Annual Report

Unlocking insights from Geo-data, for a safe and liveable world

2019

FUGRO

Through integrated data acquisition, analysis and advice, we unlock insights from Geo-data to help our clients design, build and operate their assets in a safe, reliable, sustainable and efficient manner

Ongoing energy transition
Growth in renewable energy is strong and has global reach by now, accounting for 14% of Fugro's revenue

Increase safety while limiting environmental impact
Fugro's innovative solutions help clients to develop vital fossil resources in a safe and responsible way, with a lower CO_2 footprint

Sustainable cities
Much of Fugro's land business has direct impact on sustainable development of infrastructure

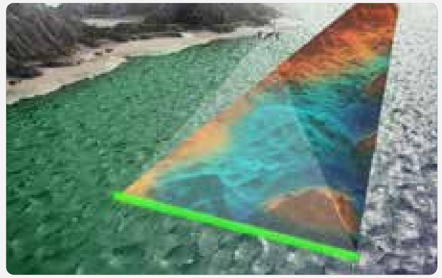
Mitigating climate change impact
Fugro is increasingly involved in projects that mitigate the impact of climate change

Site investigation for offshore wind farms

Remote operations centres

Levee reinforcement

Coastal zone mapping



You can find examples of Fugro's sustainability related activities and initiatives throughout this report.

FUGRO

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SUSTAINABLE DEVELOPMENT GOALS

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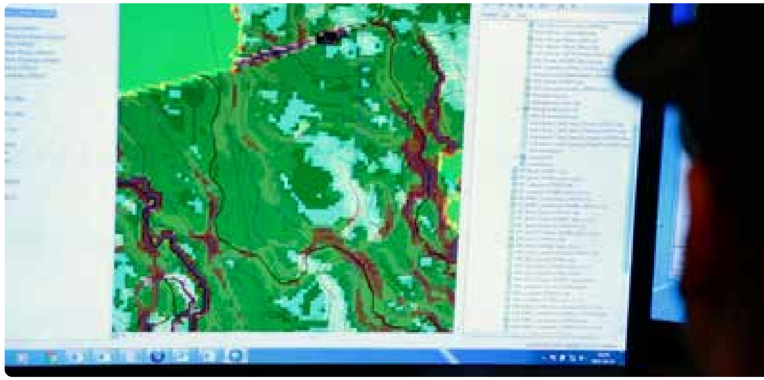


At a glance

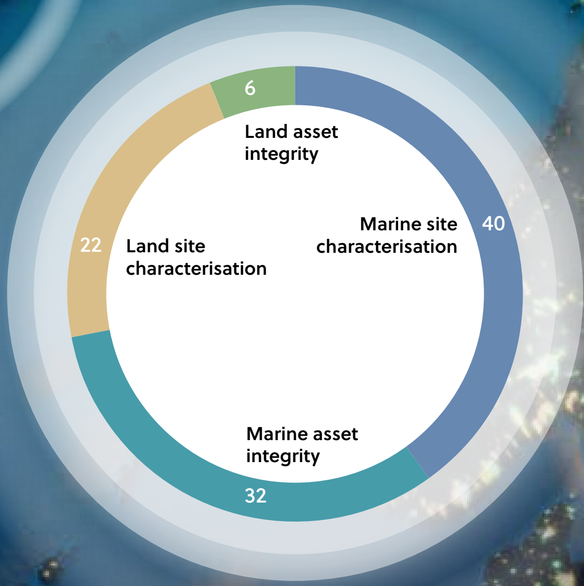
61 countries

57 years exploring the Earth

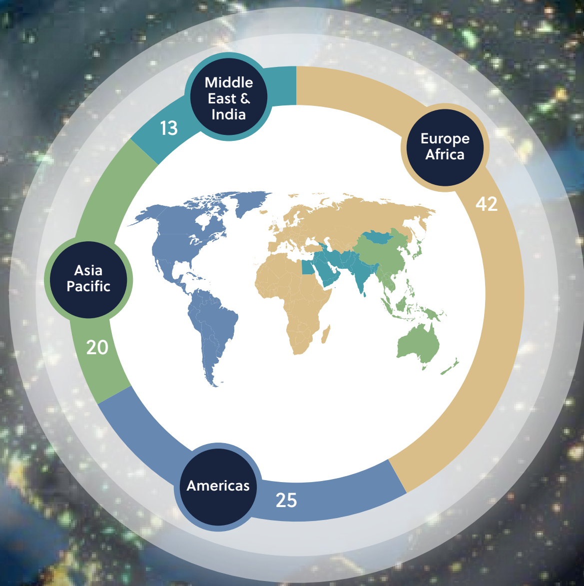
10,000 employees worldwide

400 R&D engineers and scientists

Revenue by business line (in %)



Revenue by region (in %)



PERFORMANCE HIGHLIGHTS

Revenue
€1,631
million
2018: € 1,553 million
+2.7%

Adjusted EBIT margin
4.2%
2018: 1.9%

Free cash flow
€58
million
2018: -€ 21 million

12 month backlog
€1,011
million
2018: € 902 million
+9.9%

Lost time injury frequency
0.68
(x million hours)
2018: 0.46

Female managers
20%
2018: 19%

Innovation
48
patents filed
2018: 53

Carbon emissions vessels
219
kilotonnes
2018: 219

Results from continuing operations; revenue and backlog growth corrected for currency effect.

Message from the CEO

In 2019, we made significant progress with the implementation of our Path to Profitable Growth strategy, supporting the continued recovery of our results. Our marine business performed significantly better, supported by higher activity levels. In a rapidly changing world, there are ample opportunities for Fugro to contribute to the safe, reliable, sustainable and efficient development and operation of our clients' assets. Not primarily through technology or equipment, but by making the most of our people's knowledge, experience and insight.

PERFORMANCE 2019: CONTINUED RECOVERY

After a few challenging years, with results suffering from reduced activity and price pressure in the offshore market, we have managed to sustain the recovery that started in 2018. Our EBIT margin improved to 4.2% compared to 1.9% in 2018, and we generated a positive free cash flow.

CONTINUED IMPROVEMENT MARINE ACTIVITIES

We are experiencing strong growth in offshore wind and hydrography. This year, we again characterised numerous sites for planned offshore wind farms, all over the world, which is a clear example of the key role we play in the global energy transition. In oil and gas, we benefit from a return to healthy levels of investment in offshore projects, while the growth in onshore shale oil and gas is expected to taper off. Our early cyclical marine site characterisation activities delivered a strong performance. As anticipated, our late cyclical marine asset integrity business has passed the trough and achieved higher margins and backlog, as the result of selective tendering, asset rationalisation, and a gradually improving market in specific geographies.

LAGGING PERFORMANCE LAND BUSINESS

While our land asset integrity business showed a modest improvement, the overall land business performed below par, exacerbated by a challenging geopolitical and macroeconomic environment in certain key markets, in particular in the UK, Hong Kong and Saudi Arabia. As part of our Path to Profitable Growth strategy we have already taken several restructuring measures aimed at specific services in certain countries. In addition, in October, a dedicated project team developed an action plan to accelerate the land business' growth and bring margins back to healthy levels.

“The outlook across Fugro's market segments is **positive**”

DELIVERING ON OUR PATH TO PROFITABLE GROWTH

To ensure the successful implementation of our Path to Profitable Growth strategy, we simplified the top management structure by integrating our former Land and Marine divisions. This has brought the Board of Management closer to the business. In addition to the Board an Executive Leadership Team has been established. The regional management structure was also simplified by implementing the same blueprint (based on our four business lines) in all four regions.

CONTRIBUTING TO A SAFE AND LIVEABLE WORLD

The world urgently needs to make substantial progress in combating climate change and mitigating the effects of irreversible changes that have already taken place. With Fugro's integrated and digital solutions, we make a meaningful contribution. We provide clients with the data, analysis and advice they need to build and operate assets more safely, sustainably and efficiently.

INCREASING EXPOSURE TO RENEWABLE SOLUTIONS

Over the past five years, we have become a much more diversified and resilient company. In 2019, around 50% of our revenue was generated in offshore wind, hydrography and infrastructure. Growth in offshore wind is strong and has global reach, as demonstrated by the large number of projects we worked on during the past year in Europe, US, and Asian countries such as Taiwan, Korea and Japan. An interesting example is a site investigation for Ørsted's Greater Changhua wind farm in Taiwan.

We are also increasingly involved in projects that map and mitigate the impact of climate change. For example, in 2019 we contributed to flood and coastal protection projects in Jamaica, Haiti and Tuvalu. We actively contribute to global research programmes such as Seabed 2030, which aims to map the world's oceans in order to better understand the impact of climate change.

In addition, we provide advice, site investigation and monitoring services for several levee reinforcement projects. One such project was awarded a Dutch Water Innovation Award for the sustainable approach we developed with our consortium partners, re-using soil from a nearby high-water channel construction project. In other projects we focus on the sustainable management of groundwater levels, drinking water supplies and drought mitigation. Meanwhile, much of the work done by our land business also has a direct impact on sustainable development. For example, the permanent monitoring services we provide on power lines, railways, tunnels and roads around the world directly contribute to a safer and more sustainable environment.

RESPONSIBLE ASSET MANAGEMENT

Although the energy transition is gathering pace, fossil fuels will remain an important part of the energy mix for years to come. Even with the projected strong growth, renewable energy will not be able to fully replace fossil fuels for some time to come, especially in light of the ongoing global growth in energy demand. Our sustainable and innovative solutions enable clients to develop vital fossil resources in a safe and responsible way, reducing their CO_2 footprint and mitigating risks. For example, we increasingly provide remote support for the precise positioning and inspection of clients' assets. In 2019, we opened two new remote operations centres in Scotland, and the Netherlands. To date, we have provided over 150,000 project hours around the globe from our seven remote service centres. This results in fewer staff offshore, which benefits safety and reduces our and the client's CO_2 footprint.

Our onshore contribution to responsible asset management includes the highly accurate, data-rich infrastructure models we create for our clients. In 2019, we were awarded new contracts for such models by, for example, energy company Powerco Limited in New Zealand and the Danish railway company Banedanmark.

SUSTAINABILITY ROADMAP

Environmental, social and governance related topics feature more and more prominently in discussions with clients, investors and other stakeholders – including our own employees. We constantly think about what we do, and how we do it. We recognise the importance of fair pay and development opportunities for all, and the need for diversity and inclusiveness at all levels within our organisation to tap into the broadest pool of talent.

We are implementing a mid-term sustainability roadmap which is specifically aimed at reducing the environmental impact of our own operations (CO_2 emissions, energy consumption, minimising waste and

> I have **every confidence** that in 2020 we will **succeed** in making **further progress** as the **global leader** in our field

increasing recycling) and increasing diversity throughout the organisation.

A continued key priority is safety: in 2019 we focused on further strengthening our safety culture, using the results of a company-wide survey as input. A tragic reminder of the risks we work with was the Brumadinho dam disaster in early 2019, in which four Fugro colleagues lost their lives. Our thoughts and support continue to be with all of those that have been affected.

FOSTERING A STRONG COMPANY CULTURE

In 2018, we launched our Path to Profitable Growth strategy and in 2019 we adjusted our organisation in order to facilitate its implementation. A final but crucial element is our company culture. Ultimately it is not our technology or equipment that determines our long-term success: it is our people.

We want to foster a culture built around our purpose to create a safe and liveable world as well as a shared commitment to our commercial success and long-term growth. To have a real impact, we need a strong set of values to guide our decisions. In 2019, our HR department spoke to many of our employees around the world and we are currently converting all the input into a new set of company values. We plan to launch these before summer 2020.

OUTLOOK AND PRIORITIES FOR 2020

The outlook across Fugro's market segments is positive. We expect continued growth in offshore wind and oil and gas, as well as in infrastructure, despite concerns over geopolitical developments and global economic growth in some areas. One of the strategic objectives is to capture that growth, which we have already delivered on in 2018 and 2019. To move to the next level and implement our strategy as a whole, we have defined the following priorities for 2020:

- Continue to improve profitability, with a special focus on the underperforming land business
- Generate sustained free cash flow and reduce net debt
- Arrange refinancing
- Divest non-core interest in Seabed Geosolutions
- Implement mid-term sustainability roadmap
- Strengthen employee engagement and talent development.

During my regular visits to Fugro locations throughout the world, I am impressed time and time again by the enormous dedication and commitment of our people to our company and our purpose to create a safe and liveable world. I have every confidence that in 2020 we will succeed in making further progress as the global leader in our field. We are one company, one team, and we are proud to call ourselves Fugro.

Mark Heine
Chief Executive Officer

Profile

Fugro is the world's leading Geo-data specialist. Through integrated data acquisition, analysis and advice, we unlock insights from Geo-data to help our clients design, build and operate their assets in a safe, reliable, sustainable and efficient manner.

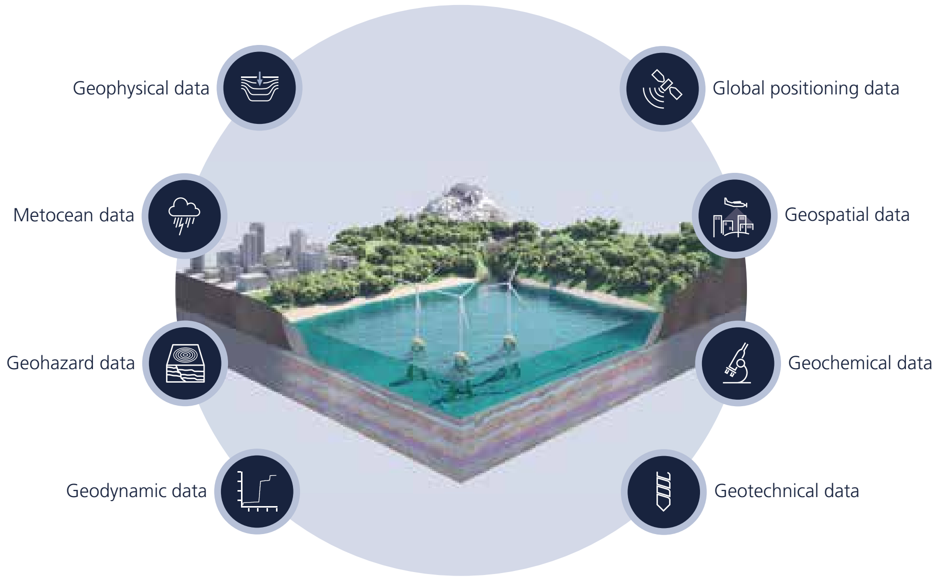
Since our foundation in 1962, we have developed a deep understanding of Geo-data: information related to the Earth's surface, subsurface and the structures built on it. Through the integration of data acquisition, analysis and advice, Fugro provides Geo-data solutions. This information is essential to our clients for characterising their building sites to facilitate the safe, reliable, cost effective and sustainable design and construction of buildings and infrastructure. We also provide information on the precise location and condition of assets, as they are built and operated, to optimise reliability, utilisation and longevity.

With our team of dedicated experts, specialised assets and cutting-edge digital solutions, we support a wide range of clients, predominantly in energy and infrastructure. We serve their needs from modest assignments to the most challenging, integrated projects. Employing over 10,000 talented people in 61 countries, Fugro works both on land and in marine environments.

PURPOSE

Over the coming decades, population growth, increasing wealth and urbanisation will lead to an increasing demand for energy, water, food, minerals, metals, buildings, industrial plants and infrastructure. Also, technology is changing faster than even before, opening up new opportunities for different, more effective ways of working. These global trends also lead to massive challenges for the world, most notably climate change. The energy mix, infrastructure and built environments have to evolve if tomorrow's problems are to be tackled successfully.

Geo-data is key to designing, building and operating any structure



We support clients in dealing with the challenges of today and tomorrow. Fugro provides the essential data, analysis and advice that our clients rely on to realise and operate their construction projects and infrastructure more safely, reliably, sustainably and efficiently. We sometimes play a small role in a client's project, but it always a critical one.

VALUES

Client focus

Understanding our client's needs is the starting point for everything we do. We create win-win relationships by working closely with clients and delivering on their requirements while executing projects profitably.

Delivery excellence

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

Team Fugro

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

Good citizenship

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

“Fugro’s expertise is **essential** to create a **safe** and **liveable** world”

KEY STRENGTHS

World's leading Geo-data specialist serving the full lifecycle of assets

We are the world's leading Geo-data specialist with leadership positions in each of our core businesses. We offer the widest breadth of services among companies that are active across each of marine and land site characterisation and asset integrity services, and are the global number one or number two participant in almost all the businesses in which we operate. In the land sector, we are one of only a few companies to offer integrated Geo-data services globally.

The breadth of our services provides a key competitive advantage as we are able to provide our customers with an integrated service offering. Our Geo-data is essential to our customers for characterising their construction sites to facilitate the safe, reliable, cost effective and sustainable design and construction of their assets. We also provide information on the precise location and condition of assets, as they are being built and operated to optimise reliability, utilisation and longevity.

Fugro's market position

MARINE		
Seep surveys	Global	1
Geophysical survey	Global	1
Geotechnical investigation	Global	1
Geoconsulting	Global	1
Monitoring & forecasting	Global	1
Positioning	Global	1
ROV & tooling	Global	3
IRM services	Global	2

LAND		
Geotechnical investigation	Nearshore	1
	Global	2
Road inspection and advice	US	1
Power line investigation & advice	Australia	2

(source: company estimates)

Fugro provides Geo-data solutions through the integration of data acquisition, analysis and advice

Acquisition

Analytics

Advice

For each of marine and land site characterisation and asset integrity, we are able to provide a full range of services for the life cycle of an asset, starting with the acquisition of Geo-data, through to analytics and critical advisory services. This combination of acquisition, analytics and advisory services is reflected in our integrated 'triple-A' approach and, together with our presence in both site characterisation and asset integrity, it differentiates us from the competition of global and local participants who are fragmented both across services and geographically.

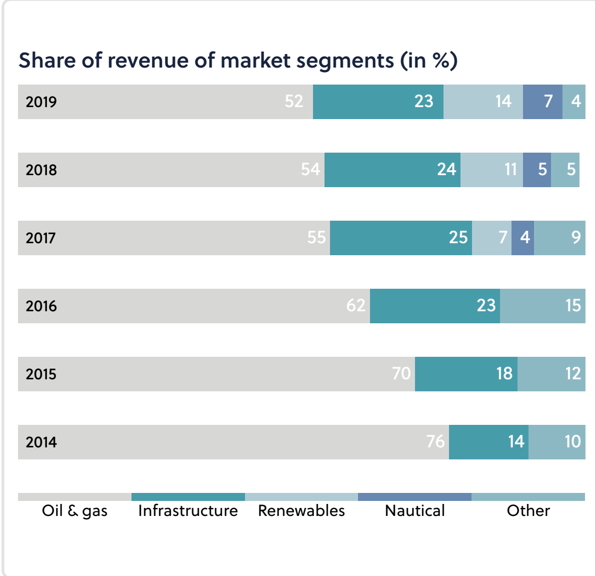
Critical supplier to growing markets

Our key markets are oil & gas, renewables, infrastructure and nautical. Supportive global trends, including population growth, urbanisation and climate change, which increase the need for energy, water, food, roads, rail, buildings, airports and flood defence, mean that the outlook in each of our key markets is positive, with near term growth expected in each of them (see 'Strategy – global trends and trends in Fugro's markets'). We are well positioned to benefit from this expected growth given the breadth of our service offering, global presence and leading competitive positions.

