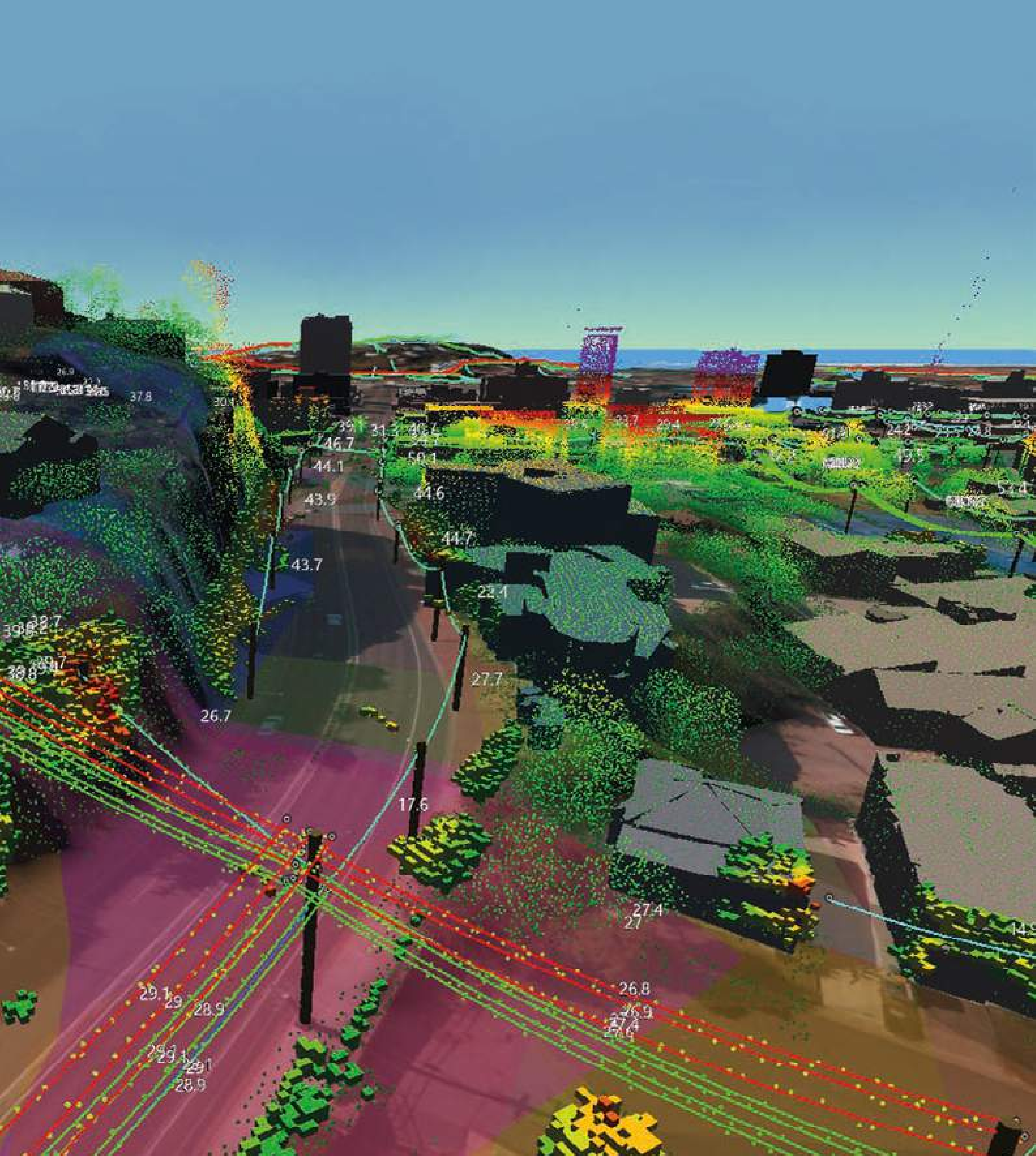
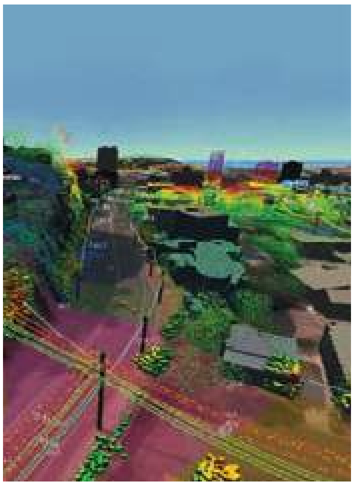
ANNUAL REPORT 2017

Geo-intelligence & asset integrity solutions





The information and geo-intelligence we provide is essential to our clients: we characterise their building sites to facilitate the safe, cost effective and sustainable design of their buildings, industrial facilities and infrastructure.

Increasingly, we also support our clients with information on the condition of their assets (as they are built and operated) to support optimal operation.

A good example is the monitoring of power companies' overhead electricity networks. We use highly automated airborne acquisition and cloud processing technology to deliver centimeter-accurate 3D models. Through web-based visualisation and reporting tools, Fugro's solution pinpoints for example power lines that are too close to the ground or surrounding vegetation, presenting a high risk of failure or injury. With such an understanding of their network, power companies can ensure compliance with regulations and plan more efficient maintenance programmes, resulting in significant cost savings.

Fugro's revolutionary technology is reducing cost of electricity network inspection programs today, while building the digital foundation for tomorrow.

FUGRO ANNUAL REPORT 2017

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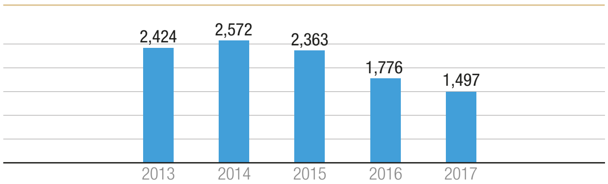
KEY FIGURES

(x EUR million)	2017	2016
Revenue	1,497.4	1,775.9
– reported growth	(15.7%)	(24.8%)
– currency comparable growth[1,2]	(13.2%)	(22.7%)
EBITDA (excluding exceptional items)[1]	100.8	189.5
EBIT (excluding exceptional items)[1]	(32.1)	8.5
EBIT	(51.7)	(218.7)
EBIT margin (excluding exceptional items[1]	(2.1%)	0.5%
EBIT margin[1]	(3.5%)	(12.3%)
Net result	(159.9)	(308.9)
Backlog next 12 months[1,2]	927.8	1,169.6
– reported growth	(20.7%)	(11.6%)
– currency comparable growth	(7.3%)	(11.6%)
Cash flow from operating activities after investments	(50.5)	186.1
Capex	108.0	92.5
Capital employed[1]	1,184.1	1,341.2
Return on capital employed[1]	(3.3%)	(0.7%)
Net debt/EBITDA[1]	1.9	1.1
Earnings per share (x EUR 1)	(1.98)	(3.82)
Dividend per share (x EUR 1)	0.00	0.00
Number of employees (at year-end)	10,044	10,530
Lost time injury frequency (x million hours)	0.66	0.67

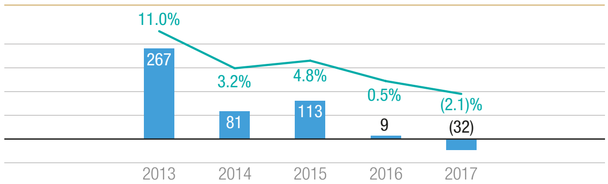
1 Refer to financial terms glossary (page 197) for definitions.

2 Revenue growth corrected for currency effect; 2017 backlog growth corrected for currency effect and for portfolio changes related to the marine construction & installation activities.

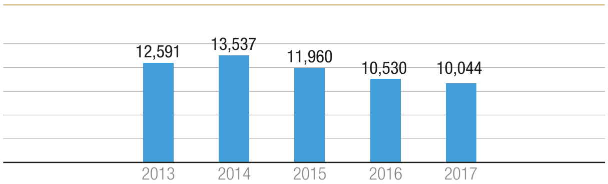
Revenue



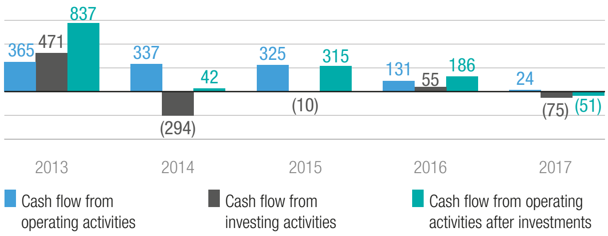
EBIT (margin) excluding exceptional items



Number of employees



Cash flow



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 'depositary receipts' for shares) issued by Stichting Administratiekantoor Fugro (also referred to as 'Foundation 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'.

MESSAGE FROM THE CEO

Dear reader,

This was the fourth consecutive year of an exceptionally deep downturn in offshore oil and gas services, currently our largest market. The impact of the 25% lower oil and gas related revenue could not be fully compensated by continued capacity and cost reduction measures, and an organic 9% revenue increase in our other markets (most notably building & infrastructure, renewables and power). We ended 2017 with an operational margin of -2%.

Working safely is key to all Fugro's operations. We spend a lot of time and effort in training and improving safety awareness. Yet, sadly, in 2017 we suffered a fatality. We must and will continue to address safety, as our ultimate goal is zero serious incidents.

For 2018 we anticipate improved results. For the first time since the start of the downturn in the offshore oil and gas market, we see signs of stabilisation, and our other markets are expected to grow further as the world economy is strong. In addition, we will benefit from the implementation of our new client centric organisation and from the portfolio and performance measures taken in 2017.

MEASURES

The offshore oil and gas services market, from which we generated 57% of our 2017 revenue, declined further as our clients continued to reduce offshore spending, resulting in continued overcapacity and price pressure. At the publication of the first half results we announced a set of measures with an annualised contribution to EBITDA of EUR 50 to 70 million. The programme is on track. Part of the financial benefit of these measures has been realised in the second half of 2017 though the largest part will contribute to 2018 EBITDA improvement.

The most notable measure is the divestment of our marine cable trenching assets on 30 November in return for a 23.6% shareholding in Global Marine. In addition, we early terminated the long-term charter agreements for the two remaining installation and construction vessels. This means we have also achieved our strategic portfolio objective of ending our active participation in the installation and construction part of the subsea market.

Unfortunately, we also had to further cut back on staff, be it less severely than in prior years. Over 2017 we reduced headcount by 486.

STRATEGY

Since the launch of our 'Building on Strength' strategy in 2014, we have transformed our organisation from a locally managed operating company structure into an integrated and efficient organisation. As per 2017, the company is managed through two main divisions, Marine and Land. Both offer integrated services to clients from site characterisation and asset integrity business lines which are uniformly set up across the divisions and regions. Client reactions have been positive, as it has clearly strengthened Fugro's ability to effectively provide integrated, standardised solutions across the globe.

A key strategic driver for Fugro is to work across different markets, as this improves resilience. In 2017, non-oil and gas represented 43% of total revenue because of growth in building & infrastructure, renewables, power and nautical markets on the one hand, and a decline in the oil and gas market on the other hand. Fugro targets a balanced market exposure through continued growth in non-oil and gas markets, supported by population growth, urbanisation in coastal areas, energy transition and mitigation of the impact of climate change. At the same time, the company will continue to benefit from its activities in the oil and gas which is expected to remain the key source of energy for the comping decades next to the increasing share of renewables to meet global energy demand.

OUR ROLE IN SOCIETY

Over the coming decades, the megatrends mentioned above will lead to increased demand for renewable energy, water, natural resources, buildings and infrastructure. Fugro's services are essential for the development and management of the required resources and assets. Growing demand for our services in these areas provides a solid foundation on which we can achieve our purpose: to contribute to a safe and liveable world.

Growing sustainably requires balancing short and long-term interests of our stakeholders and integrating social and environmental factors into our decision making. In 2017, we further embedded the most relevant topics for the company and its stakeholders into a sustainability framework. Based on our strategy and organisation, we also formulated our long-term value creation model. We firmly believe that being a sustainable company will support our long-term success and economic performance.

DEVELOPMENTS FOR 2018

Overall we anticipate that our markets will improve. The offshore oil and gas market shows signs of stabilising as the oil price has moved to within a range that supports current investment levels. The market for offshore wind is strong, supported by technology development and supply chain efficiency that has brought costs down to levels at which government support is hardly needed. The global economy is expected to develop positively in 2018, which is especially supportive of our building and infrastructure and power related activities.

We will continue to implement our Building on Strength strategy. Our current strategic priorities are to enhance client focus by professionalising account management and broaden its range of differentiated and innovative value propositions, strengthen staff engagement, improve delivery excellence by digitalisation, and further enhance organisational performance. We will also continue with our drive to grow in markets outside oil and gas as it supports our purpose and our objective to create robustness by having a balanced exposure to multiple markets.

We anticipate that these efforts, backed by a stabilising oil and gas market and positive outlook for the other market segments, will result in stabilising revenue, an improved EBIT margin and a positive cash flow from operating activities after investments.

A PERSONAL NOTE

I will retire at the 2018 annual general meeting at the end of my term. Looking back at the past five years, I realise how profoundly we've transformed the company to deal with changing customer needs, globalisation and the downturn in the oil and gas market, and to take on opportunities in a world that needs solutions to support population growth and tackle climate change.

I am very grateful to all employees for their trust, tremendous daily efforts to serve our clients and their contributions to transforming Fugro and making it a stronger and better company that can fulfill its purpose. Working with and building Team Fugro has been the key motivator for me in my years at the company. I am also grateful to our many other stakeholders for their continued support during the past challenging years. We are now moving into a more stable oil and gas environment and our other markets are growing, and I am sure Fugro will make the most of the available opportunities. I hand over with confidence to my successor Øystein Løseth and wish him and Team Fugro all success in the next phase of the Fugro journey.

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

PROFILE

Fugro is the world's leading, independent provider of geo-intelligence and asset integrity solutions. We acquire and analyse data on topography and the subsurface, soil composition, meteorological & environmental conditions and built assets, and provide related advice.

The information and geo-intelligence we provide is essential to our clients for characterising their building sites to facilitate the safe, cost effective, sustainable design of their buildings, industrial facilities and infrastructure, and to enable the exploration and development of natural resources. We also support our clients with information on the precise location and condition of their assets (as they are built and operated) to optimise asset reliability, utilisation and longevity.

Fugro is unique in its capabilities to provide integrated and often innovative site characterisation and asset integrity solutions. Our activities extend from data acquisition through analytics to customised advice. We serve clients' needs across the spectrum from modest assignments to the most challenging, multi-disciplinary, integrated projects. We work around the globe, predominantly in oil & gas, large building & infrastructure, renewables and power markets, in both land and marine environments.

OUR PURPOSE

Over the coming decades, population growth, increasing wealth, urbanisation and climate change will lead to increased demand for energy, water, natural resources, buildings, industrial plants and infrastructure.

Fugro's purpose is to contribute to a safe and liveable world by providing geo-intelligence and asset integrity solutions that support the sustainable growth of the world's population and mitigate the impact of climate change. Our solutions support the design, development and operation of large buildings, industrial facilities and infrastructure, and the exploration and development of natural resources.

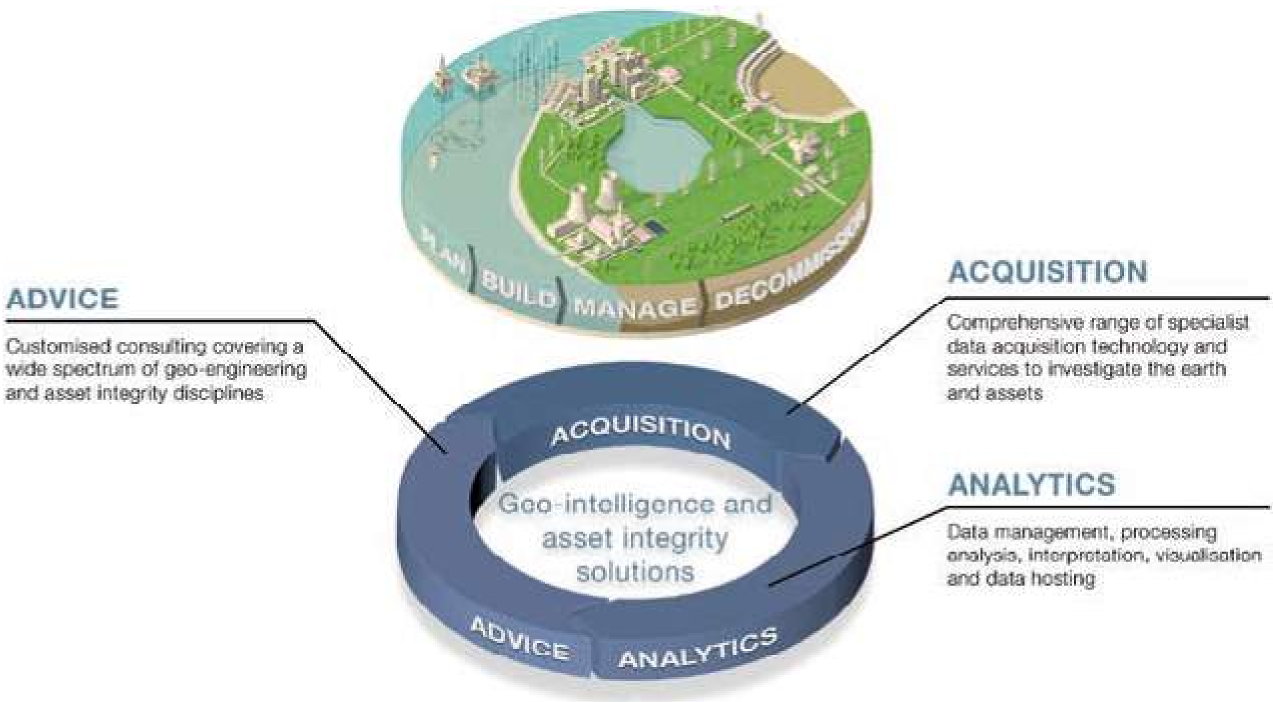
OUR SERVICES

Acquisition, analytics and advice

Fugro's services and solutions are based on geo-data, derived geo-intelligence and associated data about man-made structures. Our projects are typically carried out in three phases:

- Acquisition: collection of geo-data on topography, the subsurface and spatial characteristics of manmade structures, soil composition, meteorological, oceanographic and environmental conditions and asset condition data

Acquisition, analytics and advice



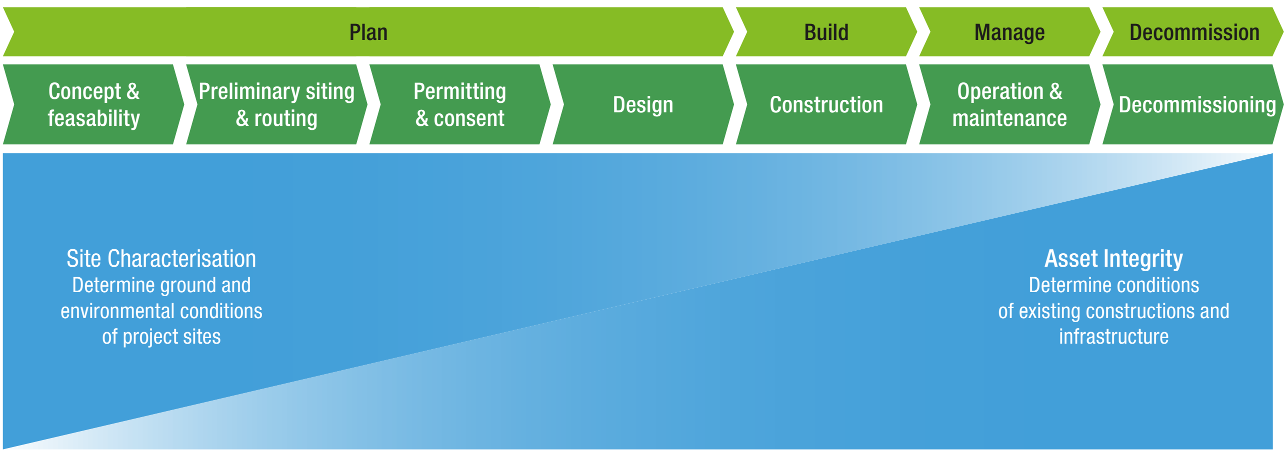
- Analytics: organisation of acquired data and adding value through testing, processing, interpretation, management and hosting
- Advice: provision of geo-intelligence and customised consulting services covering a wide spectrum of geo-engineering and asset integrity disciplines including foundation design, earthquake analysis, slope stability analysis, and asset condition analysis.

Fugro differentiates itself by:
- Being an independent service provider, which assures clients of the integrity and confidentiality of results
- Delivering solutions safely, consistently, on time and on budget anywhere on the globe in both land and marine environments
- Employing teams of motivated employees that apply high standards of professionalism and integrity
- Applying world class, innovative and often proprietary technology
- Being the market leader in most of the markets in which we are active
- Deploying a globally allocated pool of assets and resources
- Having a global, efficiently organised office network.

Site characterisation and asset integrity
In the planning and build phases of assets Fugro uses its services to provide clients with geo-data, geo-intelligence and advice that characterises their sites and how those sites can be used for safe, efficient and sustainable building and natural resource development. Once assets are built and deployed, further data, geo-intelligence and advisory services are used to provide information about the integrity and performance of the client's assets to support optimal operation and to increase life time.

Different clients or different client departments are generally involved with either the planning and build phase or the operational phase of assets and natural resource exploitation. Fugro has organised itself accordingly into Site Characterisation and Asset Integrity business lines within its divisions and regions. Within these business lines Fugro can provide any of the data acquisition, analytics or advisory services required by its clients separately or in combination in large, integrated projects.

Services provided throughout the life cycle of our clients' assets



OUR VALUES

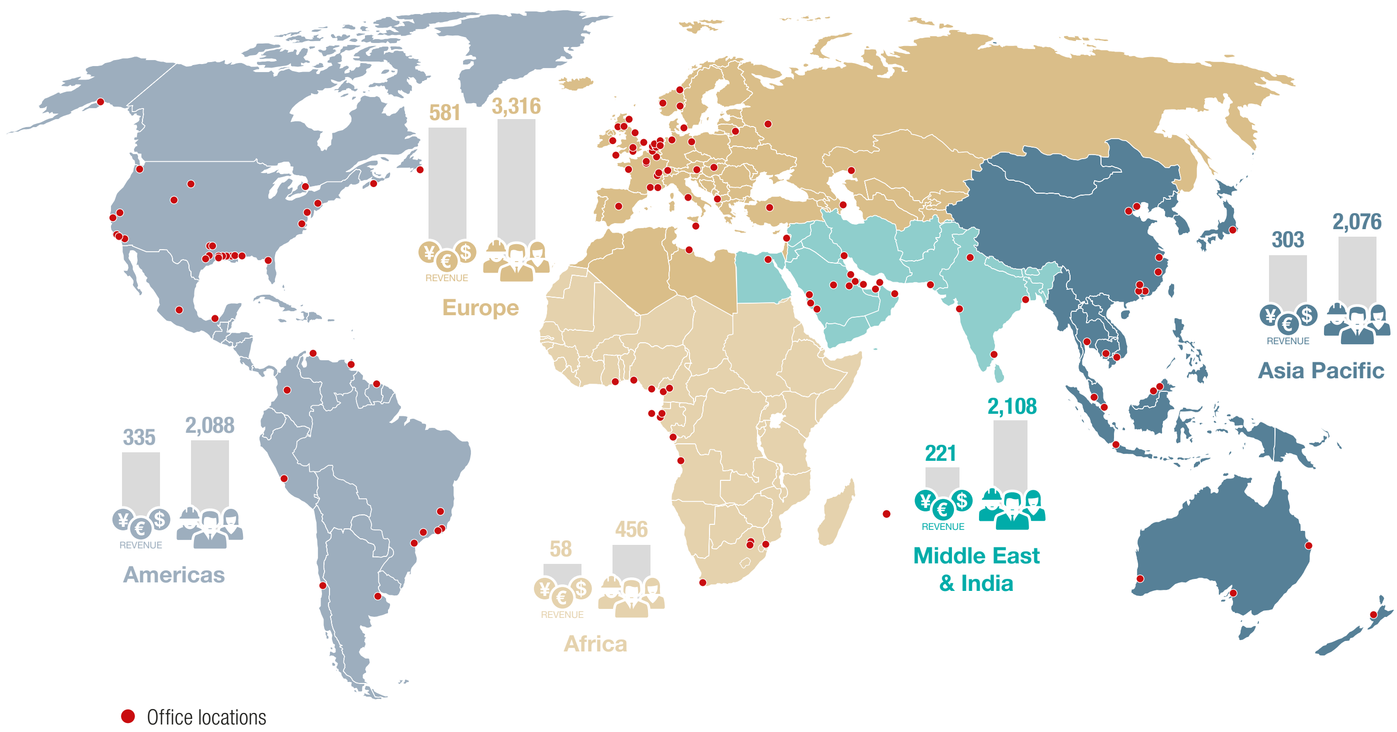
Client focus
Understanding our client's needs is the starting point for everything we do. We create win-win relationships by working closely with clients and delivering on their requirements while executing projects profitably. As an independent service provider, we have no further interest in our clients' projects and can therefore assure we provide our services on an impartial and confidential basis.

Delivery excellence
We strive to deliver results safely, on time and within budget, thereby meeting or exceeding client requirements. We offer standardised, innovative and effective solutions.

Team Fugro
We believe that our people make the difference and we recognise the immense strength of teamwork. We trust each other and promote open, constructive debate and feedback. Unless confidential, information is shared, internally and externally.

Good citizenship
Regardless of background, gender, religion, political orientation, age or position, we treat people with integrity and respect. We put safety first, by understanding the risks associated with our work, are trained in safety requirements and work accordingly. We aim to be a good corporate citizen in the communities in which we work, minimising our impact on the environment. Each of us is responsible for learning about and adhering to the laws and regulations applicable to our work.

Fugro's five regions: revenue (x EUR million), people, offices



OUR ORGANISATION

Organisational structure

Fugro N.V. is a public limited liability company managed by a Board of Management under supervision of an independent Supervisory Board. The majority of Fugro's activities are managed within its Marine and Land division. Both divisions are comprised of a Site Characterisation business line and an Asset Integrity business line, organised within five geographical regions. The other activities take place in the Geoscience division, which almost fully consists of Fugro's 60% stake in Seabed Geosolutions (fully consolidated) and some indirect interests in Australian exploration projects via Finder Exploration.

At group level, the company has corporate departments in place for QHSSE, accounting & control, treasury, tax, insurance, internal audit, legal, human resources, IT, strategy & communication. Within the regions, support functions for human resources, finance, QHSSE and IT are increasingly organised in shared service centres.

We provide our services from a global network of 169 offices located in 65 countries.

People and expertise

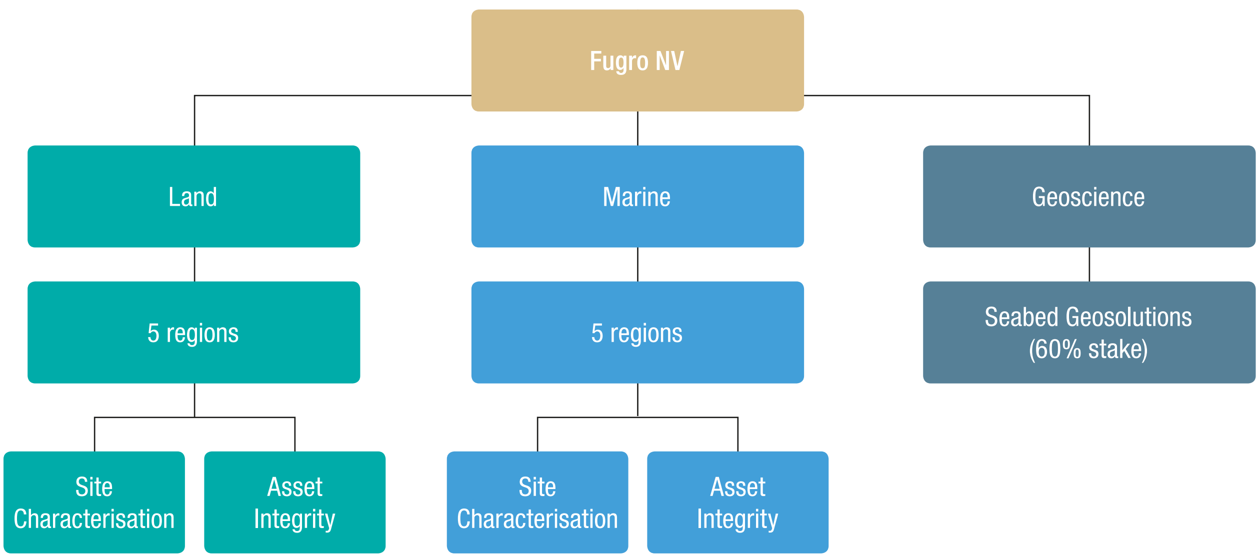
10,044 employees
40 laboratories
16 research and development centres
32 consulting centres

Operational assets

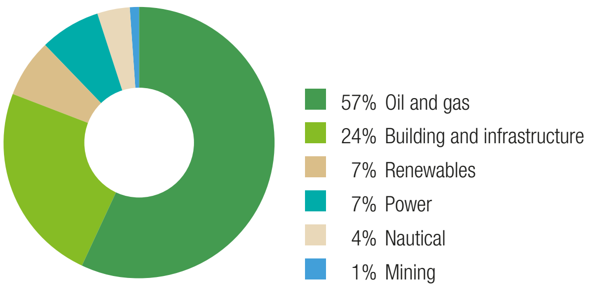
26 vessels[1]
98 cone penetration testing systems
239 onshore and 18 offshore drilling rigs
28 jack-up platforms
5 autonomous underwater vehicles
119 remotely operated vehicles
23 diving systems
2,742 seabed seismic nodes[2]
374 kilometres of sea bed cables

1 In addition Fugro uses 5 long-term charters and 4 vessels under tri-partite agreements.
2 2,500 more nodes available per the first half year of 2018.

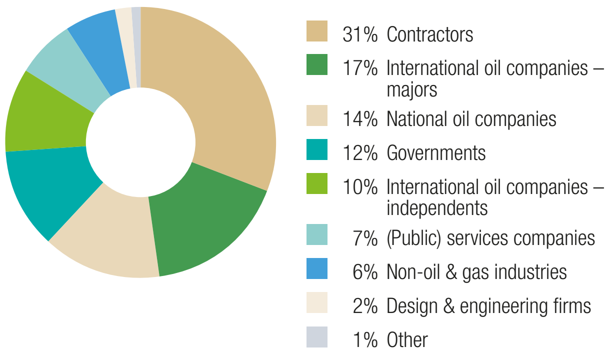
Organisational structure



Revenue by market segment



Revenue by client type

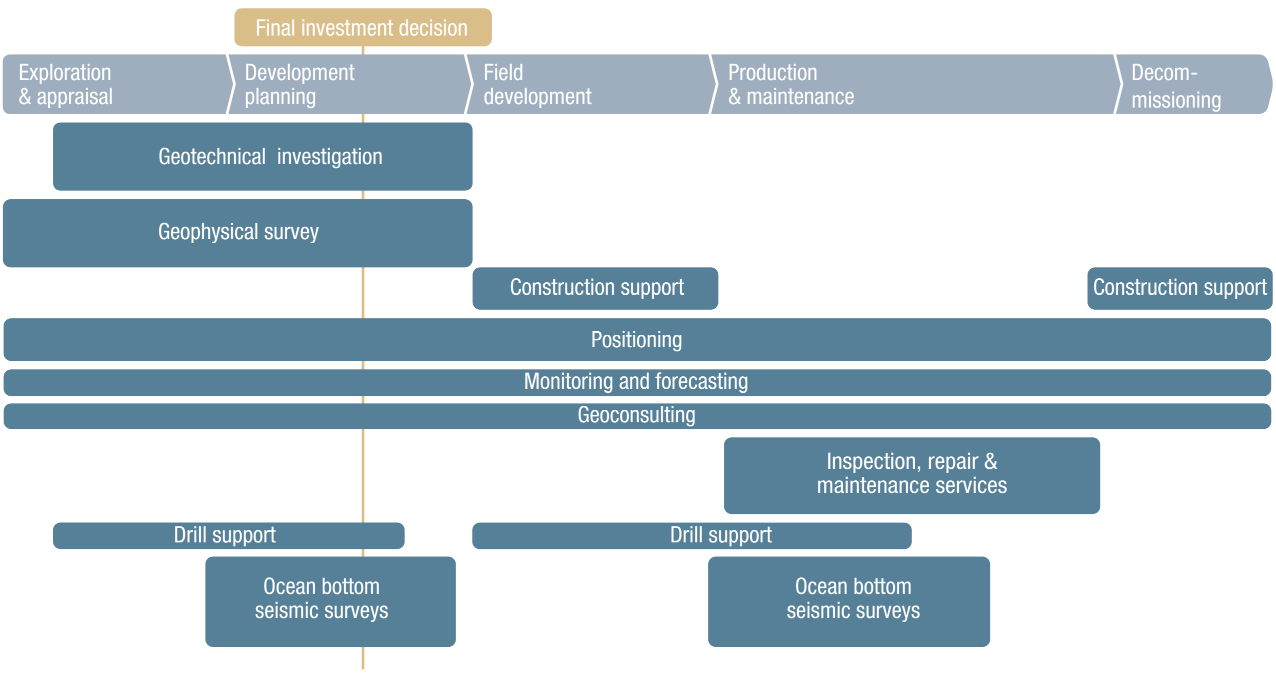


OUR CLIENTS

Our main offshore clients are oil and gas companies, marine construction and installation contractors, wind farm developers and government agencies. Our main onshore and nearshore clients are large infrastructure, industrial installation and building developers, construction and installation contractors, government agencies, oil and gas companies and mining companies.

As many of our clients operate internationally, we aim to deliver consistent, standardised services across all geographies. We are experiencing an increase in demand for solutions based on large, integrated multi-disciplinary projects and long-term framework agreements. We have a large and diverse client base, and typically in any year there is no client that accounts for more than around 5% of total revenue.

Fugro's activities across life cycle of offshore oil and gas field



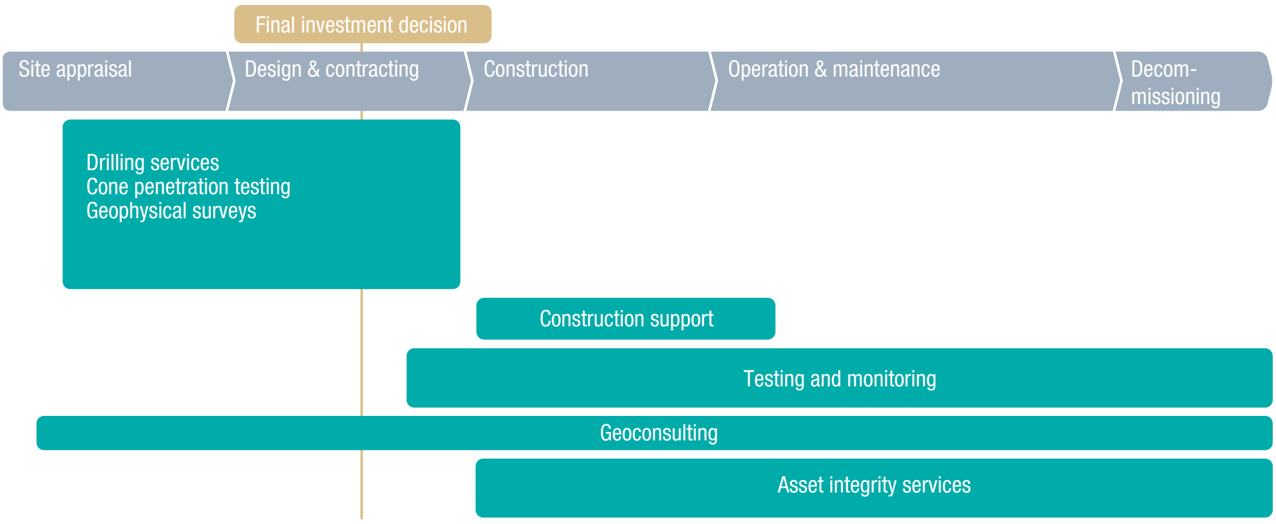
Autonomous underwater vehicle on board of Fugro Equator in Perth, Australia.

Oil and gas
Our largest client groups are the major international, other independent and national oil and gas companies.
In addition, we provide services to a diverse group of service providers such as construction & installation contractors and design & engineering companies.

The majority of our revenue is in the offshore upstream (exploration and production) segment. We provide our services through the full life cycle from exploration, through the initial feasibility and planning stages of a project to final investment decision, and then through development and production to eventual decommissioning of assets and infrastructure. In the downstream segment we provide services to support the construction and operation of LNG plants, refineries, petro-chemical facilities, refineries and pipelines.

Building and infrastructure
Our main clients are government agencies, construction project developers, railroad companies, design & engineering contractors, construction & installation contractors and industrial companies. We provide our site characterisation solutions to support them in optimising the design, construction, installation and operation of the assets they develop. The geo-intelligence information we provide helps local, regional and national government agencies manage their urban planning, security and development of natural resources. Our asset integrity solutions are used to optimise performance and enhance life time of assets.

Fugro's activities across life cycle of building and infrastructure project



Installation of wind farm project off the north coast of Wales, United Kingdom.

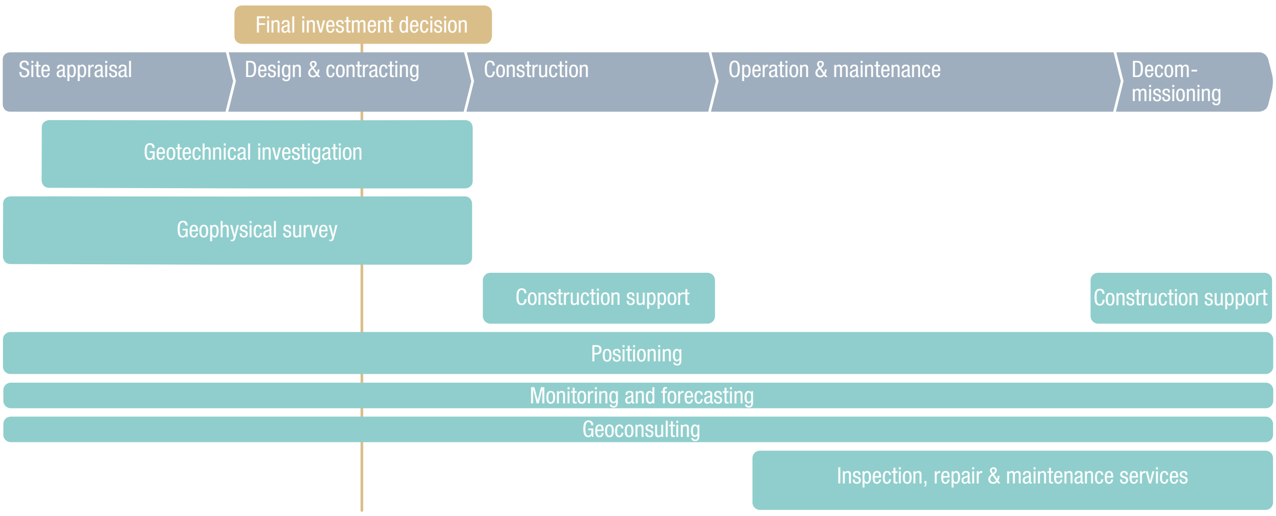
Renewables
In this market, our key clients are the offshore wind farm developers, mostly in North Western Europe and recently also in the USA and Far East. We are the largest provider of services for general site assessment to target the optimal location of the wind turbines and we provide advice regarding the foundation design and for routing of power cables. We also provide asset integrity services comprising performance monitoring and inspection services. Due to the widely supported push towards sustainable electric power generation to achieve carbon emission reduction objectives, combined with generation cost coming down to grid parity and with significant potential to further reduce cost, the offshore wind farm market offers significant growth potential.

Another, smaller client group are the owners or developers of hydro, geothermal, solar and tidal wave energy to whom we provided site characterisation services.

Power
This segment comprises our activities in power distribution, and conventional and nuclear power generation excluding renewables.

We provide site characterisation services and solutions to power plant engineering companies and owners, mostly in the development phase. For nuclear power plants we provide specialty earthquake risk assessments.

Fugro's activities across life cycle of offshore wind farm



Fugro Explorer on its way to planned offshore wind farm in Massachusetts, transiting via New York to Long Island sound, USA.

For asset integrity services, our main clients are the power distribution companies. Reliable and safe power distribution is critical to support the electrification of society based on renewables and to achieve carbon emission reduction objectives. We provide innovative, cloud based asset integrity solutions for their distribution infrastructure based on geospatial technology. Our solutions support maintaining high network up time by identifying potential geo-risks.

Nautical
Fugro also services non-energy related maritime clients. Activities include port and harbour surveys, hydrography for the production of sea charts, Law of the Sea surveys and consultancy, accurate positioning of vessels, in particular large cruise and container vessels, telecom cable surveys and search and recovery operations following ship or aircraft calamities at or over sea.

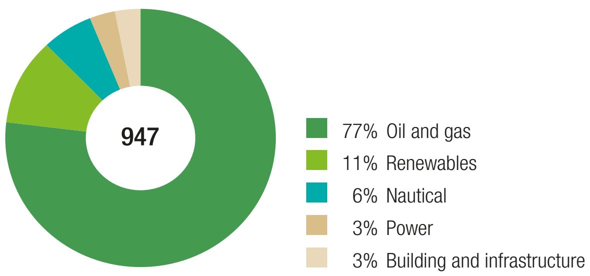
Mining
Fugro serves global and local mining companies, government agencies, construction contractors and design & engineering companies. We offer geo-intelligence and site characterisation and asset integrity solutions, often with a focus on hydrogeology and site inspection and monitoring. Our services are aimed at supporting mining companies recover natural resources efficiently, safely and responsibly, and remediate mining areas responsibly as part of mine decommissioning.

MARINE DIVISION

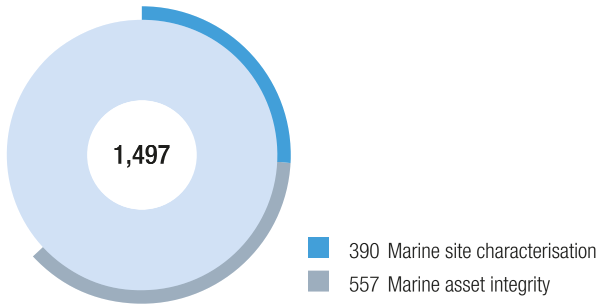
The marine business is a truly international market with large, globally active clients. We are the global leader in providing offshore geotechnical investigation, geophysical survey, positioning and construction support services.

Our market shares are high in providing services and solutions for site characterisation due to our capability to take on large, integrated projects, provide data management and related consultancy services. We are particularly well positioned to take on work in frontier areas and deep water. In other services such as metocean and inspection, repair and maintenance, Fugro is one of the top three players globally with strong regional positions in Asia-Pacific and Europe.

Marine revenue by market segment



Marine revenue (of total Fugro revenue)



Marine site characterisation

Fugro's geo-data, derived geo-intelligence and related advice reduce uncertainty relating to seabed ground conditions and the surrounding marine environment at project sites. Fugro's services enable clients to select the optimum site for building and placing their marine assets, identify and mitigate project risks and reduce uncertainties in design and construction.

Geotechnical investigation	Soil sampling via extraction of soil samples (in water depths down to 3,000 metres) or cone penetration testing, location based testing and logging of soil and rock layers
Geophysical surveys	Mapping of the seabed and geological features and hazards below, in advance of drilling and construction of large installations and infrastructure, or to identify hydrocarbon seeps
Hydrographic surveys	Hydrographic surveys relating to the production of navigation charts, route surveys for cables and seabed searches
Metocean measurement	Provisioning of systems and services to measure, analyse, model and predict meteorological, oceanographic and environmental conditions
Geoconsulting	Provision of consulting services , expertise and advice (geo-intelligence) based on geotechnical, geophysical and environmental data. Includes ground modelling, geohazard risk assessments, geo-data management and geotechnical engineering

Marine asset integrity services

Fugro's marine asset integrity business encompasses a comprehensive range of services and technologies designed to help clients to operate their offshore installations and infrastructure in a cost effective manner.

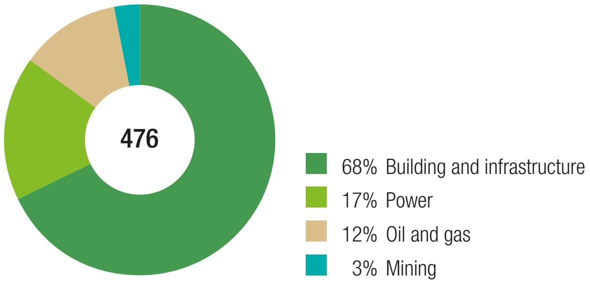
Inspection, repair and maintenance	Extensive range of services designed to assess the condition of the underwater part of offshore assets and execute subsequent light repair and maintenance programmes; executed by divers (up to 300 metres) or by remotely operated vehicles
Positioning signals and services	■ Subscription based service which enhances public satellite positioning data to a high accuracy and the provision of positioning equipment ■ Positioning services during construction and installation activities, both above and below the water surface
Construction support	Provisioning of survey systems and related expertise to support offshore construction projects, either on site or from onshore control centres
Metocean monitoring and forecasting	Real-time monitoring and forecasting of weather, sea currents and environmental conditions
Drill support	Inspection and light intervention services in support of drilling operations at oil or gas wells
Remote systems technology	Design, development and manufacturing of remotely operated systems for the subsea environment

The asset integrity business previously encompassed non-core construction and installation activities, which were discontinued in the fourth quarter of 2017. The majority (the trenching and cable laying assets) was sold on 30 November, and the remaining long-term charter agreements for two construction and installation vessels were terminated early.

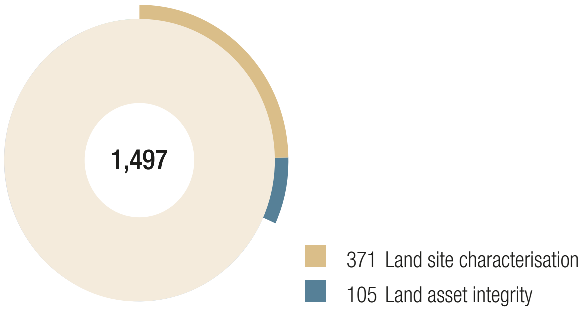
LAND DIVISION

The land business serves a broad spectrum of clients across multiple market segments world wide - from small, local municipal governments to some of the largest international engineering and construction firms. Our unique value proposition is to enable our clients to optimise the design, construction and maintenance of their land and nearshore assets through integrated geodata acquisition, analytics and consulting. We deploy our geotechnical, geophysical, testing and monitoring expertise safely and efficiently to all corners of the globe, even in extreme environments. Our site characterisation services achieve solid market share on complex, high-profile international projects, such as high-rise buildings, nuclear power plants, tunnels and bridges. Focusing on road, rail, electric utility networks and industrial plants, our maturing asset integrity business is steadily gaining market share in developed economies.

Land revenue by market segment



Land revenue (of total Fugro revenue)



Land site characterisation services

Fugro delivers geo-data, the derived geo-intelligence and, as required, advice, resulting in full site characterisation solutions. This allows clients to make informed decisions during the engineering, design and construction phases to support sustainable and cost effective development of large buildings, industrial plants and infrastructure by reducing risk and accelerating project schedules.

Geotechnical investigation	Soil sampling via extraction of samples or cone penetration testing, in-situ testing and logging of soil and rock layers, both on land and in nearshore environments (to water depths of around 40 metres)
Testing and monitoring	Laboratory testing of rock and soil samples; testing of foundation and construction materials; instrumentation and monitoring of building sites and constructions
Geoconsulting	Customised advice covering a wide spectrum of geotechnical, geophysical and environmental data. Includes ground modelling, geohazard risk assessments, geotechnical engineering, water resource management, flood control
Geophysical surveys	Remote sensing survey techniques to provide surface feature maps and data on the subsurface

Land asset integrity services

Fugro offers a broad range of asset monitoring services of large buildings and infrastructure that allow clients to optimise effective operation and extend the life time of their large buildings, industrial plants and infrastructure maintenance of their assets. We operate in three specific markets in which we provide bespoke, integrated asset integrity solutions.

Power, rail, road	3D digital remote inspection, modelling and analysis of power lines, railroads and roads pavement using highly-automated, digital data collection and cloud based processing, analysis and hosted delivery
Land and property	Remote sensing and mapping of land and properties
Oil and gas infrastructure	3D digital remote inspection, modelling and analysis of industrial plants using cloud-based data analysis and information management platform

GEOSCIENCE DIVISION

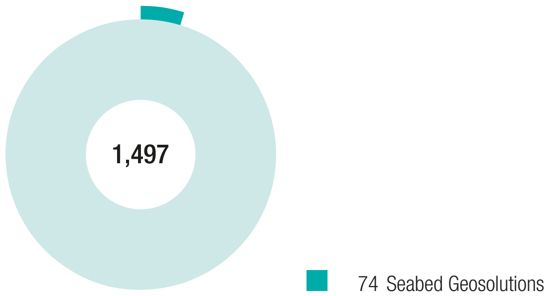
This division almost entirely consists of Fugro's 60% stake in Seabed Geosolutions (fully consolidated; CGG owns the other 40%) and some indirect interests in Australian exploration projects, via Finder Exploration.

Seabed Geosolutions supports the optimal development and production of offshore oil and gas fields by providing high quality seismic data collected directly on the seabed. These data are used for detailed reservoir characterisation, monitoring of the impact of production, and detection of potential geohazards.

Traditionally, the company has collected seismic data on the seabed in areas where the water depth is too shallow, obstructions at the surface such as infrastructure do not allow for conventional surface streamer based data acquisition or where data of particularly good quality is required. Ocean bottom seismic data is now becoming increasingly competitive with streamer based data due to operational innovations creating a step change in seabed seismic data acquisition efficiency and cost effectiveness, which expands the traditional boundaries of the seabed market.

With its global footprint, Seabed Geosolutions is one of the largest seabed geophysical data acquisition service providers with the broadest range of technology solutions for projects up to water depths of 3,000 metres.

Geoscience revenue (of total Fugro revenue)



Ocean bottom nodes	3D and 4D imaging in water depths up to 3,000 metres using individual nodes deployed on the seabed via wire (node-on-a-wire) or with remotely operated vehicles
Shallow water cables	3D and 4D imaging through sensor cables placed on the seabed in nearshore and shallow water environments

STRATEGY

Fugro's short term strategic objective is to restore profitability and returns in a stabilising oil and gas market following years of sharp decline, and as a key step towards achieving our mid-term financial targets. At the same time we target continued growth in the building & infrastructure, renewables, power and nautical markets. This will support Fugro's leadership positions and further our purpose of contributing to a safe and liveable world by providing geo-intelligence and asset integrity solutions to support sustainable development and operation of our client's assets and natural resources.

With our Building on Strength strategy we focus on leveraging and developing the strengths of Fugro to achieve our financial targets and further develop our position as a market leading, sustainable company.

Growing sustainably requires balancing short and long-term interests of our stakeholders and integrating social and environmental factors into our decision making. In 2017, we further embedded the most relevant topics for the company and its stakeholders into a sustainability framework. Based on our strategy and organisation, we also formulated our long-term value creation model, as we firmly believe that this will support our long-term success and economic performance.

TRENDS

The development of Fugro is dependent on trends in our markets, technology and society. These trends drive our overall strategy and short to mid-term priorities.

Urbanisation, population growth and climate change

The world's population is increasing at a rapid rate and everyone aspires to at least reasonable living standards. This results in a continued growth of the built environment and demand for natural resources. It also increases the need for infrastructure for people transport, trade, power, water and communications. By far most of the growth will take place in large urban centres increasing the need for smarter cities with good infrastructure. As many population centres are located in deltas and other low lying areas, protection against severe weather hazards and rising sea levels resulting from climate change will drive general water management, flood protection and coastal defense projects.

To maintain a safe and liveable world in the face of strong population and urban growth and climate change, sustainable development is a necessity. Fugro's services and geo-intelligence, site characterisation and asset integrity solutions are essential for the sustainable development and operation of large buildings, infrastructure, industrial plants and natural resources; and for the protection against natural hazards. Supported by solid global economic growth, this trend is especially supportive of Fugro's building and infrastructure, renewables and power markets.

Energy transition

Carbon emission is a key cause of climate change. This is driving policies around the globe to reduce emissions by improving energy efficiency and by converting to sustainable power generation. As a result, growth in solar and wind power generation is rapid, with attendant growth in power distribution networks. Investments in renewable power generation have rapidly grown in the past decade and now already stand at around US$ 300 billion per year compared to current annual investments in oil and gas of US$ 650 billion per year (source: IEA's World Energy Investment 2017). Growth of investments in renewable energy is expected to continue at a considerable rate.

Solar and wind power in their initial growth phase relied strongly on government support. By now, technology, scale and efficiency gains are such that solar and wind on land are price competitive with fossil fuel alternatives in many areas of the world. Similarly, recent bids for offshore wind concessions no longer require government support. Government policy combined with economic viability are the drivers for the anticipated rapid growth in renewable power generation. Renewables are the fastest growing fuel source, quadrupling over the next twenty years, to around 10% of energy consumption (source: BP Energy Outlook 2017).

Fugro's potential in renewables is driven mainly by the development of the offshore wind market. Currently this market is dominated by North West Europe. However, decreasing cost and improving reliability is opening up other geographies, the USA and Eastern Asia in particular. Also the market for asset integrity services is beginning to develop as more and more windfarms enter into operation.

Development of the renewables market is very rapid, but it is still small compared to energy generated from oil and gas. For the coming years growth in renewables is not sufficient to cover overall energy demand growth and it will take time

Detecting possible defects in tunnel structure by infrared thermography, Hunghom Cross Harbour Tunnel, Hongkong.

before the demand for oil and gas starts to decline. Even then decline is expected to be slow. This means that oil and gas will dominate energy supply for years to come and Fugro can continue to operate in and benefit from the oil and gas market for a long time. At the same time we are anticipating on the long-term decline by growing our activities in the building & infrastructure, renewables, power and nautical markets.

Electrification of society

Most renewable energy is produced as electric power. In addition, demand for electric power continues to increase driven by population growth and growth in use of electronics and electric transport.

Demand growth at this stage cannot be met by renewables. As a result, there is a continuing demand for conventional and nuclear power stations, requiring geo-intelligence and site characterisation services. In particular nuclear power stations require extensive and specialist site characterisation solutions.

In addition, demand growth and distributed power generation from renewables is putting new requirements on power distribution. As a result, distribution networks are being expanded and there is an increasing need for network asset integrity services to maintain high levels of operability. This plays to Fugro's activities in the power market, in which it provides specialist asset integrity services based on geospatial data acquisition and cloud based data processing and management.

Oil and gas supply

The oil and gas market is subject to volatility typical of commodity markets. The period 2014 - first half of 2017 was dominated by oversupply, as technological improvements led to a strong increase in the production of shale oil in the United States of America, new supply from mega projects of the preceding years and continued ample supply from the Middle East and Russia. This resulted in a steep drop of the oil price, which prompted oil companies to strongly reduce their capital and operational spending. On the back of supply discipline of OPEC and Russia, in the course of 2017 the surplus has started to decrease and oil prices have been rising to above US$ 60 per barrel Brent. In 2017 this resulted in a modest single digit increase in overall capital spending by oil and gas companies, after continuous declines since 2014. This increase was fully applied to the US shale market; offshore spending, which is most relevant for Fugro, was down by another 20%.

For offshore oil field services companies this has resulted in continued low work volumes and significant price pressure due to overcapacity. This has impacting all sectors of the offshore market. The bankruptcy of some competitors, notably in the subsea services segment, has resulted in some overall capacity reduction, but less than face value suggests as good vessels eventually tend to return to the market.

Depletion of producing oil and gas fields amounts to several million barrels per day on a current production of around 98 million barrels per day. The depletion rate is increasing due to more efficient reservoir production and reduced spending on maintaining production. In addition, the demand for oil is expected to grow by around 1.5 million barrel per day as the world economy improves. The gap can only partially be filled

Fugro's Roames analytics and visualisation tool enhances the management of power transmission and distribution networks.

by OPEC and Russian spare capacity. New developments are required and investment levels will need to increase to fill the gap caused by depletion and increasing demand.

