identifiable assets and liabilities	109.9
Goodwill on acquisition	214.2
Non-controlling interest	(43.4)
Consideration	280.7
Cash (acquired)/disposed of	(6.8)
Set off agreement settlement (non-cash)	(225.0)
Equity instrument (40% of Fugro's contribution into Seabed)	(55.7)
<b>Net cash outflow</b>	<b>(6.8)</b>

Seabed Geosolutions B.V. (Seabed) has acquired from CGG its OBN, transition zone, OBC, SW and PRM (together 'the acquired business') against a 40% interest in Seabed Geosolutions B.V. and EUR 225 million by a set off agreement. Seabed provides a broad range of solutions designed to provide a clearer, more accurate picture of hydrocarbon prospects, reservoir characteristics and potential geo-hazards. From operational preparation and planning, through the deployment and recovery of ocean bottom cables and nodes, to the processing and analysis of resultant data, Seabed aims to

optimize the speed, efficiency, quality and safety of seabed acquisition. Ultimately, Seabed aims to arm its customers with the critical insight required to make confident, informed decisions on field and infrastructure development. The transaction is a business combination, through which Fugro obtained a 60% controlling interest in CGG's OBN/SW/OBC and PRM businesses. The total consideration of EUR 280.7 million for the business combination comprises EUR 225 million and 40% of Fugro's contribution into Seabed Geosolutions B.V.

By combining the strengths of both Fugro and CGG, Seabed will have an immediate market leading position in seabed geophysical activities, and will benefit from synergies with Fugro's subsea activities.

The goodwill from the acquired business of EUR 214.2 million arises from a number of factors such as expected synergies through combining a highly skilled workforce and obtaining economies of scale with other Fugro activities. None of the goodwill is expected to be deductible for tax purposes.

At the acquisition date, the fair value of the ordinary shares (of Seabed Geosolutions B.V.) issued as part of the consideration paid for the CGG businesses amounted to EUR 55.7 million.

The fair value of trade and other receivables is EUR 25.5 million and comprises other receivables only.

The fair value of the acquired identifiable assets is EUR 109.9 million. The deferred tax of EUR 4.4 million has been provided in relation to these fair value adjustments.

The 40% non-controlling interest in Seabed Geosolutions B.V. of EUR 43.4 million at the acquisition date has been recognised as a proportion of the fair value of the identifiable net assets acquired.

The acquisition in 2013 contributed EUR 54 million to the revenue of the Group as from 16 February 2013. The total result of the acquired businesses amounts to EUR 30 million (loss) over the same period. The revenue and result for 2013 would be similar if the acquired business had been consolidated as from 1 January 2013.

Acquisition-related costs of EUR 625 thousand have been charged to other expenses in the consolidated statement of comprehensive income for the period-end.

### 5.27.3 Other acquisitions

Other acquisitions relate to FAZ Research Ltd (Ireland), DCN Global LLC (United Arab Emirates) and Geomechanics Pty Ltd (Australia), which are further detailed below.

The Company acquired 90% of the shares of FAZ Research Ltd ('FAZ') on 22 April 2013. The previously held interest in FAZ Research Ltd was accounted for using the equity method. FAZ Research Ltd has IP property for developing new optical measurement and sensing platforms. As FAZ Research Ltd is a start-up company conducting mainly research activities, the amount of revenue is limited. FAZ conducts services generally for all four divisions.

Fugro acquired 100% of the shares of DCN Global LLC ('DCN Global') on 1 July 2013, a company specialised in subsea engineering and diving services to the offshore civil and oil & gas industry, primarily in the Middle East. DCN Global forms part of the Subsea Services division.

Fugro has acquired Advanced Geomechanics Pty Ltd in Perth, Australia on 25 November 2013. Advanced Geomechanics is a consulting company providing highly specialised geotechnical and geophysical engineering and consulting services to the oil and gas sector. Advanced Geomechanics forms part of the Geotechnical division.

The other acquisitions (FAZ, DCN Global and Advanced Geomechanics) had the following effect on the Group's assets and liabilities:

(EUR x million)	<b>2013</b>
Property, plant and equipment	5.0
Intangible assets	4.6
Deferred tax assets	0.3
Inventories	–
Trade and other receivables	11.6
Cash and cash equivalents	(0.8)
Deferred tax liabilities	(0.6)
Trade and other payables	(5.4)
<b>Total net identifiable assets and liabilities</b>	<b>14.7</b>
Goodwill on acquisition	27.4
Non-controlling interest	(0.4)
<b>Consideration</b>	<b>41.7</b>
Cash (acquired)/disposed of	0.8
Consideration payable	(8.4)
Fair value of equity interest in FAZ held before the business combination	(4.9)
<b>Net cash outflow</b>	<b>29.2</b>

The other acquisitions have been combined in the table above as none of these individually is considered to be material.

The other acquisitions in 2013 contributed EUR 13.7 million to the revenue of the Group. If these acquisitions had been effected as from 1 January 2013, the revenue of the group would have been EUR 34.6 million. The acquisition contributed EUR 1.1 million to the profit of the group in 2013. On a full year basis this would approximately amount to EUR 4.8 million (positive). In determining these amounts, Fugro has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2013.

Acquisition-related costs of EUR 520 thousand have been charged to other expenses in the consolidated statement of comprehensive income for the period-end.

The goodwill from the acquisition is attributable mainly to market share, the skills and technical talent of the acquired business' work force, and the synergies expected to be achieved from integrating the companies into the Group's existing business. None of the goodwill recognised is expected to be deductible for income tax purposes.

The fair value of the assets and liabilities of prior year acquisitions has not changed materially following the finalisation of the purchase price allocation procedures.

#### 5.28 **Government grants**

The Company has not been awarded any significant government grants in 2013.

### 5.29 **Third party costs**

(EUR x 1,000)	2013	2012
Cost of suppliers	585,016	349,493
Operational lease expense	151,974	110,370
Other rentals	96,571	129,028
Amortisation multi-client data libraries	88,029	142,945
Other costs	81,851	61,414
	<b>1,003,441</b>	<b>793,250</b>

### 5.30 **Other income**

(EUR x 1,000)	2013	2012
Sale of licences	18,500	–
Settlements claims	4,614	–
Government grants	1,519	1,389
Net gain on sale of property, plant and equipment	3,546	3,668
Sundry income	25,933	9,749
	<b>54,112</b>	<b>14,806</b>

### 5.31 **Personnel expenses**

(EUR x 1,000)	2013	2012*
Wages and salaries	628,020	588,472
Compulsory social security contributions	66,460	62,934
Equity-settled share-based payments	11,742	13,833
Contributions to defined contribution plans	24,520	17,607
Expense related to defined benefit plans	12,010	11,371
Increase in liability for long service leave	391	320
	<b>743,143</b>	<b>694,537</b>

\* Restated see pages 117 – 119.

#### 5.31.1 **Share-based payments**

Fugro's share option scheme allows some assigned Group employees to acquire shares in Fugro. A share option entitles the employee to purchase ordinary shares in Fugro. The granting of options is dependent on the achievement of the targets of the Group as a whole and of the individual operating companies as well as on the contribution of the relevant employee to the long term development of the company. In order to become entitled to options the employee has to be employed by the Group twelve months prior to the granting of the options. The Group stipulates that in addition to the services provided in the twelve months prior to the granting of the options, services also must be provided in the future. The vesting period for the granted options is three years starting at the first of January of the year following the grant date. The option period is six years. The options granted are not subject to any further conditions of exercise, except that the option holder is still employed by Fugro or one of its operating companies. Standard exceptions apply to the latter rule in connection with retirement, long-term disability and death.

The Board of Management and the Supervisory Board decide annually on the granting of options. Options are granted annually on 31 December and the option exercise price is equal to the price of the certificates of shares at the closing of NYSE Euronext Amsterdam on the last trading day of the year. The costs of the options are recognised in profit or loss over the related period of employment (four years).



The average stock price on NYSE Euronext Amsterdam during 2013 was EUR 43.93 (2012: EUR 50.11).

As at 31 December 2013, Fugro N.V. granted 956,925 options to 621 employees. These options have an exercise price of EUR 43.315 (2012: 1,093,300 options were granted to 674 employees with an exercise price of EUR 44.52).

In 2013 Fugro sold 403,830 certificates of shares in relation to options that were exercised. Fugro issued no new (certificates of) shares in relation to the exercise of options in 2013 (2012: nil). The (certificates of) shares that were sold had an average purchase price of EUR 44.39 (2012: EUR 49.91) per certificate. The options were exercised throughout the year, with the exception of determined closed periods.

As at 31 December the following options were outstanding:

Year of issue	Duration	Number of participants	Granted	Outstanding at 01-01-2013	Forfeited in 2013	Exercised in 2013	Outstanding at 31-12-2013	Exercisable at 31-12-2013	Exercise price (EUR)
2006	6 years	547	1,140,500	85,000	-	85,000	-	-	36.20
2007	6 years	565	1,140,500	1,053,600	1,053,600	-	-	-	52.80
2008	6 years	620	1,141,900	895,720	7,650	151,130	736,940	736,940	20.485
2009	6 years	639	1,166,550	1,149,400	28,650	167,700	953,050	953,050	40.26
2010	6 years	663	1,107,350	1,101,150	176,650	-	924,500	924,500	61.50
2011	6 years	684	1,161,100	1,156,750	184,550	-	972,200	-	44.895
2012	6 years	674	1,093,300	1,093,300	145,050	-	948,250	-	44.52
2013	6 years	621	956,925	-	-	-	956,925	-	43.315
			8,908,125	6,534,920	1,596,150	403,830	5,491,865	2,614,490	

The outstanding options as at 31 December 2013 have an exercise price ranging from EUR 20.485 to EUR 61.50.

The average remaining term of the options is four years (2012: four years). The movement during the year of options and the average exercise price is as follows:

	2013		2012	
	Weighted average exercise price (EUR)	Number of options	Weighted average exercise price (EUR)	Number of options
Options outstanding at 1 January	44.63	6,534,920	42.85	6,429,400
Forfeited during the period	51.72	(1,596,150)	42.46	(27,600)
Options granted during the period	43.32	956,925	44.52	1,093,300
Options exercised during the period	31.99	(403,830)	32.63	(960,180)
Options outstanding at 31 December	43.27	5,491,865	44.63	6,534,920
Exercisable at 31 December		2,614,490		3,183,720

The valuation of the share options is determined by using a binomial model. Concerning early departure, different percentages for different categories of staff are used: Board of Management 0% and other management 6%. The expected behaviour for exercising the options by the Board of Management is estimated until the end of the exercise period and for the other group with a multiple of 3. Expected volatility is estimated by considering historic average share price volatility.

The inputs used in the measurement of the fair values at grant date of the share options are the following:

	<b>2013</b>	<b>2012</b>
Average share price during the year in EUR	43.93	50.11
Average fair value of the granted options during the year in EUR	12.07	12.16
Exercise price (fair value at grant date) in EUR	43.315	44.52
Expected volatility (weighted average volatility)	42%	42%
Option term (expected weighted average term)	4 years	4 years
Expected dividends	3.60%	3.33%
Risk-free interest rate (based on government bonds)	1.49%	0.95%
Costs of granted options at the end of 2009 in EUR	–	4,058,013
Costs of granted options at the end of 2010 in EUR	2,441,964	4,877,100
Costs of granted options at the end of 2011 in EUR	2,343,383	3,879,740
Costs of granted options at the end of 2012 in EUR	2,271,524	3,870,971
Costs of granted options at the end of 2013 in EUR	1,801,297	–
<b>Total</b>	<b>8,858,168</b>	<b>16,685,824</b>
Costs of granted options for continued operations	11,742,340	13,833,021
Costs of granted options for discontinued operations	(2,884,172)	2,852,803

#### 5.31.2 Number of employees as at 31 December

	<b>2013</b>			<b>2012</b>		
	Netherlands	Foreign	Total	Netherlands	Foreign	Total
Technical staff	648	8,863	9,511	630	8,527	9,157
Management and administrative staff	145	2,382	2,527	127	2,285	2,412
Temporary and contract staff	150	403	553	144	452	596
	<b>943</b>	<b>11,648</b>	<b>12,591</b>	<b>901</b>	<b>11,264</b>	<b>12,165</b>
Average number of employees during the year	928	11,581	12,509	895	11,066	11,961

The number of employees as included in the table above reflects the continuing business. The comparative numbers have been adjusted accordingly. The number of employees who are part of the discontinued operations is nil (2012: 2,430).

### 5.32 **Other expenses**

(EUR x 1,000)

	<b>2013</b>	<b>2012</b>
Maintenance and operational supplies	65,051	50,257
Indirect operating expenses	60,499	54,406
Occupancy costs	39,114	36,169
Communication and office equipment	32,193	32,833
Write-off costs	–	21,733
Restructuring costs	1,524	830
Research costs	1,846	342
Loss on disposal of property, plant and equipment	1,473	344
Strategic update	4,384	–
Marketing and advertising costs	6,992	7,968
Other	60,985	21,765
	<b>274,061</b>	<b>226,647</b>

Other expenses include amongst others professional services, training costs, miscellaneous charges, bad debt provision and sundry costs.

Audit fees, presented under other expenses, as charged by KPMG are disclosed in note 9.13.

### 5.33 **Net finance (income) costs**

(EUR x 1,000)

	<b>2013</b>	<b>2012</b>
Interest income on loans and receivables	(15,182)	(992)
Dividend income on available-for-sale financial assets	(152)	(173)
Net change in fair value of financial assets at fair value through profit or loss (refer to note 5.41.3)	(506)	(12,260)
Net change in fair value of derivatives	(46)	(547)
Net foreign exchange variance	(4,256)	–
Finance income	<b>(20,142)</b>	<b>(13,972)</b>
Interest expense on financial liabilities measured at amortised cost	27,126	18,898
Net foreign exchange variance	–	10,141
Finance expense	<b>27,126</b>	<b>29,039</b>
Net finance (income)/costs recognised in profit or loss	<b>6,984</b>	<b>15,067</b>

The foreign exchange variances have developed negatively as a result of the weakening of the Euro against the other major currencies.

(EUR x 1,000)	2013	2012
<b>Recognised in other comprehensive income</b>		
Net change in fair value of hedge of net investment in foreign operations	26,805	6,235
Foreign currency translation differences of foreign operations	(207,271)	3,861
Foreign currency translation differences of equity-accounted investees	(333)	36
Net change in translation reserve transferred to profit or loss due to disposal	10,839	
	(169,960)	10,132
Net change in fair value of cash flow hedges transferred to profit or loss	626	773
Net change in fair value of available-for-sale financial assets	(95)	353
<b>Total</b>	<b>(169,429)</b>	<b>11,258</b>
<b>Recognised in:</b>		
Hedging reserve	626	773
Translation reserve	(163,882)	10,780
Retained earnings	(95)	353
Non-controlling interests	(6,078)	(648)
<b>Total</b>	<b>(169,429)</b>	<b>11,258</b>

#### 5.34 **Income tax expense**

##### **Recognised in profit or loss**

(EUR x 1,000)	2013	2012*
<b>Current tax expense</b>		
Current year	44,747	70,936
Adjustment for prior years	552	(8,187)
	45,299	62,749
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	13,293	(823)
Recognition of previously unrecognised temporary differences	(2,643)	-
Change in tax rate	1,738	871
Utilisation of tax losses recognised	223	(10,247)
Recognition of previously unrecognised tax losses	(7,057)	(61,212)
Recognition of previously unrecognised deferred tax liabilities	-	56,218
Adjustments for prior years	929	1,529
Originated temporary differences allocated to transaction result	(662)	-
	5,821	(13,664)
<b>Total income tax expense</b>	<b>51,120</b>	<b>49,085</b>

\* Restated see page 117 – 119.



## Reconciliation of effective tax rate

(EUR x 1,000)	2013 %	2013	2012 %*	2012*
Profit for the period from continuing operations		213,853		241,404
Income tax expense		51,120		49,085
Profit before income tax		264,973		290,489
Income tax using the weighted domestic average tax rates	24.9	65,937	21.5	62,427
Recognition of previously unrecognised temporary differences	(1.0)	(2,643)	–	–
Change in tax rate	0.7	1,738	0.3	871
Recognition of previously unrecognised tax losses	(2.7)	(7,057)	(21.1)	(61,212)
Recognition of previously unrecognised deferred tax liabilities	–	–	19.4	56,218
Non-deductible expenses	1.4	3,662	1.3	3,681
Tax exempt income	(4.4)	(11,664)	(1.8)	(5,202)
Effect of utilisation previously unrecognised tax losses	(0.1)	(334)	(0.4)	(1,040)
Adjustments for prior years (deferred)	0.3	929	0.5	1,529
Adjustments for prior years (current)	0.2	552	(2.8)	(8,187)
	19.3	51,120	16.9	49,085

\* Restated.

Adjustments for prior years relate to settlement of outstanding tax returns of several years offset by release of tax accruals and various fiscal tax entities as well as the recognition of tax liabilities for fiscal positions taken that are currently being challenged or probably will be challenged by tax authorities.

## Income tax recognised in other comprehensive income and in equity

(EUR x 1,000)	2013			2012		
	Before tax	Tax (expense)/ benefit	Net of tax	Before tax	Tax (expense)/ benefit	Net of tax
Defined benefit plan actuarial gains (losses)	(3,716)	(1,447)	(5,163)	6,188	(2,388)	3,800
Net change in fair value of cash flow hedges transferred to profit or loss	835	(209)	626	1,031	(258)	773
Net change in fair value of hedge of net investment in foreign operations	26,805	–	26,805	6,235	–	6,235
Share-based payment transactions	12,637	469	13,106	33,024	1,667	34,691
Net change in fair value of available-for-sale financial assets	(95)	–	(95)	353	–	353
Foreign currency translation differences of foreign operations and equity-accounted investees	(203,029)	(4,575)	(207,604)	7,090	(3,193)	3,897
	(166,563)	(5,762)	(172,325)	53,921	(4,172)	49,749

Reference is also made to note 5.42.

### 5.35 **Current tax assets and liabilities**

The net current tax asset/(liability) of EUR 3,012 thousand (2012: EUR (26,739) thousand) represents the balance of current tax assets and liabilities in respect of current and prior periods less advance tax payments.

### 5.36 **Property, plant and equipment**

(EUR x 1,000)

2013

	Land and buildings	Plant and equipment	Vessels	Fixed assets under construction	Other	Total
<b>Cost</b>						
Balance at 1 January 2013	182,334	876,166	631,001	161,890	178,562	2,029,953
Acquisitions through business combinations	3,481	61,023	–	–	923	65,427
Investments in assets under construction	–	–	–	141,865	–	141,865
Other additions	12,956	69,934	5,375	–	23,210	111,475
Capitalised fixed assets under construction	–	65,177	40,512	(105,689)	–	–
Reclassification	–	(18,473)	18,093	–	380	–
Disposals*	(666)	(58,299)	(9,249)	8,387	(13,096)	(72,923)
Effects of movement in foreign exchange rates	(8,984)	(36,207)	(29,513)	(14,909)	(9,575)	(99,188)
<b>Balance at 31 December 2013</b>	<b>189,121</b>	<b>959,321</b>	<b>656,219</b>	<b>191,544</b>	<b>180,404</b>	<b>2,176,609</b>
<b>Depreciation and impairment losses</b>						
Balance at 1 January 2013	61,153	572,169	176,668	–	154,090	964,080
Depreciation	7,331	110,642	42,953	2,403	15,707	179,036
Disposals	(460)	(39,552)	(1,532)	–	(11,534)	(53,078)
Effects of movement in foreign exchange rates	(2,424)	(25,798)	(6,973)	(234)	(7,920)	(43,349)
<b>Balance at 31 December 2013</b>	<b>65,600</b>	<b>617,461</b>	<b>211,116</b>	<b>2,169</b>	<b>150,343</b>	<b>1,046,689</b>
<b>Carrying amount</b>						
At 1 January 2013	121,181	303,997	454,333	161,890	24,472	1,065,873
<b>At 31 December 2013</b>	<b>123,521</b>	<b>341,860</b>	<b>445,103</b>	<b>189,375</b>	<b>30,061</b>	<b>1,129,920</b>

\* The disposals in property, plant and equipment include non-cash items for an amount of EUR 18 million relating to the disposal of China Offshore Fugro Geosolutions. See also note 5.40.