> Through integrated acquisition, analysis and advice we unlock key insights from Geo-data, **helping our clients** develop and manage their assets **safely**, **sustainably** and **efficiently**, throughout their full asset life cycle

Increasingly diversified exposure across multiple end markets

We benefit from the diversification across our key markets and such diversification protects us from the economic and product volatility in different markets, by allowing us to capture the growth in one market while being able to support a slowdown in another. Also, in particular in the Marine Site Characterisation business line, services we offer in the renewables end market require the same kind of assets, expertise, products and solutions as required in the oil and gas market, thereby improving our utilisation of resources and pricing.



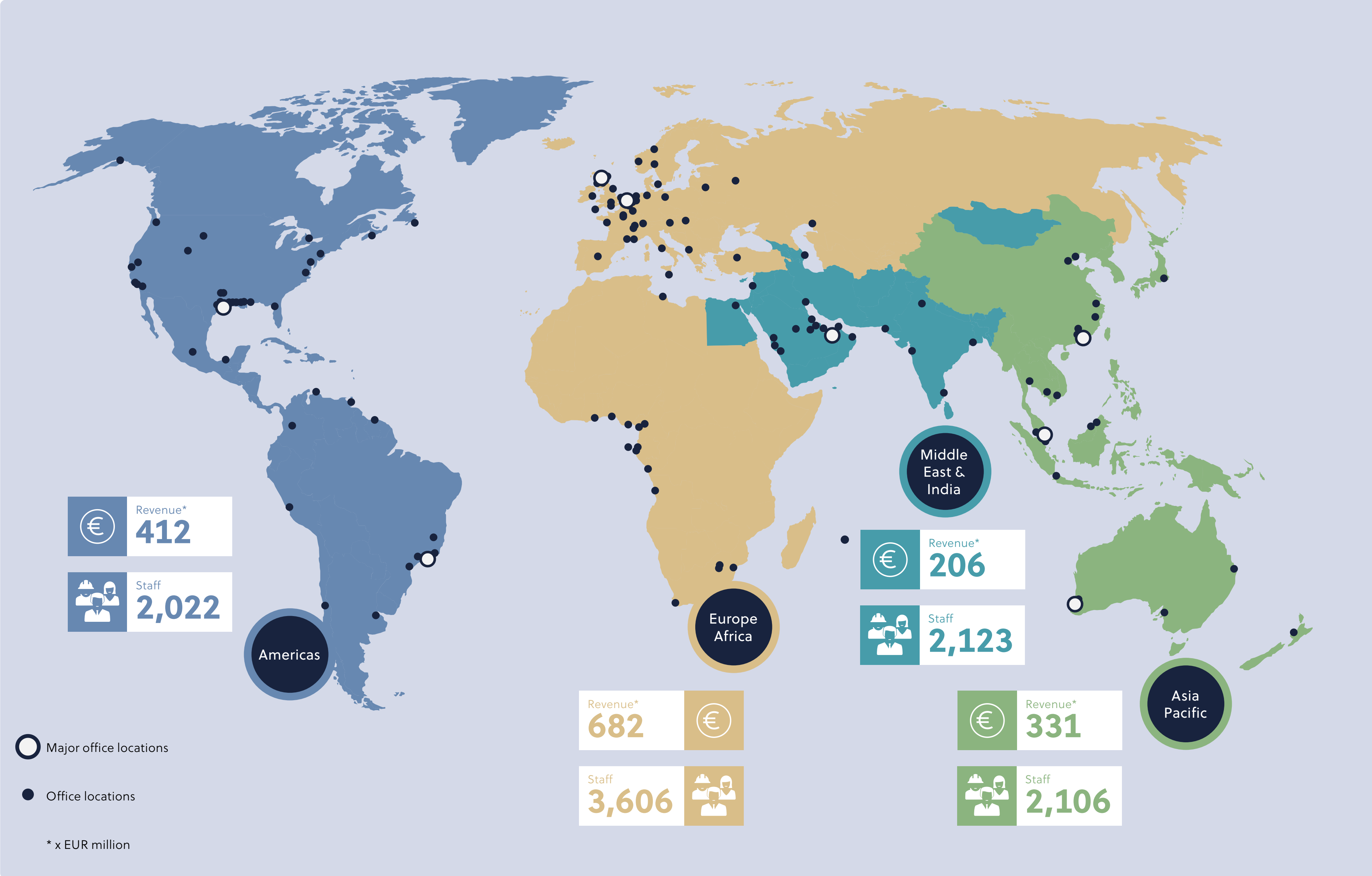
We are continuing to increase our share of and exposure to non-oil and gas related projects to achieve a more balanced mix. We especially expect the renewables market to have a significant higher mid-term growth rate than oil and gas, as well as the nautical market and specific regional infrastructure markets, further increasing potential revenues and our relative exposure to those markets. We have the flexibility to take advantage of pricing and growth opportunities in different markets without compromising opportunities in the legacy ones.

Global player with local presence

We have a global reach, with major hubs in each region (Leidschendam, the Netherlands and Aberdeen and Wallingford, the UK in Europe-Africa; Houston, US and Macaé, Brazil in the Americas; Hong Kong, Singapore and Perth, Australia in Asia Pacific; Dubai and Abu Dhabi in Middle East & India) and a local presence in 61 countries in total. Europe still makes up a substantial part of our total revenue, we have a well-balanced presence in each of our four regions. Moreover, as a company with global reach, we are able to offer our services throughout the year across geographies and seasons.

We combine our global reach with a local presence. Our office locations in 61 countries are predominantly staffed by local employees. This ensures we understand local business procedures, culture and traditions and allows us to compete against local participants, while, at the same time, drawing on our global reach, resources and expertise and the strength of group-wide cooperation.

Fugro's four regions



Diversified customer base and long-standing client relationships

We have a wide and diversified customer base, both across markets and within each of our key end markets.

- In the oil and gas market, we provide our services to both oil and gas companies and services providers, such as construction and installation contractors and design and engineering companies
- In the infrastructure market our main customer groups are government agencies, construction project developers, railroad operators, design and engineering contractors, construction and installation contractors and industrial companies
- In the renewables market, we work for both developers, such as governments and energy companies, or utilities and services providers, such as construction and installation contractors and design and engineering companies, both in north-western Europe as well as other geographies such as Asia and the east coast of the US
- In the nautical market, our key customers are national and local government organisations, port and harbour facilities, research institutes, travel and shipping agencies.

This wide and diversified customer base results in the absence of significant client concentration, with 15 customers representing more than 1% of total revenues each in 2019, and typically no customer representing more than 5% of total revenues in a single year.

Within this broad customer base, we have long-standing relationships with many of our clients in each key end market, with some of those relationship going back decades, demonstrating our customer satisfaction and our expertise. Our clients especially appreciate our know-how, experience, technology, quality of services, integrated service delivery ('triple-A' approach) around the globe and strong safety performance.

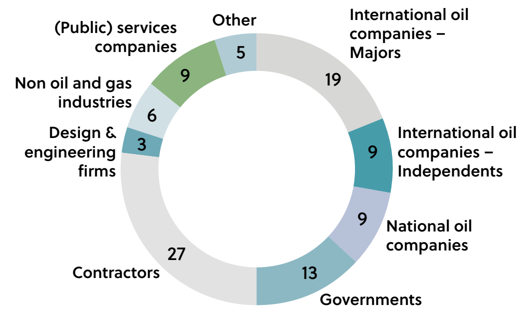
> We have a **large** and **diverse** customer base, predominantly in **energy** and **infrastructure**

Highly skilled specialists and state-of-the-art and flexible asset base

Clients value us for our operational excellence. We have over 55 years of track record and employ people from more than 100 nationalities. We are the largest employer of Geo-specialists in the world, employing over 400 research and development engineers and 25 data scientists, of which approximately 70% are in software and data science. Our highly skilled and trained staff also allows us to make optimal use of our state-of-the art assets and provide high technology services and advice to clients.

Much of our operations take place in challenging environments, making safety a key priority for us and also for our clients. We continuously put safety first by understanding the risks associated with our work and taking a proactive approach embedding appropriate safety standards and practices. Our clients highly value our outstanding safety performance and this is an important factor in acquiring and maintaining business from them.

Revenue by client type (in %)

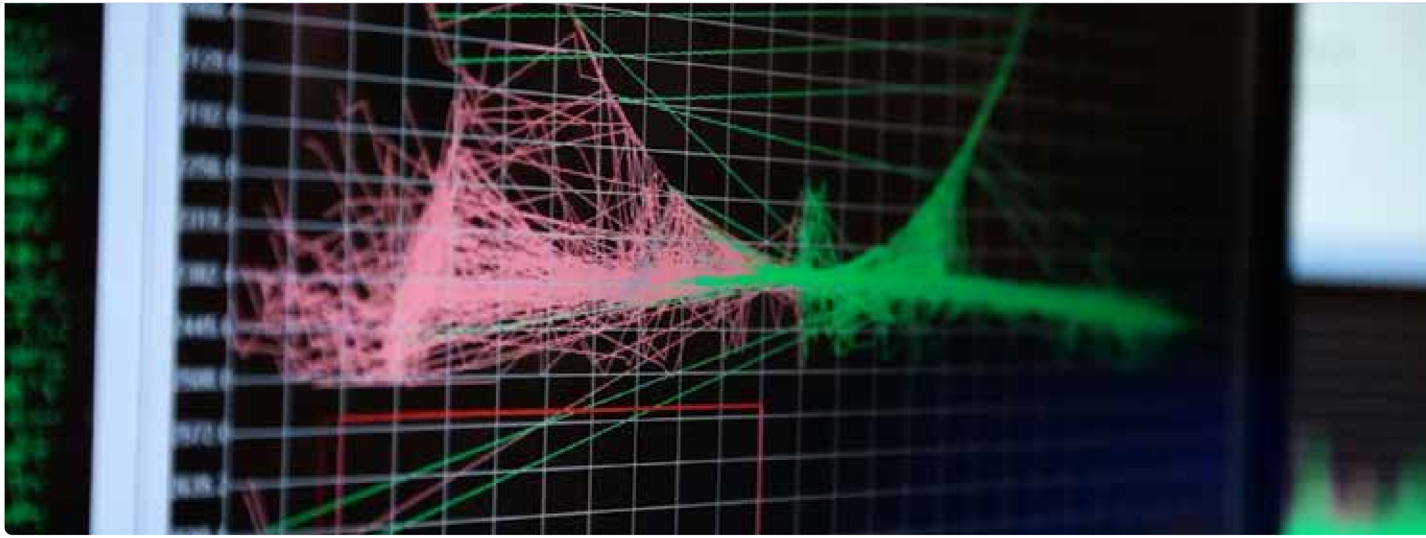


Operational assets

(per year-end 2019)

25 vessels (plus **4** long-term charters)
3 uncrewed surface vessels (USVs)
6 autonomous underwater vehicles (AUVs)
82 remotely operated vehicles (ROVs)
117 cone penetration testing systems (CPTs)
182 onshore and 12 offshore geotechnical drilling rigs
26 jack-up platforms
39 laboratories
7 remote operations centres

> We combine **innovations** in **technology** into **integrated digital solutions** for our customers



We are able to utilise most of our assets, expertise, products and solutions to serve clients across different market segments and in different jurisdictions, providing us flexibility to optimise utilisation, pricing and costs across multiple different projects.

We are the only company with purpose-built geophysical and geotechnical vessels and our vessel fleet is among the youngest in the industry (around 12 years), pre-empting the need for substantial capital intensive upgrades in the next few years. As technology allows us to do so, we are gradually directing our capital expenditures towards lightly crewed, remotely operated, in some cases fully autonomous assets, transitioning to a more state-of-the-art, flexible and asset light model. As needed, we supplement our fleet with mostly short-term seasonal charters.

Differentiation through innovation and digitalisation

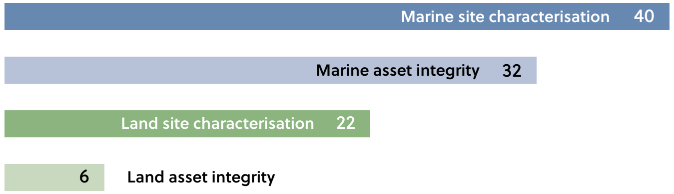
We combine innovations in technology into integrated digital solutions for our customers. We are fully leveraging technology developments in the field of visualisation, robotics, connectivity and advanced analytics in order to offer safer, faster, more efficient and higher quality services; all in a more sustainable way. As a result, we are supporting our customers on their own digitalisation evolution, a strategic priority for most of our clients.

We are investing in innovations that have a proven potential for increased efficiency and adapting our business to provide higher margins, for example, by combining data acquired in site characterisation projects with data from asset integrity projects. Such innovations can often be deployed across multiple end markets. Finally, novel applications of core technical competencies may result in offering our existing services to potentially large new markets (for example, visual monitoring of bridges to assess the safety of the structure).

We have developed a customised go-to-market process focused on value-based contracts realising the full value of innovation and bringing to market innovations within two to three years. We are also safeguarding the products of our innovation with patents and trade secret protection, wherever possible.

FOUR BUSINESS LINES

Revenue by business line (in %)



Fugro is unique in its capabilities to provide both site characterisation and asset integrity solutions in marine and land environments. Even though the offshore and onshore environments are very different with regards to projects and clients, we fundamentally offer the same services, using the same assets, expertise, laboratory facilities and support organisation. We provide solutions throughout the full lifecycle of offshore wind farms, offshore platforms, high-rise buildings, industrial facilities, airports, roads, bridges, tunnels, levies, power line grids, railways tracks and pipelines.

Site charaterisation We carry out technical studies, surveys and investigations, to establish the characteristics of sites and routes to be developed. With geophysical surveys we map the Earth's surface and subsurface, and through geotechnical investigations we determine the composition of the soil. We acquire and interpret the data, using our expertise, technology, equipment and world-class laboratory facilities to turn it into valuable knowledge. Based on this knowledge, we provide advice on the best way to use a site for safe, efficient, reliable and sustainable construction of the asset.

Our services enable our clients to make informed decisions, reducing construction costs and installation and operational risks on technically demanding projects. Integrated solutions are often necessary in case of complex ground conditions, very large and heavy constructions, and in case of geohazard risks such as earthquakes and flooding.

MARINE SITE CHARACTERISATION

We are the global market leader and the number 1 or 2 player in almost all our services. We are particularly well positioned to undertake work in frontier areas and deepwater. We are leading in site characterisation services for offshore wind farms globally, in addition to our traditional strong position in the oil and gas market.

LAND SITE CHARACTERISATION

In a fragmented market with mostly local competition, our site characterisation services achieve solid market share on complex, high-profile and sometimes remote international projects, such as high-rise buildings, airports, nuclear power plants, tunnels, bridges and pipeline routes. We are one of the only companies to offer integrated Geo-data services globally.

Asset integrity As assets are being built, we support construction projects with precise positioning, monitoring and visualisation services. Once assets are built and deployed, we support our clients' asset management programmes. We use innovative and increasingly remote and (near) real-time scanning, monitoring, analytics and data management techniques to assess and report on structural behaviour and integrity and regulatory compliance, and to identify vulnerabilities before they pose a risk. In the case of the inspection of offshore assets, where needed we immediately provide remedial services.

MARINE ASSET INTEGRITY

We are a worldwide top 3 player in our services, and leading in remote inspection for offshore assets. We offer invaluable insights to our clients by linking our asset integrity services to our unique knowledge of the sub-surface.

LAND ASSET INTEGRITY

We have leadership positions in specific market segments in selected countries, for example in digital rail asset integrity management in Europe, highway road condition surveys in North America and digital power network asset management in Australia.

The offshore market is a global market with large, internationally active clients. With our global reach and integrated offering, we are the only company active in both site characterisation and asset integrity markets.

Fugro's activities address the full life cycle of clients' offshore assets

Exploration & appraisal → Development planning → Field development → Production & maintenance → Decommissioning

Final investment decision

FUGRO'S MARINE SITE CHARACTERISATION SERVICES

- **Seep surveys** detecting and analysing hydrocarbon leakages
- **Geotechnical investigation** determining soil composition via extraction of samples or cone penetration testing
- **Geophysical survey** mapping of seabed's (sub)surface
- **Hydrography** sea-bottom mapping/charting
- **Geoconsulting** including ground modelling and geohazard risk assessment

FUGRO'S MARINE ASSET INTEGRITY SERVICES

- **Monitoring & forecasting** of environmental, positional and structural data of offshore sites and assets
- **Satellite positioning** providing subscription based signals and service
- **Positioning & construction support** precision survey systems and related expertise
- **Positioning & construction support**
- **ROV & tooling** light intervention and tooling using ROVs
- **IRM services** assessing condition of subsea infrastructure and providing light repair and maintenance services

In the fragmented onshore landscape, Fugro is one of the few companies to offer integrated services, anywhere in the world.