Increasing investment currently is targeted mainly at shale oil development as this supports quick returns. However, shale oil is not low cost and cost will increase as development moves to more difficult areas. Offshore, the downturn has forced massive cost reduction throughout the supply chain and has prompted the development of standardised, more cost effective solutions. As a result, many reservoirs offshore, including deep water, have a development and production cost per barrel below or at the lower end of the cost range of shale oil, and have attractive, low cost production profiles following higher upfront investment. Hence, offshore activity levels, including deep water, are expected to increase again as offshore oil can profitably support filling the production gap caused by depletion and demand growth.

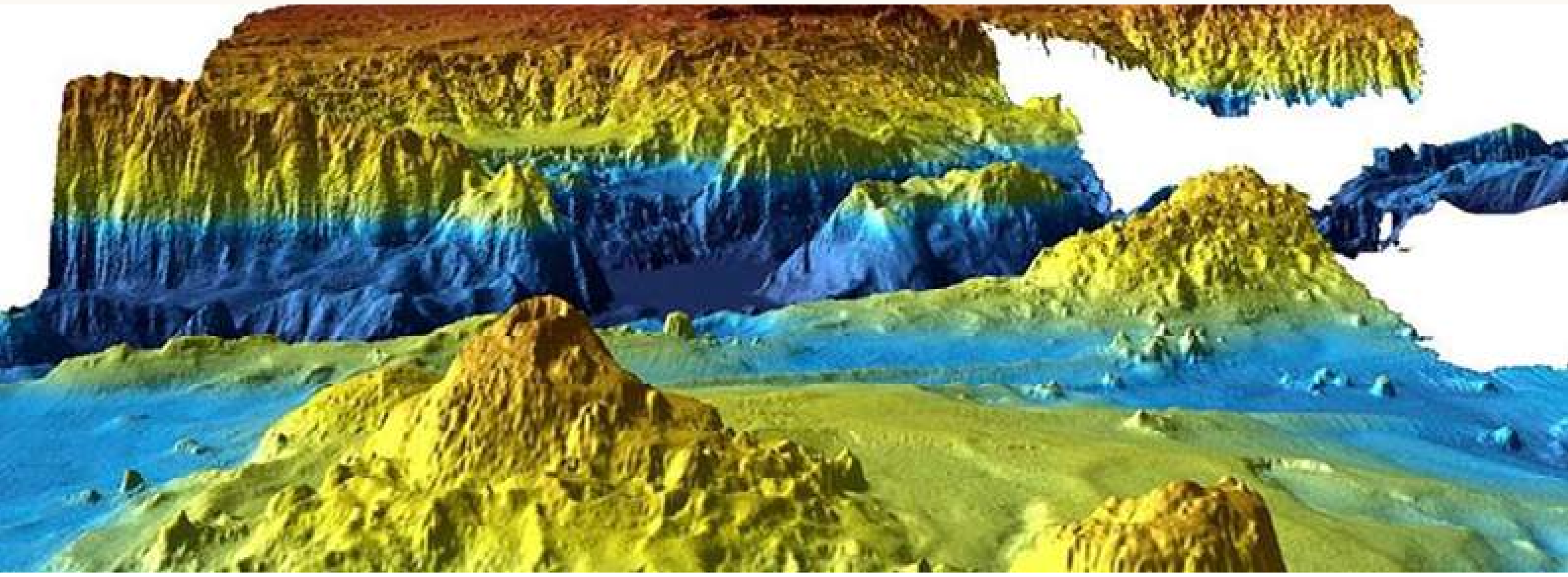
Shale oil development works on a much shorter time scale than offshore creating the flexibility to in part act as swing producer. Also some of the larger OPEC countries and Russia have reserve capacity. As a result, we anticipate recovery of the offshore market to be slow, after an initial phase of stability in 2018. Slow recovery implies that the offshore market will be characterised by overcapacity for some time, therefore we anticipate that price recovery will also be slow. Hence, to return to satisfactory profitability levels, Fugro will continue to improve cost efficiency and provide differentiated solutions that help reduce client's overall cost levels.

Standardisation and integrated solutions

Due to technology development, the world today has an abundance of accessible oil and gas. This means the driver for oil companies is to find, develop and produce oil and gas at the lower end of the cost range. Similarly, wind is an abundant resource, and here also cost is key to successful development. In building and infrastructure cost has always been a consideration, and continues to be so.

In particular the oil and gas companies have been relentlessly cutting costs since the start of the downturn. This has manifested itself in lower prices for oil services companies, but also in the streamlining of projects through simplification, standardisation, efficiency and technological advancement. For suppliers like Fugro this implies that clients expect a high level of delivery excellence based on global standardisation of services, solutions and deliverables, quality, health, safety, security and environment (QHSSE) and contracts. In addition, solutions that help reduce client cost of development and operation are well received as well.

We also see large clients increasingly seeking integrated solutions rather than contracting for a series of separate services. This allows process simplification and staff reduction on their side and lower project costs as suppliers can pass on part of the efficiency benefits gained with providing integrated services. This is leading to an increase in size and complexity of projects. At the same time, larger projects can carry more risk and there is a push to transfer risk to suppliers. To counter this, more time is being spent upfront on detailing specifications and deliverables to help control project risk, cost and timelines.



Bathymetric map of Diamantina Escarpment off the Australian Coast. Image courtesy of Geoscience Australia.

With our scale as market leader, we benefit from standardisation, in particular in areas where we can help drive standards. With our broad capabilities, we are best placed to deliver large, integrated projects. Finally, by means of our innovations we can support clients to reduce development and operation cost.

Digitalisation and innovation

Clients are embracing digital technology to increase efficiency and reduce overall asset management cost. We are seeing remarkable developments in various technology fields relevant to Fugro, such as robotisation, sensing, remote operations, data processing and analysis. Sensors are a case in point, where improvements in sensitivity, speed, lower power consumption, miniaturisation and cost reduction enable ever increasing volumes of different kinds of digital data to be gathered with higher resolution and higher density. Processing, management and analysis of all this data is increasingly being achieved by leveraging rapidly developing cloud technologies.

The rapid rise of digital capabilities is leading clients to ask for digital representations of their key assets. This is happening across Fugro's markets. Examples are the digital oil field, the so called digital twin of industrial plants, digital representations of power distribution networks and substations, and digital representations of pipelines (on land and on the seabed), rail and road infrastructure. These digital representations are used for various purposes, for example for comparison of as built versus engineering plans, to detect and document changes over time and for predictive maintenance.

Acquiring, processing, analysing geo-data to derive the digital representations of sites and constructions and managing these representations is at the heart of what Fugro does and is a core capability. Fugro expects good growth in the demand for digital representation of key assets of its clients as it offers clear cost and efficiency benefits. Given its capabilities, Fugro will benefit. However, this new market will also be interesting for various consulting, technology and engineering companies. Also, the client organisations will have to adjust to working with digital representations of their assets.

The fast development of technology further supports Fugro in its ability to innovate and differentiate its existing services, enhance delivery excellence, and broaden its range of services and reduce cost. For example, we are currently working with clients to deliver project results on a fully digital basis in order to reduce project cycle time and costs. Another example is robotisation and automation, where we are able to completely automate the deployment of data acquisition nodes for seabed data acquisition, reducing cost and improving health and safety performance.

Sustainability

We are experiencing a growing demand for our services from clients related to improving the sustainability of their projects. During the design and build phase of their projects we are seeing increasing demand for environmental mapping, water management, geo-hazard data and analysis and studies to support development of built assets and natural resources with minimum environmental impact. We are providing these services either independently or as part of integrated site characterisation services. Similarly, clients seek asset integrity solutions to ensure environmentally sound and safe operation of their assets and to increase longevity. We are also increasingly becoming involved in projects that target sustainability directly. This includes providing solutions to support the development and operation of windfarms and the optimal operation of power distribution networks. It also includes water management infrastructure to mitigate the impact of climate change and water resource projects.

Clients and other stakeholders like employees and shareholders expect responsibly run businesses, and reporting on non-financial performance. This has been done for many years for safety management, the prevention of environmental incidents and training. External reporting on other sustainability related topics like diversity, equal opportunity, carbon emissions and ethical business practices is becoming mainstream as well.
Many sustainability topics have been embedded in Fugro's policies and reporting, and new topics that make business sense will be adopted as they emerge.

LONG-TERM VALUE CREATION

Fugro's value creation model shows how we use the resources, capabilities and expertise at our disposal to create value for our stakeholders. Our business model transforms these capital inputs into value outputs and outcomes that over the short, medium and long-term create value for the organisation, its stakeholders and society at large. This model is based on the 'six capitals' model of the International Integrated Reporting Council.

BUILDING ON STRENGTH STRATEGY

The objective of Fugro's strategy is to deliver on its mid-term financial targets, further develop its position as a market leading company, and fulfill its purpose. In the short term, the key objective is to improve profitability and returns, which are under pressure due to the unprecedented downturn in the oil and gas market.

Fugro's value creation model

Capital input

Financial
- Funding from shareholders, banks and bondholders

Human
- Talented and diverse employees
- Fugro Academy, training spend

Knowledge
- Advanced methods and technologies
- R&D (spend and employees)
- Knowledge partnerships

Stakeholder relationships
- Stakeholder engagement
- Code of Conduct

Provision of services
- Fixed asset resource base, capital expenditures and supplier spend
- Project and risk management tools

Environment
- Energy use
- Risk mitigation systems

Business model

Our purpose
Contribute to a safe and liveable world

Client's assets

Our values

Value output

Financial
- Wages, interest, taxes and dividends
- Share price performance

Human
- Engaged employees with enhanced skills
- Health and safety performance

Knowledge
- Innovative geo-intelligence and asset integrity solutions
- Intellectual property (patents)

Stakeholder relationships
- Ethical business conduct
- Solutions advancing a safe and liveable world

Provision of services
- Total value of acquisition, analytics and advisory services
- Safe and reliable delivery

Environment
- Reduced environmental impact
- Solutions contributing to the increased use of renewable energy

A key element of the Building on Strength strategy launched in 2014 was the transformation of our organisation from local operating companies delivering separate survey, geotechnical and subsea services, into one that efficiently and cost effectively delivers on today's client requirements for large, integrated, multi-disciplinary projects. We have successfully completed this transformation into a regionally managed organisation, offering geo-intelligence and asset integrity solutions from uniform business lines.

The new organisation is also much more cost efficient, which will support result improvements as the oil and gas market stabilises and eventually recovers. The new structure also provides the platform for driving growth in our building and infrastructure, renewables, power, nautical and mining markets to support the long-term sustainability of the company.

The next phase in implementing Fugro's strategy focuses on leveraging and developing specific strengths that will improve profitability and returns, and support sustainable growth in markets other than oil and gas. The current strategic priorities are to enhance client focus by professionalising account management and broaden its range of differentiated and innovative value propositions, strengthen staff engagement, improve delivery excellence by digitalisation, and further enhance organisational performance.

Portfolio

In 2017, Fugro achieved its strategic objective of ending its active participation in the installation and construction part of the subsea market. On 30 November, Fugro finalised the divestment of its marine cable laying and trenching assets in exchange for a 23.6% interest in Global Marine Holdings (Global), a leading global supplier of subsea cable installation and maintenance services. Fugro now participates in a more diversified business in which cable installation services are complemented with long-term telecom cable and windfarm maintenance services and sales of subsea telecom systems. Fugro is the preferred provider of marine site characterisation and asset integrity services to Global.
In addition, towards the end of the year we early terminated the long-term charter agreements for the two remaining installation and construction vessels.

We continue to be open to reducing our stake in Seabed Geosolutions or enter into an extended partnership. Seabed Geosolutions expects to benefit from a growing seabed geophysical market focused on oil and gas development and production, its new Manta data acquisition system and the synergies with Fugro's marine division regarding the efficient deployment of nodes using remotely operated vehicles.

Client focus and market leadership

Market leadership is a key strategic driver for Fugro and underpins long-term value creation as market leaders generally enjoy superior through-the-cycle financial performance and are the most resilient in case of downturns.

In the offshore market, Fugro is global market leader in providing marine site characterisation services. We are particularly strong in frontier environments such as deep water. Market shares are high as we are an independent service provider and with our organisation, people and assets we can take on large, integrated projects; leverage our global footprint; and provide the full range of acquisition, analytics and advisory services. In the marine asset integrity space, Fugro holds strong regional positions in Asia-Pacific and Europe. On land, based on the same capabilities as in marine, Fugro is market leader in site characterisation on a regional and local basis, and in our ability to provide integrated services to globally operating clients anywhere in the world. In asset integrity we have leadership positions in specific market segments in selected countries.

Fugro's market leadership is predicated on being an independent services provider. Fugro provides geo-intelligence and asset integrity solutions. Data, information and advice regarding natural resource development and sites for construction of large buildings, industrial plants and infrastructure are vital to costing, design and risk mitigation during the development phase and to mitigate development risk. As independent service provider, we have no conflict of interest with respect to other parties involved in clients' projects and results are provided impartially and confidentially. Furthermore, Fugro increasingly provides asset condition data and information during the asset construction and operational phases.
This information can be used to determine construction quality and operational reliability. To avoid conflicts of interest, such services must be provided independently from parties involved in the construction and maintenance phases of a client's project.

A further requirement to achieve and maintain market leadership is that we consistently meet client project requirements anywhere we operate. To achieve this we provide quality services that are delivered by well-trained people, safely, within budget, on time and meeting client specifications. We use a wide range of high- end equipment including vessels, jack-ups, remotely operated vehicles, autonomous underwater vehicles, laboratories, and a huge range of sensing and measurement equipment. Further, we strive to deliver consistently around the globe by operating to high technical, sustainability, integrity and business standards set for our industries and supplemented by the client's and our own standards. Often the technical requirements demand technology driven, innovative solutions. In 2018 we will be paying particular attention to digitalisation of client deliverables and to introducing innovations that support our clients with solutions that deliver better results, enhance safety, and reduce overall cost of asset development and operation.

In the last few years Fugro has been successful in further strengthening its market leading positions in the currently very competitive oil and gas services market. In site characterisation services for offshore wind, Fugro has become market leader. Based on our global footprint, we are also leading in emerging offshore wind markets in United States of America and the Far East. On land, we are able to maintain our market positions and grow regional positions in specific market segments, for example in digital rail asset integrity management in Europe and digital power network asset management in Australia.

While we strive to provide high quality services that are valuable to our clients, we have to ensure value also accrues to Fugro. With the downturn in our offshore oil and gas market, prices for offshore services have come under strong pressure. To counter this development, we have started a drive to strengthen our commercial capabilities.
This includes developing differentiated and appropriately priced value propositions that are supported higher up in client organisations, and putting more emphasis on account management, in particular with our large, global clients to maintain and develop long-term customer relationships. These steps also support a further strengthening of our market positions.

Organisation

Fugro is constantly adjusting its organisation to better support its clients in managing their projects and operation of their assets in a sustainable, smart and cost effective way. In the past two decades Fugro has successfully served its clients by operating from a large pool of local entities offering specific services. Globalisation has been driving the demand for standardisation and increasing project complexity and cost reductions measures at clients driving demand for large, integrated projects. These demands could not be met with the local operating company model. Over the past years, Fugro has transformed to a centrally coordinated, regionally organised company that operates site characterisation and asset integrity business lines within both a marine division and a land division. Fugro started reporting in the new structure in 2017. During the year, clients' reactions on the new organisational set-up have been positive, as it has strengthened Fugro's ability to more effectively provide standardised and integrated geo-intelligence and asset integrity solutions.

The new organisation offers many benefits. Large integrated projects can in most cases be fully resourced within the regions, so that they can be efficiently executed. The new divisional structure allows us to capture further synergies by having all marine assets under a single central management structure. Similarly, other assets are now regionally or globally pooled. A further benefit is that client and internal requirements for standardisation, quality, digitalisation and technology are much easier to identify, analyse and implement as it is now driven centrally through the business line structure.

To further improve the organisation, Fugro is merging local entities into country organisations. This simplifies the organisation by reducing the number of legal entities.
In 2017, good progress was made and 50 legal entities were closed. In parallel, support functions are being merged into shared service centers, resulting in cost efficiencies and an improved service delivery. Shared service centres are now in operation in Fugro's largest hubs in the USA, EU, Middle East, Asia and Australia. Rationalisation of the legal entity structure and implementation of the shared service centers will be largely finalised in 2018.

Real time

Safe realisation of tunnels in urban area using real time monitoring

5,000 sensors

GeoRiskPortal® has so far been used in 70+ projects world wide

The city of The Hague in the Netherlands has contracted Fugro to monitor any movements of buildings and the ground surface during construction of the Rotterdamsebaan tunnel. Fugro has installed one of the largest monitoring and Internet of Things systems ever developed in the Netherlands. A network of sensors feeds data into Fugro's GeoRiskPortal®, where it is immediately processed and analysed to present the monitoring results in real-time to the client and the contractor.

In combination with Fugro's unrivalled geo-information database and geo-risk management expertise, this solution supports the client with early warning capability, leading to risk reduction and optimised construction performance. GeoRiskPortal® can also be applied during the life time of an asset for early detection of possible failure risks, ultimately reducing maintenance costs.

Instrumentation of offshore windfarm monopile for strain, temperature and vibration with fiber optic sensors, Vlissingen, The Netherlands.

People
Engaged and talented employees are essential for any organisation to function well. Our purpose to contribute to a safe and liveable world, our market leading positions, solutions based on large multi-disciplinary projects, global footprint, and focus on innovation all contribute to creating an exciting work environment with many development opportunities.

Safety is a key priority. Much of our work is performed in challenging environments. Fugro is committed to keeping its employees and others involved in its operations safe by eliminating workplace hazards and preventing incidents. After years of improvement in safety performance, further improvement is stagnating, which is happening industry wide. Fugro is dedicated to further improve its safety performance and uses and promotes Fugro's safety leadership programme to enable everyone to become a safety leader in their own workplace by encouraging peer-to-peer discussions, involvement, engagement and ownership of safety on the worksite. The programme is supported by key clients and is currently being rolled out across Fugro's vessel fleet and other operations in the marine and land environments. The intent of the programme is achieving a step change in safety performance.

We support employee development with an array of tools including in-house training by the Fugro Academy. In the last two years we implemented a group wide talent identification programme which we are expanding in order to improve talent development on a group basis. This will include more attention to broadening diversity, which is important to Fugro.

A short term target is to improve employee engagement. We acknowledge that this is a challenge in a period that Fugro has been restructuring vigorously to deal with the oil and gas downturn. Since the start of 2015 Fugro has had to let go of around 3,500 employees or 25% of the total work force. In addition, the organisational transformation we have undertaken has meant significant change for a lot of people, even if the need for change has been widely appreciated and supported and people recognise it is creating good opportunities. We are addressing employee engagement vigourously, with groupwide communication supported by new group wide collaboration tools. In 2018 we will hold a group wide engagement survey.

Another priority is to transform the human resources function from a mainly transactional to a business partner role. We are establishing an environment that appeals to employees and is supportive of employee engagement and achievement by encouraging safe, productive and positive work practices throughout all aspects of the employment life cycle. A job architecture and job levelling foundation has been designed, which will be implemented in 2018 and which will serve as a platform to develop career programmes. Further priorities for 2018 are the implementation of a new groupwide human resources SaaS solution, a structured group wide approach to succession planning and a groupwide diversity policy.

Technology leadership, innovation and digitalisation
Fugro's leading market position is supported by its technology leadership. Fugro uses high-performance assets, equipment, technologies, software and business processes. Much is developed in-house through research and development, innovation and digitalisation programmes, complemented as needed or when advantageous by

working with clients, suppliers, research institutes and universities. Our technology development and innovation capabilities are a core strength of Fugro and essential to being able to achieve our strategic objectives. We will continue to invest in innovation, with an increasing focus on digitalisation.

Fugro has established a strong tradition in innovation since developing electric cone penetration testing in the 1960s. Other examples, such as the Starfix high accuracy global positioning system, our in-house designed and built remotely operated vehicles and fibre optic sensing tools demonstrate that Fugro continues to be an innovation leader in the markets in which it operates.

Digitalisation is becoming increasingly important as part of technology development and innovation. Clients are starting to embrace digital solutions to increase efficiency and reduce overall cost of development and operations.
For Fugro it creates the opportunity to enhance delivery excellence by developing and offering client project deliverables in fully digital form. Fugro is spending a significant part of its development budget to support this trend. Examples are our cloud based, fully digital asset management solutions for roads, railways and power networks and solutions to provide remote operations offshore. Also internally we are benefiting from digitalisation of our processes.

In 2017, Fugro launched several new technologies and innovations and we organised an innovation fair for clients where we highlighted 35 innovations and other relevant developments. Examples are Quickvision (digital vision-based survey system to support subsea operations), 3D ultra-high resolution seismic surveys (for boulder identification to reduce risk of wind turbine foundation placement and drilling operations) and Seadevil (a hybrid geotechnical system that exploits the advantages of both vessel-based and seafloor drilling, enabling high quality offshore geotechnical samples to be acquired and assessed with greater accuracy and efficiency). A further example is the successful installation of multiple Fugro FAZTFiber™ based road wear monitoring systems, which includes digital cloud based data analysis, management and web delivery of results to clients.

In the technology fields in which Fugro works the number of patents is rising, requiring careful consideration when developing new technologies to apply for patents for novel technologies and applications and to ensure patents of others are not violated or that licensing agreements are put in place. In 2017 we applied for 84 patents.

Balanced market exposure
Fugro is actively seeking to grow in the building and infrastructure, renewables, power, nautical and mining markets. In these markets we provide essential services that support our purpose by contributing to solutions to support a world with a growing, increasingly more affluent population and to mitigate the impact of climate change. In addition, it is desirable to have exposure across multiple markets that run in different cycles and to be active across the different phases of these markets to improve the overall sustainability of Fugro and the robustness of our performance.

Currently Fugro is most exposed to the oil and gas market, in which it generated 57% of its 2017 revenue. Within this market, over the last few years, Fugro has created a balanced exposure across the exploration, development, production and decommissioning life cycle. This is providing some cushion to the current strong downturn in the oil and gas services market.

In 2017, Fugro generated 43% of its revenue from non-oil and gas related markets, up from 34% in 2016. The majority of the shift is attributable to a 9% currency comparable organic growth in the markets outside oil and gas; the other part is due to the reduction of our oil and gas activities resulting from the downturn. Following good growth in its markets outside oil and gas in 2017, Fugro will strive for further growth in 2018.

Achieving a balanced exposure across multiple markets is, where possible, supported by skewing investments to markets where we want to increase exposure on a relative basis. Also, once Fugro regains sufficient balance sheet strength to resume acquisitions, it is anticipated these will be biased towards these markets. Over time, these actions will result in the desired rebalancing.

SUSTAINABILITY

Fugro is committed to conducting its business ethically and responsibly, to contribute with its services to the development of sustainable energy, to support the electrification of society and to support building and infrastructure projects that mitigate the impact of climate change and other geo-hazards. The sustainability topics for

Fugro with the highest priority for our stakeholders and the largest business impact are at the center of our sustainability policies and reporting.

In 2017, the company has adopted the EU Transparency Directive regarding the disclosure of non-financial and diversity information (2014/95/EU). In addition, Fugro endorses the OECD Guidelines for Multinational Enterprises.

Material topics
At the end of 2016, Fugro, in cooperation with an independent sustainability consultant, performed a materiality assessment in order to identify the most relevant sustainability topics for the company and its stakeholders covering economic, environmental and social impacts. Materiality refers to the threshold at which topics become sufficiently relevant to be reported and are therefore important to Fugro's business and stakeholders.

The assessment started with a long list of topics and eventually the selection process resulted in the nine materials topics as shown in the four upper right quadrants of the materiality matrix.

Going forward, Fugro will review this matrix periodically, and adjust its policies and reporting accordingly.

Sustainability framework
In 2017, we further embedded the nine material topics into a sustainability framework, which fully supports Fugro's business objectives and purpose of contributing to a safe and liveable world by being the world's leading, independent provider of geo-intelligence and asset integrity solutions. The topics are embedded in Fugro's values and strategy development and are integrated into its decision making and reporting. The sustainability framework reinforces the implementation of Fugro's overall strategy and supports our economic performance.

Operating safely and compliant
Safety is key to all Fugro's operations, and therefore an essential element of its sustainability approach. Fugro is committed to providing a safe work place for all its employees, subcontractors and clients. Fugro firmly believes that incidents can be prevented by identifying and managing health and safety risks arising from its activities. Management is accountable for training of its employees

Materiality matrix

Relevance for external stakeholders of Fugro			Material topics	
Very relevant		Human rights Sustainable supply chain	Carbon footprint	Employee health & safety Business ethics & anti-corruption
		Biodiversity Waste management and effluents Energy and resource management Support of local communities	Regulatory & legal compliance Diversity & equal opportunity	Stakeholder engagement Employee training & development Sustainable innovation & services Talent attraction & retention
Less relevant		Water resource management Environmental accidents and remediation	Tax policy Environmental compliance Climate change mitigation & adaptation	
		Less relevant		Very relevant
		Relevance for Fugro		

and takes a proactive approach to embed appropriate safety standards and practices in operations and workforce behaviours.

Fugro's global presence exposes the company to regional and local laws, regulations, customs and practices in at times challenging political and economic environments. Fugro is committed to adhere to applicable laws and regulations and expectations of society at large, and to conduct business in an ethical and responsible manner. To ensure this, Fugro has appropriate procedures and training in place. Moreover, management stimulates a culture that drives this commitment and adherence to Fugro's Code of Conduct throughout the organisation.

Valuing people

People are Fugro's strength and future and therefore recruiting, developing, retaining and engaging a diverse pool of talent is key. The company works continually at developing its employees by supporting the further development of their skills and talents and enhancing their knowledge.

Fugro is an equal opportunity employer that values and promotes diversity and treats everyone with integrity and respect, irrespective of gender, age, race, religion or background. The company promotes a strong local presence and benefits from diversity through a better understanding of challenges and complexities from a local point of view.

Partnering for a sustainable world

The increasing global drive to reduce carbon emission caused by fossil fuel consumption is leading to growing investments in renewable energy. Fugro offers site characterisation and asset integrity services and continuously develops new and innovative solutions in support of renewable energy projects, like for example offshore wind farms. In addition, Fugro offers environmental assessments services, and other solutions that assist its clients and other partners in limiting the environmental impact of their operations and to mitigate the consequences of sea-level rising and severe weather events caused by global warming. Reducing the environmental impact of its own activities also is an essential part of Fugro's

Fugro's sustainability framework, linked to UN sustainable development goals

Our purpose	Contribute to a safe and liveable world		
Sustainability drivers	Operating safely and compliant	Valuing people	Partnering for a sustainable world
Focus areas *(Material topics)*	Health & safety	Diversity & equal opportunity	Sustainable innovation & services
	Business ethics & anti-corruption	Talent attraction & retention	Carbon footprint
	Regulatory and legal compliance	Employee training & development	Stakeholder engagement
UN sustainable development goals			

Lead driller onboard Fugro Synergy vessel.

sustainability approach, and is focused on limiting carbon dioxide emissions, mostly of its vessel fleet.

Fugro is actively involved in the communities in which its works. Fugro's people actively engages and consults with a variety of stakeholders.

United Nations sustainable development goals

The United Nations sustainable development goals (SDGs) are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. Of the seventeen interconnected SDGs, Fugro's activities mainly contribute to seven, which are clearly linked to Fugro's purpose, strategy, sustainability framework, practices and culture. For a description of these goals and Fugro's contribution, see the graph on the next page.

Organisation and reporting

Fugro's policies, performance and ambitions regarding its sustainability focus areas (which are equal to its material topics) are addressed in the chapter 'Group performance – sustainability performance'.

The Global Director QA & HSSE, who reports directly to the CEO, coordinates the groupwide development and implementation of the sustainability framework. The relevant topics are managed and monitored by the appropriate corporate directors: Global Director Human Resources, General Counsel & Chief Compliance Officer and Global Director QA & HSSE. Fugro's business entities are responsible for local implementation of relevant practices within the policy framework set by the Board of Management.

The sustainability performance data have mainly been obtained from our global consolidation and management reporting systems. The reporting scope relates to all of Fugro's activities. For certain of the non-financial indicators this is the first year of reporting and for these indicators there is no comparable data on previous years. The maturity of our non-financial performance reporting will grow over time.

MID-TERM TARGETS

In 2014 Fugro formulated mid-term targets, both for the group and per division. Adjusted to the divisional structure as per 2017, the targets are as follows:

	Target range
EBIT margin group	**8 – 12%**
EBIT margin Marine division	10 – 13%
EBIT margin Land division	8 – 11%
EBIT margin Seabed Geosolutions	5 – 10%
Return on capital employed group	**8 – 12%**

The timeframe in which Fugro will realise these targets is dependent on a structural recovery of the oil and gas market. In the current challenging market, Fugro will continue to focus on recovering profitability and delivering positive cash flow.

Taking soil samples in shallow water along the coastline of Dubai.

Fugro contributes to seven United Nations sustainable development goals

Fugro supports professional development of all its employees, and has its own Fugro Academy to facilitate this. Employees are trained to abide by its Code of Conduct and work in accordance with Fugro's core values.

Fugro provides innovative solutions for development of a variety of clean energy resources. The company focuses on reducing its own carbon footprint, most notably from its vessel fleet, through a variety of technical innovations and programs, and promotes the energy efficiency of its offices.

Fugro treats people with dignity, respect and offers equal opportunities for all based on performance and development. Fugro works in parts of the world where equality and labour rights may be viewed differently. While recognising this, high business ethics in general and the compulsory training on the Code of Conduct in particular ensure that all within the company live up to the core values.

Fugro's HSSE policies and programs are focused on the wellbeing of employees, by managing safety in the workplace. Fugro adheres to local and international guidelines and legislation, and applies and promotes (industry) best practices in line with its human rights policy and core values.

Fugro's site characterisation and asset integrity solutions and innovations ensure the safe and sustainable development and management of a broad variety of infrastructure assets in the world.

Fugro actively contributes its expertise and vast knowledge of subsurface conditions to urban development initiatives and protection of cities and communities from flooding. Fugro is part of the Human Cities Coalition, a Dutch public-private partnership dedicated to making cities more sustainable, inclusive and resilient.

Fugro adheres to local and international guidelines and legislation and applies and promotes best practices in line with its human rights policy, core values and the objectives of SDGs 8 and 10.

GROUP PERFORMANCE

FINANCIAL PERFORMANCE

Highlights

- Year-on-year revenue decline of 15.7% or 13.2% on a currency comparable basis. Revenue from non-oil and gas markets increased by 9.4%.
- EBIT margin (excluding exceptional items) decreased to -2.1% mainly due to low utilisation in the Asia Pacific region, incidental operational issues and price pressure in the Marine division, and lower activity levels at Seabed Geosolutions. The margin of the Land division improved. EBIT margin for the group was higher in the second half than in the first half year.
- Net cash from operations was EUR 24.4 million and net investments were EUR 74.9 million, resulting in cash flow of -EUR 50.5 million. In the second half year, cash flow was EUR 15.6 million positive.
- Net debt/EBITDA of 1.9, well below covenant requirement of maximum 3.0.
- Backlog for the next 12 months is down 7.3% on a currency and portfolio comparable basis compared to a year ago, and up by 9.1% compared to the third quarter of 2017.
- Outlook 2018: As the oil and gas market is stabilising and other markets are growing, Fugro expects stabilising revenue, an improved EBIT margin and a positive cash flow from operating activities after investments.

Highlights income statement

Revenue

Revenue decreased by 13.2% at constant currencies caused by over-capacity and pricing pressure in the oil and gas market. In 2017, revenue from oil and gas decreased by 16.3% in Marine and 47.3% in Land. Revenue from other markets increased by 9.4%, supported by favourable economic conditions and a few relatively large projects in power and infrastructure.

Revenue by region [1] (x EUR million)	2017	2016	Reported growth
Europe	581.2	629.0	(7.6%)
Americas	334.9	373.1	(10.2%)
Asia Pacific	303.1	384.8	(21.2%)
Middle East and India	220.6	299.2	(26.3%)
Africa	57.6	89.7	(35.8%)
Total	1,497.4	1,775.9	(15.7%)

1 By region of origin.

Revenue by division (x EUR million)	2017	2016	Reported growth	Currency comparable growth
Marine	947.3	1,096.1	(13.6%)	(11.3%)
Land	476.0	506.8	(6.1%)	(3.0%)
Geoscience	74.1	173.0	(57.2%)	(55.7%)
Total	1,497.4	1,775.9	(15.7%)	(13.2%)

Performing cone penetration tests for reconstruction of quay wall in center of Amsterdam, The Netherlands.

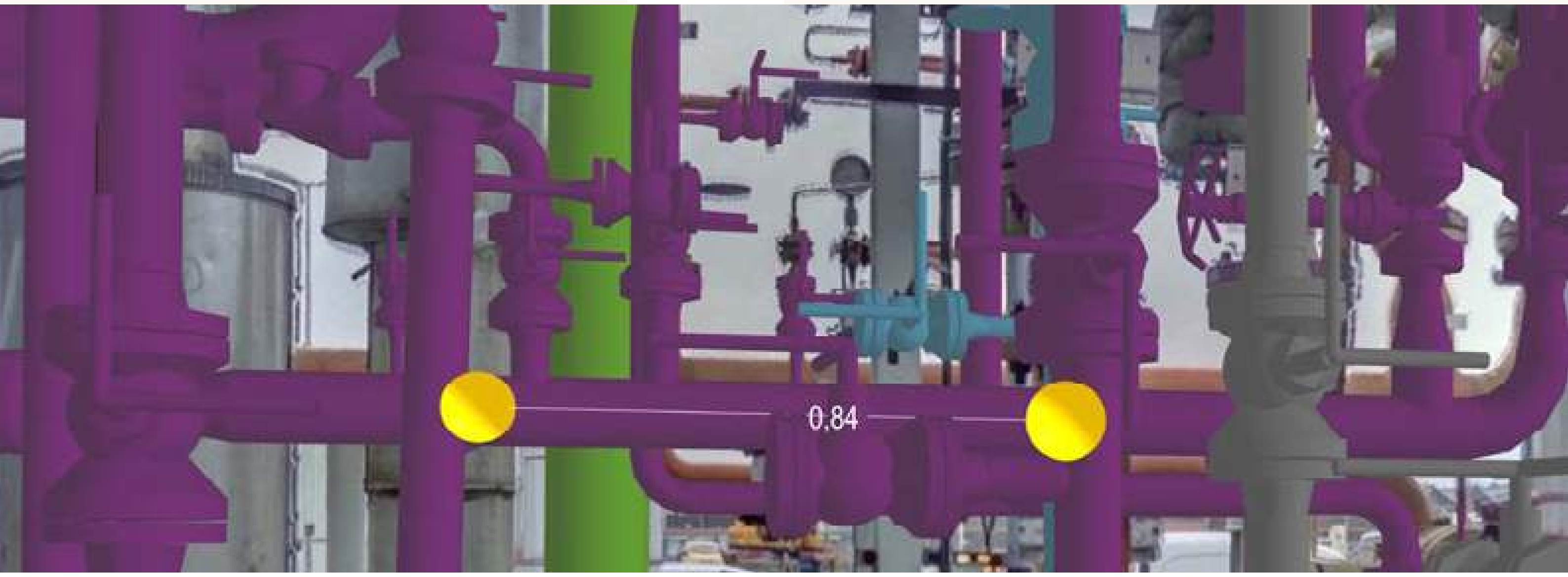
Revenue decline due to disposals related to the divestment of the marine construction and installation activities. The trenching and cable laying assets were divested to Global Marine Holdings on 30 November 2017 and two long-term charter agreements were terminated early in November.

Revenue growth 2017	Organic	Exchange rate	Acquisitions	Disposals	Total
	(11.0%)	(2.5%)	–	(2.2%)	(15.7%)

EBIT

EBIT by division (x EUR million)	2017				2016			
	Reported		Excluding exceptional items		Reported		Excluding exceptional items	
	EUR	Margin	EUR	Margin	EUR	Margin	EUR	Margin
Marine	(56.5)	(6.0%)	(43.3)	(4.6%)	(160.9)	(14.7%)	(18.8)	(1.7%)
Land	15.7	3.3%	21.4	4.5%	(20.1)	(4.0%)	6.6	1.3%
Geoscience	(10.9)	(14.7%)	(10.2)	(13.8%)	(37.7)	(21.8%)	20.7	12.0%
Total	(51.7)	(3.5%)	(32.1)	(2.1%)	(218.7)	(12.3%)	8.5	0.5%

EBIT margin (excluding exceptional items) decreased from 0.5% to a loss of 2.1% mainly due to price pressure and incidental operational issues in the Marine division, and a lower activity level at Seabed Geosolutions. EBIT for the Land division was significantly above last year, reflecting improved profitability and a positive one-off of EUR 6.1 million from a contractual settlement.



A digital copy of an industrial plant helps clients to lower maintenance costs.

Exceptional items by division (x EUR million)	Marine	Land	Geoscience	Total
Gain/ (loss)				
Onerous contract provision	(17.0)	(0.6)	–	(17.6)
Restructuring costs	(5.8)	(5.7)	(0.7)	(12.2)
Other	7.6	2.8	–	10.4
EBITDA impact 2017	(15.2)	(3.5)	(0.7)	(19.4)
Impairments	2.0	(2.2)	–	(0.2)
EBIT impact 2017	(13.2)	(5.7)	(0.7)	(19.6)
EBITDA impact 2016	(15.6)	(12.7)	(6.2)	(34.5)
EBIT impact 2016	(142.1)	(26.7)	(58.4)	(227.2)

EBIT was impacted by exceptional items in total EUR 19.6 million. Key items were:
- Onerous contract provision: mostly fees in connection to the early termination of two long term construction and installation vessel charters
- Restructuring costs
- Other: gain on the proceeds from the sale of an office building in the United Kingdom
- Impairments: reversal of impairments on the divested trenching and cable laying assets, offset by impairments on some specific vessels and equipment.

Finance costs

The decrease in the finance income is mainly related to less interest income as a consequence of the sale of the CGG vendor loan in 2016. Interest expenses decreased from EUR 65.0 million to EUR 48.0, mainly as a result of the changes in debt mix with a lower average interest rate. The EUR 48.0 million interest expenses in 2017 included EUR 24.0 million consisting of accelerated amortisation of capitalised amendment fees, fee payments in connection with the early repayments of the US private placement loans, and accrued interest as a consequence of the amortised interest accounting relating to the convertible bonds.

The negative exchange rate variances of EUR 28.2 million are mostly caused by the strengthening of the Euro.

Finance costs (x EUR million)	2017	2016
Finance income	5.4	8.9
Interest expenses	(48.0)	(65.0)
Net change in fair value of financial assets	0.1	(0.3)
Exchange rate variances	(28.2)	(14.5)
Finance expenses	(76.1)	(79.8)
Net finance costs	(70.7)	(70.9)

Share of profit/ (loss) of equity accounted investees
The profit in equity accounted investees of EUR 4.7 million (net of tax) is mostly related to the joint ventures with China Oilfield Services Limited, Wavewalker B.V. and joint ventures in Azerbaijan and Iraq.

Income tax expense
Income tax expense was driven by taxable profits in certain countries. In addition, in a number of jurisdictions no deferred tax assets were recognised for current year tax losses and previously recognised deferred tax assets were partially written down because of recoverability risk with a significant impact in the USA. Furthermore, the effect of domestic tax rate change on the deferred tax asset in the USA was EUR 9.4 million.

Tax (x EUR million)	2017	2016
Tax excluding exceptional items	(47.9)	(13.2)
Tax on exceptional items	0.3	4.0
Total tax	(47.6)	(9.2)

(Gain)/ loss on non-controlling interests
The loss attributable to non-controlling interests was EUR 0.3 million and was mostly the result of the negative result in Seabed Geosolutions, offset by the profit of a subsidiary in the Middle East. The decrease compared to last year is mainly caused by Seabed Geosolutions, in which CGG has a 40% interest and was profitable in 2016.

Profit from discontinued operations
The profit from discontinued operations is related to the release of provision for tax indemnities and warranties connected to the sale of majority of the Geoscience business to CGG in 2013.

Net result

Net result (x EUR million)	2017	2016
EBIT	(51.7)	(218.7)
Net finance costs	(70.7)	(70.9)
Share of profit/ (loss) in equity accounted investees	4.7	(2.2)
Income tax expense	(47.6)	(9.2)
(Gain)/ loss on non-controlling interests	0.3	(7.9)
Net result	(165.0)	(308.9)
Profit from discontinued operations	5.1	–
Net result (including discontinued operations)	(159.9)	(308.9)

Highlights balance sheet and cash flow

Intangible assets
The change in intangible assets from EUR 393.5 million to EUR 372.3 million was mainly related to a decrease in goodwill by EUR 20.4 million, driven by foreign currency translation differences.

Working capital
Working capital as a percentage of revenue was broadly in line with prior year. Fugro managed to further improve days of revenue outstanding by 7 days through improved billing and cash collection. The year-on-year revenue decline in the fourth quarter of 9.5% was the other main reason for the decline in receivables and payables.

Working capital (x EUR million)	2017	2016
Working capital	164.9	192.9
Working capital as % of last 12 months revenue	11.0%	10.9%
■ Inventories	30.5	22.1
■ Trade and other receivables	477.0	546.2
■ Trade and other payables	(342.6)	(375.4)
Days revenue outstanding	85	92

Return on capital employed

The decrease in capital employed is the result of lower working capital, decrease of deferred tax assets, capex significantly below depreciation plus amortisation and currency translation effects. The return on capital employed was below last year due to increased net operating losses.

Return on capital employed (x EUR million)

				2017				2016
	YE16	HY17	YE17	Average	YE15	HY16	YE16	Average
Capital employed	1,341.2	1,267.8	1,184.1	1,264.4	1,689.7	1,481.0	1,341.2	1,504.0
Exceptional items EBIT impact	–	25.3	19.6	15.0	–	151.7	227.2	126.3
Exceptional items tax impact	–	(0.2)	(0.3)	(0.2)	–	(2.6)	(4.0)	(2.2)
Adjusted capital employed	1,341.2	1,292.9	1,203.4	1,279.2	1,689.7	1,630.1	1,564.4	1,628.1
				12 months rolling				12 months rolling
EBIT excluding exceptional items				(32.1)				8.5
Equity accounted investees				4.7				(2.2)
Profit before tax [1] excluding exceptional items				(27.4)				6.3
Tax expense [2]				(14.6)				(17.3)
NOPAT excluding exceptional items				(42.0)				(11.0)
Return on capital employed				(3.3%)				(0.7%)

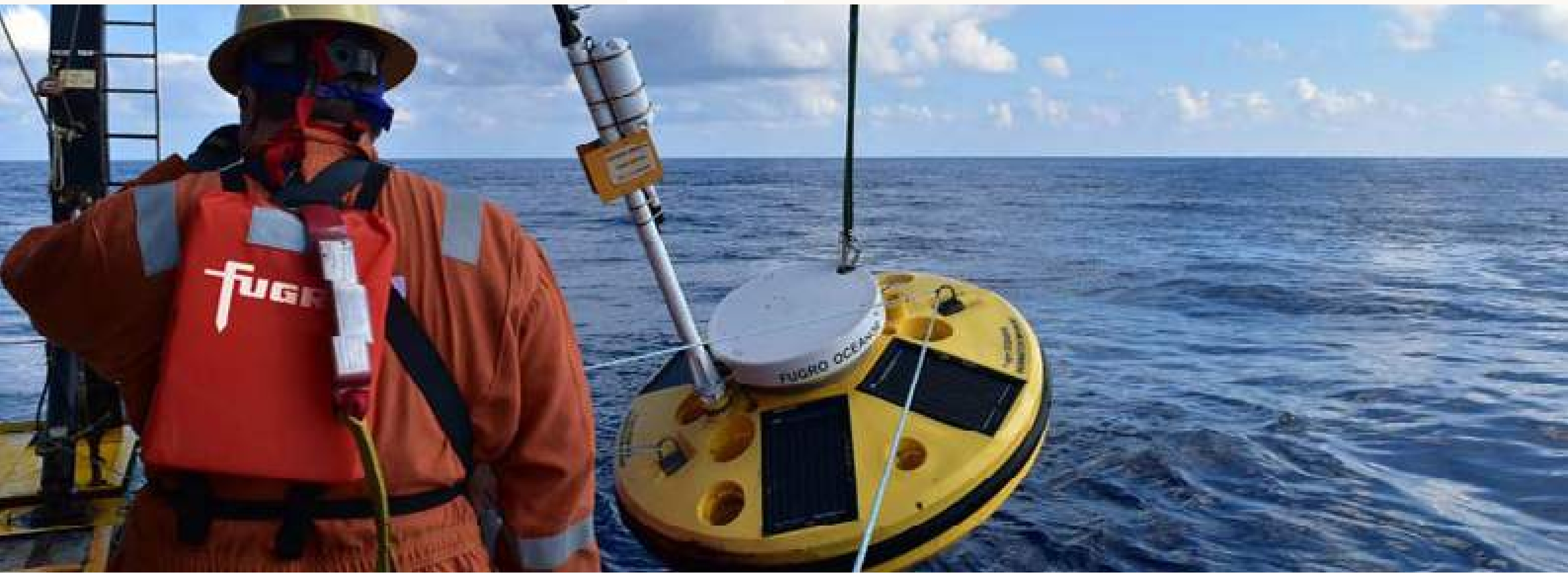
1 Excluding net finance costs.

2 Tax on profit excluding net finance costs.

Capital expenditure

Capital expenditure increased from EUR 92.5 million to EUR 108.0 million and included the purchase of the REM Etive vessel, including equipment, for EUR 23.6 million and EUR 17.0 million on the new ocean bottom nodes for Seabed Geosolutions. Other capital expenditure was almost entirely related to regular maintenance and project equipment.

Capital expenditure (x EUR million)	2017	2016
Maintenance capex	37.0	33.2
Other capex (including fixed assets under construction)	71.0	59.3
Total capex	108.0	92.5



Recovery of wavescan buoy, Gulf of Mexico.

Cash flow

Cash outflow from operating activities after investments of EUR 50.5 million was the result of a reduction in cash generated from operating activities and an increase in capex, partly offset by the proceeds from the sale and lease back of an office building in United Kingdom. Last year's cash flow included proceeds from the sale of the CGG term loan (EUR 62.5 million) and the sale and leaseback of a geotechnical vessel (EUR 48.6 million).

Cash flow from financing activities of EUR 53.6 million was largely related to the placement of the subordinated convertible bonds and drawings under the revolving credit facility, used to repay the US private placement loans.

Cash flow (x EUR million)	2017	2016
Cash flow from operating activities	24.4	130.8
Cash flow from investing activities	(74.9)	55.3
Cash flow from operating activities after investments	(50.5)	186.1
Cash flow used in financing activities	53.6	(228.0)
Net cash movement	3.1	(41.9)

Financial position

Net cash from operations was EUR 24.4 million and net investments were EUR 74.9 million, resulting in cash flow of -EUR 50.5 million. Working capital was well managed, resulting in a decline in days of revenue outstanding from 92 to 85 days. As a percentage of revenue, working capital was 11.0%.

Net debt increased from EUR 351.0 million to EUR 430.4 million, primarily as the result of the negative cash flow and the exchange rate impact on cash positions.

On 2 November, subordinated convertible bonds were successfully issued with proceeds of EUR 100 million. The proceeds were used for full repayment of the outstanding United States private placement loans, leading to reduced interest expenses and extension of the debt maturity profile.

The debt component of the subordinated convertible bonds and related interest costs are excluded from the covenant ratios, creating additional headroom. The subordinated convertible bonds (EUR 190 million maturing in 2021 and EUR 100 million maturing in 2024) contain a debt component of EUR 243.2 million and an equity component of EUR 37.5 million as at 31 December 2017. This results in a net debt for covenant purposes of EUR 187.2 million as at 31 December 2017.

Fugro is well within its covenants. Net debt/EBITDA was 1.9 at year-end 2017 compared to 2.9 at the end of September and a covenant requirement of maximum 3.0. The fixed charge cover improved to 2.2 compared to 1.9 at the end of September 2017 and a covenant requirement of at least 1.8 as a result of reduced interest and lease expenses.

3D laser scanning at water pumping station, Terwisscha, The Netherlands.

In December 2017, after the placement of the EUR 100 million subordinated convertible bonds, the additional covenants agreed with the owner of two geotechnical vessels (following the issue of the EUR 190 million subordinated unsecured convertible bonds in October 2016) were adjusted as follows:

- total net debt excluding the debt component of the EUR 100 million subordinated convertible bonds should not exceed EUR 400 million
- consolidated EBITDA should be at least EUR 90 million (EUR 100 million from the third quarter of 2018 onwards).

Foreign currency

As a result of the fluctuations in average exchange rates during the year, the net foreign exchange effect in the profit and loss was EUR 28.2 million negative (EUR 14.5 million negative in 2016). The currency translation difference related to foreign operations had a negative effect of EUR 116.5 million on equity per 31 December 2017 (31 December 2016: EUR 26.9 million positive). The majority of the translation difference relates to the US dollar and British pound.

Exchange rates (versus Euro)	2017 Year-end	2017 Average	2016 Year-end	2016 Average
US dollar	0.84	0.88	0.95	0.91
British pound	1.12	1.14	1.16	1.22

OUTLOOK

Backlog per division for next 12 months (x EUR million)	2017	2016	Reported growth	Comparable growth[1]
Marine	545.3	719.8	(24.2%)	(7.6%)
Land	273.6	356.4	(23.2%)	(17.0%)
Geoscience (Seabed Geosolutions)	108.9	93.4	16.6%	31.9%
Total	927.8	1,169.6	(20.7%)	(7.3%)

1 Backlog growth corrected for currency effect and for portfolio changes related to discontinued marine construction & installation activities.

Outlook

The oil and gas market is stabilising. Oil prices have risen to above US$ 60 per barrel Brent and clients are increasingly taking final investment decisions regarding new offshore field developments. As there is still overcapacity in the market, it is uncertain at what pace the challenging pricing environment in oil field services will improve. In the building & infrastructure and renewables markets Fugro expects continued growth, driven by global economic growth, population growth, urbanisation and an ongoing shift towards renewable energy.

As the oil and gas market is stabilising and other markets are growing, Fugro expects stabilising revenue, an improved EBIT margin and a positive cash flow from operating activities after investments. Capex is expected to be around EUR 80 million.

Dividend

Due to the negative net result, Fugro will not propose to pay a dividend over the year 2017.

EMPLOYEES

At the end of 2017 the number of employees was 10,044 (2016: 10,530). In most local entities, reductions in staff were implemented during the year as part of the ongoing cost reduction and performance improvement measures. The net effect of these reductions and few new hires was a decrease of 486 employees. The average number of employees for the year was 10,287 (2016: 11,245), a decrease of 8.5%.

Employees by region	2017	2016
Europe	3,316	3,251
Americas	2,088	2,276
Asia Pacific	2,076	2,127
Middle East & India	2,108	2,086
Africa	456	790
Total (at year-end)	10,044	10,530
Total (average)	10,287	11,245

OVERVIEW IMPORTANT CONTRACTS

EUROPE

Denmark – Fugro is carrying out a unique site characterisation contract for the wind turbine locations and inter array cables of Vattenfall's Kriegersflak wind farm. The services include the detection of unexploded ordnance and subsurface boulders, in situ testing and laboratory tests. With the complete spectrum of services Fugro is helping to mitigate ground risk during the construction and installation phases.

The Netherlands – Fugro is providing consultancy and site characterisation services for the Zuidasdok project to the ZuidPlus engineering and construction partners Fluor, Heijmans and HOCHTIEF. The project is one of the largest infrastructure projects in The Netherlands and includes the widening and partial tunnelling of the busy A10 highway, high way and expansion of the Amsterdam South railway station. Fugro will provide monitoring services, geotechnical risk management consulting services and soil investigations throughout the project, which is expected to be continue until 2028.

The Netherlands – Fugro is working on a survey to identify unexploded ordnance at the Borssele wind farm. The contract includes specialised survey and identification work in relation to cable routes for the planned grid connection between TenneT's two offshore platforms and its high-voltage substation onshore. The award follows a number of multi-disciplinary site characterisation contracts undertaken by Fugro since early 2015.

Norway – The largest road project in Norway's history has seen Fugro win a second major contract from the Norwegian Public Roads Administration for the E39 coastal highway. The data will support foundation designs of the bridge and tunnel solutions for the fjord crossings.

Norway – Fugro has been awarded a long-term contract for the provision of rig positioning services to Statoil Petroleum. The contract includes positioning of all rigs and associated vessels operating for Statoil. It includes use of proprietary technology to remotely configure the offshore systems from Fugro's onshore bases which will reduce mobilisation times.

Switzerland – Fugro was contracted for a 2-year framework contract by Swissgrid, the national grid company, to survey its electricity transmission assets. The goal is to create a 3D-model of the network combined with cloud-based analytics to extract valuable information on asset condition and possible vegetation infringements.

United Kingdom – Heathrow Airport has awarded Fugro a five year framework contract for ground investigation works as part of its major redevelopment programme, comprising the development of a third runway, diversion of the M25 motorway and a new terminal. Fugro has been on site since late 2017 and has undertaken investigations works to extract soil samples and undertake associated in situ and laboratory testing.

AMERICAS

Brazil – Seabed Geosolutions was awarded a large 3D ocean bottom node (OBN) survey in Petrobras' Santos Basin. The new, highly efficient Manta® node system will be used for the industry's largest ever OBN survey, spanning more than 1,600 square kilometres.

Canada – Fugro teamed up with Amplified Geochemical Imaging in search of hydrocarbon seeps (leakages) as indicator of the presence of oil or gas reserves, in advance of Canada's 2018 East Coast licensing round. The data will support clients' exploration programmes. The seafloor mapping included the acquisition of 10,500 square kilometres of geophysical data, followed by geochemical sampling and heat flow measurements at targeted locations with further lab analysis to deliver an integrated data package.

Guyana – As during the previous two years, in 2017 Fugro was involved in site characterisation for ExxonMobil's offshore Liza development, undertaking various geophysical, geotechnical and geoconsulting campaigns. There is good potential for future projects in Guyana, based on continuing exploration success.

Mexico – Fugro was contracted for a multi-disciplinary site characterisation programme for ENI in Area 1 in the Campeche Bay. The work is in support of a new discovery and includes geotechnical engineering and soils analysis, geophysical surveys for site investigation and pipeline corridor evaluation, near-shore and onshore geotechnical, land survey and site evaluation. The project is a continuation of work performed for ENI in late 2016 and will continue through mid-year 2018.

Oedometer test gives information on compressibility of soils, Luanda, Angola.

Trinidad and Tobago – Fugro was contracted by Shell Trinidad and Tobago Limited to conduct a high-resolution site survey. The scope of work consisted of high-resolution 2D seismic, analogue geophysical, and light geotechnical work. BP also contracted Fugro for extensive work in Trinidadian waters throughout 2017.

USA – Fugro was contracted for several site characterisation surveys for future wind farms off the East Coast. Deepwater Wind awarded a geophysical and geotechnical survey. In addition, Fugro was contracted by Ørsted to undertake geotechnical investigations at the Bay State Wind farm, off the coast of Massachusetts and the Ocean Wind farm, off the New Jersey coast. For laboratory testing and data analysis, Fugro will draw on its expertise with wind farms in Europe and provide fully integrated results.

USA – The Alaska Department of Transportation & Public Facilities awarded Fugro the initial phase of a potential multi-year contract to collect, process and deliver a wide range of digital roadway data for public roads. Fugro will also implement a suite of roadway data applications that will feed into the Department's existing business systems to facilitate informed decision-making and support transportation programmes.

AFRICA

Angola – Fugro secured a further three year contract to provide Total E&P Angola with survey and positioning services relating to its activities in Blocks 17 and 32. The services are a continuation of the work performed over the last 12 years, with an expansion in the latest contract to include subsea metrologies.

Nigeria – Seabed Geosolutions has been awarded a 4D OBN project for Shell Nigeria Exploration and Production Company. The project in the Bonga field will use Seabed Geosolutions' Hugin Explorer vessel equipped with CASE Abyss® nodes and will commence in the first quarter of 2018.

Senegal/Mauretania – Fugro was awarded a fast track site characterisation contract for Cairn Energy on its SNE fields, approximately 120 kilometres offshore Dakar. The work comprised deepwater geophysical and geotechnical surveys.

