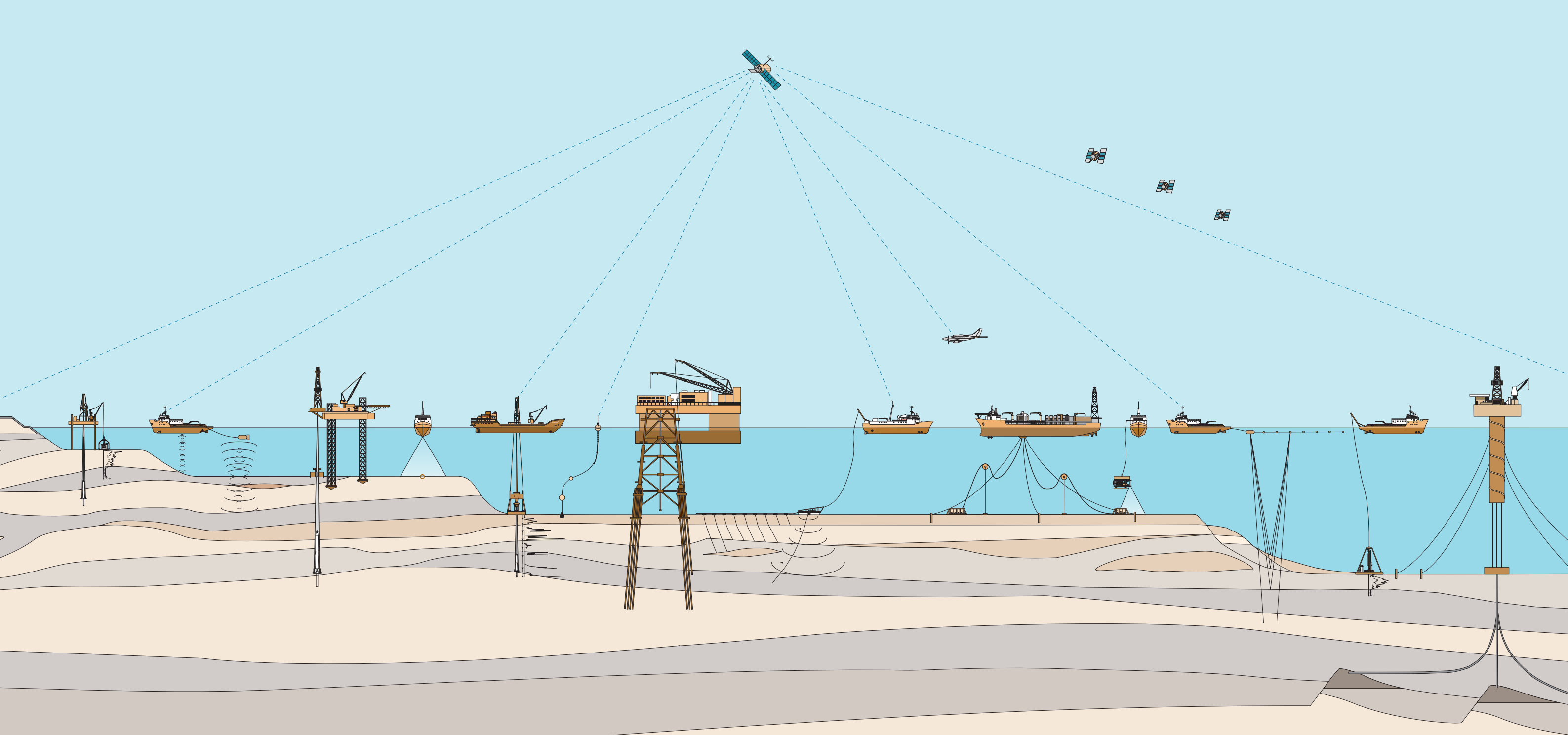
# FUGRO N.V.

# Annual Report 2008



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# Contents

## Preface from the President and Chief Executive Officer

***Dear shareholders and other stakeholders,***

Last year we were able to successfully continue the upward trend of previous years. The revenue increased by more than 19% to over EUR 2.1 billion, and profits increased by more than 31% to EUR 283.4 million. We now have well over 13,600 employees and their enthousiasm has been an essential contribution to our success. In addition to the capacity expansion to support the strong organic growth, we successfully concluded a number of acquisitions. These have contributed to the further expansion of our services and are creating growth opportunities for the future.

The strong growth of the company has resulted in a doubling of revenue over the last four years. This makes it desirable to adapt the organisation, without endangering Fugro's key values, such as short communication lines and a decentralised structure where we can operate close to the clients. While maintaining the three-division structure, the fastest growing business lines, Offshore Survey and Development & Production, are subdivided as from 2009 onwards. Further details are given in the report of the Board of Management.

For the coming year, our strategy will remain focused on delivering a broad spectrum of services to the oil and gas industry that cover the entire life cycle of the production fields. In addition, we will continue to supply services to the mining and infrastructure industries. This way, Fugro can react to growth in sectors such as energy, transport, natural recources and water.

During the second half of last year market conditions worldwide changed dramatically as a result of the financial crisis. This has led to a substantial drop in prices of oil and gas and other minerals and left a number of clients hesitant to make new investments. In a number of countries the recession has already led to Governments announcing stimulus packages to boost the economy in areas such as infrastructure.

The general view with respect to the oil and gas exploration for the long term has not changed. Due to the depletion of existing fields and the increasing complexity of exploring and developing new fields, large investments will be needed in future to meet oil and gas demand. Two national oil companies, for whom Fugro performs many services, have announced that they will increase their investment budgets significantly during the coming years, despite the lower oil price.

In the theme 'Deep, deeper, deepest' of this Annual Report we will highlight the continuing development of oil and gas exploration and production in ever deeper waters.

Much uncertainty exists at the moment about the duration and seriousness of the worldwide economic downturn. We start the new year with a strong backlog and will keep a close eye on the developments. Our healthy financial position, cautiousness when entering into new commitments and strict cost control will help Fugro to weather this rather uncertain forthcoming period.

Yours faithfully,
Fugro N.V.

K.S. Wester
President and Chief Executive Officer

# Fugro at a glance

## MAJOR DEVELOPMENTS IN 2008

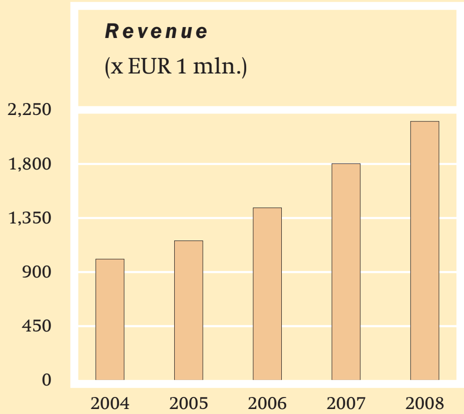
- In 2008 revenue increased by 19.5% to EUR 2,154.5 million (2007: EUR 1,802.7 million). Organic growth was 23.4%. As a result of acquisitions, revenue increased by 4.0%. Exchange rate variances had a negative effect of 7.9% on revenue.
- The net result increased by 31.1% to EUR 283.4 million (2007: EUR 216.2 million).
- The net profit margin increased to 13.2% (2007: 12.0%).
- The result from operating activities (EBIT) increased by 18.9% to EUR 386.2 million (2007: EUR 324.8 million). EBIT was negatively influenced by an amount of around EUR 25 million as a result of the estimated effects of the current economical crisis on the valuation of a number of balance sheet items.
- Profit before income tax has been positively impacted in 2008 by some EUR 26 million relating to foreign exchange variances. The profit and loss account was negatively impacted by some EUR 25 million relating to the impact of the expected negative effects of the current worldwide economic crisis on the valuation of a number of balance sheet items.
- All three divisions contributed towards the much improved result.
- Earnings per share increased by 25% to EUR 3.88 (2007: EUR 3.11). Cash flow per share was 24% higher at EUR 6.01 (2007: EUR 4.84).
- It is proposed to increase the dividend in cash or in (certificates of) ordinary shares to EUR 1.50 (2007: EUR 1.25) per (certificate of an) ordinary share.
- At the end of 2008 the new seismic vessel Geo Caribbean was added to the fleet. In addition another two vessels came into operation for survey work. At the end of 2008 the Fugro fleet comprised 55 vessels, of which 25 were fully owned.
- According to plan the investments in 2008 were relatively high as a consequence of the capacity expansion decided on in 2006.
- The annual revenue of the acquired operational companies in 2008 amounts to approximately EUR 64 million. The total cost of the acquisitions completed in 2008 was EUR 66 million. In addition, assets and related activities were acquired for an amount of EUR 20 million in total.
- According to external publications, investments in US dollars terms by the international oil and gas industry in 2008 increased by more than 20% compared to 2007 to around USD 450 billion. In 2008 these investments led to a high demand for services from suppliers to this industry. The international segment is the most important for Fugro. In this segment the investments are expected to decrease with about 6% to USD 300 billion.
- The backlog for 2009 amounts to EUR 1,600.4 million – an increase of 9.7% compared to the beginning of 2008 (EUR 1,458.5 million). Based upon equal exchange rates (measured in 2007 year-end exchange rates) the increase is 16.1%.

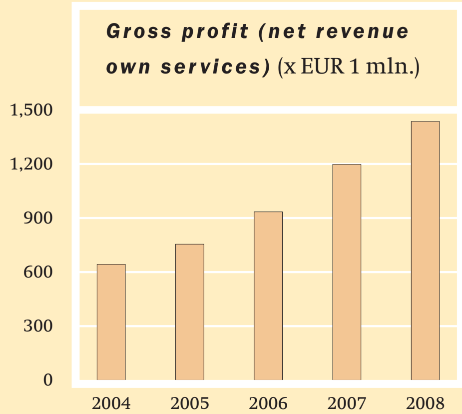
*The term ‘shares’ as used in this Annual Report should, with respect to shares issued by Fugro N.V., be construed to include certificates of shares (also referred to as ‘depositary receipts’ for shares) issued by Stichting Administratiekantoor Fugro (also referred to as ‘Fugro Trust Office Foundation’ or ‘Fugro Trust Office’), unless the context otherwise requires or unless it is clear from the context that this is not the case. For further information please refer to page 69.*

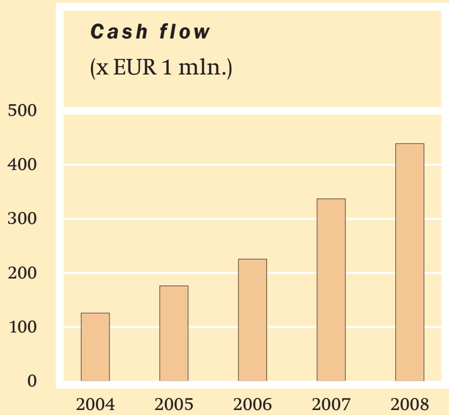
## KEY FIGURES

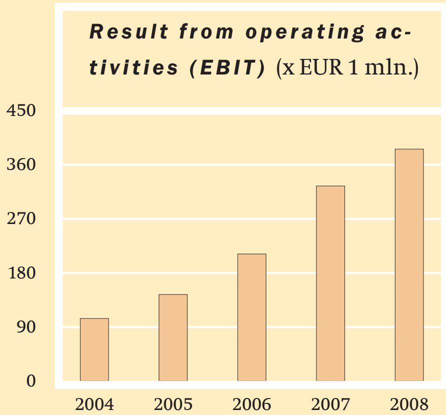
| | 2008 | Change in % | 2007 | 2006 |
|---|---|---|---|---|
| ***Result*** (x EUR million) | | | | |
| Revenue | 2,154.5 | 19.5 | 1,802.7 | 1.434.3 |
| Gross profit (net revenue own services) | 1,432.2 | 19.6 | 1,197.9 | 931.2 |
| Result from operating activities (EBIT) | 386.2 | 18.9 | 324.8 | 211.6 |
| Cash flow | 438.9 | 30.2 | 337.1 | 226.1 |
| Net result | 283.4 | 31.1 | 216.2 | 141.0 |
| Net margin (%) | 13.2 | | 12.0 | 9.8 |
| Interest cover (factor) | 13.9 | | 13.1 | 10.9 |
| ***Capital*** (x EUR million) | | | | |
| Balance sheet total | 2,123.3 | 24.9 | 1,700.1 | 1,405.7 |
| Group equity | 935.8 | 32.4 | 707.0 | 565.8 |
| Solvency (%) | 43.7 | | 41.2 | 40.0 |
| Solvency (%) with convertible bond treated as Group equity | 43.7 | | 48.2 | 48.3 |
| Return on shareholders' equity (%) | 35.9 | | 35.4 | 28.6 |
| Return on invested capital (%) | 24.2 | | 23.6 | 20.0 |
| ***Assets*** (x EUR million) | | | | |
| Tangible fixed assets | 859.1 | 43.4 | 599.3 | 412.2 |
| Investments (including acquisitions and assets under construction) | 394.4 | 15.6 | 341.1 | 245.9 |
| Of which: assets of acquisitions | 14.4 | | 8.7 | 21.0 |
| investments | 323.0 | 11.0 | 291.0 | 182.9 |
| assets under construction | 57.0 | | 41.4 | 42.0 |
| Depreciation of tangible fixed assets | 140.4 | 30.4 | 107.7 | 78.2 |
| ***Data per share*** (x EUR 1.–) 1) 2) | | | | |
| Capital and reserves | 12.12 | 21.9 | 9.94 | 8.08 |
| Result from operating activities (EBIT) | 5.29 | 13.3 | 4.67 | 3.08 |
| Cash flow | 6.01 | 24.2 | 4.84 | 3.29 |
| Net result | 3.88 | 24.8 | 3.11 | 2.05 |
| Dividend for the year under review | 1.50 | 20.0 | 1.25 | 0.83 |
| Share price: year end | 20.485 | | 52.80 | 36.20 |
| Share price: highest | 59.95 | | 62.00 | 36.64 |
| Share price: lowest | 19.32 | | 34.91 | 27.13 |
| Average price/earnings ratio | 10.2 | | 15.6 | 15.5 |
| Average dividend yield (%) 3) | 3.8 | | 2.6 | 2.6 |
| ***Issue of nominal shares*** (in thousands) 1) | | | | |
| At year-end | 76,608 | | 70,421 | 69,582 |
| Entitled to dividend | 75,138 | | 69,879 | 68,839 |
| Average | 73,048 | | 69,614 | 68,761 |
| ***Number of employees*** | | | | |
| At year-end | 13,627 | 18.8 | 11,472 | 9,837 |

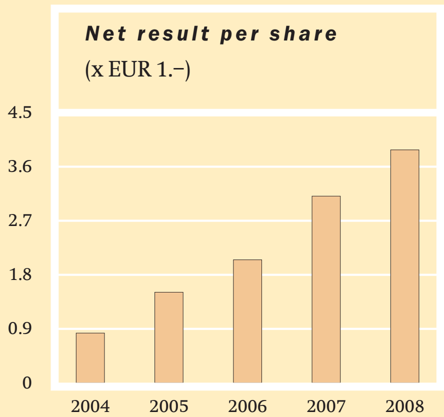
| 2005 | 2004 |
|---|---|
| 1,160.6 | 1,008.0 |
| 754.9 | 643.4 |
| 144.1 | 104.2 |
| 176.1 | 125.8 |
| 99.4 | 49.3 |
| 8.6 | 4.9 |
| 7.2 | 3.7 |
| 1,138.7 | 983.4 |
| 470.8 | 228.2 |
| 40.9 | 22.8 |
| 51.0 | 32.9 |
| 30.4 | 25.9 |
| 20.8 | 14.5 |
| 262.8 | 233.0 |
| 90.4 | 71.0 |
| 10.1 | 2.3 |
| 78.8 | 65.5 |
| 1.5 | 3.2 |
| 69.4 | 66.1 |
| 6.76 | 3.60 |
| 2.18 | 1.76 |
| 2.67 | 2.12 |
| 1.51 | 0.83 |
| 0.60 | 0.48 |
| 27.13 | 15.35 |
| 27.40 | 16.41 |
| 15.14 | 10.05 |
| 14.1 | 15.9 |
| 2.8 | 3.6 |
| 68,825 | 62,192 |
| 67,886 | 60,548 |
| 65,976 | 59,360 |
| 8,534 | 7,615 |

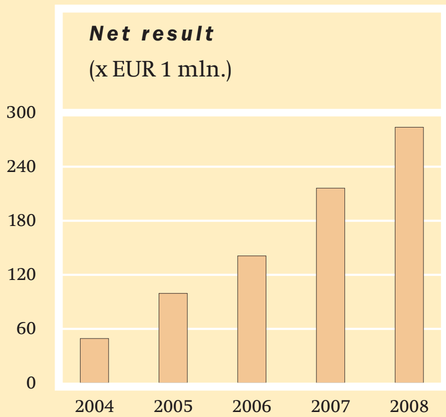



**1)** *Figures for 2004 adjusted for share split.*

**2)** *More data regarding the earnings per share can be found in the annual accounts under note 5.45 (page 117 and 118).*

**3)** *Dividend for the year, to be paid the next year, divided by the average of the highest and lowest share price during the year.*

The newest construction support vessel 'Fugro Saltire' at work in the North Sea near England.

# MISSION AND PROFILE

### *Mission*

Fugro's mission is to be the world's leading company and services provider in the collection and interpretation of data and the provision of advice related to the earth's surface, the seabed and the soil and rocks beneath.

Fugro's activities are carried out all over the world, onshore , offshore and from the air, and are primarily aimed at providing advice to the:

- oil and gas industry;
- mining industry;
- construction industry.

Fugro achieves this mission through:

- the provision of high-quality, innovative services;
- professional, specialised employees;
- advanced, unique technologies and systems;
- a worldwide presence in which the exchange of knowledge and expertise, both internally and externally with the client, plays a central role.

### *Profile*

Fugro supports its clients in their search for natural resources and the production and transportation of those resources. Fugro also provides its clients with technical data and information in order to design, construct and maintain installations, structures and infrastructure in a safe and efficient manner.

Fugro's clients operate in many different locations and under many different conditions. To be able to meet their needs in the best possible way, Fugro's organisational structure is decentralised and market-oriented. Fugro's highly-qualified specialists work with modern technologies and systems, many of which have been developed in-house. Fugro's data collection equipment includes around fifty five vessels, hundreds of CPT (Cone Penetration Testing) and drilling units, around thirty jack-up platforms, approximately sixty aircraft and helicopters, one hundred and twenty-five ROVs (Remotely Operated Vehicles), and five AUVs (Autonomous Underwater Vehicles), as well as advanced (satellite) positioning systems.

Fugro holds a strong market position due to its (in-house) developed technologies, high-value services and strong international or regional presence.

Fugro was founded in 1962 and has been listed on Euronext Amsterdam since 1992. The company was included in the Amsterdam Midkap Index (AMX) in March 2002 and became part of the AEX-Index as of September 2008.

By the end of 2008 Fugro had more than 13,600 employees stationed in over fifty countries.

## FUGRO'S ACTIVITIES

The nature of its specialist services means that Fugro is particularly involved in large and complex projects. Consequently, to achieve the optimum results, clients are offered a combination of a range of Fugro's activities and services. The scope of the cohesive activities Fugro offers worldwide is unique. The activities are arranged in three divisions: Geotechnical, Survey and Geoscience.

### *Geotechnical*

The Geotechnical division provides consultancy services, making use of in-house developed technologies in order to collect data combined with expertise in data analysis and advise on foundation design and soil mechanics. These services support clients' projects worldwide in all environments, onshore, near shore and offshore including deep water, and for a multitude of markets, infrastructure development, construction, materials testing, water resources and the construction of oil and gas installations.

### *Survey*

The Survey division covers a range of services to support the activities of the oil and gas industry, including geophysical investigation using dedicated vessels, construction support services, remotely operated vehicles (ROVs) operations employed in subsea construction and drilling environment and meteorological and oceanographic studies, as well as Fugro's global positioning system Starfix providing precise positioning and navigation. Outside the oil and gas industry the division performs route surveys for the telecoms industry and hydrographic charting for Governmental clients. Terrestrial and airborne services are focused on local and regional markets with clients such as governments, public services, industry and construction.

### *Geoscience*

The Geoscience division concentrates on gathering, processing, interpreting, managing and storing geophysical, geological and technical data for the evaluation of the presence of natural resources, including oil, gas, water and minerals, and also to optimise the exploration, development and production of those resources. The collection of data at sea mainly takes place by seismic survey. On land various special non-seismic measuring techniques are used from low flying airplanes and helicopters to collect the data. Clients are oil and gas companies, mining, industry and governmental organisations.

## FINANCIAL TARGETS AND STRATEGY

### *Financial targets*

Fugro's target is to achieve, under comparable economic circumstances, a structural increase in earnings per share for its shareholders. Fugro's long-term policy is aimed at generating a steady growth in net result based on increasing revenue.

Important financial targets are:

- a growth in earnings per share averaging 10% per annum;
- a strong cash flow with an average annual growth per share of 10%;
- maintaining a healthy balance sheet and a solvency (30 to 35%);
- a good interest cover (EBIT/Interest) of more than 5.

Fugro's financing strategy is aimed at the utilisation and/or optimisation of:

- the ratio between risk and return of the various business activities;
- the ratio between shareholders' equity and short-term/long-term borrowings;
- the use of both public and private capital markets;
- the duration and phasing of the different financing components.

### *Strategy*

Fugro aims at achieving equilibrium between its various activities in order to be able to achieve its targets. Fugro strives for a good balance between services related to exploration and production activities for the oil and gas industry and those related to other markets, such as mining and construction. This also results in a balance between offshore and onshore activities. Moreover, Fugro strives for a good geographical spread. This diverse range of cohesive activities reduces Fugro's sensitivity to market fluctuations in one particular sector; and the broad spread of its activities, in terms of both products and geography, contributes to a good control of business risks.

In the most important sector – oil and gas – the spread of Fugro's services across the exploration and production phases is a key factor. This means Fugro provides services in many phases of the (20 – 30 year) life-cycle of an oil or gas field. Avoiding dependence on one market or single group of clients is an essential component of Fugro's strategy. The result is a company that is less cyclical.

Profit margins vary per activity depending on the specific market circumstances. The target profit margin for the more risky or capital intensive activities is higher than the overall company average.

The long-term aim is to achieve robust but controlled profit growth through:

- a broad but cohesive activity portfolio;
- the manner in which Fugro is financed;
- the market-oriented international organisational structure;
- continuous education and training of employees;
- specific investments in equipment and technology;
- management based on increasing net result.

Fugro strives to improve profitability with a focus on core activities and niche markets by:

- increasing operational scale;
- strong market positions;
- research and development;
- internal cooperation and development for and with clients;
- being selective about the projects that are taken on;
- acquiring companies with a high added-value.

The favourable market conditions of recent years enabled Fugro to perform well above its set targets, resulting in a doubling of revenue over the past four years and a net profit margin that has increased to more than 13%.
The market situation has been negatively influenced by the global downturn in economic developments and the lower oil price in the last months of 2008. This leads to uncertainty, particularly for the second half of 2009. Based on a good backlog, Fugro expects in the first half year of 2009 a modest increase in revenue due to organic growth and acquisitions and a slightly lower net profit margin than in the first half of 2008.

Geotechnical research along the north coast of La Réunion for the construction of a coastal road hugging vertical cliffs.

**Market positions**

Fugro's strategy is based primarily on securing and, where possible, expanding its existing strong market positions. Complementing and broadening its package of closely related services is a primary objective. Growth in other adjacent sectors, by responding positively and flexibly to developments, is also an important policy component.

**Acquisitions**

To broaden its base and ensure continued sustainable growth Fugro usually completes a number of acquisitions each year. Generally these serve to strengthen or achieve good market positions or to obtain special technologies. Because acquisitions always involve an element of risk, a very thorough and extensive due diligence is carried out before the decision to acquire a company is taken. This limits the risks considerably. Acquisition evaluation is based not only on financial criteria but also on:

- added-value for Fugro;
- cohesion with Fugro's activities and services;
- match with Fugro's culture;
- growth potential;
- a good position in a niche market or region;
- technical and management qualities;
- risk profile.

**Research**

Research is of strategic importance to Fugro. The search for ways to expand and improve its services to clients is unceasing and cooperation with clients plays a major role in this. Many new ideas are generated through joint development projects. Specific measuring equipment and analytical models play an important role in this. Each year Fugro spends an estimated 3 to 4% of revenue on research. Some of this expense takes place during the execution of projects.

**Cooperation and scale advantages**

Effective cooperation between the business units is promoted at various levels. Critical mass is also a key factor for the successful execution of large assignments. Capacity utilisation and cooperation are optimised through the exchange of equipment, employees and expertise between the various activities and by extensive employee training. Fugro promotes technological renewal by clustering the knowledge available within and outside the Group. The integration of information systems and the utilisation of scale advantages enhance the service provided to clients.

# INFORMATION FOR SHAREHOLDERS

| *Important dates* | |
|---|---|
| **6 March 2009** | Publication of the 2008 annual figures, press conference and analysts' meeting with webcast |
| **30 April 2009** | Record date for registration to attend the Annual General Meeting of Shareholders |
| **7 May 2009, before trading hours** | Trading update regarding the development of the business |
| **7 May 2009, 14.00 hours** | Annual General Meeting of Shareholders in The Hague, Crowne Plaza The Hague – Promenade Hotel, dual language webcast (Dutch and English) |
| **11 May 2009** | Ex-dividend date |
| **13 May 2009** | Record date entitlement to dividend |
| **22 May 2009** | Last date for notification of dividend preference |
| **27 May 2009, after trading hours** | Determination and publication of the optional dividend in (certificates of) shares, based on the average share price at the close of business of the stock exchange on 25, 26 and 27 May |
| **29 May 2009** | Payment of the dividend related to financial year 2008 |
| **7 August 2009** | Publication of the half-yearly figures and announcement of the profit forecast for 2009, press conference and analysts' meeting with webcast |
| **19 November 2009, before trading hours** | Trading update regarding the development of the business |
| **5 March 2010** | Publication of the 2009 annual figures, press conference and analysts' meeting with webcast |

### *Listing on the stock exchange*

Fugro certificates of shares are listed on Euronext Amsterdam. Since March 2002 Fugro was included in Euronext's Amsterdam Midkap Index (AMX) and became part of the AEX-Index as of September 2008, with a weighing factor of 0.9% of the index. The market capitalisation of the Company at the end of February 2009 amounts to approximately EUR 1.6 billion. Since 8 July 2002 Fugro share options have also been traded on Euronext Amsterdam Derivative Markets.

As far as is known, approximately 66% of the (certificates of) shares are held by foreign investors, mainly from the United Kingdom and the United States.
Information per share can be found on pages 4 and 5 (key figures) and on pages 10, 116 and 117.

### *Dividend policy*

Fugro strives for a pay-out ratio of 35 to 55% of the net result. The shareholder may choose between a dividend entirely in cash or entirely in (certificates of) shares charged to the reserves.
In 2008 around 61% of the shareholders opted to receive the dividend for 2007 in the form of (certificates of) shares (in 2007: 63%). 1,028,345 shares have been issued for this purpose.

### *Dividend for 2008*

It is proposed that the dividend for 2008 will be increased to EUR 1.50 per ordinary share (2007: EUR 1.25), paid, according to the preference of the holder:

- in cash, or
- in (certificates of) ordinary shares.

| *Data per share* (x EUR 1.–) | **2008** | **2007** | **2006** | **2005** | **2004** |
|---|---|---|---|---|---|
| Cash flow | **6.01** | 4.84 | 3.29 | 2.67 | 2.12 |
| Net result | **3.88** | 3.11 | 2.05 | 1.51 | 0.83 |
| Dividend paid out in the year under review | **1.25** | 0.83 | 0.60 | 0.48 | 0.48 |
| Proposed dividend over the year under review | **1.50** | 1.25 | 0.83 | 0.60 | 0.48 |

| Movement in number of shares purchased for option plan | 2008 | 2007 |
|---|---|---|
| Situation on 1/1 | 542,716 | 743,396 |
| Purchased | 1,581,000 | 700,000 |
| Sold in connection with option exercised | (654,020) | (900,680) |
| Situation on 31/12 | 1,469,696 | 542,716 |
| Granted, not exercised options as of 31/12 | 5,993,550 | 5,524,020 |

The proposed dividend equates to a pay-out percentage of 39.8% of the net profit.

Shareholders have until 22 May 2009 to make their dividend preference known. The determination of the number of shares that entitles the holder to one new share will take place on 27 May 2009 at the close of business of the stock exchange and will be based on the average share price at the close of business of the stock exchange on 25, 26 and 27 May 2009. To arrive at a whole number a deviation of a maximum of 5% of the calculated value may be applied. The dividend will be made payable on 29 May 2009.

The percentage of shares and share certificates that was represented in person or by proxy in the shareholders' meetings over the past three years was as follows:

| | Certificates and shares | Shares held by Fugro Trust Office* | % of issued share capital |
|---|---|---|---|
| AGM 2008 | 34.3 | 64.9 | 99.2 |
| AGM 2007 | 42.1 | 56.9 | 99.0 |
| AGM 2006 | 23.5 | 75.9 | 99.4 |

* *Fugro Trust Office (Stichting Administratiekantoor Fugro) votes on the shares for which certificates have been issued and on which shares the certificate holders don't vote themselves as representative of the Trust Office.*

| Change in issued shares | 2008 | 2007 |
|---|---|---|
| Issued on 1/1 | 70,421,443 | 69,582,201 |
| Optional dividend | 1,028,345 | 838,830 |
| Conversion of convertible bond | 5,158,170 | 412 |
| Issued on 31/12 | 76,607,958 | 70,421,443 |
| Purchased for option plan at 31/12 | 1,469,696 | 542,716 |
| Entitled to dividend as of 31/12 | 75,138,262 | 69,878,727 |
| Average number of outstanding shares | 73,047,931 | 69,614,020 |

### Agenda for shareholders' meeting

The agenda, including explanatory notes, of the shareholders meeting will be posted timely on the website www.fugro.com. Hard copies of the agenda can be ordered by telephone (+ 31 (0)70 – 311 14 22) or via e-mail (holding@fugro.com).

### Remote electronic voting

Depending on experience with the use of electronic means of communication to follow the course of a general meeting of shareholders and to cast votes during the meeting without being physically present or by proxy, Fugro will decide whether to facilitate this.

### Share/certificate holdings of 5% or more

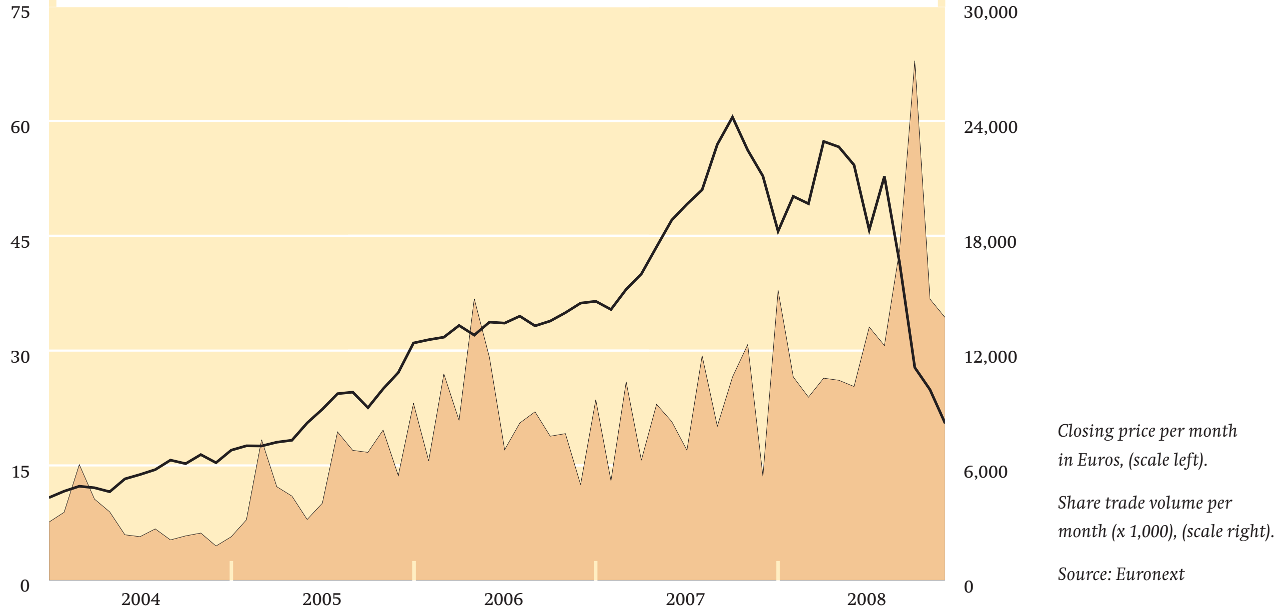
As far as we are aware the only holders of more than 5% (as referred to in the Financial Markets Supervision Act in the Netherlands) in Fugro's N.V.'s share capital (apart from the Fugro Trust Office) are the following:

| | |
|---|---|
| ING Groep N.V. | 9.64% |
| G-J. Kramer 1) | 6.00% |

1) *In person and via Woestduin Holding N.V.*

As stated on page 10, only certificates of ordinary shares are listed on Euronext Amsterdam. These certificates of ordinary shares are issued by the Fugro Trust Office, which carries out the administration of the underlying ordinary shares (for which it has issued the certificates). On 1 February 2009 the Fugro Trust Office held 91.48% of the issued ordinary shares.

**Certificate price and volume trend**
(January 2004 – December 2008)




**Participations and employee options**

As far as is known, on 31 December 2008 around 1.1% of Fugro's equity (and an unknown number of certificates) was held by Directors and employees.
Of the total number of employee options granted during the past years, 4,851,650 options (excluding the option grants as per 31 December 2008) were still outstanding on 31 December 2008. On 31 December 2008, 1,141,900 new options, with an exercise price of EUR 20,485, were granted to a total of 620 employees. Of these options 27.6% was granted to members of Fugro's Board of Management (see also page 134 and page 135).

Options are granted to an extensive group of employees. The granting of options is dependent on the achievement of the targets of the Group as a whole and of the individual operating companies as well as on the contribution of the relevant employee and the Company's long-term growth.

Employee options are granted annually on 31 December and the option exercise price is equal to the price of the certificates at the closing of Euronext Amsterdam on the last trading day of the year. The options granted are unconditional and the option period is six years. The vesting period for the granted options is three years starting at the first of January of the year following the grant date. The only exceptions are the options which were granted to Dutch residents on 31 December 2006. These options may also be exercised within three years of them being granted, although the resulting fine of 90% of the net profit (after deduction of taxes) would make this very unattractive. For the grants after 31 December 2006 the vesting period for all employee options is three years.

In the year under review Fugro purchased 1,581,000 certificates of shares at an average price of EUR 47.92 to cover the option scheme. On 31 December 2008 1,469,696 certificates of shares were held for the purpose of Fugro's option scheme. These certificates of shares are not entitled to dividend and there are no voting rights attached to the underlying shares. The exercise of all the options outstanding at the end of 2008, including the options granted on 31 December 2008, could – after using the purchased certificates of shares – lead to an increase of the issued share capital by a maximum of 5.9%. Since the beginning of 2009, 1,500 options have been exercised.

Fugro's newest seismic vessel 'Geo Caribbean' has been most efficiently equiped and meets the highest environmental requirements.

### Investor relations

Fugro offers a lot of information on its website, www.fugro.com. In addition, presentations for analysts and investors are given every year, particularly during the periods March/April and August/September. Individual and collective personal contact with investors and analysts is also maintained via around three hundred one-on-one meetings, presentations and telephone conferences. During these presentations Fugro's strategy and activities are explained in detail by members of the Board of Management. In 2008 investors in many financial centres all over the world were visited.

### Prevention of the misuse of inside information

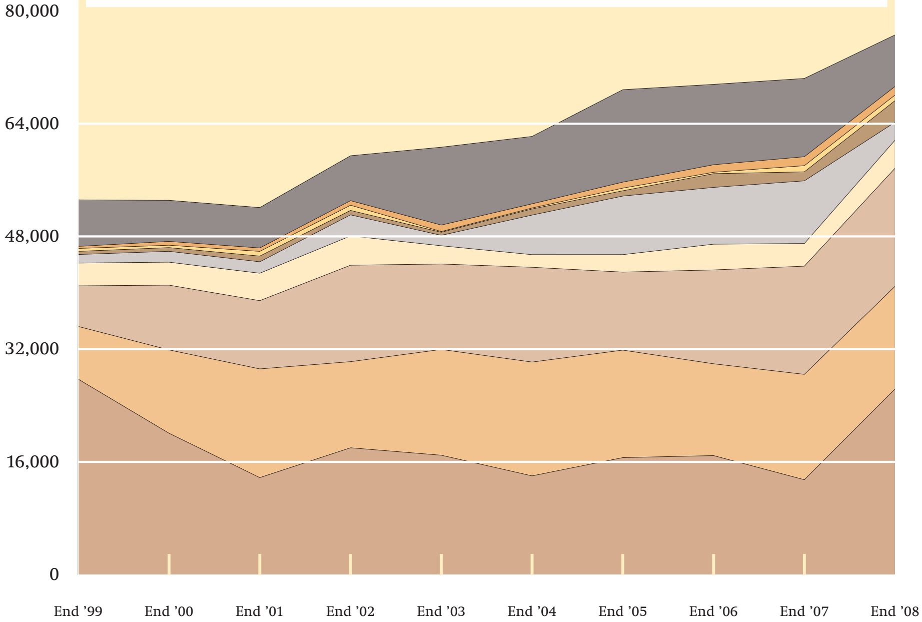
Fugro considers prevention of the misuse of inside information when trading in its stock to be essential for its relationship with the outside world. Fugro has issued internal guidelines on the holding of and effecting transactions in financial instruments in Fugro N.V. (certificates, shares, options etc.) which apply to the members of the Supervisory Board, the Board of Management, the Executive Committee and other designated persons (among which staff, management of operating companies and a number of external advisors are included). A record is kept of all so-called 'Insiders'. Fugro has appointed a Compliance Officer.

### Other information

An interactive version of the Annual Report is available on Fugro's website: www.fugro.com. This version includes extensive search functions.
More information about Fugro shares is available on the website: www.fugro.com. Fugro can be contacted via e-mail ir@fugro.com and via telephone +31 70 311 14 22.

### Distribution of shareholders

(x 1,000 shares)




| | % year-end 2008 |
|---|---|
| Other | 9.6 |
| Switzerland | 1.6 |
| Germany | 1.0 |
| France | 4.0 |
| Belgium | 3.3 |
| Luxembourg | 5.2 |
| United States | 21.9 |
| United Kingdom | 19.0 |
| The Netherlands | 34.4 |
| | 100.0 |

# SUPERVISORY BOARD

*From left to right: G-J. Kramer, P.J. Crawford, F.H. Schreve (Chairman), J.A. Colligan, Th. Smith and F.J.G.M. Cremers (Vice-chairman).*

| | |
|---|---|
| *name* | **F.H. Schreve** (1942) 1) |
| *function* | Chairman |
| *nationality* | Dutch |
| *first appointed* | 1983 |
| *current term* | until May 2010 |
| *expertise* | management strategy and risks inherent to the company's business; management selection, recommendation and development; compliance; shareholder and employee relations |
| *other functions* | Chairman Supervisory Board DRSH Slibverwerking N.V. and Bever Zwerfsport N.V. Chairman of the Board Foundation preference shares H.E.S. Beheer N.V., Foundation Trust Office TKH N.V., Stichting Individuele Begeleiding Top Hockey, Stichting Waarborgfonds Sport and Stichting Universiteitsfonds Twente. Advisory Council member Universiteit Twente. Supervisory Board Chairman Sint Lucas Andreas Ziekenhuis and Nationaal Park de Hoge Veluwe. Chairman Advisory Board European Leadership Platform. |

| | |
|---|---|
| *name* | **F.J.G.M. Cremers** (1952) 2) |
| *function* | Vice-chairman |
| *nationality* | Dutch |
| *first appointed* | 2005 |
| *current term* | until May 2009 |
| *expertise* | financial administration, financing; internal risk management and control systems; compliance; oil and gas sector; shareholder and employee relations |
| *other functions* | Supervisory Board member N.V. Nederlandse Spoorwegen, Vopak N.V., Unibail-Rodamco S.A., Luchthaven Schiphol N.V. and Parcom Capital B.V. Board member Foundation preference shares Philips, Heijmans and Lodewijk Foundation (preference shares Océ). Member of the Capital Market Committee of the Netherlands Authority for the Financial Markets (AFM). Member of the Investigation Committee into the affairs of Fortis N.V. on behalf of the Enterprise Chamber of the Dutch High Court of Amsterdam, the Netherlands. |

| | |
|---|---|
| *name* | **P.J. Crawford** (1951) 2) |
| *nationality* | British |
| *first appointed* | 1997 |
| *current term* | until May 2009 |
| *expertise* | internal risk management and control systems; information technology; innovation and technology development |
| *other functions* | Chairman and Non-Executive Director Crimsonwing Plc., Avanti Capital Plc., Perperitus Ltd. and Executive Chairman Unmissable Ltd. |

| | |
|---|---|
| *name* | **J.A. Colligan** (1942) 2) |
| *nationality* | British |
| *first appointed* | 2003 |
| *current term* | until May 2011 |
| *expertise* | management strategy and risks inherent to the company's business; management selection, recommendation and development, oil and gas sector, innovation and technology development |
| *other functions* | Director Society of Petroleum Engineers Foundation. |

| | |
|---|---|
| *name* | **G-J. Kramer** (1942) 1) |
| *nationality* | Dutch |
| *first appointed* | 2006 |
| *current term* | until May 2010 |
| *expertise* | management selection, recommendation and development; management strategy and the company's risk profile in the oil and gas sector |
| *other functions* | Chairman Supervisory Board Scheuten Solar Holding B.V., Supervisory Board member N.V. Bronwaterleiding Doorn, Energie Beheer Nederland B.V., ABN AMRO N.V. and Trajectum (Mammoet) B.V. Vice-chairman Board Damen Shipyards Group. Chairman Board Delta Hydracarbons S.A. Chairman Board IRO (branch association for suppliers to the oil and gas industry in the Netherlands). Chairman Supervisory Board Technische Universiteit Delft. Board member Nederland Maritiem Land, Stichting Museum Beelden aan Zee, het Concertgebouw Fonds, Service Organisation Protestant Churches in the Netherlands, Stichting Pieterskerk Leiden. Chairman Board Amsterdam Sinfonietta. |

| | |
|---|---|
| *name* | **Th. Smith** (1942) 1) |
| *nationality* | American |
| *first appointed* | 2002 |
| *current term* | until May 2010 |
| *expertise* | management strategy and risks inherent to the company's business; management selection, recommendation and development; innovation and technology development; the oil and gas sector |
| *other functions* | Board Chairman Smith Global Services L.P, Board member Houston Area Research and Director of WWWUnited. |

1) *Member of the Remuneration and Nomination Committee*
2) *Member of the Audit Committee*

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

# Report of the Supervisory Board

The year 2008 was again excellent for Fugro, despite the fast developing worldwide economic crisis. The revenue and net result increased substantially and the market position was strengthened further. The specific strategy that Fugro pursues is being implemented consistently on a financial, organisational and professional basis. Through this, Fugro has built a balanced portfolio of activities and services and secured worldwide market positions. The Supervisory Board is convinced that Fugro will be able to withstand the consequences of the worldwide economic downturn and has confidence in the future of Fugro.

### *Annual accounts and dividend proposal*

This Annual Report includes the 2008 Annual Accounts, which are accompanied by an unqualified report of the external auditor, KPMG Accountants N.V. ('KPMG'). These Annual Accounts were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and section 9 of Book 2 of the Dutch Civil Code.

We have discussed the Annual Accounts with the Board of Management in the presence of KPMG. We are of the opinion that the Annual Accounts and the report by the Board of Management provide a true and fair picture of the state of affairs within Fugro and form a good basis on which to hold the Board of Management accountable for the management policies pursued and the Supervisory Board accountable for its supervision of the management policies pursued. We have signed the Annual Accounts pursuant to our statutory obligation under article 2:101.2 of Book 2 of the Dutch Civil Code.

We propose that the shareholders adopt the 2008 Annual Accounts and discharge the Board of Management for its management and the Supervisory Board for its supervision.
We endorse the proposal of the Board of Management to increase the dividend for 2008 to EUR 1.50 per (certificate of an) ordinary share (2007: EUR 1.25). This dividend comprises either a cash payment or a settlement in (certificates of) ordinary shares, whichever the shareholder or the certificate holder prefers. The proposed dividend equates to a pay-out percentage of 39.8% of the net result.

### *Composition and profile of the Supervisory Board*

The Supervisory Board comprises of persons with Dutch, British and American nationality. Information about each member of the Supervisory Board is included on page 14. The profile of the Supervisory Board describes the range of expertise that should be represented in our Board. This relates to knowledge and experience in the fields of strategy, finance, financial control, information technology, management and organisation, employee and social policy, marketing, innovation and technological development, and the oil and gas industry. The division of duties within the Supervisory Board and the procedures of the Supervisory Board and its committees are laid down in a set of regulations. Both the profile and the regulations are posted on Fugro's website, www.fugro.com. In our opinion both the composition of the Supervisory Board and the expertise and experience of its individual members meet the stipulated requirements.

The requirements of the Dutch Corporate Governance Code* (the 'Code') are fulfilled with respect to the independence of the Supervisory Directors. The exception is Mr. G-J. Kramer, former CEO of Fugro, who is not independent as defined by the Code. This exception is in accordance with the Code and as a result the composition of our Board fulfils the independence stipulation. In addition Supervisory Board members do not carry out any other functions that could jeopardise their independence. During the year under review none of the Supervisory Board members held any shares, or certificates of shares, in the Company or securities related to the Company, with the exception of Mr. Kramer who, as the former CEO of the Company, holds employee options awarded to him at that time in that capacity. Besides that Mr. Kramer also holds a substantial interest in Fugro.

### *Plenary activities*

In the year under review five scheduled meetings, each lasting several days, were convened by the Supervisory Board and the Board of Management. One Supervisory Board member was absent during one of the meetings for personal reasons. On all other occassions the Board was complete. Most of the meetings were also attended by the other members of the Executive Committee. Occasionally a meeting was held in the absence of the Board of Management. In November a meeting was combined with

* *The Dutch Corporate Governance Code applicable for the financial year 2008.*

visits to operating companies in India. Every year (extensive) company visits take place. The strategy for all the Company's activities is reviewed at least once per year.

The major issues discussed during the meetings included amongst others the financial results and the overall strategy, as well as the strategies for the various business lines. Intended acquisitions and disposals were also discussed as were developments in the various markets. Items regularly on the agenda were health, safety and environment (HSE), major investments, the filling of various senior management positions, human resources, ICT and the risks inherent to the Company's activities as well as the Board's opinion regarding the set-up and functioning of the risk management and control systems. The reports of the separate committees were also discussed. In addition to these scheduled meetings, a few interim meetings took place via the telephone during which a number of intended investments and acquisitions were discussed further. Much attention was paid to the worldwide financial crisis and as a result thereof the possible scenarios for the Company.

Mutual consultation between Supervisory Board members also took place on a fairly regular basis. The functioning of the Board of Management and the Supervisory Board as well as the individual Board members was discussed in the absence of the Board of Management as was the general business progress. The findings of the external audit were discussed with the external auditor. On a number of occasions there was contact between individual Supervisory Board members and the Board of Management: in particular there were regular discussions between the Chairman of the Supervisory Board and the CEO. There were also bilateral contacts between other members of the Supervisory Board and individual members of the Board of Management and Executive Committee.

***Audit Committee***

In the year under review the members of the Audit Committee were Messrs. F.J.G.M. Cremers (Chairman), P.J. Crawford, F.H. Schreve (until July 2008) and J.A. Colligan (from July 2008). The composition of the Audit Committee is in accordance with the requirements of the Code. Collectively the members possess the required experience and financial expertise to supervise the Company's financial activities, annual accounts and risk profile. Mr. Cremers was acting as the financial expert within the meaning of the Code.