Fugro's activities address the full life cycle of clients' onshore assets

ORGANISATION

Organisational structure

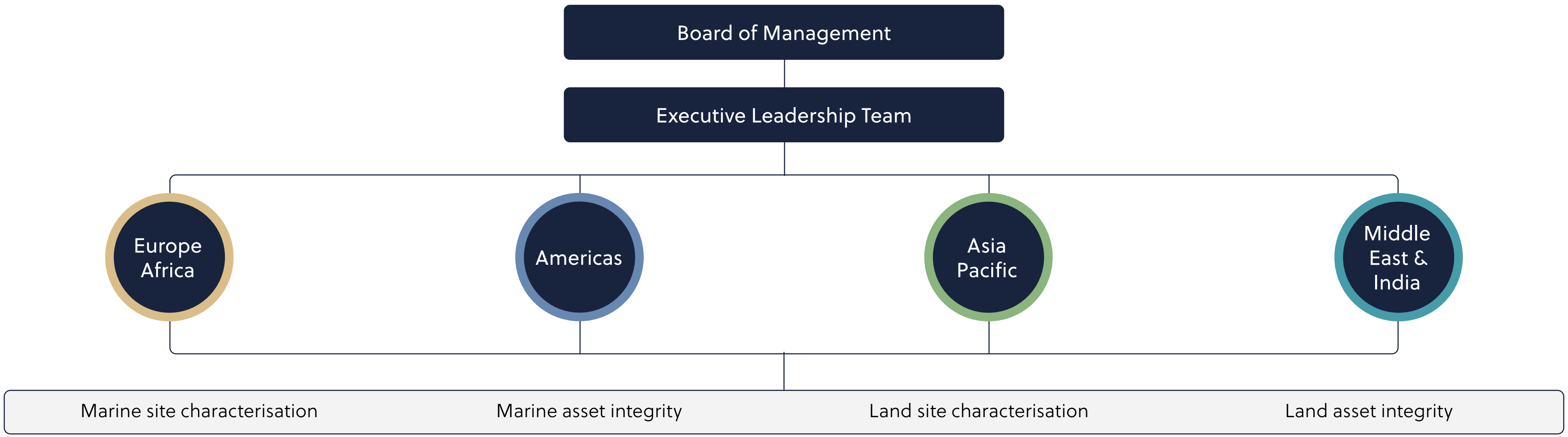
Fugro N.V. is a public limited liability company managed by a Board of Management under supervision of an independent Supervisory Board; a so-called two-tier board system. As a logical next step in Fugro's drive towards offering integrated solutions, per May 2019, Fugro has simplified its top-management structure, integrating the former Land and Marine divisions at the top-level. The company is now organised in four regions, which all operate the same four business lines: marine site characterisation, marine asset integrity, land site characterisation and land asset integrity.

In addition to the Board of Management, in 2019 an Executive Leadership Team was established, to create more focus on strategic and operational priorities. Apart from the members of the Board of Management, this team consists of the four Regional Group Directors, a Group Director Digital Transformation & Innovation, the Group Director Human Resources and the General Counsel.

In July 2019, Fugro announced that it had stepped up its efforts to sell its non-core stake in Seabed Geosolutions. As a result, the Geoscience division, which entirely consists of this interest, has been since designated as asset held for sale.

At group level, the company has corporate departments in place for QHSSE, accounting and control, treasury, tax, insurance, procurement, internal audit, legal, human resources, IT and strategy and communication. Within the regions, support functions for human resources, finance, QHSSE, strategic sales & marketing, operational excellence, communication and IT are increasingly organised as shared services. We provide our services from a global network of offices located in 61 countries.

Organisational structure



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Solutions for flood protection

Climate change and increased urbanisation has led to a substantially higher exposure to risk of flooding along rivers and in coastal areas around the world. Fugro has risen to the challenge by developing innovative technologies and levee designs for a safe and liveable world.

Fugro's expertise in flood defense ranges from geotechnical site investigations to soil analysis, assessments, levee design and materials testing. All over the world we provide data acquisition, consulting services and design support for levee reconstruction projects.

In a particular project in the Netherlands, Fugro's experts created two innovative, award-winning levee designs. These designs, allow levees to blend in seamlessly with the surrounding landscape. They enable efficient land use by allowing the levees to be used for other purposes as well, including agriculture, nature and recreation. By reusing suitable soil from a nearby dredging project for construction of the levees, the project's logistics and carbon emissions were minimised as well.

Limiting carbon footprint more than **50%** by use of local soils in innovative levee design

Winner of Dutch innovation award in 2017 and 2019 of national water authorities

Strategy

Since announcing our Path to Profitable Growth strategy in November 2018, we have been expanding our business in new growth markets such as renewables and hydrography. Together with infrastructure, these markets now represent around half of our business. This demonstrates that our position as the leading Geo-data specialist offers great opportunities for Fugro in a rapidly changing world.

The world we live in is changing faster than ever before, driven by population growth, people moving to cities, increasing demands for natural resources, technological developments including digitisation and the increasing effects of climate change. Finding sustainable solutions for these challenges requires companies, governments and individuals to work together and Fugro is committed to contribute to this. Fugro, together with its clients, plays a fundamental role in responding to these global challenges and providing solutions for a safer and more liveable world.

The outlook across Fugro's key markets is positive as offshore wind, oil and gas and infrastructure markets continue to grow. Our Path to Profitable Growth strategy is based on three objectives: capture the upturn in energy and infrastructure, differentiate by integrated digital solutions and leverage core expertise in new growth markets. The implementation of our strategy targets volume growth, while operating leverage, improved pricing conditions and higher productivity will improve our margins.

In 2019, we have simplified our top management structure, by moving from a divisional to a regional set-up, and introduced initiatives to further enhance our drive to work with the best people in our industry, build strong client relations, improve our commercial and operational excellence and accelerate value driven innovations.

We continue to work closely with our clients and partners to build programmes to further improve safety and sustainability. We believe in sustainable development as a driver to help create a safe and liveable world. This requires balancing the short- and long-term interests of our stakeholders and integrating social and environmental factors into our decision making to ensure our long-term success.

GLOBAL TRENDS

Growing and ageing population

Between now and 2050, the world is expected to host an additional 2.0 billion people; a growth of over 25% compared to today. This growth, coupled with increased lifespan of people, puts an enormous strain on our planet and will result in the increasing demand for energy, fresh water, food, minerals and metals which, if not managed well, will result in scarcity.

Urbanisation

The biggest population growth will take place in large urban centres. According to the United Nations, around 1.3 billion additional people are expected to move towards cities by 2050. This will drive an enormous demand for modern, safe and reliable infrastructure. In turn this will lead to increasing demand for roads, railways, airports, buildings, bridges and harbours.

Technological change

Technology is changing faster than ever before. With the advent of the so-called fourth industrial revolution increasingly devices all over the world are becoming digitally connected, opening up new opportunities. Robotics will allow us to do things remotely, and advanced analytics, deep learning algorithms and artificial intelligence will be embedded in all operating routines.

These technologies are disrupting almost every industry in every country and changing the way we work. Clients are embracing new digital technologies to increase efficiency and reduce overall asset management cost. But this is not without risk. If everything is connected, devices can be hacked and robots taken over and reprogrammed if not protected well. Cyber security is a key concern.

"We are ready to capture the **continued growth** in **offshore wind** and **infrastructure markets** and the **upturn** in the **oil and gas market**"

Climate change
As the demand for energy continues to grow, this drives policies around the globe to reduce emissions. The 2015 UN Climate Change Conference in Paris called for a strengthening of the global response to the threat of climate change by keeping a global temperature rise this century well below 2 degrees Celsius above pre-industrial levels, and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius. Recent studies from the Intergovernmental Panel on Climate Change see the world reaching the 1.5 degree threshold in 2040; to avoid this will require an imminent and meaningful change in the world's energy mix.

Climate change is pushing Earth into uncharted territory. The number of people exposed to flooding is rapidly growing and extreme weather patterns with cyclones are expected to change the way we need to protect ourselves and build safe living conditions. As many high-density population areas are located in deltas and other low-lying areas, protection against severe weather hazards and rising sea levels resulting from climate change will drive general water management, flood protection and coastal defence projects.

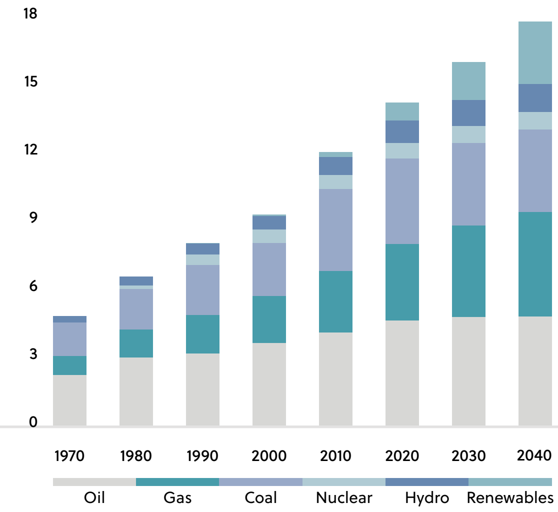
TRENDS IN FUGRO'S MARKETS

Global energy outlook
Population growth and the emergence of a large and growing middle class are the key drivers of growth in global energy demand, which is expected to increase from approximately 13.5 billion tonnes of oil equivalent in 2017 to approximately 17.9 billion by 2040.
The increase in income, particularly in China and India, is reflected in an increase in GDP, which results in higher energy consumption per head. This growth in demand will be partially offset by a decline in energy intensity.

The key end markets driving future energy demand are the industrial, electricity generation, residential, commercial and transportation sectors. Electricity generation is projected to be the largest and fastest-growing sector, primarily reflecting expanding access to reliable electricity in developing countries. The industrial sector growth reflects increased construction of buildings and infrastructure, as well as manufacturing of a variety of products to meet the needs of the world's growing population.

Despite the fact that growth in renewables has outpaced growth in all other forms of energy since 2010, the share of fossil fuels in the global primary energy demand in 2017 was still approximately 80%. However, as the energy mix shifts toward a lower carbon scenario, natural gas is projected to meet a quarter of the overall projected demand by 2040. Renewables, in particular wind and solar, are also expected to account for a larger share.

Primary energy consumption by fuel (in billions of tons of oil equivalents)



(source: BP Energy Outlook 2019)

Oil and gas
Oil and natural gas will continue to drive approximately 55% of the primary energy demand by 2040, according to the 2019 Exxon Mobil Outlook for Energy. As production from current producing fields declines, new investments will be required to meet the global demand. It is expected that some companies will switch to natural gas and electricity for fuel needs in the future in order to lower emissions, but oil is expected to continue to dominate demand.

Over the last 30 years, oil prices have been volatile, with key geopolitical and macro events resulting in spikes and falls in oil prices. Following strong growth in demand from 2003 to 2008, fuelled by emerging markets, prices plummeted to lows of around USD 30 per barrel during the global financial crisis in 2008-2009. Although economic recovery drove oil prices higher from 2010 until the first half of 2014, a period of over-supply, driven by the emergence and growth of U.S. onshore shale oil production impacted prices in the second half of 2014.

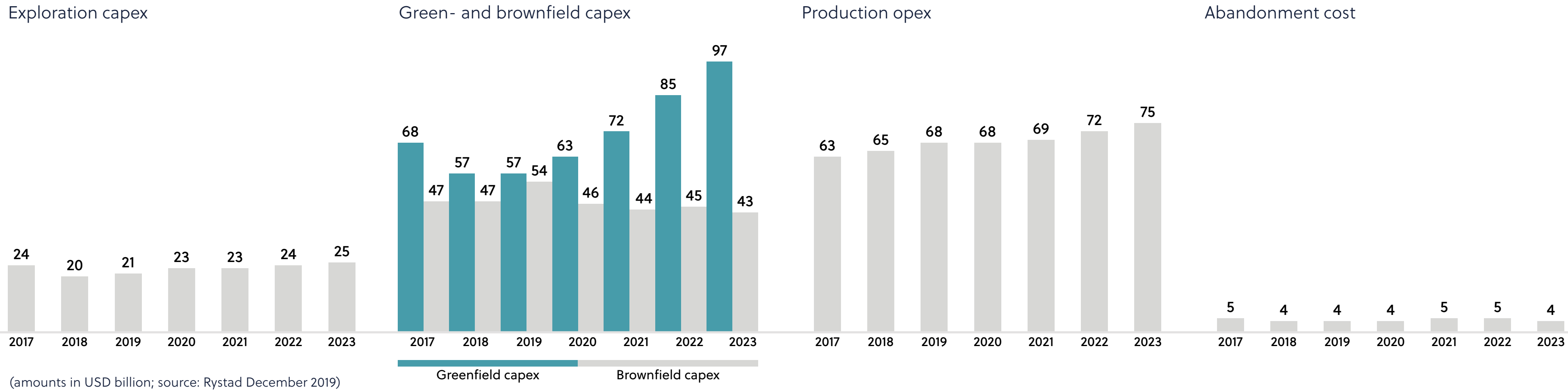
Although future oil prices are challenging to predict with certainty, EIA forecasts that Brent spot prices will average USD 61 per barrel in 2020, down from a 2019 average of USD 64 per barrel because of forecast rising global oil inventories, particularly in the first half of 2020. The World Bank on the other hand projects crude prices of USD 58 per barrel in 2020, increasing to USD 70 by 2030.

Gas demand has grown by strongly during the last years, primarily driven by increased consumption in China and the Middle East. The increase in liquefied natural gas (LNG) projects further fuelled the availability of gas globally. Looking ahead, the global transition to lower emission fuels is expected to have a positive impact on gas demand. Global production growth was primarily driven by the emergence of shale gas in the US, China and Russia. Global natural gas resource estimates keep rising as more advanced technologies allow the commercial development of resources previously considered too difficult or costly to produce.

The life cycle of oil and gas projects extends over multiple phases that can spread over several years and even often decades: exploration and appraisal, development, production and decommissioning. Each phase requires capital investments to be undertaken by upstream oil and gas companies, the level of which is primarily driven by commodity prices and their view on the oil and gas demand outlook. Oil field services, including Geo-data services, are provided in each phase.

The break-even costs of new projects have become increasingly important in light of the recent downturn in oil prices. As commodity prices bounced back and projects turned profitable, oil and gas companies started to deploy capital toward new field developments ('greenfield') in order to maintain their base production levels as the production from existing fields declined due to natural depletion. As per 2019, after a couple of years of underinvestment, offshore oil field services is growing again, driven by new discoveries, a growing number of sanctioned projects and new project start-ups. Looking ahead, investments are expected to continue to increase across the full life cycle of projects, albeit at lower levels compared to the years prior to 2014.

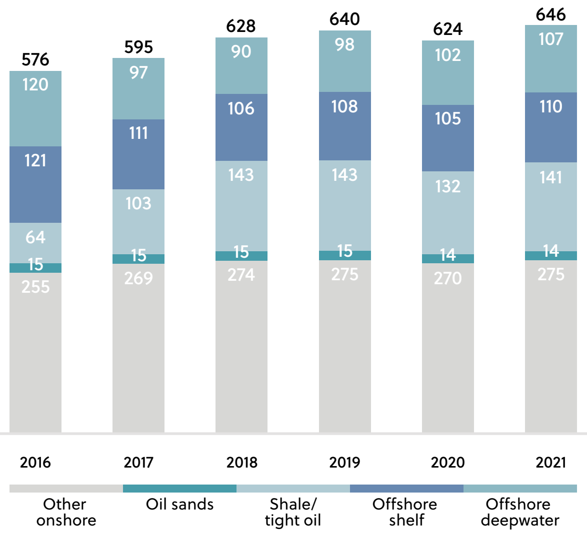
Increased spending throughout offshore exploration and production cycle



(amounts in USD billion; source: Rystad December 2019)

Shale expenditure stagnates, offshore grows

Oil field services expenditure (USDbn)



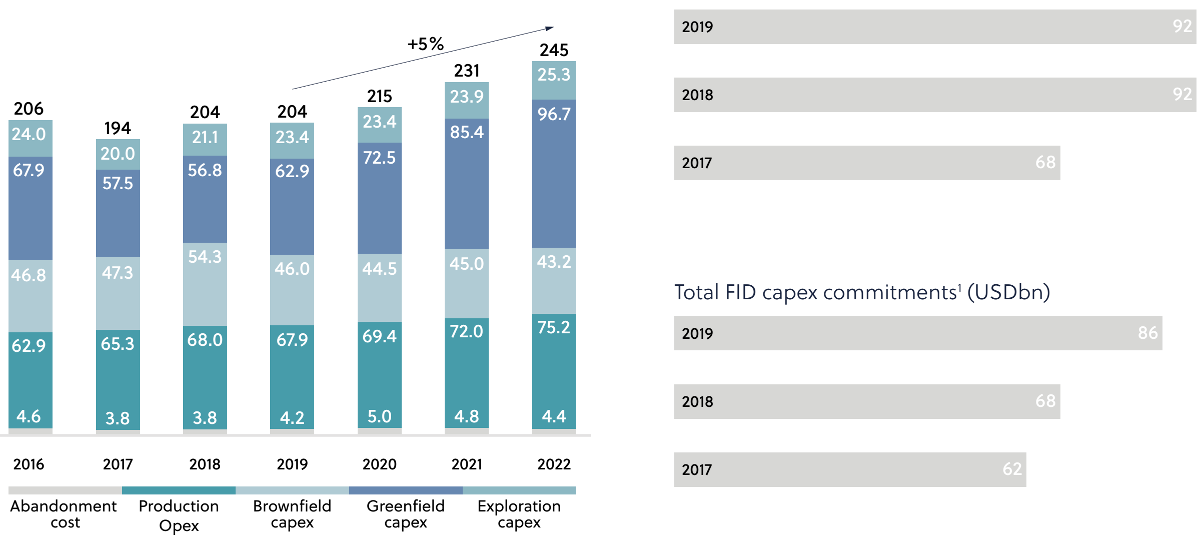
(source: Rystad December 2019)

Development of client's final investment decisions and offshore oil field services spending

Oil field services expenditure (USDbn)

Number of FIDs (offshore)

Total FID capex commitments[1] (USDbn)



(source: Rystad December 2019)

[1] Excluding internal expenditure.

Recently there has been an increase in deepwater investments, driven by the newly discovered fields in Guyana combined with increasing prospects in the US, Brazil and Mexico, as well as a number of large offshore gas discoveries in Africa. Offshore spending is expected to continue to grow during the coming years, both for deepwater and shallow water developments, while investments in shale are expected to stagnate due to stalling productivity gains, a declining backlog of profitable well locations and a broad tightening of financial conditions.

Renewables

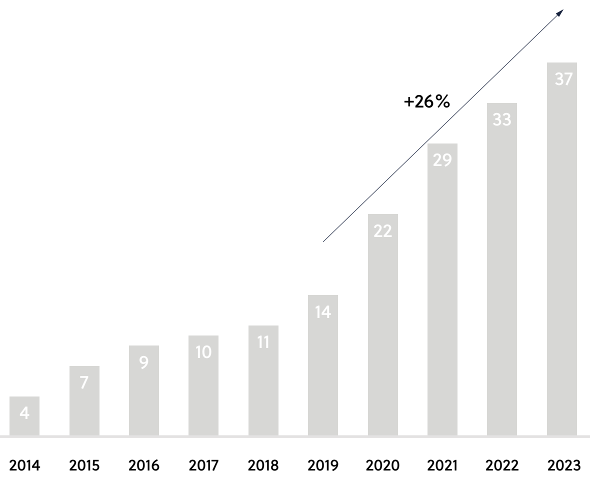
According to the 2019 BP Energy Outlook, renewable energy is the fastest growing source of energy, contributing half the growth in global energy supplies. Global climate targets have incentivised governments to put in place policies to support the deployment of renewable energy. At the same time, the decrease in costs to produce renewable energy has contributed to making renewables more cost competitive versus other sources of energy, such as fossil fuels.

