

# HALF-YEAR REPORT

Leidschendam, the Netherlands, 31 July 2019

## Fugro HY 2019: Recovery continues, driven by marine business

### *Seabed Geosolutions classified as 'held for sale'*

- After a weak first quarter, the second quarter results of Fugro's core business improved significantly, resulting in an EBIT margin of 2.9% in the first half year compared to 0.1% in the same period last year.
- Non-core Seabed Geosolutions is now classified as 'held for sale' and therefore revenue and EBIT(DA) are excluded from consolidated financials; a non-cash impairment of EUR 61 million has been recognised.
- Revenue growth of 5.7%, driven mainly by offshore wind, oil & gas, and nautical markets.
- Fugro remained within all covenants. Net debt/EBITDA was 2.8 and is expected to improve towards the end of the year.
- Backlog growth in all regions, with the exception of Asia Pacific due to a significant reduction in capacity in marine asset integrity and an increased focus on projects with better margins.
- Outlook 2019: continued revenue growth, further improvement of EBIT margin and positive free cash flow from continuing operations.

<b>Key figures (x EUR million)</b> <i>from continuing operations unless otherwise indicated</i>	<b>HY 2019</b>	<b>pro forma HY 2019<sup>1</sup></b>	<b>HY 2018</b>
Revenue	796.9		734.1
comparable growth <sup>2</sup>	5.7%		16.8%
EBITDA (excluding exceptional items <sup>3</sup> )	83.3	66.6	47.0
EBIT (excluding exceptional items <sup>3</sup> )	23.3	23.0	1.1
EBIT margin (excluding exceptional items <sup>3</sup> )	2.9%	2.9%	0.1%
EBIT	16.8	16.5	(0.8)
Net result	(17.6)	(11.8)	(40.2)
Net result including discontinued operations	(86.0)	(80.2)	(40.5)
Backlog next 12 months	856.3		851.3
comparable growth <sup>2</sup>	0.5%		0.4%
Cash flow from operating activities after investing	(34.4)	(47.3)	(40.7)
Cash flow from operating activities after investing including discontinued operations	(58.9)	(72.2)	(43.5)
Net debt/EBITDA <sup>4</sup>	2.8		2.5

The information in this press release is unaudited. Refer to annual report 2018 for definitions.

<sup>1</sup> Excluding the impact of IFRS 16 per January 2019. For more details, refer to page 7 and interim financial statements

<sup>2</sup> Corrected for currency effect and the divestment of the marine construction & installation activities in 2017

<sup>3</sup> Onerous contract provisions, restructuring cost, impairment losses, and other exceptional items totaling EUR 6.5 million compared to EUR 1.9 million in HY 2018 (EBIT impact)

<sup>4</sup> Covenant calculation includes Seabed Geosolutions, until a divestment has been completed

Mark Heine, CEO: *'I am pleased to report a strong improvement in our marine activities, in particular for offshore wind developments and hydrography. By now, Fugro's business in non-oil and gas is close to half of our revenue. We are also benefiting from the ongoing normalisation of investments in oil and gas, whilst in our land business the asset integrity services are picking up. We anticipate continued supportive market conditions going forward, with higher volumes and recovering pricing.'*

*In line with our Path to Profitable Growth strategy, we are increasingly focusing on activities with better margins, improving the quality of our backlog. The marine asset integrity results show the impact from the restructuring in Asia Pacific while the market conditions are gradually improving. In the Americas, results should improve in the second half of the year, owing to higher utilisation of our vessel fleet.*

*In the land business we are taking additional measures to bring margins structurally at a higher level. The new top-management structure, that we introduced as of May with an Executive Leadership Team including the Group Directors of the four regions, allows us to gain operational efficiencies and further cost reductions. In addition, our differentiating digital technologies will provide benefits. We are also targeting a divestment of Seabed Geosolutions in the foreseeable future, supporting its ambition to capture the opportunities of a growing ocean bottom node seismic market.'*

## Strategy update

Fugro is implementing its Path to Profitable Growth strategy. Capitalising on its position as the world's leading Geo-data specialist, Fugro is focused on three strategic objectives.

- **Capture the upturn in the energy and infrastructure markets.**  
Energy markets continue to grow, enabling Fugro to improve its vessel utilisation. Regional teams are working closely together with central fleet management to further increase asset utilisation and mobilisation effectiveness. With a weak first quarter, the land business did not fully capture the opportunities in the infrastructure market; during the second quarter, growth was solid. In the first half of the year, healthy price increases have been realised in the early cyclical marine markets, as well as first marginal price increases in marine asset integrity. Furthermore, to improve profitability, in line with the strategy update from November 2018, Fugro is restructuring its service offering in selected countries.
- **Differentiate by integrated digital solutions.**  
Fugro is building its Digital Foundation aimed at delivering Geo-data to clients in the most efficient and value-adding way. As an example, in land site characterisation, the Gaia platform supports clients with real-time monitoring, resulting in lower ground risk and accelerated construction schedules. Recently Fugro opened its new remote service center in Aberdeen, where the first remote FPSO monitoring operation in the North Sea was executed. To date, Fugro has provided over 100,000 project hours around the globe from its seven remote service centres. Fugro's new unmanned surface vehicle has been delivered and is currently being thoroughly tested before it moves to its first commercial application.
- **Leverage core expertise in new growth markets.**  
Fugro is securing new contracts in hydrography, water management, flood protection and satellite positioning. In the first half year, Fugro won a coastal mapping project in Jamaica and Haiti to support the islands' climate resilience, using its proprietary Rapid Airborne Multibeam Mapping System. Fugro was also awarded the California Delta Conveyance project, delivering integrated services to optimise design and minimise construction risk in this earthquake-prone area.

## Seabed Geosolutions classified as 'held for sale'

Fugro continues to focus on divestment opportunities for its non-core assets. Fugro has stepped up its efforts, in consultation with its co-shareholder, to sell Seabed Geosolutions, and multiple parties have shown interest. As a consequence, Seabed is now reported as 'held for sale'. In the profit and loss and cash flow statements, comparative figures 2018 have been adjusted, but not in the balance sheet. For further details, see the interim financial statements 2019.

The calculations for the covenant requirements remain unchanged, until a divestment has been completed. Based on the estimated fair value, a non-cash impairment of EUR 61 million on goodwill has been recognised.

## Review by business

### Marine

Key figures excluding exceptional items (x EUR million)	HY 2019	pro forma HY 2019 <sup>1</sup>	HY 2018	comparable growth <sup>2</sup>
Revenue	562.9		503.1	9.2%
EBITDA	67.9	56.5	33.5	
EBIT	20.0	20.3	(2.7)	
EBIT margin	3.6%	3.6%	(0.5%)	
Backlog next 12 months	582.6		577.7	0.8%
Capital employed	919.2	922.2	881.9	

<sup>1</sup> Excluding the impact of IFRS 16 per January 2019. For more details, refer to page 7 and interim financial statements

<sup>2</sup> Corrected for currency effect

- Revenue growth was fully related to site characterisation, as a result of increasing activity levels in offshore oil and gas coupled with a particularly strong growth of offshore windfarm developments. In addition, Fugro is involved in projects in new growth markets such as hydrography. Asset integrity revenue was in line with last year. Overall vessel utilisation was 73% compared to 69% in the first half of 2018.
- The site characterisation business continued its EBIT improvement trajectory. Asset integrity was below the comparable period, but the second quarter results show a year-on-year improvement.
- A robust increase in site characterisation backlog was largely offset by a significant reduction in asset integrity, partly caused by reduced capacity in Asia Pacific and by an increased focus on projects with better margins.