	Land and buildings	Plant and equipment	Vessels	Fixed assets under construction	Other	Total
<b>Cost</b>						
Balance at 1 January 2012	191,486	1,314,632	888,651	92,531	236,096	2,723,396
Adjustments prior period (refer to note 5.28.3)	–	(8,822)	–	–	–	(8,822)
Acquisitions through business combinations	8	2,081	658	–	624	3,371
Investments in assets under construction	–	–	–	178,033	–	178,033
Other additions	10,917	51,913	29,028	–	25,653	117,511
Capitalised fixed assets under construction	–	73,847	21,854	(95,701)	–	–
Disposals	(3,021)	(213)	(60,958)	–	(8,777)	(72,969)
Effects of movement in foreign exchange rates	(831)	(1,293)	(8,636)	(4,582)	(1,276)	(16,618)
Transfers to assets classified as held for sale	(16,225)	(555,979)	(239,596)	(8,391)	(73,758)	(893,949)
<b>Balance at 31 December 2012</b>	<b>182,334</b>	<b>876,166</b>	<b>631,001</b>	<b>161,890</b>	<b>178,562</b>	<b>2,029,953</b>
<b>Depreciation and impairment losses</b>						
Balance at 1 January 2012	58,069	791,650	191,631	–	199,065	1,240,415
Depreciation	7,355	141,938	50,821	–	21,648	221,762
Disposals	(814)	(18,218)	(35,790)	–	(11,776)	(66,598)
Effects of movement in foreign exchange rates	(272)	(1,410)	(2,062)	–	(988)	(4,732)
Transfers to assets classified as held for sale	(3,185)	(341,791)	(27,932)	–	(53,859)	(426,767)
<b>Balance at 31 December 2012</b>	<b>61,153</b>	<b>572,169</b>	<b>176,668</b>	<b>–</b>	<b>154,090</b>	<b>964,080</b>
<b>Carrying amount</b>						
At 1 January 2012	133,417	522,982	697,020	92,531	37,031	1,482,981
<b>At 31 December 2012</b>	<b>121,181</b>	<b>303,997</b>	<b>454,333</b>	<b>161,890</b>	<b>24,472</b>	<b>1,065,873</b>

#### 5.36.1 Impairment loss and subsequent reversal

The Group has assessed whether any impairment triggers exist for its property, plant and equipment using external and internal sources of information. The Group has not identified any impairment triggers for property, plant and equipment. The Group has not incurred nor reversed any impairment losses.

#### 5.36.2 Fixed assets under construction

This involves mainly vessels under construction and ROVs. These will become operational in 2014 and 2015. At 31 December 2013, capitalised borrowing costs related to the construction of vessels amounted to EUR 9 million (2012: EUR 4 million), with an interest rate of 4.7% (2012: 3.6%).

#### 5.36.3 Leased fixed assets

The Group has no leased fixed assets that have to be included in property, plant and equipment.

#### 5.36.4 Geoscience

The transfer to assets classified as held for sale represents the positions as per 31 December 2012. The movement in the table represented the continuing operations.

## 5.37 Intangible assets

(EUR x 1,000)

2013

	Goodwill	Multi-client data libraries	Software	Other	Total
<b>Cost</b>					
Balance at 1 January 2013	520,219	1,021,382	40,957	24,647	1,607,205
Acquisitions through business combinations	241,616	–	–	27,808	269,424
Purchase of intangible assets	–	–	4,638	2,094	6,732
Internally developed intangible assets	–	48,327	–	3,904	52,231
Disposals	–	–	(15,477)	(17,250)	(32,727)
Effect of movements in foreign exchange rates	(36,389)	(105,095)	(3,594)	(2,000)	(147,078)
<b>Balance at 31 December 2013</b>	<b>725,446</b>	<b>964,614</b>	<b>26,524</b>	<b>39,203</b>	<b>1,755,787</b>
<b>Amortisation and impairment losses</b>					
Balance at 1 January 2013	–	562,903	25,948	4,153	593,004
Amortisation of software and other intangible assets	–	–	2,901	8,481	11,382
Amortisation multi-client data libraries (third party costs)	–	88,029	–	–	88,029
Disposals	–	–	(14,946)	(2,272)	(17,218)
Effect of movements in foreign exchange rates	–	(52,680)	(3,327)	(613)	(56,620)
<b>Balance at 31 December 2013</b>	<b>–</b>	<b>598,252</b>	<b>10,576</b>	<b>9,749</b>	<b>618,577</b>
<b>Carrying amount</b>					
At 1 January 2013	520,219	458,479	15,009	20,494	1,014,201
<b>At 31 December 2013</b>	<b>725,446</b>	<b>366,362</b>	<b>15,948</b>	<b>29,454</b>	<b>1,137,210</b>

The disposals under other intangible assets include a write-off of EUR 17 million relating to a seismic technology development project and forms part of the gain on the sale of the majority of the Geoscience division. See 5.46.



	Goodwill	Multi-client data libraries	Software	Other	Total
<b>Cost</b>					
Balance at 1 January 2012	705,578	804,665	142,657	33,925	1,686,825
Acquisitions through business combinations	23,033	–	–	5	23,038
Adjustments prior period	10,550	–	–	–	10,550
Purchase of intangible assets	–	–	6,895	62,605	69,500
Internally developed intangible assets	–	259,648	20,195	–	279,843
Effect of movements in foreign exchange rates	8,170	16,473	644	472	25,759
Transfers to assets classified as held for sale	(227,112)	(59,404)	(129,434)	(72,360)	(488,310)
Balance at 31 December 2012	520,219	1,021,382	40,957	24,647	1,607,205
<b>Amortisation and impairment losses</b>					
Balance at 1 January 2012	–	470,859	87,839	11,935	570,633
Amortisation of software and other intangible assets	–	–	7,588	2,064	9,652
Amortisation multi-client data libraries (third party costs)	–	135,945	–	–	135,945
Impairment loss	–	7,000*	990	–	7,990
Effect of movements in foreign exchange rates	–	4,445	177	(24)	4,598
Transfers to assets classified as held for sale	–	(55,346)	(70,646)	(9,822)	(135,814)
Balance at 31 December 2012	–	562,903	25,948	4,153	593,004
<b>Carrying amount</b>					
At 1 January 2012	705,578	333,806	54,818	21,990	1,116,192
At 31 December 2012	520,219	458,479	15,009	20,494	1,014,201

\* Impairment loss included in third party costs.

#### 5.37.1 Impairment loss and subsequent reversal

The Company has not incurred nor reversed any significant impairment losses in 2013.

### 5.38 Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to cash-generating units which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. This is not higher than the Group's operating segments as reported in note 5.26. The following CGU's have significant goodwill allocated as at 31 December 2013:

(EUR x 1,000)	Growth rate first year	Growth rate long-term	Discount rate	Division	Goodwil 31-12-2013
Subsea Services*	0%	3.5%	10.2%	Subsea Services	177,900
Offshore Survey	14%	3.5%	10.2%	Survey	120,775
Geospatial Services	10%	3.5%	10.2%	Survey	52,536
Offshore Geotechnical	12%	3.5%	10.2%	Geotechnical	53,943
Onshore Geotechnical	7%	3.5%	10.2%	Geotechnical	50,217
Seabed	160%	2.0%	12.7%	Geoscience	240,955**
Other CGU's	26%	3.5%	10.2%		29,120
<b>Total</b>					<b>725,446</b>

\* As from 1 January 2013, Subsea Services is considered as a separate operating and reportable segment and separated from Offshore Survey. Reference is made to 5.26. The activities in the Geoscience division are carried out by Seabed Geosolutions as from 16 February 2013.

\*\* This includes the goodwill that previously was carried in Fugro's existing OBN business.

The capitalised goodwill was allocated to the following CGU's as at 31 December 2012:

(EUR x 1,000)	Division	Goodwil 31-12-2012
Offshore Survey / Subsea Services	Survey	293,511
Geospatial Services	Survey	54,569
Offshore Geotechnical	Geotechnical	40,818
Onshore Geotechnical	Geotechnical	51,470
Other CGUs		79,851
<b>Total</b>		<b>520,219</b>

The recoverable amounts of the cash-generating units have been determined based on calculations of value in use. Value in use was determined by discounting the expected future cash flows from the continuing use of the CGU's.

The calculation of the value in use was based on the following key assumptions:

- The period for the discounted cash flow calculations is in principle indefinite. However the Group has set the period at fifty years, subject to periodic evaluation. About 75% of the Group's activities relate to the oil and gas industry. The services are in principle of such a nature that our clients use us to help them to explore and extract hydrocarbon and mineral resources. Industry experts believe that these resources will continue to be available for many decades and their reports indicate periods between fifty and hundred years
- Cash flows in the first year of the forecast are based on management's approved financial budget. For Seabed, considering the start-up nature of the entity in 2013, the first year of the forecast includes a revenue of around EUR 300 million contributing an expected cash flow of around EUR 60 million. For alle CGU's, the 2014 projections factor in, amongst others, already signed contracts, expected win rates on contracts out for bid, expected crew and vessel utilisation rates and/or industry developments. Cash flows for the CGU's beyond the one year financial budget period, are extrapolated using an estimated long-term growth rate of 3.5%. For individual significant CGU's the growth rates are based on an analysis of the long-term market price trends in the oil and gas industry adjusted for actual experience. Fugro applied for the CGU Seabed a revenue growth rate for 2015 of 20.6% to complete the start-up phase and for the subsequent years 2016-2018 a growth between 0.8% and 1.5% with a long term growth rate of 2% after 2018 based on the long term USD inflation rate.

- The pre-tax discount rate used to discount the pre-tax cash flows for impairment testing purposes is determined through an iterative calculation using the projected post-tax cash flows, expected tax rate for the respective cash generating units and a post-tax discount rate for the group. The pre-tax discount rate used to discount the pre-tax cash flows for impairment testing purposes ranges for the CGU's from 10.2% to 12.7% (2012: 9.7% – 11.9%).

The recoverable amounts for the CGU's exceed their carrying amounts and as such no impairment losses are recognized. The recoverable amounts for Subsea Services, Offshore Survey, Offshore Geotechnical and Onshore Geotechnical exceed the carrying amounts of the CGU's with significant headroom. Based on sensitivity analysis for Geospatial a 1% increase of the post-tax discount rate would still not result in an impairment, however a 1% decrease of the growth rate would result in an impairment of EUR 2 million. As at 31 December 2013 no cumulative impairment losses have been recognised (2012: none). A 2% increase in the post-tax discount rate or a 2% decrease of the long-term growth rate would still not result in an impairment for these CGU's.

Considering the start-up nature of the Seabed business a significant change in the assumptions applied in the value in use calculation is reasonably possible, which could result in an impairment. The assumptions contain significant forecasted revenue and cash flow growth for 2014 and 2015 (based on EBITDAs) and a post-tax discount rate of 10.1% (pre-tax rate of 12.7%). It is noted that the Seabed business focuses on the development and production cycle of oil and gas fields, which business segment is significantly less volatile than conventional exploration seismic data acquisition. The applied discount rate for Seabed, which is in line with that of the exploration seismic business, reflects the risk associated with the start-up nature of the business.

Fugro has analysed the sensitivities of a reasonably possible change on the excess of the expected future discounted cash flows over the carrying value of the Seabed CGU including goodwill ('Headroom'), as follows:

Carrying amount (EUR x million)	Headroom	Scenario on (post tax) discount rate (10.1%)			
		Scenario on cash flow projections		Scenario on cash flow projections	
		Impact on headroom from decrease by 100 bps	Impact on headroom from increase by 100 bps	Impact on headroom from decrease by 10%	Impact on headroom from increase by 10%
469	82	+/+ 76	-/- 62	-/- 72	+/+ 72

Changes to the assumptions used in the Seabed impairment test for which the recoverable value equals the carrying value (thus no headroom) are as follows:

Carrying amount (EUR x million)	Scenario on (post tax) discount rate		
	Headroom	Scenario on (post tax) discount rate	Scenario on cash flow projections
469	-	+/+ 150 bps	-/- 11.4%

Any further decrease above 11.4% of the cash flow projections in 2014 and subsequent years would result in an impairment.

### 5.39 Multi-client data libraries

The carrying value of these seismic multi-client data libraries as at 31 December 2013 amounts to EUR 366.4 million (31 December 2012: EUR 458.5 million).

The carrying value consists of 2D and 3D data sets. 3D data sets constitute more than 91% of the carrying value of the data libraries as at 31 December 2013 (2012: 89%). Some 90% of the carrying value relates to 3D data which were acquired and processed after 2009. No data acquired in or before 2009 are significantly valued on the balance sheet as at 31 December 2013.

The geographical split of the carrying value of the data libraries as at 31 December 2013 is as follows:

- Norway: 30%
- Australia: 48%
- Rest of the world: 22%

For the 3D data libraries capitalised as at 31 December 2013, the estimated sales related amortisation in case of a sale is set between 50% and 90%. Combined with the 10% sales commission that has to be paid to CGG under the non-exclusive sales and marketing agreement, the expected net contribution to profit for the period relating to these 3D data sets is expected to be limited in the foreseeable future.

At each reporting date, the group reviews the multi-client data libraries for indications for impairment at the relevant level (independent multi-client data libraries and/or groups of libraries). If and when impairment conditions have been identified the group determines the recoverable amounts of the multi-client data libraries. The recoverable amount is based on value in use and the determination of the value in use requires significant judgment and is based on amongst others expected sales cash flows. The group uses sales estimates that are based on the budget plan for next year, sales prospects and an outlook for the seismic industry.

During 2013 Fugro generated EUR 129 million (2012: EUR 235 million) sales from the seismic libraries. Total straight line amortisation and additional sales related amortisation amounted to EUR 88 million (2012: EUR 143 million) and was charged to the income statement as third party costs.

The key assumptions for the determination of the value in use include:

- estimated sales cash flows by significant library and grouping thereof;
- a sales cash flow growth percentage of 3.0 % per year;
- up to a 5-year period in which the data is expected to be marketed; and
- discount rate of 8.5% (2012: 9.5%).

Changes in assumptions, such as discount rate and in particular the expected sales cash flows, could significantly affect the value in use and result in an impairment of the data libraries. Management currently expects that on average between 4-5 years of sales are needed to recover the carrying value of the data libraries as at 31 December 2013. Management acknowledges that the 3D seismic data library in Australia needs to be watched carefully. The 3D seismic data library in Australia is expected to be recovered through expected sales up to and including year 5, however in the next 1-2 years there may be a slowdown in exploration activity in the area where the Australian 3D data library is located. Further the 2013 sales forecasts for these Australian multi-client data libraries have not been met due to the market circumstances. The impairment test for the 3D seismic data library in Australia shows no headroom assuming sales translated in Australian dollar for 2014 exceed actual 2013 sales by approximately 50%. In addition, the 3D seismic data library in Australia is sensitive to exchange rate changes between the Australian dollar as compared to the U.S. dollar. A 10% strengthening of the Australian dollar as compared to the U.S. dollar, with actual sales based on the forecasted U.S. dollar sales, would result in an impairment of around EUR 10 million.

#### 5.40 **Investments in equity-accounted investees**

The carrying amount of the equity-accounted investees (including associates and joint ventures) of the Group can be summarised as follows:

(EUR x 1,000)	2013	2012
Equity-accounted investees	52,659	34,707

The Group's share in realised profit (or loss) in the above mentioned equity-accounted investees amounted to a net gain of EUR 4,937 thousand in 2013 (2012: EUR 1,068 thousand loss on continued basis). In 2013 and 2012 the Group did not receive dividends from any of its investments in equity-accounted investees or other investments.

None of the group's equity-accounted investees are publicly listed entities and consequently they do not have published price quotations. Not adjusted for the percentage ownership held by the Group, the equity-accounted investees have assets of EUR 109 million (2012: EUR 60 million), liabilities of EUR 27 million (2012: EUR 6 million), revenues of EUR 45 million (2012: EUR 11 million) and a net profit of EUR 6 million (2012: loss of EUR 4 million).



On 23 August 2013, Fugro signed a ten-year extension of the contract with China Oilfield Services Ltd (COSL). The joint venture, named China Offshore Fugro Geosolutions (COFG), has been operating offshore China since 1983. This company, in which Fugro holds 50%, was previously fully incorporated into the consolidated financial statements until 23 August 2013. After the signing of the new contract as per 23 August 2013, this joint venture is treated as an equity-accounted investee, deconsolidated as disposal and accounted for using the equity method.

#### 5.41 Other investments

The Group holds the following other investments:

(EUR x 1,000)	2013	2012
Other investments in equity instruments	1,095	1,095
Long-term loans	116,605	–
Financial assets at fair value through profit or loss	12,766	–
Available-for-sale financial assets	1,215	1,310
Other long-term receivables	3,423	2,692
Receivables under finance lease (refer to note 5.44)	15,500	14,240
	<b>150,604</b>	<b>19,337</b>

##### 5.41.1 Other investments in equity instruments

The Group has the following other investments in equity instruments accounted for at cost:

#### Name of the company

(EUR x 1,000)	Country	Ownership	Assets	Liabilities	Equity	Revenue	Profit/(loss)
La Coste & Romberg-Scintrex	USA	11%	19,377	9,277	10,100	18,911	3,393

The Group's other investments in equity instruments are not listed. A reliable fair value estimate cannot be made.

##### 5.41.2 Long term loans

On 31 January 2013, a vendor loan was issued to CGG as part of the consideration of the sale of the majority of the Geoscience business. As at 31 December 2013, the vendor loan amounts to EUR 112.5 million and carries interest of 5.5% per annum. Due to the bifurcation of the Seabed warrant, the carrying value of this loan is EUR 104.8 million as per 31 December 2013. Reference is made to 5.46.

On 22 January 2013, a loan was agreed with Sonar Tusk Nigeria Limited of EUR 3.5 million. Sonar Tusk shall pay interest on the principal outstanding amount of 17% yearly. The loans, including interest, shall be repaid, on or before 1 January 2017.

Fugro has a loan due from Wavewalker B.V. for the principal amount of EUR 8.3 million. The loan bears annual interest of 5%. The loan has to be repaid, including interest, before 30 April 2027.

##### 5.41.3 Financial assets at fair value through profit or loss

At 31 January 2013, Fugro entered into a vendor loan agreement with CGG, including a warrant. The warrant represents the fair value of the underlying Seabed Geosolutions B.V. unquoted shares, accruing to Fugro in case of default of the counterparty. The warrant classifies as an embedded derivative and has been bifurcated from the loan. The warrant is accounted for at fair value through profit or loss. The warrant amounts to EUR 12,766 thousand as at 31 December 2013. Further reference is made to paragraph 5.58.

##### 5.41.4 Available-for-sale financial assets

The fair value of the available for sale financial assets is based on quoted prices of these companies on the Australian Securities Exchange (ASX).

## 5.42 Deferred tax assets and liabilities

### 5.42.1 Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

(EUR x 1,000)	Assets		Liabilities		Net	
	2013	2012*	2013	2012*	2013	2012*
Property, plant and equipment	9,428	9,052	(31,309)	(15,218)	(21,881)	(6,166)
Intangible assets	526	1,009	(63,318)	(74,994)	(62,792)	(73,985)
Other investments	50	81	–	–	50	81
Loans and borrowings	–	–	(2,441)	(3,156)	(2,441)	(3,156)
Employee benefits	20,908	23,054	–	–	20,908	23,054
Share based payments	301	–	–	(134)	301	(134)
Provisions	7,712	1,419	(54)	(246)	7,658	1,173
Tax loss carry-forwards	71,117	81,818	–	–	71,117	81,818
Exchange rate differences	–	837	(271)	–	(271)	837
Other items	–	3,569	(1,319)	–	(1,319)	3,569
Deferred tax assets/(liabilities)	110,042	120,839	(98,712)	(93,748)	11,330	27,091
Set off of tax components	(60,481)	(75,618)	60,481	75,618	–	–
Net deferred tax asset/(liability)	49,561	45,221	(38,231)	(18,130)	11,330	27,091

\* Restated in connection with the change in presentation of the multi-client data libraries.