MIDDLE EAST AND INDIA

Egypt – In the year under review, Fugro has worked on several site characterisation campaigns for the Zohr development, the largest gas field in the Mediterranean Three Fugro vessels were covered over 200 vessels days. Geophysical pre-engineering reporting and basic geotechnical laboratory testing of the soil samples was done in Cairo, Egypt and advanced testing in Wallingford, United Kingdom.

India – Fugro has commenced integrated survey work for the oil and gas company ONGC. The contract calls for engineering surveys for field developments off both western and eastern shores. The scope of the work includes bathymetric surveys, seabed mapping, shallow seismic profiling and well head investigation. Fugro has been supporting field developments offshore India for over two decades.

India – Fugro was awarded an offshore site investigation programme in Block KGD6, off the east coast by Reliance Industries Limited. The scope of work includes geotechnical data acquisition in water depths ranging from 500 to 1,500 metres, using a sea floor drill. The campaign period is about 50 days followed by a detailed advanced laboratory testing and engineering programme.

Saudi Arabia – Fugro provided extensive construction support and ROV services to McDermott on various projects for Saudi Aramco in the Arabian Gulf. Fugro provided its novel 3Direct positioning system to install a series of jackets.

United Arab Emirates – Fugro conducted a geotechnical site characterisation campaign for the new addition to Dubai's skyline, 'The Tower at Dubai Creek Harbour', which is expected to surpass the 828-metre high Burj Khalifa. Fugro carried out one of the most comprehensive geotechnical investigations in the region, and tested the in situ performance of the proposed foundations.

United Arab Emirates – Fugro has commenced a site characterisation programme on one of the largest sour gas fields projects ever developed by Abu Dhabi National Oil Company, the Hail and Ghasha fields. The project will see the construction of artificial islands that will be used for the drilling of wells and to support production facilities. Fugro will deploy its state-of-the-art geotechnical and surveying solutions in this environmentally sensitive area.

ASIA PACIFIC

Australia – Essential Energy is New South Wales' electricity infrastructure company, its 200,000 kilometre network servicing more than 800,000 homes and businesses. To enhance the understanding of its network and for example vegetation related risks, Essential Energy has been using Fugro Roames technology since 2014 to build a 3D, virtual world representation of its network, allowing informed decision making.

Australia – Following the successful execution of the geophysical survey for Shell's proposed Crux pipeline, Fugro has been awarded the geotechnical investigation to establish the soil characteristics of the seabed, relevant for the siting of other subsea assets in the Crux Field. The work will be undertaken using the Fugro Voyager commencing in the first quarter of 2018.

Australia – Fugro have been awarded contracts to perform inspection of subsea assets, removal and replacement of subsea infrastructure as part of an inspection campaign for a major oil and gas operator in Australia's North West Shelf region. The work scope includes saturation diving services and will be executed in 2018.

Papua New Guinea – The National Maritime Safety Authority awarded Fugro six packages of work valued funded by the Asian Development Bank to conduct hydrographic surveys. The Maritime Waterways Safety Project aims to improve the safety and efficiency of the country's international and national shipping.

Papua New Guinea – Fugro was contracted to join the search for lost WW1 submarine, HMAS AE1. Using specialised survey technology, Fugro scanned the seafloor to collect detailed data. On 19 December an object of interest was located and further inspection confirmed that it was AE1. Following the discovery of the submarine, a service was conducted onboard the Fugro Equator to commemorate the 35 crew.

Philippines –Fugro was awarded a site characterisation contract at a major power generation complex near Batangas City. The contract involves drilling, cone penetration testing, pressure-meter testing, engineering geophysics and laboratory testing. This six-month contract will provide information to support the design and construction of new facilities.

Hong Kong – Throughout 2017, Fugro was working on several contracts for the various contractors involved in the ground improvement and reclamation works for the third runway at Hong Kong International Airport. In the current phase of the works, Fugro has provided a wide range of environmental and geotechnical services to the various contractors including marine mammal monitoring, real-time water quality monitoring, geodetic monitoring of the existing airport infrastructure adjacent to the reclamation works.

Optimisation

Optimisation of foundation design on one of world's tallest buildings

anticipated height of 928 metres

36,300 tons: world record for deep foundation testing load, applied on a single barrette

Fugro was contracted by Emaar Properties in advance of the construction of the Dubai Creek Tower, which is expected to be completed in time for the Dubai Expo trade fair in 2020.

Because of the height and unique design of the structure, detailed ground engineering is critical to reducing risks and maintaining the project on its tight schedule.

In August 2017 Fugro completed one of the most comprehensive geotechnical site investigations ever performed in the region. The study allowed the engineering firm to optimise the initial design of the deep foundations, allowing the client to save costs on construction.

Fugro also undertook additional load testing of the proposed foundations at the construction site, using a state-of-the-art combination of fiber optics and Fugro's Osterberg Cells®. The fiber optics installed in some of the foundations can also be used to track the actual behaviour of the foundations once the tower is completed.

SUSTAINABILITY PERFORMANCE

Social performance

Health & safety

Fugro is committed to providing a safe working place to its employees, contractors and clients, and promotes continuous health and safety education.

Focusing on employee health and safety is an integral part of Fugro's operational management. Fugro firmly believes that incidents can be prevented and has therefore implemented an organisation wide health, safety, security and environment (HSSE) management system, which defines Fugro's groupwide related standards and policies. Fugro continuously reviews potential areas of improvement and ensures thorough evaluation of every incident.

All operations with a relatively high safety risk profile need to operate in accordance with OHSAS 18001, the world's most recognised occupational health and safety management systems standard, or equivalent certification. At year-end 2017, 97% of Fugro's operations are executed under a OSHAS 18001 or similar certified management system.

Fugro promotes visible leadership and a sense of responsibility throughout the organisation, in particular with respect to safety. Senior managers set and implement the relevant policies and procedures, decide on organisational objectives and priorities and lead by example. At the same time every single employee is personally responsible for his own, and his co-workers', safety.

Key activities in 2017 included:

- Continued roll out 'Managing safely in Fugro', a 3 day class room course for (middle-) management and supervisors accredited by Institute of Occupational Safety and Health in the United Kingdom (IOSH). By the end of 2017, 75% of the targeted employees have taken this training; full coverage is targeted for 2018
- Internal publication of several new and updated corporate HSSE standards, with a full review of all corporate standards published in January 2018
- A company-wide refocus on Fugro's 12 Golden Rules of HSSE which will finish in the early months of 2018 with the aim to strengthen the understanding, awareness and compliance with the company's Golden Rules of HSSE at all its operations
- Continued roll out of the safety leadership programme to enable everyone to become a safety leader in their own workplace. It involves a suite of tools to further support the safety culture on worksites by encouraging peer-to-peer discussions, involvement, engagement and personal ownership of safety on the worksite. In 2018 the programme will be expanded to the full fleet of Fugro's owned and third party vessels and other worksites in both the Land and Marine divisions.

	Lagging indicators			Leading indicators	
	Lost time injury frequency (x million hours)	Total recordable case frequency (x million hours)	Total lost work days	Senior management project and site visits [2]	Number of participants that completed MSiF course [1]
2013	0.81	2.17	820	–	–
2014	0.74	2.67	503	155	72
2015	0.45	1.79	258	967	564
2016	0.67	1.89	403	373	565
2017	0.66	1.68	502	552	274

1 Managing safely in Fugro.

2 As of 2016, visits of project managers are excluded.

Panel session during Fugro Innovation fair.

Fugro suffered one fatal incident in 2017 offshore Congo when a member of a remotely operated vehicle crew sustained fatal injuries during maintenance operations. This tragic incident shows that the company must continue to work on its safety awareness and performance.

Fugro's HSSE efforts over the years have been effective in improving related performance. However, in recent years the rate of improvement has been stagnating, which is an industry wide trend. Although Fugro's total recordable case frequency (TRCF) improved in 2017, lost time injury frequency (LTIF) was only marginally better.

To continuously improve safety performance, it is essential that not only lagging but also leading safety metrics are monitored. The leading indicator 'senior management site visits' improved during 2017; the number of participants of the 'Managing safely in Fugro' HSSE training declined under the pressure of cost efficiency in response to the prevailing market conditions. Fugro aims to finalise the course for the initial target group by the end of 2018.

Fugro's objective is to achieve safety indicators which are at least in line with the benchmark for the sectors in which it operates or higher. On the key LTIF indicator, the target is to achieve an LTIF of less than 0.3 per million man hours worked. For Fugro this is a high bar, as a large number of our staff work in general civil construction where safety standards are lower than in the oil and gas industry.

The stagnating improvement in safety performance during the last two years is being addressed and for 2018 the company targets a year-on-year improvement measured in both the leading and lagging indicators, amongst others through continuous training and senior management engagement, further focus on the company's safety culture, increased focus on improving employee awareness and engagement through Fugro's safety leadership programme and further focus on compliance with the Golden Rules of HSSE and existing procedures.

Fugro's commitment to health and safety and Fugro's performance continues to be recognised by external organisations, as evidenced by the various awards and formalised client recognitions Fugro and its employees received again in 2017:

- In the United Kingdom a number of Fugro's activities received Golden Awards from The Royal Society for the Prevention of Accidents. Fugro's UK based Site Characterisation business line was highly commended in the safety initiative/improvement category at the British Drilling Association's annual awards for its approach to geotechnical drilling at the Moorside project, notably completing the project without a single lost time incident
- In Malaysia Shell Fugro received an award for 25 years LTI-free operations with the Shell Malaysia Geomatics Department. Fugro was a Bronze Winner in recognition of exemplary HSE work culture and outstanding safety performance
- In Brunei, apart from recognition for 15 years LTI-free operations with Brunei Shell Petroleum Geomatics Department, Fugro received the Petronas Contractor Appreciation Award 2017 for excellent performance in 2016.

In addition to the above mentioned OSHAS 18001 certified management systems, by the end of 2017, 98% of Fugro's activities are executed under a ISO9001 or similar certified management system.

Wharf stability evaluation, Port of Los Angeles.

Employee training and development

Developing, retaining and engaging a diverse pool of talent is key to the success of Fugro.

The internal Fugro Academy will continue to be instrumental in the further development of behavioural, commercial technical and management skills of employees at all levels in the company. Fugro Academy combines class room, onsite and virtual training and operates dedicated live marine training facilities. Over time, the range and depth of courses available to staff has continued to grow. Selected courses use external expert support. Since its inception in 2007, user numbers and course completions have continually grown.

Fugro Academy was the winner of the Learning and Development Award of the Year at the HR Network Scotland National Awards Ceremony 2017 in Glasgow.
The nomination was made for the work the Academy has been doing around leadership development, specifically the junior, middle and senior leadership development programmes launched in 2014.

In 2017 and continuing into 2018, Fugro Academy is supporting the roll-out of two major initiatives across the group: the Code of Conduct and the Golden Rules of HSSE, in addition to supporting the normal syllabus.

For the Golden Rules refresh campaign, a significant effort was put into the design and creation of a series of e-learning animations to illustrate the key points of each rule, showing best practice for each topic as well as highlighting some bad practices which should be avoided. In 2017, 3,815 employees (2016: 957) completed the e-learning course.

Developed together with the corporate legal department, the Code of Conduct roll-out represents a large scale e-learning programme deployed in 11 different languages to ensure the message and information reaches as wide an audience as possible across Fugro. The multi-phase regional deployment will continue into the first quarter of 2018.

Utilisation of Fugro Academy grew over the past year. In 2017, a total of 8,557 staff made use of the system, with total enrolments on courses almost reaching half a million in total since 2017. Courses per user fell in 2017 as a combination of increased number of users and the focus on the mentioned specific campaigns.

Fugro Academy statistics

Year	Enrollments	Completed courses
2013	49,784	49,659
2014	85,710	85,331
2015	77,757	76,954
2016	59,659	59,659
2017	77,136	75,766

During 2017, in partnership with the global HSSE team, Fugro Academy continued the group-wide roll-out of the in class training of 'Managing safely in Fugro' and the 'Working safely in Fugro' e-learning courses. Fugro Academy also continued the supervisor's training programme, with 109 participants in 2017.

Talent attraction and retention

Fugro is a service provider and working with motivated, engaged employees is critical to the business and to achieving the company's strategic objectives. Fugro is committed to employ talented staff and keep employee turnover limited, which is a challenge in a period that Fugro has been transforming the organisation and restructuring vigorously at the same time. Since the start of 2015, the total workforce has been reduced by around 3,500 people (25%). During 2017, 8% of Fugro's staff left the company out of their own initiative.

Recruiting, developing and retaining talented and skilled experienced staff are key challenges for Fugro's future and relevant global human resources processes and practices are being implemented to meet these challenges, which includes implementation of a new HR system and development of a new job architecture in support of career planning. This is important for management development, general business development and attraction and retention of engineering, consulting and scientific staff, where Fugro faces strong competition. Furthermore, Fugro aims to recruit the majority of its senior managers internally and aims to increase diversity.

An engaged workforce is essential for Fugro to achieve its ambitions. Following some smaller staff engagement survey initiatives in 2016 and 2017, Fugro will engage in a full staff engagement survey in 2018 covering all employees.

During the year under review, there was a continued focus on leadership development through Fugro Academy. During the year, 47 managers attended the junior programme, 37 the mid-level and 14 the senior level. A total of 329 managers have by now attended one of these three programmes.

Determining the impact of the programme on the business was defined as one of the success measures when the initiative was launched and continues to be assessed as each class reaches it's 6-month marker after the programme ends. Recognition of this, as well as the involvement of the entire business and senior management in the process, was rewarded when the series of programmes won the afore mentioned Learning and Development Award of the Year 2017.

Fugro uses a specific tool for performance and personal development in order to engage with its employees individually two times per year, whereby managers and employees discuss current performance, behaviour, professional competences, development priorities and goals and objectives which are linked to Fugro's overall strategy and objectives. Currently Fugro targets an increased usage of this tool for all employees worldwide which will be further facilitated by the new SaaS HR solution targeted for implementation in 2018.

Diversity and equal opportunity

Diversity recognises and values the contributions of people with varying capabilities, experience and perspectives, including gender, age, ethnicity and religious or cultural backgrounds. Fugro believes that a diverse workforce is a key competitive advantage. The organisation's success is a reflection of the quality and skills of its richly varied global talent base. Fugro is committed to provide fair terms and conditions of employment and provide equal opportunity for all. Recruitment of employees, evaluation, promotion, development, discipline, compensation, and termination decisions are based on qualifications, merit, and performance or business considerations.

Fugro works across the globe and its office locations are predominantly staffed with local people, bringing Fugro benefits from knowledge of local business procedures, legislation and traditions. Internal systems are allowing staff at almost any location to benefit from information spread through Fugro's online systems and to collaborate with colleagues across the world. Key information and training materials are provided on a multi-lingual basis.
More opportunities are being provided for international training and postings, which encourages interaction of staff from different backgrounds.

The overall female representation was 19% in 2017 (2016: 18%). The company's field operations work teams are still predominantly male. Irrespective, the company has the ambition to increase gender diversity at all levels of the organisation. Fugro will implement a groupwide diversity policy in 2018. Fugro has specific diversity policies in place for the Board of Management and the Supervisory Board (see 'Corporate governance').

Crew survey vessel Fugro Brasilis, Guanabara Bay, Brazil.

Gender diversity

Region	2017	2016
Europe		
- Female	22%	22%
- Male	78%	78%
Americas		
- Female	19%	18%
- Male	81%	82%
Asia Pacific		
- Female	24%	23%
- Male	76%	77%
Middle East & India		
- Female	7%	8%
- Male	93%	92%
Africa		
- Female	19%	19%
- Male	81%	81%
Group		
- Female	19%	18%
- Male	81%	82%

Fugro's long standing culture is founded upon empowerment of its people in all work locations and the company is committed to having a workplace where there is mutual trust, respect for human rights and equal opportunity, and is free from inappropriate conduct such as bullying, discrimination, harassment and violence. In line with this company culture, in 2017 Fugro implemented its human rights policy to formalise its responsibility under the Universal Declaration of Human Rights to respect human rights affected by its activities. This policy addresses principles such as diversity and non-discrimination, freedom of association, fair working hours, fair wages, protection of health and safety, no child labour and adequate grievance procedures. The company also seeks to foster similar standards in third parties that work for Fugro or on its behalf. To that end, Fugro has implemented its supplier and partner code of business principles in 2017. Fugro endorses the ILO international labour conventions and the OECD Guidelines for Multinational Enterprises.

Fugro has implemented several channels under which employees, with full protection of their rights and anonymously if desired, can lodge complaints if Fugro's values and its Code of Conduct are not upheld. Through the speak up reporting line (see 'business ethics and anti-corruption' for more details), in the year under review one case related to potential human rights grievances was reported. It has been fully investigated and appropriate and adequate action was taken.

Stakeholder engagement

Fugro values transparent engagement with its stakeholders, supports them with extensive information on performance and progress, and actively seeks their opinions and ideas through regular discussions and consultation. This includes customer satisfaction surveys, management reviews with key customers, internal and external audits, meetings with shareholders, works councils, governments, local communities, and contacts with industry and research and development partners including a broad range of international universities and participation in standard setting organisations.

Interaction with Fugro's key stakeholders

Stakeholders	Objective	Relevance for Fugro	Relevance for stakeholder	Interaction
Customers	Customer satisfaction and loyalty	Purchase services to support their projects	Provision of high quality competitive solutions to support and de-risk their investment	Work visits, exhibitions, periodical reviews with senior management (including members Board of Management), technology & innovation fairs
Employees	Employee motivation, engagement and retention	Essential for providing high quality services and continuity	Good employer, satisfying work environment, development, adequate remuneration	Intranet, collaboration tools, newsletters, quarterly bulletins, engagement surveys, performance appraisals, social media
Capital providers (shareholders, bond holders, banks)	Communication on strategy, results, markets, opportunities and risks, engagement	Access to capital markets	Solid investment	Annual general meeting, trading updates, bi-annual visits to main shareholders, investor conferences, website
Suppliers	Strong, reliable suppliers	Provide products and services required to perform company activities	Having reliable customer/ partner	Negotiations and contracts, review meetings, supplier & partner code of business principles
Governments	Adherence to legislation, understanding new developments, good citizenship	Setting local regulations and minimum requirements	Support economic development and employment, promote R&D and sustainability	Internet, trade missions, working groups
Technical universities	Recruitment of staff, joint R&D activities, good citizenship	Source of potential employees with appropriate education, scientific know-how	Potential future employer and provider of traineeships and practical experience	Internet, social media, seminars, Fugro sponsored scholarships, joint R&D projects
Industry societies (IMCA, IRO,etc)	Exchange of knowledge, improvement of industry standards	Setting national and international industry standards, science and technology exchange	Partnership to secure and roll out industry standards, science and technology exchange	Internet, company representatives on work committees, board positions
Local communities	Good citizenship	Societal support	Support of local community	Sponsorship events, engagement activities

Most of the community projects supported by Fugro are initiated by local entities, and range from voluntary work, sponsoring in kind to donations to local schools, sports clubs, care facilities and other charities.

In addition, Fugro seeks to preserve and promote accessibility to valuable culture, local heritage and nature, and supports many different initiatives around the world. In the Netherlands, Fugro is a sponsor of the world renowned Concertgebouw in Amsterdam, and also provides financial support to the Hermitage foundation in Amsterdam, the Mineralogisch-Geologisch Museum in Delft and the Hoge Veluwe national park (all in the Netherlands).

In the year under review, Fugro management had 184 meetings with investors, which mostly took place after the publication of the full year and half year results. The majority of these meetings take place as 'one-on-one' meetings; the remainder as group presentations.

During the year Fugro further formalised its global key account management structure making full benefit of the transformation implemented in recent years to a client centric organisation based on common business lines. As a result Fugro now shares more efficiently relevant market knowledge and specific information on the engagement with key clients through a dedicated internal central database. This significantly improves the quality and depth of client engagements. Fugro will continue the roll out of this customer relationship management system across the group in 2018.

Environmental performance

Fugro is committed to limiting the impact of its own operations on the environment and comply with environmental regulations for all its operations. Fugro has strict groupwide guidelines for risk analyses, incident and accident reporting and mitigation to prevent incidents.

Fugro operates according to environmental standards in all its activities and strives to achieve a high coverage based on external standards and accreditation. The requirements of ISO 14001 or similar have been integrated into over 93% of Fugro's activities, which provides practical tools to manage the companies environmental responsibilities. Compliance audits are carried out, both internally and by external ISO certification bodies and clients.

The risks that Fugro's activities pose to the environment are largely related to possible small spills during execution of the data collection activities, be it on land or at sea. Land data collection equipment such as drill rigs and cone penetration trucks are hydraulically powered and could pose a risk of spillage. Fugro's equipment is managed under appropriate pro-active maintenance programs and subject to periodical inspections including daily pre-start checks. Field teams are provided with spill kits and training to capture, contain and clean any possible spillage during operations.

On Fugro's vessels we are adopting and monitoring environmental initiatives ranging from emissions monitoring to a focus on waste reduction through for example the promotion of usage of water fountains instead of bottled water and the reduction of usage of paper cups to be replace by washable glasses or mugs. Fugro will continue to streamline its environmental initiatives throughout its vessel fleet in 2018.

Sustainable innovation and services

Fugro's leading market positions are supported by advanced technologies and methods in the majority of its work. Innovation, which includes digitalisation, is a key strategic driver for Fugro to support long-term value creation for all its stakeholders. Furthermore it supports the provisioning of services for projects targeting renewable energy; the use of sustainable resources; mitigation of the impact of climate change, safe and environmentally sound development and operation of assets; longevity of assets leading to reduction of the environmental impact of renewal; and the sustainability of Fugro's own services.

The increasing drive to reduce fossil fuel consumption and carbon emissions is leading to growing investments in renewable energy around the world. With its technology, expertise and assets, Fugro plays an important role in the market for offshore wind and is growing its portfolio of services targeting renewable projects of clients. It also provides services to maintain the integrity of power distribution networks required to deliver renewable power.

Fugro has sixteen research & development centres around the world which actively work on the development of innovations. These centres are located internationally and support local development. In 2017, Fugro spent around 2% of its revenue on research & development and technology innovation.

Scientific partners are important stakeholders for Fugro. A significant part of Fugro's technology is developed in close cooperation with its clients. Moreover, joint research and development activities are carried out with universities and institutes across countries in which Fugro works to develop new technologies and as part of Fugro's commitment to local communities.

Fugro maintains relationships with over 30 universities and other knowledge institutes across the globe. Examples are: Oregon State University, Universities of California, Berkeley and Santa Cruz, University of Texas and Texas A&M University (United States), University of Leicester, University of Southampton (United Kingdom), University of Montpellier, ENSTA Bretagne (France), Delft University of Technology (the Netherlands), ISTAC Institute Supérieure de Technologie d'Afrique Centrale (Cameroon), National University of Singapore, University of Western Australia and the Hong Kong University of Science and Technology and the University of Hong Kong (China).

Fugro also contributes to knowledge dissemination through publications, and publishes or is involved with publishing around 100 scientific papers per year.

Fugro actively protects the intellectual property it develops.

Patent filings	2017	2016
Priority patent filing	17	18
National/regional patent filings	67	45
Granted patents	9	7

Carbon footprint

Fugro works as a service provider and consultant and does not own or operate any industrial assets or production facilities. Therefore its own operations have a relatively low impact on the environment, with the main CO_2 emissions coming from its vessels being used in its operations. For its own operations, Fugro promotes and undertakes projects to achieve energy savings. As well as reducing the impact Fugro's operations have on the environment, this will generate cost savings.

In 2017 Fugro saw the further positive effects of its fleet renewal programme with two older vessels leaving its fleet and one new geophysical survey vessel, with a much lower CO_2 emission, joining.

In 2017 Fugro continued with the ship energy efficiency management plan, incorporating best practices for the fuel efficient operation of ships. This includes the economic speed model pilot which advises the crew on the most favourable speed from an economic and emission control point of view. It takes into account fuel consumption and subsequent emissions, vessel capabilities and the normal running cost of the vessel.

Fugro's reporting on carbon emissions encompasses Scope 1 (direct emissions from the combustion of fossil fuels) of its own vessels, which in 2017 emitted a total of 123 kilotonnes CO_2 equivalent. This covers by far the largest environmental impact of the group's operations. Fugro aims to include the CO_2 emissions of chartered vessel in the external reporting as of 2018.

Compliance

Business ethics and anti-corruption

Fugro is committed to conduct its business in an ethical and responsible manner. Its values form the foundation of its culture and provide the ethical guidelines for its business decisions. The company's Code of Conduct, together with its underlying policies, helps employees to put Fugro's values into practice. Together they provide practical guidance on how to conduct Fugro's business ethically, comply with legal requirements and maintain Fugro's reputation.

The Code of Conduct addresses a variety of topics including non-discrimination, health and safety, drugs and alcohol, anti-corruption, conflict of interest and fair competition. It applies to all Fugro employees. Continuous efforts are made to convey the importance of the Code of Conduct and adherence with its contents.

In 2017, new policies related to the code were rolled-out throughout the organisation. This includes a policy on fair competition and a policy on human rights. Also, existing policies were updated, such as the policy on anti-corruption. Fugro's speak up procedure forms an essential part of the company's integrity-focused compliance programme. It offers various channels for reporting a suspected violation of the code and describes the subsequent internal investigation process which is supervised by the Fugro corporate integrity committee. One of these channels is a reporting line (web based as well as telephone line), which was opened in the course of 2017. It is available in over 30 languages 24 hours a day, seven days a week. Through this line, operated by an external third party, reports on suspected irregularities can be made anonymously. This reporting line is open not only to employees and contract staff, but also to third parties with whom Fugro has a business relationship, such as customers, suppliers and agents. The speak up procedure clearly stipulates that any party reporting in good faith is protected from any kind of retaliation. Fugro aims to start publishing statistics on speak up reporting in the 2018 annual report.

In order to make the code's underlying policies and the speak up procedure easily accessible to all employees, the documents have been translated in the company's most relevant working languages. At the end of the third quarter of 2017, Fugro commenced the roll-out of a new mandatory interactive e-learning course about the code, its underlying policies and the speak up procedure. The e-learning is split into three modules. The first module was completed by 80% of Fugro staff world-wide by the end of 2017. For 2018, the company aims at a completion rate of all three modules exceeding 90%. Webinars and guidance material on the speak up procedure was provided to managers and other staff to support them in promoting our values and to create a culture of transparency and respect, as well as to assist in promoting awareness of the (anonymous) reporting channels available as part of the speak up procedure. Recordings of the webinar and the guidance material are available on Fugro's intranet for future reference for all Fugro employees.

Fugro promotes ethical and responsible business conduct throughout its supply chain. To that end, in 2017, Fugro introduced an updated supplier and partner code of business principles. The company requires suppliers and subcontractors to comply with this supplier and partner code of business principles.

In some countries Fugro works together with commercial agents. All these agents are screened by an independent specialised third party at least every two years or more often as appropriate. The standard Fugro agency agreement includes both clear compliance obligations, reporting requirements and audit rights, require approval from the Board of Management and only run for a limited amount of time, generally one or two years. Extensions require approval from the Board of Management. Any agent relationship is closely monitored and each agent has to sign a compliance declaration once a year.

Regulatory and legal compliance

Fugro is committed to adhere to the applicable laws and regulations in all countries where business is conducted. This commitment is embedded in all parts of the business through policies and training.

Annually, an extended group of senior management worldwide has to fill out a declaration regarding compliance with the code and related policies. For the year 2017, 100% of these managers have submitted the signed form. Adherence to the code and its related policies and procedures, as well as the supplier and partner code of business principles, is also monitored by Fugro's internal audit department. The head of the internal audit department also plays an integral part in any investigation led by Fugro's corporate integrity committee.

Tax policy

Fugro's global presence exposes the company to various complex tax jurisdictions and tax systems. These systems are increasingly under development following global initiatives from individual countries and organisations such as the OECD and the European Union, and the societal debate leading to these developments is still ongoing. Other developments arise from the economic environment. As tax is a crucial component of the financial budget of national jurisdictions, economic developments have a direct impact on the way fiscal regulations are designed and upheld.

Fugro believes a responsible approach to tax is an integral part of doing business sustainably. The company recognises that tax is an integral part of doing business and that it is both a cost of doing business, as well as a contribution to the countries in which it operates. Tax effects are one of the components in the commercial process, but only legitimate business considerations are driving final decisions. Fugro's tax risk appetite is moderate.

The tax strategy supports Fugro's business strategy by providing value to the group through delivery of high quality tax services within boundaries of legal and tax frameworks. The global tax department is equipped to support Fugro's global activities in an effective and compliant manner. The global tax department further leverages from an extended tax function, represented by professionals across finance, business, procurement and human resources. This alignment is part of the integrated control framework. Fugro's audit committee reviews, at least once per year, the tax strategy including financial impact, valuation of deferred tax assets, compliance and tax implications of any acquisition or divestment. Based on its risk based audit plan, the internal audit department monitors tax compliance. External tax support is provided by a reputable network of external tax advisers that strictly follow their professional standards.

Fugro's tax statement, which can be found on the website, highlights Fugro's global tax principles which illustrate good corporate practice in the areas of tax management and tax transparency.

DIVISIONAL FINANCIAL PERFORMANCE

MARINE DIVISION

Key figures (x EUR million)	2017	2016
Revenue	947.3	1,096.1
- Currency comparable growth (%)[1]	(11.3%)	(20.9%)
EBITDA excluding exceptional items	47.8	98.1
EBIT excluding exceptional items	(43.3)	(18.8)
EBIT margin excluding exceptional items (%)	(4.6%)	(1.7%)
EBIT	(56.5)	(160.9)
EBIT margin (%)	(6.0%)	(14.7%)
Capital employed	820.6	974.0
Backlog next 12 months[1]	545.3	719.8
- Currency comparable growth (%)[1]	(7.6%)	(9.8%)
Number of employees (at year-end)	5,053	5,327

1 Revenue growth corrected for currency effect; 2017 backlog growth corrected for currency effect and for portfolio changes related to the marine construction & installation activities.

- Revenue decreased by 11.3% at constant currencies caused by over-capacity and pricing pressure in the oil and gas market.
- EBIT (before exceptional items) declined with EUR 24.5 million to a loss of EUR 43.3 million in a highly competitive market. As reported in the half-year report and third quarter trading update, EBIT was also affected by incidental operational issues and resulting project delays with a total impact of around EUR 15 million.
- EBIT improved from a loss of EUR 37.3 million in the first half to a loss of EUR 6.0 million in the second half, largely due to measures to bring the cost base in line with revenues, including staff cuts and rationalisation of the vessel fleet and office locations.
- During the fourth quarter, the following specific actions to rationalise vessels and equipment were taken:
  - Fugro Symphony, two trenchers and two remotely operated vehicles were transferred to Global Marine Holdings as part of the divestment of the construction and installation assets
  - The long-term charters for the construction and installation vessels Fugro Saltire (Europe) and Southern Ocean (Asia Pacific) were terminated early
  - Bucentaur (geotechnical vessel) was scrapped and Fugro Navigator (geophysical vessel) was sold.
- Revenues for the Site Characterisation business line decreased by 15.2% at constant currencies to EUR 390.0 million. EBIT was strongly negative, mainly due to the adverse impact of the operational issues (notably in Europe), low utilisation in Asia Pacific and price pressure.
- Revenue for the Asset Integrity business line declined by 8.3% at constant currencies to EUR 557.3 million. Due to stronger utilisation in the second half of the year, EBIT recovered to a positive low single digit margin for the full year, compared to a small loss in 2016.
- Capital employed declined to EUR 820.6 million compared to 974.0 million, for the most part as a result lower working capital, depreciation and currency translation effect.
- The 12-month backlog increased compared to the previous quarter, for both site characterisation and asset integrity by 9.4% respectively 10.4% on a currency comparable basis excluding the divested non-core construction and installation business. The year-on-year backlog declined by 7.6%.

LAND DIVISION

Key figures (x EUR million)	2017	2016
Revenue	476.0	506.8
- Currency comparable growth (%)	(3.0%)	(8.5%)
EBITDA excluding exceptional items	42.4	29.3
EBIT excluding exceptional items	21.4	6.6
EBIT margin excluding exceptional items (%)	4.5%	1.3%
EBIT	15.7	(20.1)
EBIT margin (%)	3.3%	(4.0%)
Capital employed	218.9	231.2
Backlog next 12 months	273.6	356.4
- Currency comparable growth (%)	(17.0%)	(3.0%)
Number of employees (at year-end)	4,804	5,002

- Divisional revenue declined by 3.0% at constant currencies. A 10% growth in non-oil and gas revenue was more than offset by a 47% decline in revenue from oil and gas related activities, which by now are down to only 12% of divisional revenue. EBIT (excluding exceptional items) was significantly above the same period last year, reflecting improved profitability in Europe, Middle East and reduced losses in Africa. It includes a positive one-off operational effect of EUR 6.1 million from a contractual settlement.
- Site Characterisation business line revenue was flat at constant currencies at EUR 370.5 million. The EBIT margin is mid-single digit and higher than last year.
- Asset Integrity business line revenue decreased by 12.5% at constant currencies to EUR 105.5 million

Presentation to clients during Fugro innovation fair.

mainly as a consequence of reduced oil and gas infrastructure activity. EBIT was breakeven and improved significantly compared to last year.

- Capital employed decreased due to improved cash collection resulting in lower working capital.
- Backlog for the next 12 months is down 17.0% on a currency comparable basis; this decline is spread more or less equally over the two business lines. It is mostly the consequence of the finalisation of a few larger projects (a large nuclear power plant in Europe and the third runway in Hong Kong) and the replacement by more smaller, short-turn around work, which leads to lower backlog visibility. Backlog for the division compared to previous quarter was virtually stable.

GEOSCIENCE DIVISION

The Geoscience division almost fully consists of Fugro's 60% stake in Seabed Geosolutions (100% consolidated). It also covers some indirect interests in Australian exploration projects, via Finder Exploration.

Key figures (x EUR million)	2017	2016
Revenue	74.1	173.0
- Currency comparable growth	(55.7%)	(52.4%)
EBITDA (excluding exceptional items)	10.6	62.1
EBIT (excluding exceptional items)	(10.2)	20.7
EBIT margin (excluding exceptional items)	(13.8%)	12.0%
EBIT	(10.9)	(37.7)
EBIT margin	(14.7%)	(21.8%)
Capital employed	144.6	136.0
Backlog next 12 months	108.9	93.4
- Currency comparable growth	31.9%	(41.7%)
Number of employees (at year-end)	187	201

- Revenue declined by 55.7% at constant currencies because of low utilisation, with only two crews active during the first half-year and an idle third quarter. After a permitting delay, the ocean bottom node crew started early December its reservoir monitoring survey at the Lula oil field in Brazil, as a follow up to the first survey on the same location in 2015.
- EBIT was negative due to the low activity levels, partly offset by robust operational project performance and further cost reductions. Last year's EBIT included a positive one-off operational benefit of EUR 11.3 million for the release of a provision in connection to the purchase of the vessel Hugin Explorer.
- Capital employed increased due to higher (less negative) working capital as a consequence of a later start of the Lula project.
- Towards the end of the second quarter of 2018, Seabed Geosolutions is expected to start the industry's largest ever ocean bottom node survey in the Santos Basin in Brazil, using its Manta® technology.
- With the recent introduction of its new Manta® node technology as well as efficiency enhancing technologies, Seabed Geosolutions is well positioned to benefit from a high level of tender activity in almost all key ocean bottom seismic markets with a solid pipeline of large projects.
- The backlog for the next 12 months increased by 31.9% on a currency comparable basis. During the fourth quarter of 2017, Seabed Geosolutions secured OBN projects in West Africa as well as in Trinidad and Tobago, both due to start in the first quarter of 2018.

GOVERNANCE

BOARD OF MANAGEMENT

Name **Paul van Riel** (1956)
Function Chairman Board of Management and Chief Executive Officer
Nationality Dutch
Employed by Fugro Since 2001. Appointed to Board of Management in 2006, appointed Chairman of the Board of Management and Chief Executive Officer in November 2012.
Current term Until AGM 2018

Background
Paul van Riel has a MSc in Applied Physics from Delft University of Technology. After his studies he continued for three years at the university, as co-founder and team leader of a large international oil industry research consortium. He established the seismic reservoir characterisation company Jason Geosystems in 1986, which was acquired by Fugro in 2001. While at Jason Geosystems, he worked in the USA for 6 years.

Name **Paul A.H. Verhagen** (1966)
Function Chief Financial Officer
Nationality Dutch
Employed by Fugro Since 2014. Appointed to Board of Management per January 2014, appointed Chief Financial Officer in May 2014.
Current term Until AGM 2018

Background
Paul Verhagen worked for Philips for 23 years in various financial management positions in the Netherlands, Hong Kong, USA, China and Taiwan. He has been active in various global CFO positions since 2005, lastly as Executive Vice President and Chief Financial Officer of Philips Lighting. Paul holds an MSc in Business Administration from the Catholic University Brabant in Tilburg, and a post graduate chartered controlling degree from the University in Maastricht.

Name **Brice M.R. Bouffard** (1970)
Function Director Land division
Nationality French
Employed by Fugro Since 2016. Appointed to Board of Management in 2016.
Current term Until AGM 2020

Background
Before joining Fugro, Brice Bouffard worked at several oil field services companies, where he held a range of technical, IT and commercial positions in various countries. He most recently worked at Weatherford and Spectraseis. Brice spent the first 13 years of his career at Schlumberger. He holds a master degree in maritime engineering from École Nationale Supérieure de Techniques Avancées Paris and a masters degree in geophysics from IFP School (Paris).

Name **Mark R.F. Heine** (1973)
Function Director Marine division
Nationality Dutch
Employed by Fugro Since 2000. Appointed to the Board of Management in 2015.
Current term Until AGM 2019

Background
Mark Heine joined Fugro in 2000 and served, amongst others, as regional manager Europe-Africa for the Survey division. He holds a MSc in Geodetic Engineering from Delft University of Technology.

Name **Øystein Løseth** (1958)
Function Member of the Board of Management; Chairman Board of Management and Chief Executive Officer as from AGM 2018
Nationality Norwegian
Employed by Fugro Appointed to Board of Management per January 2018.
Current term Until AGM 2022

Background
From October 2014 until recently Øystein Løseth was on the board of directors of Norwegian company Statoil AS, of which the last two years as Chairman of the Board. Previously he was CEO of Vattenfall AB, one of Europe's largest producers of electricity and heat, and of NUON, a Dutch energy company. Mr. Løseth started his career at Statoil. He holds a master degree in mechanical engineering from the Technical University of Trondheim.

Company secretary **Wouter G.M. Mulders** (1955)

Efficient and accurate

Custom 3D software solution for efficient and accurate installation of offshore wind farm

successful installation of 344 piles on 86 locations

using approximately 50 sensors on the subsea installation frame

Since the start of 2017, Fugro has been supporting Seaway Heavy Lifting with the installation of pre-piles on the Beatrice offshore wind farm, which will be Scotland's largest and one of world's deepest.

84 turbine foundations and two offshore transformer modules had to be installed on top of 4-legged pre-piled jackets. Fugro developed and applied real time decision support survey software using data from sensors on the subsea pile installation frame. This has allowed Seaway Heavy Lifting to pre-install the piles precisely and efficiently.

Following the installation campaign, Fugro is currently providing support during the second phase of the project: the installation of the jackets on the piles.

Analysing soil samples in laboratory, Wallingford, UK.

RISK MANAGEMENT

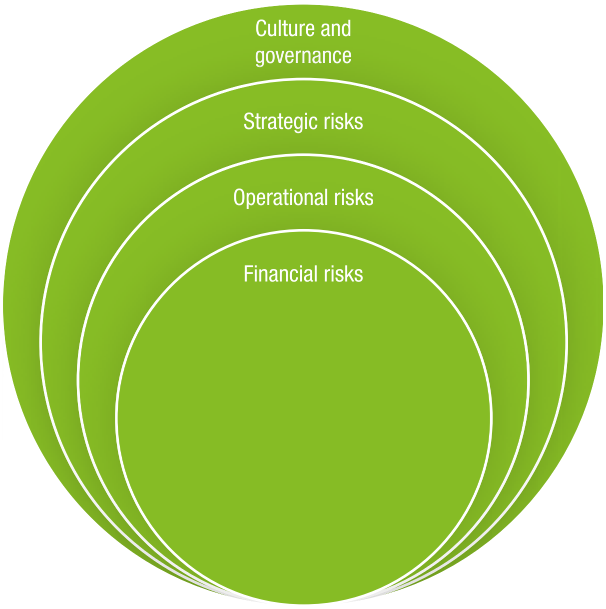
Doing business inherently involves taking risk and therefore risk management is an essential element of Fugro's culture, corporate governance, strategy development, and operational and financial management. On a daily basis risks are managed by employees as part of their overall role and responsibilities. Employees are expected to be willing to take risks, provided that they are sufficiently equipped to successfully manage these, and that they operate within the boundaries set by senior management. These boundaries ensure that the actions of a single individual (whether knowingly or unintentionally) will not result in disproportionate risk for the entire company.

Fugro's risk management is aimed at supporting long-term sustainable value creation. It is designed to provide reasonable assurance that objectives are met by integrating management control into daily operations, ensuring compliance with legal requirements and safeguarding the integrity of the company's financial reporting and its related disclosures. Fugro's risk management framework is in line with the Dutch Corporate Governance code.

Risk appetite and sensitivity

The risk boundaries are driven by the company's culture, corporate governance and strategic risk assessments. This is detailed in Fugro's values, Code of Conduct, policies and procedures and authorisation schedules. The company's risk management aims to identify, assess and manage risks in accordance with its risk appetite in the different categories.

Risk management categories



3D Laser scanning of new North/South metro line in Amsterdam, The Netherlands

Risk appetite and key risks

Risk category	Key risks	Key risk appetite	Page	General risk appetite
Strategic	■ Portfolio ■ Innovation ■ Employees	High Above average Moderate	60 60 60	For strategic risks, acceptable risk levels vary depending on the subject at hand, where expected rewards have to justify the risk. Generally the appetite is between above average to high.
Operational	■ Project management ■ QHSSE management ■ Cyber security	Moderate Low Low	61 61 61	Operational risks are handled with a moderate risk appetite. However, all risks related to QHSSE and cyber security are subject to low risk appetite.
Financial	■ Credit ■ Currency	Low Low	62 62	Financial risk appetite is low, with the intent to limit financial risks and maintain long-term solvency and stay well within bank covenants.
Compliance	■ Legal compliance ■ Intellectual property	Low Low	63 63	Compliance is subject to a low risk appetite as Fugro strives for the highest level of compliance with legal and regulatory requirements and strives to not infringe on third party IP or properly license.

Sensitivity analysis

	Change	Impact	On	Assumption (based on 2017 financials excluding exceptional items)
Revenue (volume)	+ 1%	EUR 9 million	EBITDA	Flat net revenue own services
Revenue (price)	+ 1%	EUR 15 million	EBITDA	No change to cost base
Operating expenses	+ 1%	EUR (14) million	EBITDA	No change to revenue
Vessel utilisation	+ 1%	EUR 5 million	EBITDA	Equal contract terms
Days of revenue outstanding	+ 1%	EUR 4 million	Working capital	All other conditions remaining equal
Euro versus US dollar	+ 10%	EUR 7 million	Net profit	Stable revenue and margin in USD
Euro versus British pound	+ 10%	EUR 2 million	Net profit	Stable revenue and margin in GBP
Interest rate	+ 100 bp	EUR (2) million	Net profit	Net debt year-end 2017
Net debt	+ 100 million	EUR (3) million	Net profit	Stable interest rates

Risk management framework

Fugro is aware of the risks it can be confronted with and has a risk management framework in place to identify and manage risks and internal controls.

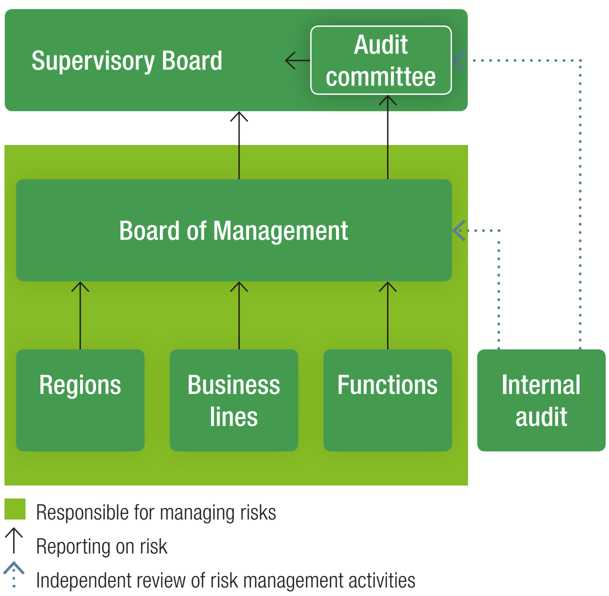
Control environment

The first level of the control environment consists of Fugro's employees who perform the day to day activities in the business operations, and their management.
They undertake these activities in accordance with the applicable authorisation matrix, which is updated regularly by the Board of Management. They have the obligation to obtain an appropriate level of understanding regarding their roles and responsibilities and carry them out correctly and completely. Every employee is expected to comply with applicable laws and regulations.

The second level consists of regional and divisional management and the company's support functions such as QHSSE, corporate control, IT, tax, human resources, insurance, treasury and legal. These functions carry out various risk management and compliance activities to support and/or monitor the first level controls.

The third and final level consists of the independent internal audit department which reports to the line management, the Board of Management and the audit committee on the structure, existence and effect of the system of internal control.

Risk governance



Responsibilities

Fugro's risk management governance is based on a delegated accountability across the regions, business lines and global functions, so that risks and opportunities are the responsibility of those best placed to manage them. Risks that can and should be managed by the regions, business lines and global functions, remain subject to their own risk management processes within the boundaries set by the Board of Management. Management with delegated authority (e.g. country management, regional management, etc.) is expected to perform annual risk assessments.
The identified risks and (when applicable) mitigating measures are documented, assigned to an appropriate owner, and monitored. The risks are communicated with all relevant employees and significant risks are reported to the Board of Management.

The Board of Management holds ultimate responsibility for risk management within the company and determines the risk appetite for the company. Internal audit supports the Board of Management in monitoring implementation of the risk management framework. On an annual basis the Board of Management performs a comprehensive assessment (assessing strategic, operational, financial and compliance risks) to determine the top risks. The identified risks are assigned to owners within the Board of Management, who have ultimate responsibility to manage these.

The Board of Management reports to the audit committee on the risk management processes (assessments, response and monitoring). The audit committee and the Board of Management receive independent information on risk management activities from the internal audit department. The audit committee extensively reports their observations and findings to the Supervisory Board.

This structured risk management process allows Fugro to take risks in a controlled manner. Constant monitoring of markets and the operating and financial results is intrinsic to its way of working due to the generally short-term nature of its assignments. Clarity and transparency are essential for assessing and evaluating risks. These are fundamental characteristics of the company's culture. All management is bound by clear restrictions regarding representation and decision-making.

Strategic risk

Fugro's strategy Building on Strength has associated risks, for which the company has risk management measures in place. Apart from the key strategic risks, Fugro also recognises strategic risks related to its market leadership, utilisation of its asset base and the ongoing consolidation and transformation of its organisational structure. All these risks are mitigated with proportionate measures and monitored on different levels within the company.

PORTFOLIO — Risk appetite: High

Description	Risk direction	Mitigation
A high proportion of Fugro's activities, around 60%, is related to the oil and gas industry and as such Fugro is significantly exposed to declines of the oil price and the related reduction of oil companies' investment and operational budgets. In addition, the growth in offshore oil and gas markets in the foreseeable future is expected to be limited due to the increasing importance of shale and the global drive to reduce carbon emissions and the related increasing investments in renewable energy.	The market for oil and gas services is expected to improve the coming years as new investments are needed to satisfy the still growing demand for oil and gas. In the longer term, the increasing commitment by countries, companies and citizens to reduce carbon emissions to mitigate climate change poses a serious risk.	To a degree this is mitigated by Fugro's balanced exposure across the oil and gas field life cycle and strong market positions. Additionally, Fugro is increasing its exposure to non-oil and gas markets such as general infrastructure, power, rail, telecom cable routing, wind farms and hydrography, to be less dependent on the oil and gas services market. These markets run in different economic cycles than the oil and gas markets and offer good opportunities for Fugro.

INNOVATION — Risk appetite: Above average

Description	Risk direction	Mitigation
Focus on innovation and developing new technologies enables Fugro to provide differentiated solutions. Innovation is one of Fugro's strategic priorities, even in the current challenging market circumstances. There is a risk that investments relating to research and development will not deliver new technologies and market opportunities or that, irrespective of Fugro's efforts to protect its intellectual property, competitors develop similar or better solutions, thereby negatively impacting Fugro's competitive edge.	It is expected that this risk will increase. With the ever increasing pace of technological advancement and digitalisation the lifespan of innovative competitive advantages is decreasing. There is an increasing risk that innovative disruptions will make certain current revenue generating activities obsolete.	By continuing to invest, even during the recent downturn and by working closely with clients and understanding their needs, Fugro is able to effectively invest in research and development resources that are relevant to clients. Furthermore, working with universities, technology institutes and other high tech companies gives Fugro the opportunity to leverage third party technology and research and development, resulting in increased effectiveness. The new business line structure also mitigates risk as market innovation within the group is now organised globally.

EMPLOYEES — Risk appetite: Moderate

Description	Risk direction	Mitigation
Fugro is dependent on well trained and for a large part highly educated employees. Not being able to recruit or retain qualified personnel is a risk that can impact both current and future operations and results. Especially given the recent restructurings in line with the decline of the oil and gas market there is a risk that certain capabilities cannot be maintained at the desired level.	It is expected that this risk will increase. As Fugro is evolving towards providing more high-end services as part of its strategy, the share of employees with higher degrees continues to grow.	Fugro acknowledges the value of its employees and focuses on achieving a healthy level of retention. This is done by providing opportunities to its employees, through training, leadership and expertise development and career opportunities. The introduction of a global career framework will provide employees with a better understanding of the possibilities to advance within the group, both on the technology and managerial ladder.

Operational risk

Being a project organisation, the main operational risks are related to projects. Apart from the key operational risks presented below, Fugro recognises operational risks related to commodity price changes, capacity management in its asset heavy activities, and the possibility of natural disasters. All these risks are mitigated with proportionate measures and monitored on different levels within the company.

PROJECT MANAGEMENT

Risk appetite: Moderate

Description	Risk direction	Mitigation
Good project management is essential for satisfactory execution, especially as contract size and complexity of projects are increasing. Lack of management or control, due to time or knowledge constraints, can cause delays and serious damage to a project and Fugro's reputation, and may result in (financial) penalties.	It is expected that this risk will increase. There is a trend showing increasing project complexity and size.	Projects and contracts with a value or risk exceeding a specified amount must be approved in accordance with the applicable authorisation matrix, which is updated regularly by the Board of Management. A proper risk assessment also ensures that a sufficiently qualified manager is selected to manage these projects, reducing the risk that unnecessary costs are incurred. Fugro is strongly focused on further improving its efficiency, amongst others by a relentless focus on delivery excellence, for example by implementing a global equipment pool and process standardisation.

QHSSE MANAGEMENT

Risk appetite: Low

Description	Risk direction	Mitigation
Fugro recognises that the industries in which it works expose employees to health, safety and security risks and is therefore committed to preventing these from turning into incidents. In 2017, Fugro experienced only a very slight improvement in safety performance, and 1 fatality.	It is expected that this risk will remain the same. QHSSE management has been very relevant for Fugro, as its employees have always worked in harsh environments, and this is not expected to change. It is noted however that in the current oil and gas market, price pressure makes it at times more challenging to maintain high levels of QHSSE management.	Fugro has a group wide QHSSE strategy and related standards and policies where all levels are expected to actively motivate, influence and guide individual and collective behaviour. This is fuelled by the belief that all incidents are preventable. To improve safety performance and boost awareness, strong emphasis will be placed on individual and collective safety in 2018, with personal involvement from the Board of Management. Every employee and contractor is expected to abide by Fugro's Golden Rules of HSSE. Employees receive regular safety training and Fugro's processes are analysed to identify possible risks and opportunities for improvement.

CYBER SECURITY

Risk appetite: Low

Description	Risk direction	Mitigation
Fugro relies on a range of IT systems (hardware, software and network connections) to manage its business, support operations and deliver many of its advanced technological solutions. Fugro develops proprietary hardware and software to support its specialist services. Consequently, malfunctioning of Fugro's IT systems, due to an outside attack (e.g. phishing, malware) or other internal system instabilities, may result in a delay of projects or a negative impact on Fugro's reputation.	The increase in IT dependency, combined with an increase in cyber threats, underpin the expectation that this risk will be increasing in the next few years.	Fugro has a dedicated global IT security team and a solid security IT infrastructure which consists of advanced spam and internet filters, firewalls, policy-based access to the internet and tooling to monitor network and cloud usage. Fugro's IT systems are constantly monitored and controlled for contamination by viruses, malware or malicious content. The team operates independently from IT staff in the country organisations. In 2016, Fugro launched a highly visible cyber security awareness campaign, which continued in 2017. There has not been any major security incident in 2017.

Financial risk

Fugro has to fund its operations, which is done with a mix of own capital and external capital (bank facilities, convertible bonds), and holds bank balances and receivables in different locations and currencies. Apart from the key financial risks presented below, Fugro also recognises financial risks related to financing and interest rates. All these risks are mitigated with proportionate measures and monitored on different levels within the company.

CREDIT Risk appetite: Low

Description	Risk direction	Mitigation
Fugro has credit exposure to accounts receivable with customers. A default by counterparties can have a material adverse effect on operating results. Also, aging debtors have a negative impact on the available working capital, exposing Fugro to the risk of increased cost of capital.	It is expected that this risk will decrease. There is an expectation that weak players have been taken out of the market and that those that remain will be able to survive with the oil and gas market bottoming out. The improving oil price should enable national oil companies to pay their subcontractors, which would decrease the aging of receivables.	Fugro continues to focus on timely collections of outstanding debt in order to minimise this risk and by training its staff on proper working capital management.

CURRENCY Risk appetite: Low

Description	Risk direction	Mitigation
Fugro is exposed to fluctuations in exchange rates, which can impact equity, debt, revenue and profitability. The currency movements at group level can be substantial, in particular related to equity and debt. Fugro holds cash balances in local currencies in certain countries where it is difficult to transfer cash abroad or to convert it to USD or EUR at short notice. These local trapped cash balances expose Fugro to risk of devaluations against the euro. In Angola an amount of EUR 48.2 million is in Angolan Kwanza's which is subject to currency risk at year end 2017.	It is expected that this risk will remain the same. Given the global presence of Fugro, there will always be currency exposure, and a change in fluctuations between currencies is not expected.	As most of the company's revenue in local currencies is used for local payments, the effect of currency movements on operational activities at a local level is reduced. The group treasurer focuses on improving transparency regarding the various currency exposures and provides advice on how to mitigate these. Fugro strives to match revenue with costs and assets with liabilities in each applicable currency or in USD and hence makes use of natural hedges. The usage of forward exchange contracts is limited. Through standardisation and centralisation and improved treasury management systems Fugro will be able to monitor and mitigate its transactional currency risks and the group treasurer is monitoring all foreign exchange contracts and, together with group control, their significance for the assessment of assets, liabilities, and the financial situation and results.

Compliance risk

Fugro is a multinational company, trading globally with subsidiaries and branches in various countries. Apart from the key compliance risks presented below, Fugro also recognises compliance risks related to agents, tax, insurance, and claims and disputes. All these risks are mitigated with proportionate measures and monitored on different levels within the company.

LEGAL COMPLIANCE Risk appetite: Low

Description	Risk direction	Mitigation
Fugro's global presence exposes the company to regional and local law and regulation, as well as changing and challenging political and economic environments. This can impact the realisation of business opportunities. Other risks may include non-compliance with Fugro's Code of Conduct such as its anti-bribery provisions.	It is expected that this risk will increase. Especially in the Western world, there is a drive to implement increasingly detailed and more complex regulations and regulatory standards covering an ever broader scope of a company's activities.	The Code of Conduct directs Fugro's employees, subcontractors and business partners to conduct business ethically, comply with the law, and maintain Fugro's reputation. Continuous efforts are made to inform employees, suppliers and business partners about the Code of Conduct. Initiatives in 2017 included developing specific policies addressing the key topics of the Code of Conduct, as well as rolling out a new, multi-language e-learning training for all employees.