### Land

Key figures excluding exceptional items (x EUR million)	HY 2019	pro forma HY 2019 <sup>1</sup>	HY 2018	comparable growth <sup>2</sup>
Revenue	234.0		231.0	(1.8%)
EBITDA	15.4	10.1	13.6	
EBIT	3.3	2.7	3.8	
EBIT margin	1.4%	1.2%	1.6%	
Backlog next 12 months	273.7		273.6	(0.2%)
Capital employed	197.2	197.3	208.3	

<sup>1</sup> Excluding the impact of IFRS 16 per January 2019. For more details, refer to page 7 and interim financial statements

<sup>2</sup> Corrected for currency effect

- Asset integrity revenues increased, while site characterisation revenue was below the first half of 2018 due to delays and reduction in work scopes in Europe-Africa and Asia Pacific.
- The site characterisation margin was below last year in line with revenue development, whilst land asset integrity results improved marginally. After a weak start to the year, the results improved in the second quarter, and were above the same period last year. To improve profitability, Fugro has stepped up restructuring efforts to address low margin services in a number of countries.
- Backlog is in line with last year as a decrease in site characterisation was almost offset by an increase in asset integrity.

## Review by region

### Europe-Africa

Key figures excluding exceptional items (x EUR million)	HY 2019	pro forma HY 2019 <sup>1</sup>	HY 2018	comparable growth <sup>2</sup>
Revenue	338.5		318.1	6.4%
EBIT	35.7	34.7	7.3	
EBIT margin	10.5%	10.3%	2.3%	
Backlog next 12 months	348.1		318.5	10.2%

<sup>1</sup> Excluding the impact of IFRS 16 per January 2019. For more details, refer to page 7 and interim financial statements

<sup>2</sup> Corrected for currency effect

- Revenue growth was mainly driven by marine site characterisation with also limited growth in marine asset integrity. Vessel utilisation increased by 10 percentage points. Land site characterisation revenue was down due to delays and reduction in work scopes on certain key projects, particularly in the United Kingdom.
- The margin improved strongly as a result of significantly higher offshore work volumes and better pricing.
- The 12 months backlog reflects an ongoing strong increase in marine, whilst the land related backlog was relatively constant.
- Recent significant project awards in the second quarter include: multiple unexploded ordnance surveys for EDF's Neart na Gaoithe windfarm, a 3-year framework contract with Shell for route surveys in the North Sea and a five-year contract for road condition surveys in the Netherlands.

### Americas

Key figures excluding exceptional items (x EUR million)	HY 2019	pro forma HY 2019 <sup>1</sup>	HY 2018	comparable growth <sup>2</sup>
Revenue	193.5		157.5	17.0%
EBIT	(14.0)	(14.0)	2.5	
EBIT margin	(7.2%)	(7.2%)	1.6%	
Backlog next 12 months	244.0		237.3	1.3%

<sup>1</sup> Excluding the impact of IFRS 16 per January 2019. For more details, refer to page 7 and interim financial statements

<sup>2</sup> Corrected for currency effect

- Revenue growth was particularly strong in this region, supported by all marine and land business lines, with particularly high offshore wind activity levels on the east coast of USA and Canada.
- Profitability was disappointing due to delayed vessel maintenance compounded by unforeseen and extended repairs. As a result, vessel utilisation decreased by 16 percentage points, requiring additional charters and related costs. Last year's results also included a EUR 2.9 million one-off gain on the sale of a building.
- Backlog was up slightly, as large increases in offshore wind farm projects and the land business lines were largely offset by a drop in marine asset integrity due to the expiration of two diving support contracts in Brazil expired last year.
- Recent significant contract awards include site characterisation works for Enbridge to support design and construction of a tunnel below the Great Lakes, and a coastal mapping project in Jamaica and Haiti.

## Asia Pacific

Key figures excluding exceptional items (x EUR million)	HY 2019	pro forma HY 2019 <sup>1</sup>	HY 2018	comparable growth <sup>2</sup>
Revenue	158.3		165.0	(6.9%)
EBIT	(6.0)	(5.2)	(15.8)	
EBIT margin	(3.8%)	(3.3%)	(9.6%)	
Backlog next 12 months	166.4		204.2	(18.4%)

<sup>1</sup> Excluding the impact of IFRS 16 per January 2019. For more details, refer to page 7 and interim financial statements

<sup>2</sup> Corrected for currency effect

- The revenue decline was the result of the ongoing restructuring in marine asset integrity, which includes more selective tendering and reduced capacity with one vessel was re-positioned to Europe-Africa, and the Southern Star vessel was handed back in March. Land site characterisation declined, predominantly as a result of a challenging Hong Kong market.
- The ongoing restructuring in marine asset integrity and improved vessel utilisation contributed to a significantly reduced loss. In addition, the marine site characterisation margin improved.
- The decline in the marine asset integrity backlog was the consequence of the increased focus on margins. In the land asset integrity business line key projects were deferred to 2020.
- Recent significant contract awards include Fugro's 6th gas hydrate investigation campaign for Guangzhou Marine Geological Survey and a nearshore site characterisation for ground reclamation work in Tung Chung East, Hong Kong.

## Middle East & India

Key figures excluding exceptional items (x EUR million)	HY 2019	pro forma HY 2019 <sup>1</sup>	HY 2018	comparable growth <sup>2</sup>
Revenue	106.6		93.5	7.6%
EBIT	7.6	7.5	7.1	
EBIT margin	7.1%	7.0%	7.6%	
Backlog next 12 months	97.8		91.3	6.5%

<sup>1</sup> Excluding the impact of IFRS 16 per January 2019. For more details, refer to page 7 and interim financial statements

<sup>2</sup> Corrected for currency effect

- Revenue of most business lines increased, most notably in marine site characterisation.
- The margin was impacted by the challenging economic and geopolitical environment in core infrastructure markets. In Qatar, a restructuring of land site characterisation has been initiated to address some loss-making service lines, which is expected to be concluded in the third quarter.
- The 12-months backlog was supported by marine and land awards in the Gulf countries.
- Recent significant contract awards include: various site characterisation surveys in relation to The Guggenheim museum for Abu Dhabi Department of Tourism, and a geotechnical survey for Greater Changua wind farm in Taiwan for Ørsted.

## Held for sale: Seabed Geosolutions

Fugro's stake in Seabed Geosolutions is classified as 'held for sale' as per half year 2019 and therefore no longer part of group revenue and EBIT(DA) from continuing operations.

Key figures excluding exceptional items (x EUR million)	HY 2019	pro forma HY 2019 <sup>1</sup>	HY 2018	comparable growth <sup>2</sup>
Revenue	73.2		63.3	9.3%
EBIT	(19.6)	(19.7)	2.9	
EBIT margin	(26.8%)	(26.9%)	4.6%	
Backlog next 12 months	90.1		91.7	(2.9%)
Capital employed	81.2		147.1	

<sup>1</sup> Excluding the impact of IFRS 16 per January 2019. For more details, refer to page 7 and interim financial statements

<sup>2</sup> Corrected for currency effect

- Two node crews were active since the start of the year. One was fully occupied on the Petrobras Buzios project while the other completed two projects in the Gulf of Mexico. The shallow water crew was working in the Middle-East during the entire period.
- As previously disclosed, EBIT was severely impacted by execution issues on projects in the Gulf of Mexico (finalised in April) and the Middle East (completed in July), by the competitively priced first Manta® node Buzios project (completion expected in September) and by the delayed start of the S-79 project. Towards the end of the period, operational performance improved. Last year's results included a EUR 5.2 million one-off in relation to the sale of spare cables.
- Seabed's pipeline of potential projects remains solid with significant tendering activity and leads in a growing market.