The wind power market has grown strongly during recent years. Recent trends include the installation of larger turbines and blades, as well as an increased digitalisation that allows for the real-time monitoring of turbine performance and the prediction of better maintenance activities. Increasingly sophisticated wind farm technology and infrastructure bring taller, heavier turbines and more extensive transmission systems, placing greater demands on soil substrates and the subsurface geology required to support them.

The global offshore wind market, albeit smaller than the onshore market, grew nearly 30% per year between 2010 and 2018, benefitting from rapid technology improvements. So far, the majority of the turbines have been installed in north-west Europe, but the trend is rapidly expanding to other countries, like the US and various countries in Asia. Over the next five years, about 150 new projects are scheduled to be completed around the world, and the IEA Offshore Wind Outlook projects that annual capacity additions are set to double over the next five years and increase almost fivefold by 2030.

In line with global wind power capacity, offshore wind capital expenditure is projected to increase strongly, with a majority of the investments forecasted in Europe, while the Americas are expected to show a stronger growth, albeit from a lower base.

Capital expenditure on offshore wind projects



(in EUR billion; source: 4C Offshore, January 2020)

Infrastructure

Infrastructure investments are crucial for advanced economies and for those at early stages of development alike. In mature economies, keeping pace with demand, and building new and upgraded infrastructure, is integral to sustain economic growth. In developing economies, infrastructure have a transformative impact on the lives of citizens and the business prospects as roads are built, reliable electricity installed and clean water made available. For this reason the investment level is directly correlated to economic growth, which is expected to double by 2040 with non-OECD countries leading growth.

Historically, roads and electricity networks have accounted for the majority of infrastructure spend as a percentage of GDP, with this trend expected to continue in the foreseeable future. Global trends of increase in population and urbanisation lead to an increased requirement to design, construct and maintain buildings and industrial facilities in a sustainable and adequate manner through competent site investigation, quality data collection and accurate interpretation and advice.

As investments in roads and electricity networks are expected to continue growing, there is an increased need for bespoke services to assist construction management companies through condition monitoring and evaluation, contributing to the feasibility, design, engineering, construction, maintenance and decommissioning stages of buildings, highways, railways, bridges, tunnels, ports and airports.

Increasing power generation from renewables is placing new requirements on power distribution. As a result, distribution networks are being expanded and there is an increasing need for network asset integrity services to maintain high levels of safety and operability.
In addition, there is a continuing demand for conventional and nuclear power stations, which require extensive and specialist site characterisation solutions to ensure their safe operation.

New growth markets

As rapid population growth occurs, so will the number of people exposed to flooding. With rising sea levels threatening the viability of homes in coastal regions and deltas, effective solutions for development and land reclamation are crucial. Additionally, recent harsh weather patterns and natural disasters have impacted high density population areas in deltas and low-lying areas. This will lead to a rise in spending related to general water management, flood protection and coastal defense projects.

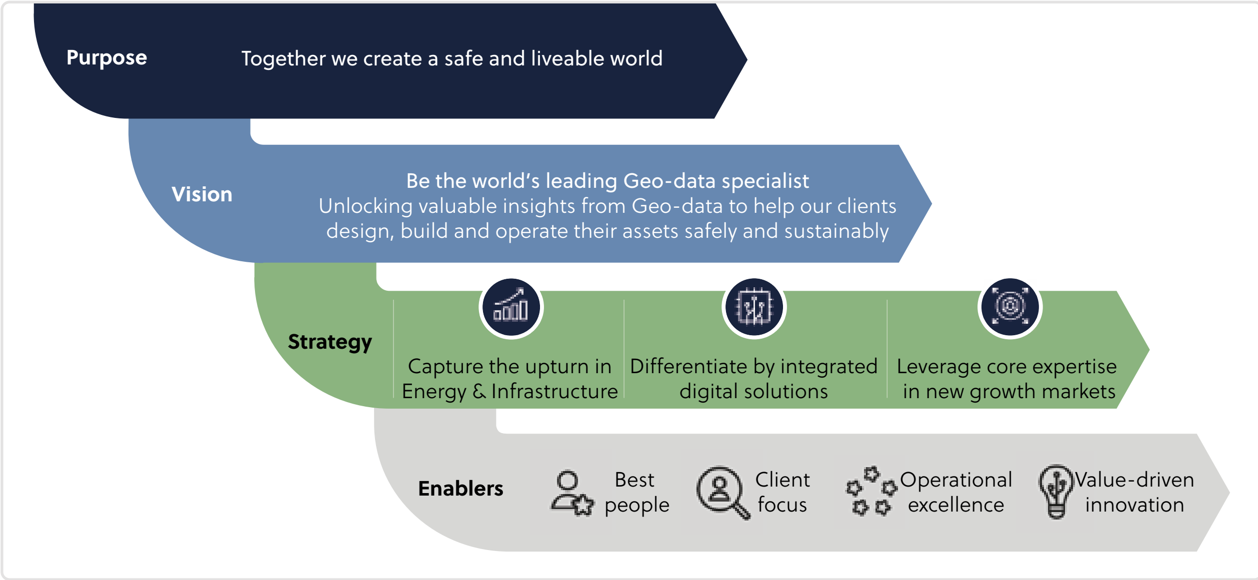
Global water security is related to scarcity, pollution and flood risk. In the coming decades, these three challenges and their impact on people's daily lives are expected to increase due to population growth, economic development, growing agricultural production and climate change on water availability, sea level rise and weather patterns. Growing water demand and declining precipitation in some regions will increase the pressure on the available resources, resulting in high levels of water stress in many regions.

Hydrography, which involves the mapping of the seafloor and coastline and possible obstructions, is a growth market as increased usage of uncrewed vehicles, real time processing and lidar/satellite bathymetry is leading to better insights. The effects of climate change, and the resulting need for mitigation measures to protect coast lines, also lead to a greater need for a thorough understanding of the oceans. This, in turn, increases the need for geospatial information.
In general, the market for satellite positioning is set to continue to grow as a result of higher activity levels offshore, such as wind farm developments and maritime transport. This is compounded by increasingly remote technologies, innovations and increasing regulations regarding safety and sustainability.

PATH TO PROFITABLE GROWTH STRATEGY

Our Path to Profitable Growth strategy was announced in November 2018. It is based on three objectives: capture the upturn in energy and infrastructure, differentiate by integrated digital solutions, and leverage core expertise in new growth markets. The implementation targets volume growth, while operating leverage, improved pricing conditions and higher productivity will improve our margins.

Path to Profitable Growth strategic framework



Capture the upturn in the energy and infrastructure

The outlook across our key markets is positive. After a couple of years of underinvestment, oil and gas companies are increasingly taking final investment decisions on new offshore developments. This is evidenced in the recovery, since the start of 2018, of our early cyclical marine site characterisation business. In 2019, also our marine asset integrity business has passed the trough and realised higher margins backlog, as the result of selective tendering, asset rationalisation, and a gradually improving market in specific geographies. This business is expected to benefit from an increase in oil field services expenditure, as our customers catch up on maintenance activities deferred during the downturn in the offshore oil and gas market.

Similarly, there is ongoing rapid expansion of offshore wind developments in Europe and, to an increasing extent, in other geographies like the US and Asia. Population growth and urbanisation are driving the infrastructure markets in most of the countries in which we operate, leading to growth in spending on oil and gas facilities, power and electricity networks, railways, roads, bridges, tunnels and other infrastructure. Building on our leading market positions, our people, know-how, state-of-the-art technologies and assets, strong client relations, and global reach with local presence, Fugro is strongly positioned to capture the upturn in these markets.

In the marine business we are targeting volume growth, while operating leverage, improved pricing conditions and higher productivity will improve our margins. We are increasing our integrated offering of acquisition, analysis and advise on Geo-data, strengthening key account management and improved value-based bidding. The utilisation of our vessel fleet is improving and we are gradually shifting towards more lightly crewed, sometimes even uncrewed, platforms. We will continue to focus on operational excellence to drive client satisfaction and cost efficiencies.

In our land business we are targeting further growth of our share of large infrastructure projects as we are one of the few players that can offer integrated Geo-data acquisition, analysis and advice globally. By strengthening our relationship with key clients in the engineering, procurement and construction segment we ensure that we are engaged from the very start of their project and deliver a low cost and more effective solution for them over the project life cycle. Moreover, we are taking restructuring measures as currently the profitability of some of our service lines in particular areas is too low. In 2019, we have already taken several measures aimed at specific activities and countries; where necessary we will take additional measures in 2020.

Differentiate by integrated digital solutions

We are committed to maintaining our differentiated position as the most innovative Geo-data company across the sectors in which we operate. We aim to continue to do so with strong client involvement to efficiently focus our research and development efforts. We are focused on less capital-intensive solutions for our clients, such as deploying lighter crewed, sometimes even uncrewed, vessels and remote operations that aim to reduce the overall cost of development and operation of our customer's assets.

Lightly crewed vessels, remote operations, faster deliverables through cloud processing and automation, machine learning will also result in lower employment costs and lower health, safety, security and environmental exposure. In 2019, Fugro opened new remote operations centres in Aberdeen and Leidschendam. To date, Fugro has provided over 150,000 project hours around the globe from its seven remote service centres. Fugro's new uncrewed surface vehicle has been delivered and is currently being tested before it moves to its first commercial application. Also other innovations, such as mobile laser mapping systems and electric cone penetration testing systems, will lead to more efficient service delivery with a lower carbon footprint.

Progressively, we are providing our clients with Fugro's Digital Foundation: a digital, four-dimensional model combining all Geo-data acquired throughout the lifetime of the asset, artificial intelligence-driven analytics and related decision making. The resulting comprehensive web-based interface provides clients with real-time insight into location and design optimisation, change detection, simulation; all with the ultimate goal of reducing the overall cost of development and operation of their assets.

> **Technology** allows us to **do things** in a **different way**

Leverage core expertise in new growth markets

We are leveraging our core expertise and assets to expand into new growth markets, such as in fresh water sourcing and in coastal and flood protection. These new markets are driven by global trends such as population growth, urbanisation and climate change. The increased demand for fresh water drives the need for site characterisation services, dam and pipeline site appraisal and hydrography. We can build on vast project experience in for example the Netherlands, Germany, Turkey and Chile.

We are also well positioned to leverage our expertise in asset integrity monitoring for existing offshore windfarms. As the number and size of wind turbines is growing, the need for inspection, repair and maintenance services is increasing, especially in north-west Europe. We also recognise an increasing need for the mapping of coastal areas and are supporting the Seabed 2030 collaborative project to produce a definitive map of the world ocean floor by 2030.

In 2019, we executed several coastal mapping projects in amongst others Jamaica and Haiti to support the islands' climate resilience, using our proprietary rapid airborne multibeam mapping system.

Strategy implementation

To accelerate strategy implementation and further increase efficiencies we have decided to simplify the top structure by introducing a regional model with four regions, directly reporting to the Board of Management. An Executive Leadership Team has been established which comprises, besides the Board of Management, the four regional Group Directors and several functional directors. This enhances alignment in our organisation and creates more focus on our strategic and operational priorities. In all four regions the same 'blueprint' management structure is now in place, based on our four business lines. Each regional business line is responsible for delivering the yearly revenue and margin targets in line with the strategic objectives.

Next to the plans per business line, implementation plans for the four key enablers are in place: people, clients, operational excellence and innovation.
To further enhance our drive to work with the best people in the industry, we are implementing new initiatives such as a global career framework, a new online learning and development training set-up, a young leadership program and initiatives to promote diversity and inclusion in the workplace.

To improve our commercial and operational excellence, new processes, systems and training programs are

being implemented to enhance the quality and performance of both commercial and operational teams in line with customers' expectations.
The different innovation teams are now working closer together to accelerate the launch of new customer value added products and services and drive the digital transformation of the company. We have developed a customised go-to-market process focused on value-based contracts realising the full value of innovation and bringing to market innovations within two to three years. Regional and local implementation is coordinated by a central transformation team.

A crucial element to successfully implement our strategy is our company culture. We want to grow and foster a culture around our purpose to create a safe and liveable world as well as a shared commitment to our commercial success and long-term growth. For this, we need a strong set of common values to guide the behaviour of our employees and the leadership style of our management. In 2019, a small team interviewed a large number of our employees around the world and we are currently converting all the input to a new set of company values that will be launched in 2020.

We will continue to pursue a divestment of Seabed Geosolutions and our interests in Australian exploration projects via Finder Exploration.

"A crucial element to successfully implement our strategy is our company culture"

LONG-TERM VALUE CREATION

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

Capital input

FINANCIAL

- Funding from shareholders, banks and bondholders

HUMAN

- Talented and diverse employees
- Fugro Academy, training spend

KNOWLEDGE

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

STAKEHOLDER RELATIONSHIPS

- Stakeholder engagement
- Code of Conduct

PROVISION OF SERVICES

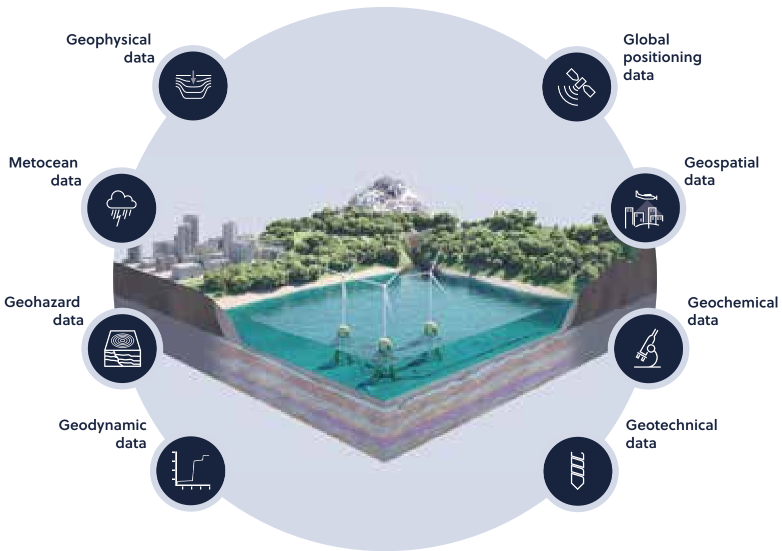
- Fixed asset resource base, capital expenditures and supplier spend
- Project and risk management tools

ENVIRONMENT

- Energy use
- Risk mitigation systems

Fugro's business

We unlock insights from Geo-data: information related to the Earth's surface, subsurface and structures built on it. With our unique 'triple-A' approach (integrated data acquisition, analysis and advice) we help our clients design, build and operate their assets in a safe, sustainable and efficient manner.



GLOBAL TRENDS

Population growth | Urbanisation | Technology | Climate change

Value output

FINANCIAL

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

HUMAN

- Engaged employees with enhanced skills
- Health and safety performance

KNOWLEDGE

- Innovative site characterisation and asset integrity solutions
- Intellectual property (patents)

STAKEHOLDER RELATIONSHIPS

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

PROVISION OF SERVICES

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

ENVIRONMENT

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

Value to society

We contribute to sustainable development as a driver to help create a safe and liveable world

Remote assistance for client's offshore projects

Remote inspection solutions make an important contribution to the safety and reliability of assets, such as wind turbines, pipelines and other subsea structures. With the expansion of our remote operations, Fugro has significantly improved the sustainability, efficiency and effectiveness of these services. Health and safety exposure has been reduced by transitioning offshore teams to shore, and our environmental footprint is reduced through the use of smaller vessels, less offshore mobilisation, and fewer vessel transits.

Fugro's remote inspection services provide an end-to-end solution, based on high-quality, reliable connectivity. Remotely operated vehicles acquire data to analyse an asset's condition, customised software encrypts and packages the data before sending it to onshore remote operations centres (ROCs) via robust satellite connections. At our ROCs, teams at different locations using cloud based solutions can work on the same dataset. This makes project flows more efficient and enables clients to quickly make critical project decisions.

Fugro's cloud-based processing of inspection data allows preliminary results to be available within hours of acquisition, compared to several days using traditional methods

It allows experts from anywhere in the world to access the results to facilitate faster and better decision making

SUSTAINABILITY

Today and over the coming decades, population growth and increasing life expectancy, increasing wealth and urbanisation will lead to further increasing demands for energy, fresh water, food, minerals, metals, buildings, industrial plants and infrastructure. These global trends lead to massive challenges for the world, most notably related to the effects of climate change. The energy mix, infrastructure and built environments must evolve if tomorrow's problems are to be tackled successfully.

Fugro values continuous transparent engagement with its stakeholders, supports them with extensive information on performance and progress, and actively seeks their opinions and ideas through regular discussions and consultation. Fugro has held extensive dedicated meetings and interviews with shareholders, works councils, governments, local communities, and contacts with industry and research and development partners including a broad range of international universities and key clients, across the regions, market sectors and client types.

Interaction with key stakeholders

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

Fugro is experiencing an increasing demand and expectations from all these stakeholders to contribute to the sustainable development of client's projects and assist in meeting stakeholders' sustainability objectives. For Fugro, finding sustainable solutions means we continuously rethink what we do and how we do it, aimed at further expanding our contribution to a safe and liveable world. This concerns both the way we operate, and the services and solutions we deliver.

In line with our strategic objectives, we unlock insights from Geo-data, a critical element for the sustainable development and operation of our clients' infrastructure, plants, buildings and natural resources. With our products, services and innovative solutions, we directly contribute to modern infrastructure and climate change mitigating projects such as flood and coastal protection and safe and efficient power grids. Fugro plays an important role in the ongoing energy transition with the development of renewable energy assets such as offshore windfarms, while assisting in safe and efficient operations of fossil fuels while this is still an important part of the global energy mix. Fugro, together with its clients and other stakeholders, plays a fundamental role in creating a safe and liveable world.

Through our integrated digital foundation we support clients in managing the challenges of today and tomorrow. Fugro's services are essential for the sustainable development and operation of large and complex infrastructure, industrial plants, buildings and natural resources.

For Fugro, 'how we do it' is equally important. We are committed to conducting our business safely, with the best people and in the most efficient way, using innovation for continuously improvement. and to minimise the impact on the environment, while remaining compliant with relevant rules and regulations.

The sustainability topics with the highest priority for our stakeholders and with the largest business impact, are at the centre of our sustainability approach.