The recognised deferred tax assets are dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences.

### Movement in temporary differences during the year

(EUR x 1,000)	2013				
	Balance 01-01-13	Acquired in business combinations	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31-12-13
Property, plant and equipment	(6,166)	313	(16,028)	–	(21,881)
Intangible assets	(73,985)	(4,307)	15,500	–	(62,792)
Other investments	81	–	(31)	–	50
Loans and borrowings	(3,156)	435	850	(570)	(2,441)
Employee benefits	23,054	–	(699)	(1,447)	20,908
Share based payment transaction	(134)	40	94	301	301
Provisions	1,173	(1)	6,486	–	7,658
Tax loss carry-forward	81,818	236	(10,937)	–	71,117
Exchange differences	837	(1)	2,572	(3,679)	(271)
Other items	3,569	(595)	(4,289)	(4)	(1,319)
	27,091	(3,880)	(6,482)	(5,399)	11,330

(EUR x 1,000)

2012

	Balance 31-12-11	Transfers to assets and liabilities classified as held for sale	Presentation change multi-client data libraries	Balance 01-01-12*	Acquired in business combi- nations	Recognised in profit or loss	Recognised in other comprehen- sive income	Balance 31-12-12*
Property, plant and equipment	3,810	6,053	–	(2,243)	38	(3,961)	–	(6,166)
Intangible assets	(11,300)	(2,735)	(6,845)	(15,410)	–	(58,575)	–	(73,985)
Other investments	124	–	–	124	–	(43)	–	81
Inventory	(6,845)	–	6,845	–	–	–	–	–
Loans and borrowings	–	–	–	–	–	–	(3,156)	(3,156)
Employee benefits	25,126	3,356	–	21,770	–	2,798	(1,514)	23,054
Share based payment transaction	–	28	–	(28)	–	28	(134)	(134)
Provisions	1,172	1,543	–	(371)	–	1,544	–	1,173
Tax loss carry-forward	26,948	13,612	–	13,336	–	68,482	–	81,818
Exchange differences	149	194	–	(45)	–	1,194	(312)	837
Other items	2,395	960	–	1,435	(63)	2,197	–	3,569
	41,579	23,011	–	18,568	(25)	13,664	(5,116)	27,091

\* Restated in connection with the change in presentation of the multi-client data libraries.

#### 5.42.2 Unrecognised deferred tax assets and liabilities

Deferred tax has not been recognised in respect of the following items:

##### Unrecognised deferred tax assets

(EUR x 1,000)

	2013	2012
Deductible temporary differences	522	–
Tax losses	8,793	15,670
Capital allowances	–	3,166
Total	9,315	18,836

Unrecognised deferred tax assets relate to tax units previously suffering losses for which it is currently not probable that future taxable profit will be available to offset these losses, taking into account fiscal restrictions on the utilisation of loss compensation.

The deductible temporary differences and capital allowances do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items, because it is not probable that future taxable profit will be available against which the Group can utilise these benefits.

Unrecognised tax assets changed over the period as follows:

#### Unrecognised deferred tax assets

(EUR x 1,000)	2013	2012
As of 1 January	18,836	22,988
Movements during the period:		
Transfers to assets classified as held for sale	–	(4,324)
Additional losses	3,002	59,283
Utilisation	(334)	(1,040)
Recognition of previously unrecognised temporary differences	(2,643)	–
Recognition of previously unrecognised tax losses	(7,057)	(61,212)
Effect of change in tax rates	116	(214)
Exchange rate differences	(1,583)	(332)
Change from reassessment	(1,022)	3,687
As of 31 December	9,315	18,836

Reassessment of tax compensation opportunities under applicable tax regulations has resulted in a decrease of unrecognised deferred tax assets of EUR 1.0 million (2012: EUR 3.7 million increase).

Of the total recognised and unrecognised deferred tax assets in respect of tax losses carried forward an amount of EUR nil expires in periods varying from two to five years. An amount of EUR 221 thousand expires between five and ten years and an amount of EUR 79,606 thousand can be offset indefinitely.

Based on forecasted results per tax jurisdiction, management considered it probable that sufficient future taxable profit will be generated to utilise deferred tax assets depending on taxable profits in excess of the profits arising from the reversal of existing temporary differences.

#### Unrecognised deferred tax liabilities

At 31 December 2013 no deferred tax liabilities relating to investments in subsidiaries have been recognised (2012: nil), because Fugro controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future due to permanent reinvestments. The aggregate amount of temporary differences for which these deferred tax liabilities have not been recognised is EUR nil million (2012: EUR nil).

In some of the countries where the Group operates, local tax laws provide that gains on disposal of certain assets are tax exempt, provided that the gains are not distributed. The company does not intend to distribute such gains; therefore no tax liabilities are recognised in this respect.

#### 5.43 Inventories

In December 2013 EUR 31,551 thousand (2012: EUR 25,089 thousand) of other inventories was recognised as an expense and EUR 937 thousand (2012: EUR 174 thousand) was written down. The write down is included in third party costs.

#### 5.44 Trade and other receivables

(EUR x 1,000)	2013	2012
Unbilled revenue on completed projects	267,701	219,412
Trade receivables	481,312	516,744
Non-trade receivables	111,970	97,278
Receivables under finance lease	3,220	4,211
Current portion vendor loan	3,332	–
	867,535	837,645

Non-trade receivables include VAT receivables, prepayments for insurance and claims, deposits, current portion of long term receivables and sundry receivables.



Unbilled revenue on completed projects includes aggregated costs and recognised profits, net of recognised losses for all contracts in progress for which this amount exceeds progress billings. At 31 December 2013 trade receivables include retentions of EUR 7.3 million (2012: EUR 7.0 million) relating to completed projects.

Trade receivables are shown net of impairment losses amounting to EUR 36.9 million (2012: EUR 34.7 million) arising from identified doubtful receivables from customers. Trade receivables were impaired taking into account the financial position of the debtors, the days outstanding and expected outcome of negotiations and legal proceedings against debtors. Unbilled revenue on completed projects does not include impairment losses (2012: nil). Non-trade receivables include among others pre-payments and VAT receivables.

In 2012, the Group entered into a 5-years finance lease agreement for the sale of the Geo Pacific vessel and related seismic loose equipment. The future minimum lease payments under the contract can be broken down as follows:

(EUR x 1,000)	<b>2013</b>		
	<b>Total future payments</b>	<b>Discounted</b>	<b>Unearned interest income</b>
Not later than one year	4,181	3,220	961
Between one and five years	15,569	15,500	69
<b>Total</b>	<b>19,750</b>	<b>18,720</b>	<b>1,030</b>

The implicit rate used in calculating the present value of the future minimum lease payments amounts to 6%. Reference is made to note 5.54 and 5.56 for detailed information on the credit and currency risks, and impairment losses related to trade receivables.

(EUR x 1,000)	<b>2012</b>		
	<b>Total future payments</b>	<b>Discounted</b>	<b>Unearned interest income</b>
Not later than one year	4,350	4,211	139
Between one and five years	17,463	14,240	3,223
<b>Total</b>	<b>21,813</b>	<b>18,451</b>	<b>3,362</b>

#### 5.45 **Cash and cash equivalents**

(EUR x 1,000)	<b>2013</b>	<b>2012</b>
Cash and cash equivalents	164,185	92,019
Bank overdraft	(92,085)	(221,923)
<b>Cash and cash equivalents in the consolidated statement of cash flows</b>	<b>72,100</b>	<b>(129,904)</b>

#### 5.46 **Discontinued operations**

On 31 January 2013, Fugro sold the majority of its Geoscience division excluding the multi-client data library and the ocean bottom nodes activities, which latter now forms part of Seabed Geosolutions B.V., for a total consideration of EUR 1.2 billion. The airborne activities (also part of the divested Group) have been transferred on 2 September 2013. The gain recognised on the sale of the majority of the Geoscience division is presented as a profit for the period from discontinued operations.

Parties have agreed that part of the consideration is satisfied in the form of a vendor loan from Fugro to CGG.

On 31 January 2013 the vendor loan amounted to EUR 125 million. CGG made an early repayment of EUR 112.5 million on 21 August 2013 of the EUR 125 million outstanding vendor loan. On completion of the airborne related part of the divestment, a further vendor loan of EUR 100 million was provided to CGG. The vendor loan to CGG amounts to EUR 112.5 million as per 31 December 2013, and will be repaid in four equal annual instalments as from 1 January 2014. The loan agreement carries interest of 5.5% per annum. Furthermore, the vendor loan includes a warrant which has been bifurcated from the loan and accounted for as a financial instrument (embedded derivative). Reference is made to 5.58. Financial information relating to the Geoscience operations and the gain realised on the sale for the period to the date of disposal is set out below. The statement of comprehensive income and statement of cash flows are presented for discontinued operation and continuing operations.

(EUR x 1,000)	2013	2012*
<b>From discontinued operations</b>		
Revenue	94,229	787,690
Third party costs	(39,947)	(318,206)
Other income	1,286	22,615
Personnel expenses	(33,136)	(206,664)
Depreciation and amortisation	(1)	(72,669)
Other expenses	(19,191)	(104,501)
Results from operating activities (EBIT)	3,240	108,265
Finance income	–	771
Finance expenses	(4,020)	(21,516)
Share of profit of equity accounted investees	–	144
Income tax expense	(231)	(29,454)
Gain on sale of the majority of the Geoscience business, net of tax	205,084	–
<b>Profit/(loss) for the period from discontinued operations</b>	<b>204,073</b>	<b>58,210</b>

\* Restated see page 118.

The net gain on the sale of the majority of the Geoscience business amounts to EUR 205 million, after the reduction of a tax expense of EUR 8.5 million.

For the year ended 31 December 2013, an amount of EUR 10.8 million (loss) of translation reserves, related to the discontinued Geoscience activities, has been recycled to the profit or loss. This result forms part of the gain on the sale of the majority of the Geoscience business.

Fugro has provided certain indemnities in the sale of the Geoscience activities to CGG for liabilities arising from tax exposures. The Company has accrued for any indemnity risks where these are expected to result in probable cash outflows. The gain of EUR 205 million might change due to changes in estimate with respect to accruals recognised for indemnities provided to CGG. As at 31 December 2013, an amount of EUR 19.5 million has been accrued for relating to tax indemnities and warranties.

As at 31 December 2012, the assets and liabilities of the disposal group classified as held for sale consisted of EUR 1,011,870 assets and EUR 201,531 liabilities.

The cash flows associated with discontinued operations are as follows:

(EUR x 1,000)	2013	2012
<b>Cash flows from discontinued operations</b>		
Net cash (used in) / from operating activities	(1,011)	38,423
Net cash (used in) / from investing activities	–	(78,839)
Net cash (used in) / from financing activities	–	21
<b>Net cash flows for the year from discontinued operations</b>	<b>(1,011)</b>	<b>(40,395)</b>

At 31 December 2013 and 31 December 2012 all cash and cash equivalents are freely available to the Group.

#### 5.47 **Total equity**

##### 5.47.1 **Share capital**

(In thousands of shares)	<b>Ordinary shares</b>	
	2013	2012
On issue and fully paid at 1 January	82,844	81,393
Stock dividend 2012 respectively 2011	1,728	1,451
Repurchased for option programme at year-end	(3,798)	(1,203)
<b>On issue and fully paid at 31 December – entitled to dividend</b>	<b>80,774</b>	<b>81,641</b>

On 31 December 2013 the authorised share capital amounts to EUR 16 million (2012: EUR 16 million) divided into 96 million ordinary shares (2012: 96 million), each of EUR 0.05 nominal value and EUR 224 million (2012: EUR 224 million) various types of preference shares, each of EUR 0.05 nominal value.

On 31 December 2013 the issued share capital amounted to EUR 4,228,626.27. As of this date, 88.1% of the ordinary shares (84,572,525 shares) were issued. No preference shares have been issued. In 2013 a total number of 1,728,154 certificates of shares were issued by the Fugro Trust Office (2012: 1,451,390). The holders of ordinary shares are entitled to dividends as approved by the Annual General Meeting from time to time. Furthermore they are entitled to one vote per share in Fugro's shareholders meeting. The holders of certificates of shares are entitled to the same dividend but they are not entitled to voting rights. Under certain conditions the holder of certificates can exchange his certificates into ordinary shares and vice versa. For more details reference is made to page 94.

The Board of Management proposes a dividend for 2013 of EUR 1.50 (2012: EUR 2.00; including a one-off extra dividend of EUR 0.50 in connection with the divestment of the majority of the Geoscience business) per (certificate of) share, to be paid at the option of the holder in cash or in (certificates of) shares. This dividend proposal is currently part of unappropriated result.

##### 5.47.2 **Share premium**

The share premium can be considered as paid in capital.

##### 5.47.3 **Translation reserve**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

#### 5.47.4 Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

#### 5.47.5 Reserve for own shares

Fugro has purchased 3,000,000 certificates of own shares to cover its option scheme in 2013 at an average price of EUR 44.39 (2012: nil). 403,830 (certificates of) shares were sold at an average price of EUR 44.23 with respect to exercise of options (2012: 960,180 at an average price of EUR 49.91). As per 31 December 2013 Fugro holds 3,798,736 own certificates of shares (2012: 1,202,566) with respect to the option scheme. This was 4.5% of the issued capital (2012: 1.5%).

#### 5.47.6 Unappropriated result

After the reporting date the following dividends were proposed by the Board of Management. There are no corporate income tax consequences related to this proposal.

(EUR x 1,000)	2013	2012
EUR 1.50 per qualifying (certificate of a) share (2012: EUR 2.00*)	121,161	163,284
	<b>121,161</b>	<b>163,284</b>

\* 2012 dividend per share comprises a regular dividend of EUR 1.50 and a one-off extra dividend of EUR 0.50.

#### 5.48 Earnings per share

The basic earnings per share for 2013 amount to EUR 2.77 (2012: EUR 2.89) from continuing operations and EUR 2.52 from discontinued operations (2012: EUR 0.72). The diluted earnings per share amount to EUR 2.76 (2012: EUR 2.86) from continuing operations and EUR 2.51 from discontinued operations (2012: EUR 0.72).

The calculation of basic earnings per share at 31 December 2013 is based on the profit attributable to owners of the Company from continuing operations of EUR 213,853 thousand (2012: EUR 241,404 thousand) adjusted for the loss of the non-controlling interest of EUR 10,377 thousand (2012: EUR 9,869 thousand positive) and from discontinued operations EUR 204,073 thousand (2012: EUR 58,210 thousand) and a weighted average number of shares outstanding during the year ended 31 December 2013 of 80,907 thousand (2012: 80,241 thousand), calculated as follows:

##### 5.48.1 Basic earnings per share

###### **Weighted average number of ordinary shares**

(In thousands of shares)	2013	2012
On issue and fully paid at 1 January	81,642	79,230
Effect of own shares held	(1,898)	–
Effect of shares issued due to exercised options	188	283
Effect of shares issued due to optional dividend	975	728
Weighted average number of ordinary shares at 31 December	<b>80,907</b>	<b>80,241</b>



#### 5.48.2 Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2013 was based on profit attributable to owners of the Company from continuing operations of EUR 213,853 thousand (2012: EUR 241,404 thousand) adjusted for the loss of the non-controlling interest of EUR 10,377 thousand (2012: EUR 9,869 thousand positive) and from discontinued operations of EUR 204,073 thousand (2012: EUR 58,210 thousand), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 81,380 thousand (2012: 81,019 thousand), calculated as follows:

#### **Weighted average number of ordinary shares (diluted)**

(In thousands of shares)

	2013	2012
Weighted average number of ordinary shares at 31 December	80,907	80,241
Effect of share options on issue	473	778
Weighted average number of ordinary shares (diluted) at 31 December	<b>81,380</b>	<b>81,019</b>

#### 5.49 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to liquidity risk, currency risk and interest rate risk and, refer to note 5.55, 5.56 and 5.57.

(EUR x 1,000)

	2013	2012
Bank loans	–	431,396
Private placement loans 2011 in USD	545,929	568,148
Private placement loans 2011 in EUR	34,894	34,886
Private placement loans 2011 in GBP	80,767	82,755
Private placement loans 2002 in USD	55,287	57,509
Other loans and long-term borrowings	3,741	2,854
Subtotal	<b>720,618</b>	<b>1,177,548</b>
Less: current portion of loans and borrowings	<b>31,595</b>	<b>10,814</b>
	<b>689,023</b>	<b>1,166,734</b>

## Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

(EUR x 1,000)				2013		2012	
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying value	Face value	Carrying value
Bank loans	EUR			–	–	434,000	431,396
Private placement loans:							
320 million USD bonds 2011	USD	4.05%	2018	233,600	232,936	243,200	242,410
330 million USD bonds 2011	USD	4.78%	2021	240,900	240,205	250,800	249,985
100 million USD bonds 2011	USD	4.88%	2023	73,000	72,788	76,000	75,753
27.5 million GBP bonds 2011	GBP	4.06%	2018	33,000	32,906	33,825	33,715
40 million GBP bonds 2011	GBP	4.82%	2021	48,000	47,861	49,200	49,040
35 million EUR bonds 2011	EUR	4.81%	2021	35,000	34,894	35,000	34,886
39 million USD bonds 2002	USD	6.95%	2014	28,470	28,373	29,640	29,510
37 million USD bonds 2002	USD	7.10%	2017	27,010	26,914	28,120	27,999
Mortgage and other loans and long-term borrowings	Variable	6.00%	2013-2014	3,741	3,741	2,854	2,854
				<b>722,721</b>	<b>720,618</b>	<b>1,182,639</b>	<b>1,177,548</b>

### 5.49.1 Bank loans

In November 2011 Fugro signed agreements with eight banks for committed multicurrency revolving facilities with a maturity of five years. The total amount of these bilateral agreements with the banks is EUR 775 million. Rabobank and ING Bank N.V. provided EUR 150 million each, The Royal Bank of Scotland N.V., BNP Paribas S.A. and HSBC Bank Plc. provided each EUR 100 million, Barclays Bank Plc. provided EUR 75 million, ABN AMRO Bank N.V. and Credit Suisse AG provided EUR 50 million each.

The interest of the bank loans under the multicurrency revolving facilities is LIBOR, or in relation to any EUR loan EURIBOR, plus a margin based on Debt/EBITDA margin at each completed half year. As per 28 February 2013, the bank loans were fully repaid. No amounts were in use as per 31 December 2013.

### 5.49.2 Private placement loans

In May 2002 long-term loans were concluded with twenty American and two British institutional investors. As per 8 May 2007 the Group terminated a Cross Currency Swap (foreign exchange contract related to the US Dollar exposure of the loans). The cumulative exchange differences as per termination date have been added to equity (Hedging reserve) and are being charged to profit or loss during the remaining term of the loan. This resulted during 2013 in a cost of EUR 835 thousand (2012: EUR 1,031 thousand).

In August 2011 long-term loans were concluded with twenty-five American and two British institutional investors for a total amount equivalent to USD 909 million, with maturities of 7, 10 and 12 years and fixed interest rates.

At reporting date all the private placement loans are valued at the closing rate. The currency exchange difference on the loans between the initial exchange rate and the exchange rate at the reporting date is accounted for in the Translation reserve. For the year under review the currency exchange differences on the private placement loans amount to EUR 26,805 thousand positive (2012: EUR 6,235 thousand positive).