## Financial position – from continuing operations

Cash flow from operating activities after investing increased by EUR 6.3 million to negative EUR 34.4 million including EUR 12.9 million due to the introduction of IFRS 16. Cash flow was positively impacted by improved EBIT and a better working capital performance, offset by higher capital expenditure. Working capital as a percentage of 12 months rolling revenue was 15.1% at the end of June compared to 14.9% a year ago (on a comparable basis), reflecting timely billing and good collection of receivables. Days of revenue outstanding was 87 days, compared to 88 versus June last year.

Net debt at the end of June 2019 was EUR 735.2 million including the EUR 165.7 million impact from the adoption of IFRS 16. Excluding the impact of IFRS 16, net debt increased to EUR 569.5 million from EUR 505.5 million at the end of 2018, mainly due to negative cash flow from operating activities after investing including discontinued operations. Net debt/EBITDA was 2.8, unchanged compared to the end of the first quarter and compared to 2.2 at the end of 2018. This ratio is expected to improve towards year-end.

The maturity date of Fugro's 5-year multicurrency revolving credit facility was extended to May 2021. This extension provides Fugro a wider window and increased flexibility for refinancing, benefiting from continued improvement of results and possible proceeds from divestments.

## Outlook

The outlook across Fugro's market segments is positive as offshore wind, oil and gas and infrastructure markets continue to grow. The offshore oil and gas market continues to grow despite geopolitical developments and concerns over reduced global economic growth. In the infrastructure market, Fugro expects continued growth, driven by population growth, urbanisation and ageing assets.



For the full year 2019, Fugro expects continued revenue growth, further improvement of EBIT margin and positive free cash flow from continuing operations. Capex for continuing operations will be around EUR 70 million.

### **Adoption of IFRS 16**

As per 1 January 2019, Fugro applies the new accounting standard IFRS 16, which prescribes that leases have to be accounted for on the balance sheet. The implementation of IFRS 16 has no economic impact on Fugro or on the way it manages its business or allocates capital. However, it does have a significant impact on the balance sheet and income statement, as well as the classification of cash flows relating to lease contracts.

In the first half of 2019, the implementation of IFRS 16 had a positive impact of EUR 16.6 million on EBITDA, EUR 12.9 million on cash flow from operating activities after investing, and EUR 165.7 million on lease liabilities and net debt.

### **Press call and analyst meeting**

Today at 7:30 CET, Fugro will host a news media call. At 12:00 CET, Fugro will host an analyst meeting in Hilton Amsterdam, Apollolaan 138 in Amsterdam which can be followed as video webcast via [www.fugro.com](http://www.fugro.com).

### **Financial calendar**

25 October 2019	Publication third quarter 2019 trading update
19 February 2020	Publication 2019 annual results (7.00 CET)

### **For more information**

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### **About Fugro**

Fugro is the world's leading Geo-data specialist, collecting and analysing comprehensive information about the Earth and the structures built upon it. Adopting an integrated approach that incorporates acquisition and analysis of Geo-data and related advice, Fugro provides solutions. With expertise in site characterisation and asset integrity, clients are supported in the safe, sustainable and efficient design, construction and operation of their assets throughout the full lifecycle.

Employing approximately 10,000 talented people in 65 countries, Fugro serves clients around the globe, predominantly in the energy and infrastructure industries, both offshore and onshore. In 2018, revenue amounted to EUR 1.7 billion. The company is listed on Euronext Amsterdam.

This press release contains information that qualifies, or may qualify as inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

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

### **Risk management**

In its annual report 2018, Fugro extensively describes the company's risk management process, including its appetite for the various risk categories and the risk factors that could adversely affect its business and financial performance. With the launch of the strategy 'Path to profitable growth', there is a risk that execution of the strategy proves more difficult than expected and necessary changes in the organisation take longer than anticipated. This process is monitored closely by senior management and several aspects have already been successfully implemented. In the period under review, Fugro has not identified other risk categories or risk factors than mentioned in the annual report 2018, which might result in pressure on revenues and income. Additional risks not known to the company, or currently believed not to be material, may occur and could later turn out to have material impact on its business, financial objectives or capital resources.

### **Board of Management declaration**

Pursuant to section 5:25d, paragraph 2 sub c of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*)

The Board of Management hereby declares that, to the best of their knowledge, the consolidated interim financial statements in this half-year report 2018 have been prepared in accordance with IAS 34 'Interim Financial Reporting' and give a true and fair view of the assets, liabilities, financial position and the result of Fugro N.V. and its consolidated companies included in the consolidation. As a whole, the interim management report in this half-year report 2018 gives a fair review of the information required pursuant to section 5:25d, subsections 8 and 9 of the Dutch Financial Markets Supervision Act.

Leidschendam, 30 July 2019

M.R.F. Heine, Chairman Board of Management/Chief Executive Officer

P.A.H. Verhagen, Chief Financial Officer

B.M. Bouffard, Chief Development Officer





## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 2019

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## Consolidated statement of comprehensive income

(x EUR million) unaudited	Six months ended 30 June	
	2019	2018*
<i>Continuing operations</i>		
<b>Revenue</b>	<b>796.9</b>	<b>734.1</b>
Third party costs	(323.7)	(319.3)
<b>Net revenue own services (revenue less third party costs)</b>	<b>473.2</b>	<b>414.8</b>
Other income	7.2	8.7
Personnel expenses	(319.6)	(298.4)
Depreciation	(58.1)	(43.8)
Amortisation	(1.8)	(2.1)
Impairments	(0.2)	(0.2)
Other expenses	(83.9)	(79.8)
<b>Results from operating activities (EBIT)</b>	<b>16.8</b>	<b>(0.8)</b>
Finance income	2.2	3.4
Finance expenses	(31.1)	(35.0)
<b>Net finance income/(expenses)</b>	<b>(28.9)</b>	<b>(31.6)</b>
Share of profit/(loss) of equity-accounted investees (net of income tax)	1.5	5.8
<b>Profit/(loss) before income tax</b>	<b>(10.6)</b>	<b>(26.6)</b>
Income tax (expense)/gain	(5.4)	(11.3)
Profit/(loss) for the period from continuing operations	(16.0)	(37.9)
Profit/(loss) for the period from discontinued operations	(79.4)	0.8
<b>Profit/(loss) for the period</b>	<b>(95.4)</b>	<b>(37.1)</b>
Attributable to owners of the company (net result)	(86.0)	(40.5)
Attributable to non-controlling interests	(9.4)	3.4
<b>Basic and diluted earnings per share from continuing and discontinued operations (attributable to owners of the company)</b>		
From continuing operations	(0.1)	(0.5)
From discontinued operations	(1.0)	0.0
From profit for the period	(1.1)	(0.5)
<b>Profit/(loss) for the period</b>	<b>(95.4)</b>	<b>(37.1)</b>
<b>Other comprehensive income</b>		
Defined benefit plan actuarial gains/(losses)	(6.2)	10.0
<b>Total items that will not be reclassified to profit or loss</b>	<b>(6.2)</b>	<b>10.0</b>
Foreign currency translation differences of foreign operations	12.3	12.4
Foreign currency translation differences of equity-accounted investees	-	2.0
Net change in fair value of hedge of net investment in foreign operations	(2.1)	(6.0)
<b>Total items that may be reclassified subsequently to profit or loss</b>	<b>10.2</b>	<b>8.4</b>
Total other comprehensive income for the period (net of tax)	4.0	18.4
<b>Total comprehensive income/(loss) for the period</b>	<b>(91.4)</b>	<b>(18.7)</b>
Attributable to owners of the company	(82.4)	(23.7)
Attributable to non-controlling interests	(9.0)	5.0
<b>Total comprehensive income/(loss) attributable to owners of the company arising from:</b>		
Continuing operations	(5.3)	(29.2)
<b>Discontinued operations</b>	<b>(77.1)</b>	<b>5.5</b>