INTELLECTUAL PROPERTY Risk appetite: Low

Description	Risk direction	Mitigation
Fugro uses high-performance equipment, technologies, software and business processes, and develops a significant part of this in-house. There is a risk that Fugro unintentionally infringes the intellectual property (IP) of others in this process, which could result in material financial claims, high license fees or even prohibition of applying certain technologies or methods.	It is expected that this risk will increase. With the focus on innovation and the increasing utilisation of innovative solutions (both by Fugro and its competitors), there is an increase in competitive use of IP.	In order to mitigate this risk there is a corporate department managing Fugro's IP by increasing awareness within Fugro, and by assisting the company's research and development centers with the prevention of unintentional IP infringements.

Financial reporting

Fugro operates in many different parts of the world, sometimes differing in accounting policies and local reporting requirements. This exposes Fugro to the risk of reporting figures that are not in line with the group's IFRS framework, which may lead to a (material) impact on the reported figures. To mitigate this risk a financial handbook and an accounting manual, containing detailed guidelines for the financial reporting, is available for the senior management and the controllers of all reporting entities. Every 6 months all managers and controllers of reporting entities and the responsible division director sign a detailed statement regarding the financial reporting and internal control.

The business plans of every reporting entity are translated into forecasts. Deviations from the forecast are reviewed on a monthly basis. Any unforeseen circumstances that arise, or any substantial deviation from the forecasts, must be reported immediately to the responsible management. The monthly reports submitted by the operational management include an analysis of the achievements versus the approved plans and a forecast for the coming periods including actions to address any shortfall.

Fugro intends to implement internal control self-assessments (ICS) at all the financial shared service centers in the different countries and regions. These self-assessments are aimed at increasing awareness of Fugro's overall internal control framework. They are focused on financial reporting, consistency in the use of standards and the effectiveness of

Asphalt testing laboratory, Arnhem, The Netherlands.

controls, ultimately leading to an enhanced control environment. This process will evolve in the coming years, depending on evaluation of the shared service centers that use ICS, changes in the risk environment, and demands from internal or external stakeholders.

Fugro is implementing a groupwide IT system to optimise the way Fugro works in business development, project management and operations, procurement, and finance across the company. These key business processes are in the process of being standardised based on best practices and will be supported by a global cloud-based tool. After developing a blueprint in 2015, a first 'proof of concept' was rolled out in one operating company in 2016. Based on the lessons learned, a part of the system (the finance components) were implemented in the finance shared service centre in the Netherlands during 2017. A second proof of concept will be rolled out in another operating company in 2018 in order to further prepare for a global roll-out.

Internal audit

The internal audit department assists the company with accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

In 2017, 19 reviews took place including 3 project focused reviews. The internal audit department is independently accountable to the audit committee of the Supervisory Board and participates and reports in each audit committee meeting (5 times per year). Additionally, the head of internal audit has direct access to the chairman of the audit committee and they meet at least twice per year.

External audit

The financial statements of Fugro are audited annually by external auditors, who are not part of the internal controls of the company, but do contribute to the internal control framework. These audits take place on the basis of Dutch law. The external auditor does not act in an advisory capacity. In the majority of cases that advisory services are required, Fugro selects firms that are not selected to carry out component audits. The performance of the external auditor is evaluated annually by the audit committee, assisted by the Board of Management. The audit committee advises the Supervisory Board on their proposal to the annual general meeting regarding (re)appointment of the external auditor.

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 committee focuses on the quality of the internal and external reporting, the effectiveness of the internal audits and the functioning of the external auditor. See 'Supervisory Board report – Supervisory Board committees ' for further information on the audit committee. The terms of reference of the audit committee (included in the terms of reference of the Supervisory Board) are posted on Fugro's website.

CORPORATE GOVERNANCE

Dutch corporate governance code

The Dutch corporate governance code contains principles and best practices on the governance of listed companies and their accountability to their shareholders on this topic. Fugro has complied with this code since it was first introduced in 2013, with few deviations. In December 2016 a revised version of the code was published (the 'Code'). The Code was designated as the new corporate governance code by Decree on 7 September 2017 and entered into force for the financial year 2017.

The most important change is the central role given to long-term value creation, and the introduction of culture as a component of effective corporate governance. The principal changes revolve around seven themes: greater focus on long-term value creation; reinforcement of risk management; shift of focus in effective management and supervision; introduction of culture as an explicit part of corporate governance; improvement and simplification of the remuneration provisions; shareholders and the general meeting and quality requirements for the "comply or explain" statements.

Implementation of the Code

In 2017 Fugro has acquainted itself with the Code and, where needed, has brought its corporate governance structure in line with the revised principles and best practices. The key aspects of the corporate governance structure and compliance with the Code will be discussed at the 2018 annual general meeting ('AGM').

In February 2017, the Supervisory Board and the Board of Management received a comprehensive overview of the Code and the various changes were discussed at length. During the year, understanding of the Code was created and the needed changes and the implications were mapped. In August 2017, the three Supervisory Board committees (audit committee, nomination committee and remuneration committee) received comprehensive compliance overviews of the relevant principles and best practices. These overviews were discussed at length in the respective meetings of the committees. With regard to the audit committee, account was taken of the EU Audit Regulation, the EU Audit Directive and the Decree Establishing Audit Committees. In October, the same was done with the Board of Management and the Supervisory Board. The preliminary conclusion was that Fugro already complies or will be able to comply before year-end 2017 with most of the key aspects of the corporate governance structure of the Code and that the only relevant exceptions relate to Fugro's certification structure just like with the previous code.

During the year, the relevant governance documents were updated, including, amongst others, the rules governing the internal proceedings of the Board of Management and of the Supervisory Board, the profile of the Supervisory Board, the charters of the Supervisory Board committees, the charter of internal audit and the risk management framework (final version approved in January/February 2018).

Furthermore, Fugro further embedded long-term value creation, its values and social and environmental considerations into its strategy, business operations and reporting by formulating Fugro's long-term value creation model and sustainability framework, improving on its non-financial reporting and a further roll-out of its Code of Conduct.

Compliance with the Code in 2017

Fugro applies the principles and best practices of the Code, except for the following and for the reasons set out below. A full overview ('comply or explain'-report) of Fugro's compliance with the Code in 2017 is posted on Fugro's website, as are the rules governing the internal proceedings of the Board of Management and of the Supervisory Board (including its three committees).

Principle 4.4

Maintaining its role as independent service provider is crucial for Fugro (see 'Protective measures' on page 68 for 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. When carrying out assignments Fugro often receives or can have access to extremely confidential information. Fugro can only perform its assignments if it can safeguard the confidential nature of such information towards its clients. Furthermore, it is strategically extremely important for Fugro that it is able to maintain its position as an independent service provider and to deter influences in conflict with these interests which might affect the independent position or the continuity and identity of Fugro

Fugro Synergy resupplying in port of Saint-Malo, France.

and its group companies. At this moment, Fugro does not intend to change this.

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. Preventing this, ties in with this Principle 4.4.

Best practice provision 4.4.1

In accordance with this provision, the Board of Stichting Administratiekantoor Fugro ('Foundation Trust Office') enjoys the confidence of the holders of certificates and operates independently of Fugro. One deviation from this provision is that the administration terms and conditions of the Foundation Trust Office do not stipulate in what cases and subject to what conditions holders of certificates may request the Foundation Trust Office to convene a meeting of holders of certificates. However, see the explanation on best practice provision 4.4.2. At this moment, Fugro does not intend to change this.

Best practice provision 4.4.2

According to this provision the meeting of holders of certificates may make recommendations to the Board of the Foundation Trust Office for the appointment of a member to the Board. It depends on whether or not a meeting of holders of certificates is held in which the holders of certificates can make such recommendations. 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 concerning persons to be appointed as a member of the Board of the Foundation Trust Office. At this moment, Fugro does not intend to change this.

Best practice provision 4.4.5

According to this provision the Foundation 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 administration terms and conditions of the Foundation Trust Office provide that if the Foundation Trust Office exercises its voting rights, it will do this in such a manner that the interests of Fugro and the enterprise affiliated therewith and all those concerned therewith are observed and complied with as far as shall be possible (article 2 of the articles of association and article 4 of the administration terms and conditions of the Foundation Trust Office). 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 Foundation 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 the voting rights the Board in any case takes into consideration the (Dutch) law as well as the articles of association and the administration terms and conditions of the Foundation Trust Office. The Board can (also) opt, for reasons of its own, to not exercise the voting rights on the shares held by the Foundation Trust Office.At this moment, Fugro does not intend to change this.

Best practice provision 4.4.8

Based on the provisions of section 2:118a Dutch Civil Code and article 18.2 of the administration terms and conditions, the Foundation Trust Office will provide a proxy 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 proxy, whether or not including a voting instruction. In specific situations the Foundation Trust Office may solely limit, exclude or revoke a proxy. See page 68 for more details. This is necessary – summarised – when Fugro's continuity, independence, identity or development is at stake. Therefore the deviation of this provision of the Code relates to the fact 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. At this moment, Fugro does not intend to change this.

Corporate information

Capital structure

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

- 140,000,000 ordinary shares, with a nominal value of EUR 0.05
- 160,000,000 cumulative protective preference shares, with a nominal value of EUR 0.05
- 10,000,000 cumulative financing preference shares, with a nominal value of EUR 0.05 each, which can be sub-divided into two series of 5,000,000 cumulative financing preference shares
- 10,000,000 cumulative convertible financing preference shares, with a nominal value of EUR 0.05 each, which can be sub-divided into two series of 5,000,000 cumulative convertible financing preference shares.

On 31 December 2017 the issued capital amounted to EUR 4,228,626.25 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). There are no restrictions on the voting rights of the company's ordinary shares and preference shares (if issued). As of 31 December 2017 almost all (83,556,943) issued ordinary shares have been exchanged for certificates of shares. See page 68 for more information on certificates of shares.

Restrictions to transfer of shares/exchange 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 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:

- Is the holder of ordinary shares to a nominal amount of one per cent or more of the total capital of Fugro issued in the form of ordinary shares (as of 31 December 2017 one percent equals 845,726 shares)
- Through such transfer would acquire more than one per cent of the total capital of Fugro issued in the form of ordinary shares.

Exchange of certificates of shares for the (underlying) ordinary shares is only possible in accordance with the above-mentioned.

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

- The transfer of ordinary shares to Fugro itself or to a subsidiary of Fugro
- 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
- 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
- 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
- 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.

Protective measures

When carrying out assignments Fugro receives or can have access to clients' extremely confidential information. For this reason it is essential for Fugro that Fugro can safeguard its position as independent service provider.

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 two of Fugro subsidiaries, Fugro Consultants International N.V. and Fugro Financial International N.V., to 'Stichting Continuïteit Fugro' (see 'Foundation Continuity Fugro').

The aim of the protective measures is to safeguard the interests of Fugro and of its group companies and of all parties concerned in the best possible way, including Fugro's position as an independent service provider and to deter influences in conflict with these interests which might affect the independent position or the continuity and identity of Fugro and its group companies.

Foundation Trust Office

Only (non-voting) certificates of shares are listed and traded on Euronext Amsterdam. These exchangeable certificates are issued by Foundation Trust Office and the Board of the Foundation exercises the voting rights on the underlying shares in such a manner that the interests of Fugro and the enterprise affiliated therewith and all those concerned therewith are observed and complied with as far as shall be possible. The Board of the Foundation operates completely independent from Fugro. For the report to holders of certificates with respect to the year 2017 and for the composition of the Board see pages 190 to 192.

Holders of certificates (and their authorised proxies):
- May, after timely written notification, attend and speak at shareholders' meetings
- Are entitled to request from Foundation Trust Office a proxy to exercise the right to vote for the shares that underlie their certificates. The Foundation may solely limit, exclude or revoke a 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 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 have said amount of issued capital acquired
  - In the opinion of Foundation Trust Office, the exercise of voting rights by a holder of certificates constitutes a real conflict of interest with those of Fugro and the enterprise affiliated therewith
- May as long as they are natural persons, exchange their certificates of ordinary shares up to a maximum of 1% of the issued share capital in Fugro per shareholder.

Generally speaking a certificate holder's notification to attend a shareholders' meeting will be treated as a request to Foundation Trust Office to grant a proxy to vote for the (underlying) shares corresponding to their certificates.

Foundation Protective Preference Shares Fugro

The objects of Stichting Beschermingspreferente aandelen Fugro ('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,

Land and marine site characterisation programme for '1915 Canakkale Bridge', Turkey.

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 independently 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 protective preference 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 and 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 protective preference 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 Fugro and its businesses – autonomously, independently and effectively should the occasion occur. The Board of Foundation Protective Preference Shares operates completely independently from Fugro; for the composition of the Board see page 190.

Foundation Continuity Fugro

The objects of Stichting Continuïteit Fugro ('Foundation Continuity') are similar to those of Foundation Protective Preference Shares. Foundation Continuity has entered into call option agreements with Fugro Consultants International N.V. ('FCI') and Fugro Financial International N.V. ('FFI') (both registered in Curaçao) pursuant to which the Foundation was granted the right to acquire preference shares B in each of FCI and FFI up to a maximum equal to 105% of the nominal value of the then issued capital of the relevant company (in a form other than cumulative preference shares B), not including any shares that company holds in its own capital. The grant of these call options has been approved by the AGM in 1999. Foundation Continuity, at the level of FCI and FFI, basically has similar features as a Dutch Protective Preference Shares Foundation and under circumstances may acquire a veto right on important decisions relating to the Fugro businesses operating under FCI and FFI. The Board of the Foundation operates completely independent of Fugro but Board member A is appointed by the Board of Management of Fugro with the approval of the Supervisory Board of Fugro. For the composition of the Board, see page 190.

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. 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.

Stock option and share plans (long-term incentive)

Currently Fugro has the following long-term incentive plans:

i) Unconditional options, approved by the AGM in 2008
ii) Performance options and performance shares, approved by the AGM in 2014 and the terms of which were slightly adjusted by the AGM in 2015
iii) Performance shares (adjustment of the plan under ii) above), approved by the AGM in 2017

Until 2014, unconditional options were granted to members of the Board of Management and to a large number of employees. This changed after amendment of the remuneration policy for the Board of Management in 2014 and a number of subsequent minor adjustments to that policy in 2015 and 2017.

With effect from 2014, unconditional options were no longer granted to members of the Board of Management. Instead, performance options and performance shares were granted to members of the Board of Management and senior management. From 2017 onwards, only performance shares are conditionally granted to members of the Board of Management and senior management. Unconditional options are still granted to a large number of other employees.

Furthermore, with effect from 2017, these unconditional options and performance shares are no longer granted at the end of the year but the grant date has been shifted to the open period immediately following the publication of the annual results. The first grant under this revised timetable is scheduled for 1 March 2018. The vesting date has also been shifted to match the new grant date, but this is not applicable to unconditional options that were granted in the period 2012 – 2016. These option series still vest at year end, three 3 years after the option grant date.

The exercise price of the unconditional options to be granted on 1 March 2018 is equal to the average closing price at Euronext Amsterdam of the five trading days preceding the grant date. The vesting period of the options and performance shares is three years. The term of the options is six years and the term of the performance shares is five years.

Unconditional options granted are in principle not subject to any vesting conditions, except continuous employment of the holder by Fugro or one of its subsidiaries. The usual terms and conditions are applicable including exceptions in connection with retirement, long-term disability, death and change of control.

The vesting conditions of the performance options (last grant in 2016) and the performance shares are also subject to continuous employment of the holder by Fugro or one of its subsidiaries, but also to performance testing. Vested performance shares have a holding (lock-up) period of two years and may be partly sold only to meet tax requirements at vesting. The usual terms and conditions are applicable including exceptions in connection with redundancy, termination of the employment without cause, prorated vesting, retirement, long-term disability, death and change of control.

Options and performance shares are granted in such a way that at any moment the maximum number of outstanding options and performance shares will not exceed the mandate of 7.5% of the issued ordinary share capital (including treasury shares but excluding the conversion rights under the outstanding convertible bonds), taking into account the number of treasury shares repurchased to cover the options and performance shares. It is Fugro's policy to repurchase own shares to cover the options and performance shares granted in order avoiding the issue of new shares when options are exercised and performance shares vest.

The table below gives an overview of the series unconditional options, performance options and performance shares that are currently outstanding and of the vesting and the expiration dates.

Unconditional options	Exercise price (EUR)	Vesting date	Expiration date
Series 31/12/2012	44.52	31/12/15	31/12/2018
Series 31/12/2013	43.32	31/12/16	31/12/2019
Series 31/12/2014	17.26	31/12/17	31/12/2020
Series 31/12/2015	15.06	31/12/18	31/12/2021
Series 31/12/2016	14.55	31/12/19	31/12/2022

Performance options	Exercise price (EUR)	Vesting date[1]	Expiration date
Series 31/12/2014[2]	17.26	01/03/18	01/03/2021
Series 31/12/2015	15.06	04/03/19	04/03/2022
Series 31/12/2016	14.55	06/03/20	06/03/2023

Performance shares	Exercise price (EUR)	Vesting date[1]	End of lock-up
Series 31/12/2014[2]	n/a	01/03/18	01/03/2021
Series 31/12/2015	n/a	04/03/19	04/03/2022
Series 31/12/2016	n/a	06/03/20	06/03/2023

1 Based on preliminary schedule publication dates annual results in 2019 and 2020.
2 On 21 February 2018, following the advice of the remuneration committee, the Supervisory Board decided that the targets for vesting of both these performance shares and performance options have not been achieved because the ROCE target (50% weight) was below the threshold and the TSR (50% weight) ranking was above 7. As a result, these performance shares and performance options will not vest on 1 March 2018 and expire.

See note 5.31.1 of the financial statements for further information on option and share plans.

General meeting of shareholders

General meetings are convened by the Board of Management or the Supervisory Board. Meetings can also be convened by shareholders who, individually or jointly, represent at least 10% of the issued share capital if authorised by the relevant Dutch court.

The powers of the general meeting are stipulated in legislation and in the articles of association of Fugro and can be stated concisely as follows: approval of decisions that would entail a significant 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 of the Board of Management; approval of option and share plans for the Board of Management; approval of the remuneration of the Supervisory Board; adoption of the annual financial statements; discharge of members of the Board of Management and of the Supervisory Board; approval of the profit appropriation in accordance with article 36 paragraph 7 of the articles of association; authorisation to repurchase or cancellation of 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.

The AGM is held within six months of the end of the financial year (often at the end of April or the beginning of May) in order to discuss the management report and the financial statements, any appointments of members of the Board of Management and of the Supervisory Board and any of the other topics mentioned above. Extraordinary general meetings (EGM) 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.

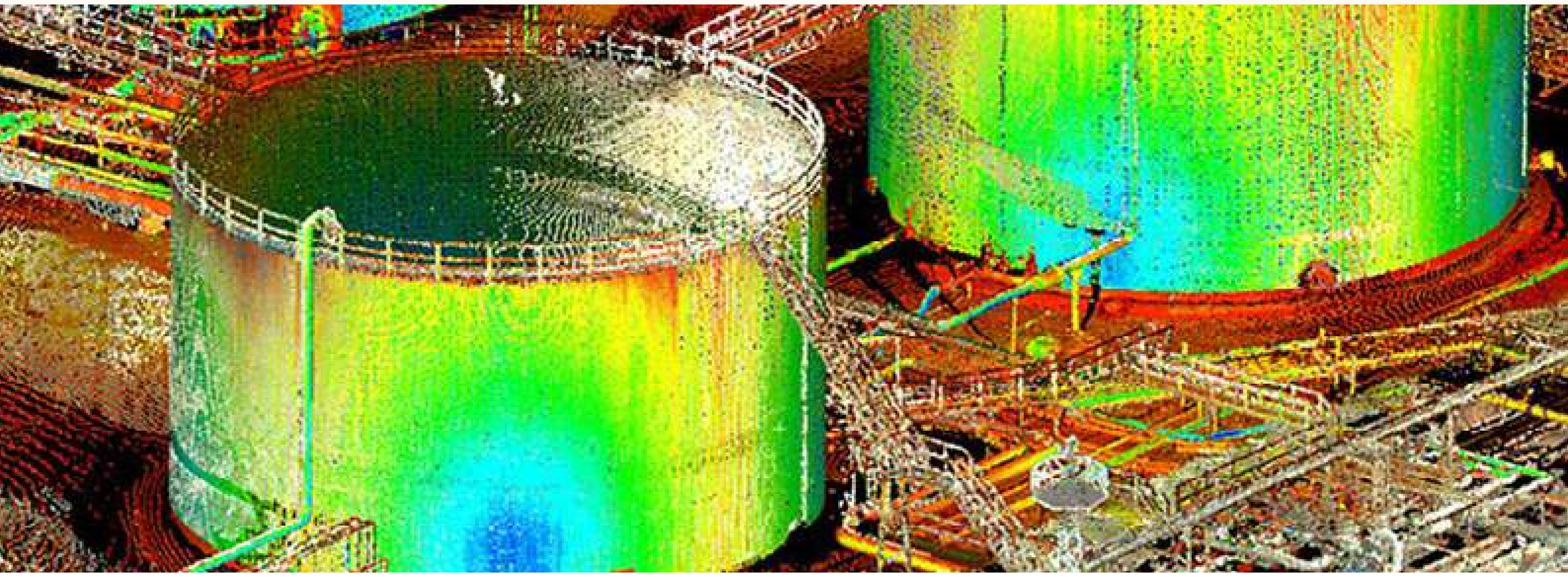
Shareholders who, individually or jointly, represent at least 3% of the issued share capital may request to the Board of Management that items be placed on the agenda.
Such requests need to be received in writing not later than 60 days prior to the meeting date.

Board of Management and Supervisory Board

Fugro N.V. is a public limited liability company under Dutch law. Fugro is also an international holding company. It has a two-tier board structure, consisting of a Board of Management and an independent Supervisory Board.
Each Board has its specific role and task regulated by laws, the articles of association, the Code and the rules and the rules of both Boards.

The Board of Management is responsible for the continuity, the goals, objectives, long-term value creation strategy, policies and results of Fugro. The Supervisory Board supervises the policies, management and the general affairs of Fugro, including the relations with shareholders.
The Supervisory Board assists the Board of Management Board with advice on general policies related to Fugro and the business connected with it. In fulfilling its responsibilities, the Supervisory Board is guided by the interests of Fugro and its stakeholders.

Members of the Board of Management and of the Supervisory Board are appointed (and, if necessary, dismissed) by the general meeting for a maximum period of four years. The Supervisory Board determines the number of Board of Management after consultation with the Board of Management. The Supervisory Board consists of such number of members as shall be set by the Supervisory Board (currently six). Board of Management members may be reappointed. In case of an appointment or reappointment of Supervisory Board members, the Supervisory Board



3D mapping of tank storage.

profile should be observed. A Supervisory Board member may be reappointed once for a second period of four years, and subsequently reappointed again for a period of two years, which appointment may be extended by at most two years. In the event of a reappointment after an eight-year period, reasons should be given in the report of the supervisory board.

For every appointment to the Supervisory Board and the Board of Management, the Supervisory Board is entitled to make a (binding) nomination. The general meeting can overrule a binding nomination by a resolution adopted by an absolute majority of the votes cast, provided such majority represents more than one-third of the issued share capital. If this part of the share capital is not represented at the meeting, but an absolute majority of the votes cast is in favour of the 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, irrespective of the part of the capital represented at such meeting. On a non-binding nomination, the general meeting decides on the appointment with an absolute majority of votes.

The Supervisory Board appoints one of the members of the Board of Management as chairman (CEO) and determines, in consultation with the Board of Management, the division of tasks. The Supervisory Board appoints one of its members as chairman and one as vice-chairman.
The chairman of the Supervisory Board is assisted in his role by the company secretary. The Supervisory Board has established three committees from amongst its members: an audit committee, a nomination committee and a remuneration committee. The function of the committees is to assist the Supervisory Board and to prepare the decision-making.

The general meeting can dismiss or suspend members of the Board of Management and the Supervisory Board. Such a decision, other than proposed by the Supervisory Board, requires at least two-third of the votes, representing at least half of the issued share capital. With regard to the overruling of the binding nature of decisions to suspend or dismiss members of the Board of Management or Supervisory Board, convening a second meeting pursuant to section 2:120, subsection 3, Dutch Civil Code is not permitted. The Supervisory Board may at any time suspend a member of the Board of Management.

During 2017, the members of the Board of Management and the Supervisory Board have not been involved in transactions involving conflicts of interest for Board of Management or Supervisory Board members which were of material significance to Fugro and/or to members of the Board of Management or the Supervisory Board.
Such transactions have not been reported by members of the Board of Management or the Supervisory Board.

Further information on the Board of Management and the Supervisory Board included in the rules governing the internal proceedings of both boards, which can be found on the website.

The Board of Management regularly, and at least annually, evaluates its own and the individual members' performance. The Supervisory Board regularly, and at least annually, evaluates the performance of the Board of Management Board and the members individually. The Supervisory Board discusses the conclusions of this evaluation, including in relation to the succession of directors. The evaluation takes place without the Board of Management being present.
The Supervisory Board regularly, and at least annually,

evaluates its own and the individual members' performance without any Board of Management member being present. The performance of the various committees is evaluated as well.

Diversity Board of Management and Supervisory Board

Fugro believes that diversity and inclusion should extend to all areas of its organisation. Starting at the top, in 2017, diversity policies for the composition of the Supervisory Board and Board of Management were discussed and determined. Reference is made to the diversity policy for the Supervisory Board and for the Board of Management and to the profile of the Supervisory Board. Both the diversity policy and the profile (included in the Supervisory Board rules) which are posted on Fugro's website.

Fugro will benefit from a broad range of skills and a variety of backgrounds in both boards, allowing for better oversight and governance reflecting the diversity of the Fugro client base and employees.

Based on the nature and complexity of the Fugro business, the markets in which Fugro operates and the diversity of the client base and employees, Fugro identified the diversity aspects of gender, nationality/geographical provenance and background (education and/or experience) as being most relevant for Fugro and its business. For both boards, these diversity aspects are taken into account when vacancies have to be fulfilled.

On the basis of these diversity aspects, targets have been set in order to achieve a diverse composition of both boards. Going forward Fugro will continue to identify and search internal and external candidates for positions in the Supervisory Board and Board of Management from a variety of backgrounds, whilst at the same time not compromising on other relevant aspects such as quality, expertise and experience. In the event that a global recruitment firm is engaged, Fugro gives search instructions in line with the diversity policies.

In line with applicable Dutch legislation, the Supervisory Board has set the following gender diversity targets: for both the Supervisory Board and Board of Management at least 30% shall consist of female members and at least 30% shall consist of male members. When the Board of Management consists of four members, as is the current situation, the target is deemed to be achieved when one of the members is female.

The Supervisory Board consists of four male (67%) and two female members (33%). With this percentage, the gender diversity target for the Supervisory Board has been achieved. The Supervisory Board has established a profile for its composition, taking into account the desired diversity with respect to the other diversity aspects. This profile sets out: the size of the Supervisory Board; the desired expertise, experience and background represented in the Supervisory Board; the desired diversity among Supervisory Directors; and the desired independence of Supervisory Directors. The Supervisory Board is of the opinion that its current composition meets the profile and therefore also the desired diversity regarding these aspects.

The Board of Management consists of four members (since 1 January five, but this will go back to four after the upcoming AGM). As all members are male, the diversity target regarding gender has not been met. In the past few years, two new members have been attracted: Brice Bouffard, appointed by the AGM in April 2016 and Øystein Løseth, appointed by the EGM in December 2017. In both cases, the Supervisory Board also seriously looked for female candidates. However, the potential female candidates did not meet the requirements of the profile, were not interested in the job or retracted their candidacy. The difficulty to find qualified female candidates can probably be explained by the highly technical nature of Fugro's business and the limited pool of female candidates with a relevant background. Diversity in the broad sense is discussed by the nomination committee on a regular basis and the Supervisory Board supports all efforts of the company to strive for a more diverse workforce, especially with respect to gender.

When a vacancy in the Board of Management arises, the Supervisory Board will continue to take the gender diversity target into account, besides other relevant criteria for the specific vacancy such as geographical provenance, experience, educational background, growth potential, personality, fit within the team. The Supervisory Board is of the opinion that, except for the gender diversity target, the current composition of the Board of Management meets the relevant criteria with respect to geographical provenance, experience, educational background, growth potential, personality and fit within the team.

Diver performing inspection, repair and maintenance services.

See pages 54 to 55 and 83 to 84 for more information about the gender, the nationality/geographical provenance and the background (education/work experience) of the members of the Board of Management and the Supervisory Board.

Amendment of 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, representing at least half of the issued share capital. If this proportion of the share capital is not represented at the meeting, a second meeting may be convened at which the resolution may be passed by a majority of at least two-thirds of the votes cast, irrespective of the proportion of the capital represented at such meeting.

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 (currently no such preference shares are issued), 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 19 December 2017 and are posted on the website.

Authorisation Board of Management regarding shares

Fugro regularly proposes to its shareholders to authorise the Board of Management to grant or issue (rights to acquire) shares and to repurchase own shares. On 2 May 2017 the AGM authorised the Board of Management for a period of 18 months as from 2 May 2017 until 2 November 2018, to, subject to the approval of the Supervisory Board:

- cause Fugro to repurchase (certificates of) its shares in its own capital, 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 Euronext Amsterdam for the five business days preceding the date on which the repurchase is made
- resolve on the issue of – and/or on the granting of rights to acquire ordinary shares and/or all sorts of financing preference shares in which the authorised capital of Fugro is divided at the date of the relevant resolution
- limit or exclude pre-emption rights in relation to any issue or grant of (rights to acquire) ordinary shares and all sorts of financing preference shares in which the authorised capital of Fugro is divided at the date of the relevant resolution.

The above-mentioned authorisation of the Board of Management with respect to the issue of ordinary shares and financing preference shares and/or the granting of rights to acquire ordinary shares and financing preference shares is limited to a number of ordinary shares and financing preference shares amounting to 10% of the issued capital at the time of issue and, in addition, a maximum of 10% of the issued capital of Fugro at the time of the issue in connection with or on the occasion of a merger, takeover or strategic partnership.

Surveying highways in Lake District, United Kingdom.

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 the following categories of agreements as referred to in the Decree on Article 10 of the EU Takeover Directive:

- Fugro N.V., directly and indirectly, has entered into syndicate revolving credit facilities (RCF). See for further details note 5.49.1 of the financial statements. The RCF agreements stipulate that in the event of a change of control of Fugro N.V., the loans/amounts outstanding under these arrangements are immediately due
- Fugro N.V. has entered into a sale and lease back agreement regarding its geotechnical vessels Fugro Scout and Fugro Voyager. The documentation contains change of control provisions which could result, depending on various circumstances, damages to be paid by Fugro
- In October 2016 Fugro N.V. has issued EUR 190 million in subordinated convertible bonds and in October 2017 Fugro N.V. has issued EUR 100 million in subordinated convertible bonds. See note 5.49.3 of the financial statements. Both agreements contain a change of control which gives the holder of each bond the right to require Fugro to redeem that bond
- Agreement between Fugro Nederland B.V. and CGG SA regarding Seabed Geosolutions B.V., a subsidiary of Fugro with significant non-controlling interest.
  This agreement contains a change of control clause with respect to the situation that a third party, other than an affiliate of Fugro N.V. or CGG acquires direct or indirect control over the affairs of Fugro N.V. or CGG; more than 30% of the voting rights in the capital of Fugro N.V. or CGG. In such a case the other party may terminate the agreement. Some other agreements Fugro N.V. and Fugro subsidiaries have entered into also contain change of control clauses, which agreements are in itself not considered key agreements within the meaning of the Decree on Article 10 of the EU Takeover Directive, but jointly they are considered significant
- Fugro N.V. and Fugro subsidiaries have entered into various important agreements that contain clauses that in the event of a change of control the other party has the right to terminate the agreement. These agreements are in itself not considered key agreements within the meaning of the Decree on Article 10 of the Takeover Directive, but jointly they are considered significant
- Long-term incentive plans with respect to unconditional options, performance options and performance shares. The terms and conditions of the unconditional options stipulate that in the event of a restructuring of the share capital of Fugro N.V. or a merger of Fugro N.V. 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 N.V. is entitled per share immediately prior to the restructuring or merger, unless the option period is shortened by Fugro N.V. In the event of a restructuring of its share capital or merger with another company, Fugro N.V. 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. The terms and conditions of the performance options and performance shares contain more or less similar change of control clauses.

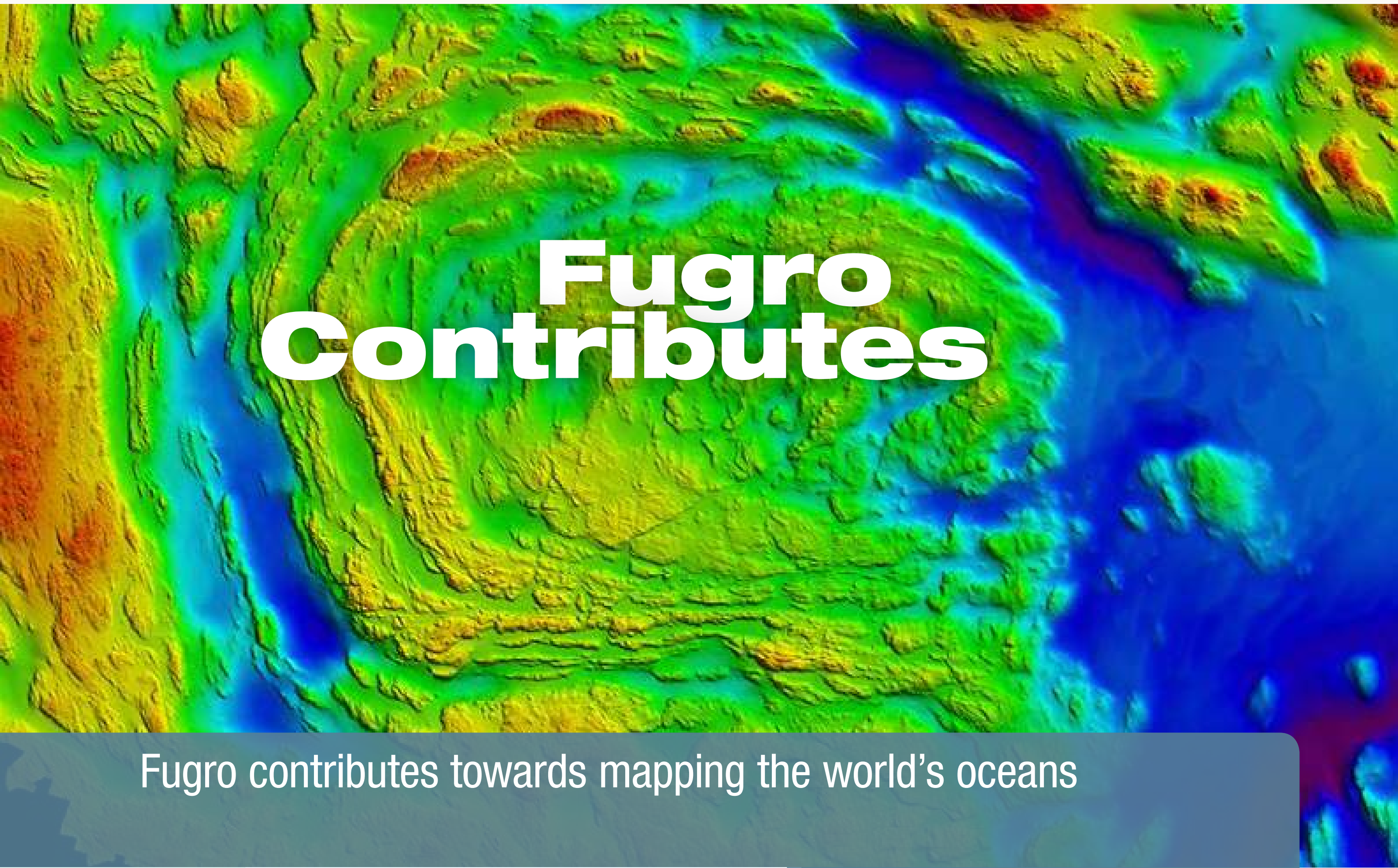
Termination of management service agreements resulting from public bid

Fugro has not entered into any agreements with members of the Board of Management that provide for a specific severance payment on termination of the 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 payment amounting to a maximum of one year's fixed base salary which in principle is applicable in the event of termination or annulment of the agreement unless this is for cause. This severance payment 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. This severance payment is in addition to a three months' notice period for both parties.

Corporate governance statement

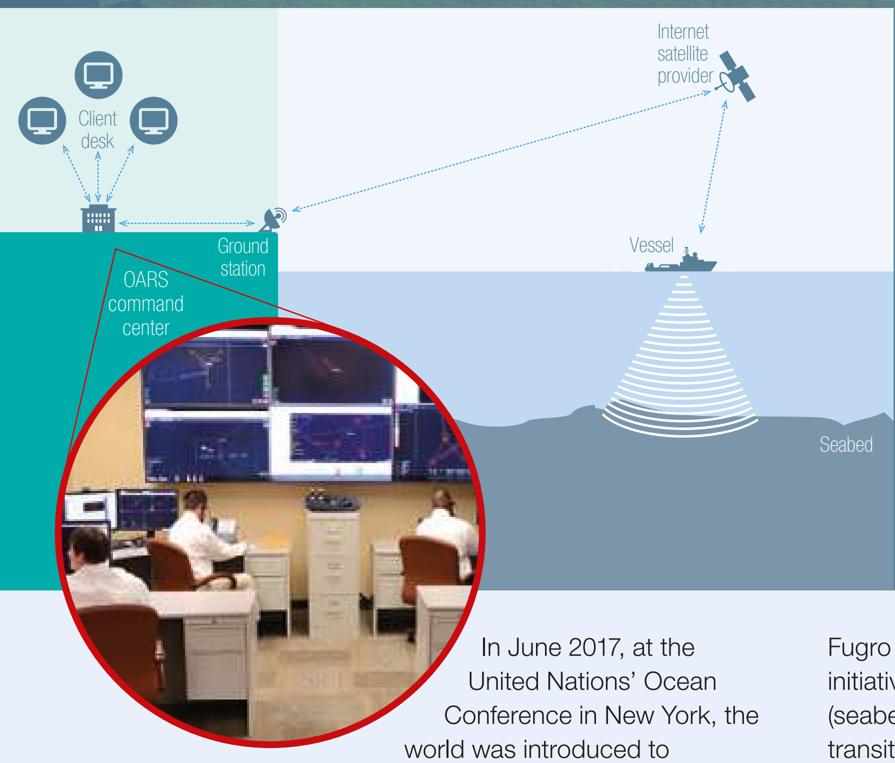
This is a statement concerning corporate governance as referred to in section 2a of the decree on additional requirements for board reports (Besluit inhoud bestuursverslag) effective as of 1 January 2018 (the 'Decree'). The information required to be included in this corporate governance statement as described in sections 3, 3a and 3b of the Decree and in best practice provision 2.1.6 of the Dutch corporate governance code of 8 December 2016 (the 'Code') can be found in the following chapters, sections and pages of this annual report 2017 and are deemed to be included and repeated in this statement:

- The information concerning compliance with the Code, as required by section 3 of the Decree, can be found in 'Corporate governance'
- The information regarding Fugro's diversity policy for the Supervisory and Management Boards as required by section 3a sub d of the Decree and best practice provision 2.1.6 of the Code, can be found in '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 'Risk management'
- The information regarding the functioning of Fugro's general meeting, 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 '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 'Corporate governance' and 'Supervisory Board report'
- The information concerning the disclosure of the information required by the Decree on Article 10 EU Takeover Directive, as required by section 3b of the Decree, can be found in 'Corporate governance' and 'Fugro on the capital markets'.



Fugro Contributes

Fugro contributes towards mapping the world's oceans



35,000 square kilometres of bathymetry data contributed so far

covering 5,195 kilometers of ocean during an 8-day transit

In June 2017, at the United Nations' Ocean Conference in New York, the world was introduced to Seabed 2030, a project of General Bathymetric Chart of the Ocean (GEBCO) and the Nippon Foundation with the aim to facilitate the complete mapping of the ocean floor by the year 2030. This initiative is driven by a strong motivation to use the ocean sustainably and undertake scientific research based on detailed information of the Earth's seabed.

Fugro is leading private sector industry support of this initiative by acquiring and contributing bathymetric (seabed topography) data from its vessels while transiting between projects. Using its office assisted remote services (OARS) technology, Fugro is able to support this mission from land-based data centers, without the need for surveyors onboard. In September 2017, the Fugro Discovery acquired and contributed its first set of bathymetry data in the North Atlantic during a transit from the United Kingdom to Canada.

FUGRO ON THE CAPITAL MARKETS

Investor relations policy

Fugro's investor relations policy is aimed at providing timely, complete 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 the company's strategy, activities, historical performance and outlook for the future. Fugro offers comprehensive information on its website and through presentations to and meetings with analysts, investors and media and by means of press releases.

Investors are able to follow analyst presentations via webcast. Roadshows are held twice a year, amongst others in the United States, the United Kingdom, the Netherlands, Switzerland and Germany. In combination with further individual personal contacts with investors throughout the year this resulted in a total of 184 'one-on-one'-meetings, presentations and telephone conferences in 2017.

These activities are carried out in strict accordance with the requirements of Euronext and the Dutch Authority for the Financial Markets. Fugro has a policy on bilateral contacts in place, detailing how information is provided to investors, analysts, financial institutions, the press and other stakeholders. For this policy and all other relevant publications such as press releases and presentations, see www.fugro.com.

Listing on the stock exchange

Fugro is listed on Euronext Amsterdam since 1992 (symbol: FUR/ISIN code: NL0000352565). Options on Fugro shares are traded on the European Option Exchange in Amsterdam (Euronext Life).

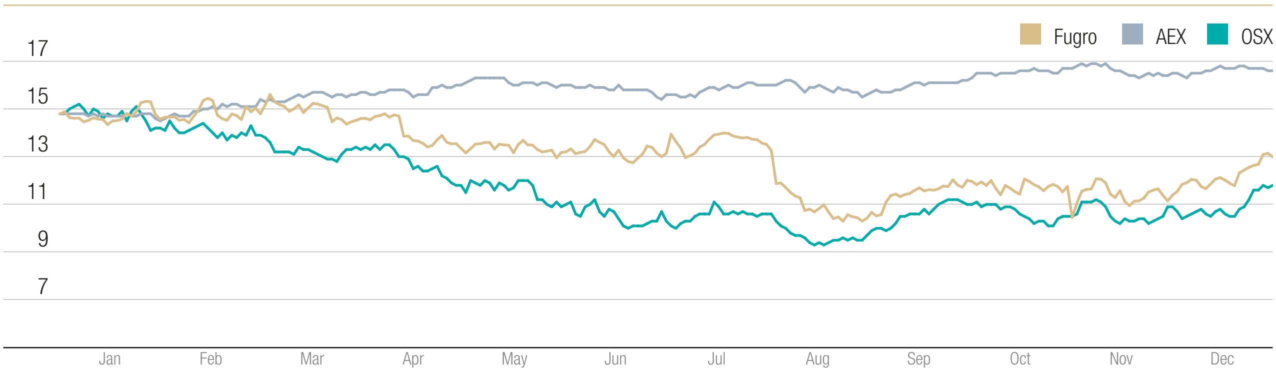
On 31 December 2017 Fugro had 84,572,525 shares outstanding. Not the shares themselves, but certificates of shares are listed on Euronext Amsterdam. These certificates are issued by the Foundation Trust Office, which carries out the administration of the underlying shares. On 31 December 2017 the Foundation Trust Office administered 83,556,943 or 98.8% of the issued underlying shares. For more information on Fugro's capital structure, see 'Corporate governance – corporate information'.

Share price and trading volumes

In 2017, Fugro's share price declined by 11%, compared to a 19% decrease in the OSX, the most commonly used oil field services index. The major Dutch index, the AEX, increased by 13% during the year.

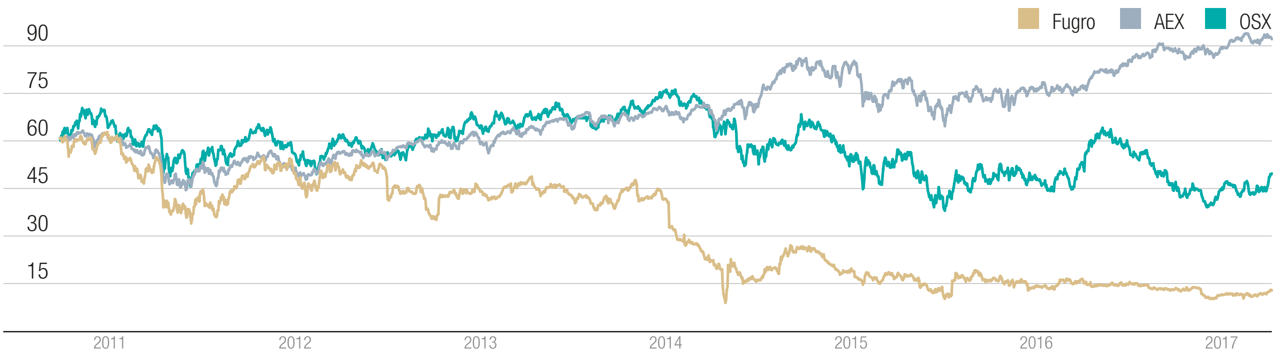
The average daily trading volume on Euronext Amsterdam was 786,522 shares, which was in line with the year before. On a daily basis around 75% of the observable trading volume in Fugro shares took place on the Euronext platform; the remaining volume was realised on alternative platforms such as Equiduct, Chi-X and Turquoise.

Development share price 2017* (x EUR)



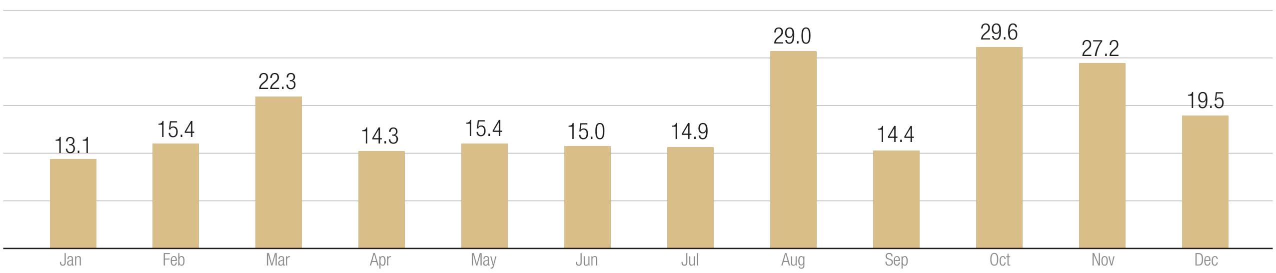
* AEX (Dutch large cap index) and OSX (US oil services index composed of amongst others Halliburton, Oceaneering, Schlumberger, Transocean, Weatherford) calibrated to Fugro share price on 2 January 2017.

Development share price 2011 – 2017* (x EUR)



* AEX (Dutch large cap index) and OSX (US oil services index composed of amongst others Halliburton, Oceaneering, Schlumberger, Transocean, Weatherford) calibrated to Fugro share price on 2 January 2017.

Trading volumes Euronext 2017 (x million shares)



Trading information	2017	2016	2015	2014	2013
Market capitalisation (x EUR 1 million)	1,099	1,231	1,274	1,460	3,663
Highest closing share price on Euronext	15.61	19.28	27.21	47.72	48.81
Lowest closing share price on Euronext	10.30	10.34	13.86	9.07	35.24
Year-end closing share price on Euronext	12.99	14.55	15.06	17.26	43.32
Average daily trading on Euronext (shares)	786,522	750,484	940,270	1,133,414	475,733

Information per share (x EUR 1.–)	2017	2016	2015	2014	2013
(Basic) earnings per share	(1.98)	(3.82)	(4.60)	(5.67)	5.29
Diluted earnings per share	(1.98)	(3.82)	(4.60)	(5.65)	5.27
Dividend paid out in the year under review	–	–	–	1.50	2.00

Shareholders

Under the Dutch Financial Supervision Act, substantial holdings of 3% or more must be disclosed to the Dutch Authority for the Financial Markets (AFM).

Substantial holdings of 3% or more in Fugro's share capital per 31 December 2017

	Position	Date notification
Kiltearn Partners LLP	10.25%	13 March 2017
NN Groep N.V.	10.01%	4 October 2016
Sprucegrove Investment Management Limited	5.18%	14 March 2013
Fugro N.V. (treasury shares)	4.20%	30 September 2014
Deutsche Bank AG	3.63%	6 November 2017
Norges Bank	3.57%	15 March 2017
BNP Paribas Asset Management Holding	3.02%	11 September 2017

On 31 December 2017, Fugro owned 3,613,347 of its own shares (treasury shares) which could be (partly) used to cover the employee option and share plans and (partial) conversion of the outstanding subordinated convertible bonds. Treasury shares are not entitled to dividend and there are no voting rights attached to these shares. See 'Corporate governance – corporate information – stock options and share plans' and note 5.31.1 of the financial statements for more information on Fugro's option and share plans.

Treasury shares	2017	2016
Balance on 1 January	3,628,347	3,628,347
Purchased	–	–
Sold in connection with option exercise	–	–
Vesting of restricted shares	– 15,000	–
Balance on 31 December	**3,613,347**	**3,628,347**
Granted, not exercised options at year-end	3,141,153	4,281,670
Granted, not exercised performance options at year-end	565,544	623,589
Granted, not vested performance shares at year-end	282,768	311,794

During 2017, Fugro has not been involved in any transaction with holders of at least 10% of shares in Fugro. This means that best practice provision 2.7.5 of the Code has been observed.

Dividend

Fugro strives for a pay-out ratio of 35% to 55% of net result. Shareholders have the choice between cash or shares. In case no choice is made, the dividend will be paid in shares.

Fugro offsets dilution resulting from the optional dividend (cash or shares). Fugro will repurchase the number of shares issued as stock dividend and these shares will be cancelled after having obtained shareholder approval. This way, dilution is being offset while the tax advantage for a substantial part of the shareholders related to stock dividend is retained.

Due to the negative net result, Fugro has not paid a dividend since 2014 (over the year 2013) and will not propose to pay a dividend over the year 2017.

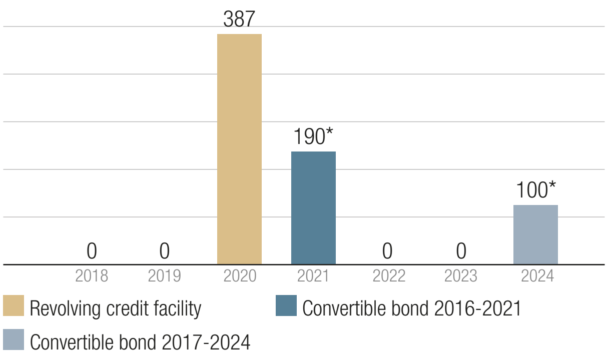
Loans

Fugro has a revolving credit facility in place with seven banks. On this 5-year facility of EUR 575 million, as per 31 December 2017 EUR 387 million has been drawn. The interest is EURIBOR plus 110 to 190 basis points, dependent on the level of net debt/EBITDA. The credit facility contains covenant requirements, most notably net leverage (net debt/EBITDA) of below 3.0 and fixed charge cover of above 1.8 (above 2.0 as per March 2018). With net debt/EBITDA of 1.9 and a fixed charge cover of 2.2 per 31 December 2017, Fugro is well within its covenants. See note 5.50.6 in the financial statements for details.

In October 2016, Fugro issued EUR 190 million in subordinated convertible bonds, maturing in 2021, and with a coupon of 4.0% and an initial conversion price of EUR 19.4416. The proceeds were fully used for early repayments on the private placement loans with US and UK investors (USPP notes) which were placed in 2002 and 2011, and carried a weighted average interest rate of around 5.7%. On 2 November 2017, Fugro issued a further EUR 100 million in subordinated convertible bonds. These bonds carry a coupon of 4.5% and an initial conversion price of EUR 14.9412. Again, the proceeds were fully used for early repayment on the USPP notes, which were fully redeemed

Debt maturity profile per 31 December 2017

(in millions, euro equivalents)



* Will be lower than EUR 290 million if bonds are (partly) converted into equity.

per year-end 2017. The bonds are trading on the Open Market (Freiverkehr) segment of the Frankfurt Stock Exchange (symbol: ISIN: XS1508771216 respectively XS1711989928).

The issue of the convertible bonds has resulted in additional headroom under the financial covenants, reduced interest expense and increased financial flexibility, as these bonds and related interest costs are excluded from the covenant ratios as described above. The shares underlying the bonds correspond to approximately 11.5% respectively 7.9% of Fugro's issued share capital.

Annual general 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. 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.

Percentage of issued capital represented

	% of issued capital[1]	Of which certificates and shares	Of which shares held by Foundation Trust Office[2]
EGM 2017	99	46	53
AGM 2017	99	56	43
AGM 2016	99	71	28
AGM 2015	99	71	28
AGM 2014	99	74	25

1 Excluding own shares held by Fugro (treasury shares).
2 Foundation 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 Foundation Trust Office. For more information see 'Corporate governance - Foundation Trust Office' and 'Report of Stichting Administratiekantoor Fugro'.

Financial calendar

26 April 2018	Publication trading update first quarter 2018 (7.00 CET)
26 April 2018	Annual general meeting (The Hague Marriott Hotel, Den Haag, 14 CET)
1 August 2018	Publication half-year results 2018 (7.00 CET)
26 October 2018	Publication trading update third quarter 2018 (7.00 CET)
25 February 2019	Publication 2018 annual results (7.00 CET)
26 April 2019	Annual general meeting

Contact

For further information contact
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Director Investor Relations
+31(0)70 3115335
c.vanbuttingha@fugro.com
holding@fugro.com

MANAGEMENT STATEMENTS

The Board of Management is responsible for the design and operation of the internal risk management and control systems. In discharging this responsibility, the Board of Management has made an assessment of the effectiveness of the design and operation of these systems.

Fugro is aware of risks it can be confronted with and has an internal control framework in place to identify and manage risks. The Board of Management has reviewed the effectiveness of Fugro's internal risk management and control systems, based upon the following information:

- letters of representation signed by the management of Fugro's reporting entities
- reports of internal audit on reviews performed throughout the year
- observations and measures to address issues were discussed with local management, the Board of Management and the audit committee. The main observations of internal audit relate to further improvement in the documentation of segregation of duties, IT user access management and project control/ reporting
- the management letter from the external auditor with observations and remarks regarding internal controls. This letter has been discussed with the audit committee and Supervisory Board.

The management letter notes good progress in the company's change programs to decrease risks and increase efficiency and effectiveness of internal controls through centralisation and improving controls and monitoring. Points of attention for further improvement included the relatively informal culture at local level towards documenting control activities which is being addressed by the implementation of regional shared service centres.

The establishment of the internal risk management and control systems is based on the identification of external and internal risk factors that could influence Fugro's operational and financial objectives and contains a system of monitoring, reporting and operational reviews. All material risk management activities have been discussed with the audit committee and Supervisory Board. For more information on Fugro's risk management activities, internal control, risk management systems and key risks, see pages 57 to 64.

The purpose of Fugro's internal risk management and control systems is to adequately and effectively manage the significant risks to which it is exposed. Such systems can never provide absolute assurance as to the realisation of operational and strategic business objectives, nor can they prevent all misstatements, inaccuracies, errors, fraud and non-compliances with legislation, rules and regulations. These systems do not provide certainty that the company will achieve its objectives.

Based on the annual evaluation and discussion of Fugro's internal control and risk management systems and identified risk factors, the Board of Management confirms, in accordance with best practice provision 1.4.3 of the Dutch corporate governance code as published on 8 December 2016, that, according to the current state of affairs to the best of its knowledge:

- the internal risk management and control systems of Fugro provide reasonable assurance that the company's financial reporting does not contain any material inaccuracies
- there have been no material failings in the effectiveness of the internal risk management and control systems of Fugro
- there are no material risks or uncertainties that could reasonably be expected to have a material adverse effect on the continuity of Fugro's operations in the coming twelve months
- it is appropriate that the financial reporting is prepared on a going concern basis.

Furthermore, in view of the above, the Board of Management confirms, in accordance with article 5:25c of the Financial Supervision Act, that, to the best of its knowledge:

- the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Fugro and of group companies included jointly in the consolidation
- the board report (pages 17 to 81) provides a fair review of the position at the balance sheet date, the development and performance of the business during the financial year of Fugro and of the group companies for which the financial information is recognised in its financial statements
- the board report describes the principal risks and uncertainties that Fugro faces.