In 2008 the Audit Committee met three times. The external auditor (KPMG) attended all three meetings. The annual accounts and half-yearly results were discussed during the relevant meetings. Topics such as taxation, claims, disputes and the financial crisis were also discussed in depth. Risk areas, such as hedging, fluctuations in currency exchange rates and insurance were also discussed as was the functioning of the internal and external control mechanisms and the work-plan of the internal audit function. The Audit Committee was informed of important findings from the control visits. The external auditor was given the opportunity, if desired, to discuss issues with members of the Audit Committee in the absence of Fugro's Board of Management and staff.

***Remuneration and Nomination Committee***

In the year under review the members of this committee were Messrs. J.A. Colligan (Chairman until July 2008), F.H. Schreve (Chairman from July 2008), Th. Smith and Mr. G-J. Kramer. In 2008 the Committee met formally three times but also met informally on a number of occasions.

As far as remuneration is concerned, the topics discussed included the remuneration of the individual members of the Board of Management, the remuneration policy for the members of the Board of Management and the stock option scheme. The remuneration of the individual members of the Board of Management, recommended by the Remuneration and Nomination Committee, was determined by the Supervisory Board within the parameters of the remuneration policy.

In the Annual General Meeting of Shareholders on 14 May 2008 a few amendments on both the remuneration policy for the members of the Board of Management and the stock option scheme were respectively adopted and approved. The Remuneration Report for the year 2008, as prepared by the Remuneration and Nomination Committee and approved by the Supervisory Board, contains a report on the way the remuneration policy for the financial year 2008 has been implemented. Both the Remuneration Report and the remuneration policy are posted on Fugro's website (www.fugro.com).

**Remuneration policy**

The key elements of Fugro's remuneration policy for the members of the Board of Management, as adopted by the shareholders in May 2008, are as follows:

- fixed (base) salary is determined at the median level of a peer group of comparable companies (local and international);

- variable income (annual bonus or short-term incentive) depends on targets determined in advance with a maximum of twelve months (100%) of annual fixed salary. On-target performance will result in a bonus of eight months of annual fixed salary. Part of the bonus is related to quantified financial targets and accounts for 2/3 of the annual bonus and part of the bonus is related to non-financial / personal targets and will account for 1/3 of the annual bonus;
- financial targets and the weighing given to the individual financial elements are as follows: earnings per share 60%, net profit margin 20% and ROCE (return on capital employed) 20%;
- non-financial targets are determined prior to the start of the relevant year. These targets are based on Fugro's strategic agenda. Fugro does not disclose the actual targets as this is considered commercially sensitive information;
- with respect to the long-term incentive, the Board of Management participates in a broad option scheme that is applicable to management throughout the Group (approximately 620 people). Options are granted on the basis of the contribution to the long term development of the company, including the development of the long term strategy, on the basis of measurable targets such as the (growth) targets in the strategic plan. Options are granted unconditionally and in accordance with Best practice provision II.2.2. of the Code. An overview of the stock option scheme is included in the Annual Accounts;
- customary pension scheme based upon an available premium system;
- fringe benefits are commensurate with the position held.

Further details of the remuneration of the members of the Board of Management during the year under review can be found on page 134 of the Annual Accounts and in the Remuneration Report 2008.

As far as nomination is concerned, the topics discussed included the composition of the Supervisory Board and of the Executive Committee and also their functioning.

### *Appointments*

**Supervisory Board**

Messrs. F.J.G.M. Cremers and P.J. Crawford are scheduled to retire by rotation as Supervisory Board members in May 2009. On being asked, Mr. Cremers is willing to take a seat on the Supervisory Board for a second term of four years. We will recommend to the next Annual General Meeting of Shareholders to reappoint Mr. Cremers as member of the Supervisory Board. If Mr. Cremers is reappointed as a member of the Supervisory Board he will remain vice-chairman of the Supervisory Board and chairman of the Audit Committee.

Mr. Crawford, having reached the maximum period of three terms of four years, will terminate his Supervisory Board membership. The period during which Mr. Crawford has been a member of the Supervisory Board, the last six as member of the Audit Committee as well, was characterised by the considerable growth of the Company and the development of more and more complex services. Mr. Crawford's specific expertise on ICT has been of high value for Fugro. The Supervisory Board and the Board of Management are very grateful to Mr. Crawford for his intense commitment to the Group and his expert and valuable interpretation of his commissionership.

We will recommend to the next Annual General Meeting of Shareholders the appointment of Mrs. M. Helmes as a member of the Supervisory Board and successor to Mr. Crawford. Mrs. Helmes (43) has German nationality and has a broad international experience. Currently Mrs. Helmes is a member of the Executive Board and CFO of ThyssenKrupp Elevator AG.

We consider the appointment of Mrs. Helmes to be in the interests of Fugro in view of her industry knowledge and her experience in general and financial management. The Supervisory Board primarily looks at the expertise, experience and independence of the candidate for the appointment of a new supervisory director, but with this appointment the desire to select a diverse Supervisory Board in terms of age and gender is fulfilled.
If Mrs. Helmes is appointed as Supervisory Board member, she will be a member of the Audit Committee.
Curricula vitae of Mrs. Helmes and Mr. Cremers can be found in the explanatory notes to the (provisional) agenda for the Annual General Meeting of Shareholders on 7 May 2009, a copy of which is available on Fugro's website.

### *In conclusion*

We thank the Board of Management, the Executive Committee and the thousands of employees who have dedicated themselves to Fugro on a daily basis. Thanks to their efforts, Fugro has achieved the leading worldwide market position it now occupies. We are aware of the challenges 2009 will bring us, but we feel confident that Fugro will be able to withstand these challenges from its strong position.

Leidschendam, 5 March 2009

F.H. Schreve, Chairman
F.J.G.M. Cremers, Vice-chairman
J.A. Colligan
P.J. Crawford
G-J. Kramer
Th. Smith

*From left to right: S.J. Thomson, A. Steenbakker, O.M. Goodman, J.H. Sommerville, K.S. Wester (President and CEO), A. Jonkman, P. van Riel, H. Meyer, W.S. Rainey and J. Rüegg.*

# EXECUTIVE COMMITTEE

## *Executive Committee*

Fugro N.V. is the holding company for a large number of operating companies located throughout the world carrying out a variety of activities. To promote client-orientation and efficiency the Group's organisational structure is highly decentralised, but cohesive.

The managements of the operating companies report directly to the Executive Committee.
The members of the Board of Management are part of the Executive Committee.

### *Board of Management*

| | |
|---|---|
| *name* | **K.S. Wester** (1946) |
| *function* | President and Chief Executive Officer |
| *nationality* | Dutch |
| *employed by Fugro* | since 1981 |
| | appointed to statutory Board 1996 |
| | (President and Chief Executive Officer 2005) |
| *name* | **A. Jonkman** (1954) |
| *function* | Chief Financial Officer |
| *nationality* | Dutch |
| *employed by Fugro* | since 1988 |
| | appointed to statutory Board 2004 |
| | (reappointed in 2008) |
| *current term* | until May 2012 |
| *other function* | Member Supervisory Board Dietsmann N.V. |
| *name* | **P. van Riel** (1956) |
| *function* | Director Development & Production |
| *nationality* | Dutch |
| *employed by Fugro* | since 2001 |
| | appointed to statutory Board 2006 |
| *current term* | until May 2010 |
| *name* | **A. Steenbakker** (1957) |
| *function* | Director Onshore Geotechnical Services |
| *nationality* | Dutch |
| *employed by Fugro* | since 2005 |
| | appointed to statutory Board 2006 |
| *current term* | until May 2010 |

### *Other members of the Executive Committee*

| | |
|---|---|
| *name* | **O.M. Goodman** (1956) |
| *function* | Director Geospatial Services |
| *nationality* | Irish |
| *employed by Fugro* | since 1993 |
| | first appointed to current position 2001 |
| *name* | **J. Rüegg** (1944) |
| *function* | Director Offshore Survey |
| *nationality* | Swiss |
| *employed by Fugro* | since 1992 |
| | first appointed to current position 1999 |
| *name* | **W.S. Rainey** (1954) |
| *function* | Director Offshore Geotechnical Services |
| *nationality* | American |
| *employed by Fugro* | since 1981 |
| | first appointed to current position 2006 |
| *name* | **S.J. Thomson** (1958) |
| *function* | Director Airborne Survey |
| *nationality* | Australian |
| *employed by Fugro* | since 1999 |
| | first appointed to current position 2006 |

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

*Due to changes in the business lines, the Executive Committee has additional members as per 1 January 2009, being Messrs. H. Meyer – Director Seismic Services and J.H. Sommerville Director Subsea Services, in order to maintain short reporting lines and sufficient focus on similar activities within the fast growing company. More information on this change of the business lines can be found on page 23.*

# Report of the Board of Management

## GENERAL

The financial year 2008 closed with again an increased revenue and profit for Fugro. Furthermore, the net profit margin increased to over 13%. During this period, market circumstances were very good, although in the course of the last quarter, uncertainties increased in the light of the worldwide recession. Strong organic growth, supported by investments in the last few years in capacity expansion, was also realised in 2008. All three company divisions generated growth in revenue and an increase in profit.

The company continued to broaden its service package and strengthen its presence in a number of countries through acquisitions. These investments brought with them new technologies, which created new growth opportunities when combined with Fugro's expertise and global presence.

During the year large, complex projects, often involving several business lines, were successfully completed. This concerns both onshore and offshore projects. Examples of such projects are described on pages 32 and 33.

Fugro collects, processes and interprets data relating to the earth's surface, the seabed and the (deeper) soils and rocks beneath. Around 75% of company activities are related to the oil and gas industry. With its broad range of services, Fugro is involved in many phases of the life cycle of oil and gas fields. Fugro's involvement in maintenance of (complex) facilities made by the oil and gas industry will have a positive effect on Fugro in future. Through its balanced portfolio and increased global presence, Fugro supplies services to a large group of clients in the oil and gas industry.

Fugro is also active in the infrastructure (approximately 15% of revenue) and mining sectors (approximately 4% of revenue). The remaining 6% of revenue is coming from some other market segments.

In financial terms, the year 2008 can be summarised as follows:

- Fugro's revenue increased by 19.5% to EUR 2,154.5 million (2007: EUR 1,802.7 million). Revenue increased by 23.4% of organic growth and by 4.0% as a result of acquisitions. The foreign currency effect was 7.9% negative;
- The result from operating activities (EBIT) increased by 18.9% to EUR 386.2 million (2007: EUR 324.8 million);
- Net profit increased by 31.1% to EUR 283.4 million (2007: EUR 216.2 million);
- Profit before income tax has been positively impacted in 2008 by some EUR 26 million relating to foreign exchange variances and the profit and loss account was negatively impacted by some EUR 25 million relating to the impact of the anticipated negative effects of the current worldwide economic crisis on the valuation of a number of balance sheet items.

In the light of the above results, it is proposed that the dividend for 2008 be increased to EUR 1.50 per (certificate of an) ordinary share (2007: EUR 1.25).

In May, Fugro was awarded the King Willem I award in the 'large company' category. This national business award is awarded every two years by the King Willem I foundation, with active support from the Ministry of Economic Affairs. The foundation was set up in 1958 by a number of business-related organisations and the Dutch Central

*Working visit of his Royal Highness the Prince of Orange to the Fugro head office in Leidschendam on 29 January 2009. The visit was related to the King Willem I award.*


Airborne geophysical exploration for the mining industry.

Bank. The key values of the King Willem I award are: courage, initiative, perseverance and the ability to innovate.

In October, Fugro won the FD Henri-Sijthoff award for the second time for the best annual financial report in 2007 in the 'Mid- and Smallcap' category (Fugro had not yet been included in the Euronext Amsterdam AEX-index at the review date end 2007). The award is an initiative of the Dutch financial daily 'Het Financieele Dagblad' and aims to promote improvement of financial reporting by Dutch companies. The jury felt that Fugro's strategy and financial targets were stated in a clear way. Other strong points were the risk reporting, the overview of the most important contracts, the financing paragraph and the analysis of the sensitivity of the foreign currency exchange rate. Fugro also won this award in 2005.

## ACQUISITIONS

Also in 2008 a number of companies were acquired.

### *Acquisitions within the Geotechnical division*

- William Lettis & Associates, Inc., United States, is an earth science consulting company that specialises in earthquake hazard assessment and engineering geology for the power industry, government agencies, the oil and gas industry, and water and infrastructure markets.
- HGN Hydrogeologie GmbH, Germany, specialises in the fields of water management, flood control concepts, dyke investigations and hydraulic modelling for federal and state authorities.
- Pavement Management Services Pty Ltd (PMS), Australia, is active in the provision of pavement engineering consultancy services including assessment of current pavement condition, design studies for new pavements, definition of maintenance programmes for existing highway networks and supply of asset management database systems.
- Roadware Group Inc., Canada, is a provider of technology and services for the assessment and mapping of highway and other pavement structures.
- In Situ Geotecnia Ltda., Brazil, is active in the field of geotechnical services.
- Risk Engineering, Inc., United States, specialises in risk analyses and earthquake sensitivity studies of large-scale projects.
- Beatty Marine Plant Ltd, Ireland. The acquisition concerned six modular jack-up platforms and related business.

### *Acquisitions within the Survey division*

- SureSpek ISS Pty Ltd, Australia, operates mostly in the Asia Pacific region. The company undertakes subsea inspections on offshore pipelines, jackets and structures, largely for oil and gas companies. The business, in combination with Fugro's existing ROV (Remotely Operated Vehicle) business, will help to strengthen Fugro's subsea services.
- Fugro acquired the remaining 38% of Fugro-OceansatPEG S.A. joint-venture in Brazil. This joint-venture was established in 2005 to provide marine survey services in Brazil, primarily for the oil and gas industry. These activities continue under the name 'Fugro Brasil Ltda' from a new office near Rio de Janeiro.
- Nigel Press Associates Ltd., United Kingdom, is a satellite mapping specialist.
- BKS Surveys Limited, Northern-Ireland, was already an agent for Fugro's FLI-MAP laser altimetry system in the United Kingdom and Ireland. BKS is a supplier of innovative aerial mapping services and products.
- GEO LLC, Alaska, specialises in offshore geophysical surveys, as well as in geotechnical investigations for new oil and gas fields offshore, especially in the Arctic regions such as the Chukchi and Beaufort Seas.

### *Acquisitions within the Geoscience division*

- Fugro has acquired 60% of Electro Magnetic Marine Exploration Technologies (EMMET), Russian Federation. EMMET is a technology developer and provider of marine electromagnetic services for hydrocarbon exploration. Fugro has the exclusive option to purchase the remaining 40% interest.
- NexTerra Geophysical Solutions Pvt Ltd, India, specialises in the provision of land-based geoscientific data acquisition and associated processing, interpretation and consulting services.

| **Personnel data** | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| Average number of employees during the year | **12,977** | 10,824 | 9,261 | 8,121 | 7,864 |
| Revenue per employee (x EUR 1,000) | **166.0** | 166.5 | 154.9 | 142.9 | 128.2 |
| Net revenue own services per employee (x EUR 1,000) | **110.4** | 110.7 | 100.6 | 93.0 | 81.8 |
| **Geographical distribution at year-end** | | | | | |
| The Netherlands | **978** | 935 | 871 | 839 | 890 |
| Europe other/Africa | **4,311** | 3,595 | 3,126 | 2,457 | 2,232 |
| Middle East/Asia/Australia | **4,319** | 3,624 | 3,007 | 2,594 | 2,225 |
| North and South America | **4,019** | 3,318 | 2,833 | 2,644 | 2,268 |
| Total at year-end | **13,627** | 11,472 | 9,837 | 8,534 | 7,615 |

- Allied Seismic Ltd, Canada, specialises in the storage of data related to oil and gas, mainly to the seismic acquisition industry. Allied Seismic Ltd will be integrated into Fugro Data Solutions Ltd., in which Fugro's activities in data management are concentrated.
- Geolab Nor AS, Norway, specialises in supplying, geochemical data and consultancy services to the oil and gas industry on a worldwide basis. Geolab Nor AS is one of the few companies worldwide with a proven track record in offshore surface geochemistry sampling and analysis.
- Phoenix Data Solutions Ltd., United Kingdom, provides services specialising in the digital reconstruction of seismic images.
- Acquisition of the Falcon™ technology for accurate gravity surveys. This uniquely positions Fugro to provide the highest standard of gravimetric surveying presently available to the mining and petroleum exploration industries.

The intended purpose of acquisitions is amongst others to obtain state-of-the-art technology and increase of market share. The annual revenue of the acquired operational companies in 2008 amounts to approximately EUR 64 million. The total cost of the acquisitions completed in 2008 was EUR 66 million. In addition, assets and supplemental activities were acquired with a value of EUR 20 million in total.

For the detailed figures on acquisitions that took place in 2008, reference is made to the annual accounts on page 99. The figures related to the acquisitions in the beginning of 2009 can be found in the paragraph Post balance sheet date events on page 29.

## CAPACITY ADJUSTMENT

Also in 2008, capacity was further expanded with additional staff and equipment. This amongst others involved the acquisition of a number of jack-up platforms for operation in shallow coastal waters, ROVs and vessels. In the course of 2008, the new vessels Fugro Saltire (a chartered ROV construction support vessel) and Geo Caribbean (fully owned seismic vessel) were brought into service. Furthermore, the Fugro Navigator was acquired and deployed as a survey vessel; two older survey vessels were withdrawn from service and sold.

The table below summarises the earlier announced replacements and/or expansions of the fleet for the period 2009/2010. Fugro has the option to reduce the fleet by eight to ten vessels in 2009 by not renewing charters or by retiring older fully owned vessels.

| Name of the vessel | Type of vessel | Expected start of operation | Owned/ chartered |
|---|---|---|---|
| Fugro Solstice | ROV-support | Q1-2009 | Charter |
| Geo Natuna | Seismic | Q1-2009 | Charter |
| Fugro Energy | Survey | Q2-2009 | Charter |
| Fugro Synergy | Geotechnical | Q3-2009 | Owned |
| Fugro Searcher | Survey | Q1-2010 | Owned |
| Geo Caspian* | Seismic | Q1-2010 | Charter |
| Geo Coral | Seismic | Q3-2010 | Owned |
| Fugro Symphony | ROV-support | Q4-2010 | Owned |

* *Formerly 'Geo Chukchi'.*

| ***Revenue growth*** (in percentages) | Organic | Acquisitions | Disposals | Exchange rate differences | Total |
|---|---|---|---|---|---|
| 2008 | 23.4 | 4.0 | | (7.9) | 19.5 |
| 2007 | 22.9 | 6.4 | ( 0.1) | (3.5) | 25.7 |
| 2006 | 18.9 | 6.8 | (0.3) | (1.8) | 23.6 |
| 2005 | 12.0 | 1.4 | (1.1) | 2.8 | 15.1 |
| 2004 | 9.7 | 16.2 | (0.6) | (2.7) | 22.6 |
| 2003 | (8.6) | 4.9 | | (9.4) | (13.1) |
| 2002 | 3.4 | 4.0 | | (3.4) | 4.0 |
| 2001 | 18.4 | 8.6 | | 0.6 | 27.6 |
| 2000 | 10.9 | 8.9 | | 10.6 | 30.4 |
| 1999 | (9.5) | 1.8 | (0.6) | 2.9 | (5.4) |
| Average (1999 – 2008) | 10.2 | 6.3 | (0.3) | (1.2) | 15.0 |

Financing of these new, fully owned vessels has been covered by existing facilities and expected future cash flow. The outlook for deployment is good for the vessels that will be brought into service in 2009; Fugro Synergy, for instance, has been awarded a contract of more than six months. The market circumstances as of 2011 will be of relevance for the vessels due to be delivered towards the end of 2010.

At a project level, Fugro also uses vessels that are chartered on a short-term basis. The lease term for some chartered vessels will expire during 2009. Extension of the charters will be considered, depending on the development of the backlog during the year.

The total number of ROVs in operation is now 125 and will be expanded to approximately 130 towards the end of 2009.

### *Number of employees*

As a result of the acquisitions, and based on good market conditions and prospects, the number of employees increased during 2008 by 2,155 to 13,627 at the end of the year (2007: 11,472). Acquisitions added about 800 employees to Fugro's workforce in 2008. Through those acquisitions, well-trained and experienced professionals, which Fugro is constantly seeking, are added to the workforce. The average number of employees during the financial year was 12,977 (2007: 10,824) an increase of 19.9%. Fugro also works with a large group of experienced and trustworthy freelance staff who are regularly deployed on a project basis. The use of freelance workers provides Fugro with the flexibility to respond to variation in manpower requirements. Fugro mainly employs local employees and deploys few expats. This practice provides flexibility when adjusting the staffing to changed market circumstances.

| ***Geographical distribution of revenue**** (on 31 December, x EUR 1 mln.) | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| The Netherlands | **145** | 124 | 114 | 100 | 97 |
| Europe other/Africa | **1,082** | 857 | 610 | 489 | 415 |
| Middle East/Asia/Australia | **426** | 351 | 288 | 234 | 196 |
| North and South America | **502** | 471 | 422 | 338 | 300 |
| Total | **2,155** | 1,803 | 1,434 | 1,161 | 1,008 |

* *Based on the place of business of the operating company that executes the project.*

Despite the global shortage of specialists, Fugro has been successful when it comes to recruiting experienced and professional employees. Increasingly this is coordinated on a global basis with best practices being implemented at a local level. Fugro's recruitment success is largely based on the global spread of its activities and the employment possibilities that Fugro has to offer innovative and entrepreneurial staff.

## BUSINESS LINE CHANGES

The strong growth and expansion of the activities in the past few years makes it desirable to adapt our organisation, without however endangering Fugro's key values, such as maintaining strong decentralised local operating companies close to clients, with a focus on specialist services. Furthermore, short and clear communication lines need to be maintained. The most important changes which took effect from 1 January 2009 within the existing three division structure are:

### *Survey division*

- The ROV activities (with now around 125 ROVs) were split from Offshore Survey to form a new business line: Subsea Services.
- The satellite positioning activities, which were partly in Offshore Survey and partly in Geospatial Services, have been combined as Positioning group in Offshore Survey.

### *Geoscience division*

The business line Development and Production (D&P) has been split into two parts:

- The seismic activities (data acquisition, processing and multi client) became a separate business line: Seismic Services.
- The other activities of D&P, including data management, reservoir modelling and geological consultancy, continued as a business line under the name Information Services.

The services portfolio of Airborne survey was extended with, amongst others, marine gravity and electro-magnetic surveying. This business line continued as General Geophysical Services, with services focused on exploration, both for mining and the oil and gas industry.

In view of the above, Mr. H. Meyer and Mr. J.H. Sommerville joined the Executive Committee as Chief Operating Officer (COO) for Seismic Services and Subsea Services respectively as of 1 January 2009. The members of the Executive Committee report to the President and Chief Executive Officer.

## FINANCIAL

### *Revenue and costs development*

In 2008, revenue increased by 19.5% to EUR 2,154.5 million, compared with EUR 1,802.7 million in 2007. Unrealised revenue, as a result of the delay in delivery of vessels in 2008, was more than compensated by the higher revenue generated elsewhere in the Group.
A breakdown of the increase in revenue is shown in the table on page 22. This shows that most of the revenue increase was achieved through organic growth of 23.4%.

Third party costs amounted to EUR 722.3 million (2007: EUR 604.9 million). This is an increase of 19.4%. The third party costs as a percentage of revenue were 33.5%, which is similar to 2007 (33.6%).

Personnel expenses increased by 19.4% to EUR 618.6 million (2007: 518.1 million). This is 28.7% of the revenue, equal to 2007. One of the reasons that the personnel expenses remain stable as a percentage of revenue compared to 2007, is the fact that Fugro works with local employees worldwide and often young employees are recruited who are partly trained on the job. These young employees join experienced teams. The average cost per employee was EUR 47,671, a decrease of 0.4% with respect to 2007.

Depreciation of tangible fixed assets increased significantly from EUR 107.7 million in 2007 to EUR 140.4 million in 2008. This represents an increase of 30.4%.
The increase is a result of the capacity expansion, which took place in 2007 and 2008, in mainly the vessel fleet including related equipment and ROVs. Depreciation as a percentage of revenue increased slightly to 6.5% (2007: 6.0%).

Other expenses amounted to EUR 295.7 million in 2008 (2007: EUR 254.6 million), an increase of 16.1%.
As a percentage of revenue, these costs decreased to 13.7% (2007: 14.1%). Other expenses included a variety of different costs, which cannot be allocated directly to projects like repair and maintenance, occupancy cost, etc.

| **Revenue distribution per division** (on 31 December, x EUR 1 mln.) | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| Geotechnical | 541 | 443 | 371 | 304 | 273 |
| Survey | 960 | 852 | 709 | 565 | 470 |
| Geoscience | 654 | 508 | 354 | 292 | 265 |
| Total | 2,155 | 1,803 | 1,434 | 1,161 | 1,008 |
| USD average | EUR 0.68 | EUR 0.73 | EUR 0.79 | EUR 0.81 | EUR 0.81 |

### Net result

Net result increased by 31.1% to EUR 283.4 million (2007: EUR 216.2 million), after deducting third party interests in the profits of subsidiary companies. This amounts to EUR 3.88 per share (2007: EUR 3.11), an increase of 24.8%. This increase is well above the financial objective of an average 10% a year.

A good price level and further efficiency improvements, have resulted in a further increased net profit margin of 13.2% (2007: 12.0%).

There was no significant impact on the net result of non-recurring items.

### Result from operating activities (EBIT)

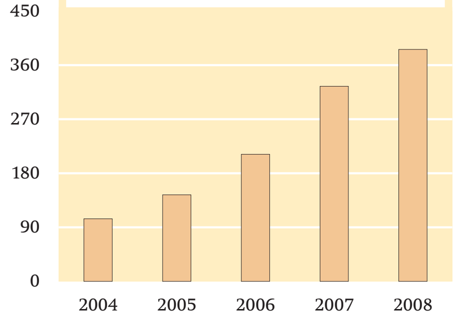
At EUR 386.2 million, the result from operating activities (EBIT) was 18.9% higher than in 2007 (EUR 324.8 million). The EBIT includes estimates with regard to the negative effects of the current worldwide economic crisis with respect to the valuation of a number of balance sheet items. This concerns seismic and geological data libraries, valued at fair value, and trade receivables as well as unbilled revenue on completed projects valued against present value of the expected future cash flows.

For the valuation of the multi client data libraries Fugro expects that the demand will decrease in the coming years in view of the low oil price.
With regard to the trade receivables, it is noticeable that some of the debtors are experiencing difficulties in financing their activities, which has resulted in a reduction of the expected collectability of receivables. The total negative impact on the 2008 results amounts to approximately EUR 25 million.

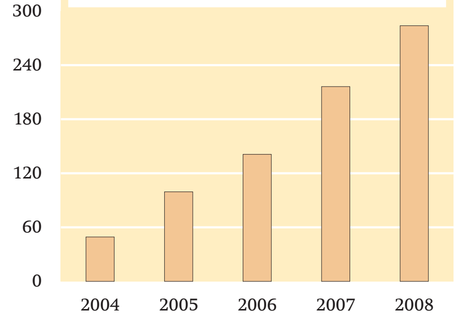
### Exchange rates

During 2008, the average US dollar exchange rate was EUR 0.68 (2007: EUR 0.73). A steep decline was noticeable in the value of the British pound. The average rate of the British pound during 2008 decreased to EUR 1.25 (2007: EUR 1.46). Nevertheless, a positive foreign exchange variance of EUR 25.8 million was achieved in 2008 (2007: EUR 6.5 million negative). This positive exchange variance was mainly related to the effects of the temporary strengthening of the US dollar against the declining Norwegian kroner in the second half of 2008.
The exchange differences have been accounted for in the accounts as net financing costs.

**Result from operating activities (EBIT)** (x EUR 1 mln.)




**Net result** (x EUR 1 mln.)



### The three most important exchange rates at year-end (in EUR)

| | 2008 | 2007 |
|---|---|---|
| US dollar | 0.71 | 0.68 |
| British pound | 1.05 | 1.36 |
| Norwegian kroner | 0.102 | 0.126 |

In balance sheet valuation was also strongly influenced by fluctuations in the US dollar, the British pound and the Norwegian kroner. The most important differences are caused by the revaluation of subsidiary companies quoted in British pounds (about EUR 54 million).

In balance, the changes in exchange rates had a negative effect of EUR 55 million on the equity per 31 December 2008, (see page 63 of this report under risk management and page 130 of the annual accounts under currency risks for exchange rate effects).

### Cash flow

In 2008, the cash flow from operating activities amounted to EUR 438.9 million (2007: EUR 337.1 million), an increase of 30.2%. This steep increase is largely a result of the increased net result. The expected cash flow will enable the company to remain within the current financing arrangements and to fully comply with the committed investments. The cash flow per share equates to EUR 6.01 (2007: EUR 4.84), an increase of 24.2%. Thus the financial growth target of on average 10% for the cash flow was amply achieved.

### Investments

The 2008 investments can be specified as follows (x EUR 1 mln.):

| | |
|---|---|
| Maintenance capex | 87.2 |
| Capacity expansion | 235.8 |
| Movement in assets under construction (primarily vessels, streamers and ROVs) | 57.0 |
| Assets from acquisitions | 14.4 |
| | 394.4 |

Each year Fugro invests to maintain the existing capacity. In 2008 these investments amounted to EUR 87.2 million (2007: EUR 93.1 million).

In the table below an overview of the annual investments for the period between 2007 and 2010 is included; included in this is an estimate for the years 2009 and 2010.

### Net finance costs

The net finance costs amounted to EUR 1.9 million in 2008 (2007: 31.0 million). This includes foreign currency effects of EUR 25.8 million positive (2007: EUR 6.5 million negative), which means that the net finance costs excluding exchange variance amount to EUR 27.7 million (2007: EUR 24.5 million). The increase is caused by the usage of bank facilities for financing the investment programme. Interest coverage (EBIT/net interest expenses) is 14 (2007: 13). This is a very good coverage, well above the financial objective of 5.

### (Expected) investments, excluding assets from acquisitions

(x EUR 1 mln.)

| | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| Maintenance capex | 93.1 | 87.2 | 80.0 | 75.0 |
| Fixed capacity expansion | 197.9 | 235.8 | 240.0 | 300.0 |
| Total investments | 291.0 | 323.0 | 320.0 | 375.0 |
| Movement in assets under construction | 41.4 | 57.0 | 30.0 | (175.0) |
| Net cash | 332.4 | 380.0 | 350.0 | 200.0 |

The geotechnical vessel 'Fugro Markab' in transit off the Turkish coast.

### Taxes

In 2008 the income tax expense amounted to EUR 94.8 million (2007: EUR 71.3 million), an increase of 33.0%. The effective tax rate amounts to 24.7% in 2008 (2007: 24.3%). The company strives for a low tax charge, through an efficient tax and financing structure. The tax charge depends in part on the geographical spread of the projects that are carried out and the possible usage of tax losses. The tax losses are expected to be utilised in the coming years.

### Intangible assets (goodwill)

In 2008 the addition of intangible assets resulting from acquisitions amounted to EUR 76.0 million (2007: EUR 47.3 million). The addition is mainly a result of the acquisition of 18 companies in 2008, including the remaining 38% share in Fugro OceansatPEG S.A.

In 2008, there was a negative foreign exchange difference of EUR 39.1 million (2007: EUR 13.0 million negative) on the balance sheet valuations. The high exchange variance in 2008 is mostly attributable to the decline in the British pound.

Goodwill is not amortised but is tested at least once a year for impairments. In 2008, just like in previous years, this did not result in adjustments, not withstanding the declining economical circumstances.

### Balance sheet ratios

Solvency at the end of 2008 was 43.7% (end of 2007: 41.2%). The solvency ratio objective is 30 to 35%. This objective was amply met. At the end of 2008 the current ratio was 1.1 (end of 2007: 1.3). Gearing amounted to 51% (2007: 65%).

The strong solvency and lower gearing underline the company's healthy balance sheet.

Working capital has decreased considerably to EUR 56.1 million (2007: EUR 171.3 million). The decrease is mainly caused by the bank facilities utilised to finance the investment programme.

Fugro annually invests in new seismic and geological survey data at its own risk and expense (multi client), which is recognised on the balance sheet under 'Inventories'. Such a data library is normal for companies that carry out this type of service. The data library contains valuable information that is offered and sold, under licence, to various interested parties and which retains its profit potential for several years.

Virtually no data acquired during or before the financial year 2005 is recognised on the balance sheet. However, these data still have value in the longer term. The net book value amounted to EUR 27.2 million at the close of the year (2007: EUR 34.6 million). The negative effect that the lower oil price might have on future sales of the data has been taken into account in the valuation of the data library.

### Convertible notes

During April and May 2008 the holders of the convertible notes converted the full convertible loan. This has resulted in the issue of 5,158,170 new shares.

### Financing

At the end of 2008, Fugro had a total amount of EUR 395.4 million in loans and borrowings (2007: EUR 450.0 million). The decrease is mainly a result of the conversion of the convertible notes early 2008.

In May 2010 an amount of EUR 200 million from the aforementioned amount of EUR 395.4 million will have to be refinanced.

Early 2008 Fugro reached agreement with ING bank with regard to additional financing of EUR 100 million, with also a maturity date in May 2010. This facility was not yet used at the end of 2008.

Based on the currently available information and knowledge, it is expected that the refinancing in 2010 will not be an issue considering the expected strong cash flows, the healthy financial ratios and initial discussions with the banks involved.

The Private Placement loans have been concluded in euros (20 million) and US dollars (120 million). The US dollar loans are held in the original currency to finance the assets on the balance sheet denominated in US dollars. Interest on the Private Placement loans varies between 6.45% and 7.10%. The Private Placement loans will be repaid in stages in 2012, 2014 and 2017.

## DIVIDEND PROPOSAL

It is proposed that the dividend for 2008 be increased to EUR 1.50 per ordinary share (2007: EUR 1.25), paid according to the preference of the shareholder:

- in cash, or
- in (certificates of) ordinary shares.

The proposed dividend equates to a pay-out percentage of 39.8% of the net result.

## MARKET DEVELOPMENTS AND TRENDS

### *Trends*

The year 2008 confronted the world with a financial crisis that draws heavily on the world economy. The crisis has snowballed since August 2008 and banking corporations and other companies have been given government support to guarantee their existence. The world economy has reacted very strongly to the financial crisis. These negative sentiments are well noticeable and they have spread over many sectors worldwide.

Fugro is reasonably protected against negative effects, through its position, the international markets in which Fugro operates and the mix of its clients, but Fugro will not be immune to the consequences of a continuing worldwide crisis.

### *The oil and gas market*

The oil price per barrel has fallen sharply in the last months of 2008. The current price is around USD 40. Experts indicate an expected oil price of USD 75 or higher in the long term. Smaller oil companies that are dependent on external financing for the development of their more marginal fields, foresee problems with regard to their business processes, and projects for these clients may be delayed. The share of Fugro's revenue for this category is relatively small. A number of national oil companies and large international players have announced their intentions to continue investing, also at an oil price of about USD 40, in order to be able to mitigate future production decline. These intentions might however be adjusted, should the oil price drop below that level for a longer period of time.

During 2008 investments by the oil and gas industry have increased further by a substantial 22% to around USD 450 billion. The entire market sector, including Fugro, benefited from this increase. About 75% of Fugro's revenue is related to oil and gas.

According to recent external market research, investments by oil and gas companies will drop by about 12% to USD 400 billion worldwide in 2009. For the so-called international market, which is an important segment to Fugro, a drop of about 6% to USD 300 billion, is expected. A number of key players have already announced that the budgets will remain at the same level or be increased.

Increasingly, as a consequence of its broad package of solution-oriented services, Fugro is involved throughout almost the entire life cycle of oil and gas fields. This cycle can last for several decades. It starts with the search for fields and continues from investigations and surveys related to the design and construction of the structures required to bring new fields into production, to improving production from existing fields and finally decommissioning. Fugro will, therefore, be able to continue to benefit from the further increase in the investments (already substantial in recent years) now being made by the oil and gas companies. In the years to come, investments will still be undertaken to achieve production in the longer term.

Many of the exploration and development activities, especially those related to deepwater projects, take place in the Gulf of Mexico, West Africa and Brazil. Other regions that continue to be very active are the Middle East, the Caspian Sea, the North Sea and parts of Asia, India and Australia. There is also increasing interest in detailed reservoir information from existing fields to enable production levels to be maintained for as long as possible, and to extract the maximum volume of available oil and gas.

Demand for gas is creating a strong global growth market. Some of the demand is met by production of liquefied natural gas (LNG), which can be transported over the sea. Fugro is carrying out surveys for a number of LNG terminals now under development in various parts of the world. High energy prices are making the development of gas fields located at considerable distance from the user markets more attractive. This is especially applicable in the Middle East where there are considerable gas reserves within transportation distance of India, China and Japan. Large-scale developments are also taking place in countries that have been exporting gas for some time, such as Australia, Nigeria and Indonesia. This will reinforce the trend towards the creation of a global gas market and could result in gas remaining more attractive than alternative energy sources.

The oil price has fallen drastically in the second half of 2008 following a peak at USD 147. External publications indicate that oil companies base their economic viability calculations for most of their larger projects on the current oil price level. Considering the long duration from start to finish of these kinds of projects and the, over time, recovering oil price, Fugro anticipates that its services will continue to be in demand in 2009 and the following years.

### The market for infrastructure projects

Infrastructure related activities accounted for approximately 15% of Fugro's activities in 2008. The uncertain market situations are noticeable in a number of these market segments. The housing market, for instance, will grow less rapidly and in some areas may even contract. This market is less important to Fugro. Fugro is concentrating more on large infrastructure projects. In times of economic stagnation, (local) governments often initiate such projects to boost the local economy. Fugro also intends to accentuate a number of initiatives in this part of the market such as water management and advice on road maintenance. In order to be involved in large infrastructure projects as early as possible, Fugro makes early contact with the key players in the development of these projects.

The scale of these regional projects depends on general economic developments as well as government spending. In a number of regions, larger integrated government-financed developments are being considered.

Fugro undertakes large contracts associated with airports, land reclamation, (LNG) harbour expansions, dykes, tunnels, and major building and construction works all over the world. The company has strengthened its market position in this segment, steadily and continuously. One reason for this is the fact that Fugro has increasingly positioned itself as a supplier of integrated solutions in order to fulfil the customer's preference for handing over the responsibilities for various data acquisition and consultancy activities across a broader front to a single service supplier. Fugro can benefit from this market trend, thanks to the Group's unique combination of activities, specialists, equipment and technologies, combined with its scale of operation and leading market position.

### Mining

The majority of Fugro's mining related revenue comes from the mining exploration sector. This sector continued a high level of investment throughout most of 2008. One component of this is private sector mining company activity, which is driven by the economic value of new sources of metals and minerals to their businesses. This is affected by mineral prices and by the planning assumptions and planning horizon of the mining companies. Another component is the regional mapping of geology and earth structure which is viewed as a strategic investment by governments and semi-governmental organisations such as foreign aid groups. This tends to be less dependent on short-term fluctuations in minerals prices. As the financial markets entered into difficulty in 2008, potential sources of funding from equity and debt providers for explorers came under pressure. Those exploration companies which do not have sources of operating cash flow became hesitant about spending the cash they had. As a result of this, a significant decrease was seen in the activity of mining 'juniors' in the latter part of 2008 and this is expected to continue until the capital markets rectify themselves. Although it remains to be seen whether mining 'majors' curtail their exploration activity, it is expected that

| Development of goodwill* | Goodwill (EUR mln.) | Book value as of 31 December |
|---|---|---|
| 1987-1992 | 32.8 | 0 |
| 1993 | 2.9 | 0 |
| 1994 | 40.3 | 0 |
| 1995 | 5.2 | 0 |
| 1996 | 3.0 | 0 |
| 1997 | 18.1 | 0 |
| 1998 | 16.9 | 0 |
| 1999 | 35.3 | 0 |
| 2000 | 37.4 | 0 |
| 2001 | 242.8 | 237.9 |
| 2002 | 3.2 | 190.9 |
| 2003 | 68.2 | 253.1 |
| 2004 | 22.9 | 274.4 |
| 2005 | 8.3 | 289.2 |
| 2006 | 59.4 | 347.3 |
| 2007 | 47.3 | 381.6 |
| **2008** | **76.0** | **418.5** |
| Total | 720.0 | |

* *Up until 2000 goodwill was deducted directly from the shareholders' equity; the goodwill under IFRS has been recalculated as of 31 December 2002.*

| ***Backlog at start of the year (for the next twelve months)*** (x EUR 1 mln.) | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| **Geotechnical** | | | | | |
| Onshore | 168.7 | 152.7 | 147.1 | 97.5 | 74.8 |
| Offshore | 174.6 | 142.6 | 98.3 | 69.0 | 61.9 |
| | 343.3 | 295.3 | 245.4 | 166.5 | 136.7 |
| **Survey** | | | | | |
| Offshore | 682.3 | 539.0 | 481.9 | 371.7 | 253.3 |
| Geospatial Services | 122.5 | 109.1 | 62.1 | 57.4 | 42.1 |
| | 804.8 | 648.1 | 544.0 | 429.1 | 295.4 |
| **Geoscience** | | | | | |
| Development & Production | 391.5 | 452.7 | 294.0 | 170.7 | 123.1 |
| Airborne Survey | 60.8 | 62.4 | 63.0 | 47.8 | 34.0 |
| | 452.3 | 515.1 | 357.0 | 218.5 | 157.1 |
| Total | 1,600.4 | 1,458.5 | 1,146.4 | 814.1 | 589.2 |
| Applicable USD-rate | EUR 0.71 | EUR 0.68 | EUR 0.76 | EUR 0.85 | EUR 0.73 |

Recalculated at the exchange rates at the start of 2008, the backlog at the start of 2009 would have been EUR 92.7 million higher (EUR 1,693.1 million).
Backlog comprises revenue for the coming twelve months and includes on-going contracts and contracts awarded but not yet started (approximately 66% of the total) and uncompleted parts of on-going projects and projects that have been identified and are highly likely to be awarded (approximately 34% of the total).

governmental and quasi-governmental organisations will continue to carry out projects.

### *Other market segments*

Fugro not only supplies services to the aforementioned markets but also to a number of other niche markets. These services include precise positioning for machine guidance in agriculture, route surveys for offshore telecommunications cables, and airborne mapping using laser technology for governmental authorities and other public services. Approximately 6% of annual revenue is generated by these segments. In general, these activities are more region-specific and related to the sector's economic activity.

## BACKLOG

At the beginning of 2009 the backlog of work to be carried out during the year amounted to EUR 1,600.4 million – an increase of EUR 141.9 million compared to the previous year (beginning of 2008: EUR 1,458.5 million).

The proportion of definite orders is 66% (beginning of 2008: 65%). The backlog calculation is based on end-of-year exchange rates in EUR and is 9.7% higher than at the beginning of 2008. A considerable part of the backlog is in foreign currencies. Therefore the lower exchange rate of the US dollar and related currencies and the British pound can be of influence. Had the exchange rate remained the same, the backlog would have increased by 16.1% compared to the beginning of 2008.

## POST BALANCE SHEET DATE EVENTS

### *Organisational structure*

The Survey division has been structured as of 1 January 2009 as follows:

- Offshore Survey;
- Subsea Services (the Remotely Operated Vehicle (ROV) activities have been split off from the other offshore survey activities at sea);
- Geospatial Services.

The Geoscience division has been structured as of 1 January 2009 as follows:

- Seismic Services;
- General Geophysical Services (acquisition, processing and interpretation of non seismic data from the air, as well as on land and at sea);
- Information Services.

***Acquisitions***

Post balance sheet date Fugro announced the acquisition of the LoadTest group of companies, headquartered in Gainesville, Florida, USA and with subsidiaries in Singapore, Korea and United Kingdom, for approximately EUR 13 million. LoadTest is the world's leading provider of static pile load testing services, using the proprietary bi-directional Osterberg Cell® load testing method. Revenue for the last financial year was more than EUR 13 million and the company employs 40 staff.

## OUTLOOK

The oil and gas industry is Fugro's most important market sector, representing a 75% share of the company's revenue. The price of oil has no direct influence on the services but can certainly affect the behaviour of Fugro's clients with regard to their investments.

The worldwide recession, caused by the financial crisis, has led to a slowdown in the demand for oil and gas. The Organisation of the Petroleum Exporting Countries (OPEC) has, like other oil exporters, responded by cutting oil production levels. Much uncertainty remains about the level at which supply and demand will stabilise and at what oil price. This situation can lead in the short term to high volatility in the oil price per barrel, as was the case last year when the price per barrel fluctuated between USD 37 and USD 147 per barrel. The current price level of around USD 40 will most likely delay new projects for producers with high external financing costs. These are usually smaller oil companies with primarily short-term, small-scale projects. On the other hand, some national oil companies (NOCs) and larger international producers have recently indicated their intention to increase investments in the coming year, or at least keep them at the 2008 level. The investment horizon is an important issue and must take account of the fact that for new larger offshore oil and gas fields, the time that passes between the decision to develop a field and the actual start of production can be several years. Worldwide, the decrease in production of existing fields through depletion is 6 to 8% annually.

Considering the lead time required to put new fields into production, the need for continuous investment in future production capacity has not been greatly affected by the current economic situation. According to external reports published at the end of 2008, it is expected that the investment budgets of international companies that are important to Fugro will drop by 6% in 2009 compared to 2008, to around USD 300 billion. Fugro's involvement in maintenance of installations at sea (inspection repair maintenance or IRM) has increased over the last few years and these activities are far less sensitive to oil price fluctuations.

For Fugro's infrastructure-related activities, stimulus packages by various governments will lead to more projects that will compensate for a decline in more prestigious projects such as the construction of artificial islands off the coast of Dubai. The decentralised organisational structure, with local operating companies, will enable Fugro to respond quickly to changes in demand for infrastructure services that have a national or regional character.

Due to the sharp fall in prices for minerals and the heavy dependence of smaller clients on external financing for projects, a decline in the demand for mineral exploration services is expected for 2009. This decline can largely be compensated for by applying research methods that were developed for the mining industry when searching for oil and gas and for which Fugro recently received a number of contracts.

In addition to the influence of aforementioned uncertainties in market developments, the exchange rate of the US dollar and the British pound compared to the euro is important. Last year the British pound in particular lost value against the euro. The larger part of Fugro's revenue and costs are in the same currency. The translation to euros could be of influence on the reporting of results, which is in euros. Furthermore, political instability can lead to stagnation of projects.

Recent developments will result in less tension in the labour market and more manageable costs of services by third parties, such as transport and short-term charter of vessels.

Currently there is still a lot of uncertainty about the depth and duration of the worldwide recession.
Fugro will respond to this with measures such as:

- restrictions on new investments, unless profitable in the short term or strategically important
- flexibility in hired capacity, such as chartered vessels and freelance staff
- strict cost control and further optimisation of operational efficiency.

As soon as recovery of the world economy sets in, the sectors on which Fugro focuses, in particular those of energy, construction, transport, minerals and water, should soon offer good opportunities.

Expansion and broadening of activities through acquisition will remain part of the strategy.
The current situation may lead to more realistic valuations of companies than has been the case in some sectors in recent years.

In summary, based on a good backlog, we expect in the first half year of 2009 a modest increase in revenue due to organic growth and acquisitions and a slightly lower net profit margin than in the first half of 2008. In view of the current volatility in the market developments the expected course of events for the full year 2009 cannot be indicated at this time.

Due to the short-term nature of a number of our projects, as in previous years we will first publish a quantitative forecast for the entire year in August 2009, at the time of the publication of the 2009 half-yearly report.

### *Report pursuant to article 5:25c of the Financial Markets Supervision Act in the Netherlands*

In the opinion of the Board of Management, the annual accounts 2008 of Fugro N.V. (pages 76 to 149) give a true and fair view of the assets, liabilities, the financial position, and the profit or loss of Fugro N.V. and its consolidated companies and give a true and fair view of the financial position as per 31 December 2008, and the course of events during 2008 of Fugro N.V. and its consolidated companies, whose details are included in the financial statements. The significant risks Fugro N.V. faces are described in this annual report.