\* The profit or loss accounts related to the discontinued operations have been presented in the separate line item 'Profit/(loss) for the period from discontinued operations'

## Consolidated statement of financial position

(x EUR million) unaudited	30 June 2019	31 December 2018
<b>Assets</b>		
Property, plant and equipment	561.0	620.0
Right-of-use assets	172.8	-
Intangible assets	288.0	376.9
Investments in equity-accounted investees	72.1	72.4
Other investments	22.2	28.9
Deferred tax assets	46.9	43.0
<b>Total non-current assets</b>	<b>1,163.0</b>	<b>1,141.2</b>
Inventories	31.6	29.3
Trade and other receivables	557.4	537.4
Current tax assets	13.9	9.3
Cash and cash equivalents	138.3	227.2
	<b>741.2</b>	<b>803.2</b>
Assets classified as held for sale	153.7	-
<b>Total current assets</b>	<b>894.9</b>	<b>803.2</b>
<b>Total assets</b>	<b>2,057.9</b>	<b>1,944.4</b>
<b>Equity</b>		
Total equity attributable to owners of the company	591.9	668.8
Non-controlling interests	22.6	33.7
<b>Total equity</b>	<b>614.5</b>	<b>702.5</b>
<b>Liabilities</b>		
Loans and borrowings	703.6	725.8
Lease liabilities	129.6	-
Employee benefits	51.5	50.1
Provisions for other liabilities and charges	14.0	17.8
Deferred tax liabilities	1.3	1.3
<b>Total non-current liabilities</b>	<b>900.0</b>	<b>795.0</b>
Bank overdraft	2.0	1.2
Loans and borrowings	1.4	5.6
Lease liabilities	36.9	-
Trade and other payables	345.6	376.1
Provisions for other liabilities and charges	5.6	3.3
Other taxes and social security charges	35.3	34.5
Current tax liabilities	25.3	26.2
	<b>452.1</b>	<b>446.9</b>
Liabilities classified as held for sale	91.3	-
<b>Total current liabilities</b>	<b>543.4</b>	<b>446.9</b>
<b>Total liabilities</b>	<b>1,443.4</b>	<b>1,241.9</b>
<b>Total equity and liabilities</b>	<b>2,057.9</b>	<b>1,944.4</b>

## Consolidated statement of changes in equity

(x EUR million)	Share capital	Share premium	Translation reserve	Reserve for own shares	Equity component of convertible bond	Retained earnings	Unappropriated result	Total	Non-controlling interest	Total equity
Balance at 31 December 2018 as previously reported	4.2	431.2	(117.6)	(354.0)	38.4	717.6	(51.0)	668.8	33.7	702.5
Impact of change in accounting policy of IFRS 16 (net of tax)						2.7		2.7	-	2.7
Adjusted balance at 1 January 2019	4.2	431.2	(117.6)	(354.0)	38.4	720.3	(51.0)	671.5	33.7	705.2
Total comprehensive income for the period:										
Profit or (loss)							(86.0)	(86.0)	(9.4)	(95.4)
Other comprehensive income										
Foreign currency translation differences of foreign operations			11.9					11.9	0.4	12.3
Foreign currency translation differences of equity-accounted investees			-					-		-
Net change in fair value of hedge of net investment in foreign operations			(2.1)					(2.1)		(2.1)
Defined benefit plan actuarial gains/(losses)						(6.2)		(6.2)		(6.2)
Net change in fair value of cash flow hedges transferred to profit or loss										
Total other comprehensive income (net of income tax)			9.8			(6.2)		3.6	0.4	4.0

Total comprehensive income for the period			9.8			(6.2)	(86.0)	(82.4)	(9.0)	(91.4)
Transactions with owners, recognised directly in equity										
Share-based payments						2.8		2.8		2.8
Addition to/ (reduction of) reserves						(51.0)	51.0	-		-
Dividends to shareholders									(2.1)	(2.1)
Total contributions by and distribution to owners						(48.2)	51.0	2.8	(2.1)	0.7
Balance at 30 June 2019	4.2	431.2	(107.8)	(354.0)	38.4	665.9	(86.0)	591.9	22.6	614.5
Balance at 1 January 2018	4.2	431.2	(115.9)	(354.0)	37.6	868.9	(159.9)	712.1	41.6	753.7
Total comprehensive income for the period:										
Profit or (loss)							(40.5)	(40.5)	3.4	(37.1)
Other comprehensive income										
Foreign currency translation differences of foreign operations			10.8					10.8	1.6	12.4
Foreign currency translation differences of equity-accounted investees			2.0					2.0		2.0
Net change in fair value of hedge of net investment in foreign operations			(6.0)					(6.0)		(6.0)
Defined benefit plan actuarial gains/(losses)						10.0		10.0		10.0
Net change in fair value of cash flow hedges transferred to profit or loss										

Total other comprehensive income (net of income tax)			6.8			10.0		16.8	1.6	18.4
Total comprehensive income for the period			6.8			10.0	(40.5)	(23.7)	5.0	(18.7)
Transactions with owners, recognised directly in equity										
Share-based payments						2.6		2.6		2.6
Addition to/ (reduction of) reserves						(159.9)	159.9	–		–
Dividends to shareholders									(2.3)	(2.3)
Total contributions by and distribution to owners						(157.3)	159.9	2.6	(2.3)	0.3
Balance at 30 June 2018	4.2	431.2	(109.1)	(354.0)	37.6	721.6	(40.5)	691.0	44.3	735.3