### 5.49.3 Covenant requirements

Both the committed multicurrency revolving facilities as well as the private placement loans contain covenant requirements which can be summarised as follows:

- Equity > EUR 200 million (only applicable to private placement loans 2002)
- Consolidated EBITDA plus Operating Lease Expense/Consolidated Interest Expense plus Operating Lease Expense > 2.5
- Consolidated Net Financial Indebtedness/Consolidated EBITDA < 3.0
- Solvency: Consolidated Net Worth/Balance sheet total > 1.0: 3.0
- Consolidated Financial Indebtedness of the Subsidiaries < 15%, for the private placement loans and < 20% for the bank loans, of the consolidated balance sheet total
- Fugro declared dividend < 60% of the profits of the Group for such financial year (only applicable to private placement loans 2011). As can be concluded from the table below, at the twelve month rolling forward measurement dates in 2013 and 2012, Fugro complied with the above conditions
- The sale of the Geoscience activities does not trigger repayment and/or default conditions included in the agreements.

(EUR x 1,000)*	2013	2012
EBITDA	460,679	646,302
(5.29) Operating lease expense	151,974	177,076
(5.33) Net interest expense	15,650	44,911
Margin > 2.5	3.7	3.7
(2) Net financial indebtedness (loans and borrowings less net cash)	648,518	1,338,586
Bank guarantees	52,223	69,966
Total	700,741	1,408,552
EBITDA coverage < 3.0	1.52	2.17
(2) Net worth	2,024,971	1,956,729
(2) Balance sheet total	3,630,602	4,169,716
Solvency > 33.33%	55.8%	46.9%
Margin Indebtedness subsidiaries < 15%	3.8%	4.3%
Dividend < 60% of the profit	28.3%	56.4%

\* Amounts including discontinued operations.

### 5.49.4 Mortgage and other loans and long-term borrowings

The average interest rate on mortgage loans and other loans and long-term borrowings over one year amounts to 6% (2012: 4.7%).

### 5.49.5 Change of control provisions

A change of control of Fugro could result in early repayment of the bank loans (note 5.49.1) and the private placement loans (note 5.49.2). No amounts of the bank loans were in use as per 31 December 2013.

## 5.50 Employee benefits

(EUR x 1,000)

	2013	2012
Present value of funded obligations	352,301	337,999
Fair value of plan assets	(268,451)	(259,454)
Recognised net liability for defined benefit obligations	83,850	78,545
Liability for long-service leave	11,153	11,212
<b>Total employee benefit liabilities</b>	<b>95,003</b>	<b>89,757</b>

The Group makes contributions to a number of pension plans, both defined benefit plans as well as defined contribution plans, that provide pension benefits for employees upon retirement in a number of countries. The retirement age is 65. The most important plans relate to plans in the Netherlands, United Kingdom, Norway and the United States; details of which are as follows:

- In the Netherlands the Group provides for a pension plan based on average salary. This plan qualifies as a defined benefit scheme. The pension entitlements from this plan are insured with an insurance company that guarantees the accrued pension entitlements. The group pays additional amounts to fund (part of) the indexation for active participants. For the deferred pensioners, the scheme includes a (conditional) indexation of pension benefits as far as the return on the separated investments exceeds the unwinding of interest
- In the United Kingdom (UK) the Group operates under two defined benefit pension schemes considering either a guaranteed minimum pension or a maximum lump sum entitlement. The pension schemes have been closed in previous years for new participants, but include the on-going obligations to their members (both former and present employees). The pension scheme assets are held in separate Trustee-administered funds. The scheme includes indexation in line with RPI
- In Norway a defined benefit pension plan exists that, combined with the available State pension plan, leads to a pension at the age of 67. The entitlements are insured with an insurance company
- In the United States of America the Group operates a 401K plan for its employees. The Group contributes towards the deposits of its employees in accordance with agreed rules and taking into account the regulations of the IRS, the US tax authority. This plan qualifies as a defined contribution plan.

### Liability for defined benefit obligations

Plan assets consist of the following:

(EUR x 1,000)

	2013	2012
Equity securities	91,544	87,664
Government bonds	118,478	140,233
Corporate bonds	37,695	21,596
Real estate	10,105	2,074
Cash	10,629	7,887
	<b>268,451</b>	<b>259,454</b>



**Movements in the present value of the funded obligations**

(EUR x 1,000)	2013	2012
Present value of the funded obligation at 1 January	337,999	329,428
Current service costs (see below)	8,313	7,620
Interest expenses	13,064	13,617
	<hr/>	<hr/>
	21,377	21,237
Remeasurements:		
(Gain)/loss from change in demographic assumptions	671	1,747
(Gain)/loss from change in financial assumptions	(3,171)	10,076
Experience (gains)/losses	4,402	(1,879)
	<hr/>	<hr/>
	1,902	9,944
Exchange differences	(6,354)	5,215
Paid by plan participants	2,059	2,004
Benefits paid by the plan	(6,245)	(5,467)
Transfer from liability for long service leave	1,563	-
Transfers to liabilities classified as held for sale	-	(24,362)
	<hr/>	<hr/>
Present value of the funded obligation at 31 December	352,301	337,999

**Movement in the fair value of plan assets**

(EUR x 1,000)	2013	2012
Fair value of plan assets at 1 January	259,454	243,220
Interest income	9,989	10,516
Remeasurement:		
Return on plan assets, excluding amounts included in interest income	(1,814)	12,559
Exchange differences	(4,304)	3,216
Paid by the employer	9,863	8,830
Contributions paid by plan participants	2,130	1,847
Benefits paid by the plan	(6,245)	(5,467)
Administrative expenses	(622)	(650)
Transfers to liabilities classified as held for sale	-	(14,617)
	<hr/>	<hr/>
Fair value of plan assets at 31 December	268,451	259,454

**Expenses recognised in profit or loss**

(EUR x 1,000)	2013	2012
Current service costs	8,313	7,620
Administrative expenses	622	650
Interest on obligation	13,064	13,617
	21,999	21,887
Interest income	(9,989)	(10,516)
	12,010	11,371

The expenses are recognised in the following line items in the statement of comprehensive income:

(EUR x 1,000)	2013	2012
Personnel expenses	12,010	11,371

**Actual return on plan assets**

(EUR x 1,000)	2013	2012
Actual return on plan assets	8,175	23,075

**Remeasurements recognised directly in other comprehensive income**

(EUR x 1,000)	2013	2012*
Cumulative amount at 1 January	(43,785)	(53,120)
Impact of the discontinued business	–	7,934
Recognised during the year	(3,716)	2,615
Effect of movement in exchange rates	1,029	(1,214)
Cumulative amount at 31 December	(46,472)	(43,785)

\* Restated see page 118.

Refer to note 5.35 with respect to the income tax impact on the actuarial loss of EUR 3,716 thousand loss (2012: EUR 2,615 thousand gain).

**Actuarial assumptions**

Principal actuarial assumptions at the reporting date (expressed as a range of weighted averages):

	2013			2012		
	UK	Norway	Netherlands	UK	Norway	Netherlands
				4.35% –		
Discount rate at 31 December	4.5%	4.0%	3.5%	4.60%	3.9%	3.3%
Future salary increases	3.0%	3.6%	2.0%	2.60%	3.5%	2.0%
Medical cost trend rate	n/a	n/a	n/a	n/a	n/a	n/a
				2.60% –		
Future pension increases	2.9%	3.3%	1.0%	3.00%	3.25%	1.0%

The financial effects of differences between the actuarial assumptions and actuals for the pension liability and plan assets are included in the remeasurements.

Assumptions regarding future mortality are based on published statistics and mortality tables:

Netherlands: Generation table 2012-2062 for men and women, an age correction of (- 1: - 1) is applied.

United Kingdom: Base table 90% of S1NXA tables or SAPS and CMI 2013 1% long term + 1 year for future mortality improvements.

Norway: K2013BE.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 10.1%	Increase by 11.3%
Salary growth rate	0.50%	Increase by 1.8%	Decrease by 1.6%
Pension growth rate	0.50%	Increase by 7.5%	Decrease by 6.4%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		Increase by 2.7%	Decrease by 2.5%

The sensitivity analyses are based on a change in one assumption while holding all other assumptions constant, so that interdependencies between the assumptions are excluded.

#### Historical information

(EUR x 1,000)

	2013	2012	2011	2010	2009
Present value of the defined obligation	352,301	337,999	329,428	272,497	244,362
Fair value of plan assets	268,451	259,454	243,220	207,978	179,643
Deficit in the plan	(83,850)	(78,545)	(86,208)	(64,519)	(64,719)
Experience adjustments arising on plan liabilities	(4,403)	1,879	10,910	1,418	1,269
Experience adjustments arising on plan assets	(1,814)	12,559	10,840	7,066	14,603

Plan assets are comprised as follows:

	2013				2012			
	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total	%
<b>Equity instruments</b>	91,544	–	91,544	34%	79,218	–	79,218	31%
<b>Debt instruments</b>	156,173	–	156,173	58%	155,859	–	155,859	60%
Government	118,478	–	118,478	44%	119,627	–	119,627	–
Corporate bonds (Investment grade)	37,695	–	37,695	14%	36,232	–	36,232	–
Corporate bonds (Non-investment grade)	–	–	–	–	–	–	–	–
<b>Property</b>	–	10,105	10,105	4%	–	8,448	8,448	3%
US	–	–	–	–	–	–	–	–
UK	–	10,105	10,105	4%	–	8,448	8,448	–
Norway	–	–	–	–	–	–	–	–
Cash and cash equivalents	–	10,629	10,629	4%	–	15,929	15,929	6%
<b>Total</b>	<b>247,717</b>	<b>20,734</b>	<b>268,451</b>	<b>100%</b>	<b>235,077</b>	<b>24,377</b>	<b>259,454</b>	<b>100%</b>

Through its defined benefit pension plans, the Group is exposed to a number of risks. Most of these risks come with the nature of a defined benefit plan, and are therefore not country specific. The most significant risks are detailed below:

#### Asset volatility

The plan liabilities are calculated using a discount rate set with reference to AA credit-rated corporate bond yields; if plan assets underperform this yield, the deficits will increase. The UK plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.

#### Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

#### Inflation risk

Some of the group pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

#### Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant in the UK plan, where inflationary increases result in higher sensitivity to changes in life expectancy. This risk is limited in the Netherlands and Norway where the insurer guarantees the payment of the accrued benefits.

In addition, the Group is exposed to a number of local risks:

In the Netherlands the company has taken out an insurance contract to cover the pension plan. The insurance company guarantees all accrued entitlements. The insurance contract includes a separate account in which 80% of the investments are used to match the liability on a funding basis and 20% of the investments are used to invest in equity. The insurance company ultimately decides on investment policies and governance, as they run the downside risk. Returns over the

unwinding interest are used to increase pensions. Fugro pays additional amounts to fund the indexation for active participants.

In the UK, the Trustees set the Scheme's investment strategy, in consultation with the employer. The Robertson and UK Holdings plan include return seeking assets and bonds. The Robertson plan also includes matching assets to cover the pensioner liabilities. The UK Holdings plan, put a revised Recovery Plan in place in 2013 which increased the contributions made by the employer.

In Norway, the pension scheme is insured with an insurance company. The insurance company guarantees the accrued benefits and a fixed return that is used to increase pensions. Future contributions depend on the actuarial rates as set by the insurer.

The expected contributions 2014 amount to EUR 15.8 million (2013: EUR 10.7 million).

The weighted average duration of the defined benefit obligation is 22 years.

As at 31 December 2013	Netherlands	United Kingdom	Norway	Total weighted
Duration of plan	23	20	33	22

#### 5.51 Provisions

(EUR x 1,000)

	2013		2012	
	Procedures	Total	Procedures	Total
Balance at 1 January	1,165	1,165	4,215	4,215
Provisions made during the year	–	–	880	880
Provisions used during the year	–	–	–	–
Provisions reversed during the year	(940)	(940)	(3,930)	(3,930)
Unwinding of discount	–	–	–	–
Balance at 31 December	225	225	1,165	1,165
Non-current	225	225	1,165	1,165

#### 5.52 Trade and other payables

(EUR x 1,000)

	2013	2012
Trade payables	138,349	136,285
Advance instalments to work in progress	41,291	35,592
Non-trade payables	304,050	217,676
Balance at 31 December	483,690	389,553

Non-trade payables include accrued expenses of invoices to be received, employee related accruals, interest payable, considerations payable regarding acquisitions, and tax indemnities and warranties for an amount of EUR 19.5 million.



## 5.53 **Financial risk management**

### 5.53.1 **Overview**

The Company's risk management policy includes the long-term sustainable management of its business activities and where possible, the mitigation of the associated business risks. Based on the nature and relative significance of the risks related to the Group's wide diversity of markets, clients and regions and its broad portfolio of activities the risks have been quantified to the extent possible.

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Management has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their role and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by internal audit. Both regular and ad hoc reviews of risk management controls and procedures are performed, the results of which are reported directly to the Board of Management and Executive Committee. A summary of important observations is reported to the Audit Committee.

### 5.53.2 **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

#### ***Trade and other receivables***

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each client. However, management also considers the composition of the Group's client base, including the default risk of the industry and country in which clients operate, as these factors may have an influence on credit risk. As the Group operates to a large extent in the oil and gas industry a significant portion of trade and other receivables relates to clients from this industry.

Some of the Group's orders are awarded on the basis of long-term preferred supplier agreements. In the course of a year Fugro often carries out multiple projects for the same client. Fugro typically has no single client that generates more than 4% of its revenue in the year. On occasion a client may generate more than 4% which can happen in case of exceptionally large contracts where most of the revenue falls in the accounting year. Having a large number of clients and short project time spans mitigates Fugro's credit risk as the individual amounts receivable with the same client are limited.

New customers are analysed individually for creditworthiness before payment and delivery terms and conditions are offered. The Group's review may include external ratings, where available, and in some cases bank references. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis or have to provide a bank guarantee.

The majority of the Group's clients has done business with the Group for many years and significant losses have only occurred incidentally in prior years. However, as a result of the expected negative effects of the current worldwide economic crisis the credit risk has increased significantly. Clients that are known to have negative credit characteristics are individually monitored by the group controllers. Findings are reported on a bi-weekly basis to the Executive Committee.

If clients fail to pay timely the Group re-assesses the creditworthiness and stronger debt collection is started if deemed necessary. The Group publishes an internal list of clients that need extra attention before a contract is closed.

The Executive Committee reviews frequently the outstanding trade receivables. Local management is requested to take additional precaution in working with these clients.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar receivables in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The Group held cash and cash equivalents of EUR 164.2 million at 31 December 2013 (2012: EUR 92.0 million), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which have 'investment grade' credit ratings.

### **Guarantees**

In principle Fugro does not provide parent company guarantees to its subsidiaries, unless significant commercial reasons exist. Fugro has filed declarations of joint and several liability for a number of subsidiaries at the Chambers of Commerce. Fugro has filed a list with the Chamber of Commerce which includes all financial interests of Fugro as well as a reference to each subsidiary for which such a declaration of liability has been deposited. At 31 December 2013 and at 31 December 2012 no significant guarantees were outstanding.

#### **5.53.3 Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors cash flow on a regular basis. Consolidated cash flow information, including a six months projection, is reported on a monthly basis to the Executive Committee, ensuring that the Group has sufficient cash on demand (or available lines of credit) to meet expected operational expenditures for the next half-year, including the servicing of financial obligations from lease commitments not included in the statement of financial position and investment programs in vessels. Cash flows exclude the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Group maintains the following lines of credit:

- A total amount of bilateral revolving facility agreements with eight banks totalling EUR 775 million. Rabobank and ING Bank N.V. provided EUR 150 million each, The Royal Bank of Scotland N.V., BNP Paribas S.A. and HSBC Bank Plc. provided each EUR 100 million, Barclays Bank Plc. provided EUR 75 million, ABN AMRO Bank N.V. and Credit Suisse provided EUR 50 million each. At 31 December 2013 no amounts were drawn. These bank facilities have been secured until October 2016
- A variety of unsecured overdraft facilities in various currencies totalling around EUR 491 million of which EUR 47 million has been drawn at 31 December 2013 (2012: around EUR 597 million with EUR 234 million drawn)
- US private placement loans totalling EUR 719 million. The facility needs to be repaid, in fixed instalments denominated in the several currencies, as follows: in 2014 EUR 30 million, in 2017 EUR 27 million, in 2018 EUR 267 million, in 2021 EUR 324 million and in 2023 EUR 73 million.

#### **5.53.4 Market risk**

Market risk includes changes in market prices, such as foreign exchange rates, interest rates and equity prices which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### **Currency risk**

The global nature of the business of the Group exposes the operations and reported financial results and cash flows to the risks arising from fluctuations in exchange rates. The Group's business is exposed to currency risk whenever it has revenues in a currency that is different from the currency in which it incurs the costs of generating those revenues.

In the case that the revenues can be offset against the costs incurred in the same currency, the balance may be affected if the value of the currency in which the revenues and costs are generated varies relative to the Euro. This risk exposure primarily affects those operations of the Group that generate a portion of their revenue in foreign currencies and incur their costs primarily in Euros.

Cash inflows and outflows of the operating segments are offset if they are denominated in the same currency. This means that revenue generated in a particular currency balance out costs in the same currency, even if the revenues arise from a different transaction than that in which the costs are incurred. As a result, only the unmatched amounts are subject to currency risk.

To mitigate the impact of currency exchange rate fluctuations, the Group continually assesses the exposure to currency risks and if deemed necessary a portion of those risks is hedged by using derivative financial instruments. The principal derivative financial instruments used to cover foreign currency exposure are forward foreign currency exchange contracts. Given the current investment program in vessels and the fact that the majority of the investments are denominated in US dollar, the Group is currently not using derivative financial instruments as positive cash flow in US dollar from operations is offset to a large extent by these investments.

Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily Euro and US dollar. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

The Group's investment in its subsidiaries with US dollar as functional currency is partly hedged by means of the US dollar private placement loans, which reduces the currency risk arising from the subsidiary's net assets. The Group's investment in its subsidiaries in the United Kingdom is partly hedged by means of the GB pound private placement loans. The Group's investments in other subsidiaries are not hedged.

The hedge on the investment is fully effective. Consequently all exchange differences relating to this hedge have been accounted for in other comprehensive income. The Group is sensitive to translation differences resulting from translation of its operations in non-Euro currencies to Euros. In 2013, significant exchange differences arose from the US dollar, Australian dollar, Norwegian krone and Brazilian real.

#### **Interest rate risk**

The Group's liabilities bear both fixed and variable interests. The Group's objective is to limit the effect of interest rate changes on the results by matching long term investment with long term (fixed interest) financing as much as possible. The Group continuously considers interest rate swaps to limit significant (short term) interest exposures.

#### **5.53.5 Capital Management**

The Board of Management's policy is to maintain a strong capital base in order to retain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, retained earnings and non-controlling interests of the Group. The Board of Management monitors the geographic spread of shareholders, the return on capital as well as the level of dividends to ordinary shareholders. The Board strives:

- For a dividend pay-out ratio of 35 to 55% of the net result. The proposed total dividend pay-out for 2013 is 54% of the net result, excluding the net gain of the sale of the majority of the Geoscience business of EUR 205 million (2012: 56.0%)
- To maintain a healthy financial position with a targeted solvency of > 33.33%. Solvency at the end of 2013 was 55.8% (2012: 46.9%)
- To maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's objective is to achieve a healthy return on shareholders' equity. The return in 2013 was 21.6% (2012: 16.1%). In comparison ratio EBITDA/(operational lease expenses plus interest expenses) is 2.7 (2012: 3.7).

From time to time Fugro purchases its own certificates of shares. These certificates are used to cover the options granted by Fugro. Purchase and sale decisions are made on a specific transaction basis by the Board of Management. Fugro does not have a defined share buy-back plan.

There were no changes to the Group's approach to capital management during the year.

The Group is subject to the externally imposed capital requirements related to covenant requirements as set out in note 5.49.3. As per 31 December 2013 and 31 December 2012 the Group complied with all imposed external capital requirements.