Leidschendam, 5 March 2009

K.S. Wester, President and Chief Executive Officer
A. Jonkman, Chief Financial Officer
P. van Riel, Director
A. Steenbakker, Director


Fugro's next generation ARAN vehicle for the collection of pavement data for a project in Abu Dhabi.

## IMPORTANT AND INTERESTING CONTRACTS

Fugro obtained important contracts. Some interesting examples are:

**2008**

- United States – Hydrographic survey and related support services in US waters for the National Oceanic and Atmospheric Administration (NOAA-NOS), a bureau of the U.S. Department of Commerce. The contract is for five years, and not-to-exceed USD 250 million.

- United States – Detailed mapping of the Red River Basin in three states. Contract value amounts to EUR 5 million.

- Brazil – Fugro obtained a number of orders for Petrobras, including a three year extension of a contract for two ROVs (Remotely Operated Vehicles) to execute installation, repair and maintenance work in the Santos and Campos basins in up to 3,000 metres water depth; Six ROV rig support contracts for a period of two to five years; and a three year extension of a contract to perform air diving activities for maintenance work. Together with the earlier announced contracts for Petrobras and for other international oil companies for performance of various offshore activities, the above mentioned contracts represent a value of over EUR 270 million for work to be executed in the coming years in Brazil. Meanwhile Fugro operates 17 ROVs in Brazil and will add some more in the coming year.

- Mexico – Fugro, in conjunction with a local partner, has been awarded a large, multi-site high resolution geophysical and geotechnical survey by Mexico's national oil company PEMEX. Overall value of the contract is USD 40 million.

- Australia – 3D marine seismic survey for Apache Energy Ltd. The contract totals approximately 5,000 square kilometres survey work with Fugro's seismic vessel Geo Atlantic from November 2008 until the end of March 2009. On this project a new streamer stearing method is used.

- Middle East – Geotechnical investigation for the proposed causeway between Bahrain and Qatar. Contract value USD 6 million.

- The Netherlands – Marine seismic survey of 1,150 square kilometres in the Dutch sector of the North Sea for Gaz de France Production Nederland. Fugro's seismic vessels Geo Baltic and Geo Arctic were used.

- United Kingdom – Geotechnical investigations for Gwynt y Môr windfarm, joint undertaking of Fugro Alluvial Offshore and Fugro Seacore. The total contract value is approximately EUR 13 million.

- Africa – Several airborne projects, funded by the European Union: In the past years Fugro flew approximately 600,000 line kilometres in Niger to acquire data to evaluate the mining possibilities in the country with a total contract value of USD 12.5 million. At the beginning of 2009 the airborne survey activitites in Ghana will be finished (300,000 line kilometres, USD 14.1 million), as well as in Senegal (more than 150,000 line kilometres, USD 4.3 million).

- Papua New Guinea – For the Ministry of Mines in Papua New Guinea Fugro collected approximately 200,000 line kilometres in the central highlands of PNG during a three-year period. The result is intended to contribute to a regional database of mineral prospectivity. This EUR 12.5 million survey was also financed by the European Union.

- Middle East – Major geophysical research to determine the condition of runway pavement and foundation of the Abu Dhabi International Airport. For this project Fugro used an integrated system of different geophysical techniques and satellite navigation.

- Africa (Isle de La Réunion) – Near shore geotechnical investigation as part of a feasibility study on improvement of a 15 kilometre coastal highway section. This highway on the island of La Réunion is prone to landslides and erosion by tropical storm waves. Near shore testing and coring at 37 sites has been undertaken using the Skate IV self-elevating jack-up platform.

**2009**

- Brazil – an award for a geochemical coring programme in the Jacuipe basin in the northeast of Brazil with a contract value of about EUR 6 million.

- Tanzania/Mozambique – two contracts for the execution of extensive oceanographic and meteorological measurement programs in the Indian Ocean offshore Tanzania and Mozambique. The programs will be more than a year's work.

- South America – Two contracts for high accuracy elevation mapping over parts of South America, with a combined value of USD 13 million. The contracts will be carried out using Fugro EarthData's exclusive GeoSAR airborne radar mapping system and are funded by the U.S. government.

- Spain – The Spanish harbour authority, Puertos del Estado, has awarded Fugro a two year service and maintenance contract for an existing ocean buoy network along the Spanish coast line. The contract value is EUR 3.9 million, with an option to extend the contract for an additional four years, in which case, the total value could reach over EUR 12 million. The Puertos del Estado Deep Water Network is designed to measure marine climatic parameters and was set up in 1996 in a supply and maintenance contract between Puertos del Estado and Fugro. The system currently consists of 23 operating buoys and three current meter strings in 15 positions stretching along the entire coastline of Spain.

## GEOTECHNICAL DIVISION

The Geotechnical division's revenue increased by 22% to EUR 541 million (2007: EUR 443 million). The result from operating activities (EBIT) increased by 22% to EUR 95 million (2007: EUR 78 million). This equates to an 18 % (2007: 18%) margin on revenue.

During 2008, the focus of Fugro's onshore geotechnical services continued to be on business growth in regional markets; strengthening the group's market position in soil investigation in coastal waters; and involvement in larger, long-term projects. The acquisition of In Situ Geotecnia in Brazil and the establishment of an office in Panama have strengthened Fugro's positions in Brazil and Central America.

The acquisition of six jack-up platforms and the execution of two large, prestigious near-shore soil-investigation projects in Abidjan, Côte d'Ivoire, and St Denis, La Réunion, have contributed to the further global expansion of the near-shore capabilities. A purpose-built jack-up platform is currently operational in Australia in support of oil and gas clients, predominantly for the increased activity associated with liquefied natural gas plants.

Also in 2008, Fugro started to focus on the global water market through Fugro Water Services. The acquisitions of Roadware Group Inc. in Canada and Pavement Management Services Pty Ltd in Australia contributed to expanding the capabilities in the pavement management business. Both these areas are considered to be growth markets, and Fugro is well positioned to capture market share.

In Western Europe, Fugro saw a stable market. Projects in Central and Eastern Europe can lead to a more sustainable permanent position when the local economies stabilise. The group's operations in Russia have been increased as a result of increased infrastructure development and oil and gas industry activity.

As a result of their strong position, the group's operating companies in the USA contributed well, despite the uncertain domestic markets in 2008, and were positively impacted by international oil and gas opportunities, and involvement in long-term water-related projects in Louisiana and California. The deferral of some projects associated with the expansion of nuclear power stations in the USA has slowed down the activity in this market.

Good growth was achieved as a result of the continued investment wave in the Middle East. Fugro's investments in 2008 in human resources, equipment (including jack-up platforms) and branching out into other markets and service offerings contributed to this. We have executed pavement management projects in Abu Dhabi and Qatar, and are undertaking soil investigation work for the Bahrain–Qatar causeway. In India, good growth was achieved also as a result of investment in training and supply of equipment, including a jack-up platform.

Moderate growth was achieved in the Far East as a result of the uncertain economic situations in China and Hong Kong.

The offshore geotechnical business line has several offices worldwide and coordinates the equipment to be deployed from the USA, the Netherlands and Singapore. The typical projects vary from routine shallow water work to very complex, multidisciplinary deep water ventures. Over the past few years, deep water activity has increased significantly. This growth has been led by the large international oil and gas companies and the national oil companies.

| ***Key figures Geotechnical*** (amounts x EUR 1 mln.) | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| Revenue | 541 | 443 | 371 | 304 | 273 |
| Result from operating activities (EBIT) | 95 | 78 | 58 | 46 | 40 |
| Invested capital | 345 | 246 | 240 | 175 | 188 |
| Depreciation of tangible fixed assets | 24 | 19 | 14 | 10 | 10 |
| **Result from operating activities (EBIT)** as a % of revenue | 18 | 18 | 16 | 15 | 15 |

Research is continuously undertaken to improve and enhance the data collection technology used routinely in water depths to 3,000 m. Formerly, the emphasis and capital investment were centred on vessels, equipment and data collection, but, during 2008, the group's efforts shifted to building a world-recognised consulting group by combining the expertise and experience of the consultants in the survey and geotechnical groups into one geoconsulting entity. This group has established centres in the USA, the UK and Singapore.

The business line improved its performance compared with 2007 as a result of more efficient scheduling of resources, market oriented pricing policies and general higher work levels in 2008.

The group's backlog has shifted to having a higher proportion of revenue from the deepwater markets and greater reliance on the large international and national oil companies. Major projects were undertaken in virtually all the geographical regions of the world, with particularly large jobs in the Mediterranean, the Gulf of Mexico, Brazil and West Africa. In 2008 two chartered vessels were temporarily added to the fleet to ensure timely completion of work. At the end of the year, globally all vessels entered 2009 with a significant backlog, which supports a good start for the year.

Fugro provided ROV (Remotely Operated Vehicle) drill and construction support for the installation of the Kupe Gas Project offshore Taranaki, New Zealand.

## SURVEY DIVISION

In the year under review the Survey division achieved a 13% increase in revenue to EUR 960 million (2007: EUR 852 million). The result from operating activities (EBIT) increased by 15% to EUR 235 million (2007: EUR 205 million). This equates to 24% of the revenue (2007: 24%).

The division's activities cover shallow- to deepwater surveys, primarily in support of the oil and gas industry, and airborne and terrestrial data acquisition largely related to infrastructure developments. In the offshore sector, support services are provided such as accurate positioning for the oil and gas industry and data are acquired for field development and transportation infrastructure using specialised tools and technologies to acquire the required information.

The offshore survey business line covers a range of activities in support of the oil and gas industry, including geophysical investigations using dedicated fully owned and chartered vessels; construction support; Remotely Operated Vehicle (ROVs) operations for subsea construction and drilling work; and meteorological and oceanographic studies. Underlying most of these activities, is Fugro's global positioning system, Starfix, which provides precise positioning and navigation services for offshore applications, which are amongst others for the benefit of dynamically positioned vessels. Outside the oil and gas industry, Fugro engages in route surveys for the telecommunications industry and are increasingly successful in being contracted for hydrographic charting for government clients.

The Geospatial services business line offers a range of survey and mapping services using terrestrial, aerial and space based sensors to acquire geospatial data, followed by sophisticated processing and geographic visualisation systems to create geospatial information for a variety of applications. The business line also offers GPS and Glonass based positioning services on land (such as farm machine guidance).

On the back of a continued buoyant offshore market, thanks to the continued high demand for hydrocarbons, Fugro enjoyed another positive year on all fronts. The telecommunication sector (marine cables) was slow. Activity levels were high in all business lines but were clearly dominated by the support of construction spreads for field developments combining positioning and ROV services sometimes in environments as deep as 3000 metres. The geophysical activities were supported by considerable investments in new equipment, including the acquisition of a third AUV with 3,000 metres rating. By year end a total of around 30 vessels were operated. Fugro's global positioning network continued to be a mainstay providing precise positioning around the globe to all types and sizes of vessels. Utilisation of resources was high throughout the year, which resulted in a further autonomous growth.

| ***Key figures Survey*** (amounts x EUR 1 mln.) | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| Revenue | 960 | 852 | 709 | 565 | 470 |
| Result from operating activities (EBIT) | 235 | 205 | 146 | 97 | 71 |
| Invested capital | 463 | 371 | 278 | 222 | 179 |
| Depreciation of tangible fixed assets | 43 | 37 | 29 | 25 | 29 |
| **Result from operating activities (EBIT)** | | | | | |
| as a % of revenue | 24 | 24 | 21 | 17 | 15 |

Investment in people continued through the Fugro Academy training programme, which is now well established in the company. Investments were dominated by equipment for the subsea market (sonars, positioning tools and a total of 22 ROVs). The new ROV construction support vessel Fugro Saltire (charter) and the survey vessel Fugro Navigator (fully owned) were added to the fleet. Fugro maintained a presence in all oil and gas centres around the world and invested considerably in furthering the use of local staff, an undertaking appreciated in particular by clients from the national oil companies (NOCs). Acquisitions were limited to smaller companies focused on adding value at strategic locations.

The demand for specialised Geospatial services is growing worldwide, in particular spatial information for governments, natural resource exploitation and infrastructure related applications. Spurred on by the free availability of maps and earth imagery on the Internet, there is a growing trend to represent and visualise our fast changing world through detailed maps, aerial imagery and 3D models. Consequently, there is an increasing demand for ever more accurate and up-to-date geospatial data.

The acquisitions announced in 2007 were fully integrated over the course of 2008 to strengthen Fugro's Geospatial service capability in North America, the Middle East, Africa and Europe.

Geospatial Services experienced robust growth in 2008. All market sectors and all regions where the business line is active contributed positively to this growth. During 2008, investments were focused on acquiring new LiDAR and imaging sensors for aerial applications and instruments to support terrestrial survey services. In aerial mapping, Fugro secured the award of a number of important projects, like a multi-year contract to map the entire rail network of the Norfolk Southern rail company in the USA.

## GEOSCIENCE DIVISION

In 2008 the Geoscience division achieved a 29% higher revenue of EUR 654 million (2007: EUR 508 million). The result from operating activities (EBIT) increased by 34% to EUR 154 million (2007: EUR 115 million). This equates to a margin on revenue of 24% (2007: 23%).

Development & Production activities supply the oil and gas industry worldwide with a broad spectrum of interrelated services and occupies a strong position in the offshore seismic survey market and as a supplier of non-exclusive multi client data. It also provides data management and high-value geophysical, geological and reservoir data processing and interpretation services aimed at improving knowledge about (potential) oil and gas reservoirs.

The activities of all the business units continued to develop very well in 2008. Once again the oil and gas industry showed an increase in investments in exploration activities. This resulted in an increase in the demand for seismic surveys and good sales of geological and seismic multi client data.

Seismic activities made a strong contribution to the Geoscience division. In 2008 total revenue in seismic services amounted to approximately EUR 465 million, by which the intended tripling of the activities has been achieved and has made Fugro an important global player in seismic survey. The demand for geoscience data for the exploration and development of new oil and gas prospects is expected to continue to grow as well as data to enhance production from existing fields as production from existing oil fields continues to decline. This decline needs to be offset and additional production is required to meet the projections for long term growth in oil and gas demand from a growing world population.

The positive development of business in 2008 was due to favourable market conditions and Fugro's investment in vessels and equipment is paying off. Fugro continued with its seismic fleet expansion plan and towards the end of 2008 launched the large high end, high capacity and fully owned 3D vessel Geo Caribbean. In addition investments were made in data warehouses, software development, geologic laboratory equipment, software and computers to expand seismic data processing capabilities.

By far the largest part of the 2008 growth was organic. This organic growth was supported by some acquisitions to expand the division's geographic reach and technology base. Acquisitions included Phoenix Data Solutions in the United Kingdom which adds to Fugro Data Solutions' seismic data conditioning capabilities. A further acquisition was that of GeoLab Nor, which has added significant capacity for geochemistry services. In this field Fugro has now become a major service provider in data acquisition, analysis and interpretation. This acquisition will further support Fugro taking on the marine acquisition of such data.

Demand for airborne geophysical services remained robust in 2008. Both mining and oil and gas industries continued to execute their exploration activity at historically high levels. A number of governments extended their interest in regional data acquisition as a means of underpinning future natural resource-based economic development. In the last quarter of 2008 demand for these services declined as result of the strong drop in prices of raw materials.

| ***Key figures Geoscience*** (amounts x EUR 1 mln.) | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| Revenue | 654 | 508 | 354 | 292 | 265 |
| Result from operating activities (EBIT) | 154 | 115 | 66 | 44 | 37 |
| Invested capital | 477 | 402 | 286 | 180 | 159 |
| Depreciation of tangible fixed assets | 28 | 23 | 17 | 18 | 16 |
| **Result from operating activities (EBIT)** | | | | | |
| as a % of revenue | 24 | 23 | 19 | 15 | 14 |

Airborne Survey developed well and continuing progress was made with respect to putting elements of the long term plan into place. In order to strengthen its position as the provider of the broadest range of geophysical solutions, Fugro acquired the Falcon technology of gravity gradiometry systems from BHP Billiton. This uniquely positions Fugro to provide the highest standard of airborne gravimetric surveying presently available to the hydrocarbon and mining exploration industries.

Also, during the year Fugro Gravity and Magnetic Services was created in order to provide a single point of contact for the complete suite of Fugro's potential fields exploration services. These are of increasing importance in two respects. As explorers are forced to broaden their search space for new reserves of natural resources, gravity and magnetics provides a cost effective way to cover large areas relatively quickly. In addition, explorers are more than ever concerned with prioritisation and de-risking of drilling targets as these move into more complex and challenging environments. In this sense, gravity and magnetics are well suited as complementary data sets to maximise the utility of seismic information.

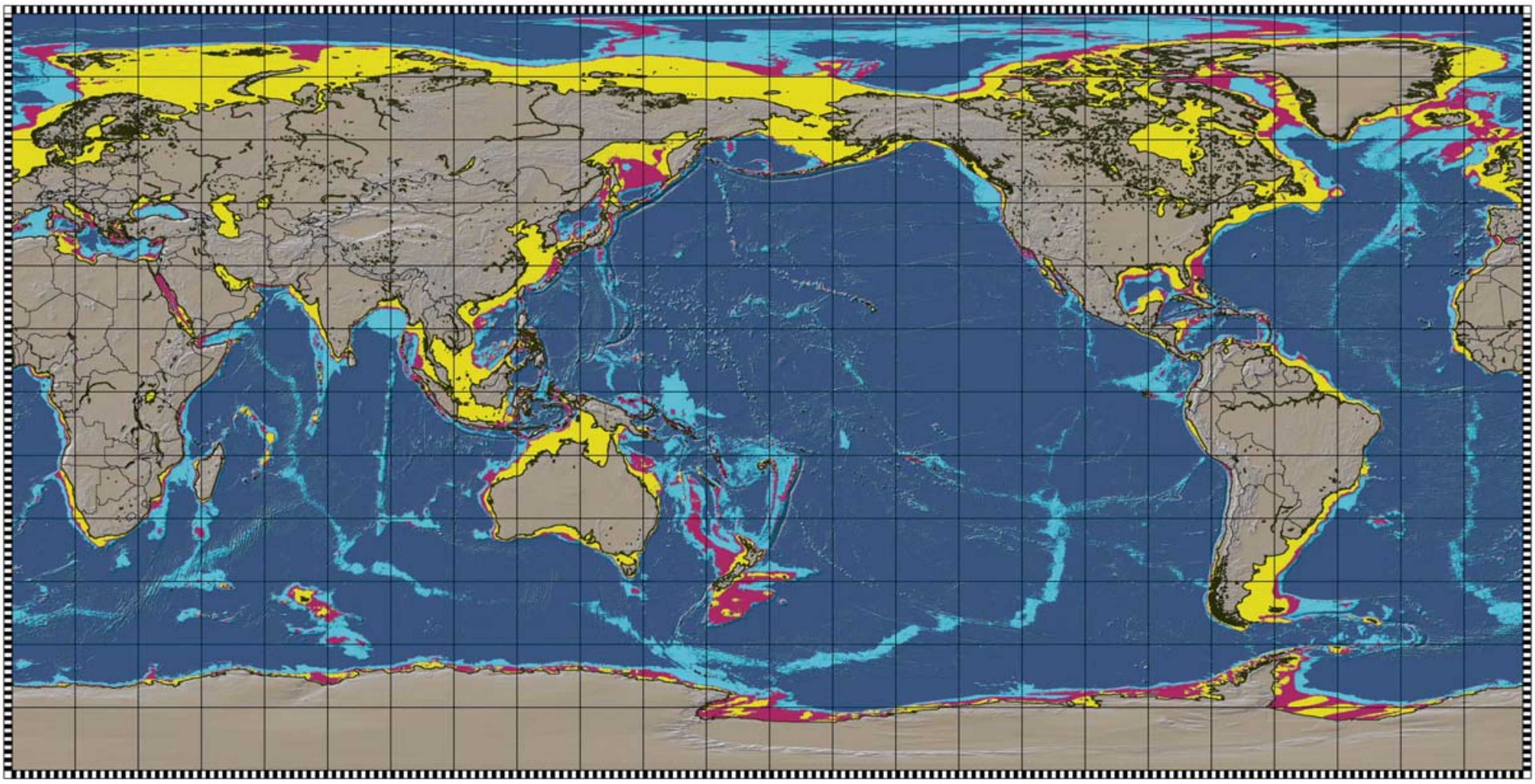
Increased sales efforts established South America as a significant market in its own right. Elsewhere, data acquisition portions of large regional mapping projects in, amongst others, Ghana, Senegal and Papua New Guinea were completed and a similar multi-year program in Nigeria continued. The acquisition of NexTerra Geophysical Solutions expanded our presence in India, another geographic market which is expected to continue to grow in importance.

The introduction of new helicopter electromagnetic technology in 2007 was followed in 2008 by expansion of the number of systems to establish Fugro as a significant provider of these services on a global basis. Important surveys were executed in Canada, Africa and Russia. Fugro also acquired 60% of EMMET, an electromagnetic technology development company based in Russia. EMMET forms part of the effort to extend the use of existing airborne and terrestrial electromagnetic capabilities and knowledge into the marine environment.

# Deep deeper deepest

The world's structurally growing demand for energy and the depletion of fields with 'easy accessibility' mean that those oil and gas fields that are difficult to explore and develop are becoming economically more attractive. Huge investments are being made in the exploitation of such fields by the oil and gas industry.

Research shows that many of the remaining oil and gas reserves lie in **deep water.** Technological developments in the oil and gas industry have made it possible to unlock these deposits, which were previously unreachable. Fugro supports oil and gas companies in their search for hydrocarbons in deep water, and helps them to chart the seabed and the structures that lie thousands of metres below. The map of the world below shows the vast area ('red and blue') that is regarded as deep water.



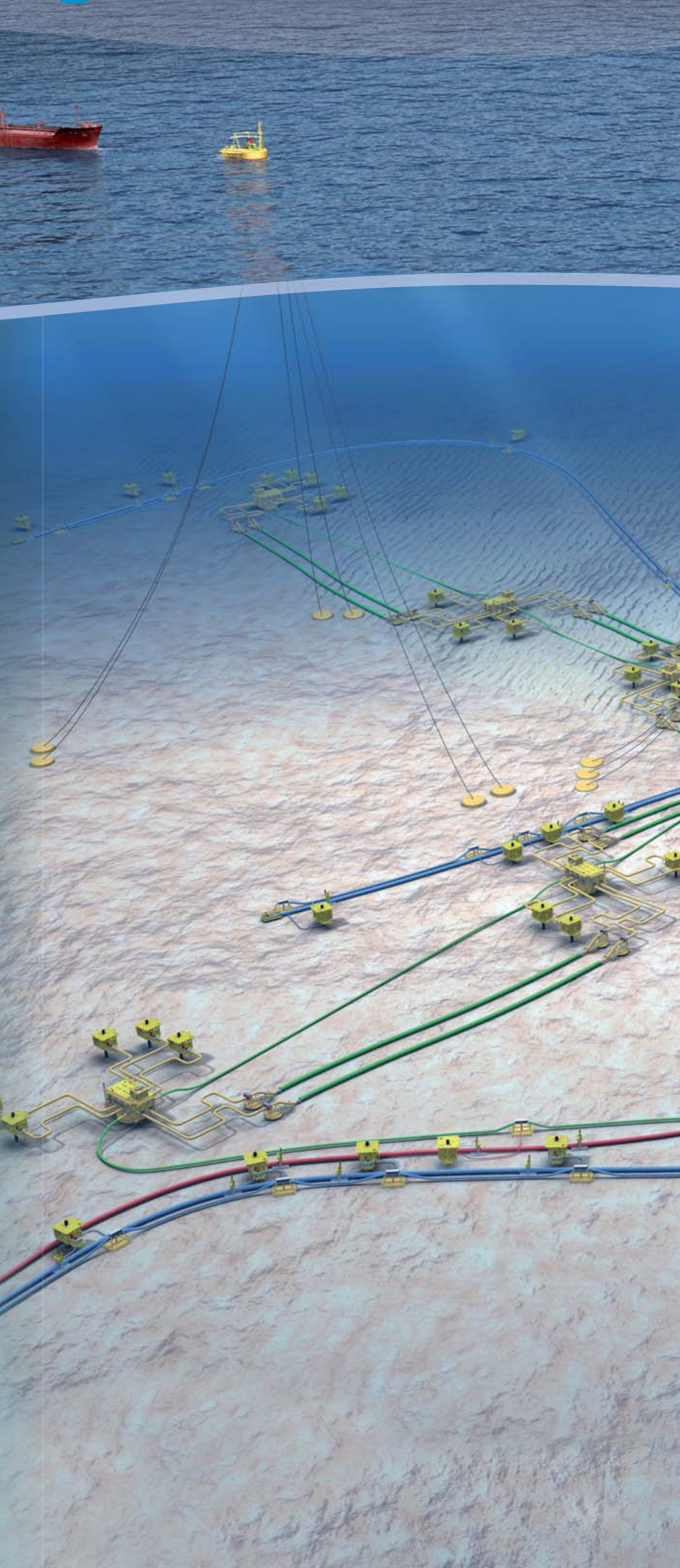
0 m up to 450 m

450 m up to 3,000 m

3,000 m up to 4,500 m

4,500 m up to 10,000 m

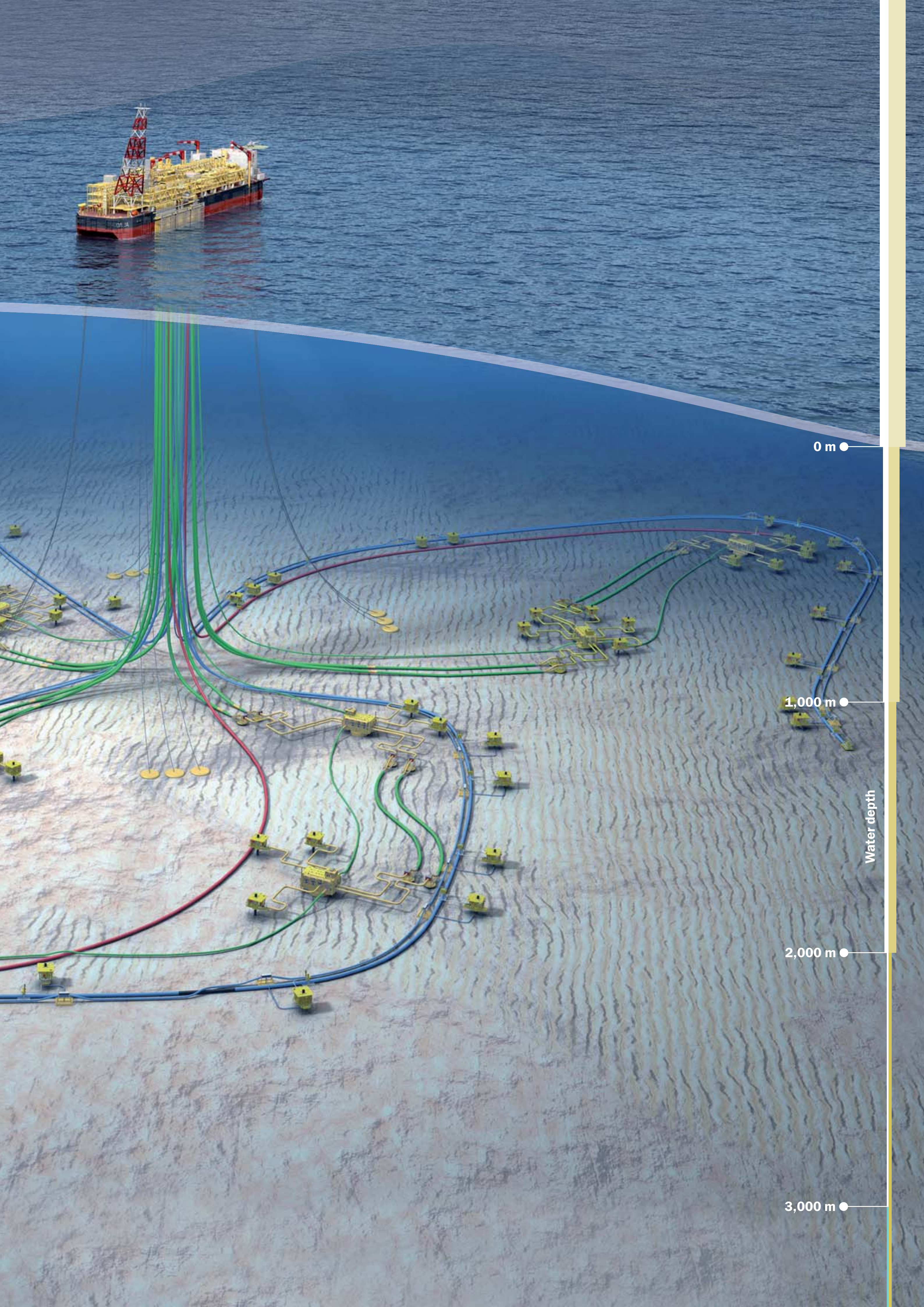
# Complex **challenges**



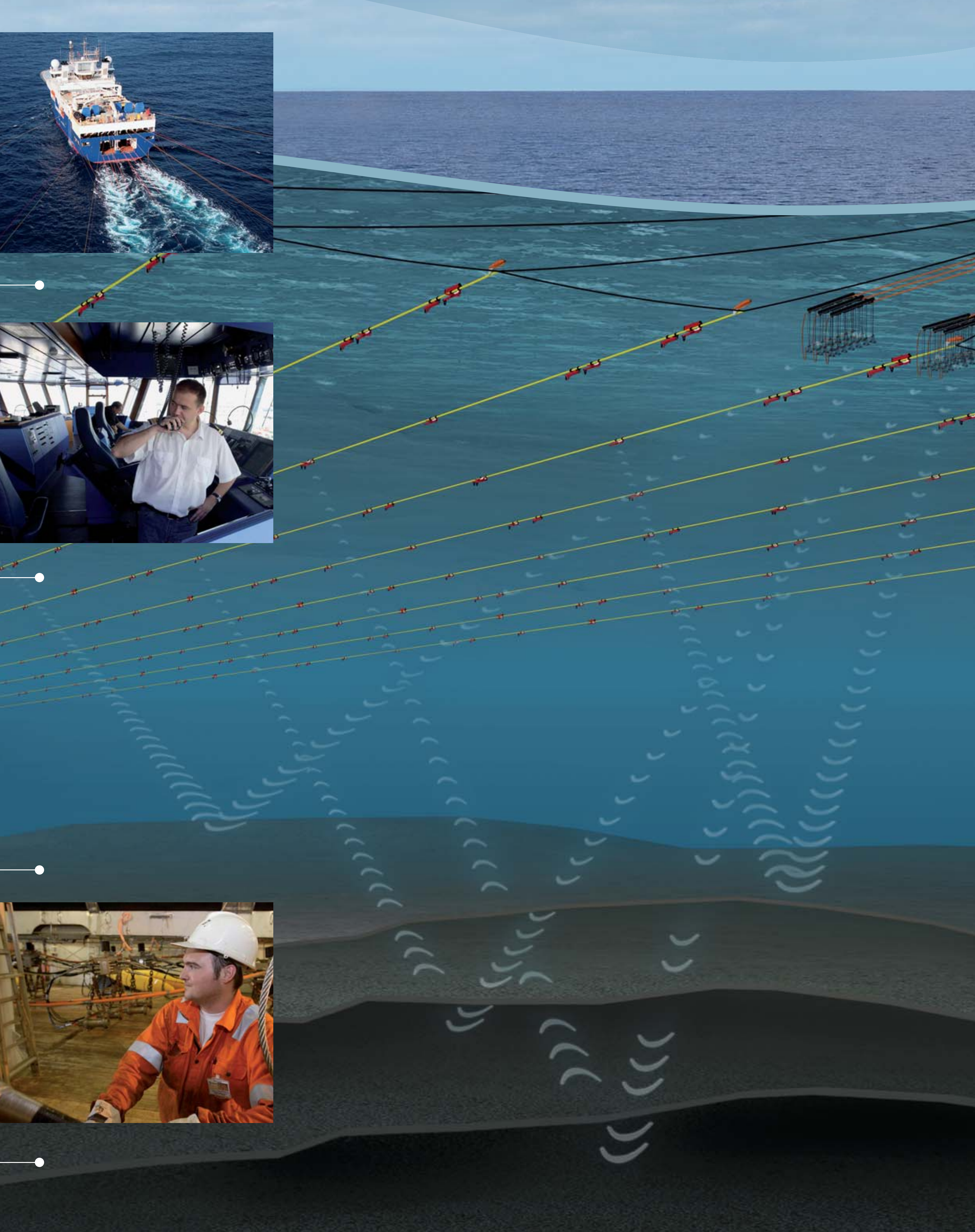
It turns out that many of the new oil and gas concentrations being found are in small, separate deposits rather than in one large reservoir. Production from this sort of discovery requires more extraction wells, which may be situated many kilometres apart. To be profitable, such fields need connecting to a central producing facility on the sea floor. This creates a complex infrastructure of cables, pipelines, valves and other equipment on the seabed.

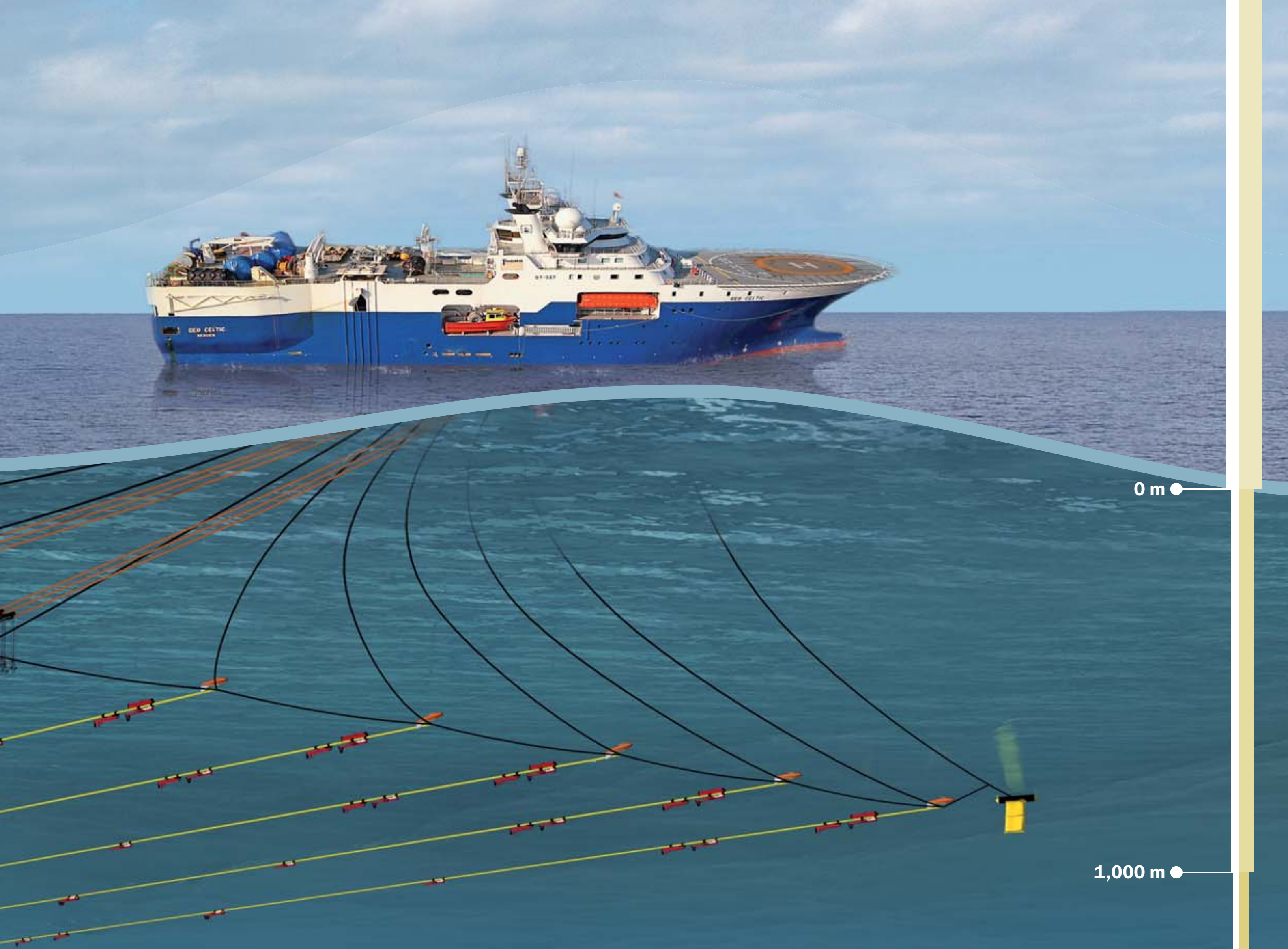
Fugro supports the oil and gas industry throughout all phases of an oil or gas field's life cycle. Its technological leadership and innovative strength enables the company to respond to this trend for hydrocarbon production in **deep water**.

Working at **great depths**, currently as deep as 3,000 m, brings enormous new challenges. It is impossible for divers to operate at such depths owing to the high water pressure. Therefore, equipment needs to be installed on the seabed and operated remotely from a great distance. Fugro has an extensive range of technological solutions for working at great depths.


0 m
1,000 m
2,000 m
3,000 m
Water depth

# In **deep water** and deep below the seabed






Seismic studies of the deeper earth strata are needed to precisely locate oil and gas resources. By using its newest seismic vessels, Fugro can collect very detailed and complex data about rock structures in deep water.

In view of the continuously increasing need for this kind of survey, Fugro is investing in large seismic vessels that have extensive measurement capabilities and can chart the structures deep beneath the seabed.

Seismic studies are based on sonic waves that are generated at the surface and reflected by the subsurface rock layers. The sonic echoes are recorded and reviewed on board the survey vessel. Highly sensitive hydrophones are towed behind the vessel at a fixed interval in a flexible tube (the streamer).

The more hydrophones and the longer the streamers, the more accurately the subsoil can be mapped. In this way, an intricate network of data lines is created. Extensive computer processing of the measurements results in a comprehensive three-dimensional image. Geologists can use the outcome to determine the depth, thickness and shape of the rock layers, their spatial offsets and the location of oil and gas reserves.

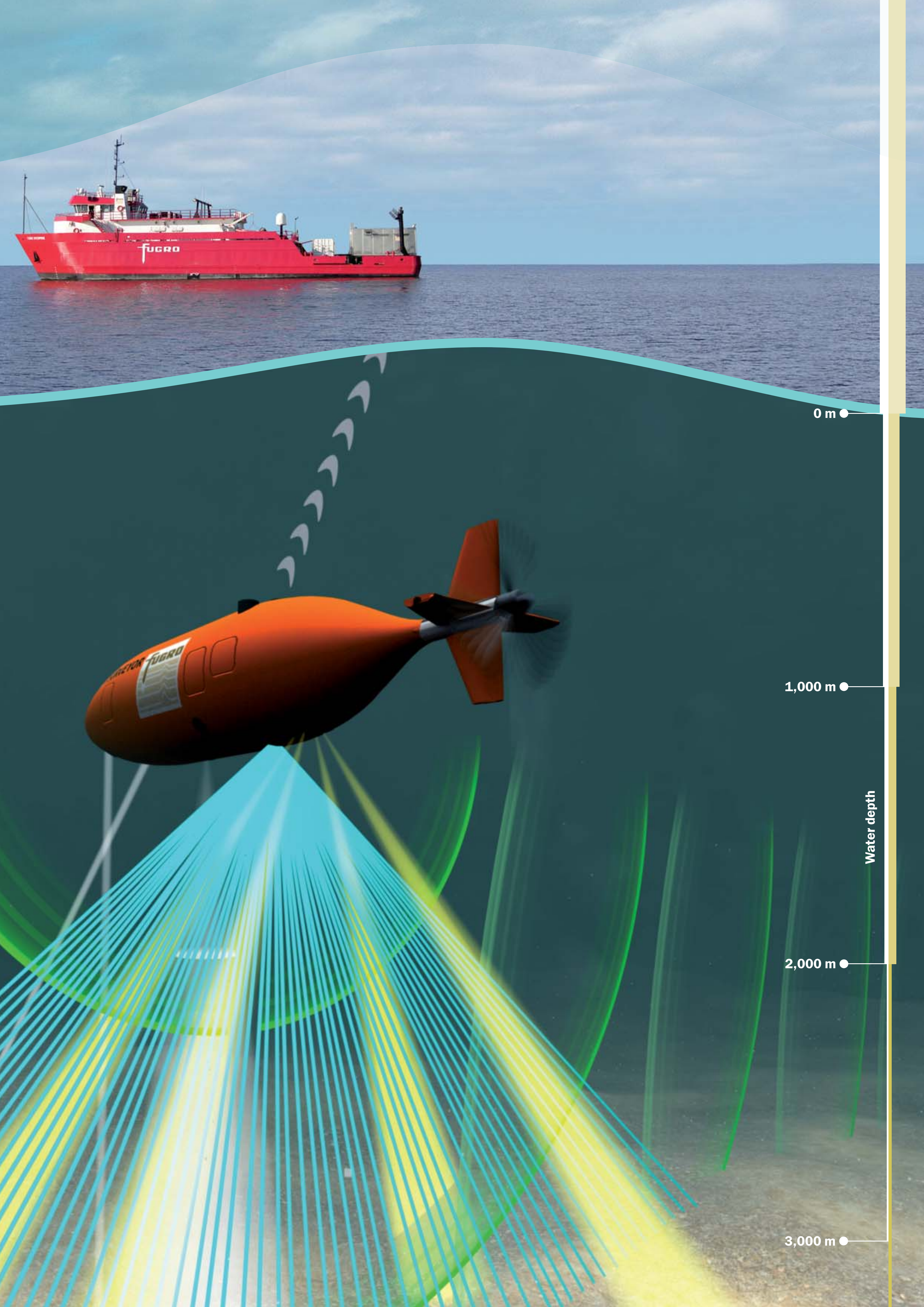
Using repeated seismic surveys, Fugro can also provide information on the movement of oil and gas in the reservoir during production. This can help to considerably extend the production output of reservoirs.

# The **seabed** in deep water

Through hydrographical and geophysical studies, Fugro can map the composition of the seabed and the layers just beneath. Oil companies need this information to design subsea facilities or to determine the routes of cables and pipelines.

To undertake this sort of research at great depth, Fugro deploys, among other equipment, autonomous underwater vehicles (AUVs). These are unmanned whale-shaped submarines with advanced sonar equipment that can map an area fully independently. An AUV can work at depths to 3,000 m, and can travel over a pre-programmed route for about three days. After that period, the AUV automatically surfaces near the vessel, where it is recovered and the collected data is downloaded. The casing of the AUV is made of titanium to resist pressures of 300 atm. Using sonar, the AUV can navigate round obstacles and, in this way, detect hidden pipelines, cables and other obstacles that may affect the installation of an oil or gas platform.

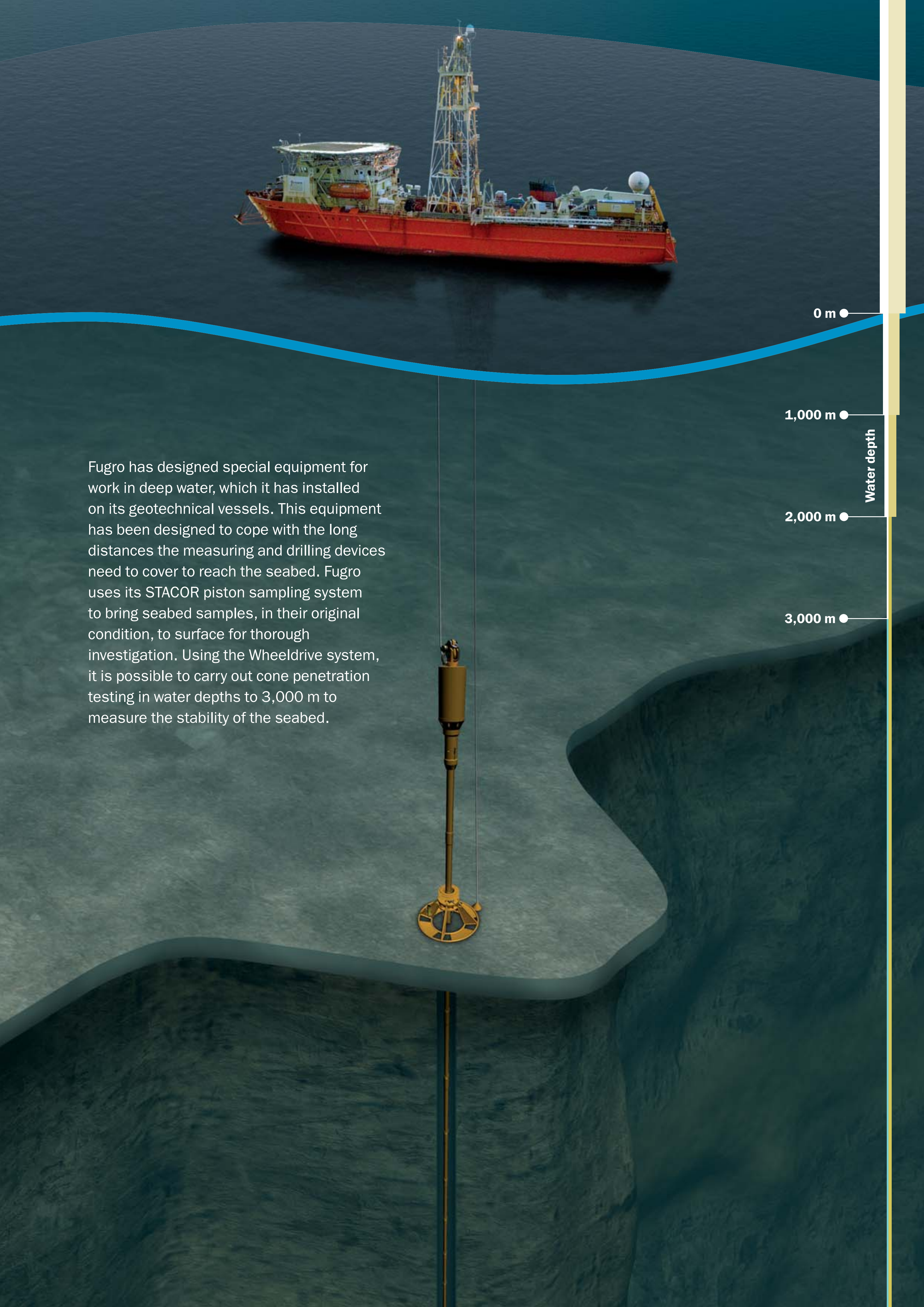
By now Fugro has five AUVs in use for deep water projects, and has carried out projects in amongst others Indonesia, Brazil and Nigeria.