## Consolidated statement of cash flows

(x EUR million) unaudited	Six months ended 30 June	
	2019	2018*
<b>Cash flows from continuing operations</b>		
<b>Cash flows from operating activities</b>		
Profit/(loss) for the period	(16.0)	(37.9)
Adjustments for:		
Depreciation and amortisation	59.9	45.9
Impairments	0.2	0.2
Share of (profit)/loss of equity-accounted investees (net of income tax)	(1.5)	(5.8)
Gain on sale of property, plant and equipment	(2.9)	(3.3)
Gain on termination of lease	(0.9)	-
Equity settled share-based payments	2.8	2.6
Change in provisions for other liabilities and charges and employee benefits	(3.8)	(6.6)
Income tax expense/(gain)	5.4	11.3
Income tax paid	(15.8)	(9.6)
Finance income and expense	28.9	31.6
Interest paid	(21.1)	(10.4)
<b>Operating cash flows before changes in working capital</b>	<b>35.2</b>	<b>18.0</b>
Change in inventories	(3.3)	(0.3)
Change in trade and other receivables	(62.5)	(72.8)
Change in trade and other payables	25.2	26.0
<b>Changes in working capital</b>	<b>(40.6)</b>	<b>(47.1)</b>
<b>Net cash generated from operating activities</b>	<b>(5.4)</b>	<b>(29.1)</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment	5.9	6.4
Acquisition of intangible assets	(0.1)	(0.6)
Other additions to intangible assets	(1.2)	(1.3)
Capital expenditures on property, plant and equipment	(39.8)	(24.7)
Disposal of intangible assets	4.5	1.0
Interest received	-	0.3
Dividends received	1.7	4.0
Repayment of long-term loans	-	3.3
<b>Net cash (used in)/from investing activities</b>	<b>(29.0)</b>	<b>(11.6)</b>
<b>Cash flows from operating activities after investing</b>	<b>(34.4)</b>	<b>(40.7)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of long-term loans	-	29.2
Repayment of borrowings	(39.0)	-
Dividends paid	(2.1)	(2.3)
Payment of (finance) lease liabilities	(12.9)	(0.1)
<b>Net cash from/(used in) financing activities</b>	<b>(54.0)</b>	<b>26.8</b>
<b>Net increase/(decrease) in cash and cash equivalents from continuing operations</b>	<b>(88.4)</b>	<b>(13.9)</b>
<b>Cash flows from discontinued operations</b>		
Cash flows from operating activities	(4.0)	(5.6)
Cash flows from investing activities	(20.5)	2.8
Cash flows from financing activities	24.9	5.4

<b>Net increase/(decrease) in cash and cash equivalents from discontinued operations</b>	<b>0.4</b>	<b>2.6</b>
Total net increase/(decrease) in cash and cash equivalents	(88.0)	(11.3)
Cash and cash equivalents at 1 January	225.9	211.0
Effect of exchange rate fluctuations on cash held	1.9	(13.1)
<b>Cash and cash equivalents at 30 June</b>	<b>139.8</b>	<b>186.6</b>
Cash and cash equivalents	138.3	189.9
Bank overdraft	(2.0)	(3.3)
Cash and cash equivalents (classified as held for sale)	3.5	-

\*The consolidated statement of cashflows includes separate cash flows and cash balances of the discontinued operations



## Notes to the consolidated interim financial statements

### General

Fugro N.V., here referred to as 'Fugro' or 'the company', has its corporate seat in Leidschendam, the Netherlands. The address of the company's principal office is Veurse Achterweg 10, 2264 SG Leidschendam, The Netherlands. The condensed consolidated interim financial statements of Fugro as at and for the six months ended 30 June 2019 include Fugro and its subsidiaries (together referred to as the 'group') and the group's interests in equity-accounted investees.

Fugro is the world's leading Geo-data specialist, collecting and analysing comprehensive information about the Earth and the structures built upon it. Adopting an integrated approach that incorporates acquisition and analysis of Geo-data and related advice, Fugro provides solutions. With expertise in site characterisation and asset integrity, clients are supported in the safe, sustainable and efficient design, construction and operation of their assets throughout the full lifecycle.

Employing approximately 10,000 talented people in 65 countries, Fugro serves clients around the globe, predominantly in the energy and infrastructure industries, both offshore and onshore.

### Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2019 have been prepared in accordance with IAS 34, 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of Fugro N.V. as at and for the year ended 31 December 2018, which have been prepared in accordance with IFRS as endorsed by the European Union. The annual report 2018 (including the consolidated financial statements as at and for the year ended 31 December 2018) of Fugro is available upon request at the Fugro office, Veurse Achterweg 10, Leidschendam and also available at [www.fugro.com](http://www.fugro.com).

On 30 July 2019, the Board of Management authorised the condensed consolidated interim financial statements for issue. Publication is on 31 July 2019. The condensed consolidated interim financial statements have been reviewed, not audited.

### Significant accounting policies

Except as described below for leases, the accounting policies and methods of computation in these condensed consolidated interim financial statements are the same as those applied by the group in its consolidated financial statements as at and for the year ended 31 December 2018.

### Leases

The Group has applied IFRS 16 using the modified retrospective transition approach. Accordingly, comparative information 2018 has not been restated. The reclassifications and the adjustments arising from the new leasing rules were therefore recognised in the opening balance sheet on 1 January 2019. The accounting policies under IAS 17 and related interpretations are disclosed separately, if they are different from those under IFRS 16. The impact of IFRS 16 is further disclosed in note Adoption of IFRS 16.

### New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for these condensed consolidated interim financial statements and have not been early adopted by the group. These new standards are either not material for Fugro and/or not applicable.

### Seabed Geosolutions

As part of Fugro's Path to Profitable Growth strategy, Fugro continues to pursue divestment of its stake in Seabed Geosolutions (Seabed) and other non-core assets. Fugro has stepped up its efforts to divest Seabed's business and had several meetings and negotiations with certain interested potential buyers. Fugro closely monitors the progress on this planned divestment and considers it is highly probable that substantially all Seabed's business will be sold within one year. Since Seabed represents a separate major line of business, the disposal group is reported as a discontinued operation in the consolidated statement of comprehensive income. Accordingly, the net result for the first six months of 2019, and comparative figures, of the discontinued operation have been presented on a separate line in the consolidated statement of comprehensive income. Its assets and liabilities are classified as held for sale in the consolidated statement of financial position. The 31 December 2018 consolidated statement of financial position has not been adjusted. The consolidated statement of cash flows for 2019 and 2018 for the six months period ended include separate cash flows and cash balances of the discontinued operation. Fugro has estimated the recoverable amount from the expected proceeds of the disposal group which is below its carrying amount. As a result, an impairment loss on Seabed's goodwill was recognised of EUR 61 million immediately before it was classified as disposal group held for sale.

This loss is included in the loss for the period from discontinued operations in the consolidated statement of comprehensive income. Refer to note Disposal group classified as held for sale and discontinued operations.

Seabed forms part of the Geoscience segment. This segment was almost entirely composed of Seabed and some minor other assets. In connection with the planned divestment of Seabed's business, Fugro's CODM has decided to re-allocate these assets (e.g. some indirect interests in Australian exploration projects, via Finder Exploration) to the segment Europe/Africa. The tax indemnities and warranties, related to the sale of the majority of the Geoscience business in 2013, were also reported under the Geoscience segment, and have been re-allocated to the other regions.

### Estimates

Preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimating uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2018.

### Segment information

To implement the strategy update announced in November 2018, Fugro has simplified its top-management structure. As per May 2019, the Land and Marine divisions were integrated at the top-level. Fugro now has four integrated regions: Europe-Africa (E-A), Americas (AM), Asia Pacific (APAC) and Middle East & India (MEI). For the Geoscience segment, reference is made to previous note on Seabed Geosolutions.

As a consequence, the organisational and reporting structure changed from two divisions to four regions. Within the regions, the business line structure was maintained: Marine Site Characterisation (MSC), Marine Asset Integrity (MAI), Land Site Characterisation (LSC) and Land Asset Integrity (LAI). The Chief Operating Decision Maker (the Board of Management) remains unchanged.