#### 5.54 Credit risk

##### Exposure to credit risk

(EUR x 1,000)

	Carrying amount	
	2013	2012
Other investments in equity instruments	1,095	1,095
Available-for-sale financial assets	1,215	1,310
Long-term loans	116,605	–
Financial assets at fair value through profit or loss	12,766	–
Other long-term receivables	3,423	2,692
Unbilled revenue on completed projects	267,701	219,412
Trade receivables	481,312	516,744
Non-trade receivables	111,970	97,278
Receivables under finance lease	18,720	18,451
Current portion vendor loan	3,332	–
Cash and cash equivalents	164,185	92,019
	<b>1,182,324</b>	<b>949,001</b>

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial assets mentioned above. The Group holds no collateral as security on the long-term loans.

The maximum exposure for trade receivables and unbilled revenue on completed contracts at the reporting date by geographic region was:

(EUR x 1,000)

	Carrying amount	
	2013	2012
Netherlands	58,550	43,561
Europe other	276,678	285,272
Africa	33,563	32,285
Middle East	107,890	89,924
Asia	99,144	120,825
Australia	38,299	53,522
Americas	134,889	110,767
	<b>749,013</b>	<b>736,156</b>

The maximum exposure to credit risk for trade receivables and unbilled revenue on completed contracts at the reporting date by type of customer was:

(EUR x 1,000)	Carrying amount	
	2013	2012
Oil and gas	570,433	561,737
Infrastructure	127,384	141,809
Mining	4,271	5,207
Other	46,925	27,403
	<b>749,013</b>	<b>736,156</b>

### Impairment losses

The ageing of trade receivables and unbilled revenue on completed contracts at the reporting date was:

- As of 31 December 2013, trade receivables and unbilled revenue on completed projects of EUR 749,013 thousand (31 December 2012: EUR 736,156 thousand) were fully performing
- As of 31 December 2013, trade receivables of EUR 256,197 thousand (31 December 2012: EUR 246,303 thousand) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The average credit term for these trade receivables is 30 days
- As of 31 December 2013, trade receivables and unbilled revenue on completed projects of EUR 36,888 thousand (31 December 2012: EUR 34,716 thousand) were impaired and provided for.

The individually impaired receivables mainly relate to customers, which are in difficult economic situations.

It was assessed that a portion of the receivables is expected to be recovered. The ageing of trade receivables and unbilled revenue on completed projects is as follows:

(EUR x 1,000)	2013		2012	
	Gross	Impairment	Gross	Impairment
From 0 to 30 days	492,816	–	489,852	–
From 31 to 60 days	125,557	–	139,546	–
From 61 to 90 days	53,671	–	42,842	–
Over 90 days	105,739	36,888	91,597	34,716
Retentions and special items	8,118	–	7,035	–
	<b>785,901</b>	<b>36,888</b>	<b>770,872</b>	<b>34,716</b>



The movement in the allowance for impairment in respect of trade receivables and unbilled revenue on completed contracts during the year was as follows:

(EUR x 1,000)	2013	2012
Balance at 1 January	34,716	30,151
Impairment loss recognised	12,359	13,703
Impairment loss reversed	(5,093)	(7,527)
Trade receivables written off	(4,522)	(203)
Acquired through business combinations	–	28
Effect of movement in exchange rates	(572)	73
Transfers to assets classified as held for sale	–	(1,509)
<b>Balance at 31 December</b>	<b>36,888</b>	<b>34,716</b>

The allowance accounts in respect of trade receivables and unbilled revenue on completed contracts are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off directly against the allowance.

The impairment loss recognised is mainly attributable to a limited number of clients for which receipt is doubtful or no longer probable.

No impairments related to other financial assets than trade receivables and unbilled revenue on completed contracts are recognised. In general, the Group considers credit risk on other receivables and cash and cash equivalents to be limited. Cash and cash equivalents are held with large well known banks with adequate credit ratings only. Refer to 5.53.2.

#### 5.55 **Liquidity risk**

The following are the contractual maturities of financial liabilities, including interest payments:

(EUR x 1,000)	2013						
	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Bank loans	–	–	–	–	–	–	–
Private placement loans:							
320 million USD bonds	232,936	275,832	4,704	4,704	9,409	257,015	–
330 million USD bonds	240,205	341,204	5,726	5,726	11,452	34,356	283,944
100 million USD bonds	72,788	106,699	1,771	1,771	3,543	10,629	88,985
27.5 million GBP bonds	32,906	39,197	670	670	1,340	36,517	–
40 million GBP bonds	47,861	65,641	1,157	1,157	2,314	6,941	54,072
35 million EUR bonds	34,894	47,838	842	842	1,684	5,051	39,419
39 million USD bonds	28,373	28,999	28,999	–	–	–	–
37 million USD bonds	26,914	33,248	954	954	1,907	29,433	–
Other loans and long-term borrowings	3,741	3,741	3,741	–	–	–	–
Trade and other payables	483,690	483,690	483,690	–	–	–	–
Bank overdraft	92,085	92,085	92,085	–	–	–	–
	<b>1,296,393</b>	<b>1,518,174</b>	<b>624,339</b>	<b>15,824</b>	<b>31,649</b>	<b>379,942</b>	<b>466,420</b>

The interest included in the above table is based on the current amounts borrowed with current interest rates against the current exchange rate (if applicable). No assumptions are included for possible future changes in borrowings or interest payments.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

								2012
	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years	
Bank loans	431,396	455,194	12,821	2,756	5,512	434,105	–	
Private placement loans:								
320 million USD bonds	242,410	302,299	4,925	4,925	9,850	29,549	253,050	
330 million USD bonds	249,985	358,694	5,994	5,994	11,988	35,965	298,753	
100 million USD bonds	75,753	116,796	1,854	1,854	3,709	11,126	98,253	
27.5 million GBP bonds	33,715	42,065	687	687	1,373	4,120	35,198	
40 million GBP bonds	49,040	70,543	1,186	1,186	2,371	7,114	58,686	
35 million EUR bonds	34,886	50,153	842	842	1,684	5,051	41,734	
39 million USD bonds	29,510	32,558	1,030	1,030	30,498	–	–	
37 million USD bonds	27,999	36,938	998	998	1,997	32,945	–	
Mortgage and other loans and long-term borrowings	2,854	3,558	1,364	856	664	653	21	
Trade and other payables	389,553	389,553	389,553	–	–	–	–	
Bank overdraft	221,923	221,923	221,923	–	–	–	–	
	1,789,024	2,080,274	643,177	21,128	69,646	560,628	785,695	

#### 5.56 **Currency risk**

The following significant exchange rates applied during the year:

	Average rate	Reporting date mid-spot rate
(In EUR)		
USD	0.75	0.73
GBP	1.18	1.20
NOK	0.127	0.120
AUD	0.72	0.65

### Sensitivity analysis

A 10 percent strengthening of the Euro against the above currencies at 31 December would have decreased (increased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis as for 2012.

Effect in EUR thousands	Equity	Profit or loss
<b>31 December 2013</b>		
USD	60,755	3,367
GBP	26,824	1,819
NOK	27,285	2,388
AUD	4,781	(1,703)
<b>31 December 2012</b>		
USD	59,831	(1,655)
GBP	13,885	2,150
NOK	13,399	5,386
AUD	9,551	(1,854)

A 10 percent weakening of the Euro against the above currencies at 31 December would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

### 5.57 Interest rate risk

#### Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

(EUR x 1,000)	Carrying amount	
	2013	2012
<b>Fixed rate instruments</b>		
Financial assets	116,605	–
Financial liabilities	(720,618)	(746,152)
<b>Variable rate instruments</b>		
Financial assets	164,185	92,019
Financial liabilities	(92,085)	(653,319)
	<b>(531,913)</b>	<b>(1,307,452)</b>

#### Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 2012.

(EUR x 1,000)	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
<b>31 December 2013</b>				
Variable rate instruments	721	(721)	–	–
Cash flow sensitivity (net)	721	(721)	–	–
<b>31 December 2012</b>				
Variable rate instruments	(5,613)	5,613	–	–
Cash flow sensitivity (net)	(5,613)	5,613	–	–

At 31 December 2013 it is estimated that a general increase of 100 basis points in interest rates would decrease the Group's profit before income tax by approximately EUR 0.7 million (2012: negative impact of EUR 5.6 million).

## 5.58 Fair values

### 5.58.1 Financial assets and liabilities

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

(EUR x 1,000)	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets at fair value through profit or loss</b>				
Financial assets at fair value through profit or loss	12,766	12,766	–	–
<b>Loans and receivables</b>				
Trade receivables and other receivables	867,535	867,535	837,645	837,645
Cash and cash equivalents	164,185	164,185	92,019	92,019
Long-term loans	116,605	116,605	–	–
Other long-term receivables	3,423	3,423	2,692	2,692
<b>Available-for-sale financial assets</b>				
Other investments in equity instruments*	1,095	1,095	1,095	1,095
Available-for-sale financial assets	1,215	1,215	1,310	1,310
<b>Financial liabilities measured at amortised cost</b>				
Bank loans	–	–	(431,396)	(431,396)
Mortgage and other loans and long-term borrowings	(3,741)	(3,741)	(2,854)	(2,854)
Private placement loans in USD	(601,216)	(636,906)	(625,657)	(699,507)
Private placement loans in GBP	(80,767)	(85,788)	(82,755)	(92,756)
Private placement loans in EUR	(34,894)	(37,004)	(34,886)	(39,411)
Bank overdraft	(92,085)	(92,085)	(221,923)	(221,923)
Trade and other payables	(483,690)	(483,690)	(389,553)	(389,553)
<b>Total</b>	<b>(129,569)</b>	<b>(172,390)</b>	<b>(854,263)</b>	<b>(942,639)</b>
Unrecognised gains/(losses)		(42,821)		(88,376)

\* The other investments in equity instruments do not have a quoted market price in an active market. The fair value cannot be reliably measured by the Group.

The private placement loans carried at fair value are categorised within level 2 of the fair value hierarchy as further detailed below.

### Interest rates used for determining fair value

The Group uses the government yield curve as per the reporting date plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

### Derivatives

	2013	2012
Loans and borrowings	4.1–7.1%	1.3–7.1%
Finance lease receivable	6.0%	6.0%
Long term receivables	5.0–17.0%	5.0%



### Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

31 December 2013 (EUR x 1,000)	Level 1	Level 2	Level 3	Total
(5.41) Available-for-sale financial assets	1,215	–	–	1,215
(5.41) Financial asset at fair value through profit or loss	–	–	12,766	12,766
<b>Total</b>	<b>1,215</b>	<b>–</b>	<b>12,766</b>	<b>13,981</b>

31 December 2012 (EUR x 1,000)	Level 1	Level 2	Level 3	Total
(5.41) Available-for-sale financial assets	1,310	–	–	1,310
<b>Total</b>	<b>1,310</b>	<b>–</b>	<b>–</b>	<b>1,310</b>

There were no transfers between levels 1, 2 and 3 during the period.

### Fair value measurements using significant unobservable inputs (Level 3)

(EUR x 1,000)	Derivatives 2013
Opening balance at 1 January	–
Initial measurement of derivative at fair value	12,260
Gain recognised in profit or loss	506
Closing balance at 31 December	12,766
<b>Total gain for the period included in the result for assets held at the end of the reporting period, under 'Finance costs'</b>	<b>506</b>

At 31 January 2013 Fugro entered into a loan agreement with CGG, including a warrant. The warrant represents the fair value of the underlying Seabed Geosolutions B.V. unquoted shares, accruing to Fugro in case of default of the counterparty (CGG). The warrant classifies as an embedded derivative and has been bifurcated from the loan. The warrant is accounted for at fair value through profit or loss.

A probability model has been used to estimate the fair value of the warrant. This model uses unobservable inputs and the warrant is therefore classified as a level 3 financial instrument. The following assumptions are considered key in the estimation of the fair value of the warrant: the credit spread and the default probability of the counterparty and the fair value of the underlying Seabed Geosolutions B.V. unquoted shares.

If the change in the credit spread of the counterparty for the warrant shifted +/- 5%, the impact on the result would amount to EUR 0.9 million. If the change in the underlying Seabed Geosolutions B.V. unquoted shares shifted +/- 5%, the impact on profit or loss would be EUR 0.6 million.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event of change in circumstances that caused the transfer.

There were no changes in valuation techniques during the period.

### 5.58.2 Fugro's valuation processes

The group's finance department performs the valuations of financial assets required for financial reporting purposes, including Level 3 fair values. The valuations are directly reported to the Chief Financial Officer.

Changes in Level 2 and Level 3 values are analysed at each reporting date.

### 5.58.3 Offsetting financial assets and liabilities

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

#### Financial assets

(EUR x 1,000)	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position
<b>As at 31 December 2013</b>			
Cash and cash equivalents	166,098	(1,913)	164,185
<b>As at 31 December 2012</b>			
Cash and cash equivalents	180,193	(88,174)	92,019

#### Financial liabilities

(EUR x 1,000)	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position
<b>As at 31 December 2013</b>			
Bank overdraft	(122,680)	30,595	(92,085)
<b>As at 31 December 2012</b>			
Bank overdraft	(226,793)	4,870	(221,923)

### 5.59 Commitments not included in the statement of financial position

#### 5.59.1 Operating leases as lessee

Non-cancellable operating lease rentals are payable as follows:

(EUR x 1,000)	2013	2012
Less than one year	127,802	144,641
Between one and five years	273,939	205,943
More than five years	8,115	13,504
	<b>409,856</b>	<b>364,088</b>

The Group leases a number of offices and warehouse/laboratory facilities and vessels under operating leases. The leases typically run for an initial period of between three and ten years, with in most cases an option to renew the lease after that date. Lease payments are adjusted annually to reflect market rentals. None of the leases include contingent rentals. During the year an amount of EUR 249 million was recognised as an expense in profit or loss in respect of operating leases and other rentals (2012: EUR 239 million).

### 5.59.2 Bank guarantees

Per 31 December 2013 Fugro's bank has issued bank guarantees to clients for an amount of EUR 52 million (2012: EUR 70 million).

### 5.59.3 Capital commitments

At 31 December 2013, the Group has contractual obligations to purchase property, plant and equipment for EUR 46 million (2012: EUR 109 million).

### 5.59.4 Contingencies

Some Group companies are, as a result of their normal business activities, involved either as plaintiffs or defendants in claims. Based on information presently available and management's best estimate, it is not probable that the financial position of the Group will be significantly influenced by any of these matters. Should the actual outcome differ from the assumptions and estimates, the financial position of the Group would be impacted. Fugro N.V. and its Dutch operating companies form a fiscal unity for corporate tax. Each of the operating companies is severally liable for corporate tax to be paid by the fiscal unity.

### 5.60 Subsequent events

On 3 March 2014, Fugro announced the completion of the acquisition of Roames Asset Services Pty Limited (Roames), based in Brisbane, Australia, from Ergon Energy Corporation Limited (Ergon). Roames specialises in high-resolution mapping services and solutions for the electricity distribution sector. It uses airborne sensors to generate accurate 3D models of electric power transmission networks and surrounding vegetation. In 2014, the Roames revenue is estimated to be around EUR 7 million.

As at 31 December 2013, Fugro has outstanding lease receivables with Geo Pacific AS. Geo Pacific AS has a back-to-back lease arrangement for the vessel Geo Pacific with Seabird Exploraton Plc ('SBX'). As at 31 December 2013, the current and non-current lease receivables amount to EUR 18.7 million (see notes 5.41 and 5.44). On 26 February 2014, SBX communicated in their 2013 results announcement that the company might be subject to significant adverse effects if the company would not be able to refinance its existing debt facilities. Should in future periods Geo Pacific AS and/or SBX not be able to pay the contractual lease terms, Fugro might need to impair its lease receivable.

### 5.61 Related parties

#### 5.61.1 Identity of related parties

The Group has a related party relationship with its subsidiaries, its equity-accounted investees and other investments, its Directors, Executive Committee, and its Supervisory Board.

#### 5.61.2 Transactions with the Board of Management

Members of the Board of Management of Fugro hold 0.2% of the outstanding voting shares and certificates of shares in Fugro. Members of the Board of Management also participate in Fugro's share option scheme (refer note 5.31.1).

The remuneration of the Board of Management for 2013 and 2012 is as follows:

(in EUR)	P. van Riel		A. Jonkman		W.S. Rainey	
	2013	2012	2013	2012	2013	2012
Fixed salary	460,000	460,000	350,000	350,000	350,000	350,000
Bonus with respect to the previous year	320,083	241,020	243,542	241,020	243,542	209,750
Pension costs (including disability insurance)	284,952	290,800	284,831	290,800	275,000	275,000
Crisis tax	154,412	142,129	77,377	179,967	–	–
	1,219,447	1,133,949	955,750	1,061,787	868,542	834,750
Value of options granted	748,550	841,200	639,670	743,060	639,670	743,060
Total	1,967,997	1,975,149	1,595,420	1,804,847	1,508,212	1,577,810

(in EUR)	S.J. Thomson*		J. Rüegg**		K.S. Wester		A. Steenbakker	
	2013	2012	2013	2012	2013	2012	2013	2012
Fixed salary	233,334	–	116,667	350,000	–	290,295	–	500,000
Bonus with respect to the previous year	160,000	–	272,708	241,020	–	435,443	–	631,020
Pension costs (including disability insurance)	188,184	–	6,000	18,000	–	175,000	–	315,800
Crisis tax	28,830	–	25,752	–	–	439,480	232,326***	254,500
Severance	–	–	–	–	–	–	–	883,000
	<b>610,348</b>	–	<b>421,127</b>	609,020	–	1,340,218	<b>232,326</b>	2,584,320
Value of options granted	639,670	–	–	743,060	–	–	–	–
<b>Total</b>	<b>1,250,018</b>	–	<b>421,127</b>	1,352,080	–	1,340,218	<b>232,326</b>	2,584,320

\* Mr. S Thomson has been appointed to the Board of Management as per 8 May 2013.

\*\* Mr. J. Rüegg retired as member of the Board of Management as per 8 May 2013.

\*\*\* The crisis tax relates to benefits in connection with the exercised options in 2013.

The fringe benefits for the Board of Management are commensurate with the position held.

There are no guarantees or obligations towards or on behalf of the Board of Management.

The determination of the annual bonus is based upon the remuneration policy as adopted by the Annual General Meeting on 14 May 2008. This remuneration policy is available on Fugro's website: [www.fugro.com](http://www.fugro.com).

The Supervisory Board determines the remuneration of the individual members of the Board of Management, on a proposal by the remuneration committee, within the scope of the remuneration policy.

### Annual bonus

Each member of the Board of Management will be eligible for an annual bonus, with a maximum of twelve months (100%) of annual fixed salary. On-target performance will result in a bonus of eight months of annual fixed salary. The bonus is related to quantified financial targets and accounts for 2/3 of the annual bonus and the other part of the bonus is related to non-financial/personal targets and will account for 1/3 of the annual bonus. At the beginning of each year the Supervisory Board sets the financial and the non-financial targets for the relevant year. The Supervisory Board ensures that targets are challenging, realistic and consistent with Fugro's strategy. The performance measures and the weighting given to the individual measures are set by the Supervisory Board. Achievement of the targets will be measured shortly after the end of the relevant year.

The weighting given to the individual financial elements is as follows: earnings per share (EPS) 60%, net profit margin 20% and return on capital employed (ROCE) 20%. These financial elements are based upon Fugro's annual budget. The maximum bonus related to the financial targets will be granted if the targets are exceeded by 30%, and if the performance is only 70% of target, the bonus will be 50% of on-target performance. If performance is less than 70% of target, the part of the bonus that is related to financial targets will be zero.

The non-financial targets are derived from Fugro's strategic agenda. These are qualitative individual targets and/or collective targets that are the responsibility of one or more directors and can be influenced by them. These targets could include, among other things, health safety and environment (HSE), corporate social responsibility (CSR), personal development, etc.

Based on the results for the non-financial and financial targets, the Supervisory Board has established the extent to which the targets for 2013 were achieved. The financial performance compared to the financial targets results in 4 months

of annual fixed salary. As a result the Supervisory Board has decided to award to the members of the Board of Management an annual bonus for the year 2013, (taking into account the months of service) of 8 months annual fixed salary.