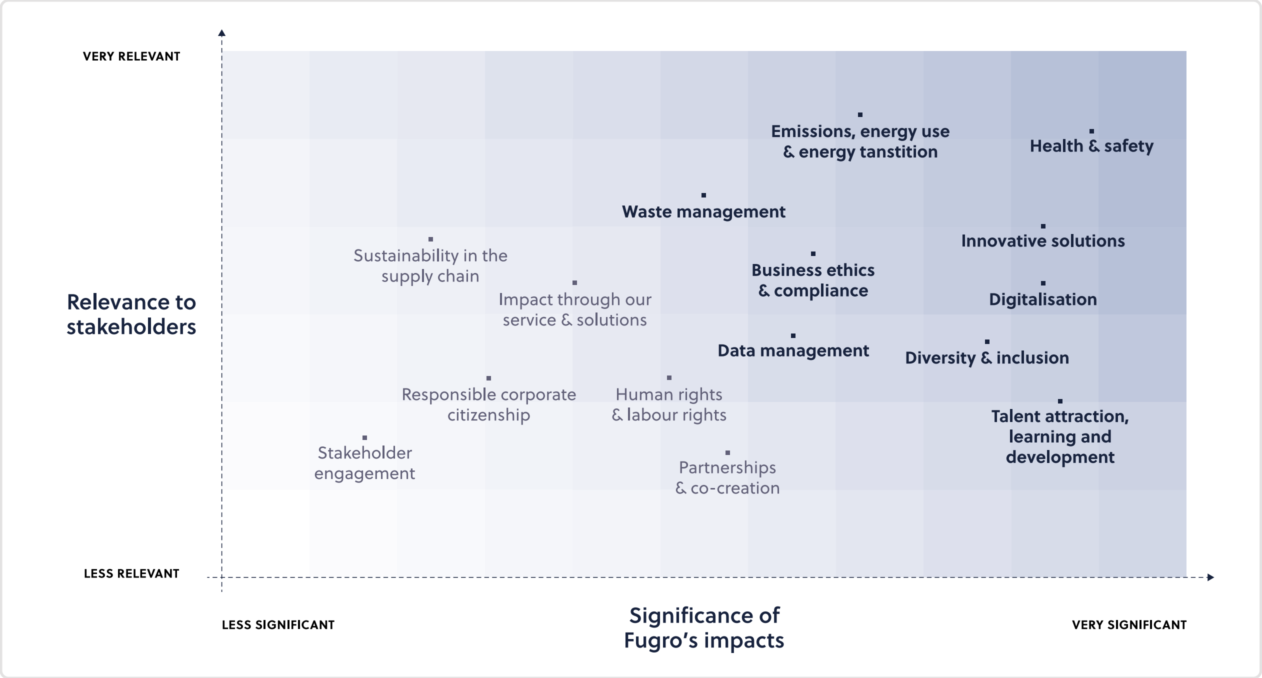
The GRI standards have been used as guidance. In addition, Fugro endorses the OECD Guidelines for Multinational Enterprises.

Sustainability framework

Following a materiality assessment performed in 2016, in 2019 Fugro undertook a full review of this assessment to ensure alignment of our material topics with global trends and developments and our Path to Profitable Growth strategy. The materiality assessment focuses on those topics that are most relevant or impactful for both the company and its stakeholders, covering social, environmental and compliance related topics.

Working from a long list of close to 300 topics, a shortlist was created following an analysis of our previous shortlist, relevant standards and guidelines (GRI, ISO, UN Global Compact, OECD, SDG's, etc), various trend reports and peer analysis. This shortlist was used for further discussions with internal and external stakeholders to assess their views on Fugro's impact and to find out which subjects are important for our stakeholders. The outcome is the materiality matrix presented below.

Fugro's materiality matrix



"For Fugro, sustainable business means that we **continuously rethink what we do** and **how we do it**"

The resulting nine material topics are broadly in line with our previous topics, but in response to global trends and Fugro's in 2018 updated strategy, we decided on the addition of new topics such as waste management, digitalisation, and data management. These topics fully support Fugro's business objectives and our purpose, and are integrated into our decision making and reporting. The sustainability framework reinforces both the implementation of our strategy and our contribution to a number of key UN Sustainable Development Goals as described further on in this report.

In 2019, progress on sustainability was focused on a number of key topics. From an engagement perspective with our stakeholders, we further developed common understanding around sustainability in the company through information sharing on our internal webpages and Yammer, workshops with staff, through global webinars for all employees and focused discussions with key business stakeholders. Our sustainability objectives and programs have become a key topic in our discussions with clients and investors and other external stakeholders.

Together with the Board of Management and Executive Leadership Team, clear mid-term targets were set, related to a reduction of our CO_2 emissions, energy efficiency and significant reduction of singe use plastics. See 'Group performance – environmental' for details. Strong support for global initiatives such as Seabed2030 and the UN Decade for Ocean Science continued.

The review of our material topics has created further focus on objectives and related programs aligned with global trends and our strategic objectives as is shown in the sustainability framework below. This has also driven further standardisation of data collection and participation in global rankings and benchmarks.

Safety and compliance

Safety is key to all our operations. Fugro is committed to providing a safe and secure workplace for all employees, subcontractors and clients. We firmly believe that incidents can be prevented by identifying and managing health and safety risks arising from our activities. Management is accountable for training of employees and a proactive approach, embedding appropriate safety standards and practices in operations and workforce behaviours.

Fugro's global presence exposes the company to regional and local laws, regulations, customs and practices, in at times, challenging political and economic environments. We are committed to adhering to applicable laws and regulations and the expectations of society at large, and to conducting business in a responsible manner. To ensure this, appropriate procedures and training are in place and we stimulate a culture that drives this commitment and adherence to our Code of Conduct throughout the organisation.

People

People are Fugro's strength and future and therefore recruiting, developing, retaining and engaging a diverse pool of talent is key. We work continually to develop our people by supporting the further development of their skills and talents and enhancing their knowledge.

Fugro is an equal opportunity employer that values and promotes diversity and treats everyone with integrity and respect, irrespective of gender, age, race, religion or background. The company promotes a strong local presence and our office locations in 61 countries are predominantly staffed with local people, from over 100 nationalities.

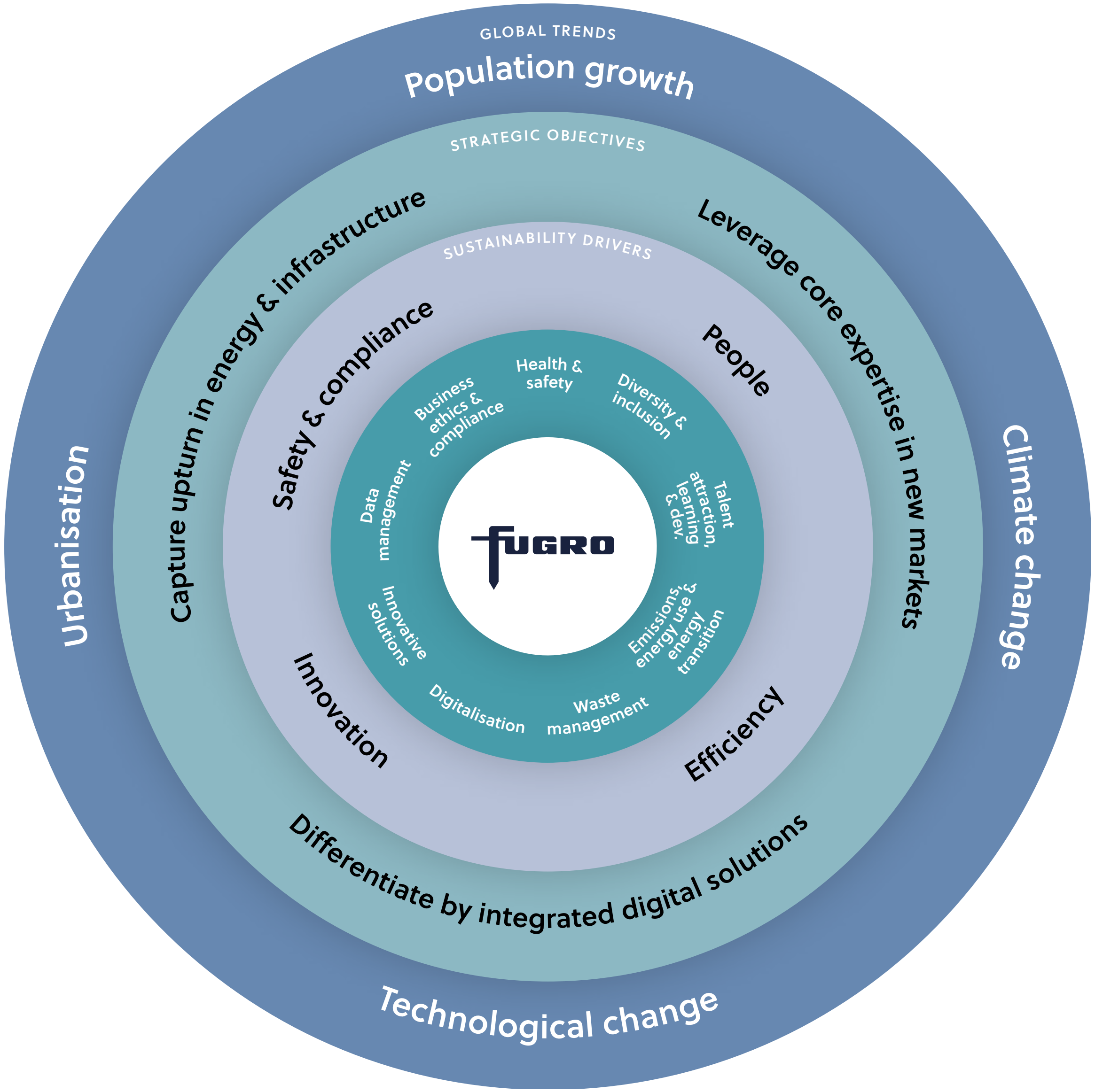
Efficiency

Driven by our objective to reduce our impact on the environment and meet global climate change objectives, our focus on the energy transition relates to both the solutions that we provide, and the way in which we operate.

We are focused on the reduction of our environmental footprint though our operations, minimising CO_2 emissions and reducing waste, especially single use plastics. Dedicated programs are established to reduce the CO_2 footprint of our vessels and other larger assets, amongst others by increasingly using lightly crewed vessels and remote services.

We are a key solutions provider for most of the offshore wind parks currently under development globally.

Fugro's sustainability framework



Innovation

We provide financial and non-financial resources to identify and create new processes, ideas and solutions that contribute to sustainable development, for example through disruptive technologies, eco-design and energy efficiency.

We deploy information technology to improve the quality, availability and accessibility of Geo-data and other Fugro services, while using safe and secure IT and data-management services, internally as well as for our clients.

United Nations sustainable development goals

The United Nations Sustainable Development Goals (SDGs) are a universal call for action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. Of the 17 interconnected SDGs, our solutions and services for the energy and infrastructure markets are directly aligned with three Sustainable Development Goals. In addition, we apply our knowledge and resources to help other areas of development: Life below water and life on land.

Following our updated materiality assessment, all sub targets of the SDGs were evaluated and we have decided to focus on 5 of the 17 SDGs where we consider Fugro's contribution most meaningful.

Fugro contributes to five United Nations sustainable development goals

Ensure access to affordable, reliable, sustainable and modern energy for all. Fugro provides site characterisation services for the development of a variety of clean energy resources, most notably for offshore windfarms, worldwide. And although the energy transition is gathering pace, fossil fuels will remain an important part of the energy mix for years to come. Our sustainable and innovative solutions enable clients to develop vital fossil resources in a safe and responsible way, reducing their CO_2 footprint and mitigating risks. In addition, Fugro focuses on reducing its own carbon footprint, most notably from its vessels, through a variety of innovations and programmes.

Build resilient infrastructure, promote sustainable industrialisation and foster innovation.

Make cities inclusive, safe, resilient and sustainable.

Fugro's site characterisation and asset integrity solutions ensure the safe and sustainable development and management of a variety of infrastructure assets. Fugro also contributes its expertise of subsurface conditions to infrastructure development and coastal protection initiatives to protect cities and communities from flooding, and offers a comprehensive approach to water resources management. With our wealth of specialist resources and digital solutions we can readily support projects in areas of seismic activity, extreme weather, environmental sensitivity or urban or industrial complexity, and deliver the data, analysis and advice needed to improve sustainable asset design and performance.
Fugro actively partners with governments, industry, research and development institutes globally and participates in standard setting organisations.

Conserve and sustainably use the oceans, seas and marine resources. Fugro is active in mapping coastal areas of vulnerable geographies including small islands. Fugro's environmental baseline studies determine the initial environmental status of projects, and enables the future monitoring of its impacts. Fugro's technologies help to identify and map oil seepage from abandoned well sites, and uses the same technologies to help reduce the footprint of exploration activities. Fugro also supports the development of coastal and marine areas by actively contributing to Seabed 2030, a programme aimed at a complete mapping of the ocean floor for scientific, environmental and economic benefits. Fugro is a recognised private ocean science partner in initiatives across UN, IHO and the IOC, including the UN Ocean Decade for Ocean Science.

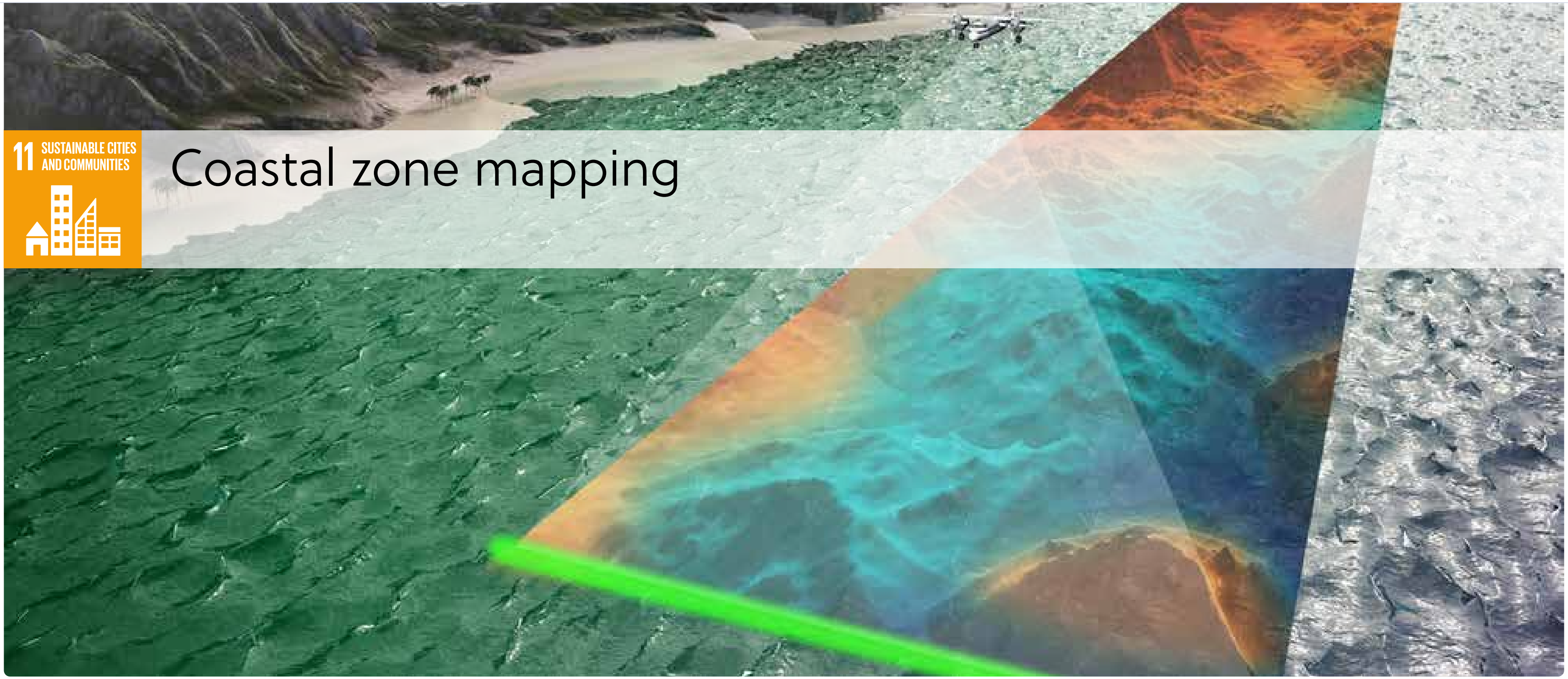
Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss. Fugro is actively involved in minimising the impact on terrestrial ecosystems and land degradation through flooding, through sustainable levee designs as well as our water management consultancy.
The need for sustainable management of forests and combatting desertification and halting biodiversity loss requires urgent attention to help minimise further global warming. In 2020, Fugro will further asses how it will help programs to assist sustainable management of forests and combatting desertification and halting biodiversity loss using our extensive know-how in areal imagery and by actively supporting project for re-greening degraded lands.

Sustainability organisation and reporting

Fugro's policies, performance and ambitions regarding its material topics are addressed in the chapter 'Group performance – social, environmental and compliance'. At Board of Management level, sustainability is part of the portfolio of the CEO. The Global Director Safety & Sustainability coordinates the groupwide development and implementation of the sustainability framework and reports directly to the CEO. The relevant topics are managed and monitored by the appropriate corporate directors; primarily the Global Director Human Resources, General Counsel and Chief Compliance Officer and Global Director Safety & Sustainability. Fugro's business entities are responsible for local implementation of relevant practices within its policy framework set by the Board of Management and the Executive Leadership Team.

Many sustainability topics have been embedded in Fugro's policies and reporting, and new topics that make business sense will be adopted and integrated into the way we work, and reported upon, as they emerge.

The sustainability performance data have mainly been obtained from Fugro's global consolidation and management reporting systems. Seabed Geosolutions is not included in the sustainability performance data, as this is an asset held for sale. While significant steps have been taken during the year, for certain of the non-financial indicators there is not yet sufficient comparable data available on previous years.
The maturity of our non-financial performance reporting will continue to grow further over time.



Coastal zone mapping

Governments around the world are investing in coastal zone management, taking into account the potential impacts of climate change and rising sea-levels. Fugro supports these efforts with comprehensive coastal zone mapping solutions.

Fugro's rapid airborne multibeam mapping system (RAMMS) is a key component of our coastal zone mapping solutions. Fugro RAMMS is a digital 3D mapping method that uses lasers to provide high accuracy, high resolution bathymetry data over nearshore and coastal environments. The small sensor makes it possible to acquire data using small and efficient aircraft, fewer crew, and thus, less fuel.

The multibeam lidar is easy to integrate with other remote sensing technologies. Fugro will further expand its capacity to answer the growing need for coastal zone mapping across the globe.

Fugro RAMMS results in up to **80%** reduction in carbon footprint compared to conventional mapping technologies

Recent studies predict that by 2050 rising sea levels pose a threat to homes of **300 million** people worldwide

Mid-term financial outlook

Based on the global and market trends as described in the Strategy chapter, we expect revenue from continuing operations of EUR 1.8–2.2 billion for the mid-term (2021–2023).