Due to these changes to the organisational and reporting structure, Fugro has reassessed its reportable segments and (groups of) cash-generating units to which goodwill has been allocated. The operating results of the four regions (and Geoscience) are directly reported to and reviewed by the Chief Operating Decision Maker (i.e. five

operating segments, also reportable segments). Previously, there were three reportable segments (Land, Marine and Geoscience). The prior period figures of segment information have been restated for comparison purposes. As of May 2019, for the purpose of goodwill impairment testing, Fugro allocates goodwill to the following five cash-generating units (CGUs): Europe-Africa, Americas, Asia Pacific, Middle East & India and Seabed. These CGUs represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and are not larger than the group's operating segments as specified above. Total goodwill excluding Seabed Geosolutions as of 30 June 2019 (EUR 265.1 million) is allocated to Europe-Africa (EUR 117.0 million), Americas (EUR 68.6 million), Asia Pacific (EUR 28.9 million) and Middle East & India (EUR 50.6 million). The revised goodwill CGU structure did not give rise to goodwill impairments.

*Information about reportable segments for the six months ended 30 June, unless stated otherwise*

(x EUR million)	E-A		AM		APAC		MEI		Geoscience (*)		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Segment revenue	372.2	341.8	206.8	163.2	173.0	177.1	114.3	104.9	73.2	63.3	939.5	850.3
Of which inter-segment revenue	33.7	23.7	13.3	5.7	14.7	12.1	7.7	11.4	-	-	69.4	52.9
Revenue	338.5	318.1	193.5	157.5	158.3	165.0	106.6	93.5	73.2	63.3	870.1	797.4
Impairments	-	(0.1)	-	-	(0.2)	(0.1)	-	-	(61.4)	1.5	(61.6)	1.3
Result from operating activities (EBIT)	34.9	5.8	(14.7)	2.6	(10.5)	(16.3)	7.1	7.1	(81.1)	4.3	(64.3)	3.5
Reportable segment profit/(loss) before income tax	15.8	(16.0)	(17.9)	1.3	(14.8)	(18.8)	6.3	6.9	(81.5)	3.8	(92.1)	(22.8)
Total reportable segment assets												
30 June 2019 and 31 December 2018	891.1	851.9	434.4	364.8	295.8	256.3	280.2	275.8	156.4	195.6	2,057.9	1,944.4
Total reportable segment liabilities												
30 June 2019 and 31 December 2018	692.9	626.3	252.5	160.5	215.6	187.0	192.8	188.1	89.6	80.0	1,443.4	1,241.9

(\*) Geoscience fully consists of the disposal group Seabed. Certain minor assets and liabilities of the disposal group are expected to be retained by Fugro.

### Disaggregation of revenues

In the following tables, revenue has been specified by businesses, market segment and client type.

*Revenue by businesses*

(x EUR million)	Six months ended 30 June 2019	Six months ended 30 June 2018
Marine	562.9	503.1
Land	234.0	231.0
<b>Total</b>	<b>796.9</b>	<b>734.1</b>

### Revenue by market segment

(x EUR million)	Six months ended 30 June 2019	Six months ended 30 June 2018
Oil and gas	409.7	385.0
Infrastructure	190.9	197.2
Renewables	100.0	77.0
Power	27.4	35.5
Nautical	56.5	26.9
Mining	12.4	12.5
<b>Total</b>	<b>796.9</b>	<b>734.1</b>

### Revenue by client type

(x EUR million)	Six months ended 30 June 2019	Six months ended 30 June 2018
International oil companies - majors	132.1	119.4
International oil companies - independents	64.2	94.9
National oil companies	71.9	56.4
Contractors	252.2	226.5
Design & engineering firms	22.2	23.8
Non-oil & gas industries	44.9	22.3
Governments	102.9	103.6
(Public) services companies	80.4	62.2
Other	26.1	25.0
<b>Total</b>	<b>796.9</b>	<b>734.1</b>

### Seasonality of operations

Fugro's revenue in the second half of the year is broadly in line with the revenue generated in the first half of the calendar year.

### Disposal group classified as held for sale and discontinued operations

As described in the note above, the Seabed business has been classified as a disposal group held for sale and a discontinued operation as of 30 June 2019. The consolidated statement of comprehensive income below presents the discontinued operations on a stand-alone basis.

(x EUR million)	Six months ended 30 June 2019	Six months ended 30 June 2018
<i>From discontinued operations</i>		
Revenue	73.2	63.3
Third party costs	(58.3)	(38.8)
Other income	-	5.1
Personnel expenses	(17.0)	(12.5)
Depreciation and amortisation	(9.4)	(6.8)
Impairment	(61.4)	1.5
Other expenses	(8.2)	(7.5)
<b>Results from operating activities (EBIT)</b>	<b>(81.1)</b>	<b>4.3</b>
Finance expenses	(0.3)	(0.5)
Tax	(0.3)	(3.0)
<b>Profit/(loss) for the period from discontinued operations</b>	<b>(81.8)</b>	<b>0.8</b>

Upon the classification as held for sale, an impairment loss of EUR 61.4 million (in the caption 'loss from discontinued operations') was recognised on the Seabed disposal group. This impairment was fully allocated to goodwill. The amount recognised in other comprehensive income for foreign currency translation differences in respect of discontinued operations amounts to EUR 2.3 million for the first six months of 2019 (first six months 2018: EUR 4.7 million) positive. The total amount of foreign currency translation differences relating to the disposal group amounts to EUR 3.2 million positive.

At 30 June 2019, the assets and liabilities comprising the disposal group classified as held for sale are as follows:

(x EUR million)	30 June 2019
<b>Assets classified as held for sale</b>	
Property, plant and equipment	71.6
Right-of-use assets	7.2
Intangible assets	24.9
Inventories	0.4
Trade and other receivables	44.0
Current tax assets	2.1
Cash and cash equivalents	3.5
<b>Total assets classified as held for sale</b>	<b>153.7</b>
<b>Liabilities classified as held for sale</b>	
Loans and borrowings	20.2
Employee benefits	1.0
Lease liabilities	4.9
Trade and other payables	63.7
Other taxes and social security charges	0.4
Current tax liabilities	1.1
<b>Total liabilities classified as held for sale</b>	<b>91.3</b>

The intangible assets (after impairment, see one-off above) include an amount of EUR 3.2 million of goodwill, which relates to the disposal group. The disposal group fully consists of the Geoscience reportable segment.

The cash flows associated with discontinued operations are as follows:

(x EUR million)	Six months ended 30 June 2019	Six months ended 30 June 2018
<b>Cash flows from discontinued operations</b>		
Net cash (used in) / from operating activities	(4.0)	(5.6)
Net cash (used in) / from investing activities	(20.5)	2.8
Net cash (used in) / from financing activities	24.9	5.4
<b>Net increase in cash and cash equivalents from discontinued operations</b>	<b>0.4</b>	<b>2.6</b>

### **Provisions for other liabilities and charges, and contingencies**

In the first six months of 2019, an amount of EUR 3.5 million of onerous contract provision was recorded and EUR 1.8 million was used from the onerous contract provision. An amount of EUR 2.8 million has been added to the restructuring provision and EUR 2.4 million has been paid for restructuring costs. Furthermore, EUR 2.4 million provision relating to tax indemnities has been released as these exposures are not deemed to further materialize. The corresponding gain has been classified as profit for the period from discontinued operations in the consolidated statement of comprehensive income. There are no further significant other movements to be noted. The current portion of the provision for other liabilities and charges amounts to EUR 5.6 million as at 30 June 2019 (31 December 2018: EUR 3.3 million), of which EUR 1.8 million and EUR 2.1 million is related to restructuring and onerous contracts respectively.