Leidschendam, 21 February 2018

P. van Riel, Chairman Board of Management/ Chief Executive Officer
P.A.H. Verhagen, Chief Financial Officer
M.R.F. Heine, Director Marine division
B.M.R Bouffard, Director Land division
Ø. Løseth, member Board of Management

REPORT OF THE SUPERVISORY BOARD

SUPERVISORY BOARD

Name **Harrie L.J. Noy** (1951)
Function Chairman
Committee Chairman nomination committee
Nationality Dutch
First appointed 2012
Current term Until AGM 2020

Previous positions
Worked at ARCADIS as of 1975, from 1989 until 2000 in several senior management positions. From 2000 until May 2012 Chairman Executive Board and CEO of ARCADIS N.V.

Other functions
Chairman Supervisory Board Royal BAM Group N.V., Extraordinary Board member Dutch Safety Board, Chairman Board Foundation Trust Office TKH Group

Name **Maarten Schönfeld** (1949)
Function Vice-chairman
Committee Chairman audit committee
Nationality Dutch
First appointed 2013
Current term Until AGM 2021

Previous positions
1977-2001 Several positions with Royal Dutch Shell Plc. From 2001 until 2008, CFO and vice-chairman of the Board of Management of Stork B.V.

Other functions
Member Supervisory Board and chairman audit committee ARCADIS N.V. and SiF Group N.V., member Board Foundation Continuity ICT

Name **Antonio J. Campo** (1957)
Committee Member remuneration committee; member nomination committee
Nationality Colombian
First appointed 2014
Current term Until AGM 2018

Previous positions
Multitude of senior management positions at Schlumberger and CEO of Integra Group

Other functions
Vice-chairman Board Basin Holdings, Executive director of National Energy Services Reunited Corporation

SUPERVISORY BOARD (CONTINUED)

Name **Petri H.M. Hofsté** (1961)
Committee Member audit committee
Nationality Dutch
First appointed 2015
Current term Until AGM 2019

Previous positions
Senior financial management positions at various organisations; partner at KPMG, group controller and deputy chief financial officer of ABN AMRO Bank, division director of the Dutch Central Bank and chief financial and risk officer of APG Group

Other functions
Member Supervisory Board Rabobank, Kas Bank (Chair audit committee), Achmea B.V. and Achmea Investment management, member of the Board and Chair of the audit committee of Nyenrode Foundation

Name **Anja H. Montijn** (1962)
Committee Chair remuneration committee; Member nomination committee
Nationality Dutch
First appointed 2015
Current term Until AGM 2019

Previous positions
Various national and international leadership positions at Accenture, ao managing director Resources practice in France and Benelux, Country Managing Director Accenture the Netherlands, Global Managing Director Management Consulting Resources

Other functions
Non-executive director at OCI N.V.

Name **Douglas J. Wall** (1953)
Committee Member audit committee
Nationality American/Canadian
First appointed 2014
Current term Until AGM 2018

Previous positions
President and CEO of Patterson-UTI Energy, Group President of completions and production at Baker Hughes, variety of executive positions with other oilfield services companies in Canada

Other functions
Director of Select Energy Services, LLC

Company secretary **Wouter G.M. Mulders** (1955)

SUPERVISORY BOARD REPORT

The year 2017 was again a difficult year for Fugro with disappointing results. For the fourth consecutive year, the company had to deal with the downturn in the oil and gas market. After revenues already declined by 25% in 2016, in 2017 revenues went down by another 16%, showing how strongly Fugro has been hit by this unprecedented downturn. In the infrastructure, buildings and renewables markets, Fugro was able to expand its business, but not sufficiently to compensate for the decline in the oil and gas business. At the end of 2017, we began to see signs of stabilisation of the oil and gas market. When this market starts improving, Fugro can reap the benefits of the cost reduction and performance improvement measures that it has taken in the recent past. But for the time being, we remain cautious.

In view of the continued pressure on revenues, the most important subject in our discussions with management was how to weather the storm and how to prepare the company for a future that anyhow will be different from what the company has been used to, also when the oil and gas market recovers. We believe that management has taken the right actions by building a more client centric organisation and continuously reducing costs, lowering working capital, curtailing investments and divesting non-core assets. Despite all of these measures, for the first time since the downturn began, Fugro had to report a negative EBIT before exceptional items, mainly caused by strong price pressure in the oil and gas market. We also noted that cost reductions become increasingly difficult as Fugro wants to retain good people and continue to deliver high quality services globally. We support management's initiatives to enhance Fugro's commercial capabilities by focusing on value propositions for clients. That will strengthen the company's competitiveness and have a positive impact on its market position.

We regularly discussed with the Board of Management the financial condition of the company and the near-term outlook. As the downturn lasted longer than expected, we agreed with management's proposal to issue – as a matter of financial prudency – another subordinated convertible bond which was placed successfully in November 2017, for an amount of EUR 100 million. This resulted in additional headroom under the financial covenants. At year-end 2017, the net debt to EBITDA ratio under these covenants came out at 1.9, well below the maximum level of 3. We fully agree with management that restoring profitability, steering on cash flow and reducing net debt are key priorities for 2018.

In February 2017, we noted Boskalis' announcement that it had sold its remaining stake in Fugro, after it had already reduced its shareholding to 9.36% by the end of 2016. This closed a chapter in which both the Board of Management and the Supervisory Board had to spend a lot of time and effort defending the importance of Fugro's ability to provide its services independently, which is fundamental to the success of the company and a key pillar of its strategy.

2017 Financial statements and dividend

This annual report includes the 2017 financial statements, which are accompanied by an unqualified independent auditor's report of Ernst & Young Accountants LLP (see the independent auditor's report starting on page 183). These financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and section 9 of Book 2 of the Dutch Civil Code.

On 20 February 2018, the audit committee discussed the draft financial statements with the CFO and the auditors. The audit committee also discussed the management letter and the long form auditor's report, the quality of internal risk management and control systems and had a discussion with the auditor without Fugro's management being present.

On 21 February 2018, we discussed the annual report, including the 2017 financial statements, with the Board of Management in the presence of the auditor. Furthermore, we took note of the reporting from the audit committee and reviewed the independent auditor's report and the quality of internal risk management and control systems.
We concluded that we agree with the 2017 financial statements.

We recommend that the annual general meeting (AGM), to be held on 26 April 2018, adopts the 2017 financial statements. In addition, we request that the AGM grants discharge to the members of the Board of Management in office in the 2017 financial year for their management of the company and its affairs during 2017, and to the members of the Supervisory Board in office for their supervision over said management. We concur with the decision of the Board of Management that due to the negative net result no proposal will be submitted to pay a dividend for 2017.

Underwater survey by remotely operated vehicle for meteorological mast, Ninepin Island, Hong kong.

Health and safety

We consider health and safety of critical importance for Fugro and its people. We start each regular meeting with the Board of Management with a discussion on safety. In 2016 we had seen a decline in safety performance compared to the previous year and we had noted that many in the industry are experiencing a levelling off in the rate of improvement of safety indicators. In 2017 we regularly discussed the various measures taken by management to improve safety performance. Despite these measures, safety performance did not improve, but remained more or less at the same level compared to 2016. Unfortunately, Fugro suffered one fatality during maintenance work which we extensively discussed with management. This was a tragic accident and we supported the care and the actions taken. This incident illustrates that safety awareness need to be top of mind. We support management's drive to continuously increase safety awareness,

In our view, the levelling off of safety performance, not only in Fugro but in the industry in general, cannot be isolated from the current market circumstances. The strong price pressure leads inevitably to pressure on projects and people and results therefore in additional risks regarding safety. Of course, this should not be the case, as safety comes first, but in reality, these additional risks are unavoidable as people have to perform their job within restricted budgets causing pressure on time and resources. We therefore support management in their efforts to address this issue with clients as safety is a common responsibility of clients and service providers. Rewarding safety performance within tendering processes would certainly help in reducing safety risks in projects.

Strategy

Fugro's strategy Building on Strength, introduced in 2014, was developed to deal with the deteriorating market circumstances in the oil and gas market. It means that the company focuses on its core activities where it has global market leading positions as an independent service provider and historically a track record of solid operational and financial performance.

Already for several years, part of the subsea activities was earmarked as non-core but divesting turned out to be difficult under the present market circumstances. We were pleased that in November 2017 Fugro was able to close an agreement regarding the divestment of the trenching and cable laying business. Although this was not a cash deal, we approved it as it valued the business at a reasonable price and gave Fugro an equity stake in a more diversified cable installation and maintenance company and a role as preferred services provider. With this transaction and the subsequent early termination of the long-term charter agreements for the two remaining installation and construction vessels, the divestment of the heavier construction and installation support part of Fugro's subsea activities has been completed. The remaining part of these activities has been integrated in the Marine division.

We regularly discussed Seabed Geosolutions, which had a difficult year. The investments in new technology that we had approved after lengthy discussions with management, should bring the company again at the forefront in its market. We support management's intention to eventually reduce Fugro's exposure in Seabed Geosolutions. Further consolidation would be the logical answer to the need for investments and the cyclical nature of this market.

We agree with the Board of Management that given the still increasing demand for oil and gas and the depletion of existing resources, at a certain point in time the oil and gas market will recover. However, in the longer run, that market will decline because of the shift to renewable energy. That shift is strongly promoted by many governments and others because of climate change and the need to reduce CO_2 emissions. We had several discussions with management on the potential consequences for Fugro's strategy and agreed that growing the business outside oil and gas is an important priority for the future. This will be high on our agenda in the coming years. We also discussed Fugro's long-term value creation model, which is explained in the report of the Board of Management.

Organisation

As of 2017, Fugro's geotechnical, survey and subsea activities have been regrouped in a Land and in a Marine division with two business lines per division: Site Characterisation and Asset Integrity. The goal is to create better conditions for internal synergies and to improve Fugro's ability to deliver integrated service packages to clients. Management kept us appraised of progress with the implementation and informed us that the new structure is meeting expectations and has been received well, both internally by staff and externally with clients.

Corporate governance

In December 2016 a revised version of the Dutch corporate governance code ("Code") was published. We were informed on the Code and we discussed the various changes. The overall conclusion was that Fugro's governance was already broadly in line with the new Code. During the year, the relevant governance documents and processes were updated, including, among others, the rules governing the internal proceedings of the Board of Management and of the Supervisory Board, the profile of the Supervisory Board, the charters of the Supervisory Board committees, the charter of internal audit and the risk management framework. A diversity policy was drafted which we discussed and agreed upon. For further information on the new Code we refer to the chapter on corporate governance.

Supervisory Board activities and meetings

During 2017, the Supervisory Board met nine times jointly with the Board of Management. Six regular scheduled meetings were held, all of which were preceded or concluded by internal meetings without the Board of Management being present. In addition, three extra meetings were held, partly by conference call. None of the Supervisory Board members was frequently absent from the Supervisory Board meetings. When necessary or useful, the Chairman was outside of the meetings in regular contact with his colleagues, the CEO and other members of the Board of Management and the company secretary.

Supervisory Board attendance record	SB	AC	RC	NC
Harrie Noy	9/9	–	5/5	5/5
Maarten Schönfeld	7.5/9	5/5	–	–
Antonio Campo	9/9	–	5/5	5/5
Petri Hofsté	9/9	5/5	–	–
Anja Montijn	9/9	–	5/5	5/5
Douglas Wall	9/9	5/5	–	–

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 three permanent Supervisory Board committees. The Supervisory Board receives all the meeting documents and the minutes of the meetings of the three committees. The Board of Management is an important source of information for the Supervisory Board. It is supplemented with information from the external auditor, from internal audit and from presentations and discussions with corporate directors and with regional management and staff in meetings and during site visits. The Supervisory Board receives monthly reports on the company's financial performance. Information is also provided outside meetings, in bilateral contacts or whenever a Supervisory Director feels the need to be informed on a specific topic.

Some members of the Supervisory Board attended part of Fugro's annual 'May managers meeting', at which senior management discussed, among others, strategic priorities of the various business lines, market conditions and improvements of operational and financial performance.

In the regular scheduled meetings, the recurring items on the agenda were, among others, market developments, financial performance and forecasts per division and for Fugro as a whole, developments in the regions, the quarterly press releases, organisational developments, internal control and risk management and compliance. On a regular basis, we were informed on investor relations including feedback from road shows, share price developments and the composition of the shareholder base. The meeting reports of the audit committee, the nomination committee and the remuneration committee were also discussed.

Throughout the year we paid a lot of attention to Fugro's financial position. Topics such as business development, cost reduction, capex, working capital, cash flow, financial scenario's and their impact on Fugro's financial headroom under its covenants, were intensively considered and discussed.

Next to the regular agenda items and insofar as not already mentioned above, we discussed, among others, the following items:

In a conference call in January we discussed the budget for 2017. We had some feedback and it was decided to discuss an adjusted budget in the regular February meeting.

In our regular February meeting the annual results 2016 and related items were discussed. The external auditor (EY) attended the financial topics. We also discussed the outcome of an internal risk assessment workshop in which the board of Management had participated. The annual report 2016 and the draft agenda for the 2017 AGM were approved. We also approved the remuneration report and the proposal of the remuneration committee to adjust the remuneration policy for the Board of Management.
We decided to propose the external auditor (EY) for reappointment. We received an update on security measures for working in high risk countries. We also received a presentation on the HSSE performance in 2016 and discussed the key actions for 2017. We received an update on compliance including updated policies regarding prevention of fraud, conflict of interest, fair competition, confidential information, disciplinary measures, the speak up procedure and the policy regarding agents including an overview of the requirements for entering into agent agreements or similar relationships. We approved the budget for 2017. In an internal meeting, we discussed and approved the proposal of the remuneration committee regarding the remuneration and the bonus 2016 for the members of the Board of Management and the bonus criteria for 2017.

In May we discussed the first quarter results. We received a presentation on an action plan of the Marine division in view of the ongoing difficult market circumstances. Based on a presentation we discussed sustainability and the roadmap for 2017. In view of the market circumstances we suggested to prioritise the actions. We also prepared for the 2017 AGM.

In August, the half-yearly report 2017 was discussed and approved. The external auditor (EY) attended the financial part of the meeting. We approved the potential sale of the trenching business subject to the outcome of due diligence. We had extensive discussions on covenant scenarios and various contingencies were considered to improve financial headroom. In a separate dinner meeting we had an open discussion with the Board of Management on the present situation and concluded that although the oil and gas market will recover, the situation that Fugro was used to before the crisis started, will never come back. With that in mind, we asked the Board of Management to prepare a follow up discussion in our September meeting.

In September, we had a three-day 'off-site' meeting in the Netherlands in combination with a visit to Fugro's 'innovation fair' in Rotterdam. We had in-depth discussions on issues relevant to overcome the present downturn and to prepare the company for the future. In addition, management of the European operating companies gave presentations on, among others, market developments, competitive position and plans for the future. The visit to the 'innovation fair', organised for clients, offered us useful insights into various innovation initiatives and the latest technology developments. It also offered us an opportunity to meet with clients. These visits with operating companies and meetings with senior management and staff take place annually and we highly value them because it gives us a better view on local operations, management and key employees.

In an internal part of the September meeting we discussed the composition of the Board of Management and the intention to nominate Mr. Øystein Løseth for appointment as member of the Board of Management and as successor of Paul van Riel after his retirement at the AGM in 2018. In a conference call at the end of September, we were informed on the due diligence outcome regarding the sale of the trenching business and we discussed different financial scenarios prepared by the Board of Management.

In October, we discussed the third quarter results. We also discussed the issue of a subordinated convertible bond and gave the Board of Management the green light to continue the process. We decided to hold an extraordinary meeting of shareholders in December with the purpose to have Øystein

Dimensional control of the spools for deepsea offshore project, Porto Amboin, Angola.

Løseth appointed as member of the Board of Management. We were informed on the post-acquisition analysis of RailData and discussed lessons learned.

In a conference call at the end of November we discussed the preliminary budget for 2018. We emphasised the necessity of generating positive cash flow and a reduction of net debt. In December, we approved the annual budget and the operational plan for 2018. The corporate director human resources gave a presentation with a focus on succession planning and talent identification. We concluded that good progress had been made, but that additional efforts are needed to build a solid pipeline of potential successors for senior management positions. Based on a presentation of the corporate director IT, we discussed progress regarding the upgrading of IT, including cyber security issues. Management responsible for the Roames business presented a post-acquisition analysis and we discussed lessons learned.

Supervisory Board committees

The Supervisory Board has three permanent committees from amongst its members: an audit committee, a nomination committee and a remuneration committee, to which certain tasks are assigned. The function of the committees is to assist the Supervisory Board and to prepare the decision-making. The chairman of each committee reports the main considerations, findings and recommendations to the full Supervisory Board.

Audit committee

The audit committee consists of three members, Mr. Maarten Schönfeld (chairman). Mrs. Petri Hofsté and Mr. Douglas Wall. All members are independent pursuant to best practice provision 2.1.8. of the Code. Collectively the members possess the required experience and financial expertise. At least two members have specific expertise in financial reporting and in the reviewing of financial reports.

The audit committee met five times in 2017. All meetings were attended by the CFO, the head of internal audit and the external auditor. In the meetings in which the annual results and half-year results were discussed, also the CEO was present. The chairman of the audit committee had regular contact with the CFO to discuss financial performance, risks and any other matters.

The chairman and also the full audit committee had a closed meeting with the head of internal audit. Among others, the performance and independence of internal audit and its members were discussed and evaluated. Conclusions were positive.

Recurring items on the audit committee agenda were, among others, the annual financial statements and the quarterly and half-yearly results, risk management and control, the internal audit plan, internal audit reviews, management letter and reports of the external auditor, pensions, taxation, insurance, IT (including cyber security and the phased roll out of a global IT system for commercial, finance, procurement and project management), treasury, developments in IFRS regulations, claims and disputes, compliance, bank covenants and financing, planning of the external auditor, follow-up group audit management letter, working capital, and the annual budget. Many of these topics were presented by the responsible managers.

In August, we assessed the follow-up to the group management letter 2016. It was concluded that the follow-up was adequate and that some actions were pending. In May, an update was received from the auditor with respect to materiality, scoping and planning, and an overview of the preliminary key audit matters. It was noted that materiality amounted to EUR 10 million and that there were no significant changes in scoping.

Furthermore, the functioning of the internal risk management and control system and specific risk areas, such as hedging and fluctuations in currency exchange rates were discussed, as was the finance roadmap (improvement and strengthening of the financial processes and the financial organisation) and compliance/due diligence processes on agents. Regarding the finance roadmap, discussions were focused on the standardisation of management information systems and the results of pilot projects that were undertaken in 2016.

Considerable time was spent on bank covenant scenarios, (possible) impairments and other one-offs, the placement of a subordinated convertible bond and on capex.

Throughout the year the key audit matters as identified by the auditor were reviewed and discussed. These included: changes in internal reporting structure resulting in re-identification of reporting segments and allocation of goodwill to groups of CGUs, sensitivities and estimates with respect to the valuation of goodwill, vessels and other operational equipment, revenue recognition, project accounting and valuation with respect to unbilled receivables and trade receivables including onerous contracts and legal contingencies, availability of finance and compliance with debt covenant requirements, continued compliance with regulatory requirements, litigation and claims and disclosure of held-for-sale and discontinued operations following planned restructuring exercises.

Reappointment of external auditor

At the AGM on 2 May 2017, Ernst & Young Accountants LLP (EY) was reappointed as external auditor to audit the financial statements for 2018. At the upcoming AGM on 26 April 2018, it will be proposed to reappoint EY to audit the financial statements for 2019.

Nomination committee

The members of the nomination committee are Mr. Harrie Noy (chairman), Mr. Antonio Campo and Mrs. Anja Montijn.

In 2017, the committee met five times, mostly with the CEO and the corporate director human resources being present. The committee also met informally on several occasions. The recurring topics that were discussed included, among others, global human resources management, succession planning, leadership competencies, (re)appointments, annual assessment of the Board of Management and its individual members and the process for self-assessment of the Supervisory Board. A lot of time was spent on the selection process for a successor of Mr. Paul van Riel as CEO of the company. The committee made recommendations to the Supervisory Board regarding the reappointment of Maarten Schönfeld to the Supervisory Board and the appointment of Øystein Løseth to the Board of Management. The committee also discussed diversity within the company (including Supervisory Board and Board of Management).

Remuneration committee

The members of the remuneration committee are Mrs. Anja Montijn (chair), Mr. Harrie Noy and Mr. Antonio Campo.

In 2017, the committee met five times, mostly with the CEO and the corporate director human resources being present. Discussed were, among others, the remuneration report 2016, the annual bonus for the members of the Board of Management with respect to 2016 and the bonus targets for 2017, adjustment of the remuneration policy, the grant and allocation of performance shares following the adoption by the AGM on 2 May 2017 of the adjustments to the remuneration policy and the calculation method of internal pay-ratio's. Please refer to the remuneration report starting on page 93 for further details.

Composition and functioning of the Supervisory Board

The Supervisory Board has formulated a profile defining its size and composition, taking into account the nature of the company and its activities. The Supervisory Board has set the number of members of which the Supervisory Board shall consist at this moment at six. The current composition of the Supervisory Board (four men, two women) is in compliance with the requirement of at least 30% of each gender. The profile was updated in 2017 but no major changes were made. The composition of the Supervisory Board with the mix of knowledge, skills, experience and expertise of its members, is such that it fits the profile and strategy of the company and also fits the diversity policy (see page 73 of this annual report). Gender diversity is an important consideration in the selection process for Supervisory Board members. However, when considering vacancies, quality, expertise, experience, independence and nationality are equally important.

In the AGM held on 2 May 2017, Maarten Schönfeld, was reappointed for his second four-year term. He continued to be the vice-chairman of our board.

At the end of the upcoming AGM on 26 April 2018, the first four-year term of Antonio Campo and Douglas Wall will expire. Based on their valuable contribution in the past years, the Supervisory Board has decided to nominate them both for reappointment as members of the Supervisory Board.

The Supervisory Board attaches great importance to the independence of its members. All members of the Supervisory Board qualify as independent in the meaning of best practice provisions 2.1.7 to 2.1.9 inclusive of the Code. They do not carry out any other functions that could jeopardise their independence. The Supervisory Board members also comply with the requirement under section 2:142a of the Dutch Civil Code that they do not hold more than five supervisory board positions (including non-executive directorships at one tier boards) at certain “large” (listed) companies or entities. For the current composition of the Supervisory Board and its committees, please refer to pages 83 to 84 of this annual report.

The Supervisory Board undertakes a board self-evaluation on an annual basis. Once every three years an external, independent consultant is engaged to assist in the self-evaluation. As this was done in February 2017, we conducted the self-evaluation this year based on a questionnaire, which was completed by each Supervisory Board member and plenary discussed in an internal meeting. Attention was paid to the composition of our board, the functioning of our board and its three committees, the interaction with the Board of Management and lessons learned from certain events. The main conclusion of this process was that the Supervisory Board is operating well and that discussions are open and constructive.
The Supervisory Board consists of a good mix of competencies and experienced professionals. Several suggestions were made for further improvement. These suggestions relate, among other things, to paying more attention to permanent education, contacts with clients, spending more time on long term strategy including developments in digitisation and the impact on Fugro, continued focus on management development and succession planning and timely distribution of information.

Composition and functioning of the Board of Management

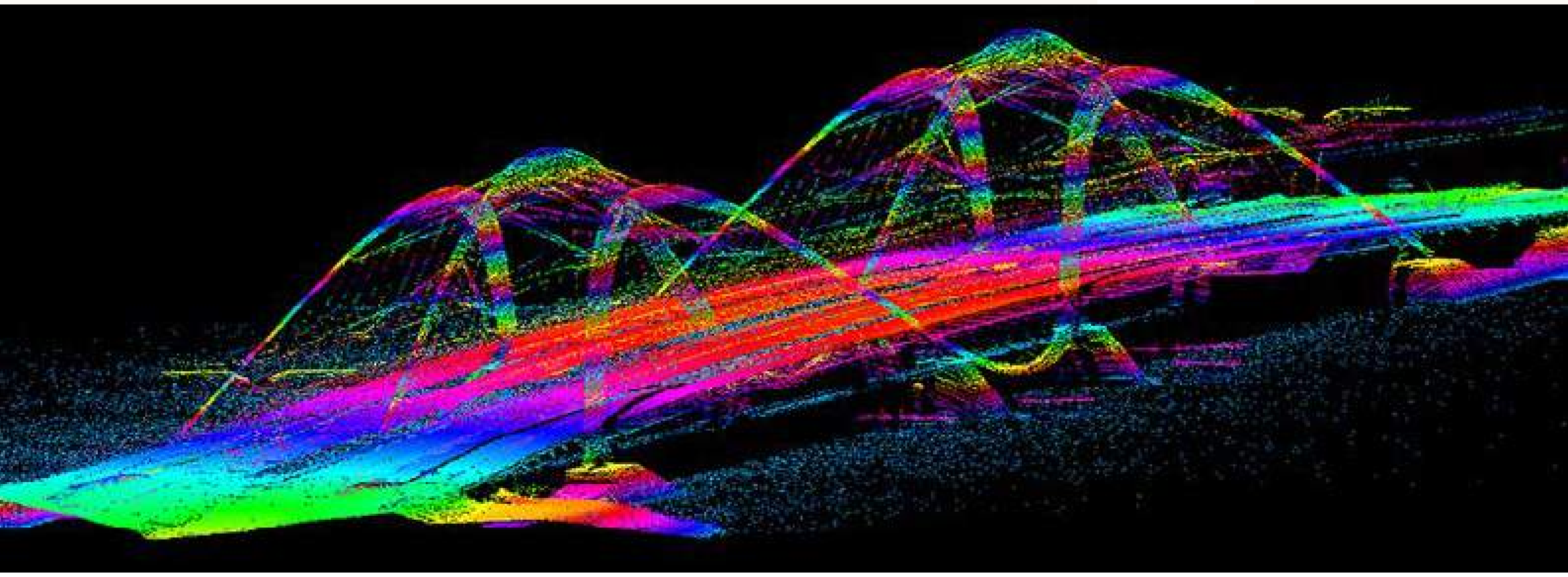
At the beginning of 2017 it had been decided to reduce the size of the Board of Management, as a logical consequence of the reduction in the number of divisions. Steve Thomson was therefore not nominated for reappointment at the AGM on 2 May 2017.

As announced on 16 October 2017, Fugro’s current CEO, Paul van Riel, will retire as planned at the end of his term at the upcoming AGM on 26 April 2017. He will be succeeded by Øystein Løseth who was appointed to the Board of Management as of 1 January 2018 by the EGM on 14 December 2017. We want to thank Paul for what he has done for Fugro and particularly for leading Fugro through one of the most difficult periods in its history. Under his leadership Fugro has been able to weather the unprecedented downturn in the oil and gas market while maintaining its strong market positions as independent services provider. We are pleased that with Øystein Løseth we have found a seasoned leader, with solid experience in the oil and gas market and a broader scope facilitating Fugro’s ambitions to further extend its business outside oil and gas.

At the end of the upcoming AGM on 26 April 2018, the four-year term of Fugro’s CFO, Paul Verhagen, will expire. In view of his performance and contribution to Fugro in the past four years, the Supervisory Board decided to nominate Paul Verhagen for reappointment for a four-year term.

The Supervisory Board evaluated the performance of the Board of Management and its members individually with input from the CEO. Following this, the nomination committee met with each member of the Board of Management and gave feedback on personal performance. Also, the personal targets for 2017 were evaluated and the functioning of the Board of Management as a team was discussed. The conclusions were discussed in an internal meeting of the Supervisory Board.

The size and composition of the Board of Management and the combined experience and expertise fit the profile and strategy of the company. The current composition meets the diversity criteria regarding age, nationality and background, but not regarding gender. See also pages 54 to 55 of this



Terrestial laser scan of bridge for lightrail traffic, IJburg, The Netherlands.

report. When vacancies arise, we will take gender diversity (again) into account, besides other criteria such as quality, expertise, experience and fit with the team. Equally important is the identification of female talent throughout the organisation and offering them development opportunities to grow into more senior management roles.

For the current composition of the Board of Management and information about its members, please refer to pages 83 to 84 of this annual report.

Final comments

Also last year, the continuing challenging oil and gas market has put considerable pressure on everybody in Fugro. Nevertheless, in our contacts with people in the organisation, we have experienced a strong dedication to the work we do for clients and a strong commitment to Fugro. This dedication and commitment are critical in weathering the current storm. We want to thank management and all employees for their contribution in this respect. With all the measures taken, the excellent people that Fugro has and the technical capabilities and innovations that we bring to our customers, Fugro is well positioned to benefit from a recovering oil and gas market and to grow its business outside this market.

Leidschendam, 21 February 2018

Harrie Noy, Chairman
Maarten Schönfeld, Vice-chairman
Antonio Campo
Petri Hofsté
Anja Montijn
Douglas Wall

REMUNERATION REPORT

This remuneration report has been prepared by the remuneration committee of the Supervisory Board. The responsibility of this committee is to prepare the decision-making of the Supervisory Board regarding the remuneration policy and the determination of the remuneration of individual members of the Board of Management within the framework of the remuneration policy and it assists and advices the Supervisory Board in this respect. The Supervisory Board is responsible for the implementation. The members of the remuneration committee are Anja Montijn (chair), Antonio Campo and Harrie Noy.

This remuneration report contains:

- Overview of the current remuneration policy and remuneration design for the Board of Management
- Remuneration of the Board of Management in 2017, based on application of the policy in 2017
- Overview of term of appointment of the members of the Board of Management
- Remuneration of the Supervisory Board
- Remuneration of the Board of Management in 2018

Further information on remuneration and on option and share ownership of members of the Board of Management is available in note 5.61.2 of the financial statements in this annual report, while note 5.61.3 contains more information on remuneration of the Supervisory Board members. The remuneration policy and the remuneration committees' charter, which is included in the Supervisory Board's rules, are posted on Fugro's website.

Remuneration policy that applies to the members of the Board of Management

The main objective of Fugro's remuneration policy is to attract, motivate and retain qualified management that is needed for a global company of the size and complexity of Fugro. The members of the Board of Management are rewarded accordingly. The remuneration policy aims at compensation in line with the median of the labour market reference group. Variable remuneration is an important part of the total package. The policy supports both short and long-term objectives, whereas the emphasis is on long-term value creation for Fugro and its stakeholders.

The current remuneration policy was first adopted by the AGM in 2014 and has since been adjusted twice, most recently by the AGM in 2017. When preparing the adjustments of the remuneration policy in 2017, the Supervisory Board considered (where applicable) the aspects as formulated in best practice provision 3.1.2 of the Code. The adjustments concerned:

- Introduction of a list of financial performance criteria for the short-term incentive (STI)
- Shift in the long-term incentive program (LTIP) to conditional performance shares only
- Introduction of a third performance measure in the LTIP focused on strategic challenges
- Adjustment of the moment on which grants under the LTIP are made.

The remuneration policy will be reviewed once every three years to verify its market conformity, potentially leading to adjustments. The last review took place at the end of 2016/ beginning of 2017. The last review took place in 2017 and the next review will in principle take place in 2020.

Labour market reference group

In preparing the remuneration policy and to determine the remuneration of the members of the Board of Management, the remuneration committee uses external benchmark information to assess market comparability of the remuneration. The labour market reference group consists of 14 Dutch listed companies of comparable scope with international/ global business activities. These are: Aalberts Industries, Accell Group, Aperam, Arcadis, ASM International, BAM Group, Boskalis, Brunel, Refresco, SBM Offshore, TKH Group, TomTom, Vopak and Wolters Kluwer. In addition, an international group has been used to assess market competitiveness within the sector, especially regarding short and long-term incentive levels

The Supervisory Board will periodically evaluate the composition of the labour market reference group, among others, in light of corporate events. Companies removed from the reference group will be replaced by other listed companies of comparable scope with international/global business activities.

Pay ratios

When formulating the remuneration policy, the pay ratios within Fugro are taken into consideration. In 2017 an independent external consultant was requested to review and analyse internal pay ratios and to provide the internal pay ratio between the CEO and the average of the employees for the year 2017. Based on the value of the actual long-term incentive awarded to the CEO in 2017, Fugro had a pay ratio of 13 (2016: 14), implying that the CEO pay was 13 times the average pay within the organisation. The average pay takes into account all employee costs, i.e. salaries, variable pay, pensions and other benefits. Based on the expected value of the CEO long-term incentive at target vesting, the pay ratio would have been 23 (2016: 22).

Analyses

In the design of the remuneration policy and in determining the remuneration of the members of the Board of Management, the Supervisory Board takes into account possible outcomes of the variable remuneration elements and how they may affect the remuneration. The level and structure of the remuneration are designed by taking into consideration these scenario analyses, internal pay differentials, development of the market price of the Fugro shares and the performance indicators relevant to the long-term objectives of the company, as included in the strategic agenda. The remuneration structure and elements do not encourage risk taking that is not in line with Fugro's strategy and risk appetite. The remuneration committee takes note of individual Board of Management members' views with regard to the amount and structure of their own remuneration.

Share ownership guidelines

The Supervisory Board encourages the Board of Management to hold shares in Fugro to emphasise their confidence in Fugro and its strategy. Since 2014 minimum share ownership guidelines are applicable. For the CEO this amounts to 250% of fixed base salary and for the other members of the Board of Management this amounts to 125% of fixed base salary. The build-up period equals 5 years.

Claw back and value adjustment

Pursuant to section 2:135 paragraph 6 of the Dutch Civil Code, the Supervisory Board is authorised to adjust a variable remuneration component to an appropriate level if payment of that variable remuneration component would be unacceptable according to standards of reasonableness and fairness. Pursuant to section 2:135 paragraph 8 of the Dutch Civil Code, Fugro is authorised to claw back a variable remuneration component in full or in part to the extent the payment was made on the basis of incorrect information with respect to the achievement of the targets on which the variable remuneration component was based or with respect to the circumstances on which this variable remuneration component was dependent.

Remuneration design

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

- Fixed base salary
- Short-term incentive (STI), consisting of an annual cash bonus opportunity
- Long-term incentive (LTI), consisting of conditional performance shares*
- Pension and other benefits.

* Since 2014 and until 2017, the LTI consisted of a mix of performance shares and performance options. In line with market practice, the form of conditional awards has been changed from a mix of performance shares and options to conditional awards in the form of performance shares only. This was approved by the AGM in 2017.

The principles of the remuneration policy are cascaded to the next senior management level.

Fixed base salary

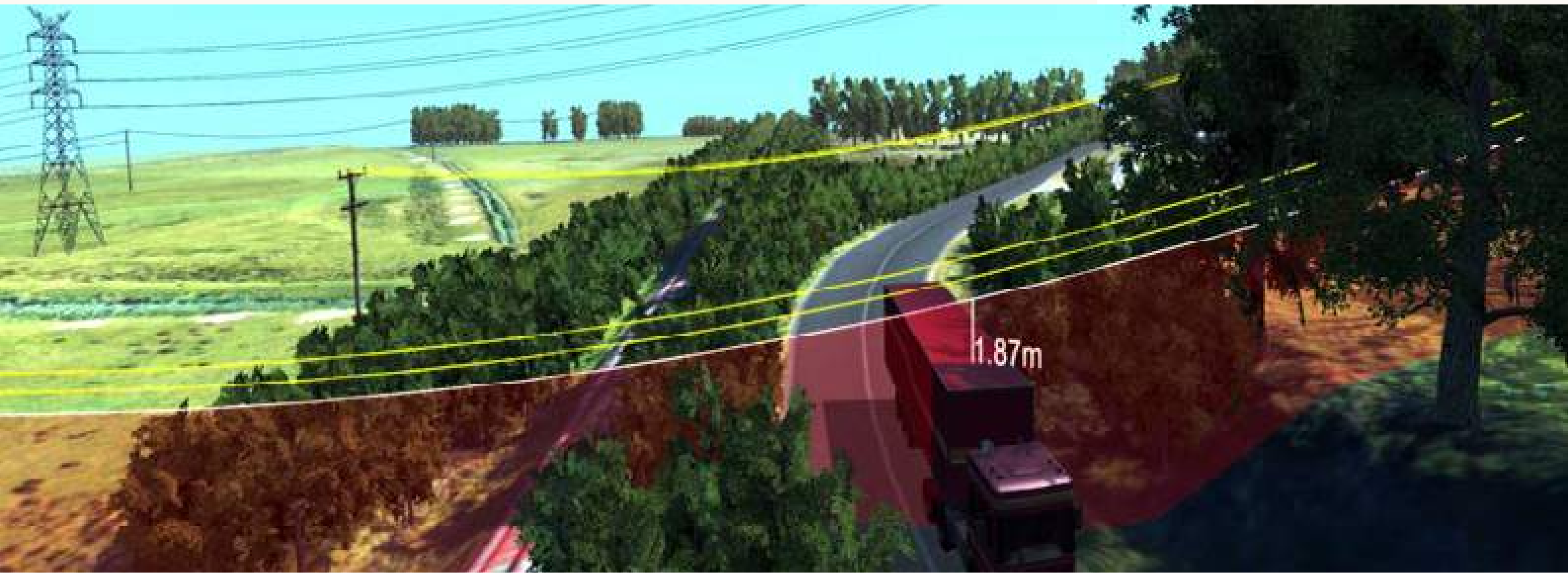
Fixed base salaries of the members of the Board of Management are determined by the Supervisory Board (based on advice of the Remuneration Committee) and set in line with the median of the labour market reference group. Once a year, the Supervisory Board determines whether, and if so, to what extent the base salaries will be adjusted. At least once every three years, the outcome of external benchmarking by an independent consultant is taken into consideration. In view of market developments and Fugro's performance, base salaries have not been increased since 2015.

Short-term incentive (STI)

Each member of the Board of Management is eligible for an annual bonus. The bonus may vary from 0% to 100% of fixed base salary, with 67% being applicable when targets are achieved. The STI is linked to financial targets (75%) and to non-financial (personal) targets (25%). The non-financial targets give the possibility to include health and safety, corporate social responsibility, personal development goals, etc. into the bonus program.

At the beginning of each financial year, the Supervisory Board will set the targets, based on the budget and taking into account the strategy aspirations. In respect of the financial targets, three to four financial metrics will be selected from the following list:

- Earnings per share (EPS)
- EBIT margin
- Working capital
- Cash flow
- Net debt
- Organic revenue growth.



Modeled network visualisation of power lines.

The Supervisory Board will also determine the relative weighting for the selected financial metrics and the applicable performance zones for each target (financial and non-financial). These performance zones determine: (i) the performance level below which no pay-outs are made; (ii) the performance level at which 100% pay-out is made; and (iii) the performance level at which the maximum pay-out of 150% is made. There will be no overshoot possibility for the non-financial targets. The maximum multiplier for the financial targets is therefore 1.67. The Supervisory Board ensures that the targets are challenging, realistic and consistent with Fugro's strategic goals. Achievement of the targets is determined by the Supervisory Board and the bonus, if any, is paid after adoption by the AGM of the financial statements.

Long-term incentive (LTI)

To strengthen the alignment with shareholder's interests, the LTI consists of performance-related shares which are conditionally granted annually to members of the Board of Management (and to other senior management). These shares vest after three years, conditional on the achievement of predetermined targets, which are focused on long-term value creation. Vesting is also subject to continuous employment with exceptions in connection with retirement, long-term disability and death.

The number of granted performance shares is set for a period of three years. The principle being that the expected value as percentage of fixed base salary of the members of the Board of Management is as follows: CEO 100%, CFO 90% and other members 80%. As the previous three-year period was finished in 2017, a new three-year period will start with the granting early 2018.

Grants under the LTI are made in the open period immediately following the publication of the annual results. The performance period is from 1 January of the year of granting to 31 December three years later. The next grant will be at the beginning of March 2018 (after publication of the 2017 annual results), with the number of conditionally granted performance shares being based on the average share price of the Fugro shares in the last quarter of 2017.

The maximum number of shares that can vest after three years equals 175% of the conditionally granted number of shares (only in the case that maximum performance is achieved on all criteria). The criteria used for vesting and their relative weight are as follows:

- Total shareholder return (TSR): 37.5%
- Return on capital employed (ROCE): 37.5%
- Strategic target: 25%.

TSR is defined as the share price increase, including reinvested dividends. TSR is measured over a three-year (calendar year) period based on a three-month average of the last three months of the year before grant and before vesting date. The relative position within the peer group determines the award level. The composition of the peer group is evaluated on a yearly basis, amongst others, in light of corporate events, and comprises of: Arcadis, Boskalis Westminster, Core Laboratories, Fluor, John Wood Group, Oceaneering International, Schlumberger, Subsea 7, TechnipFMC, Transocean and WorleyParsons.

Total shareholder return ranking (weight: 37.5%)	Vesting (% of conditional award)
1	175%
2	150%
3	125%
4	100%
5	75%
6	50%
7	25%
8-12	0%

The Supervisory Board will set each year at granting the performance criteria with respect to ROCE, taking into account the ROCE target for the year of vesting. Return will be based on NOPAT, excluding impairments; capital employed will be corrected for impairments (these will be set back when applying the vesting criteria).

The strategic target has been added as strategic targets are an important driver for long-term value creation. Each year at granting, the Supervisory Board will set a strategic target to be achieved in the coming three-year period. These targets will be derived from Fugro's strategy to create long-term value for its shareholders and other stakeholders. Examples would be a target related to Fugro's long-term goal to develop more business opportunities outside the oil and gas market or a target related to new business development based on innovative technology.

Achievement of the performance targets is determined by the Supervisory Board in the first quarter of the year following the three-year performance period. The vesting period starts at the first day following the grant date. Vested shares have a holding (lock-up) period of 2 years and may be partly sold only to meet tax requirements at vesting. The holders of performance shares are not entitled to shareholders' rights, including the right to dividends, during the period between granting and vesting.

Pension and other benefits

The pension contribution for the members of the Board of Management is in line with market practice. In accordance with Dutch law, tax deductible pension accruals are only possible for the part of salary up to EUR 103,317 (2017). Members of the Board of Management are compensated by a non-tax deductible, age dependent pension contribution, which allows building up pension out of net salary, resulting in pension costs for Fugro at a similar level as before the legislative changes per 1 January 2015.

The fringe benefits of the members of the Board of Management are commensurate with the position held and include expense and relocation allowances, a company car and health and accident insurance.

Fugro does not grant loans, advance payments or guarantees to members of the Board of Management.

Remuneration Board of Management 2017

Fixed base salary

In 2017 (as well as in 2016 and in 2015), fixed base salary of the members of the Board of Management was not increased.

Short-term incentive

2016 (paid in 2017)

Based on input from the remuneration committee, in February 2017, the Supervisory Board discussed the achievement of the targets and the grant of bonuses to the members of the Board of Management. The Supervisory Board concluded – also based on advice of the Board of Management itself – that rewarding bonuses based on the performance of Fugro in relation to the financial targets set for the year, would result in bonuses that would not be justifiable, given the negative earnings per share and the still difficult market circumstances that Fugro is experiencing. In view of what has been achieved in 2016 despite these difficult circumstances, the Supervisory Board decided to grant a bonus based on achievement of 100% of the personal targets, leading to a bonus of 16.7% of base salary. In addition, 5% of base salary was added to reward the strong performance in working capital, resulting in a total bonus pay-out of 21.7% of base salary.

2017 (to be paid in 2018)

On 21 February 2018, the Supervisory Board discussed the achievement of the targets and the grant of bonuses to the members of the Board of Management. The financial metrics applied for the STI in 2017 were adjusted EBIT margin (weight 35%), working capital percentage (weight 20%) and adjusted cash flow (weight 20%). In view of the overall financial performance, the Supervisory Board, based on the advice of the remuneration committee, decided that no bonus will be paid on the financial targets. As the personal (non-financial) targets were met, the Supervisory Board decided to pay 16.7% of base salary to the eligible members of the Board of Management. The Supervisory Board will propose to the AGM on 26 April 2018 to pay the bonus amounts in a fixed number of restricted shares in Fugro (based on a share price of EUR 12 per share) on 1 May 2018 as follows: Mr. Van Riel 8,300 shares, Mr. Verhagen 6,250 shares, Mr. Heine 6,250 shares and Mr. Bouffard 6,250 shares. The shares will have a vesting period of 3 years and thereafter a holding (lock-up) period of 2 years. An exception is made for Mr. Van Riel who will retire after the AGM. His shares won't have a vesting period, but a holding (lock-up) period of 3 years. Further details will be available in the explanatory notes to the agenda for the AGM on 26 April 2018.

Remuneration overview	P. van Riel CEO		P.A.H. Verhagen CFO		B.M.R. Bouffard Director Land division		M.R.F. Heine Director Marine division		S.J. Thomson	
(x EUR)	2017	2016	2017	2016	2017	2016	2017	2016	2017 [3]	2016
Fixed base salary	600,000	600,000	450,000	450,000	450,000	339,312 [1]	450,000	450,000	160,086	450,000
Short-term incentive (STI) [2]	99,600	130,200	75,000	97,650	75,000	73,630	75,000	97,650	n/a	97,650
Pension costs including disability insurance and related costs	43,129	41,315	59,032	42,362	43,385	34,057	43,505	27,335	50,481	34,268
Pension compensation	98,847	95,135	75,936	75,708	65,605	40,674	59,618	58,545	53,216	89,908

1 Mr. Bouffard joined Fugro as of 15 March 2016 and was appointed to the Board of Management as of 29 April 2016. The information shown above covers the period as of 15 March 2016.
2 STI 2016, paid in 2017; subject to AGM approval, STI 2017 will be paid in a fixed number of restricted shares on 1 May 2018, based on a price of EUR 12 per share. See text above this table for further details.
3 Mr. Thomson was not nominated for reappointment and stepped down from the Board of Management on 2 May 2017. His management services agreement ended on 31 July 2017. Mr. Thomson was entitled to a severance compensation equal to one year's fixed gross salary (EUR 450,000). This amount was paid in August 2017.

Long-term incentive

Until 2014, the LTI for the members of the Board of Management and other senior management consisted of unconditional options with a vesting period of three years and a lifetime of six years. As of 2014, the LTI consisted of a mix of performance shares and performance options. These have been awarded per 31 December 2014, 2015 and 2016. As of 2017, the form of conditional awards has been changed – in line with market practice – from a mix of performance shares and performance options to conditional awards in the form of performance shares only. Furthermore, the moment on which LTI grants are made has been shifted to the open period immediately following the publication of the annual results, instead of as per 31 December. As a result, the awards at the end of 2017 have been shifted to 1 March 2018. These changes as of 2017 have been approved by the AGM in 2017.

The following table shows an overview of unconditional options, still outstanding under the 'old' unconditional option plan, held by members of the Board of Management who were in office in 2017. As of 2014 no unconditional options were granted anymore to members of the Board of Management.

Unconditional options	P. van Riel	P.A.H. Verhagen	B.M.R. Bouffard	M.R.F. Heine	S.J. Thomson [1]
Outstanding on 31 December 2016	168,000	30,000	n/a	42,500	111,000
Exercised in 2017	0	n/a	n/a	0	0
Expired with no value on 31 December 2016	(53,000)	n/a	n/a	(6,000)	(111,000) [2]
Outstanding on 31 December 2017	115,000	30,000	n/a	36,500	0

1 Mr. Thomson stepped down from the Board of Management on 2 May 2017.
2 These options have expired automatically on 1 September 2017 (1 month after expiration of Mr. Thomson's management services agreement on 31 July 2017).

The following table shows an overview of performance shares and performance options held by members of the Board of Management who were in office in 2017.

Performance shares and options	P. van Riel	P.A.H. Verhagen	B.M.R. Bouffard	M.R.F. Heine	S.J. Thomson[1]
Performance shares					
Outstanding on 31 December 2016	45,000	33,750	11,250	31,000	33,750
Outstanding on 31 December 2017[2]	45,000	33,750	11,250	31,000	17,811
Performance options					
Outstanding on 31 December 2016	90,000	67,500	22,500	62,000	67,500
Outstanding on 31 December 2017[2]	90,000	67,500	22,500	62,000	35,625

1 Mr. Thomson stepped down from the Board of Management on 2 May 2017. If and insofar as these performance options and performance shares will vest, they will vest prorated based upon the number of full months that elapsed between the grant date and the date on which the management service agreement has ended (30 July 2017), divided by thirty-six (36) months. Prorated vesting has already been taken into account in these numbers.

2 The performance shares and performance options granted as per 31 December 2014 would have vested on 1 March 2018. On 21 February 2018, following the advice of the remuneration committee, the Supervisory Board decided that the targets for vesting of both these performance shares and performance options have not been achieved because the ROCE target (50% weight) was below the threshold and the TSR (50% weight) ranking was above 7. As a result, these performance shares and performance options will not vest on 1 March 2018 and expire.

The following table shows an overview of shares held by members of the Board of Management who were in office in 2017.

Shares held	P. van Riel	P.A.H. Verhagen	B.M.R. Bouffard	M.R.F. Heine	S.J. Thomson
Number of shares on 31 December 2017	190,876	19,980[1]	7,000	6,100	13,733

1 Includes 7,980 shares with a holding (lock-up) period of 2 years until 31 December 2018.

Other benefits

The additional benefits remained unchanged in 2017.

Term of appointment of members of Board of Management

When members of the Board of Management are nominated for (re)appointment, the nomination is for a maximum period of four years. The current appointments expire as follows:

P. van Riel (CEO)[1]	AGM 2018
P.A.H. Verhagen (CFO)[2]	AGM 2018
M.R.F. Heine	AGM 2019
B.M.R. Bouffard	AGM 2020
Ø. Løseth[3]	AGM 2022
S.J. Thomson[4]	AGM 2017

1 Mr. Van Riel will step down at the AGM on 26 April 2018. He will be succeeded by Mr. Løseth as CEO.

2 Mr. Verhagen is nominated for reappointment at the AGM on 26 April 2018.

3 Mr. Løseth has been appointed as of 1 January 2018 by the EGM held on 14 December 2017. He will succeed Mr. Van Riel as CEO at the AGM on 26 April 2018.

4 Mr. Thomson was not nominated for reappointment and stepped down at the end of the AGM on 2 May 2017.

Severance payments

Severance payment to members of the Board of Management is limited to one year's fixed base salary and in principle is applicable in the event of termination or annulment of the management services agreement unless this is for cause. This severance payment 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.

In 2017 a severance compensation of one year's fixed base salary was paid to Mr. Thomson when he was not nominated for reappointment at the AGM in 2017, and his management services agreement ended. Mr. Thomson was entitled to this compensation in accordance with his management service agreement.

Remuneration Supervisory Board in 2017

The remuneration of the Supervisory Board was determined by the AGM in 2011. The remuneration is not dependent on the results of Fugro. Supervisory Board members may not be awarded remuneration in the form of shares and/or rights to shares. Fugro does not grant loans, advance payments, guarantees, shares or rights to shares to Supervisory Board members. None of the Supervisory Board members holds shares or rights to shares in Fugro.

The fixed fee for the Chairman of the Supervisory Board is EUR 70,000 and EUR 55,000 for the vice-chairman. The other members of the Supervisory Board each receive a fixed fee of EUR 50,000. Audit committee, nomination committee and remuneration committee membership is awarded EUR 8,000 per member and EUR 10,000 for the chairman. In addition, Supervisory Board members that live or have business in the United States receive an attendance allowance of EUR 5,000 per physical meeting to compensate for the additional time commitment due to travelling when meetings are held outside the US.

No proposal to increase the remuneration for Supervisory Board members will be submitted to the AGM in 2018.

The following table provides an overview of the remuneration awarded to Supervisory Board members in 2017.

Remuneration overview (x EUR)	Fixed fee	Membership committee	Attendance allowance	Total
H.L.J. Noy (chairman)	70,000	10,000	–	80,000
J.C.M. Schönfeld (vice-chairman)	55,000	10,000	–	65,000
A.J. Campo	50,000	8,000	30,000	88,000
P.H.M. Hofsté	50,000	8,000	–	58,000
A.H. Montijn	50,000	10,000	–	60,000
D.J. Wall	50,000	8,000	30,000	88,000

Remuneration Board of Management 2018

Fugro's current CEO, Mr. Paul van Riel, will retire as planned at the end of his term at the AGM on 26 April 2018. In view of attracting a new CEO, an independent external consultant was requested to conduct a remuneration level benchmark against the labour market reference group. Based on the outcome of this benchmark, a fixed base salary of EUR 660,000 gross per year has been agreed with Mr. Øystein Løseth when he succeeds Mr. Paul van Riel as CEO of Fugro. Mr. Løseth has been appointed as of 1 January 2018 and his fixed base salary amounts to EUR 450,000 gross per year until his appointment as CEO.

Fugro's CFO, Mr. Paul Verhagen, will be nominated for reappointment at the upcoming AGM. Based on the outcome of the benchmark, his fixed base salary will be increased as of his reappointment to EUR 500,000 gross per year, to bring it more in line with the market.

No further changes are foreseen in 2018.

Leidschendam, 21 February 2018

On behalf of the remuneration committee
Anja Montijn, Chair

Detailed data

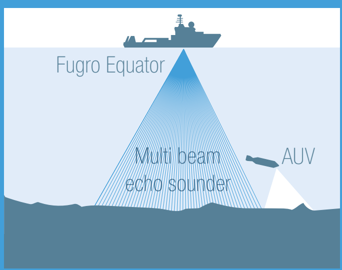
Fugro's detailed data brings successful close to search for lost submarine

In December, Fugro joined a campaign to find the Australian submarine HMAS AE1 which was lost during the First World War off the coast of Papua New Guinea. Using specialised survey technology, Fugro scanned the seafloor through strong undersea currents and a complex terrain located between two land masses.

Quickly, an object of interest was found. Following analysis of the data, further inspection confirmed that it was indeed HMAS AE1, solving Australia's oldest naval mystery.

Following the discovery, a small commemorative service was conducted onboard to remember the 35 crew, made up of Australian, New Zealand and British subjects.

Fugro deployed the Fugro Equator vessel (with a sonar system mounted on the hull) and an autonomous underwater vehicle, which flew at 35 metres above the sea floor



FINANCIAL STATEMENTS 2017

OTHER INFORMATION

1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

(EUR x 1,000)		2017	2016
(5.26)	Revenue	1,497,392	1,775,874
(5.29)	Third party costs	(621,936)	(678,757)
	Net revenue own services (revenue less third party costs)	875,456	1,097,117
(5.30)	Other income	31,802	30,403
(5.31)	Personnel expenses	(629,572)	(694,436)
(5.37)	Depreciation	(126,942)	(172,366)
(5.38)	Amortisation	(6,060)	(8,562)
(5.32)	Impairments	(164)	(192,716)
(5.33)	Other expenses	(196,242)	(278,118)
	Results from operating activities (EBIT)	(51,722)	(218,678)
	Finance income	5,408	8,880
	Finance expenses	(76,147)	(79,810)
(5.34)	Net finance income/(expenses)	(70,739)	(70,930)
(5.39)	Share of profit/(loss) of equity-accounted investees (net of income tax)	4,712	(2,223)
	Profit/(loss) before income tax	(117,749)	(291,831)
(5.35)	Income tax gain/(expense)	(47,595)	(9,152)
	Profit/(loss) for the period from continuing operations	(165,344)	(300,983)
(5.51)	Profit/(loss) for the period from discontinued operations	5,070	–
	Profit/(loss) for the period	(160,274)	(300,983)
	Attributable to:		
	Owners of the company (net result)	(159,901)	(308,934)
(5.48)	Non-controlling interests	(373)	7,951
	Profit/(loss) for the period	(160,274)	(300,983)
	Earnings per share from continuing and discontinued operations (attributable to owners of the company during the period)		
(5.47)	Basic and diluted earnings per share from continuing operations	(2.04)	(3.82)
(5.47)	Basic and diluted earnings per share from discontinued operations	0.06	–

The notes on pages 110 to 182 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)		2017	2016
	Profit/(loss) for the period	(160,274)	(300,983)
	Other comprehensive income		
	Items that will not be reclassified to profit or loss		
(5.50)	Defined benefit plan actuarial gains/(losses)	17,025	(14,145)
	Total items that will not be reclassified to profit or loss	17,025	(14,145)
	Items that may be reclassified subsequently to profit or loss		
(5.34)	Foreign currency translation differences of foreign operations	(116,498)	26,935
(5.34)	Foreign currency translation differences of equity-accounted investees	(835)	(1,425)
(5.34)	Net change in fair value of hedge of net investment in foreign operations	16,117	5,079
(5.34)	Net change in fair value of cash flow hedges transferred to profit or loss	103	288
(5.34)	Net change in fair value of available-for-sale financial assets	218	34
	Total items that may be reclassified subsequently to profit or loss	(100,895)	30,911
	Total other comprehensive income for the period (net of tax)	(83,870)	16,766
	Total comprehensive income/(loss) for the period	(244,144)	(284,217)
	Attributable to:		
	Owners of the company	(237,738)	(295,447)
	Non-controlling interests	(6,406)	11,230
	Total comprehensive income/(loss) for the period	(244,144)	(284,217)
	Total comprehensive income attributable to owners of the company arises from:		
	Continuing operations	(242,808)	(295,447)
	Discontinued operations	5,070	–
		(237,738)	(295,447)

The notes on pages 110 to 182 are an integral part of these consolidated financial statements.