The actual targets are not disclosed because they qualify as competition-sensitive and hence commercially confidential and potentially price sensitive information.

The following table gives details of the options granted to (former) members of the Board of Management:

### Board of Management

	Year	Number of options				In EUR		Number of months		
		Number at 01-01-13	Granted in 2013	Exer-cised in 2013	Forfeited in 2013	Number at 31-12-13	Exercise price	Share price at exercise day	Expiring date	Bonus
P. van Riel	2006	50,000		50,000		–	36.20	43,04	15-03-2013	8
	2007	75,000			75,000	–	52.80		31-12-2013	8
	2008	67,500				67,500	20.485		31-12-2014	11
	2009	60,000				60,000	40.26		31-12-2015	10
	2010	52,900				52,900	61.50		31-12-2016	10
	2011	53,000				53,000	44.895		31-12-2017	9
	2012	60,000				60,000	44.52		31-12-2018	8
	2013	–	55,000			55,000	43,315		31-12-2019	8
<b>Total</b>		<b>418,400</b>	<b>55,000</b>	<b>50,000</b>	<b>75,000</b>	<b>348,400</b>				
A. Jonkman	2006	35,000		35,000		–	36.20	43,04	15-03-2013	8
	2007	85,000			85,000	–	52.80		31-12-2013	8
	2008	72,500				72,500	20.485		31-12-2014	11
	2009	60,000				60,000	40.26		31-12-2015	10
	2010	52,900				52,900	61.50		31-12-2016	10
	2011	53,000				53,000	44.895		31-12-2017	9
	2012	53,000				53,000	44.52		31-12-2018	8
	2013	–	47,000			47,000	43,315		31-12-2019	8
<b>Total</b>		<b>411,400</b>	<b>47,000</b>	<b>35,000</b>	<b>85,000</b>	<b>338,400</b>				
W.S. Rainey	2007-2010	101,700			35,000	66,700	50,35*		31-12-2016	–
	2011	53,000				53,000	44.895		31-12-2017	9
	2012	53,000				53,000	44.52		31-12-2018	8
	2013	–	47,000			47,000	43,315		31-12-2019	8
<b>Total</b>		<b>207,700</b>	<b>47,000</b>	<b>–</b>	<b>35,000</b>	<b>219,700</b>				
S. Thomson	2007-2012	200,700			35,000	165,700	41,864*		31-12-2018	–
	2013	–	47,000			47,000	43,315		31-12-2019	5
<b>Total</b>		<b>200,700</b>	<b>47,000</b>	<b>–</b>	<b>35,000</b>	<b>212,700</b>				
J. Rüegg	2007-2008	90,000		45,000	45,000	–	36.52*	45.10	31-12-2014	–
	2009	52,500				52,500	40.26		31-12-2015	10
	2010	52,900				52,900	61.50		31-12-2016	10
	2011	53,000				53,000	44.895		31-12-2017	9
	2012	53,000		–	–	53,000	44.52		31-12-2018	9
<b>Total</b>		<b>301,400</b>	<b>–</b>	<b>45,000</b>	<b>45,000</b>	<b>211,400</b>				
K.S. Wester	2007	125,000			125,000	–	52.80		31-12-2013	8



## Board of Management

Year	Number of options				Number at 31-12-13	Exercise price	Share price at exercise day	Expiring date	Number of months	Bonus
	Number at 01-01-13	Granted in 2013	Exercised in 2013	Forfeited in 2013						
2008	107,500				107,500	20.485		31-12-2014		11
2009	90,000				90,000	40.26		31-12-2015		10
2010	79,400				79,400	61.50		31-12-2016		10
2011	80,000				80,000	44.895		31-12-2017		9
<b>Total</b>	<b>481,900</b>	<b>-</b>	<b>-</b>	<b>125,000</b>	<b>356,900</b>					
A. Steenbakker	2007	75,000				52.80		31-12-2013		8
	2008	67,500			67,500	20.485		31-12-2014		11
	2009	60,000		60,000		40.26	48,66	31-12-2015		10
	2010	52,900			52,900	61.50		31-12-2016		10
	2011	53,000			53,000	44.895		31-12-2017		9
<b>Total</b>		<b>308,400</b>	<b>-</b>	<b>60,000</b>	<b>180,900</b>					<b>67,500</b>
<b>Total</b>		<b>2,329,900</b>	<b>196,000</b>	<b>190,000</b>	<b>580,900</b>					<b>1,755,000</b>

\* Weighted average.

As of 1 January 2014, Mr. P.A.H. Verhagen has been appointed as a member of the Board of Management of Fugro for a (first) term of four years and approximately four months. This term will expire at the end of the Annual General Meeting (AGM) in 2018. Mr. Verhagen will succeed Mr. Jonkman, who will step down at the AGM on 6 May 2014. Upon appointment and effectively as of 31 December 2013, Mr. Verhagen has received a one-off compensation of 15,000 restricted certificates of shares in Fugro's share capital as well as 30,000 options for certificates of ordinary shares in Fugro. The value of the granted options amounts to EUR 408,300.

Both the shares and the options will have as grant date 31 December 2013. The shares are restricted in such a way that they are awarded under the condition precedent as described in the next paragraph. The options have an exercise price equal to the closing price of the certificates of shares in Fugro's share capital on 31 December 2013 (last trading date of 2013).

The options vest and the condition precedent of the granting of the shares is met after a 3-year vesting period on 31 December 2016, subject to Mr. Verhagen's continuous legal relationship with Fugro under the management services agreement (the 'Agreement') until the relevant vesting date. The vesting of the shares and the options is not subject to any further (performance) conditions. There are a number of exceptions to the condition of continuous legal relationship. Exceptions apply in connection with termination of the Agreement (i) by Mr. Verhagen if such termination is justified by such change of circumstances that he cannot reasonably be expected to continue the performance of his services as a statutory director/CFO of Fugro, (ii) by Fugro other than for an urgent cause and/or reasons which are exclusively or mainly found in imputable acts or omissions on the side of Mr. Verhagen and (iii) due to death. For a period of two years after completion of the vesting period, the shares may not be transferred, assigned or encumbered in any way, nor may any transaction be entered into with the same effect. The foregoing does not apply in case of transfer of (part of) the shares in relation to cover the liability to pay tax in relation to – and only to – the vesting of the shares. The options can be exercised during a period of three years after vesting, i.e. until 31 December 2019.

### 5.61.3 Executive Committee

The Group considers the Executive Committee, including the Board of Management, as 'key management'.

The Executive committee currently consists of the members of the Board of Management and the Director of the Survey division.

In addition to their salaries, the Group also provides non-cash benefits to the Executive Committee and contributes to their post-retirement plan. The members of the Executive Committee also participate in Fugro's share option scheme.

The Executive Committee's compensation comprises:

	2013	2012
Fixed salary	1,685,000	2,300,295
Bonus with respect to the previous year	1,309,875	1,999,273
Pension costs (including disability insurance)	1,176,467	1,365,400
Crisis tax	549,969	1,016,076
Value of options granted	3,463,745	3,070,380
Severance	–	883,000
	<b>8,185,056</b>	<b>10,634,424</b>

### 5.61.4 Supervisory Board

The remuneration of the Supervisory Board is as follows:

	2013	2012
H.L.J. Noy, Chairman	71,375	30,822
J.A. Colligan, Vice-Chairman	61,729	58,000
M. Helmes	58,000	58,000
G-J. Kramer	60,000	60,000
J.C.M. Schönfeld	38,750	–
Th. Smith	88,000	88,000
F.H. Schreve	32,500	78,000
F.J.G.M. Cremers	6,644	65,000
	<b>416,998</b>	<b>437,822</b>

Mr. H.L.J. Noy took over the chairmanship of the Supervisory Board as per 8 May 2013.

Mr. J.A. Colligan was appointed as vice-chairman, of the Supervisory Board and took over the chairmanship of the Audit Committee when Mr. Cremers stepped down on 7 February 2013.

As per 8 May 2013, Mr. J.C.M. Schönfeld was appointed as member of the Supervisory Board and took over the chairmanship of the audit-committee from Mr. Colligan.

There are no options granted and no company assets available to the members of the Supervisory Board.

There are no loans outstanding to the members of the Supervisory Board and no guarantees given on behalf of members of the Supervisory Board.

Per 31 December 2013 Mr. Kramer owned (directly and indirectly) 4,581,657 (certificates of) ordinary shares in Fugro.

### 5.61.5 Other related party transactions

#### 5.61.5.1 Joint ventures

The Group has not entered into any joint ventures.

### 5.62 Subsidiaries

#### 5.62.1 Significant subsidiaries

For an overview of (significant) subsidiaries we refer to chapter 6.

### 5.63 **Estimates and management judgements**

Management discussed with the Audit Committee the development in and choice of critical accounting principles and estimates and the application of such principles and estimates.

#### **Key sources of estimation uncertainty**

The preparation of financial statements in conformity with EU-IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- **Deferred tax:** The assumptions used in recognition and measurement of deferred taxes are disclosed in note 5.42
- **Impairments:** Impairment analyses, amongst other relating to vessels, are performed whenever a triggering event has occurred to determine whether the carrying value exceeds the recoverable amount. Goodwill is at least tested for impairment annually. Impairment tests are based on estimates of future cash flows. The accounting policies regarding impairments are included in note 5.16. Note 5.38 contains information about the key assumptions used to determine the recoverable amount of the various cash generating units. Specific information on credit risk is disclosed in notes 5.53.2 and 5.54. These notes contain information about the assumptions used relating to impairment of trade receivables, unbilled revenue on completed projects and other receivables and appropriate sensitivity analysis
- **Assets and liabilities from employee benefits:** Actuarial assumptions are established to anticipate future events and are used in calculating pension and other post-retirement benefit expenses and liabilities. These factors include assumptions with respect to interest rates, expected investment returns on plan assets, rates of future compensation increases, turnover rates and life expectancy. Note 5.50 contains information about the (actuarial) assumptions related to employee benefits. Actuarial gains and losses related to defined benefit plans are accounted for in other comprehensive income
- **Seismic data libraries:** Significant estimates relate mainly to the determination of recoverable amount. The determination of recoverable amount requires significant judgment and is determined based on expected sales cash flows. Management first assess whether write downs to recoverable amount for individual libraries is needed based on specific circumstances. Then management assess write downs of data libraries by reference in groups of libraries with similar characteristics, with respect to amongst others 2D versus 3D, customers and geographical area. The group uses sales estimates that are based on our budget plan for next year, sales prospects and an outlook for the seismic industry. Changes in assumptions, in particular the expected sales cash flows, could significantly affect the carrying amount and require an impairment to the recoverable amount of our multi-client data library
- **Other provisions, tax and other contingencies:** Information on the assumptions used in estimating the effect of legal claims is included in note 5.24 and 5.51
- **Business combinations:** As part of business combination accounting, the purchase price allocation involves the use of estimates for determining the fair value of property, plant and equipment and intangible assets at acquisition date. For intangible assets, this mainly relates to the expected profits in the backlog of the acquired companies and the customer lists at the moment of acquisition, and the value of the trade name. The fair value is based on discounted cash flows expected to be received from these identifiable intangible assets.

## 6 SUBSIDIARIES AND INVESTMENTS OF FUGRO N.V. ACCOUNTED FOR USING THE EQUITY METHOD

(including statutory seat and percentage of interest)

Unless stated otherwise, the direct or indirect interest of Fugro in the subsidiaries listed below is 100%. Insignificant, but consolidated, subsidiaries in terms of third party recompense for goods and services supplied and balance sheet totals have not been included.

The subsidiaries listed below have been fully incorporated into the consolidated financial statements of Fugro, unless indicated otherwise. Companies in which Fugro participates but that are not included in Fugro's consolidated financial statements are indicated by a #.

The information as required by sections 2:379 and 2:414 of the Dutch Civil Code has been filed at the trade registry of the Chamber of Commerce in The Hague.

Company	%	Office, Country	Company	%	Office, Country
Fugro Survey Pty Ltd.		Balcatta, Australia	Fugro airborne Surveys N.V.		Willemstad, Curaçao
Fugro LADS Corporation Pty Ltd.		Kidman Park, Australia	Fugro Consultants International N.V.		Willemstad, Curaçao
Fugro Holdings Australia Pty Ltd.		Perth, Australia	Fugro GeoSurveys N.V.		Willemstad, Curaçao
Fugro Multi Client Services Pty Ltd.		Perth, Australia	Fugro Robertson Americas N.V.		Willemstad, Curaçao
Fugro Spatial Solutions Pty Ltd.		Perth, Australia	Fugro Satellite Services N.V.		Willemstad, Curaçao
Fugro TSM Pty Ltd.		Perth, Australia	Fugro Survey Caribbean N.V.		Willemstad, Curaçao
Fugro Satellite Positioning Pty Ltd.		Perth, Australia	Fugro Aerial Mapping A/S		Glostrup, Denmark
Fugro AG Pty Ltd.		Perth, Australia	Fugro S.A.E.		Cairo, Egypt
Fugro Austria GmbH		Bruck an der Mur, Austria	Fugro Geoid S.A.S.		Jacou, France
Azeri-Fugro #	40%	Baku, Azerbaijan	Fugro GeoConsulting S.A.		Nanterre, France
Fugro Survey GmbH (Caspian branch office)		Baku, Azerbaijan	Fugro Topnav S.A.S.		Paris (Massy), France
Fugro Geoconsulting Belgium, S.A./N.V.		Brussels, Belgium	Fugro GEOTER SAS		Clapiers, France
Fugro In Situ Geotecnia Ltda.		Pinhais, Brazil	Fugro Consult GmbH		Berlin, Germany
Fugro Brasil Ltda.		Rio das Ostras, Brazil	Fugro-OSAE GmbH		Bremen, Germany
Fugro Geosolutions Brasil Serviços Ltda.		Rio de Janeiro, Brazil	Fugro Weinhold Engineering GmbH		Erkelenz-Holzweiler, Germany
Fugro Sdn Bhd. (Brunei)		Bandar Seri Begawan, Brunei Darussalam	Fugro-MAPS GmbH		Munich, Germany
Fugro Survey (Brunei) Sdn Bhd.		Kuala Belait, Brunei Darussalam	Fugro Certification Services Ltd.		Fo Tan, Hong Kong
Fugro Canada, Corp.		St. John's, Canada	Fugro Technical Services Ltd.		Fo Tan, Hong Kong
Fugro GeoSurveys, Inc.		St. John's, Canada	Geotechnical Instruments (Hong Kong) Ltd.		Fo Tan, Hong Kong
Fugro Roadware, Inc.		Mississauga, Ontario, Canada	Fugro Geotechnical Services Ltd.		Fo Tan, Hong Kong
Fugro Interra S.A.		Santiago, Chile	Fugro Shanghai (Hong Kong) Ltd.	60%	Wanchai, Hong Kong
Fugro Technical Services (Guangzhou) Ltd.		Guangzhou, China	Fugro (Hong Kong) Ltd.		Wanchai, Hong Kong
Fugro Pacifica Qinhuangdao Co. Ltd.		Qinhuangdao, China	Fugro Geosciences International Ltd.		Wanchai, Hong Kong
Fugro Geotechnique Co. Ltd.	60%	Shanghai, China	Fugro Holdings (Hong Kong) Ltd.		Wanchai, Hong Kong
China Offshore Fugro GeoSolutions (Shenzhen) Co. Ltd.	50%	Shekou, Shenzhen, China	Fugro Hydrographic Surveys Ltd.		Wanchai, Hong Kong
Fugro Comprehensive Geotechnical Investigation (Zhejiang) Co. Ltd.		Zhejiang, China	Fugro Geospatial Services (Hong Kong) Ltd.		Wanchai, Hong Kong
			Fugro Marine Survey International Ltd.		Wanchai, Hong Kong
			Fugro SEA Ltd.		Wanchai, Hong Kong
			Fugro Subsea Services Ltd.		Wanchai, Hong Kong
			Fugro Survey International Ltd.		Wanchai, Hong Kong
			Fugro Survey Ltd.		Wanchai, Hong Kong
			Fugro Survey Management Ltd.		Wanchai, Hong Kong
			MateriaLab Consultants Ltd.		Tuen Mun, Hong Kong
			Fugro Consult Kft.		Budapest, Hungary

Company	%	Office, Country	Company	%	Office, Country
Fugro Geotech (Pvt) Ltd.		Navi Mumbai, India	Fugro RUE A/S		Haugesund, Norway
Fugro Survey (India) Pvt Ltd.	90%	Navi Mumbai, India	Fugro Geotechnics A/S		Oslo, Norway
P.T. Fugro Indonesia		Jakarta Selatan, Indonesia	Fugro Multi Client Services A/S		Oslo, Norway
FAZ Research Ltd,	90%	Dublin, Ireland	Fugro Norway A/S		Oslo, Norway
Fugro Oceansimica S.p.A.		Rome, Italy	Fugro Seastar A/S		Oslo, Norway
Fugro Japan Co., Ltd.		Tokyo, Japan	Fugro Oceanor A/S		Trondheim, Norway
Fugro-KGNT	50%	Atyrau, Kazakhstan Republic	Seabed Geosolutions AS	60%	Trondheim, Norway
Fugro-MAPS S.a.r.l.		Beirut, Lebanon	Fugro Middle East & Partners LLC		Muscat, Oman
Fugro Rovtech Limited Libya (Libyan Branch Office)		Tripoli, Libya	Fugro Geodetic Ltd.		Karachi, Pakistan
UAB 'Fugro Baltic'		Vilnius, Lithuania	Fugro Panama SA		Panama City, Panama
Fugro Eco Consult S.a.r.l.		Munsbach, Luxembourg	Fugro TerraLaser S.A.		Lima, Peru
Fugro Technical Services (Macau) Ltd.		Macau, Macau	Fugro Peninsular Geotechnical Services		Doha, Qatar
Fugro Geodetic (Malaysia) Sdn Bhd.	30%	Kuala Lumpur, Malaysia	Fugro Engineering LLP		Moscow, Russia
Fugro Geosciences (Malaysia) Sdn Bhd.	30%	Kuala Lumpur, Malaysia	Electro Magnetic Marine Exploration		
Fugro Malta Ltd.		Safi, Malta	EMMET ZAO	60%	Moscow, Russia
Fugro Geotechnical Mauritius Ltd.		Quatre-Bornes, Mauritius	Geo Inzh Services LLP		Moscow, Russia
Fugro Seastar Mauritius Ltd.		Quatre-Bornes, Mauritius	Fugro-Suhaimi Ltd.	50%	Dammam, Saudi Arabia
Fugro Survey Mauritius Ltd.		Quatre-Bornes, Mauritius	Decca Survey Saudi Arabia Ltd.	48%	Dammam, Saudi Arabia
Fugro-Chance de Mexico S.A. de C.V.		Ciudad Del Carmen, Campeche, Mexico	Fugro Saudi Arabia Ltd.		Riyadh, Saudi Arabia
Fugro Survey Mexico S.A. de C.V.		Ciudad Del Carmen, Campeche, Mexico	Fugro Loadtest Asia Pte Ltd.		Singapore, Singapore
Geomundo S.A. de C.V.		Ciudad Del Carmen, Campeche, Mexico	Fugro Satellite Positioning Pte Ltd.		Singapore, Singapore
Fugro C.I.S. B.V.		Leidschendam, The Netherlands	Fugro Singapore Pte Ltd.		Singapore, Singapore
Fugro Ecoplan B.V.		Leidschendam, The Netherlands	Fugro Survey Pte Ltd.		Singapore, Singapore
Fugro-Elbocon B.V.		Leidschendam, The Netherlands	Fugro TSM Pte Ltd.		Singapore, Singapore
Fugro Engineers B.V.		Leidschendam, The Netherlands	Fugro Subsea Technologies Pte Ltd.		Singapore, Singapore
Fugro GeoServices B.V.		Leidschendam, The Netherlands	Fugro-GEOS Pte Ltd.		Singapore, Singapore
Fugro Intersite B.V.		Leidschendam, The Netherlands	Fugro Survey Africa (Pty) Ltd.		Cape Town, South Africa
Fugro Marine Services B.V.		Leidschendam, The Netherlands	Fugro Satellite Positioning (Pty) Ltd.		Cape Town, South Africa
Fugro Nederland B.V.		Leidschendam, The Netherlands	Fugro Maps South Africa (Pty) Ltd.		Cape Town, South Africa
Fugro South America B.V.		Leidschendam, The Netherlands	Fugro Data Services GMBH		Zug, Switzerland
Fugro Survey B.V.		Leidschendam, The Netherlands	Fugro Finance AG		Zug, Switzerland
Fugro Vastgoed B.V.		Leidschendam, The Netherlands	Fugro Geodetic AG		Zug, Switzerland
Fugro Aerial Mapping B.V.		Leidschendam, The Netherlands	Fugro International Holding A.G.		Zug, Switzerland
Fugro Inpark Detacheringen B.V.		Leidschendam, The Netherlands	Fugro South America GmbH		Zug, Switzerland
Fugro Satellite Positioning B.V.		Leidschendam, The Netherlands	Fugro Survey GmbH		Zug, Switzerland
Seabed Geosolutions B.V.	60%	Leidschendam, The Netherlands	Fugro Survey Caribbean Inc.		Chaguaramas, Trinidad and Tobago
Fugro BTW Ltd.		New Plymouth, New Zealand	Fugro Sial Ltd.		Ankara, Turkey
Fugro Survey (Nigeria) Ltd.		Port Harcourt, Nigeria	Fugro DCN Global		Abu Dhabi, United Arab Emirates
Fugro Nigeria Ltd.		Port Harcourt, Nigeria	Fugro Survey (Middle East) Ltd.		Abu Dhabi, United Arab Emirates
Fugro Survey A/S		Bergen, Norway	Fugro Middle East B.V. (Dubai branch office)		Dubai, United Arab Emirates
			Seabed Geosolutions JLT		Dubai, United Arab Emirates
			Fugro-MAPS (UAE)		Sharjah, United Arab Emirates