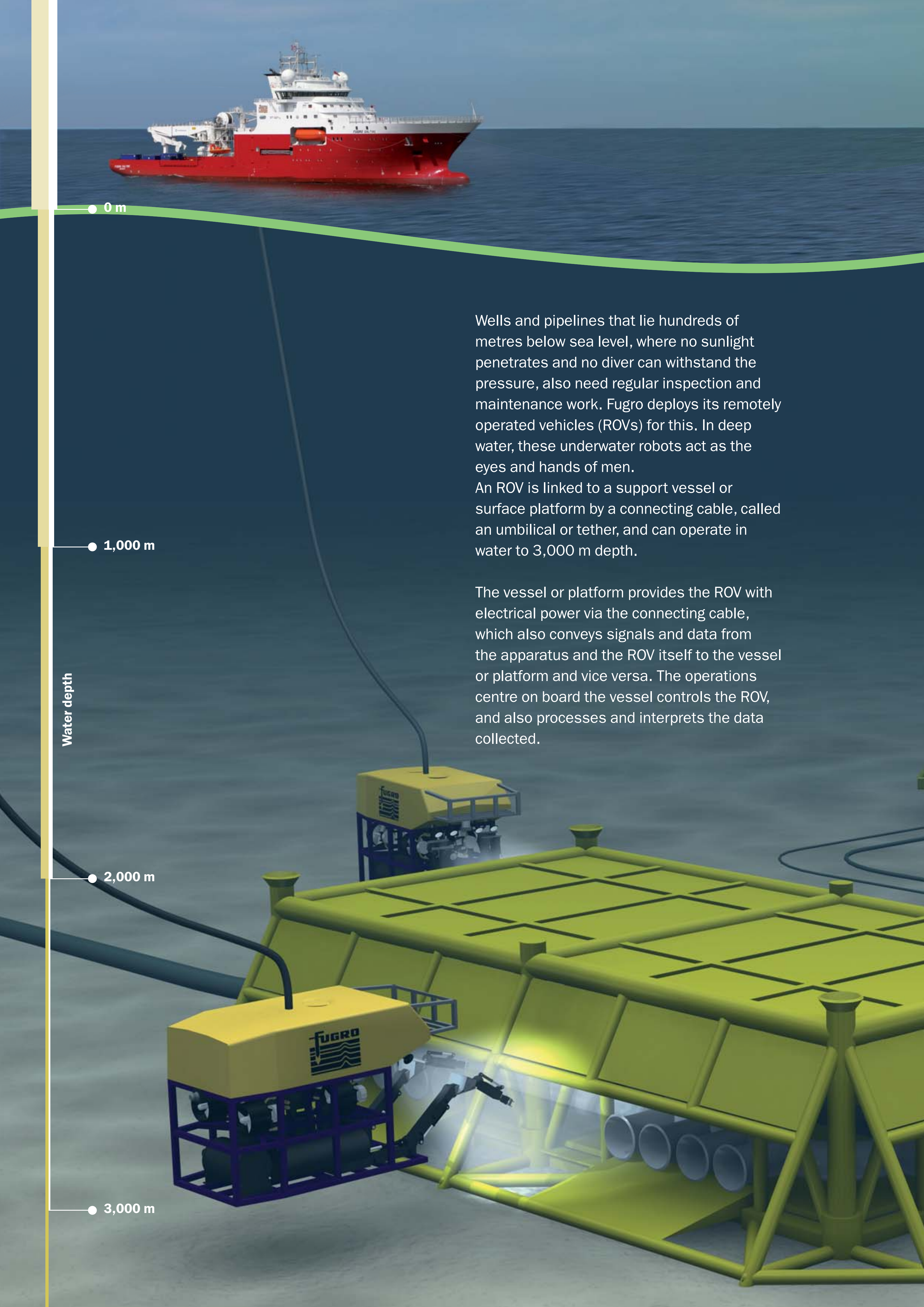
0 m
1,000 m
2,000 m
3,000 m
Water depth

# Safe **seabed installation** in deep water

Oil and gas companies base the designs of drilling rigs and subsea installations on Fugro's research data on the load-bearing ability of the seafloor. The deeper the water and the more extreme the environment for new construction projects, the more important these data become. Through its marine geotechnical studies, Fugro can advise on the best locations for oil and gas companies to safely set up or anchor their installations.




Fugro has designed special equipment for work in deep water, which it has installed on its geotechnical vessels. This equipment has been designed to cope with the long distances the measuring and drilling devices need to cover to reach the seabed. Fugro uses its STACOR piston sampling system to bring seabed samples, in their original condition, to surface for thorough investigation. Using the Wheeldrive system, it is possible to carry out cone penetration testing in water depths to 3,000 m to measure the stability of the seabed.

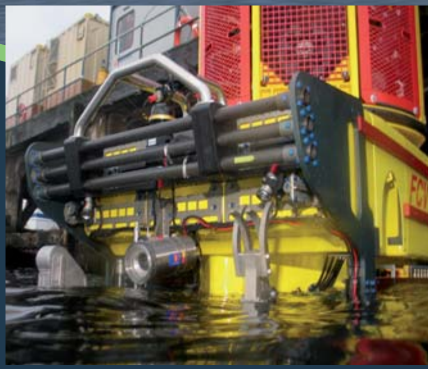


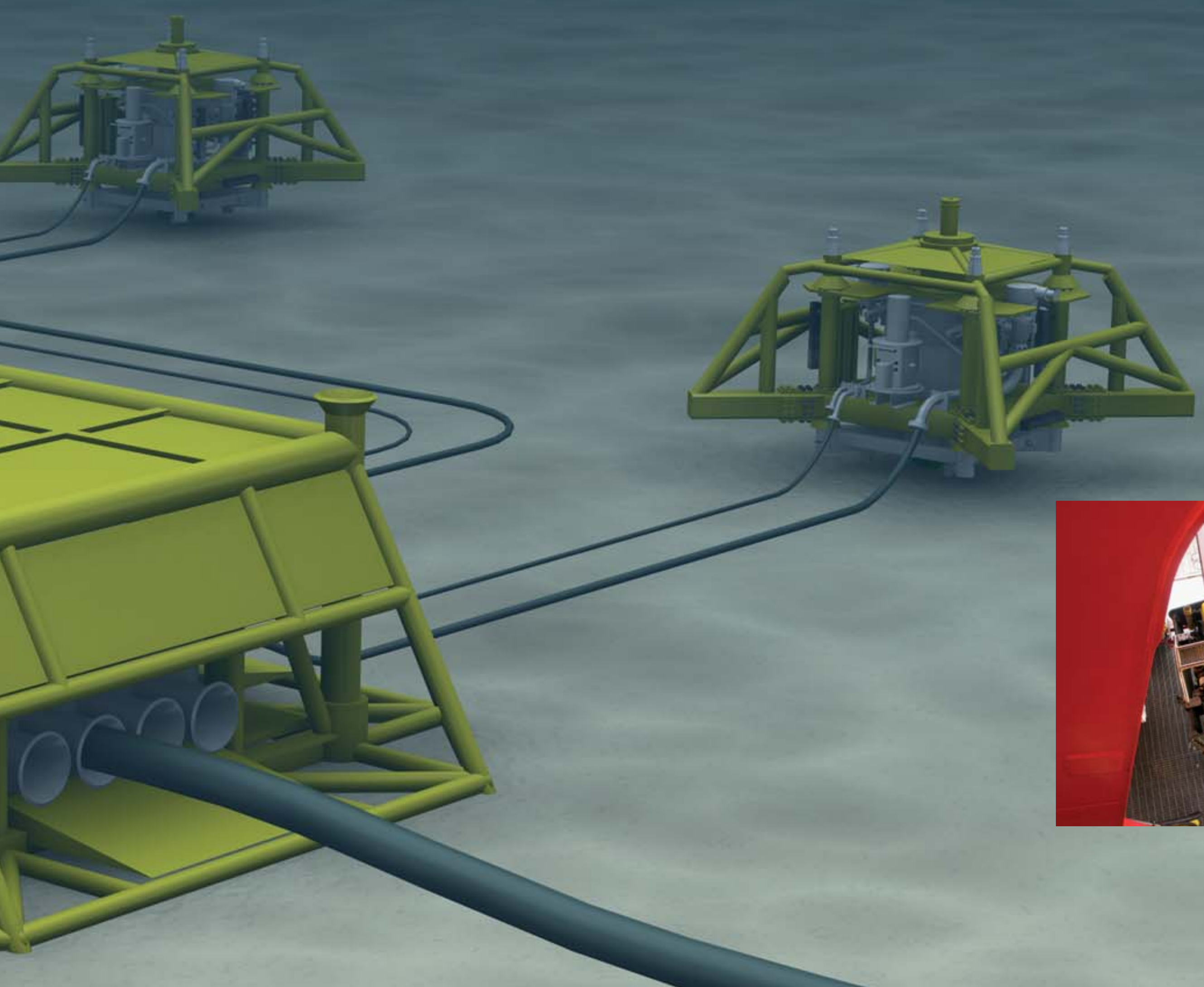

Wells and pipelines that lie hundreds of metres below sea level, where no sunlight penetrates and no diver can withstand the pressure, also need regular inspection and maintenance work. Fugro deploys its remotely operated vehicles (ROVs) for this. In deep water, these underwater robots act as the eyes and hands of men.
An ROV is linked to a support vessel or surface platform by a connecting cable, called an umbilical or tether, and can operate in water to 3,000 m depth.

The vessel or platform provides the ROV with electrical power via the connecting cable, which also conveys signals and data from the apparatus and the ROV itself to the vessel or platform and vice versa. The operations centre on board the vessel controls the ROV, and also processes and interprets the data collected.

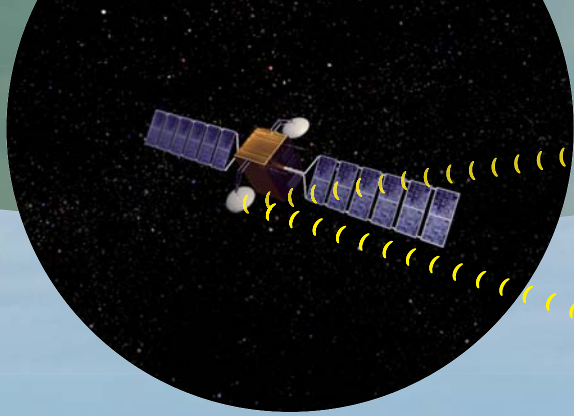
# Inspection and repair
in deep water

Most ROVs are equipped with cameras, sonar and gyro equipment, fathometers, altimeters and many other sensors to determine their precise location on the seabed, detect obstacles and install or repair equipment. An ROV is the size of a car, and it can carry out the range of complicated tasks required for installing and repairing the complex infrastructure of wells, pumps and pipes on the seabed. The ROV is equipped with a diverse range of apparatus, such as cutters, grinding machines, robot arms (manipulators) and water jets.



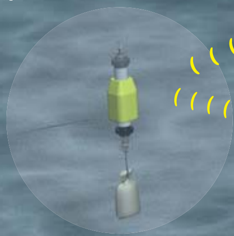
# Centimetre accuracy

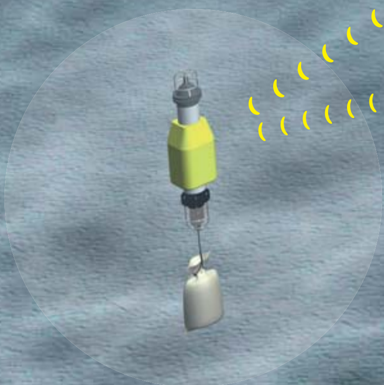


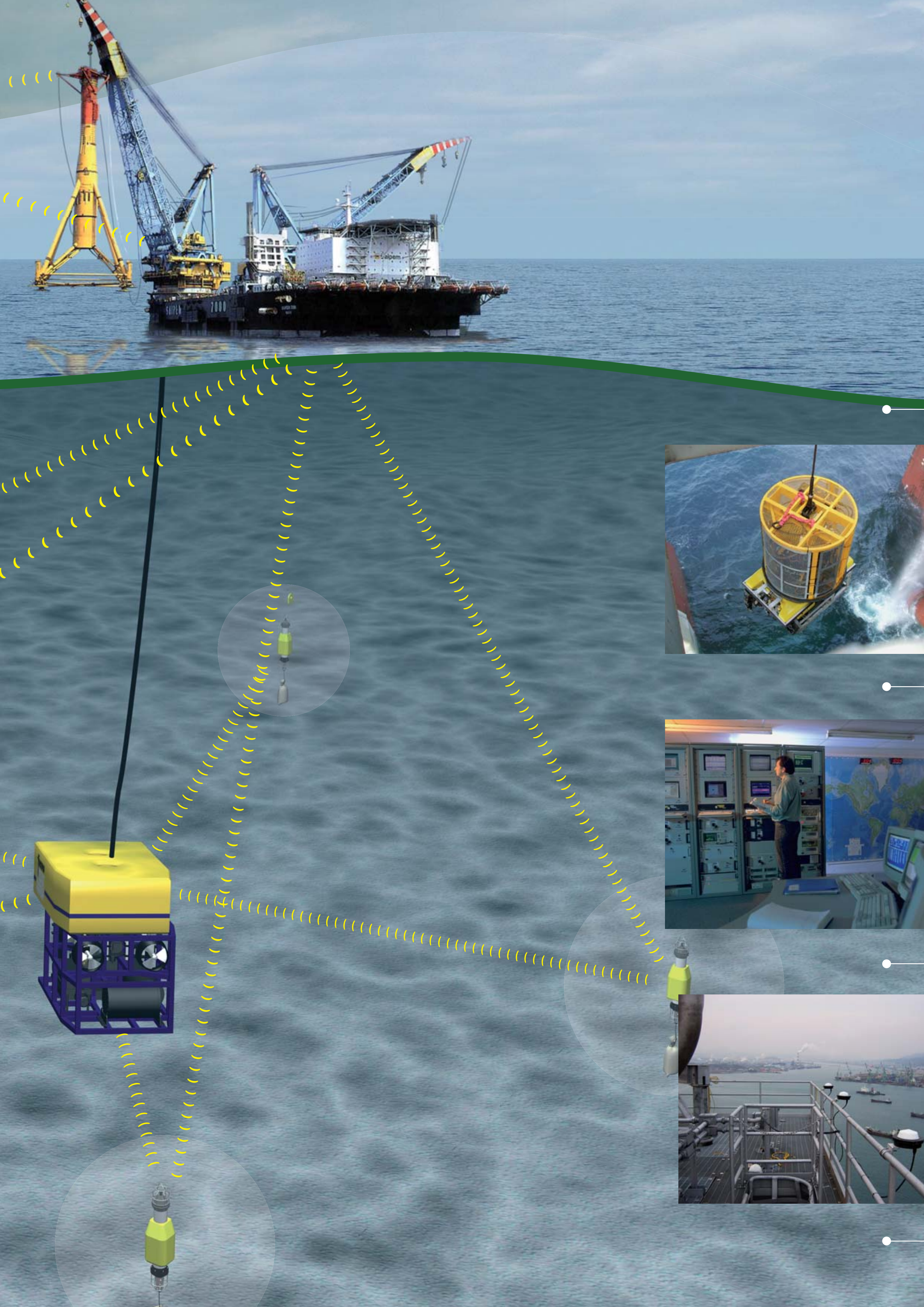
Accurate positioning is essential to all offshore operations. Accuracy helps in mapping earth data and is essential for drilling, erecting platforms and installing pipelines on the right spot. Fugro's positioning systems enable the company to enhance the accuracy of standard satellite navigation from approximately 5 m to 15 cm. For this purpose, Fugro has installed a worldwide tight network of reference stations to continuously compare satellite data. Data from more than hundred stations are collected at two control centres and then passed on to vessels and drilling platforms at sea.

When developing hydrocarbon fields in deep water, it is impractical to anchor vessels and platforms to the seabed. To remain on location, vessels often use computer-controlled dynamic positioning (DP), which keeps them in place through the thrust of several propellers. Fugro SeaSTAR positioning systems play an important role in providing information to the DP computers of most of the DP vessels worldwide. Fugro positioning systems are also used by a large part of the global seismic fleet.

Accurate positioning is also essential underwater for oil and gas field development; however, satellite navigation is unsuitable for underwater use. To place wells, underwater equipment and pipelines in the correct position, Fugro uses a combination of several acoustic and inertial navigation systems. A major part of the technology has been developed in-house, and is used for Fugro's own AUV and ROV activities as well as for clients.







## CORPORATE SOCIAL RESPONSIBILITY (CSR)

### *Introduction*

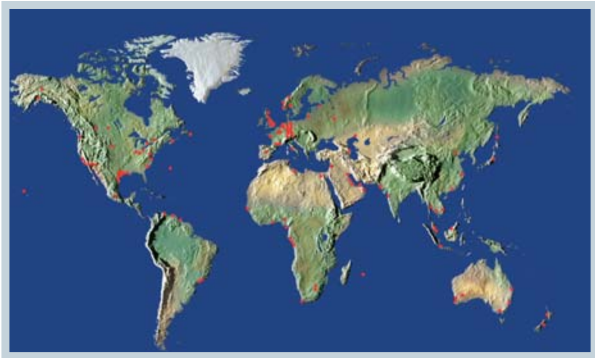
Fugro strives for strong but controlled profit growth, with good margins. The company aims for an optimised, balanced synergy between its various activities while maintaining a broad activity portfolio in order to realise its goals, both geographically and on a per-product basis. Fugro continually improves the added value it delivers to its clients through a combination of specialised staff and technologies (often developed in-house) and the associated high-quality service provision. In addition to growth in revenue and result, the company's policies on human resources and health, safety and environment (HSE) are also of great importance. Sustainability, transparency and reliability are the key themes of Fugro's central policy.

Fugro realises that the impacts of its specific local activities and the international nature of its service provision places great demands on its staff. The organisation is aware of its role in society, particularly in an international and multicultural environment, and understands the importance to pay continued attention to Corporate Social Responsibility (CSR). This emphasises the balance between regard for the environment, social awareness and results in accordance with the expectations of all the stakeholders in the company.

Fugro's CSR policy develops continuously; it's operating companies and employees put the principles of CSR into daily practice in a wide range of areas. At this moment, Fugro prefers to include its CSR policy in the annual report considering that the subject is inextricably linked with the course of business and should therefore be considered as an integral part of other corporate aspects.

Fugro strives towards growth, both organically and through acquisition. Through this growth the company can capitalise on the increase in prosperity. The presence of local operating companies is an important basis for the integration of Fugro's services with communities in general.

Geographical expansion is a component of Fugro's ability to continue to support the increasing prosperity. Growth also means attracting more local staff and offering opportunities for training and education to its employees.



The increase in the demand for energy is partly set off by use of alternative energy sources such as solar, wind, bio fuels, waves and nuclear energy. This presents Fugro with opportunities in new markets.

When managing its investments, the company considers the balance between improving the quality of its equipment and fuel usage, emissions and cost management.

### *Organisational structure*

Fugro is organised into three divisions – geotechnical, survey and geoscience services – that work together worldwide focussing on the right solution for the right market. The Board of Management is responsible for Group policy, strategy, acquisitions, investments, risk management, finance and internal coordination. Furthermore, the Holding Company looks after matters which for reasons of efficiency (advanced specialisation or financing) are best handled centrally.

Fugro's philosophy is that the operating companies in the divisions should be able to operate autonomously as far as possible within the framework of the Group's policy, the business principles (see page 56) and internal risk-management systems. This enhances the quality of the management of the operating companies and the development possibilities for employees. Delegation is closely entwined in the corporate culture. The increasing cooperation between or within the different divisions creates synergy, especially for complex and integrated projects. It also increases earning capacity, and thus the creativity and involvement of the entire organisation and considerably enhance the employee's opportunities for professional challenges and career development.

### *Management approach*

**Market presence**

Fugro's decentralised organisational structure facilitates a strong market presence, which leads to the use of local suppliers and procedures relating to the recruitment and training of local staff.

**Human resource policy**

The company's decentralised nature is also reflected in its staff policy. The operating companies are responsible for local staff polices, which take into account local customs and regulations. Local policies are within the guidelines set out by the holding company in areas such as salaries, pensions, safety and health (Fugro's general business principles). The majority of the employees within Fugro's worldwide network of offices have a local origin including local management.

**Energy**

By increasing the awareness of the use of energy and sustainable materials, the impact on the environment can be minimised. Fugro considers this when purchasing or ordering new equipment, such as when extending its fleet of vessels or commercial Remotely Operated Vehicles (ROVs).

**Training**

A continued shortage of trained staff has led management to adopt internal training as far as possible. This despite the possibility that some of the staff trained may switch to competing companies. Social prosperity is largely dependent on the extent to which knowledge and innovation processes thrive within the economy. This necessitates investment in training and education.

**Community**

Fugro aims to be a good neighbour, as demonstrated by the way the operating companies contribute, both directly and indirectly, to the general well-being of the communities in which they operate. Managers and employees are encouraged to become involved with local communities, to support charitable projects and cultural events, as well as to support organisations and educational institutions that aim to improve the effectiveness of the industries in which Fugro works.

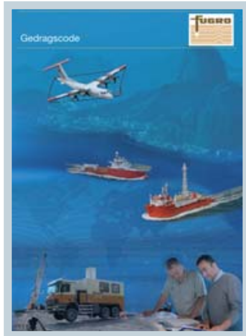
**Obligations**
In addition to regular, innovative research, which forms part of its core business, Fugro is also involved with several other related matters and social initiatives. This includes the committee for wind power commissioned by IRO (The Association of Dutch Suppliers in the Oil and Gas industries) and the Eurogia cluster, an initiative to provide a safe and long-lasting energy supply as part of concerted efforts to create a cleaner and safer future. Another area Fugro participates in is the research of gas hydrates (frozen gas crystals) in deep waters. These may develop into a potential source of energy, and the knowledge acquired could also be used when advising on the safety of drilling for sources of oil and gas in deep waters.

Fugro participates in and supports higher education and research at several universities worldwide. Employees are actively involved through training and participation in research consortia. In addition, Fugro employees are active at management and committee levels of international branch organisations.

Fugro is represented on the management of NIOZ (Netherlands Institute for Sea Research). NIOZ's mission is to acquire and communicate scientific knowledge of the seas and oceans to improve understanding of our planet and ensure its long-term future. It also supports education and research into marine sciences in the Netherlands and Europe as a whole.

Fugro directors are on the board of institutes like Deltares, an independent institute for applied research and specialist advice in the development, distribution and application of knowledge for the physical planning, design and management of vulnerable deltas, coastal areas and river basins in the Netherlands. Amongst others, Fugro is also represented in the strategic advisory board of TNO Bouw en Ondergrond (TNO Built Environment and Geosciences- Subsurface and Groundwater). This organisation contributes to innovations for the government and industry.
These innovations are aimed at the sustainable design, use and management of the build environment, infrastructure and subsurface.
In the United States of America, Fugro representatives sit on the advisory board of the Purdue University, as well as on the advisory board and tutoring programme of the Southern Methodist University, Environment and Civil Engineering department.

**Fugro's general business principles**




Fugro works on the principle that every employee shares overall responsibility for the company's reputation. For all staff, this means that it is not enough to just do the right things, but also how to do them in the right way.

Management therefore requires all employees, at all levels of the company, to observe the Fugro general business principles. These rules determine the way in which Fugro's staff act towards one another and the market in general. The way how Fugro conducts its business and its attitude to its clients, partners and the environment influence its productivity and success. The code of conduct is available to all and can also be found on Fugro's corporate website.

**Health and safety policy**


Providing its employees with a safe and healthy working environment is one of Fugro's highest priorities. The vision for the health and safety policy is maintained by the holding company. Fugro's aims to create safe and healthy working conditions for all its employees and subcontractors.

***Indirect economic contributions***
In the Netherlands, Fugro is a partner in Flood Control 2015. The innovations being brought about by this programme ensure that the right information is available at the right time to facilitate more-efficient and effective decisions during potentially dangerous floods. It is crucial to get advanced warning of a calamity and to be aware of the potential risks associated with flooding.

Fugro is also involved in the development of risk management guidelines for the Dutch dyke system, and is working with third parties to develop the SUCCESS safety analysis method.

In Greece, the company is involved with the Odysseus Unbound project, where it is helping researchers with its equipment and experienced staff on their quest for the true location of the Greek island of Ithaca, as described by Homer in his book about Odysseus.


### *Environmental contributions*

Fugro's services are aimed at efficiently deploying personnel and equipment for the collection, interpretation of data and the provision of advise. Fugro does not own or operate large-scale production facilities that potentially have an impact on the environment. The main focus is on environmental aspects associated with the deployment of the equipment and offices Fugro operates from.

Effective 2009, when replacing vehicles, all new diesel vehicles must be fitted with a particulate filter and a minimum energy label is obligatory for all new passenger cars and vans. This is applicable for those countries where guidelines are in place and or there is a social expectation. For all its European operating companies, Fugro is following the European Union directives and an energy label classification C has been set as the minimum requirement.

Furthermore, Fugro is mapping the energy consumption of its own buildings and continues to review alternative energy sources to make a positive contribution to the reduction of greenhouse gas emissions. Fugro strives to follow national or umbrella directives, such as the energy label in the Netherlands. For new-to-rent buildings Fugro will follow the same directives as for its own buildings.

The new Fugro seismic vessels Geo Barents, Geo Celtic and Geo Caribbean utilise the latest AC electrical drive technology to operate the streamer winches. This technology significantly reduces noise levels in work areas, eliminates the risk of hydraulic pipe bursts, which can lead to environmental issues, and provides for a clean working environment for our staff. Further, the seismic streamers on new vessels are based on solid streamer technology to maintain neutral buoyancy. This ensures that in case of streamer damage there are no oil spills.

The implementation of environment-related initiatives is a gradual process and the objectives are to safeguard the continuity of services to the clients and to minimise short and long-term financial implications.

Examples of initiatives by Fugro's subsidiaries that contribute to a better environment are the contracts between Fugro Geosciences in Perth, Australia and the local energy company to purchase green energy (solar and wind) for 25% of the energy need. Another good example is the 'Green Travel Plan' of subsidiaries based in Wallingford, UK. This plan is a package of measures to encourage staff to use alternative transport (walking, cycling, public transport, and carpooling). In September 2008, over 300 employees participated in the 'green to work' travel day and saved 8,000 kilometres' worth of $CO_2$ emissions.

### *Social contributions*

**Code of conduct**

Fugro's workforce shares the social values of reliability, integrity, transparency and respect for fellow employees and the environment. The application of these values in Fugro's business conduct creates a sense of trust in all those with interests in the company.

These common values form the foundation for Fugro's code of conduct, which applies to all operating companies. Fugro's Board of Management expects all staff to bring to their attention or to that of senior management any breach of the code or any suspicion thereof. All Fugro employees are expected to avoid any personal activities or financial interests that may conflict with their responsibilities towards the company.

Another aspect of this code of conduct involves striving to make a continuous contribution to sustainable development. This requires Fugro to make a balanced consideration of its short- and long-term interests and the integration of social, economic and environmental considerations during the commercial decision-making process.

It is worth noting that, because of its global presence and decentralised structure, Fugro sometimes encounters friction between local regulations, or the lack thereof, and legislation and its high standards. The company is not politically engaged with regard to the desirability of project development; it provides services when they are agreed with the client, assuming that this is not in violation of local or international regulations or legislation, or its code of conduct.

Fugro believes in free and fair competition based on value for money and fitness for purpose.
Fugro supports free enterprise within the framework of applicable laws, Fugro wishes to do business with those who follow business principles comparable to our own.

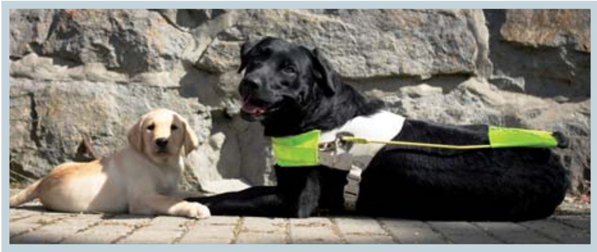
**Sponsorship and donations**
As part of its principles of CSR, Fugro supports a large number of initiatives. This is often through financial contributions, but also by deploying employees.

These are just some of the examples that can be listed worldwide where Fugro chooses and its employees support general social causes, such as music, art, culture and sports.

In the Netherlands, Fugro contributes financially to the upkeep of the Concertgebouw (the Amsterdam Concert Hall), St. Pieterskerk in Leiden and the Hermitage in Amsterdam. Such initiatives also extend to supporting the youth division of the local football club in Leidschendam, where Fugro has its head office.

Fugro is also sponsor of the national park 'De Hoge Veluwe' in order to contribute to the preservation of this unique nature reserve.

Many charitable institutions worldwide are supported by Fugro and its subsidiaries.
For example, employees of Fugro Norway have chosen to donate money to the Norwegian Institute for the Blind to support the training of puppies to become guide dogs for the blind.



In Hong Kong, Fugro companies support the Sowers Action, a local charity that offers support to children from poor families on the mainland of China to finance their education and that pursues building safe and proper school premises.
Fugro Mexico gives financial and material contributions to Centros de Integración Juvenil, an organisation for the care of drug addicts.
Several subsidiaries worldwide initiate fundraising actions for organisations such as the International Red Cross to aid victims of hurricanes and earthquakes and to support national cancer institutes. Fugro and its subsidiaries also donate to local charities, local sports clubs and cultural events in order to give something back to society.

Every year around 150 Fugro employees participate in the MS 150 cycling tour from Houston to Austin (about 300 kilometres). The proceeds are donated to the National Multiple Sclerosis Society. Over the past years the Fugro teams raised over USD 1 million by riding their bikes. Also smaller-scale events take place, such as the toy ride, during which toys are collected for giving to underprivileged children at Christmas.

### *Working condition contributions*

**Education**

The Fugro Academy is the company's internal training platform. This part of the corporate human resources policy aims to provide continuing education and technical training opportunities, and thus increase an employee's career development possibilities. Recruiting, employing and retaining professionals and skilled people is becoming ever more important, especially in a growing market. Fugro's people also need to be able to work proficiently with highly advanced technologies, including those that the company has developed in-house.

The Fugro Academy makes a major contribution towards this on three levels. A regular internal 'development' programme of two-week courses has been developed for senior management. The objectives of this programme are twofold: from the Fugro perspective, optimising decision-making in the context of the (thinking) processes and systems operating within the company, and from the senior management's perspective an excellent world wide platform focused on the global Fugro network in facilitating increasing cooperation between and within the divisions. The programme includes working on the participants' own case studies. A training programme aimed at giving employees the skills needed to manage complex (international) projects has also been developed at a project management level. The Fugro Academy also provides other high-value courses that focus on, for example, the operation of specialist equipment at sea.

These training programmes strengthen Fugro's foundations for further growth and support higher standards of service in the long-term. The advice and services provided by Fugro must be state-of-the-art and reliable. The power of Fugro's global presence and the Company's innovative strength should also be utilised. A good career policy is, therefore, vital to retain, and utilise to the full, good employees and specifi c expertise for the organisation.

The policy is aimed at employees who could rise to fill management positions, at developing specialists and training employees who can be deployed flexibly on a project basis. Flexibility through exchangeability is an important aspect of Fugro's policy. This is why the same technical systems are used throughout the Group whenever possible and why both short and long-term employee exchange programmes have been developed. To foster the recruitment of new young talent Fugro has built-up good contacts with universities. Fugro supports both management development and talent development. This is reflected in the operating companies' training schemes and in initiatives which enable people to gain experience through being stationed 'overseas'.

### *Diversity and opportunities*

The international operating companies and the various fields of specialisation within Fugro offer employees in middle management challenging international career opportunities. This links in with a concrete career and management development policy based on the principles of room for job rotation, the development of personal qualities and the timely discovery of talent within the company.

### *Employment benefits*

Fugro promotes commitment and rewards effort and results; for this reason flexible reward systems and an option plan have been in place for many years. Staff and management are encouraged to participate in the company's share capital (see also page 12 and pages 100 – 102 of the annual accounts).

Employee pension schemes and other such benefits are maintained on behalf of the company's staff, taking into account local customs and regulations.

## HEALTH SAFETY AND ENVIRONMENT (HSE)


Fugro's responsibilities towards HSE issues are integral to the way it conducts business. Successful management of these areas is considered essential in all the company's activities. The aim of the interconnected management system that Fugro operates is to outline a framework for safety at all levels within the organisation and in all subsidiary companies: the goals being continuous reporting, keeping HSE-related risks under control and identifying how the company can continue to improve in this area.

Fugro strives for a safe and healthy workplace for everyone at each of its establishments. Its commitment is based on the belief that accidents can be prevented. To achieve this goal, the company identifies the safety risks resulting from its activities and minimises them as far as is reasonably possible. By observing and encouraging this policy, the company contributes to protecting the environment and the general wellbeing of all interested parties, in particular, staff, customers, suppliers, sub-contractors and local communities.

A proactive approach to the creation of a safe working environment for all staff is a priority for Fugro. The management of the operating companies are responsible for promoting training in safety for all staff; assigning responsibility for all aspects of the HSE policy; identifying potential areas for improvement; and carrying out comprehensive evaluations of all incidents and near misses.

Fugro constantly considers the impact of its actions on health and the environment. The HSE management system is designed to promote continual improvement of HSE performance by assigning duties and responsibilities at all levels within the company and an efficient communication structure. The HSE-management system of all major operating companies has been externally certified according OHSAS 18001 (or equivalent) during 2008. In many fields this makes Fugro a worldwide leader.

This system ties in with the company's business principles, which state that the operating companies will carry out their activities independently in accordance with instructions and supervision from the holding company.

## INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

Fugro maintains a global ICT infrastructure which answers the needs of a decentralised organisation. Although Fugro operating companies are generally responsible for managing their own ICT systems, in countries or locations where there are several Fugro offices these operating companies often share an ICT support department.

The security of Fugro's ICT infrastructure is, however, supervised centrally by an independent group of ICT security personnel with some aspects outsourced to companies with specialist expertise in this field. Fugro's ICT security team comprises a global security officer and five regional security officers. This team is responsible for maintaining and monitoring the e-security aspects of the ICT infrastructure used by the operating companies for access to the internet and for extranet and intranet applications. The ICT security team operates independently of the ICT support staff within the operating companies.

## RESEARCH

Fugro's services provision, and thus its global market positions, are, to a great extent, dependent on high-value equipment, technologies and software. Technological research and innovative developments play a key role in this. Measurements are becoming more and more detailed and even the most complex data can be interpreted. Very often developments take place in close cooperation with the client because the client is interested in solving a specific problem. To this end, more and more knowledge is exchanged or combined within the company in order to arrive at solutions or new developments.

## RISK MANAGEMENT

### *General*

Fugro's risk management policy is aimed at the long-term sustainable management of its business activities and the limiting or, where meaningful, hedging of the risks. Due to the wide diversity of markets, clients and regions and its broad portfolio of activities, quantifying all the existing risks relevant to the Group as a whole is virtually impossible. Risks are, however, quantified wherever possible and useful. This applies in particular to the influence of the US dollar and the British pound. See pages 24 and 25.

**Strengths**

- Consistent execution of strategy
- A good market position in many niche markets worldwide
- Professional employees who receive continuous additional training
- High-quality technology and services provision
- Well functioning financial systems and risk management systems
- Cooperation between business units
- Healthy financial position

**Weaknesses**

- Sensitivity to rapid, sharp fluctuations in the US dollar, Norwegian kroner and the British pound exchange rate
- Much of the revenue depends on investment by the oil and gas industry

**Opportunities**

- Increased investment by the oil and gas industry, amongst others related to depletion of existing fields
- Increasing demand for oil and gas as soon as the world economy recovers
- Optimisation of existing oil and gas fields
- More and larger infrastructure projects, including coastline protection
- Mining activities as soon as the demand for minerals recovers
- Upcoming markets such as India, China, Brazil, Russia and Eastern European countries

**Threats**

- Prolonged global economic and financial crisis
- Continuing low oil price
- Collapse of the demand for oil, gas and/or minerals
- Political instability in countries and/or regions important for Fugro
- Payment risk of clients with high financing costs
- Pressure on prices by clients

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

- The diversity of activities in more than one international market segment;
- No clients with contracts accounting for more than some 4% of Fugro's total annual revenue;
- Proprietary, modern technologies (mostly developed in-house) and professional employees;
- The ability to adjust quickly to exchange rate and price changes due to mostly short contracts;
- Geographical spread of the activities;
- A balanced and flexible fleet composition (Fugro owned and chartered);
- Current liabilities (EUR 725 million) amount to 34% of the balance sheet total;
- Very limited risk related to pension obligations;
- Good internal risk management and control systems;
- Some of the (manpower) capacity being hired-in on a flexible basis, among which free lance staff.

## *Operational*

### Activity portfolio

Although the core activities show a high degree of cohesion, they also target highly diverse markets, clients and regions. A high proportion of the activities is related to the oil and gas market. Fugro's dependence on the more cyclic investment in oil and gas exploration will be reduced in favour of the more stable investments in oil and gas production. The other activities are dependent on developments in markets that include infrastructure, construction and mining.
The influence of positive and negative conjunctural effects is moderated by:

- the cohesion between the activities;
- the good geographical spread;
- the diversity of clients;
- strong market positions, and
- the size of the Group.

### Contract flow and price changes

Some of Fugro's contracts are awarded on the basis of long-term preferred supplier agreements. Having a large number of clients supports Fugro's independence and improves its stability. In the course of a year Fugro often carries out a large number of projects for the same client. The projects carried out for any single client do not, however, account for more than around 4% of the total annual revenue.

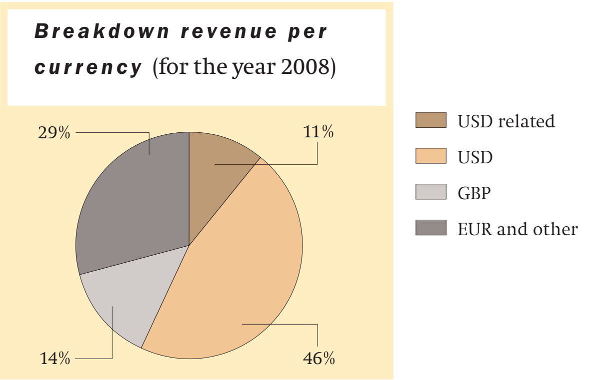
To carry out its projects Fugro has at its disposal highly trained employees and technically advanced, and therefore expensive, equipment. Much of Fugro's work involves short-term contracts. Fugro is, to a degree, sensitive to price changes and sudden changes in exchange rates, to which the Company can, however, adapt quickly. Fugro's budgets are, to a great extent, based on the expected investments by the oil and gas companies. Unless there is a structural drop in the oil price to less than USD 30 – 35 per barrel, it is not anticipated that substantial (up or down) fluctuations in oil prices will lead to a rapid change in these investments.

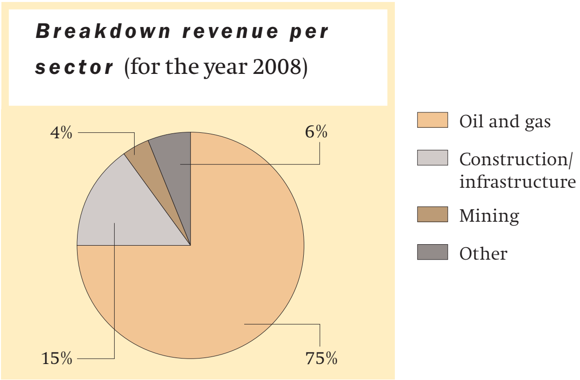
### Capacity planning

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

The weather and the availability of vessels are key factors for offshore activities in particular. Weather influences are calculated into the budgets and are averaged out over the year and the regions in which Fugro is active. As far as vessels are concerned, Fugro's objective is a balanced fleet in which around 45% of the vessels are Company owned and around 40% are on mid-term or long-term charter basis. Some vessels (approximately 15% of the fleet) are chartered on a project basis. The fact that Fugro is deploying heavy and specialist equipment does mean that the risk of capacity under-utilisation will increase. At the same time, the exchange of manpower and equipment between the various business units can increase capacity utilisation.

Part of staff has been appointed on a temporary basis or work on a freelance basis, providing Fugro a certain flexibility to respond to variations in manpower.



## *Financial*

### Balance sheet

Fugro follows an active policy to optimise its balance sheet ratios and thus limit financial risks and maintain the Company's long-term solvency. Being quoted on the stock exchange provides a worthwhile contribution towards achieving the Company's (financial) targets and enables Fugro to make a well considered selection of the optimum financing mix when considering larger acquisitions.

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

The turnover rate of the seismic and geological databases is in general less than 2.5 years. Research costs are charged directly to the results. A portion of these costs are accounted for as project-related revenue costs. Fugro has evaluated the book value of its assets, including goodwill, within the framework of its normal balance sheet evaluation. This has shown that no impairment of any tangible and intangible asset is necessary.

### Currency exchange rate conversion

Fugro limits its susceptibility to changes in foreign currency exchange rates, but is not immune to exchange rate variances caused by rapid changes to the rates. Besides that, changes in exchange rates will result in translation differences. As most of Fugro's revenue in local currencies is used for local payments, the effect of negative or positive currency movements on operational activities at a local level is minimal.

Fugro's international monetary streams are limited and mainly in US dollars or US dollar related currencies and the British pound.

Where possible and desirable, forward exchange contracts are signed (at a local level and approved by Fugro N.V.). Fugro strives to match assets and liabilities in foreign currencies. Rapid and radical changes in exchange rates can also influence the balance sheet and profit and loss account, partly due to the length of time between tenders being submitted and orders being awarded or delayed, during which period forward exchange contracts would not be appropriate. This creates an additional foreign currency risk that cannot be quantified in advance.
At the Group's current structure and size, a rate difference of USD 0.01 would affect profit by over EUR 1 million and revenue by approximately EUR 8 million.

### Pension provisions

Fugro maintains pension schemes for its employees in accordance with regulations and customs in each of the countries in which the Company operates.

Since 1 January 2005, Fugro has operated an average salary scheme in the Netherlands. This is classified as a 'defined benefit' scheme. The pension commitments in the Netherlands are fully re-insured on the basis of a guarantee contract. The accrued benefits are fully financed.

| ***Exchange rates*** (in EUR) | USD end of period | USD average | GBP end of period | GBP average |
|---|---|---|---|---|
| 31 December 2008 | 0.71 | 0.68 | 1.05 | 1.25 |
| 30 June 2008 | 0.63 | 0.65 | 1.26 | 1.28 |
| 31 December 2007 | 0.68 | 0.73 | 1.36 | 1.46 |
| 30 June 2007 | 0.74 | 0.75 | 1.49 | 1.48 |
| 31 December 2006 | 0.76 | 0.79 | 1.49 | 1.47 |
| 30 June 2006 | 0.79 | 0.81 | 1.44 | 1.45 |
| 31 December 2005 | 0.85 | 0.81 | 1.46 | 1.46 |
| 30 June 2005 | 0.83 | 0.78 | 1.49 | 1.47 |

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

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

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

#### Insurance and legal risks

Fugro is insured against a number of risks. Risks related to professional indemnity and general liability are covered at a Group level. Equipment is insured locally and local cover is arranged for risks associated with normal business operations, such as insurance for the vehicle fleet, the buildings and for employees.

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

### *Internal systems*

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

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

The monitoring systems consist of the internal control framework described below.

#### Corporate Handbook

Fugro's Corporate Handbook contains precise instructions regarding many aspects, including risk management. This Handbook is handed out to the senior management members responsible for further application within the operating companies.

#### Financial Handbook

This contains detailed guidelines for the financial reporting. The Financial Handbook is put at the disposal of the senior management and of the controllers of all operating companies and the Holding Company.

#### Insurance handbook

This contains detailed guidelines with respect to risks to be insured. This manual is put at the disposal of managers of subsidiaries and employees that are responsible for insurances at the subsidiaries.

#### Manual for project management

This document contains the guidelines for the procedures to be followed in project preparation and execution. This manual is used by project managers.

#### Planning

The business plans of every Fugro unit are translated into budgets. Adherence to the budgets is checked on a quarterly basis. Any unforeseen circumstances that arise, or any substantial deviation from the budgets, must be reported immediately by the operating company managements to the relevant responsible Executive Committee member and to the Board of Management. The monthly reports the operational management submits to the Holding Company include an analysis of the achievement of the approved plans.

#### Authorisation level

Managers are bound by clear restrictions regarding representative authorisation. Projects and contracts with a value or risk that exceeds a specified amount must be approved by either regional managers or the appropriate member of the Executive Committee or Board of Management.

**Letter of representation**
Every six months all managers and controllers of operating companies and the responsible member of the Executive Committee sign a detailed statement regarding the financial reporting and internal control.

**Internal Audit**
The Holding Company carries out regular and frequent internal audits of the various operating companies. The findings are reported directly to the Board of Management and the Executive Committee.

**Peer reviews**
'Peer reviews' are also carried out on a regular basis. A peer review involves an inspection of an operating company by a team from other operating companies. The results are reported directly to the Board of Management and the Executive Committee.

**Audit Committee**
The Audit Committee, which comprises three members of the Supervisory Board, ensures an independent monitoring of the risk management process from the perspective of its supervisory role. The Audit Committee focuses on the quality of the internal and external reporting, the effectiveness of the internal audits and the functioning of the external accountants.

**External audit**
The annual accounts of Fugro N.V. and subsidiaries are audited annually by external auditors. These audits take place on the basis of generally accepted auditing standards.

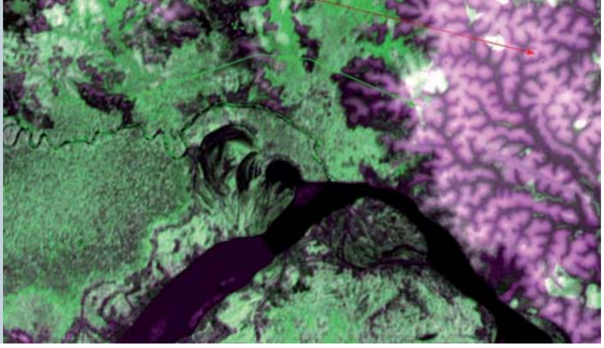
**Advisory roles**
The external auditor does not act in an advisory capacity except where due diligence projects and activities relating to the annual accounts are concerned. Professional advice is provided by third party experts, such as tax consultants and insurance advisors.

**Safety**
Subsidiaries are externally certified in accordance with the OHSAS 18001 standard. Compliance audit is done by internal specialists and by external agencies when re-certification has to take place.

**Whistle-blower's regulation**
Fugro operates a 'whistle-blower's charter' to ensure that any possible infringement of the Group's policy and procedures can be reported without this act of submitting such a report having any adverse consequences for the 'whistle-blower'.

***Declaration***
The Board of Management believes that the internal risk management and control systems described above provide a reasonable level of assurance that the financial statements do not contain any material misstatements and that these systems operated properly during the year under review. The Board of Management has no indication that these systems will not operate properly during the current year.

Geo-SAR-image, straight through jungle overgrowth, of an area of the Colombian rainforest that used to be difficult to map.



## CORPORATE GOVERNANCE

### General

It is very important for Fugro to achieve a balance between the interests of its various stakeholders. Good entrepreneurship, integrity, openness and transparent management as well as good supervision of the management are the starting points for Fugro's Corporate Governance policy.

### Approval by the Annual General Meeting of Shareholders

Fugro complies with the Dutch Corporate Governance Code. Fugro's Corporate Governance was approved by the Annual General Meeting of Shareholders of 19 May 2004. The Company's Articles of Association were amended accordingly on 3 September 2004. Since then a number of deviations from the Code have been approved by the Annual General Meeting of Shareholders.
All the underlying documentation, including the relevant rules and regulations, the Articles of Association and the Conditions of Administration of Fugro Trust Office Foundation (Stichting Administratiekantoor Fugro), are published on Fugro's website: www.fugro.com under Corporate Governance.

### Compliance with and observation of the Code

During the 2008 financial year Fugro complied with its Corporate Governance Code. In particular the Board of Management deems that the Company has complied with Best practice provisions II.3.2 to II.3.4 inclusive and III.6.1 to III.6.3 inclusive. No transactions have taken place in which (potentially) conflicting interests of material substance related to Board of Management or Supervisory Board members have played a part. No transactions in the context of Best practice provision III.6.4 have taken place (transactions with shareholders holding a 10% or higher interest in Fugro). Fugro will present every substantial amendment to its Corporate Governance Code to the General Meeting of Shareholders for discussion.

### The main points of the Corporate Governance Structure

Fugro applies the majority of the Principles and Provisions of the Code, in so far as they are applicable, with the following approved exceptions:

**Best practice provision II.1.1**

The term of appointment of Mr. K.S. Wester deviates from this provision. Mr. Wester was appointed before the Code came into force. Fugro cannot rescind rights that have been granted and this agreement will be honoured.
The three other Board of Management members have been appointed for a maximum period of four years. This also applies for new appointments or reappointments.

**Best practice provision II.2.2**

Contrary to the stipulations of this provision only options which were granted on 31 December 2006 can be exercised within three years after the grant (consequently ending at the end of 2009), although the resulting fine of 90% of the net proceeds (after deduction of tax) would made this very unattractive. This means that practically speaking there is no exception. The vesting period of the options granted after 31 December 2006 is three years.