2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	(EUR x 1,000)	2017	2016
	Assets		
(5.37)	Property, plant and equipment	643,695	805,992
(5.38)	Intangible assets	372,325	393,497
(5.39)	Investments in equity-accounted investees	69,701	20,068
(5.40)	Other investments	31,146	33,750
(5.41)	Deferred tax assets	39,423	80,602
	Total non-current assets	1,156,290	1,333,909
(5.42)	Inventories	30,543	22,102
(5.43)	Trade and other receivables	476,930	546,226
(5.36)	Current tax assets	16,124	22,743
(5.44)	Cash and cash equivalents	213,574	248,488
(5.45)	Assets classified as held for sale	4,843	981
	Total current assets	742,014	840,540
	Total assets	1,898,304	2,174,449

The notes on pages 110 to 182 are an integral part of these consolidated financial statements.

2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December

	(EUR x 1,000)	2017	2016
	Equity		
	Total equity attributable to owners of the company	712,054	934,859
(5.48)	Non-controlling interests	41,610	55,250
(5.46)	**Total equity**	753,664	990,109
	Liabilities		
(5.49)	Loans and borrowings	634,893	573,503
(5.50)	Employee benefits	68,867	95,477
(5.51)	Provisions for other liabilities and charges	17,068	26,845
(5.41)	Deferred tax liabilities	1,247	1,650
	Total non-current liabilities	722,075	697,475
(5.44)	Bank overdraft	2,638	4,043
(5.49)	Loans and borrowings	6,488	22,006
(5.52)	Trade and other payables	342,594	375,377
(5.51)	Provisions for other liabilities and charges	8,005	14,810
	Other taxes and social security charges	35,406	36,710
(5.36)	Current tax liabilities	27,434	33,919
	Total current liabilities	422,565	486,865
	Total liabilities	1,144,640	1,184,340
	Total equity and liabilities	1,898,304	2,174,449

The notes on pages 110 to 182 are an integral part of these consolidated financial statements.

3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR x 1,000) 2017

		Share capital	Share premium	Translation reserve	Hedging reserve	Reserve for own shares	Equity component of convertible bonds	Retained earnings	Unappropriated result	Total	Non-controlling interest	Total equity
	Balance at 1 January 2017	4,228	431,227	(20,715)	(103)	(353,958)	25,716	1,157,398	(308,934)	934,859	55,250	990,109
	Total comprehensive income for the period:											
	Profit or (loss)								(159,901)	(159,901)	(373)	(160,274)
	Other comprehensive income											
(5.34)	Foreign currency translation differences of foreign operations			(110,476)						(110,476)	(6,022)	(116,498)
(5.34)	Foreign currency translation differences of equity-accounted investees			(835)						(835)		(835)
(5.34)	Net change in fair value of hedge of net investment in foreign operations			16,117						16,117		16,117
(5. 50)	Defined benefit plan actuarial gains/(losses)							17,036		17,036	(11)	17,025
(5. 34)	Net change in fair value of cash flow hedges transferred to profit or loss				103					103		103
(5. 34)	Net change in fair value of available-for-sale financial assets							218		218		218
	Total other comprehensive income/(loss), net of tax			(95,194)	103			17,254		(77,837)	(6,033)	(83,870)
	Total comprehensive income/(loss) for the period			(95,194)	103			17,254	(159,901)	(237,738)	(6,406)	(244,144)
	Transactions with owners recognised directly in equity											
(5.31)	Share-based payments							3,103		3,103		3,103
(5.46)	Issuance of subordinated unsecured convertible bonds, net of tax						11,830			11,830		11,830
	Addition to/(reduction of) reserves							(308,934)	308,934	–		–
(5.48)	Dividends to shareholders										(7,234)	(7,234)
	Total contributions by and distribution to owners						11,830	(305,831)	308,934	14,933	(7,234)	7,699
	Balance at 31 December 2017	4,228	431,227	(115,909)	–	(353,958)	37,546	868,821	(159,901)	712,054	41,610	753,664

The notes on pages 110 to 182 are an integral part of these consolidated financial statements.

3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

(EUR x 1,000) 2016

		Share capital	Share premium	Translation reserve	Hedging reserve	Reserve for own shares	Equity component of convertible bonds	Retained earnings	Unappropriated result	Total	Non-controlling interest	Total equity
	Balance at 1 January 2016	4,228	431,227	(48,023)	(391)	(353,958)	–	1,537,094	(372,522)	1,197,655	36,702	1,234,357
	Total comprehensive income for the period:											
	Profit or (loss)								(308,934)	(308,934)	7,951	(300,983)
	Other comprehensive income											
(5.34)	Foreign currency translation differences of foreign operations			23,654						23,654	3,281	26,935
(5.34)	Foreign currency translation differences of equity-accounted investees			(1,425)						(1,425)		(1,425)
(5.34)	Net change in fair value of hedge of net investment in foreign operations			5,079						5,079		5,079
(5.50)	Defined benefit plan actuarial gains/(losses)							(14,143)		(14,143)	(2)	(14,145)
(5.34)	Net change in fair value of cash flow hedges transferred to profit or loss				288					288		288
(5.34)	Net change in fair value of available-for-sale financial assets							34		34		34
	Total other comprehensive income/(loss), net of tax			27,308	288			(14,109)		13,487	3,279	16,766
	Total comprehensive income/(loss) for the period			27,308	288			(14,109)		(295,447)	11,230	(284,217)
	Transactions with owners recognised directly in equity											
(5.31)	Share-based payments							6,935		6,935		6,935
(5.46)	Issuance of subordinated unsecured convertible bonds, net of tax						25,716			25,716		25,716
	Addition to/(reduction of) reserves							(372,522)	372,522	–		–
	Contributions by shareholders										17,290	17,290
(5.48)	Dividends to shareholders										(9,972)	(9,972)
	Total contributions by and distribution to owners						25,716	(365,587)	372,522	32,651	7,318	39,969
	Balance at 31 December 2016	4,228	431,227	(20,715)	(103)	(353,958)	25,716	1,157,398	(308,934)	934,859	55,250	990,109

The notes on pages 110 to 182 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)	2017	2016
	Cash flows from operating activities		
	Profit/(loss) for the period	(165,344)	(300,983)
	Adjustments for:		
(5.37/5.38)	Depreciation and amortisation	133,002	180,928
(5.32)	Impairments	164	192,716
(5.40)	Write-off long-term receivables	1,019	12,042
(5.39)	Share of (profit)/loss of equity-accounted investees (net of income tax)	(4,712)	2,223
(5.30/5.33)	Net gain on sale of property, plant and equipment	(13,870)	(5,061)
(5.31)	Equity-settled share-based payments	3,103	6,935
	Change in provisions for other liabilities and charges and employee benefits	(3,491)	(35,497)
(5.35)	Income tax expense/(gain)	47,595	9,152
	Income tax paid	(15,744)	(30,646)
(5.34)	Finance income and expense	70,739	70,930
	Interest paid	(24,750)	(37,563)
	Operating cash flows before changes in working capital	27,711	65,176
	Change in inventories	(9,740)	7,606
	Change in trade and other receivables	63,255	195,121
	Change in trade and other payables	(56,878)	(137,143)
	Changes in working capital	(3,363)	65,584
	Net cash generated from operating activities	24,348	130,760
	Cash flows from investing activities		
	Proceeds from sale of interests in business, net of cash disposed of	–	62,510
	Proceeds from sale & leaseback transaction of property, plant and equipment	–	48,631
	Proceeds from sale of property, plant and equipment	30,801	7,224
(5.38)	Acquisition of intangible assets	(5,923)	(6,052)
(5.38)	Other additions to intangible assets	(3,249)	(5,060)
(5.37)	Capital expenditures on property, plant and equipment	(107,974)	(68,643)
(5.28)	Acquisitions of investments in equity accounted investees	(3,788)	–
	Interest received	5,408	11,126
(5.39/5.40)	Dividends received	8,843	5,582
	Repayment of long term loans	1,018	–
	Net cash (used in) / from investing activities	(74,864)	55,318
	Cash flows from operating activities after investing activities	(50,516)	186,078

The notes on pages 110 to 182 are an integral part of these consolidated financial statements.

4 CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December

	(EUR x 1,000)	2017	2016
	Cash flows from financing activities		
(5.49)	Proceeds from issue of long-term loans	152,918	59,986
(5.49)	Proceeds from issue of subordinated unsecured convertible bonds	100,000	190,000
(5.46/5.49)	Transaction costs relating to loans and borrowings	(9,235)	(21,490)
(5.49)	Repayment of borrowings	(177,048)	(439,671)
(5.48)	Dividends paid	(7,234)	(9,972)
	Payments of finance lease liability	(5,807)	(6,802)
	Net cash from / (used in) financing activities	53,594	(227,949)
	Change in cash flows from operations	3,078	(41,871)
	Net increase in cash and cash equivalents	3,078	(41,871)
	Cash and cash equivalents at 1 January	244,445	283,085
	Effect of exchange rate fluctuations on cash held	(36,587)	3,231
	Cash and cash equivalents at 31 December	210,936	244,445
	Presentation in the statement of financial position		
(5.44)	Cash and cash equivalents	213,574	248,488
(5.44)	Bank overdraft	(2,638)	(4,043)
		210,936	244,445

The notes on pages 110 to 182 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 2017 include Fugro and its subsidiaries (together referred to as the 'Group') and the Group's interests in equity-accounted investees. An overview 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 21 February 2018, the Board of Management and Supervisory Board authorised the financial statements for issue. Publication will take place on 2 March 2018.

The financial statements will be submitted for adoption to the annual general meeting on 26 April 2018. The official language for the financial statements is the English language as approved by the annual general meeting on 10 May 2011.

5.3 Basis of preparation

5.3.1 Functional and presentation currency

The financial statements are presented in EUR x 1,000, unless stated 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 for that the following assets and liabilities are stated at their fair value: derivative financial instruments, available-for-sale financial assets and plan assets associated with defined benefit plans.

5.3.3 Change in accounting policies resulting from changes in IFRS

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The company accounts for any change in accounting principle retrospectively. The amendment to IAS 7 has been applied by Fugro as at 31 December 2017. The amendment enables users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as effect of movements in foreign exchange rates). It is not required to provide comparative information for 2016. Refer to note 5.49.5. There are no new standards, amendments and/or interpretations that are required to be adopted as from 1 January 2017, which have a material impact on the Group.

5.3.4 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.

5.3.5 New standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods and have not been early adopted by the Group. The impact of these new standards and interpretations are assessed in the table and paragraphs below.

The Group has completed its transition projects with respect to IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. IFRS 9 and IFRS 15 will not have a material impact on the Group's 2018 consolidated financial statements. These conclusions have been shared with the

Board of Management, the audit committee of the Supervisory Board and the external auditors. The Group has commenced its transition project with respect to IFRS 16 Leases.

Nature of change	Impact	Mandatory application date
IFRS 9 Financial Instruments		
IFRS 9 introduces (1) new classification and measurement requirements for financial assets and liabilities, (2) a new expected loss impairment model and (3) new hedge accounting requirements.	Classification and measurement: Fugro concluded that all material financial assets and liabilities will continue to be measured on the same basis as currently applied under IAS 39 (mainly amortised cost). Impairment: IFRS 9 requires the Group to record expected credit losses on long-term loans, deposits and other long-term receivables either on a 12-month or lifetime basis. The Group monitors whether a significant increase in credit risk occurs. The Group will apply the simplified approach to recognise lifetime expected credit losses on trade and other receivables (including unbilled revenue from contracts with customers). Hedge accounting: The Group does not engage in material hedging transactions with derivatives. The Group hedges foreign currency exposure for net investments in certain foreign operations with certain financial liabilities as hedging instruments. The Group will continue the aforementioned hedging relationships upon application of IFRS 9. Impact: IFRS 9 will not have a material impact on the Group's 2018 consolidated financial statements and the 2018 company financial statements.	Must be applied for financial years commencing on or after 1 January 2018 (endorsed by EU).

Nature of change	Impact	Mandatory application date
IFRS 15 Revenue from Contracts with Customers		
The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled. The standard introduces a five-step approach to revenue recognition. An entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, new disclosures are required.	The Group is in the business of providing geo-intelligence (site characterisation) and asset integrity solutions. These services are typically sold in a bundled package of services. Under IFRS 15, the Group will continue to recognise revenue for those bundled packages of services (i.e. one performance obligation) over time. The Group will not apply the portfolio approach. The method to measure progress towards complete satisfaction of the performance obligation remains unchanged (generally the cost-to-cost method). The recognition and measurement of variable consideration (i.e. liquidated damages, weather standby fees or discounts) remains unchanged. Contracts with significant financing components are rare. Insofar applicable, Fugro qualifies for the application of the practical expedient in IFRS 15 and will not adjust the transaction price. Generally, the Group does not incur costs to obtain a contract. Impact: The Group will apply the modified retrospective transition approach. As explained above, there are no material recognition and measurement transition differences. The Group has implemented system changes, policies and procedures to collect and disclose the required information.	Mandatory for financial years commencing on or after 1 January 2018 (endorsed by EU).
IFRS 16 Leasing		
IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for financial leases under IAS 17. IFRS 16 includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases. At commencement of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting will remain substantially unchanged from current standards. IFRS 16 requires more extensive disclosures.	The Group anticipates total assets, total liabilities, EBITDA and operating cash flows to increase upon transition to IFRS 16. The expense profile in profit and loss will be front-loaded, due to higher interest expenses in early years on the lease liability. The Group has set up a Leasing Steering Committee with active involvement of board of management, audit committee of the supervisory board and the external auditors. The IFRS 16 transition project commenced in the second quarter of 2017. It is not practicable to provide a reasonable estimate of the financial effect until the Group completes this project in 2018. The Group will apply the modified retrospective transition approach.	Mandatory for financial years commencing on or after 1 January 2019 (endorsed by EU).

Nature of change	Impact	Mandatory application date
IFRS 17 Insurance Contracts		
IFRS 17 establishes the requirements that a company must apply in reporting information about insurance contracts it issues and reinsurance contracts it holds.	IFRS 17 is not applicable to Fugro.	Mandatory for financial years commencing on or after 1 January 2021 (subject to EU endorsement).
IFRIC 23 Uncertainty over Income Tax Treatments		
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: ■ Whether tax treatments should be considered collectively; ■ Assumptions for taxation authorities' examinations; ■ The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; ■ The effect of changes in facts and circumstances.	The Group has commenced its impact assessment during the third quarter of 2017. It is not practicable to provide a reasonable estimate of the financial effect until the Group completes this project in 2018.	Mandatory for financial years commencing on or after 1 January 2019 (subject to EU endorsement).

Certain other new standards, interpretations and amendments issued by the IASB (i.e. Annual Improvements Cycle 2014-2016, IAS 40, IFRS 2, IFRIC 22, IAS 28 and IFRS 4) are either not material for Fugro or not applicable to Fugro.

Summary of 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 Basis of consolidation

5.4.1 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.
In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.
Non-controlling interest in the acquiree are measured at the proportionate share of the acquiree's identifiable net assets.

5.4.2 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.

5.4.3 Equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in joint ventures and associates. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Refer to note 5.10 or the accounting policy for equity-accounted investees.

5.4.4 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.

5.4.5 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 objective evidence of impairment conditions.

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 prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated 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 translated 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
2017	0.840	0.880	1.120	1.140	0.101	0.107	0.650	0.680
2016	0.950	0.910	1.160	1.220	0.110	0.108	0.690	0.670

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 in the translation reserve 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 monetary items are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are 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 upon 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 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.

5.6.2 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.

5.6.3 Forward exchange contracts and interest rate swaps

The fair value of forward exchange contracts is based on their quoted market price, if available.

5.6.4 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, taking into consideration the Group's own non-performance risk. For financial leases the market rate of interest is either determined by reference to similar lease agreements or based on the implicit discount rate if determinable.

5.6.5 Share-based payment transactions

Fugro operates equity-settled share-based payment plans. For members of the Board of Management and other selected senior employees, a long-term incentive plan is applicable since 2014. Under this plan, a combination of performance options and performance shares has been granted and awarded on an annual basis subject to continued services. In addition, Fugro operates a share option scheme with only service conditions for other eligible and selected employees.

The fair value for shares awarded and options granted (conditional options) subject to a market condition is determined applying a Monte Carlo simulation model. The fair value of the options granted is determined using the Black and Scholes option pricing formula for the performance options not being subject to market conditions (conditional performance options with non-market service conditions) or based on the binomial model (options with only service conditions).

The grant date fair values of the employee share incentives are measured, taking into account the terms and conditions upon which the options and shares were granted and awarded. Relevant measurement inputs include the share price on the measurement date, the exercise price of the instrument, expected volatility (based on the historical volatility of Fugro's (certificates of) shares, particularly over the historical period that commensurate with the expected term), expected term of the instruments (based on historical experience and general option holder exercise behaviour), expected dividends and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the share-based payment transactions are not taken into account in determining the grant date 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 accounting policy (5.11) and note (5.40).

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 initially recognised 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.

The fair value of the liability portion of a convertible bond is initially determined using a market interest rate for an equivalent non-convertible bond at the issue date.
This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects and is not subsequently remeasured.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables. Reference is made to note (5.44) Cash and cash equivalents and note (5.52) Trade and other payables.

5.7.3 Derivative financial instruments, including hedge accounting

5.7.3.1 *Other derivative financial instruments*

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.

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 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%.

Derivatives are recognised initially at fair value and directly 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.

5.7.3.2 *Net investment hedges*

Gains and losses resulting from the settlement of transactions in a foreign currency, as well as from the translation of monetary assets and liabilities denominated in foreign currencies at year end are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying net investment hedges to the extent the hedging relationship is effective. Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

5.7.3.3 *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 to 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

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. 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. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership 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. If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss is recognised immediately.

5.8.3 Subsequent cost

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are 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
Land and buildings	
Land	Infinite
Buildings	20 – 40
Fixtures and fittings	5 – 10
Vessels	
Vessels and jack-ups	2 – 25
Plant and equipment	
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
Other	
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, 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 and when there is an indication for impairment (refer to 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 Finder

These intangible assets relate to the to a profit sharing agreement with Finder Exploration Pty Ltd (Finder), relating to Australian exploration projects. The Finder asset is accounted for at cost and is not amortised but assessed for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount.

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 to 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 to 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 annually tested for impairment or when there is an indication for impairment (refer to accounting policy 5.16). Other intangible assets and software are amortised from the date they are available for their intended 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.

5.10 Investments in equity-accounted investees

The Group's interests in equity-investees comprise interests in joint ventures and associates. Investments in equity-accounted investees are accounted for using the equity method. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment. Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables that form part of the entity's net investment, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in 5.16.

5.11 Other investments

5.11.1 Other investments in equity instruments

Other investments in equity instruments are accounted for at fair value with changes through profit and loss. Dividends received are accounted for in profit or loss when these become due.

5.11.2 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 initially recognised at fair value plus 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).

5.11.3 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 and foreign currency differences on available-for-sale debt instruments (refer to accounting policy 5.16), 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 determined using 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

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 to accounting policy 5.16). Unbilled revenue on (completed) projects represents the gross amount expected to be collected from customers for contract work performed to date. It is measured at costs incurred plus profits recognised to date less progress billings and recognised losses. Advances received from customers are presented as advance instalments to work in progress.

5.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and call deposits. Bank overdrafts that are repayable on demand and which 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. Bank overdrafts are shown within the current liabilities in the consolidated statement of financial position.

5.15 Assets of disposal groups classified as held for sale

Non-current assets 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, these assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair values less costs to sell. 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.

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 to 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 higher of its value in use and its fair value less costs of disposal. 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 Equity

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 'depositary receipts' for shares) issued by 'Stichting Administratiekantoor Fugro' (also referred to as 'Fugro Foundation Trust Office' or 'Foundation Trust Office'), unless the context otherwise requires or unless it is clear from the context that this is not the case. The surplus paid by shareholders above the nominal value of shares is recognised as share premium. 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 directly 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 services are 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. At the reporting date, the discount rate is determined by reference to the yield 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 actuarial calculations are 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 incentive schemes allow Members of the Board of Management and some assigned Group employees to acquire shares in Fugro. The fair value of granted options and shares (awards) is recognised as an employee expense, with a corresponding increase in equity. The fair value is determined on the date of grant and is spread over the period during which the employees (share options) and the members of the Board of Management and other selected senior employees (performance shares and options) provide services and become unconditionally entitled to the share options or shares. The amount recognised as an expense is adjusted to reflect the number of awards for which the related non-market performance and service vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet these conditions at the vesting date.

The expenses recognised for the conditionally awarded share options and shares are adjusted annually to reflect the actual number shares that are likely to vest based on the related service and non-market performance conditions.

5.20 Provisions for other liabilities and charges

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 for other liabilities and charges 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 expenses.

5.20.1 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 performing under the contract. The expected net cost of performing under the contract is based on cash flow calculations discounted using a rate that reflects current market assessments of the time value of money. Before a provision is established, the Group recognises any impairment loss on the assets associated with and/or dedicated to that contract.

5.20.2 Restructuring cost

A provision for restructuring cost is recognised when the Group (i) has a detailed formal plan for the restructuring identifying at least the business or part of a business concerned, the principal locations affected, the location, function, and approximate number of employees who will be compensated for terminating their services, the expenditures that will be undertaken, and when the plan will be implemented; and (ii) has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

5.21 Trade and other payables

Trade and other payables represent liabilities for services and goods provided to the group prior to the end of financial year which are unpaid. Trade and other payables are recognised initially at fair value net of 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 accounting policies 5.22.2 and 5.22.3.

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 percentage of completion of the transaction at the reporting date. The percentage of completion is based on the input measure and is generally determined as a percentage of the contract costs incurred in relation to the total estimated contract costs (as this method is most appropriate for the majority of the services provided by the Group) and are only recognised to the extent of costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

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 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.

5.22.4 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.

5.22.5 Other income
Other income consists of 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.

5.22.6 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 lease 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 income and expenses
Net finance income and expenses consist of finance expenses, finance income and foreign currency gains and losses. Finance expenses 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.

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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 board of management 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 a consultant 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 geo-intelligence and asset integrity solutions, generally for purposes related to the oil and gas, building and infrastructure, renewables, power, nautical and mining markets.

In 2016, Fugro decided to regroup the geotechnical, survey and subsea services activities into Marine and Land divisions, with the aim to better serve the increasing demand from customers for integrated services.
The organisational structure, management structure and internal reporting structure have changed accordingly as of 2017. The Geoscience division remains unchanged.

Based on Fugro's evaluation on how the company allocates resources and analyses performance in the new organisational structure, the company has revised the presentation of its operating segments by the identification of three operating and reportable segments: Marine, Land and Geoscience. The performance of the Marine, Land and Geoscience divisions are separately reported to and reviewed by the Board of Management (as the Chief Operating Decision Maker: CODM). For each of the divisions, the Board of Management reviews internal management reports on a monthly basis. Previously, there were four operating and reportable segments: Geotechnical, Survey, Subsea Services and Geoscience. The comparative figures of segment information have been restated accordingly 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 or loss before income tax, as included in the internal management reports that are reviewed by the board of management. Segment profit or loss 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 allocates 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 following summary describes the operations in each of the Group's reportable segments:

Marine

The Marine division encompasses the acquisition of soil samples (geotechnical drilling) and related laboratory testing, and the mapping of soil characteristics using non-invasive techniques (geophysical surveys) including the related interpretation and visualisation. Its services include geoconsulting, general purpose navigation charts and environmental, meteorological & oceanographic measurement services. The division also offers positioning signals and services, construction support, monitoring and forecasting services, drill support, remote systems technology, and inspection, repair and maintenance services (IRM). The division also had construction and installation related activities, which were ended per December 2017.

Land
The Land division services encompass the determination of soil characteristics via cone penetration testing and/or the acquisition of soil samples (geotechnical drilling) and related laboratory testing. These services are offered both onshore and near shore. In addition, the division provides material testing, and water and geo-consulting services. The division also offers integrity solutions (monitoring, analysis, modelling) for clients in the electrical power business, railroads, roads and oil & gas infrastructure.

Geoscience
The Geoscience division provides services to acquire geophysical data that are used for the appraisal, development and production of offshore natural resources. The division almost fully consists of Fugro's 60% stake in Seabed Geosolutions (100% consolidated). Seabed Geosolutions supports the optimal development and production of offshore oil and gas fields by providing high quality seismic data collected directly on the seabed. These data are used for detailed reservoir characterisation, monitoring of the impact of production, and detection of potential geohazards. The remaining shares of Seabed are held by CGG. Clients of Seabed are oil and gas companies. The Geoscience division also contains some indirect interests in Australian exploration projects, via a profit sharing agreement with Finder Exploration Pty.

Operating segments

(EUR x 1,000)	Marine		Land		Geoscience		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
Segment revenue	1,029,466	1,177,390	493,845	531,321	74,078	172,983	1,597,389	1,881,694
Of which inter-segment revenue	82,205	81,294	17,792	24,526	–	–	99,997	105,820
Revenue	947,261	1,096,096	476,053	506,795	74,078	172,983	1,497,392	1,775,874
Segment result	32,576	82,433	38,937	16,596	9,931	55,937	81,444	154,966
Depreciation	(89,492)	(113,746)	(18,348)	(20,204)	(19,102)	(38,416)	(126,942)	(172,366)
Amortisation	(1,641)	(3,083)	(2,724)	(2,466)	(1,695)	(3,013)	(6,060)	(8,562)
Impairments	2,075	(126,515)	(2,200)	(14,040)	(39)	(52,161)	(164)	(192,716)
Result from operating activities (EBIT)	(56,482)	(160,911)	15,665	(20,114)	(10,905)	(37,653)	(51,722)	(218,678)
EBIT in % of revenue	(6.0)	(14.7)	3.3	(4.0)	(14.7)	(21.8)	(3.5)	(12.3)
Finance income	8,890	12,540	2,130	2,758	7,068	3,826	18,088	19,124
Finance expense	(60,941)	(64,841)	(16,219)	(13,974)	(11,667)	(11,239)	(88,827)	(90,054)
Share of profit/(loss) of equity-accounted investees	2,462	(2,742)	2,250	519	–	–	4,712	(2,223)
Reportable segment profit/(loss) before income tax	(106,071)	(215,954)	3,826	(30,811)	(15,504)	(45,066)	(117,749)	(291,831)
Income tax	(27,947)	(13,442)	(19,390)	(7,457)	(258)	11,747	(47,595)	(9,152)
Profit/(loss) for the period from discontinued operations	–	–	–	–	5,070	–	5,070	–
Profit/(loss) for the period	(134,018)	(229,396)	(15,564)	(38,268)	(10,692)	(33,319)	(160,274)	(300,983)
Capital employed	820,641	973,980	218,912	231,176	144,555	136,018	1,184,108	1,341,174
Reportable segment assets	1,249,648	1,450,642	431,408	451,918	217,248	271,889	1,898,304	2,174,449
Reportable segment liabilities	762,227	828,395	304,241	224,374	78,172	131,571	1,144,640	1,184,340
Capital expenditure, property, plant and equipment	76,376	49,870	11,913	10,227	19,685	32,396	107,974	92,493
Capital expenditure software and other intangible assets	1,028	1,743	128	102	4,767	4,207	5,923	6,052
Other additions to intangible assets	–	–	–	–	3,249	5,060	3,249	5,060
Movement in other investments	(2,650)	15,388	877	5,189	(831)	(78,253)	(2,604)	(57,676)

Geographical areas

(EUR x 1,000)	Europe		Africa		Middle East/India		Asia Pacific		Americas		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Revenue from external customers	581,193	629,045	57,618	89,743	220,655	299,176	303,058	384,822	334,868	373,088	1,497,392	1,775,874
Non-current assets	617,824	656,464	10,013	34,802	84,457	74,105	202,420	258,909	241,576	309,629	1,156,290	1,333,909

Other material items 2017 in respect of elements of profit or loss

(EUR x 1,000)	Reportable segment totals	Adjustments and other unallocated amounts	Consolidated totals
Finance income	18,088	(12,680)	5,408
Finance expense	(88,827)	12,680	(76,147)

Other material items 2016 in respect of elements of profit or loss

(EUR x 1,000)	Reportable segment totals	Adjustments and other unallocated amounts	Consolidated totals
Finance income	19,124	(10,244)	8,880
Finance expense	(90,054)	10,244	(79,810)

5.27 Government grants

The company has not been awarded any significant government grants in 2017 and 2016.

5.28 Divestment of trenching and cable laying assets

On 30 November 2017, Fugro finalised the divestment of its trenching and cable laying assets in exchange for a 23.6% interest in Global Marine Holdings LLC (Global), which interest thereby became an associate of Fugro, and a vendor loan of EUR 6.3 million. The divested assets were part of the Marine division. At the date of the transaction, Global became an associate of Fugro and is accounted for as an equity-accounted investee. Global is located at Delaware in the United States. The associate forms part of Fugro's Marine division. HC2 Holdings Inc., a listed company on the New York Stock Exchange, is the majority owner of Global. Global Marine is a supplier of subsea cable installation and maintenance services in four market segments: telecoms, offshore renewables, power and oil & gas. The transaction is a major step forward in delivering on Fugro's Building on Strength strategic objective of ending its active participation in the installation and construction part of the subsea market. Furthermore, Fugro will become the preferred provider of marine site characterisation and asset integrity services to Global (on an arm's length basis).

The trenching and cable laying assets that were divested consist of a vessel, two trenchers and two remote operated vehicles including the employees involved on those assets. An amount of EUR 2.4 million has been paid to Global in connection with the associated normalised working capital for the vessel and trenchers (bunker fuel, lubes, spare parts). The transaction costs involved for this divestment amounted to EUR 1.4 million. Previously, the trenchers and vessel were partially impaired. The divestment formed an indication that these impairment losses no longer exist. Accordingly, the recoverable amount of such assets was EUR 57.1 million, based on fair value less cost of disposal.
An impairment loss of EUR 11.7 million has been reversed. Refer to note 5.32.

Fugro's share in the profit or loss and other comprehensive income, which latter mainly relate to currency translation differences, of this associate amounts to EUR 0.4 million (loss) and EUR 0.6 million (gain) respectively. (Refer to note 5.39 investments in equity-accounted investees.) No dividends have been received from Global in 2017.
The carrying amount of this associate amounts to EUR 54.8 million as at 31 December 2017. Fugro has no significant commitments to this associate.

5.29 Third party costs

(EUR x 1,000)	2017	2016
Cost of suppliers	458,311	477,403
Operational lease expense*	61,172	91,760
Other rentals	45,465	49,832
Onerous contracts	17,658	(6,087)
Other costs	39,330	65,849
	621,936	678,757

* The operational lease expense includes an amount of EUR 12.5 million (2016: EUR 31.7 million) relating to maintenance and repair. Refer to note 5.49.6.

Cost of suppliers comprises costs of third party equipment hire, fuel, demobilisation and mobilisation, consumables and third party personnel. Costs of other rentals relate to any lease or agreement with a term of less than one year or any project-based lease or agreement with a term that begins at the start of a specific project and ends upon completion of such project. Other costs mainly relate to withholding taxes on projects and subcontracted cost at request of the client which can be recharged to the client directly.

For the provisions relating to the onerous contracts, reference is made to note 5.51.

5.30 Other income

(EUR x 1,000)	2017	2016
Settlements claims	6,453	726
Government grants	2,482	2,971
Gain on sale of property, plant and equipment	14,352	5,364
Reversal of the asset retirement obligation	–	14,056
Sundry income	8,515	7,286
	31,802	30,403

5.31 Personnel expenses

(EUR x 1,000)	2017	2016
Wages and salaries	546,259	597,493
Compulsory social security contributions	50,499	52,091
Equity-settled share-based payments	3,103	6,935
Contributions to defined contribution plans	20,073	23,794
Expense related to defined benefit plans	10,042	13,809
Increase/(decrease) in liability for long-service leave	(404)	314
	629,572	694,436

5.31.1 Share-based payments

Long-term incentive plan

The share-based payments plans of Fugro N.V. can be divided into a long-term incentive plan (LTIP), which includes the annual grant of conditional performance shares and (until 2017) conditional performance options, and a share option scheme, which includes the annual grant of unconditional options.

At the annual general meeting (AGM) held in May 2017, the LTIP was adjusted. One of the adjustments was a shift of the grant date to the 5th trading day following the publication of the annual results, instead of 31 December. Furthermore, under the LTIP going forward, only conditional performance shares will be granted, instead of a mix of performance shares and performance options.

The performance period of three years remains the same. Granting under the adjusted LTIP will for the first time take place in early 2018, after the publication of the 2017 annual results. Fugro also decided to shift the grant date under the share option scheme to the same date in further alignment with the LTIP. The share price as measurement input for the fair value for the options will be determined based on the average closing price of 5 days preceding the grant date instead of the share price at year-end date of the year of grant. Consequently, as of 2018, the costs of granted performance shares and share options shall be recognised in profit or loss over the total service period of three years. Previously, this was four years. As a result, no new performance awards and share options have been granted as at 31 December 2017, and the costs recognised in profit or loss 2017 only relate to performance awards and share options previously granted.

Long-term incentive plan

The long-term incentive plan for members of the Board of Management, and other selected senior employees, effective as of 1 January 2014, consists of performance shares and consisted of performance options. Vesting is subject to continuous employment and performance measurement after three years.

The performance targets and their relative weights for the performance awards are as follows:

- ROCE (weight 37.5%) is defined as net operating profit after tax (NOPAT) as percentage of average total equity plus net interest bearing debt, in the last year of the three-year period, excluding multi-client business.
- TSR (weight 37.5%) is defined as share price increase, including reinvested dividends. TSR is measured over a three-year period based on a three-month average period measured immediately prior to the start and end date of the performance period. The relative position within the peer group determines the vesting level of the underlying instruments.
- Strategic target (weight 25%).

The Supervisory Board will set each year at granting the performance criteria with respect to ROCE, taking into account the ROCE target for the year of vesting.

TSR measurement is related to share price performance versus a specific peer group of companies, which has been set by the Supervisory Board under guidance from an external consultant. The composition of the peer group, which is evaluated on a yearly basis, consists of: Arcadis, Boskalis Westminster, Core Laboratories, Fluor, John Wood Group, Oceaneering International, Schlumberger, Subsea 7, TechnipFMC, Transocean and WhorleyParsons. Vesting is subject to the following performance incentive zone:

Total shareholder return ranking (weight: 37.5%)	Vesting (% of conditional award)
1	175%
2	150%
3	125%
4	100%
5	75%
6	50%
7	25%
8-12	0%

The performance period is three years starting at the first of January of the year following the grant date. The costs of the previously granted performance awards (and share options) are recognised in profit or loss over the total service period of four years.

As at 31 December 2017, Fugro granted no performance options (2016: 257,200) and awarded no performance shares (2016: 128,600). The average remaining term of the performance options outstanding is 4.3 years as at 31 December 2017 (31 December 2016: 5.2 years).

As at 31 December the following performance options were outstanding:

Year of issue	Duration	Number of participants	Granted	Outstanding at 01-01-2017	Additional grant in 2017	Forfeited in 2017	Exercised in 2017	Outstanding at 31-12-2017	Exercisable at 31-12-2017	Exercise price (EUR)
2014	6 years	22	158,500	152,889	–	4,410	–	148,479	–	17.26
2015	6 years	39	219,200	213,500	–	24,622	–	188,878	–	15.06
2016	6 years	44	261,200	257,200	4,000	33,013	–	228,187	–	14.55
			638,900	623,589	4,000	62,045	–	565,544	–	

As at 31 December the following performance shares were outstanding:

Year of issue	Duration	Number of participants	Granted	Outstanding at 01-01-2017	Additional grant in 2017	Forfeited in 2017	Vested in 2017	Outstanding at 31-12-2017
2014	3 years	22	79,250	76,444	–	2,206	–	74,238
2015	3 years	39	109,600	106,750	–	12,312	–	94,438
2016	3 years	44	130,600	128,600	2,000	16,508	–	114,092
			319,450	311,794	2,000	31,026	–	282,768

The grant date fair value of the 50% portion with a TSR performance condition has been derived using a Monte Carlo Simulation model. The fair value of the portion with a ROCE performance condition (50%) has been determined using the Black & Scholes option pricing formula.

No performance shares have been granted as per 31 December 2017. The weighted average grant date fair value for 2016 amounted to EUR 14.33 for the performance shares. The significant inputs into the valuation models are:

	2017	2016
	Performance Shares/ Options	Performance Shares/ Options
Share price (in €)	–	14.55
Exercise price options	–	14.55
Volatility (%)	–	62.8%
TSR correlation	–	41.5%
Dividend yield (%)	–	0.0%
Vesting period (in years)	–	3
Risk-free interest rate (%)	–	(0.74%)
Expected term shares/options (in years)	–	3/6
Costs of granted performance shares and performance options at the end of 2014 in EUR	225,862	236,047
Costs of granted performance shares and performance options at the end of 2015 in EUR	301,325	443,342
Costs of granted performance shares and performance options at the end of 2016 in EUR	422,847	518,923

The expected volatility is based on the annualised historical volatility prior to the date of grant, and the dividend yield is estimated based on the historic dividend yield on Fugro shares at the date of grant.

The total costs allocated to 2017 for the performance awards granted in 2014, 2015 and 2016 amount to EUR 950,034 (2016: EUR 1,198,312).

Share option scheme

Fugro's share option scheme allows some assigned Group employees, who do not participate in the new long-term incentive plan, 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 contribution of the relevant employee to the long-term development of the company. The vesting period for the previously granted options was three years starting at the first of January of the year following the grant date. The vesting period of the options to be granted in 2018 is three years starting at 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 subsidiaries. The usual terms and conditions are applicable including exceptions in connection with retirement, long-term disability, death and change of control.

The Board of Management and the Supervisory Board decided annually on the granting of options. Options were granted annually on 31 December and the option exercise price was equal to the closing price of the share certificates traded on Euronext Amsterdam on the last trading day of the calendar year. The costs of the options are recognised in profit or loss over the related period of employment (four years). As of 2018, granting will for the first time take place in early 2018 instead of 31 December, after the publication of the 2017 annual results. The costs of granted options shall be recognised in profit or loss over the total service period of three years. In 2017, therefore, no new share options have been granted to employees. In 2017, no options have been exercised.

As at 31 December the following options were outstanding:

Year of issue	Duration	Number of participants	Granted	Outstanding at 01-01-2017	Forfeited in 2017	Exercised in 2017	Outstanding at 31-12-2017	Exercisable at 31-12-2017	Exercise price (EUR)
2011	6 years	684	1,161,100	845,150	845,150	–	–	–	44.895
2012	6 years	674	1,093,300	824,150	69,300	–	754,850	754,850	44.520
2013	6 years	621	956,925	839,430	88,225	–	751,205	751,205	43.315
2014	6 years	654	770,638	690,120	59,902	–	630,218	630,218	17.260
2015	6 years	654	534,470	510,970	43,390	–	467,580	–	15.060
2016	6 years	695	571,850	571,850	34,550	–	537,300	–	14.550
			5,088,283	4,281,670	1,140,517	–	3,141,153	2,136,273	

The outstanding options as at 31 December 2017 have an exercise price ranging from EUR 14.55 to EUR 44.52. The average remaining term of the options is 2.8 years (2016: 3.2 years). The movement during the year of options and the average exercise price is as follows:

	2017		2016	
	Weighted average exercise price (EUR)	Number of options	Weighted average exercise price (EUR)	Number of options
Options outstanding at 1 January	32.45	4,281,670	39.95	4,834,902
Forfeited during the period	41.24	1,140,517	55.65	1,125,082
Options granted during the period	–	–	14.55	571,850
Options outstanding at 31 December	29.25	3,141,153	32.45	4,281,670
Exercisable at 31 December		2,136,273		2,508,730

The fair value of the share options with only service conditions is determined by using a binomial model. Concerning the estimate for early departure (forfeitures), different percentages for different categories of staff are used: Board of Management 0% (only performance shares and performance options as from 2014) and other management/employees 3% per annum. The expected behaviour for exercising the options is estimated until the end of the exercise period. Expected volatility is estimated by considering historical share price volatility.

No share options have been granted as per 31 December 2017. The inputs used in the measurement of the fair values at grant date of the share options are the following:

	2017	2016
Average fair value of the granted options during the year in EUR	–	6.60
Exercise price (and fair value of shares at grant date) in EUR	–	14.55
Expected volatility	–	50%
Option term	–	6 years
Expected dividends	–	0.00%
Risk-free interest rate (based on government bonds)	–	(0.31%)
Costs of granted options at the end of 2013 in EUR	–	2,873,577
Costs of granted options at the end of 2014 in EUR	712,546	967,486
Costs of granted options at the end of 2015 in EUR	632,054	820,648
Costs of granted options at the end of 2016 in EUR	808,072	858,633
Total	2,152,672	5,520,344

5.31.2 Number of employees

			2017			2016
	Netherlands	Foreign	Total	Netherlands	Foreign	Total
Technical staff	611	6,854	7,465	641	7,068	7,709
Management and administrative staff	252	1,858	2,110	202	2,018	2,220
Temporary and contract staff	128	341	469	93	508	601
Number of employees at 31 December	991	9,053	10,044	936	9,594	10,530
Average number of employees during the year	964	9,323	10,287	940	10,305	11,245

5.32 Impairments

Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Other non-financial assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

In 2017, a total impairment loss of EUR 164 thousand has been recognised comprising an impairment loss of EUR 11,820 thousand, and a reversal of an impairment loss of EUR 11,656 thousand that relates to the trenching and cable laying assets divested in November 2017. Refer to note 5.28. The amount of EUR 11,656 thousand comprises a reversal of an impairment loss of the vessel of EUR 2,512 thousand and a reversal of two trenchers for the amount of EUR 9,144 thousand. The loss of EUR 11,820 thousand mainly consist of an impairment loss of EUR 9,232 thousand on certain vessels within property, plant and equipment (PP&E) in the Marine operating segment, which is due to poor market conditions. Also, certain equipment within PP&E that form part of the Land operating segment has been impaired for EUR 2,200 thousand. Other items within PP&E, such as buildings and other equipment, have been impaired for EUR 388 thousand of which EUR 349 thousand and EUR 39 thousand is related to the Marine and Geoscience operating segments respectively.

In 2016, the following impairments were identified:

(EUR x 1,000)	2016
Goodwill Seabed Geosolutions	20,505
Goodwill Subsea Services	17,650
Goodwill Onshore Geotechnical Europe/Africa	12,933
Subtotal	51,088
Property, plant and equipment (PP&E)	117,480
Finder	16,633
Other intangible assets (and other non-financial fixed assets)	7,515
Total	192,716

* As from 2017, the Subsea Services and Survey divisions have been integrated in the Marine division and the onshore geotechnical activities form part of the Land division. Last year, an amount of EUR 100.1 million of PP&E impairments was related to offshore geotechnical activities, Subsea Services and Survey divisions. The impairment of other intangibles was fully related to the offshore geotechnical activities. As from 2017, the offshore geotechnical activities form part of the Marine division.

5.33 Other expenses

(EUR x 1,000)	2017	2016
Maintenance and operational supplies	14,683	44,818
Indirect operating expenses	38,958	56,618
Occupancy costs	19,041	22,330
Property lease expense	20,213	24,328
Communication and office equipment	32,272	31,469
Write-off receivables	1,897	27,744
Restructuring costs	12,196	22,035
Research costs	2,103	(260)
Loss on disposal of property, plant and equipment	482	303
Marketing and advertising costs	3,908	5,115
Other	50,489	43,618
Total	196,242	278,118

Other expenses include amongst others professional services, training costs, audit fees, miscellaneous charges and sundry costs. Certain adviser and other costs amounting to EUR 0.8 million (2016: EUR 6.0 million), included in other, are considered as exceptional item under the covenant requirement. Refer to note 5.49.6. Audit fees, as charged by EY, are disclosed in note 9.16.

5.34 Net finance (income)/expenses

(EUR x 1,000)	2017	2016
Interest income on loans and receivables	(5,408)	(8,878)
Dividend income on available-for-sale financial assets and other investments in equity instruments	–	(2)
Finance income	(5,408)	(8,880)
Interest expense on financial liabilities measured at amortised cost	48,032	64,993
Net change in fair value of financial assets at fair value through profit or loss	(143)	317
Net foreign exchange variance	28,258	14,500
Finance expense	76,147	79,810
Net finance (income)/expenses recognised in profit or loss	70,739	70,930

The table set below summarises the net finance cost recognised in other comprehensive income and how they are categorised in the statement of changes in equity.

(EUR x 1,000)	2017	2016
Recognised in other comprehensive income		
Net change in fair value of hedge of net investment in foreign operations	16,117	5,079
Foreign currency translation differences of foreign operations	(116,498)	26,935
Foreign currency translation differences of equity-accounted investees	(835)	(1,425)
	(101,216)	30,589
Net change in fair value of cash flow hedges transferred to profit or loss	103	288
Net change in fair value of available-for-sale financial assets	218	34
Total	(100,895)	30,911
Recognised in:		
Hedging reserve	103	288
Translation reserve	(95,194)	27,308
Retained earnings	218	34
Non-controlling interests	(6,022)	3,281
Total	(100,895)	30,911

5.35 Income tax expense/(gain)

Recognised in profit or loss

(EUR x 1,000)	2017	2016
Current income tax expense/(gain)		
Current year	18,931	25,552
Adjustments for prior years	(5)	(11,902)
	18,926	13,650
Deferred income tax expense/(gain)		
Origination and reversal of tax losses and temporary differences	8,538	(5,419)
Change in tax rate	10,550	2,240
Recognition of previously unrecognised tax losses and temporary differences	(7,297)	(22,738)
Write down of deferred tax asset	16,386	27,820
Liability for undistributed foreign earnings (deferred)	(48)	(1,190)
Adjustments for prior years	540	(5,211)
	28,669	(4,498)
Total income tax expense/(gain)	47,595	9,152

Reconciliation of effective tax rate

(EUR x 1,000)	2017 %	2017	2016 %	2016
Profit/(loss) for the period from continuing operations		(165,344)		(300,983)
Income tax expense/(gain)		47,595		9,152
Profit/(loss) before income tax		(117,749)		(291,831)
Income tax using the weighted domestic average tax rates	29.1	(34,285)	30.8	(89,962)
Change in tax rate	(8.9)	10,550	(0.8)	2,240
Recognition of previously unrecognised tax losses and temporary differences	2.2	(2,523)	7.8	(22,738)
Current year tax losses and tax credits not recognised	(43.5)	51,199	(25.6)	74,692
Write down of deferred tax asset	(13.9)	16,386	(9.5)	27,820
Non-deductible expenses	(13.5)	15,852	(12.7)	37,119
Tax exempt income	6.3	(7,371)	1.5	(4,356)
Liability for undistributed foreign earnings (deferred)	0.0	(48)	0.4	(1,190)
Adjustments for prior years (deferred)	3.6	(4,234)	1.8	(5,211)
Adjustments for prior years (current)	0.0	(5)	4.1	(11,902)
Dividend and other income taxes	(1.8)	2,074	(0.9)	2,640
	(40.4)	47,595	(3.1)	9,152

The weighted domestic average tax rate is computed by multiplying the result before tax of each tax group with the applicable local corporate income tax rates that vary from 0% to 35%. The decreased weighted domestic average tax rate when compared to prior year is caused by a significant different mix of results in the various tax groups.

Income tax recognised in other comprehensive income and in equity

(EUR x 1,000)			2017			2016
	Before tax	Tax (expense)/ benefit	Net of tax	Before tax	Tax (expense)/ benefit	Net of tax
Defined benefit plan actuarial gains (losses)	19,916	(2,891)	17,025	(14,758)	613	(14,145)
Net change in fair value of cash flow hedges transferred to profit or loss	103	–	103	288	–	288
Net change in fair value of hedge of net investment in foreign operations	16,117	–	16,117	5,079	–	5,079
Share-based payment transactions	3,103	–	3,103	6,935	–	6,935
Net change in fair value of available-for-sale financial assets	218	–	218	34	–	34
Subordinated unsecured convertible bonds	15,773	(3,943)	11,830	34,538	(8,822)	25,716
Foreign currency translation differences of foreign operations and equity-accounted investees	(109,355)	(7,978)	(117,333)	26,010	(500)	25,510
	(54,125)	(14,812)	(68,937)	58,126	(8,709)	49,417

Reference is also made to note 5.41

5.36 Current tax assets and liabilities

The net current tax liability of EUR 11,310 thousand (2016: EUR 11,176 thousand liability) represents the balance of current tax assets and liabilities in respect of current and prior periods less advance tax payments.

5.37 Property, plant and equipment

(EUR x 1,000) 2017

	Land and buildings	Plant and equipment	Vessels	Fixed assets under construction	Other	Total
Cost						
Balance at 1 January 2017	211,982	1,258,294	954,004	40,857	221,191	2,686,328
Investments	1,318	43,090	41,240	15,995	6,331	107,974
Transfers from fixed assets under construction	–	8,606	30,690	(39,907)	611	–
Disposals	(18,359)	(67,170)	(135,576)	–	(6,603)	(227,708)
Effects of movement in foreign exchange rates	(12,410)	(69,997)	(96,010)	(836)	(21,488)	(200,741)
Transfers to assets classified as held for sale	(10,676)	–	–	–	–	(10,676)
Balance at 31 December 2017	171,855	1,172,823	794,348	16,109	200,042	2,355,177
Depreciation and impairment losses						
Balance at 1 January 2017	88,070	1,072,593	522,040	–	197,633	1,880,336
Depreciation	5,773	71,642	37,975	–	11,552	126,942
Impairment loss (note 5.32)	56	(6,665)	6,720	–	53	164
Disposals	(5,820)	(53,076)	(89,255)	–	(6,255)	(154,406)
Effects of movement in foreign exchange rates	(5,547)	(62,511)	(49,824)	–	(17,839)	(135,721)
Transfers to assets classified as held for sale	(5,833)	–	–	–	–	(5,833)
Balance at 31 December 2017	76,699	1,021,983	427,656	–	185,144	1,711,482
Carrying amount						
At 1 January 2017	123,912	185,701	431,964	40,857	23,558	805,992
At 31 December 2017	95,156	150,840	366,692	16,109	14,898	643,695

(EUR x 1,000)						2016
	Land and buildings	Plant and equipment	Vessels	Fixed assets under construction	Other	Total
Cost						
Balance at 1 January 2016	213,625	1,267,914	948,416	38,865	235,716	2,704,536
Investments	2,124	34,751	40,906	10,285	4,427	92,493
Transfers from fixed assets under construction	440	5,646	145	(7,777)	1,546	–
Disposals	(2,615)	(51,889)	(70,860)	–	(21,426)	(146,790)
Effects of movement in foreign exchange rates	(1,592)	1,872	35,397	(516)	928	36,089
Balance at 31 December 2016	211,982	1,258,294	954,004	40,857	221,191	2,686,328
Depreciation and impairment losses						
Balance at 1 January 2016	81,429	977,174	458,337	–	201,011	1,717,951
Depreciation	6,806	108,901	39,964	–	16,695	172,366
Impairment loss (note 5.32)	2,193	36,153	78,714	–	420	117,480
Disposals	(2,305)	(50,617)	(70,854)	–	(20,855)	(144,631)
Effects of movement in foreign exchange rates	(53)	982	15,879	–	362	17,170
Balance at 31 December 2016	88,070	1,072,593	522,040	–	197,633	1,880,336
Carrying amount						
At 1 January 2016	132,196	290,740	490,079	38,865	34,705	986,585
At 31 December 2016	123,912	185,701	431,964	40,857	23,558	805,992

5.37.1 Impairment loss and subsequent reversal

The Group has assessed whether any impairment triggers exist for its property, plant and equipment. Reference is made to note 5.32 Impairments.

5.37.2 Fixed assets under construction

This mainly relates to vessels. At 31 December 2017, capitalised borrowing costs related to the construction of vessels amounts to nil (2016: EUR 1.8 million and interest rate of 4.5%).

5.37.3 Leased fixed assets

In 2016, Fugro entered into a finance lease arrangement for a certain vessel (Hugin Explorer). The total carrying amount of this vessel is EUR 18.8 million as at 31 December 2017 (31 December 2016: EUR 23.9 million). Refer to note 5.49.4.

5.38 Intangible assets

(EUR x 1,000)					2017
	Goodwill	Finder	Software	Other	Total
Cost					
Balance at 1 January 2017	853,037	38,671	27,977	86,902	1,006,587
Purchase of intangible assets	–	–	1,118	4,805	5,923
Other additions	–	3,249	–	–	3,249
Disposals	–	–	(895)	(86)	(981)
Effect of movements in foreign exchange rates	(59,641)	(2,406)	(2,121)	(7,701)	(71,869)
Balance at 31 December 2017	793,396	39,514	26,079	83,920	942,909
Amortisation and impairment losses					
Balance at 1 January 2017	509,116	18,124	23,612	62,238	613,090
Amortisation	–	–	1,808	4,252	6,060
Disposals	–	–	(895)	(86)	(981)
Effect of movements in foreign exchange rates	(39,267)	(1,071)	(1,857)	(5,390)	(47,585)
Balance at 31 December 2017	469,849	17,053	22,668	61,014	570,584
Carrying amount					
At 1 January 2017	343,921	20,547	4,365	24,664	393,497
At 31 December 2017	323,547	22,461	3,411	22,906	372,325

(EUR x 1,000)					2016
	Goodwill	Finder	Software	Other	Total
Cost					
Balance at 1 January 2016	851,005	32,469	33,766	80,662	997,902
Purchase of intangible assets	–	–	1,910	4,142	6,052
Other additions	–	5,060	–	–	5,060
Disposals	–	–	(8,099)	(125)	(8,224)
Effect of movements in foreign exchange rates	2,032	1,142	400	2,223	5,797
Balance at 31 December 2016	853,037	38,671	27,977	86,902	1,006,587
Amortisation and impairment losses					
Balance at 1 January 2016	454,426	823	19,798	56,228	531,275
Amortisation	–	–	3,847	4,715	8,562
Impairment loss (note 5.32)	51,088	16,633	7,515	–	75,236
Disposals	–	–	(8,091)	(125)	(8,216)
Effect of movements in foreign exchange rates	3,602	668	543	1,420	6,233
Balance at 31 December 2016	509,116	18,124	23,612	62,238	613,090
Carrying amount					
At 1 January 2016	396,579	31,646	13,968	24,434	466,627
At 31 December 2016	343,921	20,547	4,365	24,664	393,497

5.38.1 Impairment loss and subsequent reversal

For the impairment loss in 2016 reference is made to note 5.32. The Group has not reversed any material impairment losses.

5.38.2 Impairment testing for cash-generating units containing goodwill

As disclosed in note 5.26 Segment reporting, the organisational structure, management structure and internal reporting structure changed as of 2017. Fugro has therefore reassessed the (groups of) cash-generating units to which goodwill has been allocated. As of 2017, for the purpose of goodwill impairment testing, Fugro allocates goodwill to the following cash-generating units: Marine, Land and Seabed Geosolutions. For the purpose of impairment testing, these three cash-generating units represent the lowest level within the Group at which goodwill is monitored for internal management purposes and are not larger than the Group's three operating segments. The revised goodwill CGU structure did not give rise to any goodwill impairments. As of 2017, the Marine CGU with allocated goodwill comprises the former offshore Survey and offshore Geotechnical CGU's. Geospatial Services, onshore Geotechnical Middle East & India/Asia Pacific and onshore Geotechnical Americas CGU's all with goodwill form part of the Land CGU.