The implementation of our strategy will drive substantial improvements in profitability and cash flow generation, resulting in the following targets:

Mid-term targets (2021 – 2023)

	ROCE	EBIT (% of revenue)	Free cash flow (% of revenue)
Group	10–15%	8–12%	4–7%
Marine	> 10%	10–13%	
Land	> 10%	6–9%	

Drivers for the projected improvement in profitability are:

- Volume growth in combination with continued disciplined cost management, benefiting from operating leverage
- Price recovery, driven to a large extent by the oil and gas and renewables markets
- Improved productivity and operational excellence through:
  - Fully leveraging technology developments
  - Increasing efficiencies of transactional and businesses processes through digitalisation
  - Strengthening procurement
  - Increasing utilisation of assets and equipment
  - Further leveraging of the shared service centres.

Regarding capital allocation, Fugro prioritises deleveraging, reduction of net debt and free cash flow generation. In light of Fugro's current asset base and less capital intensive business model going forward, Fugro expects average annual capital expenditure of around EUR 80 to 110 million to support profitable organic growth (excluding Seabed Geosolutions; EUR 100 to 130 million including Seabed).

As a result of the projected result improvement and disciplined capital allocation including selective technology differentiating acquisitions and divestment of non-core assets, Fugro targets to generate positive free cash flow and significantly reduce total debt, deleveraging to a net debt/EBITDA ratio below 1.5x in the medium term, targeting a solid balance sheet through the cycle. Dividend payments will only be resumed once leverage allows.

Group performance

FINANCIAL

Key figures

from continuing operations unless otherwise indicated

(x EUR million)	2019	pro-forma 2019[1]	2018[2]
Revenue	1,631.3		1,552.8
comparable growth[3]	*2.7%*		*18.3%*
Adjusted EBITDA[4]	184.9	150.6	120.4
Adjusted EBIT[4]	68.0	64.3	29.5
Adjusted EBIT margin[4]	4.2%	3.9%	1.9%
EBIT	25.6	21.9	23.8
Net result[6]	(39.6)	(32.1)	(38.9)
Net result incl. discontinued operations[6]	(108.5)	(102.3)	(51.1)
Backlog next 12 months	1,011.1		902.2
comparable growth[3]	*9.9%*		*10.0%*
Cash flow operating activities after investing	58.3	34.2	(21.2)
Cash flow operating activities after investing incl. discontinued operations	22.8	(2.9)	(33.4)
Net debt/EBITDA[5]	1.9		2.2

1 Excluding impact of implementation of IFRS 16.
2 Figures have been adjusted to reflect Seabed Geosolutions as held for sale (discontinued).
3 Corrected for currency effect and the divestment of the marine construction & installation activities in 2017.
4 Adjusted for onerous contract provisions, restructuring cost, impairment losses, and costs related to the Southern Star arbitration.
5 Covenant calculation includes Seabed Geosolutions.
6 Attributable to the owners of the company.

Comparable revenue of Fugro's core business increased by 2.7%. Comparable revenue growth in the marine business was strong at 5.7%, on top of the exceptionally strong increase last year. This growth was driven by site characterisation for offshore wind farms and hydrography, especially in Europe-Africa and Americas. Revenue of the land business was down due to specific circumstances in Hong Kong, certain countries in the Middle East and the UK, countries where Fugro traditionally does well.

Adjusted EBITDA amounted to EUR 184.9 million and showed a significant improvement, also excluding the EUR 34.3 million effect of the implementation of IFRS 16. Marine performed significantly better, benefitting from operating leverage as a result of higher activity levels, better pricing and disciplined cost management. Fugro is implementing restructuring measures to improve profitability of the land business.

Net result of the core business, adjusted for specific items of EUR 42.4 million, was positive. The specific items include the earlier announced EUR 24.1 million Southern Star arbitration outcome, related legal costs of EUR 5.9 million and various other items. Last year, the specific items amounted to EUR 5.7 million.

Net result from discontinued operations (predominantly Seabed Geosolutions) amounted to a loss of EUR 68.9 million. This was mostly related to a EUR 76.2 million impairment (of which EUR 61.4 million was in the first half year), execution issues on three projects in the first half year, and under-utilisation of one crew in the fourth quarter. In the fourth quarter, Fugro entered into an agreement to acquire CGG's 40% shareholding in Seabed and to terminate the Seabed joint venture agreement in exchange for a cash consideration of EUR 31.3 million to Fugro. A gain amounting to EUR 9.8 million was recorded as specific item in discontinued operations, while the remainder was accounted for in equity.

Cash flow from operating activities after investing from continuing operations of EUR 58.3 million includes EUR 24.1 million related to the implementation of IFRS 16 and excludes the EUR 31.3 million payment from CGG. Cash flow was positively impacted by improved profitability and disciplined working capital management, partially offset by higher capital expenditures.

Net debt at the end of 2019 including Seabed Geosolutions was EUR 666.3 million including EUR 163.0 million impact from the implementation of IFRS 16. Excluding the impact of IFRS 16, net debt remained stable at EUR 503.3 million compared to EUR 505.5 million at the end of 2018. Driven by the improvement in EBITDA, net debt/EBITDA improved to 1.9 at the end of 2019 compared to 2.2 at the end of 2018.

In January 2020, the sale of Global Marine, in which Fugro holds a 23.6% stake, was announced. The majority of Fugro's share of the net proceeds of approximately USD 73 million in total, is expected to be received in the first quarter of 2020. The proceeds will be utilised to reduce Fugro's debt position.

REVIEW BY BUSINESS

Marine

Key figures, adjusted[1]

(x EUR million)	2019	pro forma 2019[2]	2018
Revenue	1,171.6		1,085.9
comparable growth[3]	*5.7%*		*27.4%*
EBITDA	160.0	135.4	92.1
EBIT	66.5	63.7	19.5
EBIT margin	5.7%	5.4%	1.8%
Backlog next 12 months	704.0		618.8
comparable growth[3]	*11.6%*		*13.6%*
Capital employed	869.1	872.3	852.5

1 EBIT(DA) adjusted for specific items; previously called 'EBIT(DA) excluding exceptional items'.
2 Excluding impact of implementation of IFRS 16.
3 Corrected for currency effect and the divestment of the marine construction & installation activities in 2017.

- With 5.7%, revenue growth marine activity was strong, on top of the exceptionally strong increase last year, driven by site characterisation activities for offshore wind farms and hydrography, especially in Europe-Africa and Americas. Marine asset integrity revenue decreased slightly, despite good growth in three of the four regions, as a result of the rationalisation of the business line in Asia Pacific. Vessel utilisation was 72%, in line with last year's 73%, combined with an increase in seasonal charters.
- Higher activity levels, better pricing and disciplined cost management resulted in strongly improved margins. The rationalisation measures in the asset integrity business in Asia Pacific have paid off with margins improving from break-even to mid-single digit. In the comparable period last year, EBIT of marine included a one-off positive effect of EUR 5.1 million, mainly due to changing the Dutch pension to a defined contribution plan.
- The 12 month backlog is up, both in site characterisation and asset integrity.

Land

Key figures, adjusted[1]

(x EUR million)	2019	pro forma 2019[2]	2018
Revenue	459.7		466.9
comparable growth[3]	*(3.8%)*		*1.5%*
EBITDA	24.9	15.2	28.3
EBIT	1.5	0.6	10.0
EBIT margin	0.3%	0.1%	2.1%
Backlog next 12 months	307.1		283.4
comparable growth[3]	*6.3%*		*2.7%*
Capital employed	227.8	228.1	219.9

1 EBIT(DA) adjusted for specific items; previously called 'EBIT(DA) excluding exceptional items'.
2 Excluding impact of implementation of IFRS 16.
3 Corrected for currency effect.

- Asset integrity revenues increased slightly, while site characterisation revenue was down, related to specific circumstances in Hong Kong, certain countries in the Middle East and the UK. Restructuring aimed at closing down underperforming activities also impacted revenues.
- Site characterisation margin was below last year in line with revenue development, whilst asset integrity results improved marginally to around break-even. To improve profitability, Fugro has stepped up restructuring efforts to address low margin services in a number of countries. In the comparable period last year, EBIT included a one-off positive effect of EUR 2.7 million, mainly due to changing the Dutch pension to a defined contribution plan.

- Site characterisation backlog is up strongly, while asset integrity shows a slight decline.

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 Fugro's continuing operations.

Key figures, adjusted[1]

(x EUR million)	2019	pro forma 2019[2]	2018
Revenue	135.6		97.2
comparable growth[3]	*31.7%*		*35.7%*
EBITDA	(10.9)	(12.8)	(2.6)
EBIT	(20.5)	(22.0)	(16.4)
EBIT margin	(15.1%)	(16.2%)	(16.9%)
Backlog next 12 months	110.1		139.3
comparable growth[3]	*(22.7%)*		*27.9%*
Capital employed	86.1		135.5

1 EBIT(DA) adjusted for specific items; previously called 'EBIT(DA) excluding exceptional items'.
2 Excluding impact of implementation of IFRS 16.
3 Corrected for currency effect.

- Up to four crews were active during the year. The shallow water crew was working until July and has since been demobilised and the ocean bottom cables have been sold. The first Manta® crew was occupied on the Buzios survey in Brazil until early in the fourth quarter before being repositioned to the Gulf of Mexico where it started a new project in December. After two projects in the Gulf of Mexico, the Case Abyss crew executed a project in West-Africa from August until November, and has since started on a new project in the Gulf of Mexico. The second Manta® crew, operating in partnership with Argas, started on the S-79 project in Saudi Arabia in July.

- As previously disclosed, in the first half of the year, EBIT was severely impacted by execution issues on three projects and the delayed start on the S-79 project. In the second half year, operational performance improved with good execution on projects in West-Africa and the Gulf of Mexico, though results were impacted by under-utilisation of the Case Abyss crew in the fourth quarter. All in all, results in the second half year were significantly better compared to both the second half of 2018 and the first half of 2019. Last year's second half results included a EUR 5.2 million positive one-off in relation to the sale of spare cables, while the second half of 2019 was positively impacted by around EUR 10 million as depreciation stopped as a result of 'held for sale' accounting.
- The decline in capital employed was mostly related to the non-cash impairment of EUR 76.2 million.
- In December 2019, Fugro entered into an agreement to acquire CGG's 40% shareholding in Seabed Geosolutions and to terminate the joint venture agreement effective as of December 30, 2019, in exchange for a cash consideration of USD 35.0 million, which was paid by CGG before year-end 2019.
- The pipeline of potential projects remains solid with significant tendering and leads in key markets. In October, Seabed was awarded a new Manta® node deep water project in Brazil, which is due to start in the second quarter of 2020. The S-79 project will continue until at least the first quarter of 2021.

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. The energy transition which is needed to reduce CO_2 emissions and mitigate climate change, is a strong driver for Fugro's services, particularly in the offshore wind market.

Outlook 2020: Fugro will continue to deliver on its Path to Profitable Growth strategy, capturing market opportunities, driving margin improvement and sustained free cash flow. Capex for continuing operations will be around EUR 90 million.

HIGHLIGHTS INCOME STATEMENT – CONTINUING OPERATIONS

Result

(x EUR million)	2019	pro forma 2019[1]	2018
Adjusted EBITDA[2]	**184.9**	**150.6**	**120.4**
Depreciation	(113.9)	(83.3)	(87.4)
Amortisation	(3.0)	(3.0)	(3.5)
Adjusted EBIT[2]	**68.0**	**64.3**	**29.5**
Specific items on EBIT	(42.4)	(42.4)	(5.7)
EBIT	**25.6**	**21.9**	**23.8**
Net finance income/ (costs)	(57.8)	(46.6)	(51.6)
Share of profit/ (loss) in equity accounted investees	9.2	9.2	8.8
Income tax gain/ (expense)	(13.8)	(13.8)	(16.8)
(Gain)/ loss on non-controlling interests from continuing operations	(2.8)	(2.8)	(3.1)
Net result from continuing operations	**(39.6)**	**(32.1)**	**(38.9)**
Result from discontinued operations	(85.6)	(86.9)	(19.4)
(Gain)/ loss on non-controlling interests from discontinued operations	16.7	16.7	7.2
Net result including discontinued operations	**(108.5)**	**(102.3)**	**(51.1)**

1 Adjusted for the impact of the introduction of IFRS 16 per January 2019.
2 Previously called EBIT(DA) excluding exceptional items.

Depreciation and amortisation

Depreciation expenses increased by EUR 26.5 million, which was primarily driven by the implementation of IFRS 16, as a result of which operating lease expense, which was recognised under the previous standard, was replaced by service costs, depreciation and interest expense.

Specific items

Specific items (previously called exceptional items) related to the EUR 24.1 million Southern Star arbitration outcome, EUR 5.9 million related legal costs (both in marine Asia Pacific), various restructuring costs (EUR 7.0 million) and onerous contract charges (EUR 2.1 million).

Net finance costs

Finance income/(costs)

(x EUR million)	2019	pro forma 2019[1]	2018
Finance income	3.9	3.9	6.2
Interest expenses	(52.1)	(41.2)	(39.6)
Exchange rate variances	(9.6)	(9.5)	(18.2)
Finance expenses	(61.7)	(50.7)	(57.8)
Net finance costs from continuing operations	**(57.8)**	**(46.6)**	**(51.6)**
Net finance costs from discontinued operations	(1.1)	(1.1)	(1.1)

1 Adjusted for the impact of the introduction of IFRS 16 per January 2019.

Finance income decreased by EUR 2.2 million to EUR 4.0 million primarily as a result of lower interest income on outstanding bank balances and repayment of the Global Marine Holdings vendor loan in 2018.

Finance expenses increased by EUR 3.9 million or 6.7% to EUR 61.7 million as a result of the EUR 11.0 million impact of the implementation of IFRS 16 and higher average net debt over the period, partly offset by the lower average interest rates and an exchange rate impact which decreased from negative EUR 18.2 million to negative EUR 9.6 million in 2019. The negative exchange rate variances in both years were mainly the result of the devaluation of the Angolan Kwanza.

Share of profit/ (loss) of equity accounted investees

The share of profit of equity-accounted investees was EUR 9.2 million compared to EUR 8.8 million in 2018. It mainly comprises the results of joint ventures, including the joint venture with China Oilfield Services Limited, and Fugro's interest in Global Marine Holdings.

Income tax gain/ (expense)

The income tax expense decrease was mainly driven by taxable profits in certain countries and the recognition of previously unrecognised deferred tax losses.

The decrease of EUR 3.0 million or 17.9% decrease was mainly driven by changes in geographical composition of taxable income and the recognition of deferred tax assets related to certain previously unrecognised tax losses.

(Gain)/loss on non-controlling interests from continuing operations

The EUR 2.8 million gain was attributable to non-controlling interest mainly consists of the profit of a subsidiary in the Middle East.

Result from discontinued operations

Net result from discontinued operations amounted to a loss of EUR 68.9 million. In the first half of the year, EBIT was severely impacted by execution issues on three projects, leading to a significant negative operational result. In addition, result was affected by a EUR 76.2 million impairment, only partly offset by a gain of EUR 9.8 million on the transaction with CGG.

The impairment of EUR 76.2 million relates to goodwill (EUR 65.4 million) and other non-current assets. In the first half of the year, the majority of the goodwill, EUR 61.4 million, had already been impaired. These impairments relate to the estimation of the recoverable amount of Seabed Geosolutions to fair value less cost of disposal.

In December 2019, Fugro entered into an agreement to acquire CGG's 40% shareholding in Seabed Geosolutions and to terminate the joint venture agreement effective 30 December 2019, in exchange for a cash consideration of EUR 31.3 million, paid by CGG before year-end 2019. A gain amounting to EUR 9.8 million was recorded as specific item in discontinued operations, while the remainder was accounted for in equity.

HIGHLIGHTS BALANCE SHEET AND CASH FLOW – FROM CONTINUING OPERATIONS

Working capital

(x EUR million)	2019	pro forma 2019[1]	2018[2]
Working capital from continuing operations	154.1	155.8	190.6
Working capital as % of last 12 months revenue	9.5%	9.6%	11.6%
Inventories	29.7	29.7	29.3
Trade and other receivables	485.7	487.5	537.4
Trade and other payables	(361.3)	(361.4)	(376.1)
Days revenue outstanding (DRO)	88	88	86
Working capital from discontinued operations	(0.7)	(0.8)	–

1 Adjusted for the impact of the introduction of IFRS 16 per January 2019.
2 2018 figures are as reported and have not been restated to reflect Seabed as discontinued operations.

Working capital as a percentage of 12 months rolling revenue was 9.5% at the end of 2019 compared to 11.6% a year ago, reflecting timely billing and good collection of receivables in addition to the impact of the outcome of the Southern Star arbitration, which was recorded as a payable (amount was paid in January). Days of revenue outstanding was 88 days, compared to 86 last year.

Capital expenditure

(x EUR million)	2019	2018
Maintenance capex	41.3	25.2
Other capex (including fixed assets under construction)	41.8	36.1
Capex from continuing operations	**83.1**	**61.3**
Capex from discontinued operations	23.1	11.4

Capital expenditure from continuing operations increased from EUR 61.3 million to EUR 83.1 million, as a result of higher activity levels and delayed capital expenditures that moved from 2018 to 2019 as a result of unexpected high activity in the fourth quarter of 2018.

Return on capital employed

Capital employed

(x EUR million)	2019	pro forma 2019	2018
Capital employed[1]	1,096.9	1,100.4	1,207.9
Return on capital employed, ROCE (%)[1,2]	5.0%	–	0.2%

[1] 2018 figures are as reported and have not been restated to reflect Seabed as discontinued operations.
[2] ROCE is calculated excluding exceptional items with NOPAT of the last 12 months (applying domestic weighted average tax rate) divided by capital employed (average of last three reporting periods).

Total capital employed decreased by EUR 111.0 million or 9.2% to EUR 1,096.9 million, primarily due to recognition of an impairment loss on Seabed of EUR 76.2 million and reduced level of working capital reflecting timely billing and good collection of receivables.

Cash flow from continuing operations

Cash flow

(x EUR million)	2019	pro forma 2019[1]	2018
Cash flow from operating activities	128.0	103.9	14.9
Cash flow from investing activities	(69.7)	(69.7)	(36.1)
Cash flow from operating activities after investing	58.3	34.2	(21.2)
Cash flow from financing activities	(114.9)	(90.8)	54.0
Net cash movement	**(56.6)**	**(56.6)**	**32.8**

[1] Adjusted for the impact of the introduction of IFRS 16 per January 2019.

Cash flow generated from operating activities improved significantly as a result of higher profitability, disciplined working capital management and the impact of the adoption of IFRS16. The increase in cash flow used in investing activities was primarily related to higher capital expenditures, up from a relatively low level in 2018.