In March 2019, Fugro terminated a long-term vessel charter in connection with serious technical failures and grave design flaws. The lessor has commenced arbitration alleging the charter was wrongfully terminated and claimed loss of charter income and reinstatement costs for the vessel. Fugro vigorously denies the lessor's claims and has submitted a counterclaim for its losses incurred. Whilst the amounts and timings of any cashflows are difficult to predict, Fugro does not expect the financial effect to be significant.

### **Taxes**

#### *Effective tax rate*

Current income tax expense is based on the estimated taxable profit for the interim periods, adjusted for significant non-deductible items in the interim periods. The group's consolidated effective tax rate for continuing operations for the six months ended 30 June 2019 is 50.9% negative (first six months of 2018: 42.5% negative). The decrease in the negative effective tax rate is mainly driven by changes in geographical composition of taxable income and losses and certain unrecognised tax losses. The income tax recognised in other comprehensive income for the defined benefit actuarial gains & losses and foreign currency translation differences amounts to EUR 0.6 million benefit (first six months of 2018: EUR 2.2 million expense) and EUR 0.4 million benefit (first six months of 2018: EUR 2.7 million expense) respectively. No further income tax has been recognised in other comprehensive income.

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

#### *Acquisitions and disposals*

In the first six months of 2019, the group acquired assets (under construction) with a cost value of EUR 60.1 million (first six months of 2018: EUR 28.2 million). Assets with a carrying amount of EUR 3.0 million were disposed of in the first six months of 2019 (first six months of 2018: EUR 4.6 million), resulting in a net gain on disposal of EUR 2.9 million (first six months of 2018: net gain of EUR 8.5 million), which forms part of other income in the consolidated interim statement of comprehensive income.

### **Intangible assets**

An impairment of EUR 61.4 was recognised on Seabed's goodwill before it was classified to assets held for sale. See note Seabed Geosolution. Goodwill increased by EUR 3.3 million due to foreign currency translation differences. The goodwill amounts to EUR 265.1 million as at 30 June 2019 (31 December 2018: EUR 326.3 million).

### **Trade and other receivables, trade and other payables and cash & cash equivalents**

Trade and other receivables amounting to EUR 557.4 million include unbilled revenue on (completed) contracts and Trade receivables for the amount of EUR 196.6 million and EUR 284.0 million respectively as at 30 June 2019. Trade and other payables amounting to EUR 345.6 million include trade payables and advance instalments to work in progress for the amount of EUR 102.1 million and EUR 41.9 million respectively as at 30 June 2019. As at 30 June 2019, the cash and cash equivalents include EUR 25.0 million (31 December 2018: EUR 26 million) of Angolan kwanza's in Angola where exchange controls apply.

## Shareholders' equity

At 30 June 2019, the number of outstanding ordinary shares was 84,572 thousand (31 December 2018: 84,572 thousand) and the weighted average number of outstanding shares was 80,962 thousand.

## Loans and borrowings

(x EUR million)	30 June 2019	31 December 2018
Bank loans*	446.1	458.8
Subordinated unsecured convertible bonds in EUR 190 million	171.3	167.5
Subordinated unsecured convertible bonds in EUR 100 million	86.0	84.9
Loan from partner	-	13.6
(Finance) lease liabilities	166.5	6.0
Other long term borrowings	1.6	0.6
Subtotal	871.5	731.4
Less: current portion of loans and borrowings, and lease liabilities	38.3	5.6
<b>Total</b>	<b>833.2</b>	<b>725.8</b>

\* The bank loans represent a 5-year multicurrency revolving credit facility agreed upon on 3 December 2015. In April 2019, the termination date was extended to 2 May 2021. The (finance) lease liabilities are separately shown in this table. Previously, the finance lease liabilities formed part of the loans and borrowings in the consolidated statement of financial position. As of 1 January 2019, lease liabilities that include finance lease liabilities are separately reflected in the consolidated statement of financial position following the adoption of IFRS 16.

Based on the last four quarters, Fugro complies with all covenant requirements as at 30 June 2019:

(x EUR million)	Six months ended 30 June 2019
Adjusted consolidated EBITDA	117.7
Operating lease expense	37.9
Net interest expense	13.9
<b>Margin fixed charge cover &gt; 2.5</b>	<b>3.0</b>
Net consolidated financial indebtedness (loans and borrowings less net cash)	326.7
Bank guarantees exceeding cap of € 250 million	-
Total	326.7
<b>EBITDA coverage &lt; 3.0</b>	<b>2.8</b>
Consolidated net worth	595.0
Balance sheet total	1888.2
<b>Solvency &gt; 27.5%</b>	<b>31.5</b>
Financial indebtedness < EUR 55 million	22.4
Dividend < 60% of the profit	-

Last year, the numbers were as follows:

(x EUR million)	Six months ended 30 June 2018
Adjusted consolidated EBITDA	100.0
Operating lease expense	53.4
Net interest expense	8.9
<b>Margin fixed charge cover &gt; 2.0</b>	<b>2.5</b>
Net consolidated financial indebtedness (loans and borrowings less net cash)	254.3
Bank guarantees exceeding cap of € 250 million	-
Total	254.3
<b>EBITDA coverage &lt; 3.0</b>	<b>2.5</b>
Consolidated net worth	691.0
Balance sheet total	1,956.5
<b>Solvency &gt; 33.33%</b>	<b>35.3</b>
Financial indebtedness < EUR 55 million	12.3
Dividend < 60% of the profit	-

In respect of the two additional covenant requirements which were agreed upon with the owner of two geotechnical vessels, the total net debt excluding the liability component of the EUR 100 million unsecured convertible bonds should not exceed EUR 530 million at the end of each quarter as of 30 June 2019, and the consolidated EBITDA for the 12 months ended should at least be EUR 115 million as per 30 June 2019. Fugro complied with these covenant requirements.

These disclosures for covenant requirements have been prepared on the basis of frozen GAAP (i.e. excluding IFRS 16). However, the Group's primary statements and notes (excluding this disclosure) are prepared in accordance with IFRS as endorsed by the European Union (i.e. including IFRS 16).

### Share-based payments

The share-based payments plans of Fugro N.V. can be divided into a long-term incentive plan (LTIP), which includes the annual grant of conditional performance awards (as of 2018 shares only), and a share option scheme, which includes the annual grant of unconditional options. For the first six months of 2019, an expense of EUR 2.8 million (first six months of 2018: EUR 2.6 million) relating to share-based payments has been recognised in profit or loss.

### Related parties

The Board of Management receives compensation in the form of short-term employee benefits, post-employment benefits and share-based payments (refer to previous note). The Board of Management received total compensation of EUR 1.6 million for the first six months of 2019 (first six months of 2018: EUR 2.5 million).

### Capital commitments, contingencies and bank guarantees

As per 30 June 2019 and as per 31 December 2018, the group has no material contractual obligations to purchase property, plant and equipment. As per 30 June 2019, Fugro has issued bank guarantees to customers for an amount of EUR 113.2 million (31 December 2018: EUR 116.0 million).

### Financial risk management and financial instruments

#### *Fugro's valuation processes*

The group's finance department performs the valuations of financial assets and liabilities required for financial reporting purposes. The key inputs to the valuations are directly reported to the Chief Financial Officer. Changes in fair values in level 2 and level 3 are analysed at each reporting date. The carrying amount of the financial



assets and liabilities is a reasonable approximation of fair value except for the following as reported in the table below as at 30 June 2019.