**Best practice provision II.2.6**

It has been decided to apply the notification obligation only to stocks in listed companies which operate in the same area, or a related area, as the Company. This does, on the one hand, restrict the working of the provision to some extent, but on the other hand it extends the working (not limited to Dutch listed companies) to include competing companies or clients listed on foreign stock exchanges.

**Best practice provision II.2.7**

The employment agreement with Mr. K.S. Wester does not include stipulations with regard to termination recompense. This agreement was entered into before the Code came into force. This means that general Labour Law provisions are applicable. Fugro cannot rescind rights that have been granted and this agreement will be honoured. The same applies with respect to the employment agreement with Mr. P. van Riel, albeit that the termination recompose is limited to two times the annual salary. The Code will be applied when (re) appointing members of the Board of Management.

**Best practice provision III.3.5**

The term of the appointment of Mr. F.H. Schreve does not comply with the condition laid down in this provision because he has served as a Supervisory Board member for longer than twelve years. He was reappointed as chairman of the Supervisory Board by the Annual General Meeting of Shareholders in 2006.
His reappointment was deemed to be very important at that time for a number of reasons including ensuring the desired continuity in the composition of the Supervisory Board. The term of his appointment comes to an end in 2010.

**Principle III.5 and best practice provision III.5.11**

On 19 May 2005 the Remuneration Committee and the Nomination Committee were, with the approval of the Annual General Meeting of Shareholders, amalgamated into one committee that carries out the tasks in both areas. The reason for the amalgamation was that separate Remuneration and Nomination Committees (with separate meetings) had proven impractical due to the fact that the Supervisory Board is small and three of its members are not resident in the Netherlands.
As from 1 July 2008 Mr. F.H. Schreve fills the chairmanship of this committee. Partly this does not comply with the condition that the chairmanship of the Remuneration Committee (but there is no separate remuneration committee) is not filled by the chairman of the supervisory board.

**Principle IV.2**

Maintaining its operational independence is crucial for Fugro (see page 69 for the reasons). One of the ways to safeguard this independence is share certification. The issuing of certificates of shares is, therefore, considered by Fugro to be a necessary protective measure. When the Fugro Trust Office Foundation exercises its voting rights the criteria used will, therefore, be that the interests of Fugro, its associated companies and all others involved are safeguarded in the best possible way.

**Best practice provision IV.2.1**

In accordance with this provision the Board of the Fugro Trust Office Foundation enjoys the confidence of the certificate holders and operates independently of Fugro. One deviation from this provision is that the Conditions of Administration of the Fugro Trust Office do not stipulate the instances in which and the conditions under which certificate holders may ask the Fugro Trust Office to convene a meeting, excepting in respect of the recommendation rights regarding the nomination of a member of the Board of the Fugro Trust Office (see the explanation of Best practice provision IV.2.2).

**Best practice provision IV.2.2**

The Board of the Fugro Trust Office has decided that certificate holders representing at least 15% of the issued share capital in the form of certificates may request that a meeting of certificate holders is convened in order to make a recommendation regarding the nomination of a member of the Board of the Fugro Trust Office.

**Best practice provision IV.2.8**

The Fugro Trust Office's regulations include a provision regarding the granting of a proxy to exercise the right to vote to holders of certificates. The proxy may, however, be limited, excluded or recalled in the instances stated in the Conditions of Administration of the Fugro Trust Office. This is in accordance with the legal regulation that came into force on 1 October 2004 (Article 2:118a, sub 2 Dutch Civil Code).

***New Corporate Governance Code***

On 10 December 2008 the Monitoring Committee Corporate Governance (committee-Frijns) has presented the updated Corporate Governance Code. This adjusted Code will become effective for Fugro per 1 January 2009, after the legislator has designated it by decree as the new Corporate Governance Code as defined by law. The new Code will have minimal or no consequences for Fugro's Corporate Governance structure. Fugro will report based on this new Code in its Annual Report of 2009.

Launching of one of Fugro's ultramodern ROVs (Remotely Operated Vehicle) which is able to operate in water to 3,000 meter depth.


## ▪ CORPORATE INFORMATION

### *Capital structure*

The authorised capital of the Company is EUR 16,000,000 and is divided into:

(i) 96,000,000 ordinary shares each with a nominal value of EUR 0.05;

(ii) 160,000,000 cumulative preference shares, each with a nominal value of EUR 0.05;

(iii) 32,000,000 cumulative financing preference shares, each with a nominal value of EUR 0.05, which can be sub-divided into two series of 16,000,000 cumulative financing preference shares; and

(iv) 32,000,000 cumulative convertible preference shares, each with a nominal value of EUR 0.05, which can be sub-divided into two series of 16,000,000 cumulative convertible financing preference shares.

On 31 December 2008 the issued capital was EUR 3,830,397.90. As at this date, 79.80% of the ordinary shares (76,607,958 shares) were placed. No preference shares have been issued.

### *Restrictions to the transfer of shares*

The Board of Management's approval is required for each transfer of protective preference shares, financing preference shares and convertible financing preference shares. The approval has to be requested in writing with the name of the intended recipient of the relevant shares being indicated.

Ordinary shares may only be transferred to natural persons. Notwithstanding the provisions of the previous sentence, the transfer of ordinary shares is not possible if and insofar as the acquirer, either alone or under a mutual collaboration scheme jointly with one or more other, natural persons and/or legal entities, directly or – otherwise than as a holder of certificates of shares issued with the cooperation of the Company – indirectly:

(i) is the holder of ordinary shares to a nominal amount of one percent or more of the total capital of the Company issued in the form of ordinary shares (as at 31 December 2008 one percent equalled 766,079 shares); or

(ii) through such a transfer would acquire more than one percent of the total capital of the company in the form of issued ordinary shares.

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

(a) the transfer of ordinary shares to the company itself or to a subsidiary of the company;

(b) the transfer or issue of ordinary shares to, or the exercise of a right to subscribe for ordinary shares by a trust office or to another legal entity, if in respect of such a trust office or other legal entity the Board of Management, with the approval of the Supervisory Board, has by means of 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 entity as referred to above, such restrictions may be lifted only to the extent that such is required to permit that legal entity to avail itself of the facility of the participation exemption, as currently provided for in Article 13 of the Corporation Tax Act 1969;

(c) the transfer of ordinary shares acquired by the company itself or the issue by the company 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 company, 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, has by means of 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;

(d) the transfer or transmission of ordinary shares to shareholders who on 31 March 1992 were recorded in the shareholders' register of Fugro N.V. as shareholder in the Company, if in respect of such a transfer or transmission the Board of Management, with the approval of the Supervisory Board, has by means of an irrevocable resolution wholly or partially lifted the restrictions limiting the transfer of ordinary shares, to which lifting of restrictions conditions may be attached;

(e) the transfer or transmission of ordinary shares to group companies of legal entity-shareholders who on 31 March 1992 were recorded in the shareholders' register of Fugro N.V. as shareholder in the Company, if in respect of such a transfer or transmission the Board of Management, with the approval of the Supervisory Board, has by means of 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 provision restricting the transfer of ordinary shares, protective preference shares, financing preference shares and convertible financing preference shares will not apply and will continue to be not applicable:

(a) if and as soon as the Board of Management without the prior approval of the General Meeting of Shareholders has resolved to issue protective preference shares – not being an issue pursuant to the exercise of a right to subscribe for protective preference shares as referred to in Article 6, sub 1 of the Articles of Association of Fugro N.V. – if as a result of such an issue and as a result of prior issues of protective preference shares by the Board of Management, without said approval or other cooperation of the General Meeting, so many protective preference shares have been issued that the total nominal amount of protective preference shares issued by the Board of Management without said approval or other cooperation of the General Meeting amounts to more than fifty percent (50%) of the total nominal amount of the issued shares of other categories prior to such an issue or in the case that following an issue of shares pursuant to the exercise of a right to acquire protective preference shares, respectively the fulfilment of a condition (attached) to the conditional placing of protective preference shares as a result of which issue and/or placement the aforementioned percentage of fifty percent (50%) is exceeded, and,
(b) the Board of Management has deposited the resolution to issue and a statement to the effect that the provisions of Articles 16 and 17 of the Articles of Association of Fugro N.V. shall no longer be applicable, at the office of the commercial register.

If Article 17 of the Articles of Association of Fugro N.V. is not applicable, otherwise than on the grounds of Article 18, sub 2 of the Articles of Association of Fugro, then Article 11 Clause 1 of the Conditions of Administration of the Fugro Trust Office is applicable. On the grounds of Article 11 Clause 1 of the Conditions of Administration of the Trust Office, a holder of certificates of shares who as a result of conversion acquires ordinary shares in the capital of Fugro N.V. may only transfer the acquired ordinary shares to a third party if he or she has first offered these shares to the Fugro Trust Office. If Article 11 Clause 1 of the Conditions of Administration of the Fugro Trust Office is applicable, the holder of certificates who as a result of conversion acquires ordinary shares in the capital of Fugro N.V. during the period that the article in question is applicable will

(i) not encumber the acquired shares with a lien or usufruct whereby the voting right on the shares pledged or encumbered with a usufructory right fall to the pledgee or beneficiary, and,
(ii) will not give authorisation to vote on the acquired shares nor accept any instructions from third parties regarding the manner in which he or she exercises his or her voting rights on these shares.

### *Substantial participation*

The shareholders with a substantial holding known to Fugro as per 28 February 2009 are listed on page 11.

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

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

The centre of gravity of Fugro's protection against an aggressive takeover rests on the one hand on the issuing of certificates of ordinary shares and, on the other hand, on the possibility of issuing protective cumulative preference shares. Protective preference shares may also be issued by the Fugro subsidiaries Fugro Consultants International N.V. and Fugro Financial International N.V. to Stichting Continuïteit Fugro (see page 70). The primary aim of the protective measures is to safeguard Fugro's independence in relation to its clients.

Only certificates of shares not entitled to voting rights are listed and traded on Euronext Amsterdam. These restricted convertible certificates are issued by the Fugro Trust Office and the Board of the Fugro Trust Office exercises the voting rights of the underlying shares in such a way that the interests of Fugro N.V., its associated companies and all stakeholders are safeguarded as far as possible. For the composition of the Board of the Fugro Trust Office see page 148.

The Fugro Trust Office operates fully independent of the Company.

Certificate holders (and their authorised proxies):

- may, after timely written notification, attend and speak at shareholders' meetings;
- are entitled to request from the Fugro Trust Office a proxy to exercise the right to vote for the shares that underlie their certificates. The Board of the Fugro Trust Office may only limit, exclude or recall this proxy if:
  a) a public bid for the (certificates of) shares in Fugro N.V. has been announced or issued, or there is a reasonable expectation that this will occur, without the consent of the Company;
  b) 25% or more of the subscribed capital of the Company is held by one holder of (certificates of) shares or by a number of holders collaborating on the basis of a mutual agreement, or
  c) exercising the right to vote may, in the opinion of the Fugro Trust Office, conflict with the overall interests of the Company;
- may as long as they are natural persons, exchange their certificates into ordinary (voting) shares up to a maximum of 1% of the issued share capital of Fugro N.V. per shareholder.

Any issuing of protective preference shares will be carried out by Stichting Beschermingspreferente aandelen Fugro. On 14 May 2008 the Annual General Meeting of Shareholders designated the Board of Management of Fugro N.V. as the body which, for the period until 14 November 2009 is authorised, with the approval of the Supervisory Board, to:

(a) issue and/or grant rights to acquire all preference shares – by which is understood both protective preference shares and financing preference shares – and ordinary shares in the issued capital, and
(b) to limit or exclude the priority rights on shares to be issued.

Because no option agreement between Fugro N.V. and Stichting Beschermingspreferente aandelen Fugro has been signed and the threat of an aggressive take-over is such that an immediate issue of preference shares by Stichting Beschermingspreferente aandelen Fugro is advisable, the Board of Management should, on the basis of its designation as the body authorised to issue shares, with the approval of the Supervisory Board, decide to issue preference shares.

The objective of Stichting Beschermingspreferente aandelen Fugro is the promotion of the interests of Fugro and the companies maintained by Fugro, as well as the companies in the Fugro Group, in such a way that the interests of Fugro and all involved with Fugro are safeguarded in the best possible manner and influences which could damage the independence and/or continuity and/or identity of Fugro and its associated companies to the detriment of those interests are prevented as far as possible, as is the execution of anything that is related to or could be beneficial to the above. The options on protective preference shares granted to Fugro Consultants International N.V. and Fugro Financial International N.V. were approved by the Annual General Meeting of Shareholders in 1999. The objective of Stichting Continuïteit Fugro is the same as that of Stichting Beschermingspreferente aandelen Fugro.
The protective measures described above will, especially in a take-over situation, be put into effect when this is in the interest of protecting the confidentiality of clients' data, safeguarding Fugro's independence and defining Fugro's position in relation to that of the aggressor and the aggressor's plans and will create the possibility of seeking the necessary alternatives. The protective measures will not be put into effect 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.

The ROV support vessel 'Skandi Carla' will be involved for over a year in ROV activities in the Krishna-Godavari basin, Bay of Bengal, on the east coast of India.

### *Option scheme*

The option scheme is explained on page 12 of this Annual Report. The total number of employee options to be issued is subject to the approval of the Supervisory Board as is the grant of employee options to members of the Board of Management itself.

### *Agreements with a shareholder that could provide a reason for limitation of the transfer of (certificates of) shares*

If Article 11 Clause 1 of the Conditions of Administration of the Fugro Trust Office is applicable (see also above), conversion of certificates is only possible if the holder of certificates who as a result of conversion acquires ordinary shares in the capital of Fugro N.V. fulfils the stipulations pursuant to Article 11, sub 1.

### *Appointment and dismissal of members of the Board of Management and Supervisory Board, amendment Articles of Association*

The members of both the Board of Management and the Supervisory Board are appointed by the General Meeting of Shareholders for a period of four years on the binding nomination of the Supervisory Board. The binding nature of such a nomination may, however, be overruled by a resolution adopted by an absolute majority of the votes cast by the General Meeting of Shareholders. This majority must represent more than one third of the issued capital. If the portion of the capital referred to in the previous sentence is not represented at the meeting, but an absolute majority of the votes cast is in favour of a resolution to overrule the binding nature of the nomination, a new meeting may be convened at which the resolution may be passed by an absolute majority of votes, regardless of the proportion of the capital represented at this General Meeting.

Unless the resolution is proposed by the Supervisory Board, the General Meeting of Shareholders may only pass a resolution to suspend or dismiss a member of the Board of Management or Supervisory Board with a majority of two-thirds of the votes cast, which majority represents more than one half of the issued capital. With regard to the overruling of the binding nature of a nomination by the Supervisory Board and the decision to suspend or dismiss a member of the Board of Management or Supervisory Board, as referred to above, convening a second General Meeting of Shareholders pursuant to Article 2:120, sub 3 of the Dutch Civil Code is not permitted.

A resolution to amend the Articles of Association of Fugro N.V. may only be passed following a proposal by the Board of Management, approved by the Supervisory Board, by a majority of at least two thirds of the votes cast in a General Meeting of Shareholders at which at least one half of the issued capital is represented.

If the required portion of the capital is not represented in a meeting in which the proposal to adopt a resolution to amend the Articles of Association is to be proposed, a second meeting is convened. In this second meeting, which must take place within twenty eight days of the first meeting, a resolution to amend the Articles of Association may be passed, irrespective of the represented portion of the capital, by a majority of at least two thirds of the votes cast.

Insofar as a resolution to amend the Article of Association brings about a change in the rights vested in the holders of protective preference shares, financing preference shares and convertible financing preference shares, such a resolution shall require the approval of the meeting of holders of protective preference shares or the meeting of holders of convertible financing preference shares as the case may be.

### *Authorisation of the Board of Management with regard to the issuing and acquisition of shares*

Fugro N.V. regularly requests its shareholders to authorise the Board of Management to acquire and issue shares. The General Meeting of Shareholders so authorised the Board of Management during the meeting of 14 May 2008. This authorisation, which is valid until 14 November 2009, authorises the Board of Management, with the approval of the Supervisory Board, to acquire paid-up (certificates of) shares up to the legal maximum number of

Fugro's survey vessel Victor Hensen was deployed for the Maraeno project, for which data was collected in the continental part of Norway's northern coast. The results will be used to manage future ecosystems.

(certificates of) shares that at the time of acquisition may be thus acquired by the company, under any contract, including stock market and private transaction. The price paid shall be between the nominal value of the shares and 110% of the market value. On 14 May 2008 the General Meeting of Shareholders also appointed the Board of Management as the authorised body to issue and/or grant the right to acquire all preference shares – including both the protective preference shares and the financing preference shares – and ordinary shares in which the capital is divided at the date of the relevant resolution, subject to the approval of the Supervisory Board. This authorisation is valid until 14 November 2009. The Board of Management is also the body authorised, until 14 November 2009, to restrict or exclude the pre-emption rights on ordinary shares and/or the financing preference shares, subject to the approval of the Supervisory Board. The Board of Management, with the approval of the Supervisory Board, is authorised to resolve to dispose of the shares in its own capital acquired by the company.

A resolution to amend the Articles of Association of Fugro N.V. or to wind up Fugro N.V. may only be passed on the proposal of the Board of Management.

### Consequences of public bid for major agreements

Fugro N.V. differentiates three categories of agreements as referred to in Article 10 section 1 under j of the Takeover Directive:

a) Revolving credit facility with ABN AMRO Bank N.V. and Rabobank of EUR 200 million for five years. This agreement was implemented in 2005 and has been fully utilised. In the case of a 'change of ownership' of Fugro the credit facility can be terminated.

   Revolving credit facility with ING Groep N.V. of EUR 100 million for two years. This agreement was implemented in 2008 and the facility has not been used yet. In the case of a 'change of ownership' of Fugro the credit facility can be terminated.

   Revolving credit facility with Rabobank of EUR 100 million for five years. This agreement was implemented in 2008 and the facility has been fully utilised. In the case of a 'change of ownership' of Fugro the credit facility can be terminated.

b) Private Placement USD loans. As described in paragraph 5.46.2 of the Annual Accounts, Fugro has concluded long term loans with American and British institutional investors. The terms and conditions of these loans provide that Fugro N.V. may consolidate or merge with any other person or legal entity if either a) Fugro N.V. shall be the surviving or continuing person, or b) the surviving, continuing or resulting person or legal entity that purchases, acquires or otherwise acquires all or substantially all of the assets of the company i) is a solvent entity organised under the laws of any approved jurisdiction (any of the following jurisdictions: the Netherlands, The United States, Canada and any country which is a member of the EU (other than Greece) at the time of the date of the agreement, ii) is engaged in any similar line of business as Fugro and iii) expressly assumes the obligations of Fugro under this agreement in a writing which is in form and substance reasonably satisfactory to the holders of at least 51% of the outstanding principal amount of the notes.

c) Option agreements with personnel.
   The option agreements with personnel provide that in the event of a restructuring of the capital of the company or a merger of the company with any other legal entity, the option holder is entitled for every option to the same securities, cash or other property as that to which a holder of other shares is entitled immediately before the restructuring or merger, unless the option period is shortened by Fugro N.V. In the instance of a merger with another company or the restructuring of its capital, Fugro N.V. may shorten the option period so as to terminate immediately before the time at which the restructuring or merger is effectuated. In the event that a public offer is considered hostile and such offer is declared unconditional, all options become immediately exercisable.

### *Payment to the Board of Management on termination of employment resulting from a public bid*

Fugro N.V. has not concluded any agreements with members of the Board of Management or employees that provide for a specific payment in the case of termination of employment resulting from a public bid in the sense of Article 5:70 or 5:74 of the Financial Supervision Act. The employment agreements with Messrs. Jonkman, Van Riel and Steenbakker do – in conformance with the Corporate Governance Code – provide for a general termination recompense in the event of dismissal which is applicable on the termination or annulment of the employment agreement. This amounts to two years' gross salary for Mr. Van Riel during the first four-year period of appointment which ends in May 2010. The Code will be applied when Mr. Van Riel is reappointed. The termination recompense for Messrs. Jonkman and Steenbakker amounts to one year's gross salary. It has also been stipulated that the aforementioned compensation is also applicable in the event the persons named cannot reasonably continue to perform their function on the grounds of a change in circumstances such that continuing to fulfil this function can no longer be asked of them. It is stated that this could be the case if the company is wound-up, merged or acquired, or undergoes a far-reaching reorganisation or a fundamental change of policy. The agreement with Mr. Wester does not provide for a specific payment in the case of a termination of employment. This agreement was entered into before the Code came into force. Fugro cannot rescind rights that have been granted and this agreement will be honoured. This means that general labour law provisions are applicable.

# Annual accounts 2008

# 1 Consolidated income statement

For the year ended 31 December

| | (EUR x 1,000) | 2008 | 2007 |
|---|---|---|---|
| (5.25) | Revenue | 2,154,474 | 1,802,730 |
| (5.28) | Third party costs (cost of sales) | (722,321) | (604,855) |
| | Net revenue own services | 1,432,153 | 1,197,875 |
| (5.29) | Other income | 17,841 | 14,448 |
| (5.30) | Personnel expenses | (618,633) | (518,146) |
| (5.35) | Depreciation | (140,429) | (107,684) |
| (5.36) | Amortisation of intangible assets | (9,017) | (7,093) |
| (5.31) | Other expenses | (295,670) | (254,587) |
| | **Results from operating activities (EBIT)** | 386,245 | 324,813 |
| | Finance income | 4,831 | 3,837 |
| | Finance expenses | (6,725) | (34,818) |
| (5.32) | Net finance costs | (1,894) | (30,981) |
| (5.38) | Share of profit of equity accounted investees | (102) | (226) |
| | **Profit before income tax** | 384,249 | 293,606 |
| (5.33) | Income tax expense | (94,793) | (71,277) |
| | **Profit for the period** | 289,456 | 222,329 |
| | **Attributable to:** | | |
| | Equity holders of the Company | 283,412 | 216,213 |
| | Minority interest | 6,044 | 6,116 |
| | **Profit for the period** | 289,456 | 222,329 |
| (5.45) | Basic earnings per share (EUR) | 3.88 | 3.11 |
| (5.45) | Diluted earnings per share (EUR) | 3.73 | 2.86 |

# 2 Consolidated statement of recognised income and expense

For the year ended 31 December

| (EUR x 1,000) | 2008 | 2007* |
|---|---|---|
| Foreign currency translation differences of foreign operations (including minority interest) | (51,844) | (57,220) |
| Effective portion of change in fair value of hedge of net investment in foreign operations | (3,600) | 7,672 |
| Defined benefit plan actuarial gains (and losses) (net of tax) | (23,229) | 5,034 |
| Effective portion of changes in fair value of cashflow hedges (net of tax) | 1,032 | 1,304 |
| Change in fair value of assets available for sale | (2,526) | 3,317 |
| Other movements | – | (314) |
| **Income and expenses recognised directly in equity** | (80,167) | (40,207) |
| **Profit for the period** | 289,456 | 222,329 |
| **Total recognised income and expenses for the period** | 209,289 | 182,122 |
| **Attributable to:** | | |
| Equity holders of the Company | 203,245 | 176,393 |
| Minority interest | 6,044 | 5,729 |
| **Total recognised income and expense for the period** | 209,289 | 182,122 |

* *Certain comparative amounts have been reclassified to confirm with the current year's presentation (refer to note 5.44.7).*

# 3 Consolidated balance sheet

As at 31 December

| | (EUR x 1,000) | 2008 | 2007 |
|---|---|---|---|
| | ***Assets*** | | |
| (5.35) | Property, plant and equipment | 859,088 | 599,298 |
| (5.36) | Intangible assets | 452,130 | 407,587 |
| (5.38) | Investments in equity accounted investees | 1,293 | 1,532 |
| (5.39) | Other investments | 2,953 | 6,275 |
| (5.40) | Deferred tax assets | 26,289 | 18,037 |
| | **Total non-current assets** | 1,341,753 | 1,032,729 |
| (5.41) | Inventories | 40,953 | 44,320 |
| (5.42) | Trade and other receivables | 618,149 | 549,732 |
| (5.34) | Income tax receivables | 9,165 | 1,375 |
| (5.43) | Cash and cash equivalents | 113,286 | 71,974 |
| | **Total current assets** | 781,553 | 667,401 |
| | **Total assets** | 2,123,306 | 1,700,130 |
| | ***Equity*** | | |
| | Share capital | 3,830 | 3,521 |
| | Share premium | 431,441 | 301,550 |
| | Reserves | 209,646 | 178,705 |
| | Unappropriated result | 283,412 | 216,213 |
| | **Total equity attributable to equity holders of the Company** | 928,329 | 699,989 |
| | Minority interest | 7,482 | 7,033 |
| (5.44) | **Total equity** | 935,811 | 707,022 |
| | ***Liabilities*** | | |
| (5.46) | Loans and borrowings | 395,384 | 449,957 |
| (5.47) | Employee benefits | 52,488 | 30,333 |
| (5.48) | Provisions | 13,155 | 16,278 |
| (5.40) | Deferred tax liabilities | 975 | 486 |
| | **Total non-current liabilities** | 462,002 | 497,054 |
| (5.43) | Bank overdraft | 194,580 | 78,443 |
| (5.46) | Loans and borrowings | 26,485 | 6,460 |
| (5.49) | Trade and other payables | 395,520 | 321,715 |
| | Other taxes and social security charges | 31,515 | 29,407 |
| (5.34) | Income tax payable | 77,393 | 60,029 |
| | **Total current liabilities** | 725,493 | 496,054 |
| | **Total liabilities** | 1,187,495 | 993,108 |
| | **Total equity and liabilities** | 2,123,306 | 1,700,130 |

# 4 Consolidated statement of cash flows

For the year ended 31 December

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| ***Cash flows from operating activities*** | | |
| Profit for the period | 289,456 | 222,329 |
| **Adjustments for:** | | |
| Depreciation | 140,429 | 107,684 |
| Amortisation of intangible assets | 9,017 | 7,093 |
| Impairment losses | – | 442 |
| Net finance costs (excluding net foreign exchange variance) | 27,669 | 24,438 |
| Gain on sale of property, plant and equipment | (1,978) | (3,731) |
| Equity settled share-based payment transactions | 6,656 | 5,643 |
| Income tax expense | 94,793 | 71,277 |
| **Operating cash flows before changes in working capital and provisions** | 566,042 | 435,175 |
| Change in inventories | 3,006 | 449 |
| Change in trade and other receivables | (94,150) | (70,549) |
| Change in trade and other payables | 73,083 | 36,067 |
| Change in provisions and employee benefits | 984 | 3,729 |
| | 548,965 | 404,871 |
| Interest paid | (31,206) | (26,001) |
| Income tax paid | (88,570) | (39,681) |
| **Net cash from operating activities** | 429,189 | 339,189 |
| ***Cash flows from investing activities*** | | |
| Proceeds from sale of property, plant and equipment | 6,025 | 23,213 |
| Proceeds from sale of other investments | 647 | 1,005 |
| Interest received | 4,646 | 3,569 |
| Dividends received | 185 | 268 |
| Disposal of subsidiaries, net of cash disposed of | – | 313 |
| Acquisition of subsidiaries, net of cash acquired | (85,505) | (68,198) |
| Acquisition of property, plant and equipment | (323,046) | (291,033) |
| Expenditure for assets under construction | (56,944) | (41,443) |
| Acquisition of intangible assets | (825) | (1,592) |
| Internal developed intangible assets | (7,145) | (7,054) |
| Change in equity accounted investees | (165) | (2) |
| Acquisition of other investments | (122) | (121) |
| **Net cash from investing activities** | (462,249) | (381,075) |

# 4 Consolidated statement of cash flows (continued)

For the year ended 31 December

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| ***Cash flows from financing activities*** | | |
| Issue of long-term loans | 100,000 | 118,847 |
| Repurchase of own shares | (75,718) | (33,803) |
| Proceeds from the exercise of share options | (7,261) | (22,124) |
| Proceeds from the sale of purchased own shares | 15,769 | 32,779 |
| Repayment of borrowings | (34,618) | (61,589) |
| Dividend paid | (39,557) | (23,429) |
| **Net cash from financing activities** | (41,385) | 10,681 |
| | | |
| Net increase in cash and cash equivalents | (74,445) | (31,205) |
| Cash and cash equivalents at 1 January | (6,469) | 28,169 |
| Effect of exchange rate fluctuations on cash held | (380) | (3,433) |
| **Cash and cash equivalents at 31 December** | (81,294) | (6,469) |
| | | |
| **Presentation in the balance sheet** | | |
| Cash and cash equivalents | 113,286 | 71,974 |
| Bank overdraft | (194,580) | (78,443) |
| | (81,294) | (6,469) |

# 5 Notes to the consolidated financial statements

## 5.1 General

Fugro N.V. ('the Company') is a company domiciled in Leidschendam, the Netherlands. The consolidated financial statements of the Company for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the 'Group') and the Group's interests in associates. A summary of the main subsidiaries is included in chapter 6. The annual accounts have been prepared by the Board of Management and have been authorised for issue by the Supervisory Board on 5 March 2009. Publication will take place on 6 March 2009. The annual accounts will be submitted for adoption to the Annual General Meeting of Shareholders on 7 May 2009. The official annual accounts are prepared in the Dutch language. With reference to the Company income statement of Fugro N.V., use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

## 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).

## 5.3 Significant accounting policies

### 5.3.1 Basis of preparation

The financial statements are presented in EUR x 1,000, unless mentioned otherwise. The Euro is the functional and presentation currency of Fugro.
The financial statements have been prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments at fair value through profit or loss, available-for-sale financial assets, and plan assets associated with defined benefit plans.
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ 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 form 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 estimate is 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.
Judgements made by management in the application of EU-IFRS that have a significant effect on the financial statements and estimates with a significant risk of material misstatement in the next year are disclosed in note 5.60.
The accounting policies have been consistently applied by all subsidiaries and associates to all periods presented in these consolidated financial statements.

### 5.3.2 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these consolidated financial statements:

- IFRS 8 *Operating Segments* introduces the 'management approach' to segment reporting. IFRS 8, which becomes mandatory for the Group's 2009 consolidated financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. The Group has not yet determined the potential effect of the standard.
- Revised IAS 23 *Borrowing Costs* removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Group's 2009 consolidated financial statements and will constitute a change in accounting policy for the Group. In accordance with the transitional provisions, IAS 23 will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2009 consolidated financial statements.

- Revised IAS 1 *Presentation of Financial Statements* (revised). There have been a few revisions in IAS 1 as part of the IASB's improvement project. The revisions mainly concern the introduction of the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with shareholders in their capacity as shareholders. Total comprehensive income may be presented in either a single statement of comprehensive total recognised income and expense (effectively combining both the income statement and all non-shareholders changes in equity in a single statement), or in an income statement and a separate statement of total recognised income and expense. Revised IAS 1, which becomes mandatory for the Group's 2009 consolidated financial statements, is expected to have little impact on the consolidated financial statements. The Group plans to provide total comprehensive income in the income statement and a separate statement of total recognised income and expense for its 2009 consolidated financial statements.
- Revised IFRS 3 *Business Combinations* (2008) incorporates the following changes that are likely to be relevant to the Group's operations:
  - Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss.
  - Transaction costs, other than share and debt issue costs, will be expensed as incurred.
  - Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss.
  - Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.

  Revised IFRS 3, which becomes mandatory for the Group's 2010 consolidated financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Group's 2010 consolidated financial statements.
- Amended IAS 27 *Consolidated and Separate Financial Statements* (2008) requires accounting for changes in ownership interests by the Group in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Group loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in the income statement. The amendments to IAS 27, which become mandatory for the Group's 2010 consolidated financial statements, are not expected to have a significant impact on the consolidated financial statements.
- Amendment to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2, will become mandatory for the Group's 2009 consolidated financial statements, with retrospective application. The Group has not yet determined the potential effect on the consolidated financial statements.
- IFRIC 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* clarifies that availability of pension assets is the case when, at the balance sheet date, there is an unconditional right to the surplus now or in the future by means of reimbursements and/or reductions in future contributions. Minimum funding requirements may have an impact on the availability. IFRIC 14, will become mandatory for the Group's 2009 consolidated financial statements, with retrospective application. The Group has not yet determined the potential effect of the interpretation.
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* discusses a number of issues in relation to hedging currency risks on foreign operations (net investment hedges). IFRIC 16 specifically confirms only the risk from differences between the functional currencies of the parent and the subsidiary can be hedged. Additionally, currency risks can only be hedged by every (direct or indirect) parent company, as long as the risk is only hedged once in the consolidated financial statements. IFRIC 16 also determines the hedge instrument of a net investment hedge can be held by every group company, except for foreign operation itself). IFRIC 16, will become mandatory for the Group's 2009 consolidated financial statements, with prospective application. The Group has not yet determined the potential effect of this interpretation.

- Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items provides additional guidance concerning specific positions that qualify for hedging* ('eligible hedged items'). The amendment to IAS 39, will become mandatory for the Group's 2010 consolidated financial statements. The Group has not yet determined the potential effect of this revised standard.

The following new standards, amendments to standards and interpretations which are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these consolidated financial statements will have no or limited impact on the Group's consolidated financial statements when they become mandatory:

- Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation;*
- Amendments to IFRS 1 *First-time Adoption of IFRSs* and IAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly-controlled Entity or Associate;*
- Improvements to IFRSs (2008);
- IFRIC 13 *Customer Loyalty Programmes;*
- IFRIC 15 *Agreements for the Construction of Real Estate;*
- IFRIC 17 *Distributions of Non-cash Assets to Owners;*
- IFRIC 18 *Transfers of Assets from Customers.*

## 5.4 *Basis of consolidation*

### 5.4.1 Subsidiaries

Subsidiaries are those entities controlled by the Company, taking into account the impact of potential voting rights that are presently exercisable. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

### 5.4.2 Associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but no control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates using the equity method (equity accounted investees), after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or has made payments on behalf of the associate.

### 5.4.3 Other investments

Other investments are those entities in whose activities the Group holds a minority interest and has no control or significant influence. These investments are recognised at fair value and carried at cost in case the fair value cannot be determined reliably. Dividends received are accounted for in the income statement when these become due and the investments are carried at cost.

### 5.4.4 Transactions eliminated on consolidation

Intra-group balances, transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the investee. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## 5.5 *Foreign currency*

### 5.5.1 Foreign currency transactions and translation

Transactions in foreign currencies are translated to EUR at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to EUR at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in the income statement. 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 balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to EUR at foreign exchange rates effective at the date the value was determined. Foreign currency differences arising on translation are recognised in profit or loss, except for exchange differences arising on the translation of a financial liability designated as a hedge of the net investment in a foreign operation.

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 |
|---|---|---|---|---|
| 2008 | 0.71 | 0.68 | 1.05 | 1.25 |
| 2007 | 0.68 | 0.73 | 1.36 | 1.46 |
| 2006 | 0.76 | 0.79 | 1.49 | 1.47 |
| 2005 | 0.85 | 0.81 | 1.46 | 1.46 |
| 2004 | 0.73 | 0.81 | 1.42 | 1.47 |

### 5.5.2 Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to EUR at foreign exchange rates effective at the balance sheet date. The income and expenses of foreign operations are translated to EUR at rates approximating the foreign currency exchange rates effective at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in the Translation reserve, a separate component of equity since 1 January 2003, the Group's date of transition to IFRS. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to profit or loss.

### 5.5.3 Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are taken to the Translation reserve. They are released into the income statement upon disposal.
The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity. The ineffective portion is recognised immediately in the income statement.

## 5.6 *Determination of fair values*

Some of the Group's accounting policies and disclosures require the determination of fair values, 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. Additional information on the determination of fair values is disclosed in the notes of the specific asset or liability, if applicable.

### 5.6.1 Property, plant and equipment

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

### 5.6.2 Intangible assets

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

### 5.6.3 Inventories

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

### 5.6.4 Trade and other receivables

The fair value of trade and other receivables, at initial recognition, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

### 5.6.5 Derivatives

The fair value of forward exchange contracts is based on the listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

### 5.6.6 Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future repayments and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

### 5.6.7 Share based payment transactions

The valuation principles used for determining the expectation value are as follows:
The date of valuation is equal to the date of granting (year-end). The duration of the options is six years.
The volatility is based on the historical analysis of the daily share price fluctuations over the period 1993 through the reporting date. The expected return on dividend is based on a historical analysis of the dividends paid out during the period 1994 through reporting date. Concerning early departure, different percentages for different categories of staff are used: Directors 1%, Executive Committee members 2%, managers of operating companies 7%. The expected behaviour for exercising the options by the Directors is estimated till the end of the vesting period and for the other two groups with a multiple of three.

## 5.7 *Derivative financial instruments and hedging*

### 5.7.1 Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational and financing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, measurement of derivative financial instruments is at fair value. The gain or loss on remeasurement at fair value is recognised immediately in the income statement except when hedge accounting is applied. Recognition of any resultant gain or loss on hedge accounting depends on the nature of the item being hedged (refer to accounting policy 5.7.2 and beyond).

### 5.7.2 Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in equity. When the forecasted transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated cumulative gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If the hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are classified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss. For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is immediately recognised in the income statement.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecasted transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative gain or loss immediately recognised in equity is recognised in the income statement.

### 5.7.3 Hedge of monetary assets and liabilities

Where a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability any gain or loss on the hedging instrument is recognised in the income statement.

## 5.8 *Property, plant and equipment*

### 5.8.1 Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (refer accounting policy 5.14). The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of overheads directly attributable to the construction of the assets.

Finance costs attributable to the acquisition or construction of qualifying assets is recognised in the income statement when they occur.

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 or plant and equipment or vessels or other property, plant and equipment.

Where an item of property, plant and equipment comprises major components having different useful lives, these components are depreciated separately.

### 5.8.2 Leased assets

Leases with terms in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Plant and equipment acquired by way of finance lease is initially stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (refer accounting policy 5.8.4) and impairment losses (refer accounting policy 5.14).

Subsequent measurement is in accordance with the applicable accounting policy. Operating leases are not recognised in the Group's balance sheet. Lease payments are accounted for as described in accounting policy 5.22.2 and 5.22.3.

### 5.8.3 Subsequent cost

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

### 5.8.4 Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.
Depreciation methods, useful lives and residual values are reassessed at balance sheet date. The estimated useful life of the different items of property, plant and equipment are:

| Category | Years |
|---|---|
| **Land and buildings** | |
| Land | infinite |
| Buildings | 20 – 40 |
| Fixtures and fittings | 5 – 10 |
| **Vessels** | |
| Vessels and platforms | 2 – 25 |
| **Plant and equipment** | |
| Plant and equipment | 4 – 10 |
| Survey equipment | 3 – 5 |
| Aircraft | 5 – 10 |
| AUVs and ROVs | 6 – 7 |
| Computers and office equipment | 3 – 4 |
| Transport equipment | 4 |
| **Other** | |
| Maintenance | 3 – 5 |
| Used plant and machinery | 1 – 2 |

## 5.9 *Intangible assets*

### 5.9.1 Goodwill

As part of its transition to IFRSs, the Group elected to restate only those business combinations that occurred on or after 1 January 2003. In respect of acquisitions prior to 1 January 2003, goodwill represents the amount recognised under the Group's previous accounting framework, Dutch GAAP.
All business combinations are accounted for by applying the 'purchase accounting method'. Goodwill subsequent to 1 January 2003 represents amounts arising on acquisition of subsidiaries and equity accounted investees. In respect of business acquisitions, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets, liabilities and contingent liabilities acquired.
The excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities

over cost is recognised directly in the income statement. Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.
Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but is tested for impairment annually or when there is an indication for impairment (refer accounting policy 5.14). In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

### 5.9.2 Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.
The Group spends significant amounts on research. Since the majority of these activities take place within contracts with third parties it is not feasible to properly determine the total costs spent for these technical developments. Expenditure on development activities, whereby research findings are applied to a plan or design for new or improved software, is capitalised if the product is technically and commercially feasible and the Group has sufficient resources to complete development. The capitalised expenditure includes the cost of materials, direct labour and an attributable proportion of direct overheads. The estimated useful life of capitalised development costs is five years.

### 5.9.3 Software and other intangible assets

Other intangible assets acquired or developed by the Group are stated at cost less accumulated amortisation and impairment losses (refer accounting policy 5.14). The estimated useful life of software is five years.

### 5.9.4 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 is expensed as incurred.

### 5.9.5 Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangibles assets with an indefinite life are systematically tested for impairment annually or when there is an indication for impairment. Other intangible assets (software) are amortised from the date they are available for use.

### 5.10 Equity accounted investees

Associates are those entities in which the Group has significant influence, but no control, over the financial and operating policies. The consolidated financial statements include the Group’s share of the total recognised gains and losses of associates using the equity method (equity accounted investees), after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group’s share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or has made payments on behalf of the associate.

### 5.11 *Inventories*

### 5.11.1 Seismic data libraries

The seismic data libraries consist of completed and in progress collection of seismic data that can be sold non-exclusively to one or more clients. These seismic data libraries are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost includes direct costs and an attributable portion of direct overheads, but exclude a profit element. As it is expected that sales lead to a lower net realisable value, these expected decreases in value are taken into account at the moment of sale throughout the financial year. The Group evaluates the net realisable value on a regular basis and reassesses the net realisable value at each balance sheet date.

#### 5.11.2 Work in progress

Work in progress concerning services rendered on work not yet completed, is stated at cost plus profit recognised to date (refer accounting policy 5.21.1) less a provision for foreseeable losses and less progress billings. Costs include all expenditure related directly to specific projects and an allocation of fixed and directly attributable overheads incurred in the Group's contract activities based on normal operating capacity. If payments received from customers exceed the income recognised, then the difference is presented as advance instalments to work in progress.

#### 5.11.3 Other inventories

Other inventories are stated at the lower of cost or net realisable value. The cost of other inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

### 5.12 Trade and other receivables

Services rendered on contract work completed but not yet billed to customers are included in trade receivables as unbilled revenues.
Trade and other receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method less, any impairment losses (refer accounting policy 5.14).

### 5.13 *Cash and cash equivalents*

Cash and cash equivalents comprising cash balances and call deposits are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method less, any impairment losses. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

### 5.14 *Impairment*

The carrying amounts of assets other than inventories, assets arising from employee benefits and deferred tax assets (refer accounting policy 5.23), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is calculated.
For goodwill, intangible assets with an indefinite useful life and assets that are not available for use, the recoverable amount is determined at each balance sheet date or when there is an indication for impairment.
An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.
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 units and then to reduce the carrying amount of the other assets in the unit on a pro rato basis.

#### 5.14.1 Calculation of recoverable amount

The recoverable amount of the Group's investments in held-to-maturity securities and receivables carried at amortised cost is calculated at the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition of these assets. Short-term receivables are not discounted.
The recoverable amount of assets is the higher of their net selling price and value in use. In assessing the 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### 5.14.2 Reversals of impairment

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss in respect of goodwill is not reversed in a subsequent period. In respect of other assets, an impairment loss is reversed if the estimates in the calculation of the recoverable amount have changed. Prior period impairments are reviewed at balance sheet date to determine if there is an indication that an impairment loss recognised in prior periods may no longer exist or may have decreased.

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.

### 5.15 *Share capital*

#### 5.15.1 Share capital

Share capital is classified as equity. The Group has not issued preference shares. The term 'shares' as used in the Annual Accounts should, with respect to shares issued by Fugro N.V., be construed to include certificates of shares (also referred to as 'depositary receipts' for shares) issued by Stichting Administratiekantoor Fugro (also referred to as 'Fugro Trust Office Foundation' or 'Fugro Trust Office'), unless the context otherwise requires or unless it is clear from the context that this is not the case.

#### 5.15.2 Repurchase and sale of shares

When shares are repurchased or sold, the amount of the consideration paid or received, including direct attributable costs, 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.

#### 5.15.3 Dividends

Dividends are recognised as a liability in the period in which they are declared.

### 5.16 *Convertible notes*

Convertible notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments, net of attributable transaction costs. Transaction costs that relate to the issue of a compound financial instrument are allocated to the equity and the liability components on a pro rata basis. The equity component of the convertible notes is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the market interest rate applicable to similar liabilities that do not have a conversion option. The interest expense recognised in the income statement is calculated using the effective interest rate method.

### 5.17 *Loans and borrowings*

Borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost using the effective interest rate method.

### 5.18 *Employee benefits*

#### 5.18.1 Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are incurred.

#### 5.18.2 Defined benefit plans

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by calculating the present value of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine the present value, and of any unrecognised past service costs and the fair value of plan assets is deducted. The discount rate is the yield at balance sheet date on high quality corporate or government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by qualified actuaries using the projected unit credit method. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

The Group recognises all actuarial gains and losses in the period in which they occur in the statement of recognised income and expense.

Where the calculation results in a benefit to the Group, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

#### 5.18.3 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.

The obligation is calculated using the projected unit credit method and is discounted based on high quality corporate or government bonds that have maturity dates approximating the terms of the Group's obligations. Any actuarial gains or losses are recognised in the income statement in the period in which they arise.

#### 5.18.4 Share based payment transactions

The share option programme allows Group employees to acquire shares of the Company. The fair value of options is measured at grant date and recognised as an employee expense with a corresponding increase in equity over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted from 7 November 2002 onwards is measured using a binominal model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted annually to reflect the actual number of share options that can be exercised.

### 5.19 *Provisions*

A provision is recognised when the Group has a legal or constructive obligation as result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### 5.19.1 Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

#### 5.19.2 Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

### 5.20 *Trade and other payables*

Trade and other payables are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

## 5.21 *Revenue*

### 5.21.1 Services rendered

Revenue from services rendered to third parties is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed using the proportion of contract cost incurred for work performed to balance sheet date compared to total contract cost as this method is most appropriate for the majority of the services provided by the Group (which are mainly based on daily rates for staff and equipment or rates per (square) mile for vessels and airplanes).

For fixed price contracts revenue is recognised when: (i) the total contract revenue can be measured reliably; (ii) it is probable that future economic benefits will flow to the Group as a result of that contract; (iii) contract costs to completion and the stage of completion at the balance sheet date can be measured reliably; and (iv) contract costs can be identified clearly and measured reliably so that actual cost can be compared with prior estimates.

In case of cost plus contracts (mainly daily rates or rates per (square) mile), revenue of the contract is recorded when: (i) it is probable that future economic benefits will flow to the Group as a result of that contract; and (ii) contract costs can be identified clearly and measured reliably. 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 and possible return 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, associated costs or the possible return of goods. An expected loss on a contract is recognised immediately in the income statement.

### 5.21.2 Seismic data

Revenue on non-exclusive seismic data libraries is recognised in the period when the data has been collected, processing has been completed and data has (substantially) been delivered to the client. Pre-commitments on seismic data library sales are recorded as advance instalments unless data collection has commenced, then revenue is recognised based on the stage of completion.

Separate (service) components/deliverables, such as annual maintenance fees or training fees, are accounted for over the period in which these services have been delivered to the customer.

### 5.21.3 Royalty, software licences and subscription income

Royalty, software licences and subscription income are recognised in the period during which the underlying services have been provided.

### 5.21.4 Government grants

An unconditional government grant is recognised in the balance sheet when the grant becomes receivable. Any other government grant is initially recognised as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions attached to it. Grants that compensate the Group (partly) for expenses incurred are recognised in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that (partly) compensate the Group for the cost of an asset are recognised in the income statement on a systematic basis over the useful life of the asset.

### 5.21.5 Other operating income

Other operating income concerns income not related to the key business activities of the Group, like income from the sale of non-monetary assets and/or liabilities, exceptional and/or non-recurring income.

## 5.22 *Expenses*

### 5.22.1 Third party costs (cost of sales)

Third party costs are matched with related revenues on contracts and accounted for on a historical cost basis. Net revenue own services is the sum of revenue realised from third parties less third party cost.

#### 5.22.2 Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

#### 5.22.3 Finance lease payments

Minimum lease payments are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period in such a way that this results in a constant periodical interest rate for the remaining balance of the liability during the lease term.