Cash flow from financing activities was an outflow of EUR 114.9 million compared to an inflow of EUR 54.0 million in 2018, mainly as a result of repayments of debt, financing of Seabed Geosolutions and the lease liability repayment driven by the adoption of IFRS 16.

Cash flow from discontinued operations

Cash flow

(x EUR million)	2019	pro forma 2019[1]	2018
Cash flow from operating activities	(16.4)	(14.8)	(2.2)
Cash flow from investing activities	(19.1)	(19.1)	(9.9)
Cash flow from operating activities after investing	(35.5)	(33.9)	(12.1)
Cash flow from financing activities	66.9	65.3	10.6
Net cash movement	**31.4**	**31.4**	**(1.5)**

1 Adjusted for the impact of the introduction of IFRS 16 per January 2019.

The net cash movement from discontinued operations amounted to EUR 31.4 million as a result of lower profitability, higher capex, additional funding from Fugro and the EUR 31.3 million transaction related to the acquisition of CGG's 40% shareholding in Seabed Geosolutions.

Net debt

Net debt at the end of 2019 was EUR 666.3 million including Seabed Geosolutions and including EUR 163.0 million impact from the implementation of IFRS 16. Excluding the impact of IFRS 16, net debt remained stable at EUR 503.3 million compared to EUR 505.5 million at the end of 2018. Excluding Seabed Geosolutions and including the impact of IFRS 16, net debt was EUR 646.6 million at the end of 2019.

SOCIAL

HEALTH & SAFETY

Fugro is committed to providing a safe working place to its employees, contractors and clients, and focusing on health and safety is an integral part of Fugro's operational management. Fugro firmly believes that incidents can be prevented and has therefore implemented an organisation-wide health, safety, security and environment (HSSE) management system, which defines Fugro's global objectives, standards and policies. Fugro continuously reviews potential areas of improvement and ensures thorough evaluation of every incident; all lost time incidents and high potential incidents are reviewed by a member of the Board of Management.

Fugro promotes visible leadership and a sense of responsibility throughout the organisation, in particular with respect to safety. Senior managers set and implement the relevant policies and procedures, decide on organisational objectives and priorities, and lead by example. At the same time, every employee is personally responsible for their own, and their co-workers', safety and is authorised to speak up and 'stop the job' if they feel a situation is unsafe.

Unfortunately, 2019 had a tragic start in January when five Fugro colleagues were involved in the Brumadinho tailings dam collapse in Brazil. Four colleagues sadly lost their lives and our thoughts remain with their family, friends and colleagues. While the investigations have confirmed that Fugro's activities did not play a role in the incident, an enhanced risk assessment process and associated operational procedures for safe working on and around tailings dams were immediately implemented.

Key activities in 2019 included:
- A worldwide safety culture survey, aimed at understanding the company's safety culture, sharing best practices, and learning from opportunities for

improvement. With a very high response rate of over 80%, the outcome is used to further shape Fugro's HSSE strategy and roadmap. It confirmed that employees acknowledge that Fugro is a safety-conscious organisation and have a widely shared belief that injuries can be prevented, and highlighted a shared concern around mental health challenges, coupled with increased workloads and stress

- Following the outcome of the safety culture survey, and the HR employee engagement survey conducted later in the year, a global employee assistance programme was rolled out to help create awareness and provide 24/7 support for mental-health-related issues. Two Fugro colleagues, who are mental health campaigners and also experienced cyclists, completed a 1750 kilometre 'Ride for Health' ride to raise awareness of this topic by visiting Fugro offices in the UK, France, Belgium, the Netherlands and Germany
- Fugro has committed to joining an industry-wide harmonisation initiative to standardise HSSE rules and will transition early 2020 from its Golden Rules of HSSE towards the IOGP's Nine Life-Saving Rules. These will be complemented with specific Fugro HSSE rules where needed
- A number of new corporate HSSE standards were published covering onshore accommodation, HSSE monitoring and performance, and minimum requirements for crewed diving operations
- Fugro continued with its safety leadership programme in all its operations, which aims to enable everyone to become a safety leader in their own workplace. It involves a suite of seven easy-to-use tools to further support the safety culture on worksites by encouraging peer-to-peer discussions between staff, and engagement and personal ownership of safety on the worksite in both land and marine environments.

In 2019, with a lost time injury frequency of 0.68 per million staff hours worked, Fugro's incident rates were slightly higher than in 2018. This reflects a higher activity level in the marine business after a number of years of slowdown, combined with necessary staff reductions, resulting in the hiring and training of new staff at all levels of the organisation in the year under review.

Fugro's objective is to achieve safety indicators which are at least in line with the benchmark for the sectors in which it operates. The target for the lost time injury frequency indicator is below 0.3 per million staff hours worked. For Fugro, this is a high bar, as a large number of its personnel work in general civil construction, where safety standards are often lower than in the oil and gas or renewables industries. All Fugro operations are performed in accordance with ISO 9001, and ISO 45001/OHSAS 18001, or equivalent certifications.

To continuously improve safety performance, it is essential that not only lagging but also leading safety metrics are monitored. The leading indicator of 'senior management site visits' further improved in 2019.

The number of completion of managing safely in Fugro (MSiF) 3-day classroom course for (middle-) management and supervisors accredited by the UK Institution of Occupational Safety and Health, declined in 2019, which is a logical consequence of the fact that in 2018, the initial roll out was completed. As of 2019, only new managers and supervisors will follow this training, which is now a mandatory requirement for them.

Safety performance metrics

	Lagging Indicators				Leading Indicators
	Lost time injury frequency (x million hours)	Total recordable case frequency (x million hours)	Total lost work days	Senior management project and site visits	Completed 'Managing safely in Fugro' courses
2016	0.67	1.89	403	373	565
2017	0.66	1.68	502	552	274
2018	0.46	1.56	362	808	393
2019	0.68	1.58	691	987	101

While Fugro's HSSE efforts over the years have been effective, in recent years the rate of improvement has stagnated, in line with the industry-wide trend. Together with industry partners and key clients, this is being discussed in various industry sector organisations. Fugro is working closely with key clients to harmonise and standardise applied standards, approaches and efforts related to safety in the workplace, with the aforementioned introduction of Nine Life-Saving Rules as an example.

Fugro's commitment to health and safety and Fugro's performance continues to be recognised by external organisations, as evidenced by the various awards and client recognitions that Fugro and its employees received in 2019:

- In Pinhais, Brazil, Fugro received the Transpetro Award as an example of good health and safety practices in 2019
- Fugro Marine in Aberdeen, UK, received the British Royal Society for the Prevention of Accidents (ROSPA) order of distinction for outstanding performance in health and safety at work over a period of 22 years. Fugro's land and nearshore activities in the UK received a ROSPA president's award for the same over 11 years
- In the United Arab Emirates (UAE) and Oman, Fugro received recognition from Shell Gas and Power Developments and Royal Haskoning for its proactive HSSE performance, collaboration and project delivery on the Duqm GTL Plant Project
- In the UAE, Fugro was presented with a safety excellence award by TechnipFMC and Dubai Petroleum for the achievement of 1.2 million safe work hours on the saturation and air diving campaign associated with the Rashid D offshore development project in Dubai
- Fugro Qatar was awarded a certificate of appreciation by Chiyoda Almana and Qatar Gas for its overall HSSE performance on the geotechnical and geophysical investigation associated with the North Field Expansion Project, and was presented with two certificates for achieving high scores in the Qatar Petroleum 7-Star audit programme
- ENI presented Fugro Pakistan with an award for the implementation of their HSE pledge
- Fugro Malaysia was presented a safety award by Petronas Carigali for achieving the zero target (for fatality, lost time injury, major fire, and major loss of primary containment incidents) in 2018, and an award by Shell Malaysia Geomatics Operations for operating 27 years without lost time injuries
- Fugro's activities in Hong Kong received merit awards from the Development Bureau and Construction Industrial Council of the local government for a considerate construction site and for model frontline supervisor, and a gold award for model subcontractor
- China Light and Power Co Ltd awarded Fugro in Hong Kong a Safety Workers award.

TALENT ATTRACTION, LEARNING AND DEVELOPMENT

Fugro is as good as the people it employs. An engaged and skilled workforce is crucial to the success of Fugro. To monitor staff engagement, in 2019 almost 70% of employees participated in the first group-wide employee engagement survey. Fugro employees rated Fugro 7.3 on a scale of 10. Even though this is in line with various benchmarks, Fugro's management is committed to improve this rating in the coming years. Managers and their teams have discussed results from this survey and identified areas of improvement for their teams.

Learning and development continues to be an area of strong focus for Fugro, aiding in attracting, developing and retaining skilled staff in a tight labour market. Throughout the year, Fugro continued to provide and expand upon the broad offering of training courses and programmes established over the years, covering the range of technical, safety, professional and interpersonal skills that Fugro staff need for their work and professional development.

In the year under review, Fugro's cloud-based human resources system (Workday) was expanded with a cloud-based learning platform delivering online

content, as well as with instructor-led training such as webinars and classroom training. Workday also makes the LinkedIn Learning library available to all staff to complement the large catalogue of Fugro-specific training. Employees receive recommendations that support their learning and development, based on their career interests and the training that others in similar roles have completed.

Fugro Academy statistics

	Number of enrolments	Number of completed courses
2016	59,659	59,654
2017	77,136	75,766
2018	82,511	81,021
2019	50,832	39,596

The lower number of training enrolments in 2019 is explained by the changes in our enrolment system during the summer. Furthermore, Fugro did not instigate any company-wide mandatory training in 2019, such as the 2018 code of conduct awareness campaign, and the 2017 Golden Rules of HSSE reinforcement campaign.

As part of Fugro's commitment to local knowledge development, Fugro maintained its relationship with the Marine Technology Centre of Excellence at the King Abdullah University of Science and Technology (KAUST) in Saudi Arabia via the remotely operated vehicle (ROV) training programme for research staff and students.

Fugro's leadership development programmes continued, with more than 50 employees going through the 'Growing' series of leadership programmes, taking overall completion to over 500 leaders and managers at various levels throughout the organisation. A second Leadership in Innovation programme was held and will be scaled up in 2020.

A series of new programmes aimed at staff working in marketing, sales and business development was launched, named the Commercial Excellence Programme. This is a multiyear learning and development project that initially targets 300 commercial professionals across Fugro, in close cooperation with regional and global strategic sales teams.

After the 2018 accreditation of Fugro's Applied Hydrographic Survey Programme Category B, this course was piloted in 2019 at the company's training facilities in Plymouth, UK. Over a 24-week period, delegates receive theoretical and classroom-based education and instruction, alongside the practical application of using hydrographic survey equipment and software operated from Fugro's survey training vessels.

During the year under review, in addition to its extensive training efforts, Fugro initiated a new global technical competence assessment and assurance process. This has been designed to meet, and in some cases exceed, the requirements of industry standards such as the IMCA guidelines for competence, ensuring Fugro's technical staff work safely and effectively on project assignments.

In 2019, Fugro's international talent programme continued. This programme, initiated in 2016, has to date led to the onboarding of a group of highly talented university graduates, some of whom have already joined Fugro's management ranks. In 2019, talent management was further expanded with the creation of a new talent programme, 'U.Gro', targeting a wider group of talented young people. It provides a state-of-the-art learning environment that challenges and enables them to immediately move forward in their careers. From 2020 onwards, every new Fugro employee with a bachelor's degree or higher and less than two years of work experience will automatically join the programme.

DIVERSITY AND INCLUSION

Fugro is committed to creating a healthy working environment in which everyone can use their full capabilities and achieve their personal and professional aspirations, by providing fair terms and conditions of employment and equal opportunity for all, in an environment where everybody feels at home. Recruitment, evaluation, promotion, development, and compensation decisions are based on qualifications, merit, and performance or business considerations.

Fugro strongly believes that when people feel accepted, included and valued, they are more engaged in their roles, work more collaboratively with colleagues, and deliver better outcomes for Fugro and its clients. Fugro's human rights policy formalises its responsibility under the Universal Declaration of Human Rights to respect human rights affected by its activities. The policy addresses principles such as diversity and non-discrimination, freedom of association, fair working hours, fair wages, protection of health and safety, no child labour and adequate grievance procedures. The company expects similar standards from third parties that work for Fugro, or on its behalf, in line with its supplier and partner code of business principles. Together with leading industry partners, Fugro is committed to the 'Building Responsibly Worker Welfare' principles. In addition, Fugro endorses the ILO international labour conventions and the OECD Guidelines for Multinational Enterprises.

In management functions, female representation in 2019 was 20% (2018: 19%). Although the aim is to stimulate diversity in the broadest sense, including in senior and mid management, there is a specific focus on attracting, retaining and advancing women at all levels of the organisation. At 21%, the overall female representation within the company was slightly higher than the year before. Fugro has set a target of 25% females in Fugro's workforce in 2025.

In 2019, Fugro launched a diversity and inclusion roadmap designed to support our aspiration to build a diverse talent pipeline and create a culture of fairness and inclusion. We also aim to improve diversity in senior management. To this end, we will improve succession planning for females within the talent pipeline and address unconscious gender bias among senior management to improve their awareness of the importance of diversity and inclusion.

Highlights in 2019 were:
- The definition of a diversity and inclusion ambition statement, focused on diversifying Fugro's talent pipeline and creating a culture of fairness and equality in line with the company's culture, policies and code of conduct
- The strengthening of Fugro's diversity focus in recruitment policies
- The pilot of a new female leadership programme
- Within the regions, several key appointments improved diversity at senior management level.

Gender diversity

	2019	2018	2017
Female	21%	20%	19%
Male	79%	80%	81%

LIVING WAGES

Fugro is committed to provide fair terms and conditions of employment, and equal opportunity, including payment of living wages for its employees and subcontractors. Living wage is a wage that provides employees with the necessary income to maintain an acceptable decent standard of living, for themselves and their dependants, based on geographical location and cost of living. Fugro respects local national statutory minimum wages.

Following an initial living wage assessment in 2018, a full living wage review was undertaken in 2019 using the data in Fugro's global human resources systems, comparing these with benchmark data provided by 'WageIndicator' and 'Asia Floor Wage'. For those countries where these benchmarks do not yet provide living wage data, where possible, an assessment was made using other available data and assessments by local human resources departments. In general, fair remuneration was applied and living wage minimums were respected. In a limited number of cases, where living wage minimums were not met, immediate action was taken.

Fugro will continue to review adherence to relevant benchmarks on an annual basis. It is expected that, in the coming years, living wage data will be available for more countries and also that, for more complex situations such as migrant workers, more relevant information will become available.

ENVIRONMENTAL

Fugro is committed to contributing to a better environment. Fugro actively strives to limit the impact of its own operations, as a minimum by complying with environmental regulations for all its operations, and by implementing solutions to reduce its environmental footprint. Fugro has strict group-wide guidelines for risk management, and incident prevention investigation and reporting. Fugro operates according to environmental standards. The requirements of ISO 14001 or similar have been integrated into almost all of Fugro's activities, providing practical tools to manage the company's environmental responsibilities. Compliance audits are carried out both internally and by external certification bodies and clients.

Fugro works as a service provider and consultant, and the impact of its operations is limited to the assets used for data acquisition, laboratories, transport and office environments. As Fugro does not own or operate any industrial assets or production facilities, its own operations have a relatively low impact on the environment. Fugro's carbon footprint principally comes from carbon dioxide emissions from its vessels, either owned or chartered, followed by road and air transport, and thereafter the running of office and laboratory environments.

INNOVATIVE SOLUTIONS

The increasing drive to reduce fossil fuel consumption and carbon emissions is leading to growing investments in renewable energy around the world. Fugro's innovations, technology, expertise and assets play an important role in the safe design and building of offshore wind farms. Growth in offshore wind is strong and has global reach, as demonstrated by the large number of projects Fugro worked on during the past year in Europe, the US, and Asian countries such as Taiwan, Korea and Japan. Fugro also provides other energy-related services beyond electricity generation, through projects that support, for example, the safe operations of power distribution networks.

Furthermore, Fugro further provides innovative solutions for coastal protection, freshwater solutions and flooding-related projects, combining geospatial and site characterisation data collection and advice. For example, in 2019, we contributed to flood and coastal protection projects in Jamaica, Haiti and Tuvalu, and in the Netherlands we provided advice, site investigation and monitoring services for several levee reinforcement projects.

Still, even with the energy transition gathering pace, fossil fuels will remain an important part of the energy mix for years to come. Our sustainable and innovative solutions enable clients to develop vital fossil fuel resources in a safe and responsible manner, reducing their carbon footprint and mitigating risks. For example, we increasingly provide remote support for the precise positioning and inspection of clients' assets. By moving tasks and personnel from offshore to onshore, significant reductions in HSSE risk and the environmental footprint are achieved. It also allows a more comfortable working environment for Fugro's staff in which they can go home to their families every day. In 2019, we opened two new remote operations centres in Scotland and the Netherlands.

A key innovation in 2019 was the delivery of Fugro's second generation uncrewed surface vehicles (USVs), designed for medium- to large-scale hydrographic survey applications. USVs are more cost-effective to build and are safer and more efficient to operate. The deployment of these USVs to acquire data shortens project durations and reduces HSSE exposure because the vehicle operation and data analysis require less offshore personnel. Also, other innovations such as mobile laser mapping systems and electric cone penetration testing operations, will significantly reduce Fugro's carbon footprint. An additional innovation is to focus on robotics and automation to improve the speed and reliability of our core processes, reduce the risk of human error and take people out of harm's way.

Fugro manages its market-driven innovation portfolio with strong client involvement. The marine industry is nearing a tipping point where technology is not only mature enough to be used on remote operations but is also becoming accepted by clients. In the land business, the first steps to more autonomous operations are being taken.

Fugro's portfolio of innovations is managed through a global network of research and development (R&D) centres, where almost 400 scientists, experts and technicians develop innovations. Each innovation decision is based on a rigorous process that balances the costs with the expected positive sustainable, technical and commercial impacts.

In 2019, Fugro spent close to 2.5% (2018: 2%) of its revenue on R&D and technology innovation.

Over the years, Fugro has built many successful relations and partnerships with the scientific community. A significant part of Fugro's technology is developed in close cooperation with its clients, and joint research and development activities are carried out with local universities and institutes throughout the countries in which Fugro operates. Fugro maintains relationships with over 30 universities and other knowledge institutes across the globe. Examples include the University of California at Berkeley, Davis, Los Angeles and San Diego, Massachusetts Institute of Technology, University of Texas Austin and Texas A&M University, Louisiana State University, Catholic University of Chile, University of Oxford, Imperial College in London, University of Montpellier (France), Delft University of Technology (Netherlands), Université catholique de Louvain (Belgium), King Abdullah University of Science and Technology (Saudi Arabia), University of Western Australia, the Hong Kong University of Science and Technology, and the University of Hong Kong.