The following CGU's have significant goodwill allocated as at 31 December 2017:

(EUR x 1,000)	Growth rate first year	Growth rate long-term	Pre-tax discount rate	Division	Goodwill 2017
Marine	(4.5%)	2.0%	10.2%	Marine	175,562
Land	(4.4%)	2.0%	10.2%	Land	86,962
Seabed Geosolutions	146.5%	2.0%	11.0%	Geoscience	61,023
Total					323,547

The capitalised goodwill was allocated to the following CGU's as at 31 December 2016:

(EUR x 1,000)	Growth rate first year	Growth rate long-term	Pre-tax discount rate	Division	Goodwill 2016
Offshore Survey	(2.4%)	2.0%	10.1%	Survey	119,646
Geospatial Services	(3.5%)	2.0%	10.1%	Survey	17,793
Offshore Geotechnical	(10.3%)	2.0%	10.1%	Geotechnical	63,919
Onshore Geotechnical Middle East & India/Asia Pacific	5.6%	2.0%	10.1%	Geotechnical	30,884
Onshore Geotechnical Americas	(2.4%)	2.0%	10.1%	Geotechnical	42,664
Seabed Geosolutions	8.6%	2.0%	12.8%	Geoscience	69,015
Total					343,921

The recoverable amounts of the cash-generating units have been determined based on value in use calculations. 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 indefinite. About 57% 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 in addition to provide services related to development, production and decommission of the infrastructure. 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 all CGU's, the 2018 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 one year are extrapolated using an estimated growth rate based on expected market developments, taking into account strategic plans of the company. Seabed's 2018 projection, and beyond, factor in a successful deployment of new Manta nodes combined with increased expected project opportunities from the ocean bottom seismic technology, supporting the expected growth rate first year and reflecting a more standard and normalised asset utilisation level from 2018 onwards compared to prior year(s). The Land and Marine CGU's projections factor in a further bottoming out of the market in 2018, but with a further strong expected recovery of the market conditions for the mid-term range.

- Cash flows for the CGU's beyond five years are extrapolated using an estimated long-term growth rate of 2.0% (2016: 2.0%). For the 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.
- 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 11.0% (2016: 10.1%-12.8%).

The recoverable amounts for Marine, Land and Seabed Geosolutions exceed the carrying amounts of the CGU's with significant headroom.

5.39 Investments in equity-accounted investees

The aggregate carrying amount of the equity-accounted investees of EUR 69,701 thousand as at 31 December 2017, consists of joint ventures for EUR 14,861 thousand (31 December 2016: EUR 20,068 thousand) and associates for EUR 54,840 thousand (31 December 2016: nil).
The Group's share of profit from continuing operations from its joint ventures amounted to EUR 5,121 thousand in 2017 (2016: EUR 2,223 thousand loss). No amounts were reported as other comprehensive income from its joint ventures in 2017 (2016: EUR nil). In 2017, the Group received dividends of EUR 8,843 thousand (2016: EUR 5,580 thousand) from its joint ventures.

The Group's share of profit (or loss) from continuing operations and of other comprehensive income from associates in 2017 amounts to a loss of EUR 409 thousand (2016: nil) and a gain of EUR 649 thousand (2016: nil) respectively. The other comprehensive income from Fugro's associates mainly relates to foreign currency exchange differences. None of the group's equity-accounted investees are publicly listed entities and consequently they do not have published price quotations. Refer to note 5.28 for the acquired interest in Global Marine Holdings LLC in 2017.

The group has no significant commitments to its joint ventures and associates.

5.40 Other investments

The Group holds the following other investments:

(EUR x 1,000)	2017	2016
Other investments	1,095	1,095
Long-term loans	8,070	9,180
Deposits	12,447	11,971
Advance lease payment	8,066	9,074
Available-for-sale financial assets	558	372
Other long-term receivables	910	2,058
	31,146	33,750

The Group received no dividends from its other investments in 2017 (2016: EUR 2 thousand).

5.40.1 Long-term loans

Long-term loans mainly comprise a loan due from Wavewalker B.V. for the principal amount of EUR 7.5 million (31 December 2016: EUR 8.3 million). An amount of EUR 0.8 million was repaid in 2017. The loan bears annual interest of 5%. The loan has to be fully repaid, including interest, before 30 April 2027.

5.40.2 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).

5.40.3 Other long-term loans

In 2017, certain loans of approximately EUR 1.0 million have been fully written-off as the collectability of such loans are considered as unlikely. The costs are included in other expenses as write-of receivables in the consolidated statement of comprehensive income.

5.41 Deferred tax assets and liabilities

5.41.1 Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

(EUR x 1,000)	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
Property, plant and equipment	10,197	26,107	(202)	(136)	9,995	25,971
Intangible assets	765	2,951	(105)	(1,272)	660	1,679
Loans and borrowings	–	–	–	(997)	–	(997)
Subordinated unsecured convertible bonds	–	–	(10,593)	(8,503)	(10,593)	(8,503)
Employee benefits	7,822	15,415	–	–	7,822	15,415
Provisions for other liabilities and charges	2,879	3,752	(382)	(139)	2,497	3,613
Tax loss carry-forwards	26,263	39,222	–	–	26,263	39,222
Other items	4,251	7,744	(2,719)	(5,192)	1,532	2,552
Deferred tax assets/(liabilities)	52,177	95,191	(14,001)	(16,239)	38,176	78,952
Set off of tax components	(12,754)	(14,589)	12,754	14,589	–	–
Net deferred tax asset/(liability)	39,423	80,602	(1,247)	(1,650)	38,176	78,952

The recognised deferred tax assets are dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. The recognised amounts relate to tax groups that are profitable or are expected to be profitable in the foreseeable future.

Movement in temporary differences during the year

(EUR x 1,000)	Balance 01-01-2017	Recognised in profit or loss	Recognised in other comprehensive income	Recognised directly in equity	Balance 31-12-2017
Property, plant and equipment	25,971	(15,976)	–	–	9,995
Intangible assets	1,679	(1,019)	–	–	660
Loans and borrowings	(997)	997	–	–	–
Subordinated unsecured convertible bonds	(8,503)	1,853	–	(3,943)	(10,593)
Employee benefits	15,415	(4,702)	(2,891)	–	7,822
Provisions for other liabilities and charges	3,613	(1,116)	–	–	2,497
Tax loss carry-forward	39,222	(12,959)	–	–	26,263
Exchange differences	–	5,273	(5,273)	–	–
Other items	2,552	(1,020)	–	–	1,532
Total	78,952	(28,669)	(8,164)	(3,943)	38,176

(EUR x 1,000)	Balance 01-01-2016	Recognised in profit or loss	Recognised in other comprehensive income	Recognised directly in equity	Balance 31-12-2016
Property, plant and equipment	6,789	19,182	–	–	25,971
Intangible assets	(9,905)	11,584	–	–	1,679
Loans and borrowings	(4,288)	1,832	1,459	–	(997)
Subordinated unsecured convertible bonds	–	319	–	(8,822)	(8,503)
Employee benefits	18,638	(3,836)	613	–	15,415
Provisions for other liabilities and charges	4,980	(1,367)	–	–	3,613
Tax loss carry-forward	60,876	(21,654)	–	–	39,222
Exchange differences	–	1,431	(1,431)	–	–
Other items	5,545	(2,993)	–	–	2,552
Total	82,635	4,498	641	(8,822)	78,952

5.41.2 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)	2017	2016
Tax credits	1,079	2,170
Deductible temporary differences	41,113	28,823
Tax losses	189,355	176,010
Total	231,547	207,003

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)	2017	2016
As of 1 January	207,003	136,290
Movements during the period:		
Additional unrecognised losses and temporary differences	67,585	102,512
Recognition of previously unrecognised tax losses and temporary differences (profit or loss)	(7,297)	(22,738)
Recognition of previously unrecognised tax losses and temporary differences (equity)	(507)	465
Effect of change in tax rates	(32,115)	(316)
Exchange rate differences	(19,699)	9,775
Change from reassessment	16,577	(18,985)
As of 31 December	231,547	207,003

Of the total recognised and unrecognised deferred tax assets in respect of tax losses carried forward an amount of EUR 14,109 thousand expires in periods varying from two to five years. An amount of EUR 23,254 thousand expires between five and ten years, an amount of EUR 51,031 thousand expires between ten and twenty years and an amount of EUR 127,224 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 recognised 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 2017, no deferred tax liabilities relating to investments in subsidiaries have been recognised (2016: EUR 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 (2016: 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.

5.42 Inventories

In 2017, EUR 23,404 thousand (2016: EUR 48,275 thousand) of other inventories was recognised as an expense and no inventory was written down (2016: EUR 96 thousand).

5.43 Trade and other receivables

(EUR x 1,000)	2017	2016
Unbilled revenue on (completed) projects	146,590	151,991
Trade receivables	240,655	308,810
Other receivables	83,385	85,425
Vendor loan	6,300	–
	476,930	546,226

Unbilled revenue on (completed) projects represents the gross amount expected to be collected from customers for contract work performed to date. It is measured at costs incurred plus profits recognised to date less progress billings and recognised losses. The contracts in progress for which this amount exceeds progress billings are presented as unbilled revenue on (completed) projects.

The contracts in progress for which progress billing exceeds costs incurred plus profits recognised to date less progress billings and recognised losses are presented as advance instalments to work in progress. At 31 December 2017, trade receivables include retentions of EUR 17.3 million (2016: EUR 13.5 million) relating to completed projects.

Trade receivables are shown net of impairment losses amounting to EUR 17.9 million (2016: EUR 39.5 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 (material) impairment losses (2016: EUR nil). Other receivables include VAT receivables, prepayments for insurance and claims, deposits, current portion of long term receivables and sundry receivables.

The vendor loan has been issued in connection with the divestment of Fugro's trenching and cable laying assets. Refer to note 5.28. The loan bears annual interest of 4%. After 11 January 2018 the loan bears interest of 10% per annum. The loan has to be repaid before 11 October 2018.

5.44 Cash and cash equivalents

(EUR x 1,000)	2017	2016
Cash and cash equivalents	213,574	248,488
Bank overdraft	(2,638)	(4,043)
Cash and cash equivalents in the consolidated statement of cash flows	210,936	244,445

The cash and cash equivalents disclosed above and in the consolidated statement of cash flows include EUR 48 million (31 December 2016: EUR 53 million) of Angolan kwanza's in Angola where exchange controls apply. These cash balances are therefore not available for general use by the other entities within the group. Refer to note 5.53.

5.45 Assets classified as held for sale

The assets held for sale relate to buildings which sale is going to take place in 2018. As at 31 December 2016, the assets classified as held for sale were related to a building which sale took place in 2017.

5.46 Total equity

5.46.1 Share capital

(In thousands of shares)	Ordinary shares	
	2017	2016
On issue and fully paid at 1 January	84,572	84,572
Number of (certificates of) own shares held by Fugro N.V. (treasury shares)	(3,613)	(3,628)
On issue and fully paid at 31 December – entitled to dividend	80,959	80,944

On 31 December 2017, the authorised share capital amounts to EUR 16 million (2016: EUR 16 million) divided into 140 million ordinary shares (2016: 96 million), each of EUR 0.05 nominal value and 180 million (2016: 224 million) various types of preference shares, each of EUR 0.05 nominal value. At the extraordinary general meeting in 2017, it was approved to amend the articles of association and to adjust the authorised share capital. The number of ordinary shares within the authorised share capital has been increased by decreasing the number of various types of preference shares. The aggregate number of authorised share capital remains the same.

On 31 December 2017, the issued share capital amounted to EUR 4,228,626.25. As of this date, 60% of the ordinary shares (84,572,525 shares) were issued. No preference shares have been issued. In 2017, no certificates of shares were issued by the Foundation Trust Office (2016: nil). 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/her certificates into ordinary shares and vice versa.

No dividend is (to be) paid for 2017 (2016: EUR nil).

5.46.2 Share premium

The share premium can be considered as paid in capital.

5.46.3 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.

5.46.4 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.

5.46.5 Reserve for own shares

Fugro purchases and sells own shares in relation to the share option scheme. The cost of these shares held by the Group is recorded as a reserve within shareholder's equity.

Fugro has purchased no certificates of own shares to cover its option scheme in 2017 (2016: nil). In 2017, fifteen thousand (15,000) shares were used (2016: nil). As per 31 December 2017, Fugro holds 3,613,347 own certificates of shares (2016: 3,628,347) with respect to the option scheme, subordinated unsecured convertible bonds and performance awards. This was 4.3% of the issued capital (2016: 4.3%).

5.46.6 Subordinated unsecured convertible bonds-equity component

The equity component of the subordinated unsecured convertible bonds EUR 100 million issued on 2 November 2017 as presented in the consolidated statement of changes in equity can be summarised as follows:

(EUR x 1,000)	2017
Subordinated unsecured convertible bonds EUR 100 million- equity component	16,167
Initial direct cost attributable to equity component	(394)
	15,773
Tax on subordinated unsecured convertible bonds	(3,943)
Equity component of subordinated unsecured convertible bonds EUR 100 million, net of tax	11,830
Equity component of EUR 190 million issued in 2016, net of tax, as at 31 December	25,716
Total equity component of subordinated unsecured convertible bonds as at 31 December	37,546

Refer to note 5.49.3.

5.46.7 Unappropriated result

No dividend is proposed to be paid-out for 2017.

5.47 Basic and diluted earnings per share

The basic and diluted earnings per share for 2017 amount to EUR 2.04 negative (2016: EUR 3.82 negative).
The calculation of basic earnings per share at 31 December 2017, is based on the loss from operations attributable to owners of the company consisting of a loss of EUR 165,344 thousand (2016: EUR 300,983 thousand loss) that is adjusted for the loss of the non-controlling interest of EUR 373 thousand (2016: EUR 7,951 thousand gain), and the weighted average number of shares outstanding at 31 December 2017 of 80,959 thousand (2016: 80,944

thousand). The share options on issue and the subordinated unsecured convertible bonds could have an impact on the weighted average number of (diluted) ordinary shares. However, their conversion to (certificates of) ordinary shares would not decrease earnings per share or increase loss per share and as such they have not been treated as dilutive.

Basic earnings per share from discontinued operations for 2017 amounts to EUR 0.06 and is based on the profit from discontinued operations of EUR 5,070 thousand (2016: nil) and the weighted average number of shares outstanding of 80,959 thousand at 31 December 2017. The share options and subordinated unsecured convertible bonds could have an impact on the weighted average number of (diluted) ordinary shares and could decrease the earnings per share from discontinued operations. However, the diluted earnings per share from discontinued operations equals the basic earnings per share for 2017.

5.48 Non-controlling interest

5.48.1 Subsidiaries with non-controlling interest

The total non-controlling interest for the period is EUR 41,610 thousand (surplus), of which EUR 30,065 thousand (surplus) is for Seabed Geosolutions B.V. and EUR 10,359 thousand (surplus) is attributable to Fugro-Suhaimi Ltd. The individual non-controlling interest of other subsidiaries is considered as insignificant.

5.48.2 Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for the subsidiaries Seabed Geosolutions B.V. (Seabed) and Fugro-Suhaimi Ltd (Suhaimi) that have material non-controlling interests to the Group. The non-controlling interest in Seabed and Fugro-Suhaimi is 40% and 50% respectively, which also represent 40% respectively 50% of the companies' voting rights in the general meeting of shareholders.

Fugro controls the operations and management of Seabed and Suhaimi as it directs the relevant revenue generating activities of both companies. Fugro also determines the strategy, policies and day-to-day business of these activities; therefore both subsidiaries, with a significant non-controlling interest, are fully incorporated into these consolidated financial statements. The shareholders of these companies have certain customary rights on certain key decisions, such as decisions on the declaration and payment of dividend and any significant change to the scope of the business, which rights are considered as protective in nature and normally go beyond the normal scope of business. Such decisions must be taken by a majority of 75% of the votes cast in both entities, but do not affect Fugro's ability to control the activities of both companies.

Summarised balance sheet

(EUR x 1,000)	Seabed		Suhaimi	
	As at 31 December		As at 31 December	
	2017	2016	2017	2016
Current				
Assets	33,797	90,709	23,820	33,286
Liabilities	(40,107)	(70,479)	(10,600)	(17,322)
Total current net assets	(6,310)	20,230	13,220	15,964
Non-current				
Assets	86,034	94,123	12,665	15,380
Liabilities	(4,561)	(11,386)	(5,166)	(5,131)
Total non-current net assets	81,473	82,737	7,499	10,249
Net assets	75,163	102,967	20,719	26,213
NCI percentage	40%	40%	50%	50%
Carrying amount of NCI	30,065	41,187	10,359	13,107

Summarised income statement

(EUR x 1,000)	Seabed		Suhaimi	
	For period ended 31 December		For period ended 31 December	
	2017	2016	2017	2016
Revenue	73,582	172,978	30,354	30,435
Profit/(loss) before income tax	(15,060)	693	12,011	12,482
Income tax (expense)/income	(1,354)	3,883	–	–
Post-tax profit/(loss) from continuing operations	(16,414)	4,576	12,011	12,482
Other comprehensive income	(26)	–	–	–
Total comprehensive income/(loss)	(16,440)	4,576	12,011	12,482
Total comprehensive income/(loss) allocated to non-controlling interests	(6,576)	1,830	6,005	6,241
Dividends paid to non-controlling interests	–	–	7,234	9,972

Summarised cash flows

(EUR x 1,000)	Seabed		Suhaimi	
	For period ended 31 December		For period ended 31 December	
	2017	2016	2017	2016
Net cash generated from operating activities	(11,740)	63,727	9,246	14,594
Net cash used in investing activities	(24,307)	(12,526)	(856)	(901)
Net cash used in financing activities	(5,807)	(48,937)	(14,467)	(18,061)
Net increase in cash and cash equivalents and bank overdrafts	(41,854)	2,264	(6,077)	(4,368)
Cash, cash equivalents and bank overdrafts at beginning of year	50,073	46,263	11,256	15,174
Exchange gains/(losses) on cash and cash equivalents	(3,723)	1,546	(1,087)	450
Cash and cash equivalents and bank overdrafts at end of year	4,496	50,073	4,092	11,256

The information above are the amounts before intercompany eliminations.

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)	2017	2016
Bank loans	386,699	243,537
Private placement loans 2011 in USD	–	133,058
Private placement loans 2011 in EUR	–	17,171
Private placement loans 2011 in GBP	–	14,108
Private placement loans 2002 in USD	–	14,862
Subordinated unsecured convertible bonds in EUR 190,000	160,399	153,900
Subordinated unsecured convertible bonds in EUR 100,000	82,827	–
Finance lease liabilities	10,973	18,336
Other loans and long-term borrowings	483	537
Subtotal	641,381	595,509
Less: current portion of loans and borrowings	6,488	22,006
	634,893	573,503

The bank loans and private placement loans contain covenants. The Group is in compliance with these covenants as at 31 December 2017. Reference is made to 5.49.6.

As at 31 December 2017, Fugro has drawn a total amount of EUR 387 million under the committed multicurrency revolving facilities (31 December 2016: EUR 245 million).

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

(EUR x 1,000)	Currency	Nominal interest rate	Year of maturity	2017 Face value	2017 Carrying value	2016 Face value	2016 Carrying value
Bank loans	EUR/USD	EURIBOR/ LIBOR + 190 bps	2020	387,000	386,699	245,000	243,537
Private placement loans:							
320 million USD bonds 2011	USD	5.05%	2018	–	–	53,411	52,193
330 million USD bonds 2011	USD	5.78%	2021	–	–	56,381	53,998
100 million USD bonds 2011	USD	5.88%	2023	–	–	28,204	26,867
27.5 million GBP bonds 2011	GBP	5.06%	2018	–	–	5,521	5,380
40 million GBP bonds 2011	GBP	5.82%	2021	–	–	9,170	8,728
35 million EUR bonds 2011	EUR	5.81%	2021	–	–	18,212	17,171
37 million USD bonds 2002	USD	8.10%	2017	–	–	14,987	14,862
190 million EUR Subordinated unsecured convertible bonds 2016	EUR	4.00%	2021	190,000	160,399	190,000	153,900
100 million EUR Subordinated unsecured convertible bonds 2017	EUR	4.50%	2024	100,000	82,827	–	–
Finance lease liabilities	USD	5.15–5.55%	2019–2022	11,553	10,973	19,784	18,336
Mortgage and other loans and long-term borrowings	Variable	3.5–8.6%	2018–2024	483	483	537	537
				689,036	641,381	641,207	595,509

5.49.1 Bank loans

The bank loan represents a 5-year multicurrency revolving credit facility of initially EUR 500 million. Rabobank and ING Bank N.V. provided EUR 127.5 million each, HSBC Bank Plc. provided EUR 75 million, Barclays Bank plc and ABN AMRO Bank N.V. provided EUR 50 million each, Credit Suisse provided EUR 40 million and BNP Paribas S.A./N.V. provided EUR 30 million. The interest is LIBOR, or in relation to any loan in EUR, EURIBOR plus a margin based on the consolidated net debt/adjusted EBITDA at each period of twelve months ending on the last day of the company's financial quarters. In 2017, the multicurrency revolving credit facility has been increased by EUR 75 million to EUR 575 million. Rabobank and ING Bank N.V. provided EUR 17.25 million each. ABN AMRO Bank N.V. provided EUR 30 million. Credit Suisse and BNP Paribas S.A./N.V. have provided EUR 6 million and EUR 4.5 million respectively. At 31 December 2017, a total amount of EUR 387 million of the multicurrency revolving credit facility was in use (31 December 2016: EUR 245 million), of which an equivalent of EUR 147 million was drawn in USD (USD 175 million).

The total amortised transaction costs amounts to EUR 1.4 million (31 December 2016: EUR 1.0 million) of which EUR 0.6 million relate to the drawn part of the bank loans. These are included in the carrying amount of the bank loans for the drawn facility and recorded as other current assets for the undrawn portion and are amortised over the term. An amount of EUR 0.6 million of transaction costs was paid in 2017 (2016: EUR 0.2 million).

5.49.2 Private placement loans

In 2017, the private placement loans have been fully repaid from the net proceeds of the issuance of the unsecured subordinated convertible bonds, from further usage of the multicurrency revolving credit facility and cash-flows generated from ordinary course of business. In 2017, total amortised transaction costs amounts to EUR 16.4 million (2016: EUR 24.3 million) and an amount of EUR 6.2 million of transaction costs has been paid (2016: EUR 17.5 million).

5.49.3 Subordinated unsecured convertible bonds

On 2 November 2017, Fugro issued 1,000 subordinated unsecured convertible bonds (the bonds) at a par value of EUR 100 thousand each (i.e. EUR 100 million in total), which are publicly traded on the Frankfurt Stock Exchange. The bonds were issued at 100% par value. A coupon of 4.5% per annum will be paid semi-annually in arrear in equal instalments on 2 May and 2 November in each year. Unless previously redeemed, converted or purchased and cancelled, the bonds will be redeemed at their principal amount on or around 2 November 2024. At the option of the holders, the bonds are convertible into certificates (“certificaten van aandelen”), representing ordinary shares in the capital of Fugro. The initial conversion rate is 6,693 certificates for each bond (an initial conversion price of EUR 14.9412). The certificates underlying the bonds correspond to approximately 7.9% of the company’s issued share capital.

The conversion price of the bonds is subject to standard anti-dilution adjustments in the event of share consolidations, share splits, capital distributions, rights issues and bonus issues and in the event of a change in control, a merger, or other events. Fugro will have the option to convert all but not some of the outstanding bonds into certificates at the then prevailing conversion price at any time from 23 November 2020, if the value of the certificates underlying a bond exceeds EUR 150 thousand for a specified period of time. Holders of the bonds have the option to force redemption of the principal amount plus interest (in cash) by Fugro on 30 October 2022 or in the event of a change in control. Fugro has an early redemption option (clean-up call) if 15% or less of the aggregate principal amount of the bonds remains outstanding. Fugro has an option to redeem all, but not some of the bonds in the event of certain changes in tax law. Fugro considers the bond as a compound financial compound financial instrument containing a debt host (including closely related embedded liability derivatives) and an embedded equity derivative (conversion option).

The bonds are presented in the consolidated statement of financial position and consolidated statement of comprehensive income as follows:

(EUR x 1,000)	2017
Face value of subordinated unsecured convertible bonds EUR 100 million, issued on 2 November 2017	100,000
Subordinated unsecured convertible bonds EUR 100 million- equity component. Refer to note 5.46.6.	16,167
Liability component	83,833
Initial direct cost attributable to liability component	(2,039)
Interest expense*	1,033
Interest paid	–
Non-current liability	82,827

* Interest expense is calculated by applying the effective interest rate of 8.1 % to the liability component.

The initial fair value of the liability portion of the subordinated unsecured convertible bonds was determined using a market interest rate for an equivalent non-convertible bond at the issue date. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders’ equity, net of income tax, and not subsequently remeasured. The total transaction costs paid attributable to the issuance of the subordinated unsecured convertible bonds amounted to EUR 2,433 thousand of which EUR 394 thousand has been allocated to the equity component of the subordinated unsecured convertible bonds.

As at 31 December 2017, the carrying amount of the EUR 190 million subordinated unsecured convertible bonds issued in 2016 amount to EUR 160,399 thousand (31 December 2016: EUR 153,900 thousand) with an interest expense (at 9.2%) of EUR 14.1 million in 2017. EUR 7.6 million coupon of 4% has been paid in 2017. Unless previously redeemed, converted or purchased and cancelled, these bonds will be redeemed at their principal amount on or around 26 October 2021. Upon exercise of their conversion rights, these bonds will be convertible into certificates (certificaten van aandelen) at a conversion rate of 5,144 for each bond held, representing ordinary shares in the capital of Fugro. Fugro will have the option to convert all but not some of these outstanding bonds into certificates at the then prevailing conversion price at any time from 18 November 2019, if the value of the certificates underlying a bond exceeds EUR 150 thousand for a specified period of time.

5.49.4 Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. On 1 July 2016, Fugro entered into a finance lease arrangement in connection with the purchase of a chartered vessel Hugin Explorer with a lease term of three years for the amount of EUR 23,850 thousand. At expiry of the charter period, Fugro will acquire and ownership will be transferred to Fugro by payment of the remaining purchase price.

Commitments in relation to finance leases and the present value of these liabilities, which are mainly related to the finance lease arrangement in connection with the purchase of a chartered vessel, are as follows:

(EUR x 1,000)	2017	2016
Gross finance lease liabilities – minimum lease payments		
No later than one year	6,342	7,108
Later than one year and no later than 5 years	5,211	12,676
	11,553	19,784
Future finance charges on finance lease liabilities	580	1,448
Present value of finance lease liabilities	10,973	18,336
Of which:		
Non-current*	4,631	11,228
Current	6,342	7,108

* Are due later than 1 years and no later than three years.

5.49.5 Changes in liabilities arising from financing activities

The table below sets out an analysis of the changes in liabilities arising from financing activities.

(EUR x 1,000)	Bank loans	Private placement loans	Subordinate unsecured convertible bonds EUR 190,000	Subordinate unsecured convertible bonds EUR 100,000	Finance lease liabilities	Mortgage and other loans and long-term borrowings	Total
Balance at 1 January 2017	243,537	179,199	153,900	–	18,336	537	595,509
Cash flow from financing activities	152,011	(183,212)	–	97,567	(5,499)	(39)	60,828
Equity Component of convertible bond	–	–	–	(15,773)	–	–	(15,773)
Effect of movement in foreign exchange rates	(9,449)	(9,029)	–	–	(1,864)	(15)	(20,357)
Other changes*	600	13,042	6,499	1,033	–	–	21,174
Balance at 31 December 2017	386,699	–	160,399	82,827	10,973	483	641,381

* Other changes include interest payments, accrued interest and amortisation.

The cash flow from financing activities of EUR 60,828 thousand in 2017 represents the total net cash from financing activities in the consolidated statement of cash flows of EUR 53,594 thousand excluding dividends paid of EUR 7,234 thousand.

5.49.6 Covenant requirements

The multicurrency revolving credit facility as well as the US private placement loans, contains certain covenant requirements. In 2015, Fugro has reached agreement with its lenders on the refinancing of the multicurrency revolving credit facility, and has aligned the terms and conditions of the private placement loans with new multicurrency revolving credit facility. The private placement loans have been fully repaid in 2017. Refer to note 5.49.2. Upon the refinancing, the margin fixed charge coverage (fixed charge cover) has been adjusted as shown in the table below:

Relevant period ended or ending	Net leverage	Fixed charge cover	
	Covenant	Original covenant	Adjusted Covenant
March 2016	< 3.00x	> 2.25x	> 1.80x
June 2016 onwards	< 3.00x	> 2.50x	> 1.80x
December 2017	< 3.00x	> 2.50x	> 1.80x
March, June, September and December 2018	< 3.00x	> 2.50x	> 2.00x
March 2019 onwards	< 3.00x	> 2.50x	> 2.50x

The covenant requirements consist of the following:

- Equity > EUR 200 million (only applicable to private placement loans 2002).
- Net leverage (EBITDA coverage): Net financial indebtedness (loans and borrowings less net cash) plus outstanding guarantees in excess of EUR 250 million / Adjusted consolidated EBITDA.
- Margin fixed charge cover(age): Adjusted consolidated EBITDA plus operating lease expense / net interest expense plus operating lease expense.
- Solvency: Consolidated net worth / Balance sheet total > 1.0: 3.0.
- Consolidated financial indebtedness of the subsidiaries < 10% for the private placement loans of the consolidated balance sheet total.
- Consolidated financial indebtedness of the subsidiaries, excluding Seabed, < EUR 55 million for the bank loans.
- Declared dividend < 60% of the profit of the group for such financial year (dividend payment in 2017 (over the year 2016) is conditional on covenant compliance at original levels).

The covenant requirements are applicable at each period of twelve months ending on the last day of the company's financial quarters.

The adjusted consolidated EBITDA for purpose of the covenant calculations comprises the income (or loss) from operations before interest expense, depreciation, amortisation and taxes, but not including any exceptional items as listed below, and are further adjusted by:

- Including pre-acquisition income or (loss) from businesses acquired.
- Excluding the income or (loss) from businesses disposed of, for the period for which they formed part of the Group.

Exceptional items comprise:

- Onerous contract charges (note 5.29).
- Restructuring costs (note 5.33).
- Write-off receivables (note 5.33).
- Certain adviser and other fees (to the extent not capitalised as transaction costs on loans and borrowings (note 5.33).
- Excluding the income or (loss) on disposal of property, plant and equipment (note 5.30 and 5.33).

For purpose of the calculation of the net interest expense, any amortised transaction costs directly attributable to covenant amendments (advisor and other fees), other amortised transaction costs of a non-recurring nature in relation to the loans and interest expenses related to the subordinated unsecured convertible bonds are not included. For purpose of the calculation of the net financial indebtedness, the amounts of the subordinated unsecured convertible bonds are not included.

The operating lease expense comprises operational lease expense under third party costs as well as the property lease expense under other expenses. For covenant requirements (a) part of the operational lease expense is excluded for amounts that relate to maintenance, repairs, taxes, insurance, assessments or other similar charges, and additional rentals (in excess of fixed minimums) based on gross receipts. Amounts required to be paid pursuant to (i) any lease or agreement with a term of less than one year or (ii) any project-based lease or agreement with a term that begins at the start of a specific project and ends upon completion of such project are reported as costs of other rentals under third party costs, are not included for covenant requirements to an amount equal or less than EUR 175 million as from 2015. Total operational lease expense relating to (a) amounts to EUR 12,456 thousand (2016: EUR 31,672 thousand) and is therefore excluded from operating lease expense. The property lease expense for the amount of EUR 20,213 thousand (2016: EUR 24,328 thousand) is therefore included in the operating lease expense as from 2016. Total operating lease expense for covenant requirements therefore amounts to EUR 68,929 thousand in 2017 (2016: EUR 84,416 thousand).

As from 31 December 2016 and onwards, an aggregate maximum amount of EUR 35 million is applied in respect of exceptional items excluded from adjusted consolidated EBITDA, excluding any gains from exceptional items unless such gains represent an adjustment or reversal relating to a loss previously counted as an exceptional item. Some of the covenant requirements such as the margin fixed charge cover(age), solvency and net leverage (EBITDA coverage) are incorporated in certain sale and lease back arrangements.

As can be concluded from the table below, Fugro complies with all (adjusted) covenant requirements and also complied with all covenant requirements for the multicurrency revolving credit facility and US private placement loans during 2017. In case Fugro would not comply with the (adjusted) covenant requirements, the multicurrency revolving credit facility will become immediately due.

	(EUR x 1,000)	2017
	Adjusted consolidated EBITDA	100,120
(5.29)	Operating lease expense	68,929
(5.34)	Net interest expense	9,659
	Margin fixed charge coverage > 1.8	2.15
	Net consolidated financial indebtedness (loans and borrowings less net cash)	187,165
	Bank guarantees exceeding cap of EUR 250 million	–
	Total	187,165
	EBITDA coverage < 3.0	1.87
	Consolidated net worth	712,054
	Balance sheet total	1,898,304
	Solvency > 33.33%	37.5%
	Financial indebtedness < EUR 55 million	14,042
	Dividend < 60% of the profit	–

The table below summarises the covenant requirements of 2016:

	(EUR x 1,000)	2016
	Adjusted consolidated EBITDA	184,605
(5.29)	Operating lease expense	84,416
(5.34)	Net interest expense	29,390
	Margin fixed charge coverage > 1.8	2.36
	Net consolidated financial indebtedness (loans and borrowings less net cash)	198,386
	Bank guarantees exceeding cap of EUR 250 million	–
	Total	198,386
	EBITDA coverage < 3.0	1.07
	Consolidated net worth	934,859
	Balance sheet total	2,174,449
	Solvency > 33.33%	43.0%
	Margin Indebtedness subsidiaries < 10%	2.4%
	Financial indebtedness < EUR 55 million	23,361
	Dividend < 60% of the profit	–

In October 2016, following the placement of the EUR 190 million subordinated unsecured convertible bonds, two additional covenant requirements have been agreed with the owner of two geotechnical vessels:

- Total net debt (including the subordinated unsecured convertible bonds issued in 2016) should not exceed EUR 475 million;
- Consolidated EBITDA for each relevant period should be at least EUR 105 million.

As at 30 September 2017, Fugro has obtained a waiver for the consolidated EBITDA requirement.

In December 2017, after the placement of the EUR 100 million convertible bonds, the covenants were adjusted as follows:

- Total net debt should not exceed EUR 400 million for each relevant period. Net debt includes the liability component of the EUR 190 million subordinated unsecured convertible bonds 2016 and excludes the liability component of the EUR 100 million subordinated unsecured convertible bonds 2017;
- The consolidated EBITDA should be at least EUR 90 million for each relevant period (or EUR 100 million from the third quarter of 2018 onwards).

Fugro complies with these requirements as at 31 December 2017.

5.49.7 Mortgage and other loans and long-term borrowings

The interest rate on mortgage loans and other loans and long-term borrowings over one year amounts to 3.5% – 8.6% (2016: 1.0% – 11.5%).

5.49.8 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 unsecured subordinated convertible bond (note 5.49.3). An amount of EUR 387 million was drawn from the bank facilities as at 31 December 2017 (31 December 2016: EUR 245 million). The sale and lease back arrangement for two vessels contains certain change of control clauses.

5.50 Employee benefits

(EUR x 1,000)	2017	2016
Present value of funded obligations	438,188	441,449
Fair value of plan assets	(381,274)	(359,565)
Recognised net liability for defined benefit obligations	56,914	81,884
Liability for long-service leave	11,953	13,593
Total employee benefit liabilities	68,867	95,477

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 in line with the provisions in the different plans. The most important plans relate to plans in the Netherlands, United Kingdom and the United States. Details of these plans are as follows:

- In the Netherlands the Group provides 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 two defined benefit pension schemes. For Fugro Holdings, the company operates a final salary defined benefit pension scheme. The scheme is an HMRC registered pension schemes and is subject to standard UK pensions and tax law. The Robertson Research International Group Pension Scheme is a funded, defined benefit pension plan. 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 schemes assets are held in separate Trustee-administered funds. The schemes includes indexation in line with RPI.

- 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.

Plan assets consist of the following:

(EUR x 1,000)	2017	2016
Equity securities	81,346	72,405
Government bonds	8,270	4,628
Corporate bonds	41,953	39,785
Investment funds	19,825	20,553
Insurance policies	195,793	190,264
Real estate	21,291	19,959
Cash	12,796	11,971
	381,274	359,565

Movements in the present value of the funded obligations

(EUR x 1,000)	2017	2016
Present value of the funded obligation at 1 January	441,449	431,190
Current service costs (see below)	7,411	7,482
Interest expenses	9,944	12,047
	17,355	19,529
Remeasurements:		
(Gain)/loss from change in demographic assumptions	–	(1,726)
(Gain)/loss from change in financial assumptions	(5,694)	38,076
Experience (gains)/losses	1,729	(4,222)
	(3,965)	32,128
Exchange differences	(8,049)	(35,072)
Paid by plan participants	1,819	1,871
Benefits paid by the plan	(10,414)	(11,665)
Plan amendments and curtailments	(7)	3,468
Present value of the funded obligation at 31 December	438,188	441,449

Movement in the fair value of plan assets

(EUR x 1,000)	2017	2016
Fair value of plan assets at 1 January	359,565	354,001
Interest income	8,045	9,870
Remeasurement:		
Return on plan assets, excluding amounts included in interest income	15,951	17,370
Exchange differences	(5,912)	(25,198)
Paid by the employer	13,239	14,004
Contributions paid by plan participants	1,819	1,865
Benefits paid by the plan	(10,414)	(11,665)
Administrative expenses	(879)	(682)
Settlements	(140)	–
Fair value of plan assets at 31 December	381,274	359,565

Expenses recognised in profit or loss

(EUR x 1,000)	2017	2016
Current service costs	7,411	7,482
Past service costs	(147)	3,468
Administrative expenses	879	682
Interest on obligation	9,944	12,047
	18,087	23,679
Interest income	(8,045)	(9,870)
	10,042	13,809

The expenses are recognised in the following line items in the statement of comprehensive income:

(EUR x 1,000)	2017	2016
Personnel expenses	10,042	13,809

Actual return on plan assets

(EUR x 1,000)	2017	2016
Actual return on plan assets	23,996	27,240

Remeasurements recognised directly in other comprehensive income

(EUR x 1,000)	2017	2016
Cumulative amount at 1 January	(67,865)	(61,151)
Recognised during the year	19,916	(14,758)
Effect of movement in exchange rates	2,124	8,044
Cumulative amount at 31 December	(45,825)	(67,865)

Refer to note 5.35 with respect to the income tax impact on the actuarial gains / (losses) of EUR 19,916 thousand gain (2016: EUR 14,758 thousand loss).

Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as a range of weighted averages):

	2017		2016	
	UK	Netherlands	UK	Netherlands
Discount rate at 31 December	2.5%	1.9%	2.7%	1.9%
Future salary increases	0.0%	1.4%	0.0%	1.5%
Future pension increases	2.6%	0.0%	2.7%	0.0%

The financial effects of differences between the actuarial assumptions and actuals for the pension liability and plan assets are included in the remeasurements.

Netherlands: AG2016 Generation table for men and women with an age correction according to ES-P2.
United Kingdom: 90% of S2NxA with improvements in line with CMI 2014 and a long-term rate of improvements of 1.5% per annum and SAPS2 CMI 2016 1.25% long term + 1 year adjustment.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 10.2%	Increase by 11.2%
Salary growth rate	0.50%	Increase by 0.5%	Decrease by 0.4%
Pension growth rate	0.50%	Increase by 2.5%	Decrease by 2.4%%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		Increase by 3.3%	Decrease by 3.1%

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)	2017	2016	2015	2014	2013
Present value of the defined obligation	438,188	441,449	431,190	454,345	352,301
Fair value of plan assets	381,274	359,565	354,001	352,063	268,451
Deficit in the plan	(56,914)	(81,884)	(77,189)	(102,282)	(83,850)
Experience adjustments arising on plan liabilities	1,729	(4,222)	(545)	2,552	(4,403)
Experience adjustments arising on plan assets	15,951	17,370	(9,993)	52,814	(1,814)

Plan assets are comprised as follows:

(EUR x 1,000)				2017				2016
	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total	%
Equity instruments	81,346		81,346	21%	72,405		72,405	20%
Debt instruments	70,048		70,048	18%	64,966		64,966	18%
Government	8,270		8,270	2%	4,628		4,628	1%
Corporate bonds (Investment grade)	41,953		41,953	11%	39,785		39,785	11%
Corporate bonds (Non-investment grade)	19,825		19,825	5%	20,553		20,553	6%
Insurance policies		195,793	195,793	52%		190,264	190,264	53%
Property	21,291		21,291	6%	19,959		19,959	6%
UK	21,291		21,291	6%	19,959		19,959	6%
Cash and cash equivalents	12,796		12,796	3%	11,971		11,971	3%
Total	185,481	195,793	381,274	100%	169,301	190,264	359,565	100%

* Previously stated as unquoted.

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 where the insurer guarantees the payment of the accrued benefits.

In addition, the Group is exposed to a number of local risks. This is considered to be limited for the Netherlands as 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, but otherwise is only responsible for the annual cost of pension accrual.
The pension increases for deferred and pensioners are depending on the means available in the investment depot and therefore changes in the value of the investment depot will affect future pension increases as well.

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 employer is ultimately responsible for funding the accrued pensions and the pension increases.

The expected 2018 contributions amount to EUR 16.2 million (2017: EUR 16.6 million).

The weighted average duration of the defined benefit obligation is 21 years (2016: 22 years).

As at 31 December 2017	Netherlands	United Kingdom	Total weighted
Duration of plan	23	19	21

5.51 Provisions for other liabilities and charges

(EUR x 1,000)			2017						2016
	Onerous contracts	Procedures	Restructuring	Total	Onerous contracts	Asset retirement obligations	Procedures	Restructuring	Total
Balance at 1 January	13,017	21,173	7,465	41,655	37,454	13,900	22,642	2,734	76,730
Provisions made during the year	19,915	3,112	12,980	36,007	9,623	–	657	22,702	32,982
Provisions used during the year	(14,013)	(272)	(14,721)	(29,006)	(18,848)	–	(1,397)	(17,361)	(37,606)
Provisions reversed during the year	(2,257)	(5,853)	(784)	(8,894)	(15,710)	(14,056)	(1,292)	(667)	(31,725)
Unwinding of discount	–	–	–	–	–	308	–	–	308
Effect of movements in foreign exchange rates	(1,049)	(380)	(352)	(1,781)	498	(152)	563	57	966
Transfer to trade and other payables	(12,215)	(693)	–	(12,908)	–	–	–	–	–
Balance at 31 December	3,398	17,087	4,588	25,073	13,017	–	21,173	7,465	41,655
Non-current	342	16,726	–	17,068	5,682	–	21,163	–	26,845
Current	3,056	361	4,588	8,005	7,335	–	10	7,465	14,810

In 2017, the restructuring costs amounted to EUR 12.2 million (2016: EUR 22.0 million), including a reversal of EUR 0.8 million, and EUR 14.7 million has been used (2016: EUR 17.4 million). An amount of EUR 19.9 million in respect of onerous contract provisions was made during 2017.
An amount of EUR 12.2 million of the onerous contract provision has been transferred to trade and other payables as certain onerous lease contracts have been ceased in 2017, and shall be actually further paid off in 2018. Fugro has accounted for certain tax indemnities and warranties under procedures in respect of the sale of the majority of the Geoscience business to CGG for liabilities arising from tax exposures. In 2017, an amount of EUR 5.8 million has been released as these exposures will not further materialise. Furthermore, an amount of EUR 0.7 million has been made during the year in respect of these tax indemnities and warranties for exposures additionally identified. This latter amount shall be actually settled in 2018 and has therefore been transferred to the trade and other payables.
The corresponding gain of EUR 5.1 million has been classified as profit for the period from discontinued operations in the consolidated statement of comprehensive income as the cost for this provision was previously presented accordingly. The total provision amounts to EUR 12.1 million as at 31 December 2017 (31 December 2016: EUR 17.9 million).

5.52 Trade and other payables

(EUR x 1,000)	2017	2016
Trade payables	98,797	109,232
Advance instalments to work in progress	42,300	47,010
Other payables	201,497	219,135
Balance at 31 December	342,594	375,377

Other payables include elements such as accrued expenses of invoices to be received, employee related accruals and considerations payable regarding acquisitions.

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. 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 5% of its revenue in the year. On occasion one client may generate more than 5%, 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 crisis in the oil and gas industry the credit risk has increased significantly. Clients that are known to have negative credit characteristics are individually monitored by the group controllers. 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 Board of Management 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 213.6 million at 31 December 2017 (2016: EUR 248.5 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 commercial reasons exist. Fugro has filed declarations of joint and several liabilities 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.

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 global cash pool was introduced in 2015, which made it possible for the company to use the cash surplus within the group to reduce the overdrafts at its main uncommitted facilities.

Although the result of the United Kingdom referendum to leave the EU leads to uncertainties, its impact on Fugro’s business will not be fully visible until negotiation between UK and EU are completed.

As at 31 December 2017, Fugro holds cash balances in Angolan Kwanza’s for the amount of EUR 48 million (31 December 2016: EUR 53 million) in Angola where exchange controls apply. The company expects that these exchange controls will become less when the oil and gas market conditions are expected to improve and when Angola will have increased inflow of USD in relation to their oil business. In addition, several actions have been explored to further lower this amount in the coming year and thereafter.

The Group monitors cash flow on a regular basis and operates with a global cash pool. Consolidated cash flow information, including a projection for the year, is reported on a monthly basis to the Board of Management, ensuring that the Group has sufficient cash on demand (or available lines of credit) to meet expected near term operational expenditures, including the servicing of financial obligations from lease commitments not included in the statement of financial position. 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 multicurrency revolving credit facility agreements with seven banks totalling EUR 575 million. Rabobank and ING Bank N.V. provided EUR 144.75 million each, HSBC Bank Plc. provided EUR 75 million, Barclays Bank Plc. provided EUR 50 million and ABN AMRO Bank N.V. provided EUR 80 million, Credit Suisse provided EUR 46 million and BNP Paribas S.A./N.V. provided EUR 34.5 million. At 31 December 2017, an amount of EUR 387 million has been drawn. These bank facilities have been secured until December 2020.
- A variety of unsecured overdraft facilities in various currencies totalling around EUR 155 million of which EUR 3 million has been drawn at 31 December 2017 (31 December 2016: around EUR 219 million with EUR 4 million drawn).

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. About 57% of the Group’s activities relate to the oil and gas industry. The general downturn in the oil and gas market has resulted in pressure on work volume and pricing for oil services companies.

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.

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. An amount of EUR 48 million (31 December 2016: EUR 53 million) is in Angolan Kwanza's which is subject to significant currency risk at year-end 2017. The national bank of Angola has devaluated its currency in 2018, which resulted in a further fall of the Angolan Kwanza against the Euro. The national bank might devaluate its currency further in 2018, which might further affect the value of the Angolan Kwanza against the euro.

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, US dollar and British pound. 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 and the use of the multicurrency revolving credit facility in USD, which reduces the currency risk arising from the subsidiary's net assets.
In 2017, all private placement loans have been fully repaid. The Group's investments in other subsidiaries are not hedged.

The hedge on the investment on foreign operations 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 2017, significant exchange differences arose from the US dollar and British pound.

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.

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.
No dividend is proposed to be paid-out for 2017.

The targeted solvency is set > 33.33%. The solvency at the end of 2017 was 37.5% (2016: 43.0%). The Group's objective is to achieve a healthy return on shareholders' equity. However, as in previous year(s) the return is significantly affected by the current market conditions and impairments identified in the current and mainly in prior years. As a result the return is 8.5% (negative) in 2017 (2016: 28.9% negative).

From time to time Fugro purchases its own certificates of shares. These certificates are used to cover the options and shares 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 5.49.6. As per 31 December 2017 and 31 December 2016 the Group complied with all imposed external capital requirements.

5.54 Credit risk

Exposure to credit risk

(EUR x 1,000)	Carrying amount	
	2017	2016
Other investments in equity instruments	1,095	1,095
Available-for-sale financial assets	558	372
Long-term loans	8,070	9,180
Deposits	12,447	11,971
Other long-term receivables	910	2,058
Unbilled revenue on (completed) projects	146,590	151,991
Trade receivables	240,655	308,810
Other receivables	83,385	85,425
Vendor loan	6,300	–
Cash and cash equivalents	213,574	248,488
	713,584	819,390

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) projects at the reporting date by geographic region was:

(EUR x 1,000)	Carrying amount	
	2017	2016
Netherlands	32,328	73,965
Europe other	102,717	101,443
Africa	19,526	28,603
Middle East	79,931	87,297
Asia	37,102	58,093
Australia	26,920	11,508
Americas	88,721	99,892
	387,245	460,801

Impairment losses

The ageing of trade receivables and unbilled revenue on (completed) projects at the reporting date was:

- As of 31 December 2017, trade receivables and unbilled revenue on (completed) projects of EUR 387,245 thousand (31 December 2016: EUR 460,801 thousand) were fully performing.
- As of 31 December 2017, trade receivables of EUR 116,204 thousand (31 December 2016: EUR 134,499 thousand), included in EUR 387,245 thousand (31 December 2016: EUR 460,801 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 2017, trade receivables and unbilled revenue on (completed) projects of EUR 17,892 thousand (31 December 2016: EUR 39,482 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)	2017		2016	
	Gross	Impairment	Gross	Impairment
From 0 to 30 days	272,029	988	326,836	535
From 31 to 60 days	41,100	44	47,899	566
From 61 to 90 days	18,661	294	16,916	627
Over 90 days	56,059	13,834	91,763	37,754
Retentions and special items	17,288	2,732	16,869	–
	405,137	17,892	500,283	39,482

The movement in the allowance for impairment in respect of trade receivables and unbilled revenue on (completed) projects during the year was as follows:

(EUR x 1,000)	2017	2016
Balance at 1 January	39,482	29,211
Impairment loss recognised	7,133	18,590
Impairment loss reversed	(5,236)	(2,887)
Trade receivables written off	(21,860)	(5,435)
Effect of movements in exchange rates	(1,627)	3
Balance at 31 December	17,892	39,482

The allowance accounts in respect of trade receivables and unbilled revenue on (completed) projects 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.

Besides the impairment loss on certain long-term loans (refer to 5.40.3), no impairments related to other financial assets than trade receivables and unbilled revenue on (completed) projects 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) 2017

	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Bank loans	386,699	418,088	5,251	5,251	10,503	397,083	–
Subordinated unsecured convertible bonds in EUR 190,000	160,399	220,421	3,790	3,810	7,600	205,221	–
Subordinated unsecured convertible bonds in EUR 100,000	82,827	131,500	2,250	2,250	4,500	18,000	104,500
Finance lease liabilities	10,973	11,553	3,153	3,189	4,994	217	–
Other loans and long-term borrowings	483	539	183	44	72	150	90
Trade and other payables	342,594	342,594	342,594	–	–	–	–
Bank overdraft	2,638	2,638	2,638	–	–	–	–
	986,613	1,127,333	359,859	14,544	27,669	620,671	104,590

(EUR x 1,000) 2016

	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Bank loans	243,537	254,489	1,245	1,191	4,728	247,325	–
Private placement loans:							
320 million USD bonds	52,193	56,558	1,349	1,349	53,860	–	–
330 million USD bonds	53,998	70,300	1,629	1,629	3,259	63,783	–
100 million USD bonds	26,867	38,625	829	829	1,658	6,634	28,675
27.5 million GBP bonds	5,380	6,354	128	140	6,086	–	–
40 million GBP bonds	8,728	12,292	245	267	534	11,246	–
35 million EUR bonds	17,171	23,503	529	529	1,058	21,387	–
37 million USD bonds	14,862	14,937	14,937	–	–	–	–
Subordinated unsecured convertible bonds in EUR	153,900	228,021	3,790	3,810	7,600	212,821	–
Finance lease liabilities	18,336	19,784	3,525	3,584	7,108	5,567	–
Other loans and long-term borrowings	537	585	141	53	66	190	135
Trade and other payables	375,377	375,376	375,376	–	–	–	–
Bank overdraft	4,043	4,043	4,043	–	–	–	–
	974,929	1,104,867	407,766	13,381	85,957	568,953	28,810

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.

5.56 Currency risk

Refer to 5.5.1 for the significant main currency exchange rates applied in the year.

Sensitivity analysis

A 10 percent strengthening of the Euro against the above currencies at 31 December would have increased (decreased) 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 2016. Refer to note 5.53.4 Currency risk.

Effect in EUR x 1,000	Equity	Profit or loss after tax
31 December 2017		
USD	(18,557)	9,621
GBP	(16,710)	772
AUD	(7,000)	1,636
NOK	(4,994)	(1,075)
31 December 2016		
USD	(47,265)	13,881
GBP	(16,090)	2,506
NOK	(8,749)	(61)
AUD	(8,518)	3,785

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. The effect for 2017 in the table above on profit or loss is mainly positive as the losses reduce if the euro would increase against the other currencies.

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 2017	2016
Fixed rate instruments		
Financial assets	14,370	9,180
Financial liabilities	(254,682)	(351,972)
Variable rate instruments		
Financial assets	213,574	248,488
Financial liabilities	(389,337)	(247,580)
	(416,075)	(341,884)

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 as in 2016. At 31 December 2017, it is estimated that a general increase (decrease) of 100 basis points in interest rates would decrease (increase) the Group's profit before income tax by approximately:

(EUR x 1,000)	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2017				
Variable rate instruments	(1,758)	1,758	–	–
Cash flow sensitivity (net)	(1,758)	1,758	–	–
31 December 2016				
Variable rate instruments	9	(9)	–	–
Cash flow sensitivity (net)	9	(9)	–	–

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)	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables				
Trade receivables and other receivables*	476,930	476,930	546,226	546,226
Cash and cash equivalents	213,574	213,574	248,488	248,488
Deposits	12,447	12,447	11,971	11,971
Long-term loans	8,070	8,070	9,180	9,180
Other long-term receivables	910	910	2,058	2,058
Available-for-sale financial assets				
Other investments	1,095	1,095	1,095	1,095
Available-for-sale financial assets	558	558	372	372
Financial liabilities measured at amortised cost				
Bank loans	(386,699)	(386,699)	(243,537)	(243,537)
Mortgage and other loans and long-term borrowings	(483)	(483)	(537)	(537)
Private placement loans in USD	–	–	(147,920)	(170,664)
Private placement loans in GBP	–	–	(14,108)	(17,168)
Private placement loans in EUR	–	–	(17,171)	(23,212)
Subordinated unsecured convertible bonds EUR 190,000	(160,399)	(168,929)	(153,900)	(157,102)
Subordinated unsecured convertible bonds EUR 100,000	(82,827)	(84,835)	–	–
Finance lease liabilities	(10,973)	(10,973)	(18,336)	(18,336)
Bank overdraft	(2,638)	(2,638)	(4,043)	(4,043)
Trade and other payables	(342,594)	(342,594)	(375,377)	(375,377)
Total	(273,029)	(283,567)	(155,539)	(190,586)
Unrecognised gains/(losses)		(10,538)		(35,047)

* Due to the short-term nature of the trade receivables and other receivables, their carrying amount is considered to be the same as their fair value.

The private placement loans carried for which fair value is disclosed were categorised within level 2 of the fair value hierarchy. The fair values of the subordinated unsecured convertible bonds are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

The fair value for several Fugro vessels and other assets were based on bids received, broker quotes and value-in-use calculations. Management considers the value to be within level 3 of the fair value hierarchy. Refer to note 5.32.

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:

(EUR x 1,000)	2017	2016
Loans and borrowings	1.9% – 8.6%	1.0% – 11.5%
Long term receivables	5.0%	5.0%

Fair value hierarchy
The different fair value hierarchy 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).

Fugro has available-for-sale financial assets of EUR 558 thousand as at 31 December 2017 (31 December 2016: EUR 372 thousand), which are categorised within level 1. As in last year, there are no assets or liabilities categorised within level 2 or 3.

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.

5.59 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)	2017	2016
Less than one year	69,504	84,268
Between one and five years	162,845	192,963
More than five years	88,802	77,471
	321,151	354,702

The Group leases a number of vessels, offices and warehouse/laboratory facilities 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 significant contingent rentals. During the year an amount of EUR 127 million was recognised as an expense in profit or loss in respect of operating leases and other rentals (2016: EUR 166 million).

5.59.2 Bank guarantees
Per 31 December 2017, Fugro's bank has issued bank guarantees to clients for an amount of EUR 85 million (2016: EUR 96 million).

5.59.3 Capital commitments
At 31 December 2017, the Group has no material contractual obligations to purchase property, plant and equipment (2016: EUR 6.8 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
No significant subsequent events to be noted.