#### 5.22.4 Net finance costs

Net finance costs comprise interest expense on borrowings calculated using the effective interest rate method, accruing of interest on liabilities of employee benefits, interest income on funds invested, expected return on plan assets, dividend income, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement (refer accounting policy 5.7).
Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset. Dividend income is recognised in the income statement on the date the entity's right to receive the payments is established which in the case of quoted shares is the ex-dividend date.
The interest component of finance lease payments is recognised in the income statement using the effective interest rate method. Exchange gains and losses are reported on a net basis.

### 5.23 *Income tax*

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax in respect of previous years.
Deferred tax is determined using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.
The amount of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.
A deferred tax asset is recognised only 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 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.

### 5.24 *Statement of cash flows*

The statement of cash flows is prepared using the indirect method. The cash flow statement distinguishes between operational, 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 operational 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 investment activities, taking into account the available cash in these interests. Dividends paid are part of the cash flow from financing activities.

## 5.25 *Segment reporting*

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. 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. Unallocated items comprise mainly deferred tax, loans and borrowings and corporate assets and expenses. Segment capital expenditure is the total amount incurred during the period to acquire segment assets that are expected to be used for more than one period. The Group defines a division as a segment in its reports.

### 5.25.1 Business segments

As an engineering firm with operations throughout the world, the Group delivers its services to clients located all over the globe and collects and interprets data related to the earth's surface and the soil and rock beneath. On the basis of this data the Group provides advice, generally for purposes related to the oil and gas industry, the mining industry and the construction industry. The Group recognises three groups of services as business segments:

The Geotechnical division provides a group of related services. These concern investigations and advice regarding the physical characteristics of the soil, foundation design and materials for construction.

The activities are mainly design related. The client base of the pre-design phase activities is focussed on advice concerning the prime question of whether the foundation of a structure will be safe, both on- and offshore. Laboratory testing supports the reporting service. In principle geotechnical services are rendered in a very early stage of a development. The Survey division provides a group of related services. This concerns positioning services, geological advice, topographic, hydrographical and geological mapping and support services for construction projects and data management. These activities are mainly provided in the installation, construction and maintenance phase. In a large number of cases, Group companies supply information like weather forecasting, GNSS correction signals for precise positioning (the signals are also used for rig moves). Moreover, special equipment is used to assist clients with construction of offshore structures (ROV, AUV, etc).

In general these activities do not include soil sampling nor penetration of the earth's surface. Survey services are rendered during a construction phase. The Geoscience division provides a range of related services. This concerns gathering and interpreting geophysical data, quantitative and qualitative estimates of oil, gas, mineral and water resources leading to advising on the optimisation of their production. These are mainly exploration related activities (to determine what resources are there). The clients get advice about the potential presence of oil/gas, minerals and water and also about the quantitative and qualitative data regarding these natural resources.

The division also has techniques which help clients to assess how to extract the natural resources in the most optimal way. The segments are managed on a worldwide basis, and operate in four principal geographical areas, The Netherlands, Europe other/Africa, Middle East/Asia/Australia and the Americas. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of operating companies. Segment assets are based on the geographical location of the assets. Inter-segment pricing is determined on an arm's length basis.

**Business segments**

| (EUR x 1,000) | Geotechnical | | Survey | | Geoscience | | Other operations | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Revenue | **541,194** | 442,534 | **959,608** | 852,038 | **653,672** | 508,158 | **–** | – | **2,154,474** | 1,802,730 |
| of which inter-segment revenue | **47,424** | 30,978 | **29,337** | 26,570 | **29,329** | 53,919 | **(106,090)** | (111,467) | **–** | – |
| Segment result | **95,148** | 77,587 | **235,109** | 204,650 | **153,814** | 114,675 | **(97,826)** | (72,099) | **386,245** | 324,813 |
| Result from operating activities (EBIT) | | | | | | | | | **386,245** | 324,813 |
| Net finance costs | | | | | | | | | **(1,894)** | (30,981) |
| Share of profit of quity accounted investees | | | | | | | | | **(102)** | (226) |
| Income tax expense | | | | | | | | | **(94,793)** | (71,277) |
| **Net profit for the period** | | | | | | | | | **289,456** | 222,329 |
| Segment assets | **405,477** | 295,751 | **757,235** | 662,606 | **852,393** | 670,201 | | | **2,015,105** | 1,628,558 |
| Unallocated assets | | | | | | | | | **108,201** | 71,572 |
| **Total equity and assets** | | | | | | | | | **2,123,306** | 1,700,130 |
| Segment equity and liabilities | **204,267** | 145,581 | **487,140** | 435,737 | **565,814** | 424,827 | | | **1,257,221** | 1,006,145 |
| Unallocated equity and liabilities | | | | | | | | | **866,085** | 693,985 |
| **Total equity and liabilities** | | | | | | | | | **2,123,306** | 1,700,130 |
| Depreciation | **24,151** | 19,294 | **42,837** | 36,473 | **27,781** | 23,046 | **45,660** | 28,871 | **140,429** | 107,684 |
| Amortisation | **380** | 366 | **589** | 359 | **8,048** | 6,368 | **–** | – | **9,017** | 7,093 |
| Capital expenditure, property, plant and equipment* | **31,295** | 37,033 | **103,844** | 119,621 | **169,565** | 128,159 | **18,342** | 6,220 | **323,046** | 291,033 |
| Capital expenditure intangible assets | **39,332** | 1,969 | **20,328** | 35,312 | **33,300** | 21,435 | **61** | 300 | **93,021** | 59,016 |
| Significant non-cash expenses (Impairment losses on trade receivables and seismic data libraries) | **5,024** | – | **8,908** | – | **11,468** | – | **–** | – | **25,400** | – |

* *Excluding assets under construction.*

**Geographical segments**

| (EUR x 1,000) | Netherlands | | Europe other/Africa | | Near and Middle East/ Asia/Australia | | Americas | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Revenue from external customers | **144,922** | 124,388 | **1,081,806** | 856,609 | **425,794** | 350,862 | **501,952** | 470,871 | **2,154,474** | 1,802,730 |
| Segment assets | **193,086** | 173,685 | **944,054** | 823,316 | **565,087** | 353,623 | **421,079** | 349,506 | **2,123,306** | 1,700,130 |
| Depreciation | **6,939** | 6,000 | **76,850** | 56,935 | **32,989** | 23,014 | **23,651** | 21,735 | **140,429** | 107,684 |
| Amortisation of intangible assets | **3,088** | 5,121 | **4,739** | 754 | **140** | 61 | **1,050** | 1,157 | **9,017** | 7,093 |
| Capital expenditure property, plant and equipment* | **7,619** | 6,714 | **142,926** | 189,941 | **137,619** | 64,193 | **34,882** | 30,185 | **323,046** | 291,033 |
| Capital expenditure intangible assets | **11,194** | 3,990 | **33,062** | 10,133 | **8,364** | 5,183 | **40,401** | 39,710 | **93,021** | 59,016 |

* *Excluding assets under construction.*

## 5.26 Acquisitions and disposal of subsidiaries

### 5.26.1 Acquisitions 2008

#### 5.26.1.1 *William Lettis & Associates, Inc.*

In January Fugro acquired all the shares of William Lettis & Associates, Inc. (WLA) for an amount of EUR 9.2 million in cash. WLA is a leading geological consultancy with headquarters in Walnut Creek, California. WLA operates globally from offices in California, Colorado, Texas and Georgia. The revenue for WLA in 2007 amounted to around EUR 10 million and it employs a staff of 75. The amount of goodwill related to the acquisition amounts to EUR 9.7 million. WLA is part of the Geotechnical division.

#### 5.26.1.2 *HGN Hydrogeologie GmbH*

In January the Group acquired (and paid in cash) all the shares of HGN Hydrogeologie GmbH (HGN), a leading hydrogeological and hydrological consultancy in Germany with headquarters in Nordhausen, near Leipzig. HGN operates from a number of offices throughout Germany and an office in Lithuania. HGN has an annual revenue in excess of EUR 7.5 million and employs a staff of 120. The purchase price is EUR 3.7 million and the goodwill amounts to EUR 1.8 million. HGN is incorporated in the Geotechnical division.

#### 5.26.1.3 *Pavement Management Services Pty Ltd.*

Also in January Fugro acquired (and paid in cash) the full share capital of Pavement Management Services Pty Ltd (PMS) in Australia. PMS employs 40 staff and has an annual revenue of around EUR 3.8 million. PMS is one of the world's leaders in the provision of pavement engineering consultancy services including assessment of current pavement condition, design studies for new pavements, definition of maintenance programmes for existing highway networks and supply of asset management database systems. The purchase price is EUR 4.8 million and the recognised goodwill amounts to EUR 5.2 million. PMS is part of the Geotechnical division.

#### 5.26.1.4 *Roadware Group Inc.*

In February Fugro acquired (and paid in cash) all the share capital of Roadware Group Inc, a leading provider of technology and services for the assessment and mapping of highway and other pavement structures, for an amount of EUR 3.3 million. Roadware's headquarter and assembly centre is in Paris, Ontario, Canada.
The revenue for the financial year 2007 was more than EUR 9 million and at the time of acquisition the company employs 130 staff. The recognised goodwill amounts to EUR 10.4 million. Roadware Group Inc is included in the Geotechnical division.

#### 5.26.1.5 *Electro Magnetic Marine Exploration Technologies (EMMET)*

In March the Group acquired (and paid in cash) 60% of the share capital of EMMET for an amount of EUR 10 million. The Group will also have the exclusive option to purchase the remaining shares. EMMET is a company from the Russian Federation with 43 employees and offices in St. Petersburg and Moscow and is a technology developer and provider of marine electromagnetic services for hydrocarbon exploration.
The recorded goodwill related to the acquisition is EUR 10.7 million. EMMET has been added to the Airborne Survey group in the Geoscience division.

#### 5.26.1.6 *Falcon Technology*

In November 2008 the Geosciene division acquired BHP Billiton's proprietary Falcon™ geophysical technology.
The purchase price is around EUR 10.7 million and the recognised intangible assets amount to EUR 7.9 million. Falcon™ is the world's leading Airborne Gravity Gradiometer (AGG) technology and was jointly developed by BHP Billiton and Lockheed Martin. BHP Billiton retains the exclusive use and priority access to the technology for minerals exploration until March 2010.

#### 5.26.1.7 *BKS Surveys Ltd.*

On 24 April all the shares of BKS Surveys Ltd. in Northern-Ireland were acquired (and paid in cash) by the Group for an amount of EUR 3.9 million. BKS is a leading supplier of aerial mapping services and products.
The company employs 100 people and has an annual revenue of EUR 6.4 million. Total goodwill amount is EUR 2.3 million. BKS is added to the Survey group.

#### 5.26.1.8 *Nigel Press Associates Ltd.*

Also in April Fugro acquired (and paid in cash) a 100% stake in Nigel Press Associates Ltd. (NPA). The purchase price was EUR 3.3 million and the company has an annual revenue of EUR 3.2 million. NPA is a satellite mapping specialist in Europe. NPA has about 30 employees and the goodwill related to the acquisition is EUR 2.5 million.
NPA is part of both the Survey and Geoscience division.

#### 5.26.1.9 *Fugro-OceansatPEG 38%*

In May the remaining 38% interest in Fugro-OceansatPEG S.A., Brazil, in the Survey group was acquired for a total amount of EUR 6.6 million. In 2005 already 62% of the shares has been acquired. The transaction lead to an additional goodwill amount of EUR 4.2 million. The company continues as Fugro Brasil Ltda.

#### 5.26.1.10 *In Situ Geotecnia Ltda.*

In May the Group acquired (and paid in cash) a 100% share in In Situ Geotecnia Ltda. in Brazil for a total amount of EUR 4.1 million. In Situ is a company in the field of geotechnical services. In Situ has an annual revenue of EUR 4 million and 100 employees. Total goodwill amounts to EUR 5.3 million. In Situ is added to the Geotechnical division.

#### 5.26.1.11 *NexTerra Geophysical Solutions Pvt. Ltd.*

In July NexTerra Geophysical Solutions Pvt. Ltd. in India was acquired (and paid in cash) for a total amount of EUR 0.3 million. NexTerra specialises in the provision of land-based geoscientific data acquisition and associated processing and consulting services. The company has an annual revenue of EUR 1.0 million and employs 12 people. Total recognised goodwill amount is EUR 0.7 million. Nexterra is included in the Geoscience division.

#### 5.26.1.12 *SureSpek ISS Pty Ltd.*

In August all the shares of SureSpek ISS Pty Ltd, an Australian based company, were acquired (and paid in cash) for EUR 3.5 million. The company manages and undertakes subsea inspections on offshore pipelines and structures. The company has 16 staff and an annual revenue of EUR 2.5 million. Goodwill amount in the acquisiton was EUR 3.4 million. SureSpek is part of the Survey group.

#### 5.26.1.13 *Beatty Marine Plant Ltd.*

From Beatty Marine Plant Ltd. in Ireland six modular jack-up platforms including related business were acquired for a total amount of EUR 9.5 million in cash. Total goodwill amount on the acquisition is EUR 3.1 million. The jack-up platforms are used within the Geotechnical division.

#### 5.26.1.14 *Risk Engineering, Inc.*

All the shares of Risk Engineering, Inc., United States., were acquired (and paid in cash) by the Group in August for an amount of EUR 1.8 million. The company is specialised in risk analyses and earthquake sensitivity studies of large scale projects. The annual revenue is EUR 1.5 million with 5 employees and the goodwill amount on the acquisition is EUR 2.2 million. The company was integrated with the onshore activities of William Lettis & Associates, Inc, United States in the Geotechnical division.

#### 5.26.1.15 *Phoenix Data Solutions Ltd.*

Fugro acquired all the shares (and paid in cash) of the specialist privately owned data management company Phoenix Data Solutions in the United Kingdom in September. Total purchase amount is EUR 3.0 million. The company employs 6 staff and has an annual revenue of approximately EUR 3.0 million and provides services specialising in the digital reconstruction of seismic images. Total goodwill amount involved is EUR 2.1 million. The company is incorporated in Fugro Data Solutions Ltd. in the Geoscience division.

#### 5.26.1.16 *GeoLab Nor AS*

Also in September Fugro Norway acquired (and paid in cash) a 100% share in Geolab Nor AS with its head office in Trondheim, Norway. Total purchase amount is EUR 2.9 million and the goodwill related to the acquisition is EUR 2.3 million. Annual revenue of the company is EUR 2.3 million. The company specialises in supplying petroleum, geochemical and consultancy services to the oil and gas industry on a worldwide basis. Geolab Nor AS employs 15 employees and is added to the Geoscience division.

#### 5.26.1.17 *Allied Seismic Ltd.*

The Group acquired (and paid in cash) all the shares of the privately owned data management company Allied Seismic Ltd., in Calgary, Alberta, Canada, for a total amount of EUR 2.1 million. The company employs 22 staff and has an annual revenue of approximately EUR 2.5 million and specialises in the storage of data related to oil and gas, mainly to the seismic acquisition industry. Goodwill amount is EUR 2.0 million. The company is incorporated in Fugro Data Solutions Canada Inc. in the Geoscience division.

#### 5.26.1.18 *GEO LLC*

On 8 December Fugro acquired (and paid in cash) all the shares in GEO LLC, based in Anchorage, Alaska, United States, for EUR 2.1 million. The company specialises in offshore geophysical surveys, as well as in geotechnical investigations for new oil and gas fields offshore, especially in the arctic regions such as the Chukchi and Beaufort Seas. GEO LLC has an annual revenue of EUR 7 million and the goodwill amount is EUR 0.8 million. The company will be integrated with the offshore activities of one of the Group companies in the United States and is added to the Geotechnical division.

### 5.26.2 Divestments

In 2008 no divestments took place.

### 5.26.3 Effect of acquisitions and disposal

The acquisitions and disposals of subsidiaries had the following effect on the Group's assets and liabilities.

| (EUR x 1,000) | Pre-acquisition carrying amount | Fair value adjust-ments | Recog-nised values on acquisi-tions 2008 | Balance of acquisi-tions and divest-ments 2007 |
|---|---|---|---|---|
| Property, plant and equipment | 16,017 | (1,594) | 14,423 | 8,664 |
| Intangible assets | 914 | 7,766 | 8,680 | 3,190 |
| Other fixed assets | 270 | 545 | 815 | 271 |
| Inventories | – | – | – | 61 |
| Trade and other receivables | 17,073 | 223 | 17,296 | 32,928 |
| Current tax receivables | 25 | – | 25 | 56 |
| Deferred taxes | 52 | – | 52 | – |
| Cash and cash equivalents | 178 | – | 178 | 194 |
| Minority interest | 1,829 | – | 1,829 | – |
| Loans and borrowings | (15,114) | – | (15,114) | (5,280) |
| Current tax liabilities | (629) | – | (629) | (758) |
| Trade payables | (10,213) | 476 | (9,737) | (18,925) |
| Net identifiable assets and liabilities | 10,402 | 7,416 | 17,818 | 20,401 |
| Goodwill/(negative goodwill) on acquisition | | | 76,030 | 47,678 |
| Considerations payable | | | (8,165) | – |
| Consideration paid/(received), in cash | | | 85,683 | 68,079 |
| Cash (acquired)/disposed of | | | (178) | (194) |
| Net cash outflow/(inflow) | | | 85,505 | 67,885 |

Acquisitions have been combined in this table as none of them individually is considered to be material. Furthermore, the acquisitions 2008 include an amount of EUR 9.3 million relating to prior period adjustments (2007: EUR 0.5 million).

If all acquisitions in 2008 had been effected at the beginning of 2008, the revenue of the Group would have been EUR 10 million higher.

The acquisitions in 2008 contributed EUR 2.3 million positive to the profit of Fugro N.V. On a full year basis this would approximately amount to EUR 3.0 million positive.

The goodwill from the acquisition is attributable mainly to market share, the skills and technical talent of the acquired business's work force, and the synergies expected to be achieved from integrating the company into the Group's existing business.
For some 2008 acquisitions the fair value of acquired assets and liabilities has been provisionally determined.

### 5.27 Government grants

The Company has not been awarded any significant government grants in 2008.

### 5.28 *Third party costs*

Relates to direct operating expenses from third parties that are project related (thus the third party cost of sales). Third party costs include EUR 152,315 of operational lease expenses (2007: EUR 100,060).

### 5.29 *Other income*

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Government grants | 441 | 672 |
| Gain on disposal of property, plant and equipment | 2,687 | 4,019 |
| Sundry income | 14,713 | 9,757 |
| | 17,841 | 14,448 |

### 5.30 *Personnel expenses*

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Wages and salaries | 536,120 | 445,427 |
| Compulsory social security contributions | 55,231 | 46,663 |
| Equity-settled share-based payment transactions | 6,656 | 5,643 |
| Contributions to defined contribution plans | 14,836 | 13,315 |
| Expense related to defined benefit plans | 5,132 | 6,448 |
| Increase in liability for long service leave | 658 | 650 |
| | 618,633 | 518,146 |

#### 5.30.1 Share based payments

The Group's remuneration policy includes a share option scheme. An option entitles the employee to buy a (certificate of a) share in Fugro N.V. Option rights are granted on the basis of the employee's contribution towards the development of the Group's long-term strategy. Option rights are granted to employees who have been working with the Group for twelve months prior to granting of the options (the 'service period'). The Group stipulates that in addition to the services provided in the twelve months prior to the granting of the options services also must be provided in the future. Employees with option rights are allowed to exercise the option rights only after three years of employment subsequent to granting with the Group (the 'vesting period'). The options have a term of six years subsequent to the grant date.

The Board of Management and Supervisory Board decide annually on the granting of the option rights. The exercise price of the options is set at grant date and equals the closing stock price of certificates of shares at Euronext Amsterdam at the last trade day of the year of granting. The costs of the option rights are recognised in the income statement over the related period of employment (four years).

For options granted before 31 December 2007 a difference exists between conditions for Dutch residents and foreign residents. Option rights to Dutch residents are unconditional; the option rights can be exercised immediately notwithstanding a 90% fine on the possible profit, which is retained by the Group. Costs related to these options are recognised in the income statement in the year of granting. For foreign residents option rights are conditional; exercise of the option rights is possible after only three years after grant date. The costs of the option rights are recognised in the income statement over the related period of employment (four years).

The weighted average stock price on Euronext Amsterdam during 2008 was EUR 43.64 (2007: EUR 46.21). As at 31 December 2008 Fugro N.V. granted 1,141,900 option rights to 620 employees. These option rights have an exercise price of EUR 20.485 (2007: 1,140,500 options were granted to 565 employees with an exercise price of EUR 52.80). For the 2008 option rights 16.0% (2007: 16.2%) qualify as incentive stock options.

In 2008 Fugro N.V. sold 654,020 certificates of shares in relation to exercise of option rights. During 2008 the Group has not issued (certificates of shares) for the exercise of option rights (2007: nil). The certificates sold had an average purchase price of EUR 47.92 per certificate. The related option rights were exercised throughout the year.

As at 31 December the following option rights were outstanding:

| Date of issue | Duration | Number of partici-pants | Issued | Outstand-ing at 01-01-2008 | Expired in 2008 | Exercised in 2008 | Outstand-ing at 31-12-2008 | Exercis-able at 31-12-2008 | Exercise price (EUR) |
|---|---|---|---|---|---|---|---|---|---|
| 2002 | 6 years | 406 | 986,600 | 466,100 | – | 466,100 | – | – | 10.78 |
| 2003 | 6 years | 429 | 1,002,600 | 641,320 | 200 | 42,520 | 598,600 | 598,600 | 10.20 |
| 2004 | 6 years | 493 | 1,064,800 | 1,028,700 | 400 | 140,600 | 887,700 | 887,700 | 15.35 |
| 2005 | 6 years | 521 | 1,155,000 | 1,124,600 | 5,200 | 3,300 | 1,116,100 | 625,000 | 27.13 |
| 2006 | 6 years | 547 | 1,140,500 | 1,122,800 | 6,600 | 1,500 | 1,114,700 | 576,650 | 36.20 |
| 2007 | 6 years | 565 | 1,140,500 | 1,140,500 | 5,950 | – | 1,134,550 | – | 52.80 |
| 2008 | 6 years | 620 | 1,141,900 | – | – | – | 1,141,900 | – | 20.485 |
| | | | 7,631,900 | 5,524,020 | 18,350 | 654,020 | 5,993,550 | 2,687,950 | |

The outstanding option rights as at 31 December 2008 have an exercise price ranging from EUR 10.20 to EUR 52.80. The average remaining term of the options is four years (2007: four years). The movement during the year of option rights and average exercise price is as follows:

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Weighted average exercise price | Number of options | Weighted average exercise price | Number of options |
| Options outstanding at 1 January | **28.67** | **5,524,020** | 20.66 | 5,333,400 |
| Expired during the period | **38.27** | **(18,350)** | 24.64 | (49,200) |
| Options granted during the period | **20.485** | **1,141,900** | 52.80 | 1,140,500 |
| Options exercised during the period | **11.87** | **(654,020)** | 11.62 | (900,680) |
| Options outstanding at 31 December | **28.97** | **5,993,550** | 28.67 | 5,524,020 |
| Exercisable at the end of the period | | **2,687,950** | | 2,854,670 |

The valuation of the share option rights is determined by using a binominal model in which the following basic assumptions have been used:

| | 2008 | 2007 |
|---|---|---|
| Average share price | 43.64 | 46.21 |
| Average fair value of the options issued | 5.54 | 11.54 |
| Exercise price | 20.485 | 52.80 |
| Granting | 2008 | 2007 |
| Volatility | 38% | 28% |
| Dividend | 3.33% | 3.35% |
| Risk free interest | 3.37% | 4.58% |
| Costs of granted option rights at the end of 2004 in EUR | – | 568,812 |
| Costs of granted option rights at the end of 2005 in EUR | 715,040 | 715,040 |
| Costs of granted option rights at the end of 2006 in EUR | 1,067,164 | 1,067,164 |
| Costs of granted option rights at the end of 2007 in EUR | 3,291,433 | 3,291,432 |
| Costs of granted option rights at the end of 2008 in EUR | 1,582,401 | – |
| Total | 6,656,038 | 5,642,448 |

## 5.30.2 Number of employees as at 31 December

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | Netherlands | Foreign | Total | Netherlands | Foreign | Total |
| Technical staff | 686 | 9,777 | 10,463 | 684 | 8,115 | 8,799 |
| Management and administrative staff | 133 | 2,425 | 2,558 | 120 | 2,004 | 2,124 |
| Temporary and contract staff | 159 | 447 | 606 | 131 | 418 | 549 |
| | 978 | 12,649 | 13,627 | 935 | 10,537 | 11,472 |
| Average number of employees during the year | 957 | 12,020 | 12,977 | 918 | 9,906 | 10,824 |

## 5.31 *Other expenses*

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Maintenance and operational supplies | 83,111 | 63,181 |
| Indirect operating expenses | 56,831 | 51,043 |
| Occupancy costs | 37,989 | 33,497 |
| Communication and office equipment | 30,489 | 27,846 |
| Restructuring costs | 1,146 | 241 |
| Loss on disposal of property, plant and equipment | 709 | 288 |
| Impairment losses | – | 442 |
| Other | 85,395 | 78,049 |
| | 295,670 | 254,587 |

The most important task of the external auditor is the audit of the financial statements of Fugro N.V. Furthermore, the auditor assists with due diligence processes and financial statements related audit work. Tax advice is in principle given by specialist firms or specialised departments of local audit firms, which hardly ever are involved in the audit of the annual accounts of the relevant subsidiary. Other than these advisory services, Fugro makes only limited use of external advisors. In the case that such services are required, specialists are engaged that are not associated with the external auditor.
The fees paid for the above mentioned services, which are included in Other expenses are evaluated on a regular basis and in line with the market.

Audit fees charged by KPMG are disclosed in note 9.14.

### 5.32 *Net finance costs*

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Interest income | (4,646) | (3,569) |
| Dividend income | (185) | (268) |
| Finance income | (4,831) | (3,837) |
| Interest expense on financial liabilities measured at amortised cost | 32,500 | 28,275 |
| Net foreign exchange variance | (25,775) | 6,543 |
| Exchange results on USD long-term loans | – | (2,588) |
| Result on financial hedging instruments | – | 2,588 |
| Finance expense | 6,725 | 34,818 |
| Net finance costs | 1,894 | 30,981 |

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| **Recognised directly in equity** | | |
| Effective portion of change in fair value of net investment hedge | (3,600) | 7,672 |
| Foreign currency translation differences for foreign operations (including minority interests) | (51,844) | (57,220) |
| | (55,444) | (49,548) |
| Effective portion of changes in fair value of cash flow hedges | 1,032 | 2,198 |
| Fair value of cash flow hedges transferred to profit and loss | – | (894) |
| | 1,032 | 1,304 |
| Change in fair value of assets available for sale | (2,526) | 3,317 |
| Total | (56,938) | (44,927) |
| **Recognised in:** | | |
| Hedging reserve | 1,032 | 1,304 |
| Translation reserve | (55,444) | (49,548) |
| Other reserves | (2,526) | 3,317 |
| Total | (56,938) | (44,927) |

## 5.33 *Income tax expense*

**Recognised in the income statement**

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| ***Current tax expense*** | | |
| Current year | 96,460 | 71,917 |
| Adjustments of prior years | (2,607) | (211) |
| | 93,853 | 71,706 |
| ***Deferred tax expense*** | | |
| Origination and reversal of temporary differences | 1,131 | (2,225) |
| Reduction in tax rate | 503 | 9 |
| Utilisation of tax losses recognised | 36 | 1,787 |
| Recognition of previously unrecognised tax losses | (700) | – |
| Write-down of deferred tax asset | (30) | – |
| | 940 | (429) |
| Total income tax expense in the income statement | 94,793 | 71,277 |

**Reconciliation of effective tax rate**

| (EUR x 1,000) | 2008 % | 2008 | 2007 % | 2007 |
|---|---|---|---|---|
| Profit for the period | | 289,456 | | 222,329 |
| Income tax expense | | 94,793 | | 71,277 |
| Profit before income tax | | 384,249 | | 293,606 |
| Income tax using the Company's weighted domestic average tax rate | 24.2 | 92,471 | 25.8 | 75,634 |
| Reduction in tax rate | 0.1 | 503 | 0.0 | 9 |
| Recognition of previously unrecognised tax losses | (0.2) | (700) | – | – |
| Write-down of deferred tax asset | 0.0 | (30) | – | – |
| Non-deductible expenses | 3.0 | 11,667 | 2.1 | 6,100 |
| Tax exempt income | (0.5) | (1,877) | (0.5) | (1,415) |
| Utilisation of previous unrecognised tax losses | (1.2) | (4,634) | (3.0) | (8,840) |
| Adjustments of prior years | (0.7) | (2,607) | (0.1) | (211) |
| | 24.7 | 94,793 | 24.3 | 71,277 |

The weighted average domestic tax rate decreased from 25.8% to 24.2%.

Improvement of results above expectations in certain tax jurisdictions resulted in utilisation of EUR 4.6 million (2007: EUR 8.8 million) of previously unrecognised tax losses.

Adjustments of prior years relates to settlement of outstanding tax returns of several years and various fiscal tax entities as well as the recognition of tax liabilities for fiscal positions taken that are currently being challenged or probably will be challenged by tax authorities.

**Income tax recognised directly in equity**

Income tax on income and expense recognised directly in equity relates to:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Actuarial gains and losses | 9,050 | (1,771) |
| Hedge results | 1,388 | (2,175) |
| Exchange rate differences | (1,787) | (2,106) |
| | 8,651 | (6,052) |

Reference is also made to note 5.40.

### 5.34 *Current tax assets and liabilities*

The net current tax liability of EUR 68,228 (2007: EUR 58,654) represents the balance of income tax payable and receivable in respect of current and prior periods less advance tax payments.

## 5.35 ***Property, plant and equipment***

(EUR x 1,000)

| | | | | | | 2008 |
|---|---|---|---|---|---|---|
| | Land and buildings | Plant and equip-ment | Vessels | Fixed assets under con-struction | Other | Total |
| **Cost** | | | | | | |
| Balance at 1 January 2008 | 118,997 | 617,837 | 177,089 | 79,404 | 166,664 | 1,159,991 |
| Acquisitions through business combinations | 440 | 11,256 | 5,769 | 124 | 2,885 | 20,474 |
| Investments in assets under construction | – | – | – | 217,988 | – | 217,988 |
| Other additions | 22,746 | 93,743 | 20,492 | – | 25,021 | 162,002 |
| Capitalised assets under construction | – | 74,069 | 86,975 | (161,044) | – | – |
| Disposals | (408) | (19,000) | (982) | – | (11,667) | (32,057) |
| Effects of movement in foreign exchange | (6,894) | 537 | 8,896 | 1,755 | (8,394) | (4,100) |
| Balance at 31 December 2008 | 134,881 | 778,442 | 298,239 | 138,227 | 174,509 | 1,524,298 |
| **Depreciation and impairment losses** | | | | | | |
| Balance at 1 January 2008 | 33,111 | 330,354 | 64,110 | – | 133,118 | 560,693 |
| Acquisitions through business combinations* | 174 | 4,234 | – | – | 1,643 | 6,051 |
| Depreciation charge for the year | 5,304 | 93,351 | 21,538 | – | 20,236 | 140,429 |
| Disposals | (721) | (15,886) | (503) | – | (10,900) | (28,010) |
| Effects of movement in foreign exchange | (519) | (9,144) | 2,135 | – | (6,425) | (13,953) |
| Balance at 31 December 2008 | 37,349 | 402,909 | 87,280 | – | 137,672 | 665,210 |
| **Carrying amount** | | | | | | |
| At 1 January 2008 | 85,886 | 287,483 | 112,979 | 79,404 | 33,546 | 599,298 |
| At 31 December 2008 | 97,532 | 375,533 | 210,959 | 138,227 | 36,837 | 859,088 |

* *Including fair value adjustments.*

| (EUR x 1,000) | 2007 | | | | | |
|---|---|---|---|---|---|---|
| | Land and buildings | Plant and equip-ment | Vessels | Fixed assets under con-struction | Other | Total |
| **Cost** | | | | | | |
| Balance at 1 January 2007 | 121,459 | 581,947 | 144,279 | 43,124 | 137,327 | 1,028,136 |
| Acquisitions through business combinations | 1,202 | 15,316 | – | – | 15,073 | 31,591 |
| Investments in assets under construction | – | – | – | 146,471 | – | 146,471 |
| Other additions | 11,662 | 110,742 | 39,751 | – | 23,850 | 186,005 |
| Capitalised assets under construction | – | 102,437 | 2,591 | (105,028) | – | – |
| Disposals | (8,202) | (172,089) | (2,093) | – | (5,965) | (188,349) |
| Effects of movement in foreign exchange | (7,124) | (20,516) | (7,439) | (5,163) | (3,621) | (43,863) |
| Balance at 31 December 2007 | 118,997 | 617,837 | 177,089 | 79,404 | 166,664 | 1,159,991 |
| **Depreciation and impairment losses** | | | | | | |
| Balance at 1 January 2007 | 31,245 | 424,801 | 47,694 | – | 112,164 | 615,904 |
| Acquisitions through business combinations* | 452 | 11,614 | – | – | 10,859 | 22,925 |
| Depreciation charge for the year | 4,687 | 66,381 | 17,307 | – | 19,309 | 107,684 |
| Disposals | (1,809) | (160,811) | (497) | – | (5,748) | (168,865) |
| Effects of movement in foreign exchange | (1,464) | (11,631) | (394) | – | (3,466) | (16,955) |
| Balance at 31 December 2007 | 33,111 | 330,354 | 64,110 | – | 133,118 | 560,693 |
| **Carrying amount** | | | | | | |
| At 1 January 2007 | 90,214 | 157,146 | 96,585 | 43,124 | 25,163 | 412,232 |
| At 31 December 2007 | 85,886 | 287,483 | 112,979 | 79,404 | 33,546 | 599,298 |

* *Including fair value adjustments.*

### 5.35.1 Impairment loss and subsequent reversal

The Company has not incurred nor reversed any impairment losses.

### 5.35.2 Property, plant and equipment per segment

The category vessels includes vessels and survey equipment. The carrying value of property, plant and equipment is distributed as follows:

- Geotechnical division EUR 186 million (2007: EUR 126 million);
- Survey division EUR 254 million (2007: EUR 198 million);
- Geoscience division EUR 419 million (2007: EUR 275 million).

### 5.35.3 Assets under construction

This involves mainly vessels under construction (Fugro Synergy, Fugro Symphony, Fugro Searcher and Geo Coral), ROVs and streamers. The vessels will become operational in 2009 or in 2010. The ROVs and streamers in principle in 2009.

### 5.35.4 Leased vessels and equipment

The Group has no leased vessels and equipment that have to be included in property, plant and equipment.

### 5.35.5 Security

Land and Buildings includes EUR 9 million (2007: EUR 9 million) in the Netherlands, that serves as security for mortgage loans (refer note 5.46).

## 5.36 *Intangible assets*

| (EUR x 1,000) | 2008 | | | |
|---|---|---|---|---|
| | **Goodwill** | **Software** | **Other** | **Total** |
| **Cost** | | | | |
| Balance at 1 January 2008 | 382,040 | 72,907 | 7,314 | 462,261 |
| Acquisitions through business combinations | 66,691 | 425 | 8,596 | 75,712 |
| Adjustments prior period | 9,339 | – | – | 9,339 |
| Internally developed intangible assets | – | 7,958 | 12 | 7,970 |
| Effect of movements in foreign exchange rates | (39,107) | (1,353) | (369) | (40,829) |
| Balance at 31 December 2008 | 418,963 | 79,937 | 15,553 | 514,453 |
| **Amortisation and impairment losses** | | | | |
| Balance at 1 January 2008 | 442 | 51,050 | 3,182 | 54,674 |
| Acquisitions through business combinations* | – | 341 | – | 341 |
| Amortisation charge for the year | – | 7,826 | 1,191 | 9,017 |
| Effect of movements in foreign exchange rates | – | (1,527) | (182) | (1,709) |
| Balance at 31 December 2008 | 442 | 57,690 | 4,191 | 62,323 |
| **Carrying amount** | | | | |
| At 1 January 2008 | 381,598 | 21,857 | 4,132 | 407,587 |
| At 31 December 2008 | 418,521 | 22,247 | 11,362 | 452,130 |

* *Including fair value adjustments.*

| (EUR x 1,000) | | | | 2007 |
|---|---|---|---|---|
| | Goodwill | Software | Other | Total |
| **Cost** | | | | |
| Balance at 1 January 2007 | 347,346 | 63,702 | 5,159 | 416,207 |
| Acquisitions through business combinations | 47,180 | 1,635 | 1,555 | 50,370 |
| Adjustments prior period | 498 | – | – | 498 |
| Internally developed intangible assets | – | 7,826 | 820 | 8,646 |
| Effect of movements in foreign exchange rates | (12,984) | (256) | (220) | (13,460) |
| Balance at 31 December 2007 | 382,040 | 72,907 | 7,314 | 462,261 |
| **Amortisation and impairment losses** | | | | |
| Balance at 1 January 2007 | – | 45,074 | 2,252 | 47,326 |
| Amortisation charge for the year | – | 6,065 | 1,028 | 7,093 |
| Impairment losses recognised in profit or loss | 442 | – | – | 442 |
| Effect of movements in foreign exchange rates | – | (89) | (98) | (187) |
| Balance at 31 December 2007 | 442 | 51,050 | 3,182 | 54,674 |
| **Carrying amount** | | | | |
| At 1 January 2007 | 347,346 | 18,628 | 2,907 | 368,881 |
| At 31 December 2007 | 381,598 | 21,857 | 4,132 | 407,587 |

In 2008 significant amounts were spent on research which have been recognised in the income statement, the same applies for 2007. Reference is made to paragraph 5.9.2 where it is explained that it is not feasible to properly determine the aggregate amount of research and development expenditure recognised as an expense in the period.

### 5.36.1 Amortisation charge

The amortisation charge is separately recognised in the income statement.

### 5.37 *Impairment tests for cash generating units containing goodwill*

For the purpose of impairment testing, goodwill is allocated to cash generating units which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. The following cash generating units have significant carrying amounts of goodwill:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Airborne | **28,051** | 19,952 |
| Survey | **188,225** | 183,194 |
| Information Services | **144,519** | 156,064 |
| Other | **57,726** | 22,388 |
| Total | **418,521** | 381,598 |

Annually or when there is an indication for impairment the Group carries out impairment tests on these balances for the relevant cash-generating unit. The system and calculation method are already described in separate notes. The period for the discounted cash flow calculations is in principle indefinite. However the Group has set the period at fifty years, subject to periodic evaluation, for the following reasons.
About 75% of the Group's activities relate to the oil and gas industry. The services are in principle of such a nature that our clients use us to help them to explore and extract hydrocarbon and mineral resources. Experts are without doubt that these resources will continue to be available to mankind for many decades and their reports indicate periods between fifty and hundred years.
Easily accessible places may 'dry-up' but with new techniques and means more hostile areas can also be exploited. The Group has with its high market shares and specialised techniques a solid position to continue to serve its customers.
The Group recognises that harnessing alternative means of energy, like wind, nuclear and hydro electric energy will continue. These sources however have limited output and will be difficult to transport.
The recoverable amounts of the various cash generating units that carry goodwill are determined on calculations of value in use. Those calculations use cash flow projections based on actual operating results and a five year forecast. Cash flows for further future periods are extrapolated using growth rate percentages varying from 0 to 3.5% which are deemed appropriate because of the long-term nature of the business. These growth rates are also consistent with the long-term averages in the industry based on value in use. A pre-tax discount rate of 9.5% has been used for discounting the projected cash flows. The key assumptions and the approach to determine their value are the growth rates that are based on analysis of the long-term market price trends in the oil and gas industry adjusted for actual experience.
The carrying amounts of the units remain below the recoverable amounts and as such no impairment losses are accounted for. Future adverse changes in the assumptions could however reduce the recoverable amounts below the carrying amount. As at 31 December 2008 cumulative impairment losses of EUR 442 thousand (2007: EUR 442 thousand) have been recognised.

### 5.38 *Investments in equity accounted investees*

The carrying amount of the equity accounted investees of the Group can be summarised as follows:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Equity accounted investees | 1,293 | 1,532 |

The Group's share in realised profit in the above mentioned equity accounted investees amounted to EUR 102 thousand negative in 2008 (2007: EUR 226 thousand negative).

## 5.39 *Other investments*

The Group holds the following other investments:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Other investments | 1,109 | 1,349 |
| Long-term loans | – | 69 |
| Assets available for sale | 330 | 3,524 |
| Other long-term receivables | 1,514 | 1,333 |
| | 2,953 | 6,275 |

The Group has the following other investments accounted for at cost:

| (EUR x 1,000) Name of the company | Country | Ownership | Assets | Liabilities | Equity | Revenues | Profit/ loss |
|---|---|---|---|---|---|---|---|
| La Coste & Romberg-Scintrex, Inc. | Canada | 11% | 15,056 | 2,519 | 12,537 | 16,452 | 5,035 |

The Group's other investments are not listed. A reliable fair value estimate can therefore not be made. The fair value of the assets available for sale is based with reference to quoted prices on the Australian Stock Exchange.

## 5.40 *Deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following items:

| (EUR x 1,000) | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Property, plant and equipment | 4,720 | 8,991 | (3,995) | (3,075) | 725 | 5,916 |
| Intangible assets | 234 | 501 | (6,055) | (3,515) | (5,821) | (3,014) |
| Other investments | 4,469 | 3,100 | – | – | 4,469 | 3,100 |
| Loans and borrowings | 1,244 | – | (31) | (772) | 1,213 | (772) |
| Employee benefits | 14,495 | 8,353 | – | – | 14,495 | 8,353 |
| Provisions | 8,454 | 5,007 | (55) | (423) | 8,399 | 4,584 |
| Tax value of recognised loss carry-forwards | 1,215 | 551 | – | – | 1,215 | 551 |
| Exchange differences | 640 | 17 | (462) | (1,037) | 178 | (1,020) |
| Other items | 1,329 | 955 | (888) | (1,102) | 441 | (147) |
| Deferred tax assets/(liabilities) | 36,800 | 27,475 | (11,486) | (9,924) | 25,314 | 17,551 |
| Set off of tax components | (10,511) | (9,438) | 10,511 | 9,438 | – | – |
| Net deferred tax asset/(liability) | 26,289 | 18,037 | (975) | (486) | 25,314 | 17,551 |

The recognised deferred tax assets are dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences.

At 31 December 2008 no deferred tax liabilities relating to an investment in a subsidiary have been recognised (2007: 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. At balance sheet date, no reserves exist which would result in a tax liability should the subsidiaries pay dividends from these reserves.

**Movement in temporary differences during the year**

| (EUR x 1,000) | | | | | 2008 |
|---|---|---|---|---|---|
| | Balance 01-01-08 | Acquisi-tions | Recog-nised in income | Recog-nised in equity | Balance 31-12-08 |
| Property, plant and equipment | 5,916 | 21 | (5,212) | – | 725 |
| Intangible assets | (3,014) | – | (2,807) | – | (5,821) |
| Other investments | 3,100 | – | 1,369 | – | 4,469 |
| Loans and borrowings | (772) | – | 597 | 1,388 | 1,213 |
| Employee benefits | 8,353 | 47 | (2,955) | 9,050 | 14,495 |
| Provisions | 4,584 | 3 | 3,812 | – | 8,399 |
| Tax value of recognised loss carry-forward | 551 | – | 664 | – | 1,215 |
| Exchange differences | (1,020) | – | 2,985 | (1,787) | 178 |
| Other items | (147) | (19) | 607 | – | 441 |
| | 17,551 | 52 | (940) | 8,651 | 25,314 |

| (EUR x 1,000) | | | | | 2007 |
|---|---|---|---|---|---|
| | Balance 01-01-07 | Acquisi-tions | Recog-nised in income | Recog-nised in equity | Balance 31-12-07 |
| Property, plant and equipment | 4,136 | – | 1,780 | – | 5,916 |
| Intangible assets | (1,157) | – | (1,857) | – | (3,014) |
| Other investments | 2,139 | – | 961 | – | 3,100 |
| Loans and borrowings | 1,186 | – | 217 | (2,175) | (772) |
| Employee benefits | 10,931 | – | (807) | (1,771) | 8,353 |
| Provisions | 5,130 | – | (546) | – | 4,584 |
| Tax value of recognised loss carry-forward | 2,366 | – | (1,787) | (28) | 551 |
| Exchange differences | – | – | 1,058 | (2,078) | (1,020) |
| Other items | (1,557) | – | 1,410 | – | (147) |
| | 23,174 | – | 429 | (6,052) | 17,551 |

Deferred tax assets have not been recognised in respect of the following items:

**Unrecognised deferred tax assets**

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Deductible temporary differences | 1,650 | 1,498 |
| Tax losses | 9,907 | 15,227 |
| Capital allowances | 3,310 | 8,013 |
| Total | 14,867 | 24,738 |

Unrecognised deferred tax receivables relates to tax unities previously suffering losses for which it is currently not probable that sufficient fiscal results will become available in the future to offset these losses, taking into account fiscal restrictions on the utilisation of loss compensation.

Unrecognised tax assets changed over the period as follows:

**Unrecognised deferred tax assets**

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| As of 1 January | 24,738 | 25,647 |
| Movements during the period: | | |
| Additional losses | 922 | 5,578 |
| Utilisation | (4,634) | (8,840) |
| Recognition of previously unrecognised tax losses | (700) | – |
| Effect of change in tax rates | (739) | – |
| Exchange rate differences | (3,055) | (1,085) |
| Change from reassessment | (4,787) | 3,342 |
| Resulting from acquisitions | 3,122 | 96 |
| As of 31 December | 14,867 | 24,738 |

Reassessment of tax compensation opportunities under applicable tax regulations has resulted in a decrease of unrecognised deferred tax assets of EUR 4.8 million negative (2007: EUR 3.3 million positive).

Of the total recognised and unrecognised deferred tax assets in respect of tax losses carried forward an amount of EUR 1,154 thousand expires in periods varying from two to five years. An amount of EUR 477 thousand expires between five and ten years and an amount of EUR 9,491 thousand can be offset indefinitely. 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.

Based on forecasted results per tax jurisdiction, management considered it probable that sufficient future taxable profit will be generated to utilise deferred tax assets depending on taxable profits in excess of the profits arising from the reversal of existing temporary differences.

## 5.41 *Inventories*

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Seismic data libraries | 27,208 | 34,642 |
| Work in progress | 1,220 | 737 |
| Other inventories | 12,525 | 8,941 |
| | 40,953 | 44,320 |

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| **Seismic data libraries** | | |
| Net realisable value | 27,208 | 34,642 |

**Other inventories**

During 2008 EUR 19,705 thousand (2007: EUR 8,138 thousand) of other inventories were recognised as an expense and EUR 119 thousand (2007: EUR 293 thousand) was written down in the income statement as third party costs.

## 5.42 *Trade and other receivables*

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Unbilled revenue on completed projects | 132,383 | 119,394 |
| Trade receivables | 421,759 | 361,933 |
| Non-trade receivables | 63,871 | 68,405 |
| Trade receivables due from equity accounted investees | 136 | – |
| | 618,149 | 549,732 |

At 31 December 2008 trade receivables include retentions of EUR 4.6 million (2007: EUR 4.4 million) relating to work in progress.
Trade receivables are shown net of impairment losses amounting to EUR 51.7 million (2007: EUR 31.6 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.

For detailed information on the credit risk of trade receivables reference is made to note 5.51.

## 5.43 *Cash and cash equivalents*

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Cash and cash equivalents | 113,286 | 71,974 |
| Bank overdraft | (194,580) | (78,443) |
| Cash and cash equivalents in the statement of cash flows | (81,294) | (6,469) |

At 31 December 2008 and 31 December 2007 all cash and cash equivalents are freely available to the Group.