Company	%	Office, Country
Fugro Survey Ltd.		Aberdeen, United Kingdom
Fugro-ImpROV Ltd.		Aberdeen, United Kingdom
Fugro Subsea Services Ltd.		Aberdeen, United Kingdom
Fugro Aperio Ltd.		Cambridge, United Kingdom
Fugro BKS Ltd.		Coleraine, United Kingdom
Fugro Seacore Ltd.		Falmouth, United Kingdom
Fugro Alluvial Offshore Ltd.		Great Yarmouth, United Kingdom
Fugro Loadtest Ltd.		Middlesex, United Kingdom
Fugro General Robotics Ltd.		Milton Keynes, United Kingdom
Fugro EM Drilling Ltd.		Wallingford, United Kingdom
Fugro EMU Ltd.		Southampton, United Kingdom
Fugro Multi Client Services (UK) Ltd.		Wallingford, United Kingdom
Fugro GeoConsulting Ltd.		Wallingford, United Kingdom
Fugro airborne Surveys Ltd.		Wallingford, United Kingdom
Fugro-GEOS Ltd.		Wallingford, United Kingdom
Fugro Holdings (UK) Ltd.		Wallingford, United Kingdom
Fugro EarthData, Inc.		Frederick, United States
Fugro (USA), Inc.		Houston, United States
Fugro GeoServices, Inc.		Houston, United States
Fugro Multi Client Services, Inc.		Houston, United States
Fugro GeoConsulting, Inc.		Houston, United States
Fugro Consultants, Inc.		Houston, United States
Fugro, Inc.		Houston, United States
Fugro-GEOS, Inc.		Houston, United States
Fugro-ImpROV, Inc.		Houston, United States
Fugro-McClelland Marine Geosciences, Inc.		Houston, United States
Fugro Drilling & Well Services, Inc.		Houston, United States
Fugro Satellite Positioning Inc.		Houston, United States
Fugro Aerial & Mobile Mapping, Inc.		Lafayette, United States
Fugro Chance, Inc.		Lafayette, United States
John Chance Land Surveys, Inc.		Lafayette, United States
Fugro Geospatial, Inc.		Rapid City, United States
Fugro Roadware, Inc.		Richmond, United States
Fugro Pelagos, Inc.		San Diego, United States
Fugro Geotechnics Vietnam LLC		Ho Chi Minh City, Vietnam

## 7 COMPANY BALANCE SHEET

As at 31 December, before profit appropriation

(EUR x 1,000)	2013	2012
<b>Assets</b>		
(9.1) Intangible assets	279	70,538
(9.2) Tangible fixed assets	162	102
(9.3) Financial fixed assets	2,783,030	2,840,889
<b>Total non-current assets</b>	<b>2,783,471</b>	<b>2,911,529</b>
(9.4) Trade and other receivables	36,766	20,980
Current tax assets	6,346	4,775
Cash and cash equivalents	21	–
<b>Total current assets</b>	<b>43,133</b>	<b>25,755</b>
<b>Total assets</b>	<b>2,826,604</b>	<b>2,937,284</b>
<b>Equity</b>		
Share capital	4,228	4,143
Share premium	431,227	431,312
Translation reserve	(158,185)	5,697
Hedging reserve	(1,078)	(1,704)
Other reserves	(288,625)	(168,558)
Retained earnings	1,609,101	1,396,094
Unappropriated result	428,303	289,745
(9.5) <b>Total equity</b>	<b>2,024,971</b>	<b>1,956,729</b>
(9.6) <b>Provisions</b>		
Deferred tax liabilities	2,018	2,789
<b>Liabilities</b>		
(9.7) Loans and borrowings	689,669	786,016
<b>Total non-current liabilities</b>	<b>691,687</b>	<b>788,805</b>
Bank overdraft	37,469	163,743
Loans and borrowings	28,470	–
(9.8) Trade and other payables	41,508	26,425
Other taxes and social security charges	2,499	1,582
<b>Total current liabilities</b>	<b>109,946</b>	<b>191,750</b>
<b>Total liabilities</b>	<b>801,633</b>	<b>980,555</b>
<b>Total equity and liabilities</b>	<b>2,826,604</b>	<b>2,937,284</b>

## 8 COMPANY INCOME STATEMENT

For the year ended 31 December

(EUR x 1,000)	2013	2012
Share in results from participating interests, after taxation	393,076	286,057
Other results after taxation	35,227	3,688
<b>Net result</b>	<b>428,303</b>	<b>289,745</b>

Other results concern the costs of Fugro N.V. less reimbursements from subsidiaries and include gain for sale of licenses of EUR 18.5 million.

## 9 NOTES TO THE COMPANY FINANCIAL STATEMENTS

### General

The company financial statements form part of the 2013 consolidated financial statements of Fugro. As the financial data of Fugro N.V. are included in the consolidated financial statements, the statement of income of Fugro N.V. is condensed in conformity with Section 2:402 of the Netherlands Civil Code.

### Accounting policies

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, Fugro makes use of the option provided in Clause 8 Section 2:362 of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements of Fugro N.V. are the same as those applied for the consolidated EU-IFRS financial statements. Investments in subsidiaries are accounted for at net asset value which comprises the cost, excluding goodwill, of Fugro's share in the net assets of the subsidiaries. Participating interests, over which significant influence is exercised, are stated on the basis of the equity method. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code. Reference is made to pages 117 to 137 for a description of these principles.

The share in the result of participating interests consists of the share of Fugro in the result of these participating interests. Results on transactions, where the transfer of assets and liabilities between Fugro and its participating interests, and mutually between participating interests themselves, are not incorporated as far as they can be deemed to be unrealised.

#### 9.1 Intangible assets

(EUR x 1,000)

	2013	2012
<b>Cost</b>		
Balance at 1 January	70,538	70,538
Disposals	(70,538)	–
Additions	287	–
Balance at 31 December	<u>287</u>	<u>70,538</u>
<b>Amortisation and impairment losses</b>		
Balance at 1 January	–	–
Amortisation of intangible assets	8	–
Balance at 31 December	<u>8</u>	<u>–</u>
<b>Carrying amount</b>		
At 1 January	<u>70,538</u>	<u>70,538</u>
At 31 December	<u>279</u>	<u>70,538</u>

Goodwill represents amounts arising on acquisition of subsidiaries. The capitalised goodwill is not systematically amortised. Goodwill is tested for impairment annually, or when there is an indication for impairment. No impairment has been recognised.

The goodwill of EUR 71 million related to the Geoscience business that has been transferred in 2013.

## 9.2 Tangible fixed assets

(EUR x 1,000)

	2013 Other	2012 Other
<b>Cost</b>		
Balance at 1 January	1,648	1,545
Other investments	100	103
Disposals	(154)	-
Balance at 31 December	1,594	1,648
<b>Depreciation</b>		
Balance at 1 January	1,546	1,512
Depreciation	76	32
Disposals	(190)	2
Balance at 31 December	1,432	1,546
<b>Carrying amount</b>		
At 1 January	102	33
At 31 December	162	102

## 9.3 Financial fixed assets

(EUR x 1,000)

	2013	2012
Subsidiaries	1,870,905	2,240,717
Financial assets at fair value through profit or loss	12,766	-
Long-term loans	899,359	600,172
	2,783,030	2,840,889

### 9.3.1 Subsidiaries

(EUR x 1,000)

	2013	2012
Balance at 1 January	2,240,717	1,959,436
Share in result of participating interests	393,076	286,057
Dividends	(632,957)	(19,757)
Currency exchange differences	(166,656)	8,066
Other	36,725	6,915
Balance 31 December	1,870,905	2,240,717



### 9.3.2 Long-term loans

(EUR x 1,000)	2013	2012
Balance at 1 January	600,172	601,197
Loans provided	640,877	–
Redemptions	(342,530)	(6,083)
Currency exchange differences	830	5,058
Balance 31 December	899,359	600,172

This concerns loans to subsidiaries at 4.4% (2012: 4.5%) interest.

### 9.4 Trade and other receivables

(EUR x 1,000)	2013	2012
Receivables from Group companies	29,162	16,221
Other taxes and social security charges	1,268	850
Other receivables	6,336	3,909
Balance 31 December	36,766	20,980

### 9.5 Equity

The equity movement schedule is included in chapter 3 of the consolidated financial statements. For the notes to the equity reference is made to note 5.47 of the consolidated financial statements. The translation reserve and hedging reserve qualify as a legal reserve ('wettelijke reserve') in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

### 9.6 Provisions

For the notes on provisions reference is made to note 5.51 of the consolidated financial statements.

### 9.7 Loans and borrowings

(EUR x 1,000)	2013	2012
Private placement loans	689,669	744,785
Long-term loans	–	41,231
Balance at 31 December	689,669	786,016

For the notes on private placement loans reference is made to note 5.49.2 and 5.49.3 of the consolidated financial statements. The long-term loans are from subsidiaries. In principle, these loans will be repaid within two years.

The average interest on loans and borrowings amounts to 4.4% per annum (2012: 4.5%)

### 9.8 Trade and other payables

(EUR x 1,000)	2013	2012
Trade payables	3,653	685
Interest private placement loans	11,966	12,795
Non-trade payables and accrued expenses	25,889	12,945
Balance 31 December	41,508	26,425

The non-trade payables and accrued expenses include an amount of EUR 19.5 million relating to tax indemnities and warranties in respect of the sale of the gain of the majority of the Geoscience business.

## 9.9 Commitments not included in the balance sheet

### Fiscal unity

Fugro N.V. and the Dutch operating companies form a fiscal unit for corporate tax. Each of the operating companies is severally liable for corporate tax to be paid by the fiscal unity.

### 9.10 Guarantees

In principle Fugro does not provide parent company guarantees to its subsidiaries, unless significant commercial reasons exist. Fugro has filed declarations of joint and several liability for a number of subsidiaries at the Chambers of Commerce. Fugro has filed a list with the Chamber of Commerce, which includes all financial interests of the Group in subsidiaries as well as a reference to each subsidiary for which such a declaration of liability has been deposited. At 31 December 2013 and at 31 December 2012 no significant guarantees were outstanding.

### 9.11 Contingencies

For the notes to contingencies reference is made to note 5.59 of the consolidated financial statements.

### 9.12 Related parties

For the notes to related parties, reference is made to note 5.61 of the consolidated financial statements.

In note 5.61 the remuneration of the Board of Management, Executive Committee and Supervisory Board is disclosed.

### 9.13 Audit fees

With reference to Section 2:382a of the Netherlands Civil Code, the following fees for the financial year have been charged by KPMG to the Company and its subsidiaries:

(EUR x 1,000)	2013			2012		
	KPMG Accountants N.V.	Other KPMG network	Total KPMG	KPMG Accountants N.V.	Other KPMG network	Total KPMG
Statutory audit of financial statements	2,762	1,693	4,455	1,298	1,646	2,944
Other assurance services	663	179	842	470	27	497
Tax advisory services	–	131	131	–	232	232
Other non-audit services	–	55	55	–	519	519
<b>Total</b>	<b>3,425</b>	<b>2,058</b>	<b>5,483</b>	<b>1,768</b>	<b>2,424</b>	<b>4,192</b>

In 2013, the audit fees under the category statutory audit of financial statements, include an amount of EUR 2,308 thousand for the audit of the 2012 statutory financial statements.

Other assurance services as well as other non-audit services include amongst others services performed in connection with the transaction with CGG. Tax services primarily consist of tax compliance work. Other non-audit services in 2012 include amongst others the vendor due diligence assistance performed in relation to the Geoscience disposal.

Audit and (non-)audit related fees for the respective years are charged to the income statement on an accrual basis.

The fees paid for the above mentioned services, which are included in profit or loss of the consolidated financial statements in the line other expenses, are evaluated on a regular basis and in line with the market.

The members of the Supervisory Board have signed the financial statements pursuant to their statutory obligations under Section 2:101 sub 2 Netherlands Civil Code.

The members of the Board of Management have signed the financial statements pursuant to their statutory obligations under Section 2:101 sub 2 Netherlands Civil Code and Section 5:25c sub 2 (c) Financial Markets Supervision Act.

Leidschendam, 6 March 2014

**Board of Management**

P. van Riel, Chairman Board of Management,  
Chief Executive Officer  
A. Jonkman, Chief Financial Officer  
W.S. Rainey, Director Geotechnical division  
S. Thomson, Director Subsea Services division  
and Geoscience division  
P.A.H. Verhagen, member Board of Management

**Supervisory Board**

H.L.J. Noy, Chairman  
J.A. Colligan, Vice Chairman  
M. Helmes  
G-J. Kramer  
J.C.M. Schönfeld  
Th. Smith

## 10 OTHER INFORMATION

### 10.1 Independent Auditor's report

To: the Supervisory Board and Shareholders of Fugro N.V.

#### Report on the financial statements

We have audited the accompanying financial statements 2013 of Fugro N.V., Leidschendam, as set out on pages 108 to 201. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statements of comprehensive income, of changes in equity and of cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2013, the company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

#### Board of Management's responsibility

The Board of Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Report of the Board of Management in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Board of Management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Fugro N.V. as at 31 December 2013 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

**Opinion with respect to the company financial statements**

In our opinion, the company financial statements give a true and fair view of the financial position of Fugro N.V. as at 31 December 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

**Report on other legal and regulatory requirements**

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Board of Management, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b – h has been annexed. Further, we report that the Report of the Board of Management, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Amstelveen, 6 March 2014

KPMG Accountants N.V.

R.P. Kreukniet RA



## 10.2 Subsequent events

Reference is made to note 5.60.

## 10.3 Foundation Boards

### Stichting Administratiekantoor Fugro ('Fugro Trust Office')

The Board of the Fugro Trust Office, Leidschendam, The Netherlands, is composed as follows:

Name	Function	Term
R. van der Vlist, Chairman	Board member	2016
L.P.E.M. van den Boom	Board member	2017
J.F. van Duyne	Board member	2015
J.A.W.M. van Rooijen	Board member	2017

The (Board of the) Fugro Trust Office operates completely independent of Fugro.

### Stichting Beschermingspreferente aandelen Fugro ('Foundation Protective Preference Shares')

The Board of Foundation Protective Preference Shares, Leidschendam, The Netherlands, is composed as follows:

Name	Function	Term
M.W. den Boogert, Chairman	Board member	2014
M.A.M. Boersma	Board member	2014
R.J.A. van der Bruggen	Board member	2016
J.C. de Mos	Board member	2017

The (Board of the) Foundation operates completely independent of Fugro.

### Stichting Continuïteit Fugro ('Foundation Continuity')

The Board of Foundation Continuity, Curaçao, is composed as follows:

Name	Function	Term
G.E. Elias, Chairman	Board member B	2016
A.C.M. Goede	Board member B	2017
R. de Paus	Board member B	2015
M. van der Plank	Board member B	2014
G.-J. Kramer*	Board member A	2017

\* In capacity as a member of the Supervisory Board of Fugro.

All Board members, with the exception of Mr. Kramer, are independent of Fugro. Mr. Kramer is member of the Supervisory Board of Fugro and he owns (directly and indirectly) a 5.4% interest in Fugro's share capital as per 1 March 2014.

## 10.4 Statutory provisions regarding the appropriation of profit

The provisions regarding the appropriation of profit are contained in article 36 of the Articles of Association of Fugro and, as far as relevant, read as follows:

- 36.2 a. The profit shall, if sufficient, be applied first in payment to the holders of protective preference shares of a percentage as specified below of the compulsory amount paid on these shares as at the commencement of the financial year for which the distribution is made.
- b. The percentage referred to above in subparagraph a. shall be equal to the average of the Euribor interest charged for loans with a term of one year – weighted by the number of days for which this interest was applicable – during the financial year for which the distribution is made, increased by at most four percentage points; this increase shall each time be fixed by the Board of Management for a period of five years, after approval by the Supervisory Board.
- 36.3 a. Next, if possible, a dividend shall be paid on the financing preference shares of each series and on the convertible financing preference shares of each series, equal to a percentage calculated on the amount effectively paid on the financing preference shares of the respective series and the convertible financing preference shares of the respective series, including a share premium, if any, upon the first issue of the series in question, and which percentage shall be related to the average effective return on 'state loans general with a term of 7 – 8 years', calculated and determined in the manner as described hereinafter.

- b. The percentage of the dividend for the financing preference shares of each or for the convertible financing preference shares of each series, as the case may be, shall be calculated by taking the arithmetic mean of the average effective return on the aforesaid loans, as published by Bloomberg, or if Bloomberg does not publish this information, by Reuters, for the last five stock market trading days preceding the day of the first issue of financing preference shares of the respective series or the convertible financing preference shares of the respective series, as the case may be, or preceding the day on which the dividend percentage is adjusted, increased or decreased, if applicable, by a mark-up or mark-down set by the Board of Management upon issue and approved by the Supervisory Board of at most two percentage points, depending on the market conditions then obtaining, which mark-up or mark-down may differ for each series, or, if Reuters does not publish this information or if such state loan and information source that is or are most comparable thereto as to be determined by the board of Management and approved by the Supervisory Board.
- 36.4 If in any financial year the profit is insufficient to make the distributions referred to above in paragraph 3 of this article, then in subsequent financial years the provisions of paragraph 3 shall not apply until the deficit has been made good and until the provisions of paragraph 3 have been applied or until the Board of Management, with the approval of the Supervisory Board, resolves to charge an amount equal to the deficit to the freely distributable reserves, with the exception of the reserves which have been set aside as share premium upon the issue of financing preference shares or convertible financing preference shares.
- 36.5 If the first issue of financing preference shares or convertible financing preference shares of a series takes place during the course of a financial year, the dividend for that financial year on the respective series of financing preference shares or convertible financing preference shares shall be decreased proportionately up to the first day of such issue.
- 36.6 After application of paragraphs 2 to 5 no further distribution of shall be made on the protective preference shares, the financing preference shares or the convertible financing preference shares.
- 36.7 Of any profit remaining after application of the paragraphs 2 to 5 such amount shall be allocated to the reserves by the Board of Management with the approval of the Supervisory Board as the Board of Management shall deem necessary. Insofar as the profit is not allocated to the reserves pursuant to the provisions of the preceding sentence, it shall be at the disposal of the General Meeting of Shareholders either for allocation in whole or in part to the reserves or for distribution in whole or in part to the holders of ordinary shares pro rata to the aggregate amount of their ordinary shares.
- 10.5 **Proposal regarding the appropriation of profit**
- In accordance with article 36 of the Articles of Association, it shall be proposed to the Annual General Meeting on 6 May 2014 that the net result of EUR 428.3 million be appropriated as follows: EUR 121.2 million (EUR 1.50 per share) as dividend to holders of (certificates of) ordinary shares, to be paid either in cash or in (certificates of) ordinary shares, and the remaining EUR 307.1 million to be allocated to the reserves. The dividend proposal is stated on page 25 and also on page 81 of the Report of the Supervisory Board.