5.61 Related parties
5.61.1 Identity of related parties
The Group has a related party relationship with its subsidiaries, equity-accounted investees, members of the Board of Management and Supervisory Board.

5.61.2 Transactions with the Board of Management
Members of the Board of Management of Fugro hold 0.3% (2016: 0.3%) 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). In December 2017, Mr. Ø. Løseth has been appointed as member of the Board of Management as of 1 January 2018.

The remuneration of the Board of Management for 2017 and 2016 is as follows:

(in EUR)	P. van Riel		P.A.H. Verhagen		M.R.F. Heine	
	2017	2016	2017	2016	2017	2016
Fixed base salary	600,000	600,000	450,000	450,000	450,000	450,000
Compensation pension contribution	96,847	95,135	75,936	75,708	59,618	58,545
Short-term incentive plan	99,600	130,200	75,000	97,650	75,000	97,650
Pension costs (including disability insurance)	43,129	41,315	59,032	42,362	43,505	27,335
Severance	–	–	–	–	–	–
	839,576	866,650	659,968	665,720	628,123	633,530
Long-term incentive plan (see note 5.31.1)	–	63,570	–	47,678	–	47,678
Total	839,576	930,220	659,968	713,398	628,123	681,208

(in EUR)	B.M.R. Bouffard		S.J. Thomson		Total	
	2017	2016	2017	2016	2017	2016
Fixed base salary	450,000	339,312	160,086*	450,000	2,110,086	2,289,312
Compensation pension contribution	65,608	40,674	53,216	89,908	351,225	359,970
Bonus	75,000	73,630	–	52,650	324,600	451,780
Pension costs (including disability insurance)	43,385	34,057	50,481	34,268	239,532	179,337
Severance	–	–	450,000	–	450,000	–
	633,993	487,673	713,783	626,826	3,475,443	3,280,399
Long-term incentive plan (see note 5.31.1)	–	34,675	–	47,678	–	241,279
Total	633,993	522,348	713,783	674,504	3,475,443	3,521,678

* Fixed base salary comprises fixed salary until July 2017 compensated by allowances of the insurer due to sickness leave of this former board member and a payment of EUR 77,586 for outstanding vacation days.

Mr. Thomson has not been proposed for re-appointment during the annual general meeting on 2 May 2017. The severance includes an annual fixed salary of EUR 450,000 in accordance with the standard exit clause of the management agreement.

There are no guarantees or obligations towards or on behalf of the Board of Management.

The current remuneration policy was adopted by the AGM in 2014 and took effect retroactively as of 1 January 2014. The policy was amended twice after the adoption in 2014, the most recent amendment was adopted by the AGM in 2017. Within the framework of the policy, the remuneration for the Board of Management is determined by the Supervisory Board on the advice of the remuneration committee. The remuneration policy will be reviewed once every three years to verify its market conformity, potentially leading to adjustments. This remuneration policy is available on Fugro's website: www.fugro.com.

Annual bonus 2017

Each member of the Board of Management is eligible for an annual bonus. The bonus may vary from 0% to 100% of fixed base salary, with 66.7% being applicable when targets are achieved.

Targets are set yearly by the Supervisory Board, based on the budget and taking into account the strategy aspirations. Financial targets determine 75% of the bonus, non-financial or personal targets determine the remaining 25%. For each of the financial targets, a performance zone is set, with no bonus below the threshold level and the maximum bonus when performance exceeds the upper end of the performance zone. There will be no overshoot possibility for personal targets. The maximum multiplier for financial targets is therefore 1.67. The Supervisory Board ensures that the targets are challenging, realistic and consistent with Fugro's strategy.

The measures used and their relative weight are as follows:

Financial targets:	Adjusted EBIT margin	35%
	Working capital	20%
	Adjusted cash flow	20%
Non-financial (personal) targets		25%

The non-financial targets give the possibility to include health and safety, corporate social responsibility, personal development goals, etc. as targets into the bonus programme.

In view of the overall financial performance, the Supervisory Board, based on the advice of the remuneration committee, decided that no bonus will be paid on the financial targets. As the personal (non-financial) targets were met, the Supervisory Board decided to pay 16.7% of base salary to the eligible members of the Board of Management. The Supervisory Board will propose to the AGM on 26 April 2018 to pay the bonus amounts in a fixed number of restricted shares in Fugro (based on a stock price of EUR 12.0 per share) as follows on 1 May 2018: Mr. Van Riel 8,300 shares, Mr. Verhagen 6,250 shares, Mr. Heine 6,250 shares and Mr. Bouffard 6,250 shares. The shares will have a vesting period of 3 years and thereafter a holding (lock-up) period of 2 years. An exception is made for Mr. Van Riel who will retire after the AGM. His shares won't have a vesting period, but a holding (lock-up) period of 3 years.

As at 31 December the following performance options for the Board of Management under the long-term incentive plan were outstanding:

Year of issue	Duration	Number of participants	Granted	Outstanding at 01-01-2017	Forfeited in 2017*	Exercised in 2017	Outstanding at 31-12-2017	Exercisable at 31-12-2017	Exercise price (EUR)
2014	6 years	4	97,500	97,500	3,125	–	94,375	–	17.26
2015	6 years	4	97,500	97,500	10,625	–	86,875	–	15.06
2016	6 years	5	120,000	120,000	18,125	–	101,875	–	14.55
			315,000	315,000	31,875	–	283,125	–	

* The performance options forfeited relates to Mr. Thomson, who has not been proposed for re-appointment. If and insofar as these performance options will vest, these will vest prorated based upon the number of full months that elapsed between the grant date and the date on which the management service agreement has ended. The prorated vesting has been reflected in the table.

The members of the Board of Management received no performance options in 2017 (2016: 30,000 for the chairman of the board and 22,500 for each of the other board members). Refer to note 5.32.1.

As at 31 December the following performance shares for the Board of Management under the long-term incentive plan were outstanding:

Year of issue	Duration	Number of participants	Granted	Outstanding at 01-01-2017	Forfeited in 2017*	Vested in 2017	Outstanding at 31-12-2017
2014	3 years	4	48,750	48,750	1,563	–	47,187
2015	3 years	4	48,750	48,750	5,313	–	43,437
2016	3 years	5	60,000	60,000	9,063	–	50,937
			157,500	157,500	15,939	–	141,561

* The performance shares forfeited relates to Mr. Thomson, who has not been proposed for re-appointment. If and insofar as these performance shares will vest, these will vest prorated based upon the number of full months that elapsed between the grant date and the date on which the management service agreement has ended. The prorated vesting has been reflected in the table.

The members of the Board of Management received no performance shares in 2017 (2016: 15,000 of the chairman of the board and 11,250 for each of the other board members). Refer to note 5.31.1.

The table below provides an overview of the outstanding number of options for the (former) members of the board of management in respect of the share option scheme:

Board of Management

						Number of options		In EUR		Number of months
	Year	Number at 01-01-2017	Granted in 2017	Exercised in 2017	Forfeited in 2017	Number at 31-12-2017	Exercise price	Share price at exercise day	Expiring date	Bonus
P. van Riel	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
Total		168,000	–	–	53,000	115,000				
P.A.H. Verhagen	2013–2014	30,000	–	–	–	30,000	43.315		31–12–2019	
Total		30,000	–	–	–	30,000				
W.S. Rainey	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
Total		153,000	–	–	53,000	100,000				
S.J. Thomson	2011–2012	64,000	–	–	64,000	–	53.010*		31–12–2018	–
	2013	47,000	–	–	47,000	–	43.315		31–12–2019	5
Total		111,000	–	–	111,000	–				
J. Rüegg	2011	53,000	–	–	53,000	–	44.895		31–12–2017	9
	2012	53,000	–	–	53,000	–	44.52		31–12–2018	9
Total		106,000	–	–	106,000	–				
A. Jonkman	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
Total		153,000	–	–	53,000	100,000				
K.S. Wester	2011	80,000	–	–	80,000	–	44.895		31–12–2017	9
Total		80,000			80,000	–				
Total		801,000			456,000	345,000				

* Weighted average.

5.61.3 Supervisory Board

The remuneration of the Supervisory Board is as follows:

	2017	2016
H.L.J. Noy, Chairman	80,000	80,000
J.C.M. Schönfeld, Vice-Chairman	65,000	65,000
A.J. Campo	88,000	88,000
P.H.M. Hofsté	58,000	58,000
A.H. Montijn	60,000	58,000
D.J. Wall	88,000	88,000
	439,000	437,000

There are no loans outstanding to the members of the Supervisory Board and no guarantees given on behalf of members of the Supervisory Board.

5.61.4 Other related party transactions

5.61.4.1 *Joint ventures and associates*

The Group has not entered into any significant joint ventures in 2017. Reference is further made to note 5.28 in respect of Fugro's interest in Global Marine Holdings LLC.

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:

- Impairments: Impairment analyses, amongst other relating to vessels, are performed whenever a triggering event has occurred to determine whether the carrying amount 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 accounting policy 5.16. Note 5.38.2 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.
- Deferred tax: The assumptions used in recognition and measurement of deferred taxes are disclosed in note 5.41.
- 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 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.
- Other provisions, tax and other contingencies: Information on the assumptions used in estimating the effect of legal claims, asset retirement obligations and onerous contract provisions are included in accounting policy 5.20 and not 5.51. The provisions in respect of onerous contracts are based on the obligation that the Group has with counterparties involved and represent the best estimate of the obligation.

6 SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD OF FUGRO N.V.

(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. For entities where the direct or indirect interest of Fugro is less than 50%, the Group consolidates financial information of such entities based on the definition of control.

The subsidiaries listed below have been fully incorporated into the consolidated financial statements of Fugro, unless indicated otherwise.

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
Fugro Albania sh.p.k.		Tirana, Albania
Fugro Angola Limitada	49%	Luanda, Angola
Fugro ROAMES Pty Ltd		Brisbane, Australia
Fugro TSM Finance Pty Ltd		Perth, Australia
Fugro Exploration Pty Ltd		Perth, Australia
Fugro Survey Pty. Ltd.		Balcatta, Australia
Fugro LADS Corporation Pty Ltd		Kidman Park, Australia
Fugro Holdings (Australia) Pty Ltd		Perth, Australia
Fugro Spatial Solutions Pty Ltd		Perth, Australia
Fugro TSM Pty Ltd		Perth, Australia
Fugro Satellite Positioning Pty Ltd		Perth, Australia
Fugro AG Pty Ltd		Perth, Australia
Fugro Austria GmbH		Bruck an der Mur, Austria
SOCAR-Fugro LLC	49%*	Baku, Azerbaijan
Fugro Belgique/België S.A./N.V.		Brussels, Belgium
Fugro In Situ Geotecnia Ltda.		Pinhais, Brazil
Fugro Brasil Levantamentos Ltda.		Rio de Janeiro, Brazil
Sudeste Serviços Ltda.		Rio de Janeiro, Brazil
Fugro Sendirian Berhad		Bandar Seri Begawan, Brunei Darussalam
Fugro Survey (B) Sdn Bhd	70%	Kuala Belait, Brunei Darussalam
Geofor Cameroun SA		Douala, Cameroun
GIE GEOFOR Afrique		Douala, Cameroun
Fugro Canada, Corp.		St. John's, Canada
Fugro Chile S.A.		Santiago, Chile
Fugro Technical Services (Beijing) Ltd.		Beijing, China
Fugro Technical Services (Guangzhou) Ltd.		Guangzhou, China
Fugro Pacifica Qinhuangdao Co., Ltd.		Qinhuangdao, China

Company	%	Office, Country
China Offshore Fugro GeoSolutions (Shenzhen) Co. Ltd.	50%*	Shekou, Shenzhen, China
Fugro Curaçao N.V.		Willemstad, Curaçao
Fugro Consultants International N.V.		Willemstad, Curaçao
Fugro Financial International N.V.		Willemstad, Curaçao
Fugro S.A.E.		Cairo, Egypt
Fugro Geoid S.A.S.		Jacou, France
Fugro GeoConsulting S.A.S.		Nanterre, France
Fugro Holding France S.A.S.		Nanterre, France
Fugro Topnav S.A.S.		Palaiseau, France
GEOTER S.A.S.		Clapiers, France
Geofor Gabon SA		Libreville, Gabon
Fugro Gabon SARL		Port Gentil, Gabon
Fugro Germany Land GmbH		Berlin, Germany
Fugro Germany Marine GmbH		Bremen, Germany
Fugro Certification Services Ltd.		Kwai Fong, Hong Kong
Fugro Technical Services Ltd.		Tuen Mun, Hong Kong
Fugro Geotechnical Services Ltd.		Fo Tan, Hong Kong
Fugro (Hong Kong) Ltd.		Wanchai, Hong Kong
Fugro Geosciences International Ltd.		Wanchai, Hong Kong
Fugro Holdings (Hong Kong) Ltd.		Wanchai, Hong Kong
Fugro Hydrographic Surveys Ltd.		Wanchai, Hong Kong
Fugro Geospatial Services (Hong Kong) Ltd.		Wanchai, Hong Kong
Fugro Geotechnics Vietnam (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 Ltd.		Wanchai, Hong Kong
MateriaLab Consultants Ltd.		Kwai Fong, Hong Kong
Fugro Consult Kft		Budapest, Hungary
Fugro Geotech (India) Private Limited		Navi Mumbai, India
Fugro Survey (India) Private Limited	90%	Navi Mumbai, India
PT Fugro Indonesia		Jakarta Selatan, Indonesia
Fugro-ETW LLC	50%*	Basra, Iraq
FAZ Technology Ltd.	96.5%	Dublin, Ireland
FAZ Research Ltd.	96.5%	Dublin, Ireland
Fugro Italy S.p.A.		Rome, Italy
Fugro Japan Co., Ltd.		Tokyo, Japan
Fugro-KGNT LLP	50%*	Almaty, Kazakhstan Republic
MAPS SARL		Beirut, Lebanon
Fugro Eco Consult S.a.r.l.		Munsbach, Luxembourg
Fugro Technical Services (Macau) Ltd.		Macau, Macau
Fugro Geodetic (Malaysia) Sdn Bhd	30%	Kuala Lumpur, Malaysia
Fugro Geosciences (Malaysia) Sdn Bhd	30%	Kuala Lumpur, Malaysia
Fugro Malaysia Land Sdn Bhd		Puchong, Malaysia

Company	%	Office, Country
Fugro TSM Labuan Pty Ltd		Federal Territory of Labuan, Malaysia
Fugro Holding Malta Ltd.		Luqa, Malta
Fugro Malta Ltd.		Luqa, Malta
Geofor International SA		Quatre Bornes, Mauritius
Fugro Mauritius Ltd.		Quatre Bornes, Mauritius
Fugro Mexico S.A. de C.V.		Ciudad Del Carmen, Campeche, Mexico
Geomundo S.A. de C.V.		Ciudad Del Carmen, Campeche, Mexico
Fugro Mozambique Ltda.		Maputo, Mozambique
Fugro CIS B.V.		Leidschendam, The Netherlands
Fugro-Elbocon B.V.		Leidschendam, The Netherlands
Fugro Engineers B.V.		Nootdorp, The Netherlands
Fugro Financial Resources B.V.		Leidschendam, The Netherlands
Fugro NL Land B.V.		Leidschendam, The Netherlands
Fugro Intersite B.V.		Leidschendam, The Netherlands
Fugro Marine Services B.V.		Leidschendam, The Netherlands
Fugro Nederland B.V.		Leidschendam, The Netherlands
Fugro South America B.V.		Leidschendam, The Netherlands
Fugro Survey B.V.		Leidschendam, The Netherlands
Fugro Vastgoed B.V.		Leidschendam, The Netherlands
FNV IP B.V.		Leidschendam, The Netherlands
Fugro Satellite Positioning B.V.		Leidschendam, The Netherlands
Seabed Geosolutions B.V.	60%	Leidschendam, The Netherlands
Fugro BTW Ltd.		New Plymouth, New Zealand
Fugro Survey (Nigeria) Ltd.		Port Harcourt, Nigeria
Fugro Nigeria Ltd.		Port Harcourt, Nigeria
Fugro Norway AS		Oslo, Norway
Fugro Middle East & Partners LLC	70%	Muscat, Oman
Fugro Symphony Inc.		Panama City, Panama
Fugro Peru S.A.		Lima, Peru
Fugro Peninsular Services	49%	Doha, Qatar
GEOINGSERVICE LLP		Moscow, Russia
Geofor Sao Tome Ltda.		Sao Tome City, Sao Tome
Fugro-Suhaimi Ltd.	50%	Dammam, Saudi Arabia
Decca Survey Saudi Arabia Ltd.	40%	Dammam, Saudi Arabia
Fugro Saudi Arabia Ltd.		Dammam, Saudi Arabia
Fugro Satellite Positioning Pte Ltd		Singapore, Singapore
Fugro Singapore Pte Ltd		Singapore, Singapore
Fugro Survey Pte Ltd		Singapore, Singapore
Fugro TSM Pte Ltd		Singapore, Singapore
Fugro Subsea Technologies Pte Ltd		Singapore, Singapore
Fugro Global Environmental and Ocean Sciences Pte Ltd		Singapore, Singapore
Setouchi Services Pte Ltd		Singapore, Singapore
Fugro Survey Africa (Pty) Ltd.		Cape Town, South Africa

Company	%	Office, Country
Fugro Maps South Africa (Pty) Ltd.		Cape Town, South Africa
Fugro Earth Resources (Pty) Ltd.		Johannesburg, South Africa
Fugro Finance AG		Zug, Switzerland
Fugro Geodetic AG		Zug, Switzerland
Fugro International Holding AG		Zug, Switzerland
Fugro South America GmbH		Zug, Switzerland
Fugro Survey GmbH		Zug, Switzerland
Middle East Investment GmbH		Zug, Switzerland
Fugro Sial Ltd.		Ankara, Turkey
Fugro Subsea LLC	49%	Abu Dhabi, United Arab Emirates
Fugro GB Marine North Limited		Aberdeen, United Kingdom
Fugro-ImpROV Limited		Aberdeen, United Kingdom
Fugro Subsea Services Limited		Aberdeen, United Kingdom
Fugro-BKS Limited		Coleraine, United Kingdom
Fugro GeoServices Limited		Falmouth, United Kingdom
Fugro Alluvial Offshore Limited		Great Yarmouth, United Kingdom
Fugro GB Marine Limited		Wallingford, United Kingdom
Fugro Holdings Limited		Wallingford, United Kingdom
Global Marine Holdings LLC	23.6%*	Delaware, United States
Fugro Holding (USA), Inc.		Houston, United States
Fugro Enterprise, Inc.		Houston, United States
Fugro Synergy, Inc.		Houston, United States
Fugro Roadware, Inc.		Richmond, United States
Fugro USA Land, Inc.		Houston, United States
Fugro USA Marine, Inc.		Lafayette, United States
Fugro Geotechnics Vietnam LLC		Ho Chi Minh City, Vietnam

* Joint arrangements classified as joint ventures or associates that are equity-accounted.

7 COMPANY BALANCE SHEET

As at 31 December, before result appropriation

	(EUR x 1,000)	2017	2016
	Assets		
	Intangible assets	160	804
	Tangible fixed assets	–	3
(9.1)	Financial fixed assets	1,203,907	1,634,156
	Deferred tax assets	186	–
	Total non-current assets	1,204,253	1,634,963
(9.2)	Trade and other receivables	8,113	12,365
	Current tax assets	137	6,735
	Cash and cash equivalents	384	127
	Total current assets	8,634	19,227
	Total assets	1,212,887	1,654,190
	Equity		
	Share capital	4,228	4,228
	Share premium	431,227	431,227
	Translation reserve	(115,909)	(20,715)
	Hedging reserve	–	(103)
	Other reserves	(316,412)	(328,242)
	Retained earnings	868,821	1,157,398
	Unappropriated result	(159,901)	(308,934)
(9.3)	**Total equity**	712,054	934,859
	Provisions		
(9.4)	Provisions for other liabilities and charges	13,172	18,694
	Deferred tax liabilities	–	682
	Liabilities		
(9.5)	Loans and borrowings	243,226	318,237
	Total non-current liabilities	256,398	337,613
	Bank overdraft	–	60
(9.5)	Loans and borrowings	–	14,862
(9.6)	Trade and other payables	238,075	365,230
	Current tax liabilities	6,006	–
	Other taxes and social security charges	354	1,566
	Total current liabilities	244,435	381,718
	Total liabilities	500,833	719,331
	Total equity and liabilities	1,212,887	1,654,190

8 COMPANY INCOME STATEMENT

For the year ended 31 December

	(EUR x 1,000)	2017	2016
(9.7)	Revenue	37,263	39,994
	Other income	970	67
(9.8)	Personnel expenses	(20,699)	(20,928)
	Depreciation	(3)	(31)
	Amortisation	(644)	(647)
(9.9)	Other expenses	(23,022)	(51,713)
	Results from operating activities (EBIT)	(6,135)	(33,258)
	Finance income	11,530	30,711
	Finance expenses	(37,964)	(64,457)
(9.10)	Net finance income/(expenses)	(26,434)	(33,746)
	Profit/(loss) before income tax	(32,569)	(67,004)
	Income tax gain/(expense)	(1,001)	21,006
	Share in results from participating interests, after taxation	(126,331)	(262,936)
	Profit/(loss) for the period	(159,901)	(308,934)

9 NOTES TO THE COMPANY FINANCIAL STATEMENTS

General
The company financial statements form part of the 2017 consolidated financial statements of Fugro.

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 accounting policies 5.3 to 5.25 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 Financial fixed assets

(EUR x 1,000)	2017	2016
Subsidiaries	1,203,907	1,235,774
Long-term loans to group companies	–	398,382
	1,203,907	1,634,156

9.1.1 Subsidiaries

(EUR x 1,000)	2017	2016
Balance at 1 January	1,235,774	1,172,025
Share in result of participating interests	(126,331)	(262,936)
Capital increase	181,342	321,650
Dividends	(7,242)	(9,972)
Currency exchange differences	(98,262)	28,654
Other	18,626	(13,647)
Balance 31 December	1,203,907	1,235,774

9.1.2 Long-term loans to group companies

(EUR x 1,000)	2017	2016
Balance at 1 January	398,382	926,151
Loans issued	–	235,761
Write-off receivable	–	(12,042)
Redemptions	(388,744)	(742,379)
Currency exchange differences	(9,638)	(9,109)
Balance 31 December	–	398,382

The long-term loans due from subsidiaries have been redeemed in 2017.

9.2 Trade and other receivables

(EUR x 1,000)	2017	2016
Receivables from group companies	7,334	11,022
Other receivables	779	1,343
Balance 31 December	8,113	12,365

9.3 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 5.46 of the consolidated financial statements. The translation reserve and hedging reserve qualify as legal reserves (Dutch: 'wettelijke reserve') in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

9.4 Provisions for other liabilities and charges

For the notes on provisions reference is made to note 5.51 of the consolidated financial statements. Fugro has accounted for certain tax indemnities and warranties under procedures in respect of the sale of the majority of the Geoscience business to CGG for liabilities arising from tax exposures amounting to EUR 12.1 million as at 31 December 2017 (31 December 2016: EUR 17.9 million). An amount of EUR 0.6 million (31 December 2016: EUR 0.5 million) and EUR 0.5 million (31 December 2016: EUR 0.3 million) relate to a restructuring provision respectively employee benefit obligations. An amount of EUR 0.6 million is expected to be settled within one year. Refer to note 9.9.

9.5 Loans and borrowings

(EUR x 1,000)	2017	2016
Private placement loans, non-current portion	–	164,337
Subordinated unsecured convertible bonds EUR 190,000	160,399	153,900
Subordinated unsecured convertible bonds EUR 100,000	82,827	–
Private placement loans, current portion	–	14,862
Balance 31 December	243,226	333,099

For the notes on private placement loans reference is made to note 5.49 of the consolidated financial statements.
The average interest on loans and borrowings amounts to 4.2% per annum (2016: 4.9%).

9.6 Trade and other payables

(EUR x 1,000)	2017	2016
Trade payables	1,267	3,934
Payables to group companies	230,547	355,108
Other payables	6,261	6,188
Balance 31 December	238,075	365,230

The payables to group companies mainly relate to the cash-pool overdraft of Fugro N.V. The interest is calculated on the total balance of the cash pool. Reference is made to note 5.53 of the consolidated financial statements.

9.7 Revenue

Revenue relates to the services provided by Fugro N.V. to subsidiaries in respect of their management activities and responsibilities.

9.8 Personnel expenses

(EUR x 1,000)	2017	2016
Wages and salaries	18,230	16,673
Compulsory social security contributions	824	523
Equity-settled share-based payments	759	2,195
Contributions to defined contribution plans	8	612
Expense related to defined benefit plans	878	925
	20,699	20,928

Refer to note 5.61 of the consolidated financial statements for remuneration of the Board of Management.
The average number of employees within Fugro N.V. during the year was 45 (2016: 43).

9.9 Other expenses

(EUR x 1,000)	2017	2016
Indirect operating expenses	1,709	2,750
Occupancy costs	62	91
Communication and office equipment	1,163	2,084
Write-off receivables	–	12,041
Restructuring costs	1,923	589
Marketing and advertising costs	1,980	2,302
Release provision tax indemnities	(5,070)	–
Other	21,255	31,856
Total	23,022	51,713

Other expenses include amongst others professional services, training costs, audit fees, miscellaneous charges and sundry costs. Refer to note 5.33 of the consolidated financial statements. Audit fees, as charged by EY are disclosed in note 9.16. In 2017 Fugro released an amount of EUR 5.8 million related to certain tax indemnities and warranties under procedures in respect of the sale of the majority of the Geoscience business to CGG for liabilities arising from tax exposures. Furthermore, an amount of EUR 0.7 million has been made during the year in respect of these tax indemnities and warranties for exposures additionally identified. In the consolidated financial statements the corresponding gain of EUR 5.1 million has been classified as profit for the period from discontinued operations. Refer to note 5.51 of the consolidated financial statements.

9.10 Net finance (income)/expenses

(EUR x 1,000)	2017	2016
Interest income on loans and receivables from group companies	(9,659)	(29,136)
Interest income on loans and receivables	(71)	(1,575)
Net foreign exchange variance	(1,800)	–
Finance income	(11,530)	(30,711)
Interest expense on financial liabilities measured at amortised cost	37,964	54,989
Net change in fair value of financial assets at fair value through profit or loss (refer to note 5.40.3)	–	–
Net foreign exchange variance	–	9,468
Finance expense	37,964	64,457
Net finance (income)/expenses recognised in profit or loss	26,434	33,746

9.11 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.

9.12 Bank guarantees

Per 31 December 2017, Fugro's bank has issued bank guarantees to clients for an amount of EUR 66 million (2016: EUR 67 million).

9.13 Guarantees

Fugro has filed declarations of joint and several liabilities 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. Fugro N.V. is borrower and guarantor under this multicurrency revolving credit facility agreement.

9.14 Contingencies

For the notes to contingencies reference is made to note 5.59.4 of the consolidated financial statements.

9.15 Related parties

For the notes to related parties, reference is made to note 5.61 of the consolidated financial statements.
In note 5.61.2 of the consolidated financial statements the remuneration of the Board of Management and Supervisory Board is disclosed.

9.16 Audit fees

With reference to Section 2:382a of the Netherlands Civil Code, the following fees for the financial year have been charged by EY to the company and its subsidiaries:

(EUR x 1,000)			2017			2016
	Ernst & Young Accountants LLP	Other EY network	Total EY	Ernst & Young Accountants LLP	Other EY network	Total EY
Statutory audit of financial statements	1,242	2,269	3,511	1,470	2,215	3,685
Other audit services	260	–	260	–	–	–
Other assurance related services	2	–	2	–	86	86
Tax advisory services	–	201	201	–	902	902
Other non-audit services	–	–	–	–	72	72
Total	1,504	2,470	3,974	1,470	3,275	4,745

Tax advisory services primarily consist of tax compliance work. Other audit services relate to a non-recurring audit of general purpose financial statements and other assurance related services relate to certain agreed-upon procedures. 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.

Fugro will not propose to the annual general meeting on 26 April 2018 to declare a dividend for 2017 to shareholders.

Leidschendam, 21 February 2018

Board of Management

P. van Riel, Chairman Board of Management, Chief Executive Officer
P.A.H. Verhagen, Chief Financial Officer
M.R.F. Heine, Director Marine division
B.M.R. Bouffard, Director Land division
Ø. Løseth, member Board of Management

Supervisory Board

H.L.J. Noy, Chairman
J.C.M. Schönfeld, Vice-chairman
A.J. Campo
P.H.M. Hofsté
A.H. Montijn
D.J. Wall

OTHER INFORMATION

INDEPENDENT AUDITOR'S REPORT

To: the shareholders and Supervisory Board of Fugro N.V.

Report on the audit of the financial statements 2017 included in the annual report

Our opinion

We have audited the financial statements 2017 of Fugro N.V., based in Leidschendam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Fugro N.V. as at 31 December 2017 and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- The accompanying company financial statements give a true and fair view of the financial position of Fugro N.V. as at 31 December 2017 and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2017
- The following statements for 2017: the consolidated statements of comprehensive income, changes in equity and cash flows
- The 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 2017
- The company income statement for 2017
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing.
Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Fugro N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Audit firms supervision act (Wet toezicht accountantsorganisaties, Wta), the Code of Ethics for Professional Auditors (Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten, ViO, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Dutch Code of Ethics (Verordening gedrags- en beroepsregels accountants, VGBA).

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

Materiality

Materiality
- € 10,000,000

Benchmark
- Approximately 0.7% of revenue

Explanation
We have applied this benchmark based on our professional judgment and taking into account the users of the financial statements. Earnings based measures are not considered to be appropriate benchmarks, given their volatility over the years.

We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of € 500,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Fugro N.V. is at the head of a group of entities. Our group audit mainly focused on group entities that are either significant based on their size or risk relative to the consolidated financial statements. All entities exceeding 1.2% of revenues are included within our audit scope. We used the work of other EY member firms when auditing entities outside the Netherlands. We performed audit procedures ourselves at certain group entities located in the Netherlands and performed analytical review procedures at group entities without an audit scope.

The procedures performed for group entities with an audit scope represent 78% of revenue and 74% of total assets. By performing the procedures mentioned above over group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The nature of four out of five key audit matters is consistent with the prior year. The fifth key audit matter is new and is related to changes in the internal reporting structure during the year.

Availability of financing and compliance with debt covenant requirements (see note 5.49)

Description	Fugro's financing arrangements, including the multicurrency revolving credit facility, US private placement notes and two leased vessels contain certain financial covenant requirements as described in note 5.49.6. Continued compliance with debt covenant requirements is part of management's assessment of the going concern assumption. At 30 September 2017, Fugro has obtained a waiver for one of its financial covenants related to two leased vessels. On 2 November 2017, Fugro N.V. issued € 100 million subordinated unsecured convertible bonds. The bond and related interest costs are excluded from the covenant ratios, which has positive impact on the headroom in the covenants. At 31 December 2017, headroom remains available within the financing facilities and the debt covenant requirements. Management's forecasts and assessments also presents sufficient headroom in connection with the going concern assessment.
Audit approach	As part of our audit procedures, we analysed Fugro's financing arrangements, with a particular focus on the newly issued subordinated unsecured convertible bonds. Our analysis included evaluation of compliance with the debt covenant requirements including covenant ratios and events of default. For the verification of the forecasted covenant calculation, as part of our evaluation of management's assessment of the going concern assumption, we evaluated the 2018 financial forecast, the solidity of the financial forecast preparation process and the reasonability of the 2018 forecasts at the level of individual entities as well as at corporate level. Our assessment included covenant sensitivity analyses as well as stress-testing.
Key observations	We agree with the covenant calculations as per 31 December 2017 as well as management's conclusion that the use of the going concern assumption is appropriate.

Changes in internal reporting structure resulting in re-identification of reporting segments and re-allocation of goodwill to groups of CGUs (see note 5.26.1)

Description	As of 2017, Fugro has changed its divisional, management and internal reporting structure. In the new organisation, Fugro is operating in three divisions; Land, Marine and Geoscience. The former Geotechnical, Subsea Services and Survey divisions are regrouped into the new Land and Marine divisions, while the Geoscience division remains unchanged. This restructuring triggered a re-identification of reporting segments as well as re-allocation of goodwill to groups of cash generating units (CGUs). Following the implementation of the new divisional and internal reporting structure, Fugro performed a reassessment of its reporting segments in accordance with IFRS 8 and concluded that the reporting segments mirror the divisional structure, being Land, Marine and Geoscience. Further, Fugro concluded that goodwill should be re-allocated to three groups of CGUs, being Land, Marine and Seabed Geosolutions. The change in operating segments was key to our audit considering the significance of segmented information in Fugro's external communications, including the annual report.
Audit approach	Our audit procedures included evaluating Fugro's assessment of the impact of the restructuring on reporting segments and on groups of CGUs to which goodwill is allocated. As part of our evaluation of the appropriateness of the impact assessment in accordance with EU-IFRS, we assessed the appropriateness of the identification of the Chief Operating Decision Maker in accordance with IFRS 8 and we verified that Fugro's conclusions are consistent with management information, including monthly management reports, as well as our general knowledge and experience as auditor of Fugro. For the re-allocation of goodwill to groups of CGUs we further analysed whether the reallocation of goodwill would result in the avoidance of impairment risks through combining specific CGUs and whether goodwill could be allocated at a level lower than the identified operating segments.
Key observations	We concluded that Fugro has appropriately reassessed its operating segments in accordance with EU-IFRS and we concur with management's conclusion that the operating segments are Land, Marine and Geoscience. We concluded that Fugro appropriately reallocated the remaining goodwill to groups of CGUs, being Land, Marine and Seabed Geosolutions.

Sensitivities and estimates with respect to the valuation of goodwill, vessels and other operational equipment (see notes 5.32, 5.37 and 5.38)

Description	At 31 December 2017, property, plant and equipment and intangible assets amount to, respectively, € 644 million and € 372 million, together amounting to approximately 54% of total assets presented in the statement of financial position. The impairment tests carried out by management are complex and require significant management judgement. The recoverable amounts of (groups of) cash-generating units (CGUs) have been determined based on value in use calculations. Value in use was determined by discounting the expected future cash flows from continuing use of the CGU's. Cash flows in the first year of the forecast are based on management's approved 2018 financial forecast. The cash flows for the first five years are made explicit and a long term growth rate is assumed for the remaining period. During 2017, the prior year financial forecast was not met due to stronger than anticipated decline of market conditions. The recoverable amount of one vessel is based on fair value less cost of disposal, quoted by an external broker. Management performed the annual impairment tests for goodwill and specific impairment tests for other assets when indicators had been identified. These impairment tests resulted in €11.8 million impairment of property, plant and equipment (excluding reversal of impairment).

Sensitivities and estimates with respect to the valuation of goodwill, vessels and other operational equipment (see notes 5.32, 5.37 and 5.38)

Audit approach	Our audit procedures included an assessment of the historical accuracy of management's estimates through retrospective review, evaluating and testing the assumptions, methodologies, the discount rates and other data used by the Company, for example by comparing them to external data. This assessment included support of EY valuation experts. We evaluated the 2018 financial forecast, the solidity of the financial forecast preparation process and the reasonability of the 2018 forecasts at the level of individual entities as well as at corporate level. Furthermore, we evaluated management's outlook in the explicit period as well as the long term growth rate, in particular around forecasted revenues, EBITDAs and capital expenditures. Our assessment included sensitivity analyses. We assessed the adequacy of the disclosures included in notes 5.32, 5.37 and 5.38 of the consolidated financial statements including those assumptions to which the outcome of the impairment test is most sensitive.
Key observations	We noted the assumptions relating to the impairment models fell within the acceptable ranges. We agree with management's conclusions that an impairment of € 11.8 million is required this year and we concluded the disclosures in the consolidated financial statements being proportionate and in accordance with EU-IFRS.

Revenue recognition, project accounting and valuation with respect to unbilled receivables and trade receivables (see note 5.43)

Description	The project revenue recognition process, including determining the appropriate cut-off of revenues, involves management estimates. The valuation of work in progress is affected by subjective elements including estimated costs to complete and projected revenue, whether impacted by additional/reduced services, project progress and disputes or potential disputes.
Audit approach	Our audit included evaluation of internal controls with respect to project management, project accounting and the project results estimation process. In addition, we performed amongst others (substantive) audit procedures relating to contractual terms and conditions, revenue, costs incurred, including local representatives' fees, and disputes or potential disputes. For individually significant projects, we performed detailed procedures, such as substantiating transactions with underlying documentation, including contracts and third party correspondence, to obtain evidence for the accuracy and collectability of work-in-progress. We involved subject matter experts when performing inquiry of the project controllers, inspection of contracts and underlying documentation, testing of the project progress, forecasts and appropriateness of the (planned) result and whether the project status has been appropriately reflected in the consolidated financial statements.
Key observations	We did not identify evidence of material misstatement in the revenue recognised in the year as well as the valuation of unbilled and trade receivables.

Estimates in respect to deferred tax assets (see note 5.35 and 5.41)

Description	The Group's results on operations are subject to income taxes in various jurisdictions. Due to reported losses since 2014, Fugro has significant tax loss carry forwards available. For part of these tax loss carry forwards, deferred tax assets were recognized. The assessment process of recoverability of deferred tax assets involves a high degree of judgement. Fugro reassessed the recoverability of deferred tax assets and recorded write-downs totalling €16.4 million. The remaining deferred tax assets amount to €39.4 million.
Audit approach	Our audit procedures included amongst others analyses of tax positions and the effective tax rate reconciliation. We involved specialists for the audit of the accuracy of the amounts recognized in the income statements and assessment of judgmental (deferred) tax positions. For tax positions where management's assumptions are used to determine the probability that deferred tax assets recognized in the statement of financial position will be recovered through taxable income in future years and available tax planning strategies, we evaluated the 2018 financial forecast, the solidity of the financial forecast preparation process and the reasonability of the 2018 forecasts at the level of individual jurisdictions. We also assessed the adequacy of the disclosure in notes 5.35 and 5.41 of the consolidated financial statements.
Key observations	We concluded that management's judgements in relation to the recognition of deferred tax assets are appropriate.

Report on other information included in the annual report

In addition to the financial statements and our independent auditor's report thereon, the annual report contains other information that consists of the reports of the Board of Management and Supervisory Board and the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the report of the Board of Management in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the Supervisory Board as auditor of Fugro N.V. on 7 December 2015, as of the audit for the year 2016 and have operated as statutory auditor since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Other non-prohibited services provided

In addition to the statutory audit of the financial statements we provided the following services:

- Audit of combined and carve-out financial statements in connection with the disposal of the trenching and cable-laying business (see note 5.28)
- Audit of financial information of a branch of a Dutch subsidiary of Fugro N.V.

- Agreed upon procedures in connection with legal ownership of certain subsidiaries of Fugro N.V.

Description of responsibilities for the financial statements

Responsibilities of Board of Management and Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit 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 company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern.
  If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this independent auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our independent auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 21 February 2018

Ernst & Young Accountants LLP

signed by A.A. van Eimeren

FOUNDATION BOARDS

Stichting Administratiekantoor Fugro ('Foundation Trust Office')
The Board of the Foundation Trust Office, Leidschendam, The Netherlands, is composed as follows:

Name	Function	Term
M.C. van Gelder, Chairman	Board member	2019
R. Willems	Board member	2020
J.A.W.M. van Rooijen	Board member	2019
D.F.M.M. Zaman	Board member	2019

The (Board of the) Foundation 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	2018
J.J. Nooitgedagt	Board member	2021
S.C.J.J. Kortmann	Board member	2020
J.C. de Mos	Board member	2018

The (Board of the) Foundation operates completely independent of Fugro.

Stichting Continuïteit Fugro ('Foundation Continuity')
The Board of Foundation Continuity, is composed as follows:

Name	Function	Term
G.E. Elias, Chairman	Board member B	2020
A.C.M. Goede	Board member B	2021
R. de Paus	Board member B	2019
M. van der Plank	Board member B	2018
G-J. Kramer	Board member A	2021

The (Board of the) Foundation operates completely independent of Fugro.
Board member A is appointed by the Board of Management of Fugro with the approval of the Supervisory Board of Fugro.

STATUTORY PROVISIONS REGARDING THE APPROPRIATION OF NET RESULT

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 annual general meeting 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.

REPORT OF STICHTING ADMINISTRATIEKANTOOR FUGRO ('FOUNDATION TRUST OFFICE')

In accordance with article 19 of the administration terms and conditions of the Foundation Trust Office ('Trust Office') and best practice provision 4.2.6 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 2017 reporting year, all the Trust Office's activities were related to the administration of ordinary shares against which certificates have been issued.

During 2017 the Board met five times. In the meeting of 15 February 2017 the Trust Office's annual report 2016 was approved. In the meeting of 14 March 2017 we were updated by the chairman of the Supervisory Board of Fugro on the Supervisory Board's intention to propose amendments to the remuneration policy for the Board of Management. The meeting of 4 April 2017 was mainly dedicated to the preparation for the annual general meeting of Fugro on 2 May 2017. Also, attention was paid to the revised Dutch Corporate Governance Code that would be applicable in 2017 and Mr. J.A.W.M. van Rooijen was reappointed as member of the Trust Office's board (also see below). In the meeting (conference call) on 10 October 2017 we discussed Fugro's intention to issue a subordinated convertible bond. In the meeting on 6 November 2017 we discussed, amongst other things, general business developments and the proposals to appoint Mr. Ø. Løseth to the Board of Management of Fugro and to an amendment of the articles of association of Fugro at an extraordinary general meeting that would be held on 14 December. In the meetings in April and November, 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 that particular moment this was not the case. Prior to the meeting in April, 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 2016. Corporate governance within Fugro and the Trust Office was also discussed in the various meetings.

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 of the Trust Office: http://stichtingakfugro.nl/ and on http://www.fugro.com/about-fugro/corporate-governance/fugro-trust-office. 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 2 May 2017 as well as the extraordinary general meeting on 14 December 2017. In the annual general meeting the Trust Office represented 43.25% of the votes cast and in the extraordinary general meeting the Trust Office represented 53.4% 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 56.34% of the votes cast at the annual general meeting and by holders of certificates representing 46.26% of the votes cast at the extraordinary general meeting.

The previous report of the Trust Office stated that the Board intended appointing Mr. J.A.W.M. van Rooijen as member of the Board for a period of two 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 3 April 2017, 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 such a meeting was submitted, in its meeting of 4 April 2017, the Board, in accordance with its announced intention,(re) appointed Mr. Van Rooijen as member of the Board until 30 June 2019.

In July 2017, Mr. A.L. Asscher informed the Board that he would step down from the Board on 1 August 2017 due to health reasons. On 24 July 2017, the Board of the Trust Office announced on its website that it intended appointing Mr. D.F.M.M. Zaman as member of the Board for the time period Mr. Asscher still had before him. 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 30 August 2017, 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 such a meeting was submitted, on 5 September 2017, the Board, in accordance with its announced intention, appointed Mr. Zaman as member of the Board until 30 June 2019.

In accordance with the roster, no members of the Trust Office's Board will step down in 2018.

At present the Board of the Trust Office comprises:
1. Mr. M.C. van Gelder, Chairman
2. Mr. J.A.W.M. van Rooijen
3. Mr. R. Willems
4. Mr. D.F.M.M. Zaman

Mr. Van Gelder was amongst others Chairman of the Board of Management and Chief Executive Officer of Mediq N.V. He presently serves, amongst others, as supervisory board member of VastNed Retail.
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.
Mr. Willems was in a 38 year career with Royal Dutch Shell. He presently serves, amongst others, as supervisory board member of Essent, Caldic Chemie and the Netherlands Investment Institute (NLII).
Mr. Zaman was notary and partner at Loyens & Loeff from 1987 until 2015. He was professor Notarial Corporate Law at Utrecht University from 2006 until 2016 and is since 2013 professor Notarial Corporate Law at Leiden University.

In 2017 the total costs of the Trust Office amounted to EUR 93,906 including the total remuneration of the members of the Board of EUR 45,083 (excluding VAT).

On 31 December 2017, 83,556,943 ordinary shares with a nominal value of EUR 0.05 were in administration against which 83,556,943 certificates of ordinary shares had been issued. During the financial year 171,335 ordinary shares were exchanged into certificates and 7,980 certificates were exchanged into ordinary shares. 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, 12 January 2018
The Board

HISTORICAL REVIEW

	IFRS 2017	IFRS 2016 2)*	IFRS 2015 2)*	IFRS 2014 2)*	IFRS 2013 2)* 4)
Income and expenses (x EUR 1,000)					
Revenue	1,497,392	1,775,874	2,362,986	2,572,191	2,423,971
Third party costs	621,936	678,757	918,396	1,227,011	915,412
Net revenue own services (revenue less third party costs)	875,456	1,097,117	1,444,590	1,345,180	1,508,559
EBITDA [5]	81,444	154,966	353,258	251,746	545,467
Impairments	(164)	(192,716)	(363,318)	(509,048)	–
Results from operating activities (EBIT)	(51,722)	(218,678)	(249,928)	(548,568)	267,020
Cash flow [6]	24,348	130,760	324,930	336,696	365,381
Net result (including discontinued operations)	(159,901)	(308,934)	(372,522)	(458,870)	428,303
Net result from continuing operations	(164,971)	(308,934)	(372,522)	(457,870)	224,230
Balance sheet (x EUR 1,000)					
Property, plant and equipment	643,695	805,992	986,585	1,198,024	1,129,920
Capital expenditures	107,974	92,493	177,560	296,934	318,767
Total assets	1,898,304	2,174,449	2,841,184	3,565,672	3,630,602
Provisions for other liabilities and charges	17,068	26,845	61,827	61,046	225
Loans and borrowings	634,893	573,503	728,082	949,954	689,023
Equity attributable to owners of the company	712,054	934,859	1,197,655	1,517,766	2,024,971
Key ratios (in %)					
Results from operating activities (EBIT)/revenue	(3.5)	(12.3)	(10.6)	(21.3)	11.0
Profit/revenue	(11.0)	(17.4)	(15.8)	(17.8)	9.3
Profit/average capital and reserves	(20.0)	(29.0)	(27.4)	(25.8)	11.3
Return on capital employed	(3.3)	(0.7)	3.9	1.3	8.2
Total equity/total assets	39.7	45.5	43.4	42.4	58.1
Data per share (x EUR 1.-) [2]					
Equity attributable to owners of the company [1]	8.42	11.05	14.16	17.95	23.94
Results from operating activities (EBIT)	(0.64)	(2.70)	(3.09)	(6.78)	3.30
Cash flow	0.30	1.62	4.01	4.16	4.52
Net result	(2.04)	(3.82)	(4.60)	(5.65)	5.29
Dividend paid in year under review [3]	–	–	–	–	1.50
One-off extra dividend in connection with the divestment of the majority of the Geoscience business	–	–	–	–	–
Share price (x EUR 1.-) [1]					
Year-end share price	12.99	14.55	15.06	17.26	43.32
Number of employees					
At year-end	10,044	10,530	11,960	13,537	12,591
Shares in issue (x 1,000) [1]					
Of nominal EUR 0.05 at year-end	84,572	84,572	84,572	84,572	84,572

* Including effect change of presentation multi-client data libraries.
1) As a result of the share split (4:1) in 2005, the historical figures have been restated.
2) On a continued basis, unless otherwise stated.
3) Including a one off extra dividend of EUR 0.50 in 2013.
4) As of 2013 the amortisation on multi-client data libraries is reclassified from third party costs to amortisation costs.
5) EBITDA is excluding impairments.
6) As of 2013 the cash flow represents the net cash generated from operating activities.
7) Excluding the revenue and results of the majority of the Geoscience division which have been sold as per 31 January 2013

IFRS 2012	IFRS 2011 7)	IFRS 2010	IFRS 2009	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004	IFRS 2003
2,164,996	1,858,043	2,280,391	2,052,988	2,154,474	1,802,730	1,434,319	1,160,615	1,008,008	822,372
793,250	617,107	765,587	624,413	722,321	604,855	503,096	405,701	364,644	273,372
1,371,746	1,240,936	1,514,804	1,428,575	1,432,153	1,197,875	931,223	754,914	643,364	549,000
465,368	481,925	561,083	551,130	535,178	439,590	295,948	218,833	177,453	124,056
–	–	–	–	–	–	–	–	–	–
306,624	352,016	351,479	367,422	385,732	324,813	211,567	144,070	104,236	63,272
400,148	431,495	489,757	456,773	438,902	337,106	226,130	176,093	125,802	80,480
289,745	287,595	272,219	263,410	283,412	216,213	141,011	99,412	49,317	18,872
231,535	293,911	–	–	–	–	–	–	–	–
1,065,873	981,104	1,291,314	1,043,227	859,088	599,298	412,232	262,759	232,956	268,801
261,687	359,238	446,755	330,244	337,469	299,699	203,944	90,414	71,028	123,983
4,169,716	3,861,595	3,089,991	2,366,317	2,123,306	1,700,130	1,405,698	1,138,660	983,350	1,056,003
1,165	4,215	5,204	6,240	13,155	16,278	13,888	398	1,075	584
1,166,734	1,215,173	590,862	441,339	395,384	449,957	341,997	300,753	184,268	431,895
1,956,729	1,655,785	1,508,318	1,187,731	928,329	699,989	562,417	465,460	223,913	211,196
14.2	18.9	15.4	17.9	17.9	18.0	14.8	12.9	10.3	9.2
10.7	15.8	11.9	12.8	13.2	12.0	9.8	8.6	4.9	2.3
12.8	18.6	22.3	24.9	34.8	34.3	27.4	28.8	22.7	17.6
11.0	12.5	14.6	20.2	24.1	25.1	20.5	19.8	15.8	11.1
47.4	43.4	49.3	50.7	44.1	41.6	40.2	41.3	23.2	20.2
23.62	20.34	18.79	15.08	12.12	9.94	8.08	6.76	3.60	3.48
3.82	4.44	4.49	4.82	5.29	4.67	3.08	2.18	1.76	1.09
4.99	5.45	6.25	5.99	6.01	4.84	3.29	2.67	2.12	1.39
3.61	3.63	3.47	3.46	3.88	3.11	2.05	1.51	0.83	0.33
1.50	1.50	1.50	1.50	1.25	0.83	0.60	0.48	0.48	0.46
0.50	–	–	–	–	–	–	–	–	–
44.52	44.895	61.50	40.26	20.485	52.80	36.20	27.13	15.35	10.20
12,165	11,495	13,463	13,482	13,627	11,472	9,837	8,534	7,615	8,472
82,844	81,393	80,270	78,772	76,608	70,421	69,582	68,825	62,192	60,664

GLOSSARY

Technical terms

Asset integrity Monitoring and inspection of assets and their condition, combined with relevant geo-intelligence (see Geo-intelligence below). Clients use these solutions to optimise operational uptime and performance of their assets, to increase life time and support eventual decommissioning. In case of inspection, it is often desirable to immediately provide remedial services when needed. This is particularly the case offshore.

AUV (autonomous underwater vehicle) 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 Study of underwater depth of lake or ocean floors. Underwater equivalent of topography.

Brent crude 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)) Pushing a steel cone-tipped probe into the soil, measuring resistance, in order to identify soil composition.

CPT truck Truck that can be used for estimation of soil type and soil properties.

FLI-MAP® Fugro's airborne laser scanning system for obtaining highly accurate topographic data.

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.

Geo-intelligence Acquisition and analysis of data on topography and the subsurface, soil composition, spatial reference, meteorological and environmental conditions, and the related advice.

Geophysics Mapping of subterranean soil characteristics using non-invasive techniques such as sound.

Geoscience Range of scientific disciplines (geology, geophysics, petroleum engineering, bio stratification, geochemistry, etc.) related to the study of rocks, fossils and fluids.

Geotechnics Determination of subterranean soil characteristics using invasive techniques such as probing, drilling and sampling.

In situ In original situation, position.

IRM Inspection, repair and maintenance of clients' subsea assets such as platforms and turbines.

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.

(Q)HSSE (Quality), health, safety, security and environment.

LiDAR Measuring system based on laser technology that can make extremely accurate recordings.

LNG Liquefied natural gas.

Metocean Meteorological and oceanographic.

NOC National oil company.

Node Autonomous battery powered component recording device deployed by ROV.

Ocean bottom node (OBN) 4D imaging through individual nodes placed on the seabed.

Ocean bottom cable (OBC) 4D imaging through nodes attached to a cable on the seabed.

OHSAS British standard for occupational health and safety management systems. It is widely seen as the world's most recognised occupational health and safety management systems standard.

Positioning Subscription based service which enhances public satellite positioning data (GPS, GLONASS etc.) and the provision of positioning equipment, expertise and solutions to support a wide variety of marine operations. Highly reliable, centimetre accuracy 3D positioning services, available in any weather condition, anytime and anywhere to make offshore operations more predictable, faster and safer.

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.

Site characterisation Solutions focused on recommendations for the location and specification of constructions and foundations during the planning and design phases. Fugro also provides solutions to support the exploration to production life cycle of natural resources. Integrated solutions are often requested in case of complex ground conditions, very large and heavy constructions, and risk of geo-hazards such as earthquakes and flooding.

Saturation diving 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 pressurised gas mixture that they breathe.

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.

Financial terms

Fugro uses non-GAAP financial measures or alternative performance measures (as defined by European Securities and Market Authority). These measures adjust the reported GAAP results, which facilitate a users' understanding of a company's underlying operational performance, liquidity or financial position. This information provide or may provide additional insights into the company's business, its past results, and its potential for future prospects. All of these measures, disclosed in the list of financial terms below and used by management, are included in this annual report.

Backlog The amount of revenue related to signed contracts and work that can reasonably be expected based on framework contracts and outstanding tenders and proposals of which a good chance of success is expected (>50%) weighted with the likelihood of winning this work. Regarding Seabed Geosolutions, only signed contracts are taken into account.

Capital employed Total equity plus loans and borrowings and bank overdrafts, minus cash and cash equivalents. The capital employed is calculated at the end of the (full or half year) reporting period.

Currency comparable growth Reported revenue growth versus comparable period last year at last year's exchange rates.

Days of revenue outstanding Trade receivables plus the unbilled revenue minus advances expressed as a number of days. The number of days is calculated backwards based on monthly revenue.

Dividend yield Dividend as a percentage of the (average) share price.

EBIT Reported result from operating activities before interest and taxation.

EBIT excluding exceptional items Result from operating activities before interest and taxation, excluding:
- Impairment losses
- Onerous contract charges
- Restructuring costs
- Certain adviser and other costs (to the extent not capitalised as transaction costs on loans and borrowings)

EBITDA Reported result from operating activities before interest, taxation, depreciation, amortisation and impairments related to goodwill, intangible fixed assets, and property, plant and equipment.

EBITDA excluding exceptional items Result from operating activities before interest, taxation, depreciation, amortisation and impairments related to goodwill, intangible fixed assets and property, plant and equipment, excluding:
- Onerous contract charges
- Restructuring costs
- Certain adviser and other costs (to the extent not capitalised as transaction costs on loans and borrowings)

Adjusted consolidated EBITDA for purpose of covenant calculations EBITDA, excluding exceptional items for covenant purposes:
- Onerous contract charges
- Restructuring costs
- Write-off receivables
- Certain adviser and other costs (to the extent not capitalised as transaction costs on loans and borrowings)
- Excluding profit / (loss) on disposal of property, plant and equipment

adjusted by:
- Including pre-acquisition profit / (loss) from businesses acquired
- Excluding profit / (loss) from businesses disposed of, for the period for which they formed part of the Group

Gearing Loans and borrowings plus bank overdraft minus cash and cash equivalents, divided by shareholders equity.

Interest cover Result from operating activities (EBIT) divided by the net interest charges.

Net debt Loans and borrowings, bank overdraft minus cash and cash equivalents.

Net debt for covenant purposes Loans and borrowings (not including the subordinated unsecured convertible bonds), net liabilities under or pursuant to swaps, bank overdraft minus cash and cash equivalents.

Net profit margin Profit as a percentage of revenue.

NOPAT Net operating profit after tax excluding net finance income/(expenses).

Pay-out ratio Proposed dividend, multiplied by the number of shares entitled to dividend, divided by one thousand, divided by the net result.

Return on capital employed NOPAT as a percentage of a three points average capital employed. The three points consists of the last three reporting periods. Exceptional items (post-tax) are added back both in the NOPAT as well as the capital employed for the same period.

Solvency Shareholders' equity as a percentage of the balance sheet total.

Colophon

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