## 5.44 Total equity

*Reconciliation of movement in total equity*

(EUR x 1,000) **2008**

| | Share capital | Share premium | Translation reserve | Hedging reserve | Other reserves | Reserve for own shares | Unappropriated result | Total | Miniority Interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2008 | 3,521 | 301,550 | (109,845) | (6,611) | 338,562 | (43,401) | 216,213 | 699,989 | 7,033 | 707,022 |
| Total recognised gains and losses | – | – | (55,444) | 1,032 | (25,755) | – | 283,412 | 203,245 | 6,044 | 209,289 |
| Equity-settled share-based payment transactions | – | – | – | – | 6,656 | – | – | 6,656 | – | 6,656 |
| Share options exercised by employees | – | – | – | – | – | 8,508 | – | 8,508 | – | 8,508 |
| Addition to reserves | – | – | – | – | 180,422 | – | (180,422) | – | – | – |
| Acquisition of majority share | – | – | – | – | – | – | – | – | (1,829) | (1,829) |
| Own shares acquired and stock dividend | 51 | – | – | – | – | (75,768) | – | (75,717) | – | (75,717) |
| Conversion of convertible loan | 258 | 129,891 | – | – | (8,710) | – | – | 121,439 | – | 121,439 |
| Dividends to shareholders | – | – | – | – | – | – | (35,791) | (35,791) | (3,766) | (39,557) |
| Balance at 31 December 2008 | 3,830 | 431,441 | (165,289) | (5,579) | 491,175 | (110,661) | 283,412 | 928,329 | 7,482 | 935,811 |

(EUR x 1,000) **2007**

| | Share capital | Share premium | Translation reserve | Hedging reserve | Other reserves | Reserve for own shares | Unappropriated result | Total | Miniority Interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 January 2007 | 3,479 | 301,539 | (60,684) | (7,915) | 205,240 | (20,253) | 141,011 | 562,417 | 3,364 | 565,781 |
| Total recognised gains and losses | – | – | (49,161) | 1,304 | 8,037 | – | 216,213 | 176,393 | 5,729 | 182,122 |
| Equity-settled share-based payment transactions | – | – | – | – | 5,643 | – | – | 5,643 | – | 5,643 |
| Share options exercised by employees | – | – | – | – | – | 10,655 | – | 10,655 | – | 10,655 |
| Addition to reserves | – | – | – | – | 119,642 | – | (119,642) | – | – | – |
| Own shares acquired and stock dividend | 42 | – | – | – | – | (33,803) | – | (33,761) | – | (33,761) |
| Conversion of convertible loan | 0 | 11 | – | – | – | – | – | 11 | – | 11 |
| Dividends to shareholders | – | – | – | – | – | – | (21,369) | (21,369) | (2,060) | (23,429) |
| Balance at 31 December 2007 | 3,521 | 301,550 | (109,845) | (6,611) | 338,562 | (43,401) | 216,213 | 699,989 | 7,033 | 707,022 |

### 5.44.1 Share capital

| (In thousands of shares) | Ordinary shares | |
|---|---|---|
| | 2008 | 2007 |
| On issue and fully paid at 1 January | 70,421 | 69,582 |
| Convertible converted into ordinary shares | 5,158 | – |
| Stock dividend 2007 respectively 2006 | 1,029 | 839 |
| Repurchased for option programme at year-end | (1,470) | (542) |
| On issue and fully paid at 31 December – entitled to dividend | 75,138 | 69,879 |

At 31 December 2008 the authorised share capital comprised 320 million ordinary shares (2007: 320 million). As at 31 December 2007 and 2008 no preference shares have been issued. The shares have a par value of EUR 0.05. In 2008 certificates of shares have been issued by Fugro Trust Office (Stichting Administratiekantoor Fugro) for 6,186,515 shares (2007: 839,242), of which 5,158,170 as a result of conversion of a subordinated convertible loan. The holders of ordinary shares are entitled to receive dividends as approved by the Annual General Meeting of Shareholders from time to time and are entitled to one vote per share at meetings of the Company. The holders of certificates of shares are entitled to the same dividend but are not entitled to voting rights. As per 31 December 2008 the Directors propose a dividend to be paid out of EUR 1.50 (2007: EUR 1.25) per (certificate of) share or in the form of (certificates of) shares. This dividend proposal is currently part of unappropriated result.

### 5.44.2 Share premium

The share premium can be considered as paid in capital.

### 5.44.3 Translation reserve

The translation reserve comprises all foreign exchange differences, as from 1 January 2003, 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.

### 5.44.4 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.

### 5.44.5 Reserve for own shares

The Company has, in view of its option programme repurchased 1,581,000 (certificates of) shares during the year under review with an average share price of EUR 47.92 (2007: 700,000 certificates with an average share price of EUR 46.83). Further 654,020 (certificates of) shares were sold with an average share price of EUR 42.13 following the exercise by the option holders (2007: 900,680 (certificates of) shares at EUR 45.35). As per the end of the year under review the Company holds 1,469,696 (certificates of) shares (2007: 542,716). The number of (certificates of) shares held by the Company at the end of the year under review amounts to 1.9% of the issued and paid up capital (2007: 0.8%).

### 5.44.6 Unappropriated result

After the balance sheet date the following dividends were proposed by the Board of Management. There are no corporate income tax consequences related to this proposal.

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| EUR 1.50 per qualifying (depository receipt of a) share (2007: EUR 1.25) | 112,707 | 87,349 |
| | 112,707 | 87,349 |

### 5.44.7 Classification adjustment

During 2008 the Group changed its presentation of 'equity settled share based payment transactions' from the statement of recognised income and expense to the movement in total equity. The 2007 presentation has been adjusted to confirm with current year's presentation.

## 5.45 *Earnings per share*

The average basic earnings per share for 2008 amounts to EUR 3.88 (2007: EUR 3.11); the diluted earnings per share amount to EUR 3.73 (2007: EUR 2.86).
The calculation of basic earnings per share at 31 December 2008 was based on the profit attributable to shareholders of the Company of EUR 283,412 thousand (2007: EUR 216,213 thousand) and a weighted average number of shares outstanding during the year ended 31 December 2008 of 73,048 thousand (2007: 69,614 thousand), calculated as follows:

### 5.45.1 Basic earnings per share

***Profit attributable to equity holders of the Company***

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Profit for the period | 289,456 | 222,329 |
| Minority interest | (6,044) | (6,116) |
| Profit attributable to equity holders of the Company | 283,412 | 216,213 |

***Weighted average number of ordinary shares***

| (In thousands of shares) | 2008 | 2007 |
|---|---|---|
| Issued ordinary shares at 1 January | 69,879 | 68,839 |
| Effect of own shares held | (1,153) | (219) |
| Effect of shares issued due to exercised option rights | 291 | 500 |
| Effect of shares issued due to optional dividend | 604 | 494 |
| Effect of conversion convertible loan | 3,427 | – |
| Weighted average number of ordinary shares at 31 December | 73,048 | 69,614 |

### 5.45.2 Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2008 was based on diluted profit attributable to equity holders of the Company shareholders of EUR 284,601 thousand (2007: EUR 219,780 thousand) and a weighted average number of ordinary shares outstanding during the year ended 31 December 2008 of 76,401 thousand (2007: 76,957 thousand), calculated as follows:

***Net profit attributable to equity holders of the Company (diluted)***

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Profit attributable to equity holders of the Company | 283,412 | 216,213 |
| After-tax effect of interest on convertible notes | 1,189 | 3,567 |
| Profit attributable to equity holders of the Company (diluted) | 284,601 | 219,780 |

***Weighted average number of ordinary shares (diluted)***

| (In thousands of shares) | 2008 | 2007 |
|---|---|---|
| Weighted average number of ordinary shares at 31 December | 73,048 | 69,614 |
| Effect of conversion of convertible notes outstanding | 1,731 | 5,154 |
| Effect of share options on issue | 1,622 | 2,189 |
| Weighted average number of ordinary shares (diluted) at 31 December | 76,401 | 76,957 |

## 5.46 *Loans and borrowings*

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the Group's exposure to interest rate and currency risk, refer to note 5.53 and 5.54.

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| **Non-current liabilities** | | |
| Bank loan | 290,000 | 200,000 |
| Private Placement loans in USD | 84,718 | 81,061 |
| Private Placement loan in EUR | 20,000 | 20,000 |
| Convertible notes | – | 119,427 |
| Mortgage loans | 6,534 | 7,987 |
| Other loans and long-term borrowings | 20,617 | 27,942 |
| Subtotal | 421,869 | 456,417 |
| Current portion of mortgage and other loans | 26,485 | 6,460 |
| | 395,384 | 449,957 |

The terms and conditions of outstanding loans were as follows:

| (EUR x 1,000) | Currency | Nominal interest rate | Year of maturity | 2008 Face value | 2008 Carrying value | 2007 Face Value | 2007 Carrying value |
|---|---|---|---|---|---|---|---|
| Bank loan | EUR | EURIBOR +30 | 2010-2013 | 290,000 | 290,000 | 200,000 | 200,000 |
| Private Placement loans: | | | | | | | |
| 44 million USD bonds | USD | 6.85% | 2012 | 31,064 | 31,064 | 29,722 | 29,722 |
| 39 million USD bonds | USD | 6.95% | 2014 | 27,533 | 27,533 | 26,345 | 26,345 |
| 37 million USD bonds | USD | 7.10% | 2017 | 26,121 | 26,121 | 24,994 | 24,994 |
| 20 million Eurobonds | EUR | 6.45% | 2012 | 20,000 | 20,000 | 20,000 | 20,000 |
| Convertible notes: | | | | | | | |
| EUR – fixed interest | EUR | 2.375% | – | – | – | 125,000 | 119,427 |
| Mortgage and other loans | Variable | 4.22% | 2008-2012 | 27,151 | 27,151 | 35,929 | 35,929 |
| | | | | 421,869 | 421,869 | 461,990 | 456,417 |

The bank loans are secured over land and buildings with a carrying amount of EUR 9 million (2007: EUR 9 million).

### 5.46.1 Credit facilities

In 2005 a revolving credit facility was agreed with ABN AMRO Bank N.V. and Rabobank of EUR 200 million for a five years term. The current interest rate is Euribor plus 30 base points. In 2008 agreement was reached with Rabobank and ING Groep N.V.. They provided a facility of EUR 100 million each for 5 and 2 years respectively against comparable conditions. At year-end 2008 a total of EUR 290 million of the facilities was in use.

### 5.46.2 Private Placement USD loans

In May 2002 long-term loans were concluded with twenty American and two British institutional investors. The conditions for the loans are based on annual accounts prepared under the previous accounting principles (Dutch GAAP):

- Equity > EUR 200 million
- EBITDA/Interest > 2.5
- Debt/EBITDA < 3.0
- Debt (excluding private placement and convertible notes) < 15% of the consolidated balance sheet total.

At the twelve month rolling forward measurement dates in 2007 and 2008, the company complied with the above conditions.

At reporting date the loans are valued at the closing rate. The currency exchange difference on the loans between the initial exchange rate and the exchange rate at the last balance sheet date is accounted for in the Translation reserve. For the year under review the currency exchange differences on loans in US dollars amount to EUR 3,600 thousand negative (2007: EUR 7,672 thousand positive).

As per 8 May 2007 the Group terminated a Cross Currency Swap (foreign exchange contract related to the US Dollar exposure of the loans). The cumulative exchange differences as per termination date has been added to equity (hedging reserve) and will be accounted for as a cost in the profit and loss account during the remaining term of the loan. This resulted during 2008 in a cost of EUR 1,032 thousand (2007, period after termination of the Cross Currency Swap, EUR 666 thousand).

### 5.46.3 Convertible notes

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Proceeds from issue of convertible notes | 125,000 | 125,000 |
| Converted into ordinary shares | (125,000) | (11) |
| Transaction costs | – | (3,209) |
| Net proceeds | – | 121,780 |
| Amount classified as equity | – | (4,113) |
| Transaction costs amortised | – | 1,760 |
| Carrying amount of liability at 31 December | – | 119,427 |

As per 25 June 2008, the convertible notes are fully converted into a total of 5,158,623 certificates of ordinary shares.

### 5.46.4 Mortgage and other loans

The average interest rate on mortgage loans and other loans over one year amounts to 4.2% (2007: 4.2%).

### 5.46.5 Change of control provisions

A change of control of Fugro N.V. could lead to early repayment of the credit facilities (5.46.1) and Private Placement (5.46.2).

## 5.47 *Employee benefits*

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Present value of funded obligations | 190,269 | 209,738 |
| Fair value of plan assets | (143,757) | (185,917) |
| Present value of net obligations | 46,512 | 23,821 |
| Liability for long service leave | 5,976 | 6,512 |
| Total employee benefits | 52,488 | 30,333 |

**Liability for defined benefit obligations**

The Group makes contributions to a number of defined benefit plans that provide pension benefits for employees upon retirement in a number of countries being: the Netherlands, United Kingdom and Norway. In all other countries the pension plans qualify as defined contribution plans and/or similar arrangements for employees, if customary, are maintained, taking local circumstances into account.

In the United States of America the Group has a 401K system for its employees. The Group contributes towards the deposits of its employees in accordance with agreed rules and taking the regulations of the IRS, the American tax authority, into account. This system is free of risk for the Group.

Since 1 January 2005, Fugro provides an average salary scheme in the Netherlands, which qualifies as a defined benefit obligation. The pension commitments in the Netherlands are fully re-insured on the basis of a guarantee contract. The accrued benefits are fully financed. In determining the annual costs the nature of the plan is recognised which includes (conditional) indexation of pension benefits insofar as the return on the separated investments surpasses the actuarial required interest. The required reserves of these obligations are, net of plan assets, recognised in the balance sheet.

In the United Kingdom the Group operates a number of pension schemes. All the schemes available to new employees are defined contribution schemes. There is one defined benefit scheme open for long-serving employees and there are other defined benefit schemes which have been closed but which have on-going obligations to their members. Measures have been taken to ensure these obligations can be paid when required. In Norway a 'defined benefit' pension plan exists that, combined with the available State pension plan, leads to a pension on the age of 67 years based on a defined maximum. The contribution of the employer consists of a premium based on an expected return on plan assets and the (positive or negative) investment risk.

Plan assets consist of the following:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Equity securities | 55,198 | 93,846 |
| Government bonds | 74,985 | 81,340 |
| Real estate | 3,341 | 4,916 |
| Cash | 10,233 | 5,815 |
| | 143,757 | 185,917 |

**Movements in the liability for funded benefit obligations**

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Liability for defined benefit obligations at 1 January | 209,738 | 216,474 |
| Benefits paid by the plan | (1,492) | (1,786) |
| Current service costs and interest (see below) | 16,517 | 17,173 |
| Actuarial gains and losses recognised in equity | (2,870) | (11,205) |
| Exchange rate differences | (31,624) | (10,918) |
| Net liability at 31 December | 190,269 | 209,738 |

**Movement in plan assets**

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Fair value of plan assets at 1 January | 185,917 | 183,207 |
| Contributions paid into the plan | 9,273 | 6,437 |
| Benefits paid by the plan | (1,492) | (1,786) |
| Expected return on plan assets | 10,872 | 11,150 |
| Actuarial gains and losses recognised in equity | (35,150) | (4,358) |
| Exchange rate differences | (25,663) | (8,733) |
| Fair value of plan assets at 31 December | 143,757 | 185,917 |

**Expenses recognised in the income statement**

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Current service costs | 5,132 | 6,448 |
| Interest on obligation | 11,385 | 10,725 |
| | 16,517 | 17,173 |
| Expected return on plan assets | (10,872) | (11,150) |
| | 5,645 | 6,023 |

The expenses are recognised in the following line items in the income statement:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Personnel expenses | 5,132 | 6,448 |
| Interest | 513 | (425) |
| | 5,645 | 6,023 |
| Actual return on plan assets | (24,278) | 6,792 |

**Actuarial gains and losses recognised directly in equity**

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Cumulative amount at 1 January | 16,721 | 11,538 |
| Recognised during the year | (32,279) | 6,847 |
| Exchange variances | (2,268) | (1,664) |
| Cumulative amount at 31 December | (17,826) | 16,721 |

**Liability for defined benefit obligations**

Principal actuarial assumptions at the balance sheet date (expressed as a range of weighted averages):

| | 2008 | 2007 |
|---|---|---|
| Discount rate at 31 December | 4.3 – 6.3% | 4.7 – 5.9% |
| Expected return on plan assets at 31 December | 5.0 – 7.3% | 5.0 – 7.7% |
| Future salary increases | 2.0 – 4.5% | 2.0 – 4.5% |
| Medical cost trend rate | n/a | n/a |
| Future pension increases | 2.0 – 3.1% | 2.0 – 3.25% |

The financial effects of differences between the actuarial assumptions and actuals for the pension liability and plan assets are included in the actuarial gains and losses.

The estimated planned contributions 2009 amount to EUR 9,200 thousand (2008: EUR 7,225 thousand).

**Historical information**

| (EUR x 1,000) | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| Present value of the defined obligation | 190,269 | 209,738 | 216,474 | 208,115 | 185,279 |
| Fair value of plan assets | 143,757 | 185,917 | 183,207 | 165,618 | 138,893 |
| Deficit in the plan | (46,512) | (23,821) | (33,267) | (42,497) | (46,386) |
| Experience adjustments arising on plan liabilities | (1,982) | (14,204) | 1,932 | 2,996 | 3,020 |
| Experience adjustments arising on plan assets | (35,150) | (4,358) | (813) | 10,269 | 8,616 |

## 5.48 *Provisions*

| (EUR x 1,000) | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | Restructuring | Procedures | Total | Restructuring | Procedures | Total |
| Balance at 1 January | 373 | 15,905 | 16,278 | 486 | 13,402 | 13,888 |
| Provisions made during the year | – | 4,818* | 4,818 | 17 | 6,300* | 6,317 |
| Provisions used during the year | (236) | – | (236) | (130) | – | (130) |
| Provisions reversed during the year | – | (7,705) | (7,705) | – | (3,346) | (3,346) |
| Exchange difference | – | – | – | – | (451) | (451) |
| Balance at 31 December | 137 | 13,018 | 13,155 | 373 | 15,905 | 16,278 |
| Non-current | 137 | 13,018 | 13,155 | 373 | 15,905 | 16,278 |
| | 137 | 13,018 | 13,155 | 373 | 15,905 | 16,278 |

* *Including accrued interest.*

**Procedures**

The Group is involved in several legal proceedings in various jurisdictions (including the USA) as a result of its normal business activities, either as plaintiffs or defendants in claims. Management ensures that these cases are vigorously defended. The Group has set up a provision for those claims where management believes it is probable that a liability has been incurred and the amount is reasonably estimable. These provisions are reviewed periodically and adjusted if necessary. Considering the expected duration of the (legal court) proceedings, management does not expect the legal actions, for which a provision has been set-up, to be completed within the next year. The expected outflows of economic benefits have been discounted at a rate of 4.5%, and are based on managements best estimate. Final settlements can differ from this estimate, and could require revisions to the estimated provisions.

## 5.49 *Trade and other payables*

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Trade payables | 98,322 | 98,422 |
| Advance instalments to work in progress | 16,276 | 24,046 |
| Foreign exchange contracts | 1,482 | – |
| Non-trade payables and accrued expenses | 279,440 | 199,247 |
| Balance at 31 December | 395,520 | 321,715 |

## 5.50 *Financial risk management*

### 5.50.1 Overview

Fugro'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 Fugro's wide diversity of markets, clients and regions and its broad portfolio of activities the risks have been quantified to the extend possible.

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Management has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their role and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by internal audit. Both regular and ad hoc reviews of risk management controls and procedures are performed, the results of which are reported directly to the Board of Management and Executive Committee. A summary of important observations is reported to the Audit Committee.

### 5.50.2 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 customer and countries in which the customers are located. As the Group operates to a large extend 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. The projects carried out for any single client do not, however, account for more than 4% on an annual basis of the total revenue. 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 customers have been transacting with the Group for many years, and significant losses have occurred infrequently in prior years. However, as a result of the expected negative effects of the current worldwide economic crisis the credit risk has increased significantly. Customers that are known to have negative credit characteristics are individually monitored by the group controllers. Findings are reported on a bi-weekly basis to the Board of Management. If customers 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 customers that need extra attention before a contract is closed.

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 for clients or countries, and a collective loss component established for groups of similar assets 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.

*Guarantees*

In principle the Company does not provide parent company guarantees to its subsidiaries, unless significant commercial reasons exist. The Company has deposited declarations of joint and several liability for a number of Dutch subsidiaries at the Chambers of Commerce. The Company has deposited a list with the Chamber of Commerce, which includes all financial interests of the Group in subsidiaries as well as a reference to each subsidiary for which such a declaration of liability has been deposited. At 31 December 2008 and at 31 December 2007 no significant guarantees were outstanding.

### 5.50.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors cash flow on a regular basis. Consolidated cash flow information including a six months projection is reported on a monthly basis to the Executive Committee, ensuring that the Group has sufficient cash on demand (or available lines of credit) to meet expected operational expenses for the next half-year, including the servicing of financial obligations from off balance sheet lease commitments and investment programs in vessels. Cash flows exclude the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters and currently unpredictable further negative consequences resulting from the current worldwide economic crisis. In addition to external financing shown in the balance sheet the Group maintains the following lines of credit:

- Revolving line of credit with ABN AMRO Bank N.V. and Rabobank of EUR 200 million maturing in May 2010. Interest rate is currently EURIBOR plus 30 basis points. At 31 December 2008 and 2007 (EUR 200 million) the facility is fully drawn.
- Revolving lines of credit with Rabobank and ING Groep N.V. as of 31 December 2008 of EUR 100 million each, maturing in May 2013 respectively in May 2010. The Rabobank facility is fully drawn at 31 December 2008.
- A variety of unsecured overdraft facilities in various currencies totalling around EUR 300 million of which EUR 123,525 thousand has been drawn at 31 December 2008 (2007: around EUR 300 million with EUR 62,430 thousand drawn).

### 5.50.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

*Currency risk*

The global nature of the business of the Group exposes the operations and reported financial results and cash flows to the risks arising from fluctuations in exchange rates. The Group's business is exposed to currency risk whenever it has revenues in a currency that is different from the currency in which it incurs the costs of generating those revenues. In the case that the revenues can be offset against the costs incurred in the same currency, the balance may be affected if the value of the currency in which the revenues and costs are generated varies relative to the Euro. This risk exposure primarily affects those operations of the Group that generates a portion of their revenues in foreign currencies and incur their costs primarily in euros.

Cash inflows and outflows of the business segments are offset if they are denominated in the same currency. This means that revenues generated in a particular currency balance out costs in the same currency, even if the revenues arise from a different transaction than that in which the costs are incurred. As a result, only the unmatched amounts are subject to currency risk.

To mitigate the impact of currency exchange rate fluctuations, the Group continually assesses the exposure to currency risks and if deemed necessary a portion of those risks is hedged by using derivative financial instruments. The principal derivative financial instruments used to cover foreign currency exposure are forward foreign currency exchange contracts. Given the current investment program in vessels and the fact that the majority of the investments are denominated in USD, the Group has currently not used derivative financial instruments as positive cash flow in USD from operations is offset to a large extend by these investments.

Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily Euro and US dollar. This substantially provides an economic hedge and no derivatives are entered into.
The Group's investment in its subsidiaries in the United States of America is hedged by the USD Private Placement loans, which mitigates the currency risk arising from the subsidiary's net assets.

The hedge on the investment is fully effective. Consequently all exchange differences relating to this hedge have been accounted for in equity.

*Interest rate risk*

The Group's liabilities bear both fixed and variable interests Interest rate risk on long term financing is generally mitigated by fixed interest rates. Interest rate risks is therefore limited to the short-term financing of the Group. The Group's objective is to limit the effect of interest rate changes on the results by matching long term investment with long term (fixed interest) financing as much as possible. The Group continuously considers interest rate swaps to limit significant (short term) interest exposures.

*Other market price risk*

The Group does not enter into commodity contracts.

Fugro maintains pension schemes for its employees in accordance with regulations and customs in each of the countries in which the Company operates. For details on financing of these pension schemes refer to 5.47.

#### 5.50.5 Capital Management

The Board of Management's policy is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Management monitors the geographic spread of shareholders. The Board strives for a dividend pay-out ratio of 35 to 55% of the net result. The Board also strives to maintain a healthy balance sheet with a target solvency between 30 and 35%.

The Board of Management seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group's target is to achieve a healthy return on shareholders' equity; the return was 35.9% (2007: 35.4%). In comparison the weighted average interest expense on interest-bearing borrowings was 4.1% (2007: 4.6%).

From time to time Fugro N.V. purchases its own certificates of shares on the market. The certificates of shares are intended to cover the option rights granted by Fugro N.V. Purchase and sale decisions are made on a specific transaction basis by the Board of Management. Fugro N.V. does not have a defined share buy-back plan.

There were no changes to the Group's approach to capital management during the year.

### 5.51 Credit risk

*Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| (EUR x 1,000) | Carrying amount | |
|---|---|---|
| | **2008** | **2007** |
| Loans and receivables | – | 69 |
| Other long term receivables | 1,514 | 1,333 |
| Unbilled revenue on completed projects | 132,383 | 119,394 |
| Trade receivables | 421,895 | 361,933 |
| Other receivables | 63,871 | 68,405 |
| Cash and cash equivalents | 113,286 | 71,974 |
| | 732,949 | 623,108 |

The maximum exposure for trade receivables and unbilled revenue on completed contracts at the reporting date by geographic region was:

| (EUR x 1,000) | Carrying amount | |
|---|---|---|
| | 2008 | 2007 |
| Netherlands | 47,686 | 38,960 |
| Europe other | 230,241 | 205,050 |
| Africa | 23,160 | 22,862 |
| Near and Middle East | 68,438 | 47,712 |
| Asia | 65,068 | 38,753 |
| Australia | 25,739 | 23,673 |
| Americas | 93,946 | 104,317 |
| | 554,278 | 481,327 |

The maximum exposure for trade receivables and unbilled revenue on completed contracts at the reporting date by type of customer was:

| (EUR x 1,000) | Carrying amount | |
|---|---|---|
| | 2008 | 2007 |
| Oil and gas | 397,632 | 352,228 |
| Construction/Infrastructure | 90,517 | 68,521 |
| Mining | 18,570 | 34,522 |
| Other | 47,559 | 26,056 |
| | 554,278 | 481,327 |

**Impairment losses**

The ageing of trade receivables and unbilled revenue on completed contracts at the reporting date was:

| (EUR x 1,000) | 2008 | | 2007 | |
|---|---|---|---|---|
| | Gross | Impair-ment | Gross | Impair-ment |
| Current | 406,708 | 5,000 | 333,190 | – |
| From 31 to 60 days | 90,863 | 3,287 | 90,882 | – |
| From 61 to 90 days | 46,222 | 7,892 | 36,430 | – |
| Over 91 days | 55,041 | 35,107 | 47,564 | 31,610 |
| Retentions and special items | 7,017 | 5,423 | 4,871 | – |
| Equity accounted investees | 136 | – | – | – |
| | 605,987 | 56,709 | 512,937 | 31,610 |

The movement in the allowance for impairment in respect of trade receivables and unbilled revenue on completed contracts during the year was as follows:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Balance at 1 January | 31,610 | 26,721 |
| Impairment loss recognised | 31,337 | 8,211 |
| Impairment loss reversed | (3,577) | (2,627) |
| Trade receivables written off | (1,168) | (1,483) |
| Acquired through business combinations | 79 | 788 |
| Exchange differences | (1,572) | – |
| Balance at 31 December | 56,709 | 31,610 |

The allowance accounts in respect of trade receivables and unbilled revenue on completed contracts are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off against the asset directly.

With regard to trade receivables it is obvious that due to the current world wide economical crisis some of the debtors experience difficulties in financing their activities which has resulted in a reduction of the expected collectability of debts.

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.

### 5.52 *Liquidity risk*

The following are the contractual maturities of financial liabilities:

| (EUR x 1,000) | 2008 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | 6 months or less | 6 – 12 months | 1 – 2 years | 2 – 5 years | More than 5 years |
| Bank loan | 290,000 | 290,000 | 10,000 | 10,000 | 240,000 | 30,000 | – |
| Private Placement loans: | | | | | | | |
| 44 million USD bonds | 31,064 | 31,064 | – | – | – | 31,064 | – |
| 39 million USD bonds | 27,533 | 27,533 | – | – | – | – | 27,533 |
| 37 million USD bonds | 26,121 | 26,121 | – | – | – | – | 26,121 |
| 20 million Eurobonds | 20,000 | 20,000 | – | – | – | 20,000 | – |
| Mortgage and other loans | 27,151 | 27,151 | – | 6,485 | 14,858 | 5,808 | – |
| Trade and other payables | 395,520 | 395,520 | 395,520 | – | – | – | – |
| Bank overdraft | 194,580 | 194,580 | 194,580 | – | – | – | – |
| | 1,011,969 | 1,011,969 | 600,100 | 16,485 | 254,858 | 86,872 | 53,654 |

| (EUR x 1,000) | 2007 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | 6 months or less | 6 – 12 months | 1 – 2 years | 2 – 5 years | More than 5 years |
| Bank loan | 200,000 | 200,000 | – | – | – | 200,000 | – |
| Private Placement loans: | | | | | | | |
| 44 million USD bonds | 29,722 | 29,722 | – | – | – | – | 29,722 |
| 39 million USD bonds | 26,345 | 26,345 | – | – | – | – | 26,345 |
| 37 million USD bonds | 24,994 | 24,994 | – | – | – | – | 24,994 |
| 20 million Eurobonds | 20,000 | 20,000 | – | – | – | – | 20,000 |
| Convertible notes | 119,427 | 125,000 | – | – | – | 125,000 | – |
| Mortgage and other loans | 35,929 | 35,929 | – | 6,460 | 15,093 | 10,746 | 3,630 |
| Trade and other payables | 321,715 | 321,715 | 321,715 | – | – | – | – |
| Bank overdraft | 78,443 | 78,443 | 78,443 | – | – | – | – |
| | 856,575 | 862,148 | 400,158 | 6,460 | 15,093 | 335,746 | 104,691 |

### 5.53 *Currency risk*

The following significant exchange rates applied during the year:

| (In EUR) | Average rate | Reporting date mid-spot rate |
|---|---|---|
| USD | 0.68 | 0.71 |
| GBP | 1.25 | 1.05 |
| NOK | 0.121 | 0.102 |
| CHF | 0.63 | 0.67 |

**Sensitivity analysis**

A 10 percent strengthening of the Euro against the following currencies at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2007.

| *Effect in Euro thousands* | Equity | Profit or (loss) |
|---|---|---|
| **31 December 2008** | | |
| USD | (8,532) | (8,386) |
| GBP | (26,013) | (4,130) |
| NOK | (15,811) | (8,784) |
| CHF | (32,126) | (3,389) |
| **31 December 2007** | | |
| USD | (995) | (7,027) |
| GBP | (11,844) | (3,788) |

A 10 percent weakening of the Euro against the above currencies at 31 December would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant.

### 5.54 *Interest rate risk*

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

| (EUR x 1,000) | Carrying amount | |
|---|---|---|
| | 2008 | 2007 |
| **Fixed rate instruments** | | |
| Financial assets | – | 69 |
| Financial liabilities | (131,869) | (256,417) |
| **Variable rate instruments** | | |
| Financial liabilities | (371,294) | (206,469) |
| | (503,163) | (462,817) |

**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 through profit or loss hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

At 31 December 2008 it is estimated that a general increase of 100 basis points in interest rates would decrease the Group's profit before income tax by approximately EUR 3.7 million (2007: negative impact of EUR 2.1 million).

**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 remain constant. This analysis is performed on the same basis for 2007.

| (EUR x 1,000) | Profit or loss | | Equity | |
|---|---|---|---|---|
| | 100 bp increase | 100 bp decrease | 100 bp increase | 100 bp decrease |
| **31 December 2008** | | | | |
| Variable rate instruments | (3,713) | 3,713 | – | – |
| Cash flow sensitivity (net) | (3,713) | 3,713 | – | – |
| **31 December 2007** | | | | |
| Variable rate instruments | (2,065) | 2,065 | – | – |
| Cash flow sensitivity (net) | (2,065) | 2,065 | – | – |

### 5.55 ***Fair values***

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

| (EUR x 1,000) | 2008 | | 2007 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Trade and other receivables (excluding work in progress) | 485,766 | 485,766 | 430,338 | 430,338 |
| Cash and cash equivalents | 113,286 | 113,286 | 71,974 | 71,974 |
| Liabilities | (1,482) | (1,482) | – | – |
| Bank loan | (290,000) | (290,000) | (200,000) | (200,000) |
| Convertible notes | – | – | (119,427) | (300,000) |
| Mortgage loans | (6,534) | (6,534) | (7,987) | (7,987) |
| USD fixed rate loans | (84,718) | (107,565) | (81,061) | (94,053) |
| Euro fixed rate loan | (20,000) | (22,700) | (20,000) | (21,818) |
| Bank overdraft | (194,580) | (194,580) | (78,443) | (78,443) |
| Trade and other payables | (395,520) | (395,520) | (321,715) | (321,715) |
| Total | (393,782) | (419,329) | (326,321) | (521,704) |
| Unrecognised gains/(losses) | | (25,547) | | (195,383) |

#### *Interest rates used for determining fair value*

The Group uses the government yield curve as per balance sheet date plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

| **Derivatives** | **2008** | **2007** |
|---|---|---|
| Loans and borrowings | 2.0 – 7.1% | 2.0 – 7.1% |
| Leases | n/a | n/a |
| Receivables | n/a | n/a |

Fair value has been determined either by reference to the market value at the balance sheet date or by discounting the relevant cash flows using current interest rates for similar instruments.

### 5.56 ***Commitments not included in the balance sheet***

#### 5.56.1 **Operating leases as lessee**

Non-cancellable operating lease rentals are payable as follows:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Less than one year | 112,443 | 99,854 |
| Between one and five years | 276,237 | 209,194 |
| More than five years | 61,402 | 53,265 |
| | 450,082 | 362,313 |

The Group leases a number of offices and warehouse/laboratory facilities and vessels under operating leases. The leases typically run for an initial period of between three and ten years, with in most cases an option to renew the lease after that date. Lease payments are increased annually to reflect market rentals. None of the leases include contingent rentals. The Group does, in principle, not act as a lessor.

#### 5.56.2 Capital commitments

At 31 December 2008 the Group has contractual obligations to purchase property, plant and equipment for EUR 402.6 million (2007: EUR 430.5 million).

#### 5.56.3 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 the financial position of the Group is not likely to 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. The Holding Company and the Dutch operating companies form a fiscal unit for corporate tax. Each of the operating companies is severally liable for tax to be paid by all companies that belong to the fiscal unit.

### 5.57 *Subsequent events*

#### 5.57.1 Organisational structure

The Survey division has been structured as of 1 January 2009 as follows:

- Offshore Survey;
- Subsea Services (the Remotely Operated Vehicles [ROV] activities have been split off from the other offshore survey activities at sea);
- Geospatial Services.

The Geoscience division has been structured as of 1 January 2009 as follows:

- Seismic Services;
- General Geophysical Services (acquisition, processing and interpretation of non seismic data from the air, as well as on land and at sea);
- Information Services.

#### 5.57.2 Acquisitions

Post balance sheet date Fugro announced the acquisition of the LoadTest group of companies, headquartered in Gainesville, Florida, USA and subsidiaries in Singapore, Korea and United Kingdom, for approximately EUR 13 million. LoadTest is the world's leading provider of static pile load testing services, using the proprietary bi-directional Osterberg Cell® load testing method. Revenue for the last financial year was more than EUR 13 million and the company employs 40 staff.

The nature and financial effect of business combinations effected after balance sheet date has not yet been determined.

### 5.58 *Related parties*

#### 5.58.1 Identity of related parties

The Group also has a related party relationship with its subsidiaries, its equity accounted investees (refer note 5.38), with its statutory Directors and Executive Committee.

#### 5.58.2 Transactions with statutory Directors

Directors of the Company and management control 0.5% of the voting shares of the Company. Executive officers also participate in the Group's share option programme (refer note 5.30.1).

The remuneration of the Board of Management for 2008 and 2007 is as follows:

| (in EUR) | K.S. Wester | | A. Jonkman | | P. van Riel | | A. Steenbakker | |
|---|---|---|---|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** | **2008** | **2007** | **2008** | **2007** |
| Fixed salary | **563,680** | 542,000 | **312,000** | 300,000 | **312,000** | 250,000 | **312,000** | 250,000 |
| Bonus with respect to the previous year | **361,334** | 361,333 | **200,000** | 200,000 | **166,667** | 166,667 | **166,667** | 166,667 |
| Pension costs (including disability insurance) | **366,521** | 365,488 | **266,521** | 265,488 | **264,051** | 259,912 | **266,521** | 264,801 |
| | **1,291,535** | 1,268,821 | **778,521** | 765,488 | **742,718** | 676,579 | **745,188** | 681,468 |
| Valuation of options granted | **668,650** | 1,607,500 | **450,950** | 1,093,100 | **419,850** | 964,500 | **419,850** | 964,500 |
| Total | **1,960,185** | 2,876,321 | **1,229,471** | 1,858,588 | **1,162,568** | 1,641,079 | **1,165,038** | 1,645,968 |

The fringe benefits for the Board of Management are commensurate with the position held. The annual bonus is based upon the remuneration policy as adopted by the Annual General Meeting of Shareholders on 14 May 2008.

There are no guarantees or obligations towards or on behalf of the statutory Directors. Hereunder the information of the options granted to members of the statutory Directors is given on an individual basis.

| **Board of Management** | | Number of option rights | | | | | In EUR | | | Number of months |
|---|---|---|---|---|---|---|---|---|---|---|
| | Year | Number at 01-01-08 | Granted in 2008 | Exercised in 2008 | Forfeited in 2008 | Number at 31-12-08 | Exercise price | Share price at exercise day | Expiring date | Bonus[1) |
| K.S. Wester | 2002 | 108,000 | | 108,000 | | – | 10.78 | 35.54 | 31-12-2008 | 7 |
| | 2003 | 108,000 | | | | 108,000 | 10.20 | | 31-12-2009 | 4 |
| | 2004 | 108,000 | | | | 108,000 | 15.35 | | 31-12-2010 | 6 |
| | 2005 | 113,000 | | | | 113,000 | 27.13 | | 31-12-2011 | 7 |
| | 2006 | 125,000 | | | | 125,000 | 36.20 | | 31-12-2012 | 8 |
| | 2007 | 125,000 | | | | 125,000 | 52.80 | | 31-12-2013 | 8 |
| | 2008 | | 107,500 | | | 107,500 | 20.485 | | 31-12-2014 | 11 |
| Total | | 687,000 | 107,500 | 108,000 | – | 686,500 | | | | |
| A. Jonkman | 2002 – 2003 | 75,600 | | 25,200 | | 50,400 | 10.20 | 44.71[2) | 31-12-2009 | – |
| | 2004 | 80,000 | | | | 80,000 | 15.35 | | 31-12-2010 | 6 |
| | 2005 | 85,000 | | | | 85,000 | 27.13 | | 31-12-2011 | 7 |
| | 2006 | 85,000 | | | | 85,000 | 36.20 | | 31-12-2012 | 8 |
| | 2007 | 85,000 | | | | 85,000 | 52.80 | | 31-12-2013 | 8 |
| | 2008 | | 72,500 | | | 72,500 | 20.485 | | 31-12-2014 | 11 |
| Total | | 410,600 | 72,500 | 25,200 | – | 457,900 | | | | |

| Board of Management | | Number of option rights | | | | | In EUR | | | Number of months |
|---|---|---|---|---|---|---|---|---|---|---|
| | Year | Number at 01-01-08 | Granted in 2008 | Exercised in 2008 | Forfeited in 2008 | Number at 31-12-08 | Exercise price | Share price at exercise day | Expiring date | Bonus[1] |
| P. van Riel | 2002 – 2005 | 82,400 | | | | 82,400 | 22.56[2] | | 31-12-2011 | – |
| | 2006 | 75,000 | | | | 75,000 | 36.20 | | 31-12-2012 | 8 |
| | 2007 | 75,000 | | | | 75,000 | 52.80 | | 31-12-2013 | 8 |
| | 2008 | | 67,500 | | | 67,500 | 20.485 | | 31-12-2014 | 11 |
| Total | | 232,400 | 67,500 | – | – | 299,900 | | | | |
| A. Steenbakker | 2005 | 50,400 | | | | 50,400 | 27.13 | | 31-12-2011 | – |
| | 2006 | 75,000 | | | | 75,000 | 36.20 | | 31-12-2012 | 8 |
| | 2007 | 75,000 | | | | 75,000 | 52.80 | | 31-12-2013 | 8 |
| | 2008 | | 67,500 | | | 67,500 | 20.485 | | 31-12-2014 | 11 |
| Total | | 200,400 | 67,500 | – | – | 267,900 | | | | |
| Total | | 1,530,400 | 315,000 | 133,200 | – | 1,712,200 | | | | |

1) *Bonus in the book year; paid in the next year.*

2) *Weighted average.*

### 5.58.3 Executive Committee

The Group considers the Executive Committee including the Board of Management as key management personnel. In addition to their salaries, the Group also provides non-cash benefits to the Executive Committee, and contributes to their post-employment plan. The members of the Executive Committee also participate in the Group's share option programme.
Key management personnel compensation comprised:

| (in EUR) | 2008 | 2007 |
|---|---|---|
| Fixed salary | 2,208,030 | 2,112,348 |
| Bonus with respect to the previous year | 1,318,255 | 1,354,890 |
| Pension costs (including disability insurance) | 1,280,960 | 1,263,982 |
| Valuation of options granted | 2,836,800 | 6,444,600 |
| | 7,644,045 | 11,175,820 |

### 5.58.4 Supervisory Board

The remuneration of the Supervisory Board is as follows:

| (in EUR) | 2008 | 2007 |
|---|---|---|
| F.H. Schreve, Chairman | 70,000 | 72,000 |
| F.J.G.M. Cremers, Vice-Chairman | 48,000 | 48,000 |
| J.A. Colligan | 47,000 | 48,000 |
| P.J. Crawford | 46,000 | 46,000 |
| G-J. Kramer | 46,000 | 40,000 |
| Th. Smith | 61,000 | 61,000 |
| | 318,000 | 315,000 |

There are no options granted and no assets available to the members of the Supervisory Board. There are no loans outstanding to the members of the Supervisory Board and no guarantees given on behalf of members of the Supervisory Board.

Below a summary of the number of option rights of G-J. Kramer is disclosed. These option rights have been granted to him in the period he worked as Chief Executive Officer for Fugro N.V.

| | | Number of option rights | | | | In EUR | | |
|---|---|---|---|---|---|---|---|---|
| | Year | Number at 01-01-08 | Exercised in 2008 | Forfeited in 2008 | Number at 31-12-08 | Exercise price | Share price at exercise day | Expiring date |
| G-J. Kramer | 2002 | 129,600 | 129,600 | | – | 10.78 | 59.93 | 31-12-2008 |
| | 2003 | 129,600 | | | 129,600 | 10.20 | | 31-12-2009 |
| | 2004 | 129,600 | | | 129,600 | 15.35 | | 31-12-2010 |
| | 2005 | 129,600 | | | 129,600 | 27.13 | | 31-12-2011 |
| Totaal | | 518,400 | 129,600 | – | 388,800 | | | |

Per 31 December 2008 Mr Kramer owned (in person and via Woestduin Holding N.V.) 4,209,278 (certificates of) shares in Fugro N.V.

### 5.58.5 Other related party transactions

#### 5.58.5.1 *Joint venture*

The Group has not entered into any joint ventures.

## 5.59 *Group entities*

### 5.59.1 Significant subsidiaries

For an overview of (significant) subsidiaries we refer to chapter 6.

## 5.60 *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**

Note 5.37 contains information about the assumptions and their risk factors relating to goodwill impairment. In note 5.50 a detailed analysis is given on the foreign currency exposure of the Group and risks in relation to foreign exchange movements. Furthermore note 5.50 includes information on the credit risk of the Group as well as the effects of the credit risk on the allowance for impairment in respect of trade receivables and unbilled revenue on completed contracts.

**Critical accounting judgements in applying the Group's accounting policies**

Except as already described in the notes to the financial statements no other critical accounting judgements in applying the Group's accounting policies exist that require further explanation.

# 6 Subsidiaries and associates of Fugro N.V. calculated using the equity method

(Including statutory seat and percentage of interest)

Unless stated otherwise, the direct or indirect interest of Fugro N.V. in the entities listed below is 100%. Insignificant subsidiaries in terms of third party recompense for goods and services supplied and balance sheet totals have not been included. The subsidiaries listed below have been fully incorporated into the consolidated annual accounts of Fugro N.V., unless indicated otherwise. Companies in which the Group participates but that are not included in the Group's consolidated annual accounts are indicated by a #.