Valuation of financial assets and liabilities (x EUR million)	Carrying amount	Fair value <sup>1</sup>
Subordinated unsecured convertible bonds	257.3	265.6
Unrecognised gains/(losses)		(8.3)

<sup>1</sup> The subordinated unsecured convertible bonds are classified as level 3 in the fair value hierarchy.

### Share of profit/(loss) of investments in equity-accounted investees

The share of results of investments in equity-accounted investees was EUR 1.5 million profit (first six months of 2018: EUR 5.8 million profit).

### Non-controlling interests

The loss attributable to non-controlling interests amounts to EUR 9.4 million (first six months of 2018: EUR 3.4 million profit).

### Subsequent events

No further subsequent events have been identified.

### Adoption of IFRS 16

On adoption of IFRS 16, as per 1 January 2019 the group recognises lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.6%.

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 were applied to these leases from 1 January 2019.

The Group leases various vessels, buildings and equipment (including cars). Rental contracts are typically made for fixed periods of 1 to 18 years but may have extension options. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Until 2018, leases of property, plant and equipment were classified as either finance or operating leases.

Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

#### *Leases classified as operating leases under IAS 17*

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The impact of the low-value asset exemption was determined to be immaterial to the Group financial statements (including the IFRS 16.53d disclosure). The

right-of-use assets are recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised.

The Group also applied the available practical expedients wherein it:

- applied a single discount rate to a portfolio of leases with similar characteristics (i.e. vessels, property, and equipment)
- adjusted the right-of-use assets by the amount of IAS 37's onerous contract provision immediately before the date of initial application, as an alternative to an impairment review
- applied the exemption not to recognise right-of-use assets and liabilities for leases ending within 12 months of the date of initial application
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The Group elected to not apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 to open contracts entered into or changed prior to 1 January 2019 and thereafter. It should be noted that no significant differences in the lease portfolio were identified on transition to the new lease definition.

The recognised right-of-use assets relate to the following types of assets:

(x EUR million)	30 June 2019	1 January 2019
Vessels	82.6	122.3
Buildings	85.4	90.5
Equipment	4.8	5.3
<b>Total</b>	<b>172.8</b>	<b>218.1</b>

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by EUR 218.1 million
- other investments - decrease by EUR 7.4 million
- trade and other receivables – decrease by EUR 0.9 million
- lease liability - increase by EUR 209.8 million
- trade and other payables – decrease by EUR 2.7 million

The net impact on retained earnings is an increase of EUR 2.7 million mainly related to certain lease incentives accrued for as at 31 December 2018. The lease liabilities as at 1 January 2019 are reconciled to the operating lease commitments as of 31 December 2018 as follows:

(x EUR million)	2019
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	315.3
Discounted using the average incremental borrowing rate at 1 January 2019	(69.5)
Recognition exemptions (short-term leases and leases of low-value assets)	(25.1)
Leases committed as of 31 December 2018, but not yet commenced	(10.9)
Increase in lease liabilities as at 1 January 2019	209.8
Finance lease liabilities recognised as at 31 December 2018	6.0
<b>Total lease liabilities recognised as at 1 January 2019</b>	<b>215.8</b>

## Significant accounting policies

### Right of use assets

The Group recognise right-of-use assets at the start date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. As at 1 January 2019, the right-of-use assets includes, besides the lease liabilities of EUR 209.8 million, advance lease payments under other investments of EUR 7.4 million and an advanced payment of EUR 0.9 million from trade and other receivables.

### Lease liabilities

At the start date of the lease, the Group recognises lease liabilities measured at the present value of payments to be made over the lease term. These payments include fixed components (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. The Group has applied judgement to determine the lease term for some contracts that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the start date if the interest rate implicit in the lease is not readily determinable. After the start date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed payments or a change in the assessment to purchase the underlying asset.

The Group applies the short-term lease recognition exemption (i.e., those leases that have a term of 12 months or less from the start date and do not contain a purchase option). It also applies the low-value assets recognition exemption, which effects are immaterial. Payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

### Amounts recognised in the statement of profit or loss, financial position and cash flows

Consolidated statement of profit or loss (extract) (x EUR million)	30 June 2019 before IFRS 16	Impact IFRS 16	30 June 2019 including IFRS 16
Third party costs	(330.0)	6.3	(323.7)
Other income	6.3	0.9	7.2
Depreciation	(41.8)	(16.3)	(58.1)
Personnel expenses	(320.6)	1.0	(319.6)
Other expenses	(92.3)	8.4	(83.9)
<b>EBIT</b>	<b>16.5</b>	<b>0.3</b>	<b>16.8</b>
Net finance expenses	(22.8)	(6.1)	(28.9)
<b>Profit/(loss) before income tax</b>	<b>(4.8)</b>	<b>(5.8)</b>	<b>(10.6)</b>

The Group recognised lease expenses from short-term leases of EUR 55.2 million and variable lease payments of EUR 0.3 million in the first six months ended 30 June 2019.

<b>Consolidated statement of financial position (extract)</b> <b>(x EUR million)</b>	<b>30 June 2019</b> <b>before IFRS 16</b>	<b>Impact</b> <b>IFRS 16</b>	<b>30 June 2019</b> <b>including IFRS 16</b>
<b>Non-current assets</b>			
Right of use assets	-	172.8	172.8
Other investments	29.3	(7.1)	22.2
<b>Current assets</b>			
Trade and other receivables	80.1	(3.2)	76.9
Assets classified as held for sale	146.5	7.2	153.7
<b>Non-current liabilities</b>			
Lease liabilities	0.5	129.1	129.6
<b>Current liabilities</b>			
Lease liabilities	0.3	36.6	36.9
Liabilities classified as held for sale	84.0	7.3	91.3
<b>Total equity</b>	<b>617.7</b>	<b>(3.2)</b>	<b>614.5</b>

<b>Consolidated statement of cash flows (extract)</b> <b>(x EUR million)</b>	<b>30 June</b> <b>2019</b> <b>before</b> <b>IFRS 16</b>	<b>Impact</b> <b>IFRS 16</b>	<b>30 June 2019</b> <b>including IFRS 16</b>
Cash generated from operating activities (excluding interest paid)	(3.3)	19.0	15.7
Interest paid	(15.0)	(6.1)	(21.1)
Net cash from operating activities	(18.3)	12.9	(5.4)
Net cash generated from operating activities after investing activities	(47.3)	12.9	(34.4)
Payments of lease liability	-	(12.9)	(12.9)
Net cash from/(used in) financing activities	(41.1)	(12.9)	(54.0)
<b>Net decrease in cash and cash equivalents</b>	<b>(88.4)</b>	<b>-</b>	<b>(88.4)</b>

## Independent auditor's review report

To: the Supervisory Board and shareholders of Fugro N.V.

### Introduction

We have reviewed the accompanying condensed consolidated interim financial statements 2019 of Fugro N.V., Leidschendam that comprise the consolidated statement of financial position as at 30 June 2019, the consolidated statements of comprehensive income, changes in equity, and cash flows for the six-month period then ended, and the notes, comprising a summary of the significant accounting policies and other explanatory information.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these interim financial statements based on our review.

### Scope

We conducted our review in accordance with Dutch law including standard 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Dutch Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements 2019 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amsterdam, 30 July 2019

Ernst & Young Accountants LLP

Signed by A.A. van Eimeren