## REPORT OF STICHTING ADMINISTRATIEKANTOOR FUGRO ('TRUST OFFICE')

In accordance with article 19 of the administration terms and conditions of the Trust Office and best practice provision IV.2.6 of the Corporate Governance Code, the undersigned issues the following report to the holders of certificates of ordinary shares in the share capital of Fugro N.V. ('Fugro').

During the 2013 reporting year all the Trust Office's activities were related to the administration of ordinary shares against which certificates have been issued.

During 2013 the Board met four times. In the meeting of 25 March the Board was updated by the chairmen of the Supervisory Board and the Board of Management on the actions and developments following the receipt of a whistleblower letter regarding elements of the company's financial reporting as set forth in Fugro's annual report 2012. The meeting of 18 April was dedicated, among other things, to the preparation for the annual general meeting of Fugro on 8 May. In this meeting it was also decided to adopt small amendments to some of the administration terms and conditions of the Trust Office in order to align these terms and conditions with changes in legislation and Fugro's articles of association. After approval had been obtained from Fugro and Euronext Amsterdam N.V. these amendments became effective as from 4 June 2013. The meeting of 13 September 2013, after the publication of Fugro's half-yearly results, was dedicated, among other things, to general business developments. In both meetings in March and September, it was also discussed whether it would be necessary or useful to convene a meeting of holders of certificates. Both times it was decided that at the moment this was not the case. Prior to both meetings the Board discussed with members of the Board of Management and the Supervisory Board of Fugro the activities and performance of Fugro on the basis of the annual report 2012 and the half-yearly report 2013 respectively. Corporate Governance within Fugro and the Trust Office was also discussed in the meetings. At the meeting of 16 October the Board was informed of the proposal to appoint Mr. P.A.H. Verhagen to the Board of Management of Fugro at an extraordinary general meeting that would be held on 27 November. After careful consideration the Board decided that it in principle would vote in favour of the appointment of Mr. Verhagen.

All the Trust Office's Board members are independent of Fugro. The Board may offer holders of certificates the opportunity to recommend candidates for appointment to the Board. The voting policy of the Trust Office has been laid down in a document that can be found on the website: [www.fugro.com/corporate/admkantoor.asp](http://www.fugro.com/corporate/admkantoor.asp). The Trust Office is authorised to accept voting instructions from holders of certificates and to cast these votes during a general meeting of Fugro.

The Board attended the annual general meeting of Fugro held on 8 May 2013 as well as the extraordinary general meeting on 27 November 2013. In the annual general meeting the Trust Office represented 37% of the votes cast and in the extraordinary general meeting the Trust Office represented 29.6% of the votes cast. The Trust Office voted in favour of all the proposals submitted to both meetings. In accordance with the administration terms and conditions, holders of certificates were offered the opportunity to vote, in accordance with their own opinion, as authorised representatives of the Trust Office. This opportunity was taken by holders of certificates representing 55.7% of the votes cast at the annual general meeting and by holders of certificates representing 61.5% of the votes cast at the extraordinary general meeting.

In accordance with the roster, Mr. L.P.E.M. van den Boom and Mr. J.A.W.M. van Rooijen stepped down as members of the Trust Office's Board on 30 June 2013. The previous report of the Trust Office stated that the Board intended reappointing Messrs. Van den Boom and Van Rooijen as Board members for a period of four years. In accordance with article 4.3 of the articles of association, the Board offered holders of certificates who represent at least 15% of the issued certificates the opportunity to request, until 8 April 2013, that the Board convenes a meeting of holders of certificates in order to recommend a candidate to the Trust Office's Board. As no request for a meeting of holders of certificates was submitted, in its meeting of 18 April 2013 the Board, in accordance with its announced intention, reappointed Messrs. Van den Boom and Van Rooijen as members of the Board for a period of four years.

In accordance with the roster no members of the Trust Office's Board will step down in 2014.

At present the Board of the Trust Office comprises:

1. Mr. R. van der Vlist, Chairman
2. Mr. L.P.E.M. van den Boom
3. Mr. J.F. van Duyne
4. Mr. J.A.W.M. van Rooijen

Mr. Van der Vlist was Company Secretary of N.V. Koninklijke Nederlandsche Petroleum Maatschappij.

Mr. Van den Boom was a member of the Board of Management of NIB Capital Bank N.V. and he is a Senior Partner of PARK Corporate Finance.

Mr. Van Duyne was Chairman of the Board of Management of Koninklijke Hoogovens N.V. and afterwards joint Chief Executive Officer of Corus Group PLC.

Mr. Van Rooijen was, amongst others, Chairman of KPMG Corporate finance N.V. and member (CFO) of the Board of Management of KPMG Holding N.V.

In 2013 the total remuneration of the members of the Board amounted to EUR 31,000 and the total costs of the Trust Office amounted to EUR 118,286.

On 31 December 2013, 83,358,125 ordinary shares with a nominal value of EUR 0.05 were in administration against which 83,358,125 certificates of ordinary shares had been issued. During the financial year 12,005 certificates were exchanged into ordinary shares and 735,703 ordinary shares were exchanged into certificates. A total number of 1,698,687 certificates of ordinary shares was issued as a result of the stock dividend.

The activities related to the administration of the shares are carried out by the administrator of the Trust Office: Administratiekantoor van het Algemeen Administratie- en Trustkantoor B.V. in Amsterdam, The Netherlands.

The Trust Office's address is: Veurse Achterweg 10, 2264 SG Leidschendam, The Netherlands.

Leidschendam, 10 February 2014

The Board

## HISTORICAL REVIEW

	IFRS 2013 <sup>5)</sup> *	IFRS 2012 <sup>5)</sup> *	IFRS 2011	IFRS 2010	IFRS 2009	IFRS 2008
<b>Income and expenses</b> (x EUR 1,000)						
Revenue	2,423,971	2,164,996	1,858,043	2,280,391	2,052,988	2,154,474
Third party costs	1,003,441	793,250	617,107	765,587	624,413	722,321
Net revenue own services (revenue less third party costs)	1,420,530	1,371,746	1,240,936	1,514,804	1,428,575	1,432,153
Results from operating activities (EBIT) <sup>2)</sup>	267,020	306,624	352,016	351,479	367,422	385,732
EBITDA	457,438	465,368	481,925	561,083	551,130	535,178
Cash flow	404,271	400,148	431,495	489,757	456,773	438,902
Net result (including discontinued operations) <sup>2)</sup>	428,303	289,745	287,595	272,219	263,410	283,412
Net result for continuing operations	224,230	231,535	293,911	–	–	–
<b>Balance sheet</b> (x EUR 1,000)						
Property, plant and equipment	1,129,920	1,065,873	981,104	1,291,314	1,043,227	859,088
Investments	318,767	261,687	359,238	446,755	330,244	337,469
of which in acquisitions	65,427	3,371	117,500	2,931	9,882	14,423
Depreciation of property, plant and equipment	179,036	155,619	127,196	201,493	173,593	140,429
Net current assets <sup>1)</sup>	413,446	264,477	521,017	253,186	140,301	56,060
Total assets	3,630,602	4,169,716	3,861,595	3,089,991	2,366,317	2,123,306
Provisions	225	1,165	4,215	5,204	6,240	13,155
Loans and borrowings	689,023	1,166,734	1,215,173	590,862	441,339	395,384
Equity attributable to owners of the company <sup>1)</sup>	2,024,971	1,956,729	1,655,785	1,508,318	1,187,731	928,329
<b>Key ratios</b> (in %) <sup>2)</sup>						
Results from operating activities (EBIT)/revenue	11.0	14.2	18.9	15.4	17.9	17.9
Profit/revenue	9.3	10.7	15.8	11.9	12.8	13.2
Profit/net revenue own services	15.8	16.9	23.7	18.0	18.4	19.8
Profit/average capital and reserves <sup>1)</sup>	11.3	12.8	18.6	22.3	24.9	34.8
Total equity/total assets <sup>1)</sup>	58.1	47.4	43.4	49.3	50.7	44.1
Interest cover	22.4	17.1	48.9	29.0	47.8	13.9
<b>Data per share</b> (x EUR 1.-) <sup>2) 4)</sup>						
Equity attributable to owners of the Company <sup>1)</sup>	23.94	23.62	20.34	18.79	15.08	12.12
Results from operating activities (EBIT) <sup>3)</sup>	3.30	3.82	4.44	4.49	4.82	5.29
Cash flow <sup>3)</sup>	5.00	4.99	5.45	6.25	5.99	6.01
Net result <sup>3)</sup>	5.29	3.61	3.63	3.47	3.46	3.88
Dividend paid in year under review <sup>6)</sup>	1.50	1.50	1.50	1.50	1.50	1.25
One-off extra dividend on connection with the divestment of the majority of the Geoscience business		0.50				
<b>Share price</b> (x EUR 1.-) <sup>4)</sup>						
Year-end share price	43.32	44.52	44.895	61.50	40.26	20.485
Highest share price	48.81	57.88	63.53	62.06	41.85	59.95
Lowest share price	35.24	37.65	34.47	37.095	19.085	19.32
<b>Number of employees</b>						
At year-end	12,591	12,165	11,495	13,463	13,482	13,627
<b>Shares in issue</b> (x 1,000) <sup>4)</sup>						
Of nominal EUR 0.05 at year-end	84,573	82,844	81,393	80,270	78,772	76,608

<sup>1)</sup> As of 2002 no accrued dividend has been incorporated.

<sup>2)</sup> For 2002 and earlier years, before amortisation of goodwill.

<sup>3)</sup> Unlike preceding years the figures as from the year 1999 have been calculated based upon the weighted average number of outstanding shares.



IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004	IFRS 2003	Dutch GAAP 2002	Dutch GAAP 2001	Dutch GAAP 2000	Dutch GAAP 1999	Dutch GAAP 1998
1,802,730	1,434,319	1,160,615	1,008,008	822,372	945,899	909,817	712,934	546,760	578,207
604,855	503,096	405,701	364,644	273,372	328,401	331,685	250,132	176,067	197,258
1,197,875	931,223	754,914	643,364	549,000	617,498	578,132	462,765	370,648	380,948
324,813	211,567	144,070	104,236	63,272	111,873	98,470	73,697	61,805	61,669
439,590	295,948	218,833	177,453	124,056	158,814	142,039	113,269	98,334	97,926
337,106	226,130	176,093	125,802	80,480	119,161	105,301	85,596	77,233	74,057
216,213	141,011	99,412	49,317	18,872	72,220	61,732	46,024	40,704	37,800
-	-	-	-	-	-	-	-	-	-
599,298	412,232	262,759	232,956	268,801	192,293	163,298	120,526	114,035	108,181
299,699	203,944	90,414	71,028	123,983	100,036	89,352	49,008	37,301	61,487
8,666	21,041	10,057	2,296	70,888	24,852	11,196	3,686	9,257	6,081
107,684	78,169	69,445	66,139	54,004	46,941	43,569	39,572	36,529	36,257
171,347	150,733	222,485	(95,348)	114,852	129,071	(50,514)	92,269	15,066	7,170
1,700,130	1,405,698	1,138,660	983,350	1,056,003	793,245	814,772	474,741	380,495	338,021
16,278	13,888	398	1,075	584	12,706	8,056	6,746	10,573	8,894
449,957	341,997	300,753	184,268	431,895	273,520	121,450	120,713	23,234	24,368
699,989	562,417	465,460	223,913	211,196	271,698	244,660	101,453	107,909	90,575
18.0	14.8	12.9	10.3	9.2	11.8	10.8	10.3	11.3	10.7
12.0	9.8	8.6	4.9	2.3	7.6	6.8	6.5	7.4	6.5
18.0	15.1	13.2	7.7	8.3	11.7	10.7	9.9	11.0	9.9
34.3	27.4	28.8	22.7	17.6	27.4	35.7	45.4	41.0	45.0
41.6	40.2	41.3	23.2	20.2	34.6	30.4	22.1	29.3	27.9
13.1	10.9	7.2	3.7	2.2	6.1	7.8	8.1	13.1	12.1
9.94	8.08	6.76	3.60	3.48	4.57	4.17	2.10	2.29	1.91
4.67	3.08	2.18	1.76	1.09	1.95	1.86	1.48	1.27	1.30
4.84	3.29	2.67	2.12	1.39	2.08	1.98	1.72	1.59	1.56
3.11	2.05	1.51	0.83	0.33	1.26	1.16	0.92	0.84	0.80
0.83	0.60	0.48	0.48	0.46	0.46	0.40	0.34	0.31	0.28
52.80	36.20	27.13	15.35	10.20	10.78	12.53	17.19	9.23	4.99
62.00	36.64	27.40	16.41	12.86	16.50	18.91	17.81	9.98	10.99
34.91	27.13	15.14	10.05	6.13	9.88	10.75	9.31	4.10	4.06
11,472	9,837	8,534	7,615	8,472	6,923	6,953	5,756	5,114	5,136
70,421	69,582	68,825	62,192	60,664	59,449	58,679	51,048	50,449	48,682

4) As a result of the share split (4:1) in 2005, the historical figures have been restated.

5) On a continued basis, unless otherwise stated.

6) Including a one off extra dividend of EUR 0.50 in 2013

\* Including effect charge of presentation multi-client data libraries.

## GLOSSARY

### Technical terms

**2D (two dimensional)** a shape that only has two dimensions (such as width and height) and no thickness.

**2D Seismic** acoustic measuring technology which uses single vessel-towed hydrophone streamers. This technique generates a 2-D cross-section of the deep seabed and is used primarily when initially searching for the presence of oil or gas reservoirs.

**3D (three dimensional)** an object that has height, width and depth, like any object in the real world.

**3D Seismic** acoustic measuring technology which uses multiple vessel-towed long hydrophone streamers. This technique generates a 3D model of the deep seabed and is used to locate and analyse oil and gas reservoirs.

**AUV (autonomous underwater vehicle)** an unmanned submersible launched from a 'mother-vessel' but not connected to it via a cable. Propulsion and control are autonomous and use pre-defined mission protocols.

**Bathymetry** the study of underwater depth of lake or ocean floors. Underwater equivalent of topography.

**Brent crude** a major trading classification of sweet light crude oil that serves as a major benchmark price for purchases of oil worldwide. Brent Crude is sourced from the North Sea.

**Construction Support** offshore services related to the installation and construction of structures such as pipelines, drilling platforms and other oil and gas related infrastructure, usually involving the use of ROVs.

**CPT** cone penetration test(ing).

**CPT truck** a truck that can be used for estimation of soil type and soil properties.

**DGPS (differential global positioning system)** a GPS based positioning system using territorial reference points to enhance accuracy.

**EM (Electromagnetic)** having magnetic and electrical parts.

**FLI-MAP®** Fugro's airborne laser scanning system for obtaining highly accurate topographic data.

**Footprint** a measurement of the size, effect that something has.

**Gas hydrates** mixture of semi-solid methane gas and water molecules that are created by water pressure and cold temperatures found deep in the ocean.

**Geophysics** the mapping of subterranean soil characteristics using non-invasive techniques such as sound.

**Geoscience** a range of scientific disciplines (geology, geophysics, petroleum engineering, bio stratification, geochemistry, etc.) related to the study of rocks, fossils and fluids.

**Geotechnics** the determination of subterranean soil characteristics using invasive techniques such as probing, drilling and sampling.

**Glonass** global navigation satellite system.

**GPS (global positioning system)** a system of satellites, computers, and receivers that is able to determine the latitude and longitude of a receiver on Earth by calculating the time difference for signals from different satellites to reach the receiver.

**Gravity** precision gravity measurements to detect geological and other anomalies.

**HSE** health, safety and environment.

**HSSE** health, safety, security and environment.

**In situ** in the original situation, position.

**IRM (inspection, repair, maintenance)** IRM services are a core service of Fugro's subsea services portfolio.

**Jack-up platform** Self-elevating platform. The buoyant hull is fitted with a number of movable legs, capable of raising its hull over the surface of the sea.

**JIP** joint industry project.

**QHSSE** quality, health, safety, security and environment.

**LIDAR** a measuring system based on laser technology that can make extremely accurate recordings from an aircraft.

**LNG** liquefied natural gas.

**M&A (mergers and acquisitions)** the activity of combining with or buying another company or advising another company on how to do this.

**Metocean** meteorological and oceanographic.

**Multi-client data** data collected at own risk and expense and sold to multiple clients.

**NOC** national oil company.

**Node** autonomous battery powered component recording device deployed by ROV.

**OBN** ocean bottom node.

**OBC** ocean bottom cable.

**OHSAS** a British standard for occupational health and safety management systems. It is widely seen as the world's most recognized occupational health and safety management systems standard.

**PRM** permanent reservoir monitoring.

**ROV (Remotely Operated Vehicle)** unmanned submersible launched from a vessel and equipped with measuring and manipulation equipment. A cable to the mother-vessel provides power, video and data communication.

**Saturation diving** a method of prolonged diving, using an underwater habitat to allow divers to remain in the high-pressure environment of the ocean depths long enough for their body tissues to become saturated with the inert components of the pressurized gas mixture that they breathe: when this condition is reached, the amount of time required for decompression remains the same, whether the dive lasts a day, a week, or a month.

**Starfix** DGPS positioning system, specifically for use offshore. This system is intended for the professional user and, in addition to a high degree of accuracy, is equipped with a wide range of data analysis and quality control possibilities.

**Work class ROV** large remotely operated vehicle with the ability to operate multiple tools and sensors. With their ability to operate across the depth range required by the client base, these systems operate in support of subsea operations across all business line segments.

**WTI (West Texas Intermediate)** a crude oil benchmark.

## Financial terms

**Capital employed** total assets minus current liabilities, full year average (excluding assets and liabilities classified as held for sale).

**Cash flow** the profit for the period attributable to equity holders of the company plus depreciation, amortisation of intangible fixed assets and minority interest.

**Dividend yield** dividend as a percentage of the (average) share price.

**EBIT** result from operating activities.

**EBITDA** result from operating activities before depreciation and amortisation.

**Gearing** loans and borrowings plus bank overdraft minus cash and cash equivalents, divided by shareholders equity.

**Interest cover** result from operating activities (EBIT) compared with the net interest charges.

**KPI (Key Performing Indicator)** an indicator that shows what a situation is like or how it is changing.

**Net debt** comprises loans and borrowings, bank overdraft, bank guarantees minus cash and cash equivalents.

**Net profit margin** profit as a percentage of revenue.

**NOPAT** net operating profit after tax.

**Pay-out ratio of the net result** the pay-out ratio of the net result is defined as proposed dividend, multiplied by the number of shares entitled to dividend, divided by one thousand, divided by the net result.

**Private placement** long-term financing (7 – 15 years), entered into in May 2002 and in August 2011 via private placements with American and British institutional investors.

**Return on capital employed** NOPAT/full year average capital employed.

**Solvency** shareholders' equity as a percentage of the balance sheet total.

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A Dutch summary version of this annual report is available. In matters of any misinterpretation the English annual report will prevail.