The list of participations as required under article 2:379 (1) of the Netherlands Civil Code has been filed separately at the Trade Register.

| Company | % | Office, Country |
|---|---|---|
| Fugro Mauritius Ltd. (Sucursal EM Angola) | | Luanda, Angola |
| Fugro Airborne Surveys Pty Ltd. | | Perth, Australia |
| Fugro Ground Geophysics Pty Ltd. | | Perth, Australia |
| Fugro Geoteam Pty Ltd. | | Perth, Australia |
| Fugro-Jason Australia Pty Ltd. | | Perth, Australia |
| Fugro Multi Client Services Pty Ltd. | | Perth, Australia |
| Fugro Seismic Imaging Pty Ltd. | | Perth, Australia |
| Fugro Spatial Solutions Pty Ltd. | | Perth, Australia |
| Fugro Survey Pty Ltd. | | Perth, Australia |
| Fugro Surespek Pty Ltd. | | Perth, Australia |
| OmniSTAR Pty Ltd. | | Perth, Australia |
| Fugro-PMS Pty Ltd. | | Sydney, Australia |
| Fugro Austria GmbH | | Bruch an der Mur, Austria |
| Azeri-Fugro # | 40% | Baku City, Azerbaijan |
| Fugro Survey GmbH (Caspian branch office) | | Baku City, Azerbaijan |
| Fugro Engineers S.A. | | Brussel, Belgium |
| Fugro Airborne Surveys Ltd. | | Gaborone West, Botswana |
| Fugro In Situ Geotecnia Ltda. | | Portao, Brazil |
| Fugro Brasil Ltda. | | Rio de Janeiro, Brazil |
| Fugro Geosolutions Brazil Serviços Ltda. | | Rio de Janeiro, Brazil |
| Serve de Levantemento Ltda. | | Rio de Janeiro, Brazil |
| Sudeste Serviços Ltda. | | Rio de Janeiro, Brazill |
| Geomag S/A Prospeccoes Aerogeofisicas | 20% | Rio de Janeiro, Brazil |
| LASA Engenhariae Prospeccoes S.A. | 20% | Rio de Janeiro, Brazil |
| Fugro Sdn Bhd. (Brunei) | | Bandar Seri Begawan, Brunei Darussalam |
| Fugro Survey (Brunei) Sdn Bhd. | | Kuala Belait, Brunei Darussalam |
| Fugro (Canada), Inc. | | New Brunswick, Canada |
| Fugro Airborne Surveys Corp. | | Ottawa, Ontario, Canada |
| Fugro Airborne Surveys, Corp. | | Missisauga, Toronto, Canada |
| Fugro Jacques GeoSurveys, Inc. | 70% | St. John's, Newfoundland, Canada |
| Fugro SESL Geomatics Ltd. | | Calgary, Alberta, Canada |
| Fugro Data Solutions Canada, Inc. | | Calgary, Alberta, Canada |
| Fugro Roadware, Inc. | | Paris, Ontario, Canada |
| Fugro Geoscience (Beijing) Ltd. | | Beijing, China |
| Fugro Technical Services (Guangzhou) Ltd. | | Guangzhou, China |
| Shanghai Fugro Geotechnique Co. Ltd. | 60% | Shanghai, China |
| China Offshore Fugro GeoSolutions (Shenzhen) Co. Ltd. | 50% | Shekou, Shenzhen, China |
| Fugro Offshore Survey (Shenzhen) Company Ltd. | | Shekou, Shenzhen, China |
| Fugro Comprehensive Geotechnical Investigation (Zhejiang) Co. Ltd. | | Zhejiang, China |

| Company | % | Office, Country |
|---|---|---|
| Fugro M.I.S.R. | 75,5% | Caïro, Egypt |
| Fugro S.A.E. | | Caïro, Egypt |
| Racal Survey Equatorial Guinea Ltd. | | Malabo, Equatorial Guinea |
| Fugro Geoid S.A.S. | | Jacou, France |
| Fugro France S.A. | | Nanterre, France |
| Fugro Geotechnique S.A. | | Nanterre, France |
| Fugro Topnav S.A.S. | | Parijs (Massy), France |
| Fugro Consult GmbH | | Berlijn, Germany |
| Fugro-OSAE GmbH | | Bremen, Germany |
| IGF GmbH | | Konz, Germany |
| Fugro-MAPS Geosystems GmbH | | Munich, Germany |
| Fugro HGN Hydrogeologie GmbH | | Nordhausen, Germany |
| Fugro Airborne Surveys (Pty) Ltd. | | Accra, Ghana |
| Fugro (Hong Kong) Ltd. | | Wanchai, Hong Kong |
| Fugro Geosciences International Ltd. | | Wanchai, Hong Kong |
| Fugro Holdings (Hong Kong) Ltd. | | Wanchai, Hong Kong |
| Fugro Geospatial Services (Hong Kong) Ltd. | | Wanchai, Hong Kong |
| Fugro International (Hong Kong) Ltd. | | Wanchai, Hong Kong |
| Fugro Investment (Hong Kong) Ltd. | | Wanchai, Hong Kong |
| Fugro Marine Survey International Ltd. | | Wanchai, Hong Kong |
| Fugro SEA Ltd. | | Wanchai, Hong Kong |
| Fugro Survey (Middle East) Ltd. | | Wanchai, Hong Kong |
| Fugro Survey International Ltd. | | Wanchai, Hong Kong |
| Fugro Survey Ltd. | | Wanchai, Hong Kong |
| Fugro Survey Management Ltd. | | Wanchai, Hong Kong |
| Fugro Certification Services Ltd. | | Fo Tan, Shatin, N.T., Hong Kong |
| Fugro Technical Services Ltd. | | Fo Tan, Shatin, N.T., Hong Kong |
| Geotechnical Instruments (Hong Kong) Ltd. | | Fo Tan, Shatin, N.T., Hong Kong |
| Fugro Geotechnical Services Ltd. | | Fo Tan, Shatin, N.T., Hong Kong |
| MateriaLab Consultants Ltd. | | Tuen Mun, N.T., Hong Kong |
| NexTerra Geophysical Solutions Pvt Ltd. | | Kolkata, India |
| Elcome Surveys Pvt. Ltd. | 90% | Navi Mumbai, India |
| Fugro Geoscience India Pvt. Ltd. | | Navi Mumbai, India |
| Fugro Geotech (Pvt) Ltd. | | Navi Mumbai, India |
| Fugro Survey (India) Pvt Ltd. | 90% | Navi Mumbai, India |
| Fugro-Jason Netherlands B.V. | | Jakarta Selatan, Indonesia |
| P.T. Fugro Indonesia | | Jakarta Selatan, Indonesia |
| P.T. Fugro Geosolutions Indonesia | | Jakarta Selatan, Indonesia |
| P.T. Kalvindo Raya Semesta | | Jakarta Selatan, Indonesia |

| Company | % | Office, Country |
|---|---|---|
| Fugro Oceansismica S.p.A. | | Rome, Italy |
| Fugro Japan Co., Ltd. | | Tokyo, Japan |
| Fugro Kazakhstan LLC | | Atyrau, Kazakhstan Republic |
| Fugro KazProject LLP | | Atyrau, Kazakhstan Republic |
| Fugro-MAPS s.a.r.l. | | Beirut, Lebanon |
| Fugro Geoscience GmbH (Libyan Branch Office) | | Tripoli, Libya |
| UAB HGN Hydrogeologie Baltic | | Vilnius, Lithuania |
| Fugro Eco Consult S.a.r.l. | | Munsbach, Luxembourg |
| Fugro (Macau) Limitada Engenharia Geotecnica | | Macau, Macau |
| Fugro Technical Services (Macau) Ltd. | | Macau, Macau |
| Fugro Geodetic (Malaysia) Sdn Bhd. | 30% | Kuala Lumpur, Malaysia |
| Fugro GEOS Sdn Bhd. | 30% | Kuala Lumpur, Malaysia |
| Fugro Geosciences (Malaysia) Sdn Bhd. | 30% | Kuala Lumpur, Malaysia |
| Fugro TGS (M) Sdn Bhd. | 30% | Kuala Lumpur, Malaysia |
| Fugro-Jason (M) Sdn. Bhd. | 40% | Kuala Lumpur, Malaysia |
| Fugro Airborne Surveys Ltd. | | Ebene, Mauritius |
| Fugro Mauritius Ltd. | | Ebene, Mauritius |
| Fugro Seastar Mauritius Ltd. | | Ebene, Mauritius |
| Fugro Survey Mauritius Ltd. | | Ebene, Mauritius |
| Fugro-Chance de Mexico S.A. de C.V. | | Ciudad Del Carmen, Campeche, Mexico |
| Fugro Survey Mexico S.A. de C.V. | | Ciudad Del Carmen, Campeche, Mexico |
| Geomundo S.A. de C.V. | | Ciudad Del Carmen, Campeche, Mexico |
| Fugro Survey Namibia (Pty) Ltd. | | Walvis Baai, Namibia |
| Ecodemka B.V. | | Leidschendam, Netherlands |
| Fugro C.I.S. B.V. | | Leidschendam, Netherlands |
| Fugro Caspian B.V. | | Leidschendam, Netherlands |
| Fugro Data Solutions B.V. | | Leidschendam, Netherlands |
| Fugro Ecoplan B.V. | | Leidschendam, Netherlands |
| Fugro-Elbocon B.V. | | Leidschendam, Netherlands |
| Fugro Engineers B.V. | | Leidschendam, Netherlands |
| Fugro Ingenieursbureau B.V. | | Leidschendam, Netherlands |
| Fugro Intersite B.V. | | Leidschendam, Netherlands |
| Fugro-Jason Asia B.V. | | Leidschendam, Netherlands |
| Fugro-Jason Middle East B.V. | | Leidschendam, Netherlands |
| Fugro-Jason Netherlands B.V. | | Leidschendam, Netherlands |
| Fugro Marine Personnel B.V. | | Leidschendam, Netherlands |
| Fugro Marine Services B.V. | | Leidschendam, Netherlands |
| Fugro Nederland B.V. | | Leidschendam, Netherlands |
| Fugro Robertson B.V. | | Leidschendam, Netherlands |
| Fugro South America B.V. | | Leidschendam, Netherlands |
| Fugro Survey B.V. | | Leidschendam, Netherlands |
| Fugro Vastgoed B.V. | | Leidschendam, Netherlands |
| Fugro-Inpark B.V. | | Leidschendam, Netherlands |
| Fugro Aerial Mapping B.V. | | Leidschendam, Netherlands |
| Fugro ICT B.V. | | Leidschendam, Netherlands |
| Inpark Detacheringen B.V. | | Leidschendam, Netherlands |
| OmniSTAR B.V. | | Leidschendam, Netherlands |
| Oserco B.V. | | Leidschendam, Netherlands |

| Company | % | Office, Country |
|---|---|---|
| Fugro Airborne Surveys N.V. | | Willemstad, Curaçao, Netherlands Antilles |
| Fugro Cable N.V. | | Willemstad, Curaçao, Netherlands Antilles |
| Fugro Curaçao N.V. | | Willemstad, Curaçao, Netherlands Antilles |
| Fugro Jacques N.V. | 70% | Willemstad, Curaçao, Netherlands Antilles |
| Fugro Robertson Americas N.V. | | Willemstad, Curaçao, Netherlands Antilles |
| Fugro Satellite Services N.V. | | Willemstad, Curaçao, Netherlands Antilles |
| Fugro Survey Caribbean N.V. | | Willemstad, Curaçao, Netherlands Antilles |
| Fugro BTW Ltd. | | New Plymouth, New Zealand |
| Fugro PMS Ltd. | | Hamilton, New Zealand |
| OmniSTAR (NZ) Ltd. | | Christchurch, New Zealand |
| Fugro Survey (Nigeria) Ltd. | | Port Harcourt, Nigeria |
| Fugro Consultants Nigeria Ltd. | | Port Harcourt, Nigeria |
| Fugro Geotechnics AS | | Oslo, Norway |
| Fugro Multi Client Services AS | | Oslo, Norway |
| Fugro Norway AS | | Oslo, Norway |
| Fugro Seastar AS | | Oslo, Norway |
| Fugro Seismic Imaging AS | | Oslo, Norway |
| Fugro Survey AS | | Bergen, Norway |
| Fugro-Geoteam AS | | Oslo, Norway |
| Fugro Oceanor AS | | Trondheim, Norway |
| Fugro-Jason AS | | Stavanger, Norway |
| ProFocus Systems AS | | Bergen, Norway |
| Geolab Nor AS | | Trondheim, Norway |
| Fugro Middle East & Partners LLC | | Muscat, Oman |
| Fugro Geodetic Ltd. | | Karachi, Pakistan |
| Fugro Peninsular Geotechnical Services | | Doha, Qatar |
| Fugro Engineering LLP | | Moskou, Russia |
| Fugro-Jacques NSTC | | Moskou, Russia |
| Fugro Geoscience GmbH | | Moskou, Russia |
| EMMET | | Moskou, Rusland |
| Geo Inzh Services LLP | | Moskou, Russia |
| Fugro-Geostatika Co Ltd. | | St. Petersburg, Russia |
| Fugro-Suhaimi Ltd. | 50% | Dammam, Saudi Arabia |
| Fugro Data Solutions Pte Ltd. | | Singapore, Singapore |
| Fugro Geodetic Pte Ltd. | | Singapore, Singapore |
| Fugro OmniSTAR Pte Ltd. | | Singapore, Singapore |
| Fugro Singapore Pte Ltd. | | Singapore, Singapore |
| Fugro Survey Pte Ltd. | | Singapore, Singapore |
| Fugro Subsea Services Pte Ltd. | | Singapore, Singapore |
| Fugro Subsea Technologies Pte Ltd. | | Singapore, Singapore |
| Fugro-GEOS Pte Ltd. | | Singapore, Singapore |
| Fugro-Rovtech Pte Ltd. | | Singapore, Singapore |
| Fugro Airborne Surveys (Pty) Ltd. | | Johannesburg, South Africa |
| Fugro Survey Africa (Pty) Ltd. | | Kaapstad, South Africa |
| OmniSTAR (Pty) Ltd. | | Kaapstad, South Africa |
| Fugro Maps (Pty) Ltd. | | Kaapstad, South Africa |

| Company | % | Office, Country |
|---|---|---|
| Fugro Data Services AG | | Zug, Switzerland |
| Fugro Finance AG | | Zug, Switzerland |
| Fugro Geodetic AG | | Zug, Switzerland |
| Fugro Geoscience GmbH | | Zug, Switzerland |
| Fugro South America GmbH | | Zug, Switzerland |
| Fugro Survey GmbH | | Zug, Switzerland |
| Fugro Survey Pte Ltd. | | Bangkok, Thailand |
| Fugro Oceanor Thailand Co Ltd. # | 49% | Bangkok, Thailand |
| Fugro Survey Caribbean Inc. | | Chaguaramas, Trinidad and Tobago |
| Fugro Caspian B.V. | | Ashgabat, Turkmenistan |
| Fugro Middle East B.V. | | Dubai, United Arab Emirates |
| Fugro Geoscience Middle East | | Dubai, United Arab Emirates |
| Fugro Survey (Middle East) Ltd. | | Abu Dhabi, United Arab Emirates |
| Fugro-GEOS UAE | | Abu Dhabi, United Arab Emirates |
| Fugro-MAPS (UAE) | | Sharjah, United Arab Emirates |
| Fugro-Rovtech Ltd. | | Aberdeen, United Kingdom |
| Fugro Survey Ltd. | | Aberdeen, United Kingdom |
| Fugro Well Services Ltd. | | Aberdeen, United Kingdom |
| Fugro-ImpROV Ltd. | | Aberdeen, United Kingdom |
| Fugro BKS Ltd. | | Coleraine, United Kingdom |
| Fugro Aperio Ltd. | | Cambridge, United Kingdom |
| Fugro NPA Ltd. | | Edenbridge, United Kingdom |
| Fugro Seacore Ltd. | | Falmouth, United Kingdom |
| Fugro Alluvial Offshore Ltd. | | Great Yarmouth, United Kingdom |
| Fugro-Robertson Ltd. | | Llandudno, United Kingdom |
| Fugro Data Solutions Ltd. | | Wallingford, United Kingdom |
| Fugro Seismic Imaging Ltd. | | Swanley, United Kingdom |
| Fugro Intersite Ltd. | | Wallingford, United Kingdom |
| Fugro Multi Client Services (UK) Ltd. | | Wallingford, United Kingdom |
| Fugro GeoConsulting Ltd. | | Wallingford, United Kingdom |
| Fugro Airborne Surveys Ltd. | | Wallingford, United Kingdom |
| Fugro Engineering Services Ltd. | | Wallingford, United Kingdom |
| Fugro-GEOS Ltd. | | Wallingford, United Kingdom |
| Fugro-Jason (UK) Ltd. | | Wallingford, United Kingdom |
| Fugro EarthData, Inc. | | Frederick, United States |
| Loadtest, Inc. (2009) | | Gainesville, United States |
| Fugro (USA), Inc. | | Houston, United States |
| Fugro Airborne Surveys, Inc. | | Houston, United States |
| Fugro Data Solutions, Inc. | | Houston, United States |
| Fugro Geoteam, Inc. | | Houston, United States |
| Fugro GeoServices, Inc. | | Houston, United States |
| Fugro Gulf, Inc. | | Houston, United States |
| Fugro Multi Client Services, Inc. | | Houston, United States |
| Fugro GeoConsulting, Inc. | | Houston, United States |
| Fugro Consultants, Inc. | | Houston, United States |
| Fugro, Inc. | | Houston, United States |
| Fugro-GEOS, Inc. | | Houston, United States |
| Fugro-ImpROV, Inc. | | Houston, United States |
| Fugro-Jason, Inc. | | Houston, United States |
| Fugro-McClelland Marine Geosciences, Inc. | | Houston, United States |
| Fugro Gravity & Magnetic Services, Inc. | | Houston, United States |
| Fugro Seismic Imaging, Inc. | | Houston, United States |
| OmniSTAR, Inc. | | Houston, United States |
| John Chance Land Surveys, Inc. | | Lafayette, United States |
| Fugro Chance, Inc. | | Lafayette, United States |
| Fugro Horizons, Inc. | | Rapid City, United States |
| Fugro Pelagos, Inc. | | San Diego, United States |
| Fugro Seafloor Surveys, Inc. | | Seattle, United States |
| Fugro Roadware, Inc. | | Richmond, United States |
| Fugro West, Inc. | | Ventura, United States |
| William Lettis & Associates | | Walnut Creek, United States |
| Fugro-McClelland Marine Geosciences, Inc. | | Caracas, Venezuela |

# 7 Company balance sheet

As at 31 December

| | (EUR x 1,000) | 2008 | 2007 |
|---|---|---|---|
| | ***Assets*** | | |
| (9.1) | Property, plant and equipmen | 202 | 323 |
| (9.2) | Intangible asset | 70,538 | 70,538 |
| (9.3) | Subsidiaries | 1,064,734 | 875,223 |
| (9.4) | Investments in equity accounted investees | 40 | 130 |
| (9.5) | Long-term loans | 50,889 | 18,776 |
| | Deferred tax assets | 1,890 | 24 |
| | **Total non-current assets** | 1,188,293 | 965,014 |
| (9.6) | Trade and other receivables | 32,384 | 26,278 |
| | **Total current assets** | 32,384 | 26,278 |
| | **Total assets** | 1,220,677 | 991,292 |
| | ***Equity*** | | |
| | Share capital | 3,830 | 3,521 |
| | Share premium | 431,441 | 301,550 |
| | Reserves | 209,646 | 178,705 |
| | Unappropriated result | 283,412 | 216,213 |
| (9.7) | **Total equity** | 928,329 | 699,989 |
| | ***Liabilities*** | | |
| (9.8) | Loans and borrowing | 104,718 | 220,488 |
| (9.9) | Provisions | 5,000 | 6,347 |
| | **Total non-current liabilities** | 109,718 | 226,835 |
| | Bank overdraft | 161,885 | 49,390 |
| (9.10) | Trade and other payables | 13,210 | 11,711 |
| | Other taxes and social security charges | 1,371 | 1,871 |
| | Income tax payable | 6,164 | 1,496 |
| | **Total current liabilities** | 182,630 | 64,468 |
| | **Total liabilities** | 292,348 | 291,303 |
| | **Total equity and liabilities** | 1,220,677 | 991,292 |

# 8 Company income statement

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Profit subsidiaries | 296,107 | 229,862 |
| Other results | (12,695) | (13,649) |
| **Profit for the period** | 283,412 | 216,213 |
| **Added to retained earnings** | 283,412 | 216,213 |

Other results concern the costs of the Company less reimbursements from subsidiaries.

# 9 Notes to the company financial statements

### General

The Company financial statements are part of the 2008 financial statements of Fugro N.V. With reference to the Company income statement of Fugro N.V., use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

### Principles for the measurement of assets and liabilities and the determination of the result

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, Fugro N.V. makes use of the option provided in section 2:362 (8) 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. 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). Please see pages 81 to 93 for a description of these principles.
The share in the result of participating interests consists of the share of Fugro N.V. in the result of these participating interests. Results on transactions, where the transfer of assets and liabilities between Fugro N.V. and its participating interests and mutually between participating interests themselves are not incorporated insofar as they can be deemed to be unrealised.

### 9.1 Property, plant and equipment

| (EUR x 1,000) | 2008 Other | 2007 Other |
|---|---|---|
| **Cost** | | |
| Balance at 1 January | 2,310 | 2,426 |
| Other acquisitions | 156 | 221 |
| Disposals | (1,012) | (337) |
| Balance at 31 December | 1,454 | 2,310 |
| **Depreciation** | | |
| Balance at 1 January | 1,987 | 2,107 |
| Depreciation charge for the year | 125 | 217 |
| Disposals | (860) | (337) |
| Balance at 31 December | 1,252 | 1,987 |
| **Carrying amount** | | |
| At 1 January | 323 | 319 |
| At 31 December | 202 | 323 |

### 9.2 *Intangible assets*

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| **Cost** | | |
| Balance at 1 January | 70,538 | 70,665 |
| Adjustment arising from business combination | – | (127) |
| Balance at 31 December | 70,538 | 70,538 |
| **Carrying amount** | | |
| At 1 January | 70,538 | 70,665 |
| At 31 December | 70,538 | 70,538 |

The capitalised goodwill is not systematically amortised. Goodwill is tested for impairment on each balance sheet date, or when there is an indication for impairment. Goodwill represents amounts arising on acquisition of subsidiaries. No impairment has been recognised.

### 9.3 *Subsidiaries*

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Balance at 1 January | 875,223 | 726,961 |
| Profit subsidiaries | 296,107 | 229,862 |
| Capital increase | 18 | – |
| Dividends | (25,504) | (26,293) |
| Currency exchange differences | (52,778) | (53,901) |
| Other | (28,332) | (1,406) |
| Balance 31 December | 1,064,734 | 875,223 |

### 9.4 *Investments in equity accounted investees*

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Balance at 1 January | 130 | 22 |
| Additions/redemptions | (90) | 108 |
| Balance at 31 December | 40 | 130 |

### 9.5 *Long-term loans*

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Balance at 1 January | 18,776 | 61,121 |
| Redemptions/new loans | 29,538 | (42,223) |
| Currency exchange differences | 2,575 | (122) |
| Balance 31 December | 50,889 | 18,776 |

This concerns loans to subsidiaries at 4% interest. In principle these loans will be repaid within two years.

### 9.6 *Trade and other receivables*

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Receivables from group companies | 31,929 | 25,016 |
| Other taxes and social security charges | – | 233 |
| Other receivables | 455 | 1,029 |
| Balance 31 December | 32,384 | 26,278 |

### 9.7 *Equity*

For the notes to the equity reference is made to note 5.44 of the consolidated statements. The translation reserve and hedging reserve qualify as a legal reserve ('wettelijke reserve') under Dutch law.

### 9.8 *Loans and borrowings*

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Convertible loan | – | 119,427 |
| Private Placement loans | 104,718 | 101,061 |
| Balance 31 December | 104,718 | 220,488 |

For the notes on the convertible loan and the Private Placement loans reference is made to note 5.46.3 of the consolidated statements. The average interest in long-term debt amounts to 6.9% per annum (2007: 5.1%).

### 9.9 *Provisions*

For the notes on provisions reference is made to note 5.48 of the consolidated statements.

### 9.10 *Current liabilities*

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Trade creditors | 801 | 1,581 |
| Interest convertible loan | – | 2,025 |
| Interest Private Placement | 1,048 | 1,043 |
| Non-trade payables and accrued expenses | 11,361 | 7,062 |
| Balance 31 December | 13,210 | 11,711 |

### 9.11 *Commitments not included in the balance sheet*

**Tax unit**

Fugro N.V. and the Dutch operating companies form a fiscal unit for corporate tax. Each of the operating companies is severally liable for tax to be paid by all companies that belong to the fiscal unit.

### 9.12 Guarantees

In principle the Company does not provide parent company guarantees in favour of its subsidiaries, unless significant commercial reasons exist. The Company has deposited declarations of joint and several liabilities for a number of Dutch subsidiaries at the relevant Chamber of Commerce. The company has deposited a list with the Chamber of Commerce, which includes all financial interests of Fugro N.V. in subsidiaries as well as a reference to each subsidiary for which such a declaration of liability has been deposited.

### 9.13 Contingencies

For the notes to contingencies reference is made to note 5.56.3 of the consolidated statements.

### 9.14 Audit fees

With reference to Section 2:382a(1) and (2) of the Netherlands Civil Code, the following fees for the financial year have been charged by KPMG to the Company and its subsidiaries:

| (EUR x 1,000) | | | 2008 | | | 2007 |
|---|---|---|---|---|---|---|
| | KPMG Acoun-tants N.V. | Other KPMG network | Total KPMG | KPMG Acoun-tants N.V. | Other KPMG network | Total KPMG |
| Statutory audit of annual accounts | 772 | 1,251 | 2,023 | 768 | 1,056 | 1,824 |
| Audit related services | – | – | – | – | – | – |
| Tax advisory services | – | 154 | 154 | – | 131 | 131 |
| Other non-audit services | 92 | 159 | 251 | 69 | 97 | 166 |
| Total | 864 | 1,564 | 2,428 | 837 | 1,284 | 2,121 |

Audit and (non-)audit related fees for the respective years are charged to the income statement on an accrual basis.

The Executive Directors have signed the financial statements pursuant to their statutory obligations under article 2:101 (2) Netherlands Civil Code and article 5:25c (2) (c) Financial Markets Supervision Act.

Leidschendam, 5 March 2009

**Executive Directors**
K.S. Wester, President and Chief Executive Officer
A. Jonkman, Chief Financial Officer
P. van Riel
A. Steenbakker

**Supervisory Board**
F.H. Schreve, Chairman
F.J.G.M. Cremers, Vice-chairman
J.A. Colligan
P.J. Crawford
G-J. Kramer
Th. Smith

# 10 Other information

## 10.1 *Auditor's report*

To: the Supervisory Board and Shareholders of Fugro N.V.

**Report on the financial statements**

We have audited the accompanying financial statements 2008 of Fugro N.V., Leidschendam as set out on pages 76 to 146. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2008, income statement, statement of recognised income and expense and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2008, the company income statement for the year then ended and the notes.

**Management's responsibility**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report of the board of management in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion with respect to the consolidated financial statements**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Fugro N.V. as at 31 December 2008, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

**Opinion with respect to the company financial statements**

In our opinion, the company financial statements give a true and fair view of the financial position of Fugro N.V. as at 31 December 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

**Report on other legal requirements**

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 5 March 2009

KPMG Accountants N.V.

H. Heijnraets RA

## 10.2 Post balance sheet date events

Reference is made to note 5.57.

## 10.3 Foundation Boards

**Stichting Administratiekantoor Fugro**

The Board of the Stichting Administratiekantoor Fugro comprises Messrs.:

| name | function | term |
|---|---|---|
| R. van der Vlist, Chairman | Board member | 2012 |
| L.P.E.M. van den Boom | Board member | 2009 |
| J.F. van Duyne | Board member | 2011 |
| W. Schatborn | Board member | 2010 |

**Stichting Beschermingspreferente Aandelen Fugro**

The Board of the Stichting Beschermingspreferente Aandelen Fugro comprises Messrs.:

| name | function | term |
|---|---|---|
| M.W. den Boogert, Chairman | Board member B | 2010 |
| J.V.M. Commandeur | Board member B | 2012 |
| J.C. de Mos | Board member B | 2009 |
| P.H. Vogtländer | Board member B | 2011 |
| F.H. Schreve | Board member A | 2010 |

Apart from Mr. Schreve no Board member has any links with Fugro.

**Stichting Continuïteit Fugro**

The Board of the Stichting Continuïteit Fugro in the Dutch Antilles is composed as follows:

| name | function | term |
|---|---|---|
| M.A. Pourier, Chairman | Board member B | 2010 |
| A.C.M. Goede | Board member B | 2009 |
| R. de Paus | Board member B | 2011 |
| M. van de Plank | Board member B | 2010 |
| F.H. Schreve | Board member A | Permanent |

Apart from Mr. Schreve no Board member has any links with Fugro.

## 10.4 Profit appropriation

Article 36 of the Articles of Association (as far as relevant):

**36.2** a. The profit shall, if sufficient, be applied first in payment to the holders of white-knight 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 prepared by the Central Bureau of Statistics (Centraal Bureau voor de Statistiek) and published in the Official List of Euronext Amsterdam N.V. 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 two percentage points, depending on the market conditions then obtaining, which mark-up or mark-down may differ for each series.

*36.4* In the event that in any financial year the profit is insufficient to make the distributions referred to in Paragraph 3 of this article, the provisions contained in Paragraph 3 shall only be applied in subsequent financial years after the deficit has been made good and after the provisions contained in Paragraph 3 have been applied. The Board of Management shall be authorised, subject to the approval of the Supervisory Board, to resolve to distribute an amount equal to the deficit referred to in the previous sentence from the reserves, with the exception of the reserves formed by way of a share premium on the issue of financing preference shares, respectively convertible financing preference shares.

*36.5* In the event that the first issue of financing preference shares, respectively convertible financing preference shares of a series, takes place during the course of a financial year, the dividend on the relevant series of financing preference shares, respectively the convertible financing preference shares, will be proportionately decreased to the first day of issue.

*36.6* After application of the provisions contained in Paragraphs 2 to 5 inclusive, no further dividend distributions shall be made on the protective preference shares or the financing preference shares, respectively the convertible financing preference shares.

*36.7* From the profit remaining after application of the provisions contained in Paragraphs 2 to 5 inclusive, the Board of Management – subject to the approval of the Supervisory Board – shall make such reservations as the Board of Management deems necessary. To the extent that the profit is not reserved by application of the previous sentence, it shall be at the disposal of the General Meeting either to be wholly or partially reserved or to be wholly or partially distributed to holders of ordinary shares in proportion to the number of ordinary shares they hold.

### 10.5 ***Proposed profit appropriation***

In accordance with Article 36 of the Articles of Association, we propose a dividend of EUR 112.7 million be paid out in the form of a cash payment of EUR 1.50 per (depositary receipt of) share with a nominal value of EUR 0.05 or in the form of (certificates of) ordinary shares with a nominal value of EUR 0.05 charged to the reserves.

## ***Report of Stichting Administratiekantoor Fugro ('Fugro Trust Office Foundation')***

In accordance with Article 19 of the Conditions of Administration for the ordinary shares in the name of Fugro N.V., the undersigned issue the following report to the holders of certificates.

During the 2008 reporting year all the Fugro Trust Office's activities were related to the administration of ordinary shares against which certificates have been issued.

During 2008 the Board met twice: the meeting of 8 April 2008 was dedicated to the preparations for the Annual General Meeting of Shareholders of Fugro N.V. (the Company) and the meeting of 17 September 2008, after the publication of the Company's half-yearly results, was dedicated to general business developments. Corporate Governance within the Company and the Fugro Trust Office was also discussed, as well as the voting policy of the Fugro Trust Office. It was decided to post the voting policy on the Company's website.

All the Fugro Trust Office's Board members are independent of the Company. The Board may offer holders of certificates the opportunity to recommend candidates for appointment to the Board. Further regulations related to the holding of a meeting of holders of certificates have been drawn-up. The Fugro Trust Office is authorised to accept voting instructions from holders of certificates and to cast these votes during a General Meeting of Shareholders.

The Board attended the Annual General Meeting of Shareholders of the Company held on 14 May 2008 and represented 64.9% of the votes cast. The Fugro Trust Office voted in favour of all the proposals submitted to the meeting. In accordance with the Conditions of Administration, holders of certificates were offered the opportunity to vote, in accordance with their own opinion, as authorised representatives of the Fugro Trust Office. This opportunity was taken by 128 holders of certificates holding 18,360,878 certificates.

In accordance with the roster, on 30 June 2008 Mr. Van der Vlist stepped down as a member of the Fugro Trust Office's Board. The Fugro Trust Office's previous report stated that, in accordance with Article 4.3 of the Articles of Association, the Board offered holders of certificates with a holding of 15% of the issued certificates the opportunity to request, before 4 April 2008, that the Board convene a meeting of holders of certificates in order to recommend a candidate for membership of the Fugro Trust Office's Board. As no request for a meeting of holders of certificates was submitted, during its meeting of 8 April 2008 the Board, in accordance with its announced intention, reappointed Mr. Van der Vlist as a Board member for a term of four years commencing 1 July 2008.

In accordance with the roster, on 30 June 2009, Mr. Van den Boom will step down as a member of the Fugro Trust Office's Board. The Fugro Trust Office's Board intends reappointing Mr. Van den Boom as a Board member for a term of four years. In accordance with Article 4.3 of the Articles of Association, the Board offered holders of certificates with a holding of 15% of the issued certificates the opportunity to request, before 3 April 2009, that the Board convene a meeting of holders of certificates in order to recommend a candidate to the Fugro Trust Office's Board. The request should be submitted in writing and should state the name and address of the recommended candidate.

The Board of the Fugro Trust Office comprises:
1. R. van der Vlist, Chairman
2. J.F. van Duyne
3. W. Schatborn
4. L.P.E.M. van den Boom

Mr. Van der Vlist was General Secretary of N.V. Koninklijke Nederlandsche Petroleum Maatschappij.
Mr. Van Duyne was Chairman of the Board of Management of Koninklijke Hoogovens N.V. and later CEO of Corus.
Mr. Schatborn was a member of the Board of Management of Stork.
Mr. Van den Boom was a member of the Board of Management NIB Capital Bank N.V. and is also a Senior Partner of PARK Corporate Finance.

In 2008 the total remuneration of the Board members amounted to EUR 31,000 and the total costs of the Fugro Trust Office amounted to EUR 231,022.

On 31 December 2008 70,078,430 registered ordinary shares with a nominal value of EUR 0.05 were in administration against which 70,078,430 certificates of ordinary shares with a nominal value of EUR 0.05 had been issued. During the financial year 300,623 certificates were exchanged into ordinary shares and 2,361,868 ordinary shares were exchanged into certificates. 863,747 certificates of ordinary shares were issued as a result of the stock dividend and 5,158,170 certificates of ordinary shares were issued in connection with the conversion of a convertible bond.

The activities related to the administration of the shares are carried out by the administrator of the Fugro Trust Office, Administratiekantoor van het Algemeen Administratie en Trustkantoor B.V. in Amsterdam.

The Fugro Trust Office's address is: Veurse Achterweg 10, 2264 SG, Leidschendam, the Netherlands

Leidschendam, 25 March 2009

The Board

### Report of ANT Trust & Corporate Services N.V. (formerly N.V. Algemeen Nederlands Trustkantoor) over the year 2008

*2.375% in certificates of ordinary shares convertible subordinated debenture bond 2005 per 2010 originally of EUR 125,000,000 at the cost of Fugro N.V.*

To comply with the stipulations of Article 32 clause 2 of the deed of trust executed by notary F.K. Buijn in Amsterdam on 27 April 2005, we issue the following report.

Up to and including 20 April 2010 the bonds could converted into certificates of ordinary shares in Fugro N.V. ('Fugro') with a nominal value of EUR 0.05 at a conversion price of EUR 24.25 (EUR 23.81 as per 30 May 2008 following a contractual adjustment of the conversion price).

As from 11 May 2008 Fugro was entitled to redeem the loan prior to the expiry date on condition that the Official Price List of Euronext Amsterdam shows that the closing price of the certificates of ordinary shares in Fugro N.V. has been at least 130% of the then prevailing conversion price on at least twenty days out of thirty consecutive trading days.

On 14 May 2008 Fugro announced the intention, to redeem (the remainder of the) convertible bonds prior to the expiry date and on 2 June 2008 Fugro announced that this redemption would take place on 2 July 2008.

However redemption of the convertible bonds did not take place because as per 25 June 2008 all remaining convertible bonds outstanding, each with a nominal value of EUR 1,000, were presented for conversion and converted into certificates of ordinary shares in Fugro.

We have not found any cause for comment or action.

Amsterdam, 9 January 2009

ANT Trust & Corporate Services N.V.

# Historic review[6]

| | IFRS 2008 | IFRS 2007 | IFRS 2006 | IFRS 2005 | IFRS 2004 | IFRS 2003 |
|---|---|---|---|---|---|---|
| ***Income and expenses*** (x EUR 1,000) | | | | | | |
| Revenue | **2,154,474** | 1,802,730 | 1,434,319 | 1,160,615 | 1,008,008 | 822,372 |
| Third party costs (cost of sales) | **722,321** | 604,855 | 503,096 | 405,701 | 364,644 | 273,372 |
| Net revenue own services | **1,432,153** | 1,197,875 | 931,223 | 754,914 | 643,364 | 549,000 |
| Results from operating activities (EBIT) [3] | **386,245** | 324,813 | 211,567 | 144,070 | 104,236 | 63,272 |
| Cash flow | **438,902** | 337,106 | 226,130 | 176,093 | 125,802 | 80,480 |
| Net result [1] [3] | **283,412** | 216,213 | 141,011 | 99,412 | 49,317 | 18,872 |
| of which non-recurring items | – | – | – | – | – | – |
| ***Balance sheet*** (x EUR 1,000) | | | | | | |
| Property, plant and equipment | **859,088** | 599,298 | 412,232 | 262,759 | 232,956 | 268,801 |
| Investments | **337,469** | 299,699 | 203,944 | 90,414 | 71,028 | 123,983 |
| of which in acquisitions | **14,423** | 8,666 | 21,041 | 10,057 | 2,296 | 70,888 |
| Depreciation of property, plant and equipment | **140,429** | 107,684 | 78,169 | 69,445 | 66,139 | 54,004 |
| Net current assets [2] | **56,060** | 171,347 | 150,733 | 222,485 | (95,348) | 114,852 |
| Total assets | **2,123,306** | 1,700,130 | 1,405,698 | 1,138,660 | 983,350 | 1,056,003 |
| Non-current provisions | **13,155** | 16,278 | 13,888 | 398 | 1,075 | 584 |
| Interest bearing loans and borrowings | **395,384** | 449,957 | 341,997 | 300,753 | 184,268 | 431,895 |
| Equity attributable to equity holders of the company [2] | **928,329** | 699,989 | 562,417 | 465,460 | 223,913 | 211,196 |
| ***Key ratios*** (in %) [3] | | | | | | |
| Results from operating activities (EBIT)/revenue | **17.9** | 18.0 | 14.8 | 12.9 | 10.3 | 9.2 |
| Profit/revenue | **13.2** | 12.0 | 9.8 | 8.6 | 4.9 | 2.3 |
| Profit/net revenue own services | **19.8** | 18.0 | 15.1 | 13.2 | 7.7 | 8.3 |
| Profit/capital and reserves [2] | **34.8** | 34.3 | 27.4 | 28.8 | 22.7 | 17.6 |
| Total equity/total assets [2] | **44.1** | 41.6 | 40.2 | 41.3 | 23.2 | 20.2 |
| Interest cover | **13.9** | 13.1 | 10.9 | 7.2 | 3.7 | 2.2 |
| ***Data per share*** (x EUR 1.–) [3] [5] | | | | | | |
| Equity attributable to equity holders of the Company [2] | **12.12** | 9.94 | 8.08 | 6.76 | 3.60 | 3.48 |
| Results from operating activities (EBIT) [4] | **5.29** | 4.67 | 3.08 | 2.18 | 1.76 | 1.09 |
| Cash flow [4] | **6.01** | 4.84 | 3.29 | 2.67 | 2.12 | 1.39 |
| Net result [4] | **3.88** | 3.11 | 2.05 | 1.51 | 0.83 | 0.33 |
| Dividend paid in year under review | **1.25** | 0.83 | 0.60 | 0.48 | 0.48 | 0.46 |
| ***Share price*** (x EUR 1.–) [5] | | | | | | |
| Year-end share price | **20.485** | 52.80 | 36.20 | 27.13 | 15.35 | 10.20 |
| Highest share price | **59.95** | 62.00 | 36.64 | 27.40 | 16.41 | 12.86 |
| Lowest share price | **19.32** | 34.91 | 27.13 | 15.14 | 10.05 | 6.13 |
| ***Number of employees*** | | | | | | |
| At year-end | **13,627** | 11,472 | 9,837 | 8,534 | 7,615 | 8,472 |
| ***Shares in issue*** (x 1,000) [5] | | | | | | |
| Of nominal EUR 0.05 at year-end | **76,608** | 70,421 | 69,582 | 68,825 | 62,192 | 60,664 |

1) *The lower result is partly caused by IFRS adoption.*

2) *As of 2002 no accrued dividend has been incorporated.*

3) *For 2002 and earlier years, before amortisation of goodwill.*

4) *Unlike preceding years the figures as from the year 1999 have been calculated based upon the weighted average number of outstanding shares.*

5) *As a result of the share split (4:1) in 2005, the historical figures have been restated.*

6) *Based on IFRS as from 2003.*

| Dutch GAAP 2002 | Dutch GAAP 2001 | Dutch GAAP 2000 | Dutch GAAP 1999 | Dutch GAAP 1998 | Dutch GAAP 1997 | Dutch GAAP 1996 | Dutch GAAP 1995 | Dutch GAAP 1994 | Dutch GAAP 1993 |
|---|---|---|---|---|---|---|---|---|---|
| 945,899 | 909,817 | 712,934 | 546,760 | 578,207 | 482,096 | 375,276 | 296,636 | 300,130 | 221,490 |
| 328,401 | 331,685 | 250,132 | 176,067 | 197,258 | 172,346 | 123,337 | 99,378 | 100,104 | 65,344 |
| 617,498 | 578,132 | 462,765 | 370,648 | 380,948 | 309,750 | 251,939 | 197,258 | 200,026 | 156,146 |
| 111,873 | 98,470 | 73,697 | 61,805 | 61,669 | 46,195 | 25,911 | 12,434 | 21,146 | 18,015 |
| 119,161 | 105,301 | 85,596 | 77,233 | 74,057 | 60,670 | 39,479 | 26,773 | 33,625 | 26,728 |
| 72,220 | 61,732 | 46,024 | 40,704 | 37,800 | 31,084 | 16,018 | 7,170 | 13,931 | 12,388 |
| – | – | – | – | – | 3,630 | – | (4,538) | – | – |
| | | | | | | | | | |
| 192,293 | 163,298 | 120,526 | 114,035 | 108,181 | 93,479 | 68,521 | 64,800 | 65,254 | 55,497 |
| 100,036 | 89,352 | 49,008 | 37,301 | 61,487 | 58,220 | 27,000 | 24,776 | 39,434 | 25,639 |
| 24,852 | 11,196 | 3,686 | 9,257 | 6,081 | 5,763 | 1,724 | 3,222 | 11,662 | 4,901 |
| 46,941 | 43,569 | 39,572 | 36,529 | 36,257 | 29,586 | 23,460 | 19,603 | 19,694 | 14,339 |
| 129,071 | (50,514) | 92,269 | 15,066 | 7,170 | 6,308 | 11,571 | 9,121 | 23,733 | 17,334 |
| 793,245 | 814,772 | 474,741 | 380,495 | 338,021 | 289,512 | 216,272 | 170,122 | 176,702 | 141,579 |
| 12,706 | 8,056 | 6,746 | 10,573 | 8,894 | 7,805 | 4,447 | 2,723 | 2,450 | 3,403 |
| 273,520 | 121,450 | 120,713 | 23,234 | 24,368 | 17,153 | 18,741 | 23,823 | 30,449 | 7,260 |
| 271,698 | 244,660 | 101,453 | 107,909 | 90,575 | 77,370 | 61,260 | 51,050 | 58,402 | 62,168 |
| | | | | | | | | | |
| 11.8 | 10.8 | 10.3 | 11.3 | 10.7 | 9.6 | 6.9 | 4.2 | 7.0 | 8.1 |
| 7.6 | 6.8 | 6.5 | 7.4 | 6.5 | 6.4 | 4.3 | 2.4 | 4.6 | 5.6 |
| 11.7 | 10.7 | 9.9 | 11.0 | 9.9 | 10.0 | 6.4 | 3.6 | 7.0 | 7.9 |
| 27.4 | 35.7 | 45.4 | 41.0 | 45.0 | 44.8 | 28.5 | 13.1 | 23.1 | 20.9 |
| 34.6 | 30.4 | 22.1 | 29.3 | 27.9 | 27.7 | 28.9 | 30.4 | 33.8 | 44.7 |
| 6.1 | 7.8 | 8.1 | 13.1 | 12.1 | 10.4 | – | – | – | – |
| | | | | | | | | | |
| 4.57 | 4.17 | 2.10 | 2.29 | 1.91 | 1.65 | 1.36 | 1.11 | 1.39 | 1.71 |
| 1.95 | 1.86 | 1.48 | 1.27 | 1.30 | 0.98 | 0.58 | 0.27 | 0.50 | 0.50 |
| 2.08 | 1.98 | 1.72 | 1.59 | 1.56 | 1.29 | 0.88 | 0.58 | 0.80 | 0.74 |
| 1.26 | 1.16 | 0.92 | 0.84 | 0.80 | 0.66 | 0.36 | 0.16 | 0.33 | 0.34 |
| 0.46 | 0.40 | 0.34 | 0.31 | 0.28 | 0.25 | 0.17 | 0.08 | 0.17 | 0.17 |
| | | | | | | | | | |
| 10.78 | 12.53 | 17.19 | 9.23 | 4.99 | 7.01 | 3.48 | 1.96 | 3.88 | 4.17 |
| 16.50 | 18.91 | 17.81 | 9.98 | 10.99 | 8.28 | 3.71 | 4.14 | 4.75 | 4.46 |
| 9.88 | 10.75 | 9.31 | 4.10 | 4.06 | 3.44 | 1.93 | 1.45 | 3.69 | 2.64 |
| | | | | | | | | | |
| 6,923 | 6,953 | 5,756 | 5,114 | 5,136 | 4,429 | 4,222 | 3,968 | 3,557 | 2,824 |
| | | | | | | | | | |
| 59,449 | 58,679 | 51,048 | 50,449 | 48,682 | 47,673 | 46,053 | 46,044 | 46,040 | 36,370 |

# Glossary

## *Technical terms*

**2D Seismic:** *Acoustic measuring technology which uses single vessel-towed hydrophone streamers. This technique generates a 2D cross-section of the deep seabed and is used primarily when initially reconnoitring for the presence of oil or gas reservoirs.*

**3D Seismic:** *Acoustic measuring technology which uses multiple vessel-towed long hydrophone streamers. This technique generates a 3D model of the deep seabed and is used to locate and analyse oil and gas reservoirs.*

**3 DiQ (3D Integrated Quantitative):** *Technology for the development of integrated (geology, geophysics, reservoir engineering) quantitative oil and gas reservoir models; these models are used to optimise the risks, costs and efficiency of oil and gas field development and production.*

**AM (asset management):** *A management system that ensures the efficient use of business equipment such as vessels, measuring equipment, etc.*

**Asset monitoring:** *Tracking the location and usage of business equipment such as vessels, measuring equipment, etc.*

**AUV (Autonomous Underwater Vehicle):** *An unmanned submersible launched from a 'mother-vessel' but not connected to it via a cable. Propulsion and control are autonomous and use pre-defined mission protocols.*

**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.*

**D&P:** *Development & Production (of oil and gas fields).*

**DGPS (Differential Global Positioning System):** *A GPS based positioning system using territorial reference points to enhance accuracy.*

**DP (dynamic positioning):** *An automatic pilot which controls a vessel's engines and rudder, generally to ensure the vessel maintains station. Such systems require input from an accurate positioning system as a reference.*

**EM:** *Electromagnetic.*

**FLI-MAP:** *A system that, with the help of a laser fan beam in a helicopter, generates accurate relief maps.*

**Geophysics:** *The mapping of subterranean soil characteristics using non-invasive techniques such as sound.*

**Geoscience:** *A range of scientific disciplines (geology, geophysics, petroleum engineering, bio stratification, geochemistry, etc.) related to the study of rocks, fossils and fluids.*

**Geotechnics:** *The determination of subterranean soil characteristics using invasive techniques such as probing, drilling and sampling.*

**GIS:** *Geographic Information System.*

**GNSS Global Navigation Satellite System:** *A collective term for GPS, the Russian GLONASS system and the future European Gallileo System.*

**GPS:** *Global Positioning System.*

**Gravity:** *Precision gravity measurements to detect geological and other anomalies.*

**HP (high-performance):** *Decimetre positioning accuracy.*

**LiDAR:** *a measuring system based on laser technology that can make extremely accurate recordings from an aircraft.*

**Multi client data:** *Data collected at own risk and expense and sold to several clients.*

**Omnistar:** *DGPS positioning system specifically for use onshore. This system differentiates itself through its accuracy, global coverage and ease of use.*

**Reservoir engineering:** *Techniques for predicting the production behaviour of oil and gas reservoirs and the optimisation of the eventual exploitation on the basis of a reservoir model, rock and fluid characteristics and flow models.*

**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.*

**Seastar-dp:** *DGPS positioning system, specifically for use on board DP vessels.*

**Seismic:** *Acoustic measurement of seabed characteristics and stratification with the objective of detecting oil and gas. These measurements are conducted using specialised vessels equipped with powerful acoustic energy sources and long receiving streamers (hydrophones) to measure (sub) seabed acoustic echoes.*

**Skyfix:** *DGPS positioning system, see Starfix, but uses different underlying technology to achieve the high degree of accuracy.*

**Starfix:** *DGPS positioning system, specifically for use offshore. This system is intended for the professional user and, in addition to a high degree of accuracy, is equipped with a wide range of data analysis and quality control possibilities.*

**Survey Services:** *Services related to the measurement, management and mapping of locations, objects and operations, most of which involve a substantial navigation and positioning component.*

## *Financial terms*

**Cash flow:** *The profit for the period attributable to equity holders of the company plus depreciation, amortisation of intangible fixed assets and minority interest.*

**Debt (on 'Private Placement' covenants):** *Long-term loans including obligations arising from leasing agreements.*

**Dividend yield:** *Dividend as a percentage of the (average) share price.*

**EBIT:** *Result from operating activities.*

**EBITDA:** *Result from operating activities before depreciation and amortisation*

**Gearing:** *Loans and borrowings plus bank overdraft minus cash and cash equivalents, divided by shareholders equity.*

**Interest cover:** *Result from operating activities (EBIT) compared with the net interest charges.*

**Invested capital:** *The capital made available to the Company, i.e. Group equity plus the available loans and the balance of current account deposits/withdrawals.*

**Net profit margin:** *profit as a percentage of Revenue.*

**Private Placement:** *Long-term financing (10 – 15 years), entered into in May 2002 via a private placement with over twenty American and two British institutional investors.*

**Return on invested capital:** *The profit (before profit appropriation) including minority interest and interest charges as a percentage of the average invested capital.*

**Solvency:** *Shareholders' equity as a percentage of the balance sheet total.*

***Colophon***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