Fugro maintains a sustainable research group with the University of Western Australia, where it sponsors a chair in Geotechnics at the Centre for Offshore Foundation Systems within the Faculty of Engineering and Mathematical Sciences. Fugro provides funding for three PhD scholarships to facilitate the growth of high-quality graduates in offshore geotechnics and engineering. Selected successful PhD students are offered the opportunity to work for Fugro.

Fugro also contributes to technical and scientific advancement through publications in technical and scientific journals, as well as through papers, posters and presentations at events and seminars.

Fugro actively supports and contributes to the United Nations Decade of Ocean Science for Sustainable Development (2021–2030). This initiative will support efforts to reverse the cycle of decline in ocean health and gather ocean stakeholders worldwide behind a common framework that will ensure ocean science can fully support countries in creating improved conditions for sustainable development of the ocean.

The success of Ocean Decade will rely on the contributions of many different stakeholders including scientists, policy-makers, civil society, funders and the private sector. Fugro is actively participating in the comprehensive consultation process via the global planning meetings as well as the regional workshops. Fugro's significant contributions to the Nippon Foundation-GEBCO Seabed2030 project fully support the key objectives of the Ocean Decade.

Fugro continues to actively protect the intellectual property it develops. During 2019 48 patents were filed (2018: 53).

Patent filings

	2016	2017	2018	2019
Priority patent filing	18	17	11	9
National/regional patent filings	45	67	42	39
Granted patents	7	9	7	10

DIGITALISATION AND DATA MANAGEMENT

Fugro's leading market positions are supported by advanced technologies and methods. Fugro is well positioned to take full advantage of key trends in technology. Digitalisation is a strategic priority for Fugro's clients and they rely on Fugro's Geo-data solutions to build digital 'twins' of their assets and to design, build and operate their assets in a safe and sustainable way.

One of Fugro's key strengths is the translation of technological innovations into integrated digital solutions. By leveraging technology developments in the fields of visualisation, robotics, connectivity, and advanced analytics, Fugro can offer safer, faster, more efficient and higher quality services, all in a more sustainable way.

Fugro's vision is to be the world's leading Geo-data specialist, by unlocking valuable insights from Geo-data. Fugro manages Geo-data in a central governed 'data lake' that provides enterprise-wide access to the data, whilst at the same time ensuring it is trustworthy and secure. This database is optimised to support and accelerate data sciences and data analytics, and to improve the accuracy and speed of these insights. By combining unique datasets with artificial intelligence, more valuable insights can be provided to our clients about the state and behaviour of their assets. Thus, Fugro supports clients in their own digital evolution.

Together with state-of-the-art, sensor-to-cloud connectivity that is being implemented within both the land and marine businesses, Fugro enables safer operations and accelerated project schedules through remote operations and early insights. Fugro's faster deliverables through cloud processing and automation, machine learning and an 'asset light' strategy through mobile solutions, results in a quantifiably positive impact on sustainability.

In 2020, Fugro will continue with the development of its digital roadmap.

EMISSIONS, ENERGY USE AND ENERGY TRANSITION

The need for greenhouse gas (GHG) and in specific carbon dioxide emission reductions to avoid further warming of the Earth becomes more and more apparent every day, with many people around the globe already affected by climate change related events. Companies play an important role in the overall reduction of CO_2 emission and emission footprint in general. With its services and solutions for amongst others renewable wind energy projects worldwide, Fugro plays an important role in the global energy transition. At the same time, Fugro actively strives to limit the impact of its own operations, as a minimum by complying with environmental regulations for all its operations, and by implementing solutions to reduce its environmental footprint. This is especially focused on its vessels, as Fugro's environmental footprint is dominated by CO_2 emissions from its vessels.

In 2019, Fugro defined several short to mid-term targets to reduce its CO_2 emissions, as well as initiatives towards transitioning to green energy in its office facilities worldwide.

For the vessel emissions, Fugro targets a 20% reduction of emissions/total operational work by 2025. This is in line with the International Maritime Organisation (IMO) target to reduce GHG emissions from international shipping as soon as possible and to reduce the total annual GHG emissions by at least 50% in 2050 (compared to 2008). Fugro has dedicated programs in place to achieve this target which will drive fuel efficiency and CO_2 reduction through several solutions such as the use of uncrewed surface vessels and more remote operations and Fugro's ship energy efficiency management plan. This incorporates best practices for the fuel-efficient operation of ships using the Fugro Metocean Planner™ and economic speed model.
In addition, Fugro is starting to use biofuel as a short-term solution to reduce emissions and is actively developing hybrid propulsion solutions and investigating the use of alternative fuels such as hydrogen or methanol for both existing and new vessels.

The IMO has lowered the sulphur limits for the fuel oil used by ships as of January 2020. Fugro's vessels were already using 'clean fuel' technology long before these regulations came into force, and they are now all running on low sulphur marine gas oil.

For 2025, Fugro targets at least 80% renewable energy consumption for its offices worldwide. This will require Fugro to seek alternatives in those countries where green energy is not yet readily available through local utility networks.

For emissions reporting, Fugro follows the Greenhouse Gas Protocol reporting standard, specifying Scope 1, 2 and 3 emissions. For 2019, the focus has been on continued data collection and reporting of Scope 1 vessel emissions. Furthermore, the company has started with more comprehensive data collection and internal reporting of the Scope 1 emissions of Fugro's vehicles, trucks and rigs and Scope 2 emissions related to energy or heating purchased for office facilities.

Vessel CO_2 emissions

in kilotonnes	owned vessels	chartered vessels	Total
2017	123	not available	not available
2018[1]	147	72	219
2019	139	80	219

[1] 2018 data restated.

In 2019, the company further standardised the fuel and emission data collection from Fugro owned and chartered vessels to allow reporting on scope 1 emissions (direct emissions from the combustion of fossil fuels). Overall, in 2019 CO_2 emissions were in line with last year despite an increase of 3% in operational hours. While owned vessel hours, and related CO_2 emissions, were 5% lower, chartered vessel hours increased by 19%, and related emissions by 11%.

In 2019, Fugro started monitoring other CO_2 emissions of Fugro operations to include in Scope 2 reporting. This is a complex data gathering and quality control exercise, as data stems from a multitude of sources. Fugro plans to disclose detailed Scope 1 and Scope 2 emissions data through the CDP global environmental disclosure system in 2020. While Fugro is already participating in a number of sustainability related benchmarks and ratings, Fugro will further focus on these in 2020 with dedicated resources.

WASTE MANAGEMENT

The risks that Fugro's activities pose to the environment are largely related to potential small spills during data collection activities, on land or at sea. Land data collection equipment, such as drill rigs and cone penetration trucks, are hydraulically powered and could pose a risk of spillage. Fugro's equipment is managed under appropriate proactive maintenance programmes and is subject to periodic inspections, including daily pre-start checks. Operational teams in both the land and marine environments are provided with spill kits and have been trained to capture, contain and clean any potential spillage during operations.

Fugro has programmes under its ISO14001 management systems focused on waste management and reduction, and the adoption of other environmental initiatives. The food waste reduction programme was introduced to our fleet in 2018, and achieved a 20% reduction during the pilot. In 2019, the program was rolled out further across most of Fugro's vessels and led to a further reduction of 17%.

The pressure to reduce plastic use is globally increasing. Many countries have now banned plastic shopping bags completely, and around the globe there is increasing legislation to eliminate single-use plastic. For Fugro, its clients and suppliers, the reduction of plastic waste is becoming more important and Fugro wants to be part of the global action for a future free from single-use plastic. Building on existing initiatives, Fugro has established two global targets to achieve considerable reductions by 2025:

- For Fugro-generated plastics, the target is zero single-use
- For the plastic Fugro receives via suppliers as packing material, the target is a 50% reduction.

A dedicated programme and toolkit have been created to replicate local successes around the world.

COMPLIANCE

BUSINESS ETHICS & COMPLIANCE

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

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

Fugro's speak-up procedure forms an essential part of the company's compliance programme and is available not only to employees and contract staff, but also to third parties with whom Fugro has a business relationship, such as customers, suppliers and agents. The procedure offers multiple channels for reporting a suspected violation of the Code of Conduct and/or of its underlying policies and outlines the subsequent internal investigation process which is supervised by Fugro's Corporate Integrity Committee.

One of the channels for reporting a suspected violation is the Convercent reporting line: a web-based application which also offers users the opportunity to report violations in their local language. Convercent is available 24/7 and in over 30 languages. It also provides the opportunity to report anonymously, if users prefer. The speak up procedure clearly stipulates that any party reporting in good faith is protected from any kind of retaliation. Webinars and guidance material on the speak up procedure were provided to managers and other staff to support them in promoting Fugro's values and to create a culture of transparency and respect.

To ensure that the Code of Conduct, its underlying policies and the speak up procedure are easily accessible to all employees, the documents were translated in the company's most relevant working languages and made available via the internal website. Since 2017, all new hires are required to follow the Code of Conduct training as part of their induction process.

In 2019, Code of Conduct dilemma workshops were introduced to senior management as an additional sharing and learning experience. These dilemma workshops will be rolled out to a wider group in the organisation in 2020.

Fugro's Corporate Integrity Committee consists of the chief human resources officer, head internal audit and the chief compliance officer/general counsel, and which reports to the CEO and CFO.

This committee investigates any concerns or allegations regarding a breach of the Code of Conduct and/or its underlying policies. If a violation is determined, the committee advises on the appropriate action, including the options of contract termination or dismissal. The committee monitors adherence to Fugro's no retaliation policy for any person making a good faith allegation. In 2019, Fugro received 20 reports of a suspected violation of Fugro's Code of Conduct or its underlying policies. All cases were thoroughly investigated by the Corporate Integrity Committee and, where necessary, appropriate measures were taken.

Fugro has a supplier and partner code of business principles. This is aligned with the Code of Conduct and governs the obligations and relationship between any operating company and the third parties they work with, and the adherence to sound legal and ethical business practices. Fugro emphasises the use of this supplier and partner code as means to actively engage with Fugro's suppliers and partners to ensure they work with similar values as Fugro.

In certain limited instances Fugro works with commercial agents. In January 2018, Fugro introduced its procedure for commercial agents, resellers and distributors of services and similar third-party arrangements. All commercial agents are screened by an independent specialist third party at least every 2 years or more often as appropriate. The standard Fugro agency agreement includes clear compliance obligations, guidelines regarding fee arrangements, regular reporting requirements as well as audit rights. Any (renewal of an) agent agreement requires approval from the Board of Management whereby the maximum term of such agreement is two years. Any agent relationship is closely monitored, and each agent has to sign a compliance declaration once a year.

Fugro is committed to adhering to the applicable laws and regulations in all countries where business is conducted. This commitment is embedded in all parts of the business through policies and training. To ensure compliance with EU- and US-imposed sanction programmes, the company has the strict mandatory procedure for certain areas in the world to obtain Fugro's Board of Management and general counsel/chief compliance officer's approval prior to confirming an intention to tender, submitting proposals, entering into contracts or deploying resources.

Annually, an extended group of senior management worldwide has to fill out a declaration regarding compliance with the Code of Conduct and related policies. For the year 2019, 100% of these managers have submitted the signed form. Adherence to the Code of Conduct and its related policies and procedures, as well as the supplier and partner code of business principles, is also monitored by Fugro's internal audit department. The head of the internal audit department also plays an integral part in any investigation led by Fugro's Corporate Integrity Committee.

Anticipating the implementation of the GDPR in May 2018, Fugro implemented a privacy programme in 2017/2018, including a data privacy awareness campaign and compliance package for all of Fugro's operating companies and its employees. As Fugro is committed to maintaining a high level of privacy standards around the globe, in 2019, Fugro introduced a global privacy compliance programme, including Global Privacy and Data Protection Principles. These principles set the global standard for Fugro with respect to the processing of personal data. They apply in all countries in which Fugro conducts its business and to all our use of personal data.

The global privacy compliance programme comprises:

- Global policies and notices providing the required information and guidance on data privacy to employees (and third parties such as applicants and visitors)
- A global privacy and data protection governance framework with local privacy teams, regional privacy coordinators and a global privacy coordinator responsible for coordinating the programme
- A global mandatory e-learning training on privacy and data protection.

In 2019, the programme was implemented in Europe, with preparatory work being undertaken for implementation in the Americas, Asia Pacific, Middle East & India, and Africa in 2020.

TAX POLICY

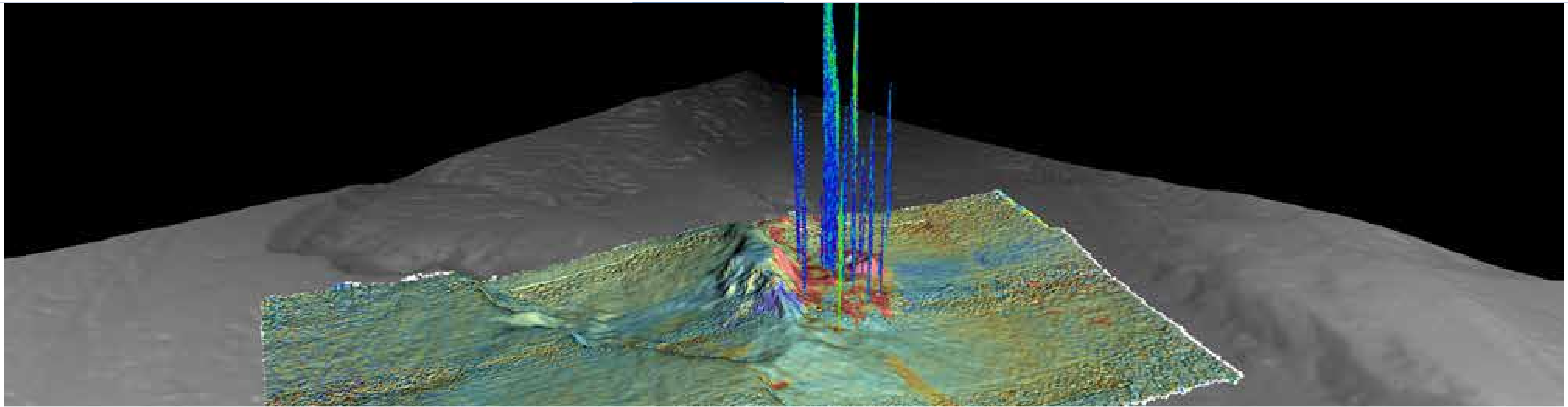
Fugro's global presence exposes the company to various complex tax jurisdictions and tax systems. These systems are increasingly under development following global initiatives from individual countries and organisations such as the OECD and the EU. Other developments arise from the economic environment;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

Fugro believes a responsible approach to tax is an integral part of sustainable business and that it is both a cost of doing business and a contribution to the countries in which it operates. Tax effects are one of the components in the commercial process but only legitimate business considerations drive final decisions.

The tax strategy, which can be found on Fugro's website, supports the company's business strategy by providing value to the group through delivery of high-quality tax services within boundaries of legal and tax frameworks. The strategy has been approved by Fugro's Board of Management and the audit committee of the Supervisory Board. The global tax department is equipped to support Fugro's global activities in an effective and compliant manner. It is complemented by an extended tax function, represented by professionals across finance, business, procurement and human resources. This alignment is part of the integrated control framework.

Fugro's audit committee reviews, at least once a year, the tax strategy including financial impact, valuation of deferred tax assets, compliance and tax implications of any acquisition or divestment. Based on its risk-based audit plan, the internal audit department monitors tax compliance and controls. Fugro's global tax position and tax processes are also included in the audit process of the external auditors, on a local and consolidated level. External support is provided by a reputable network of external tax advisers that strictly follow their professional standards. Fugro's approach to tax is guided by the company's values and Code of Conduct.

The broader tax strategy is summarised in a set of global tax principles, which can be found on Fugro's website, and which illustrate good corporate practice in the areas of tax management and transparency.



De-risking exploration activities

Fugro is the world's leading company in marine seep hunting and geochemical campaigns. We provide objective information so that our clients can reduce the unnecessary footprint of more invasive exploration methods.

Our approach to exploration is an environmentally responsible method that provides a wealth of data, to identify the best locations for seabed sampling and analysis.

Seep hunting and geochemical campaigns reduce the potential environmental impact of oil and gas exploration by de-risking the exploration process and reducing more-invasive exploration methods such as 3D seismic acquisition and exploration drilling.

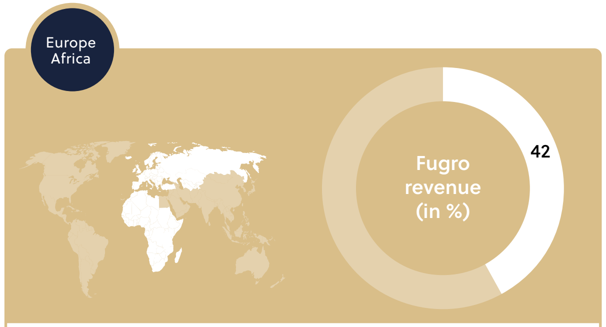
With the largest and longest track record of any marine seep hunting program, Fugro has stayed ahead of the competition through innovation and successful commercial application of academic-standard methods, consistently delivering data excellence and client satisfaction.

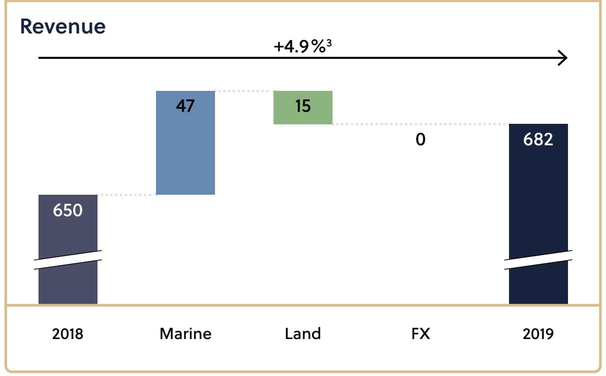
Over **3 million** square kilometres of seabed mapped and interpreted in last decade for industry and governmental clients

Saving clients substantial exploration expenditures, which leads to reduced potential environmental impact from more invasive methods

Regional performance

EUROPE-AFRICA





- Revenue growth was fully driven by the marine activities, partially offset by a decline in land. Growth in marine mainly came from site characterisation, in particular for offshore wind farms, and to a lesser extent from asset integrity. Improved price levels in combination with an increase in activity levels contributed to this growth. The decline in land was mainly caused by delays in project awards and reduction on work scopes on certain key projects, particularly in the UK.
- Overall, the EBIT margin almost doubled compared to 2018, mainly contributed by marine, whilst land was in line with previous year despite lower activity levels. The improvement was particularly strong in marine site characterisation, benefitting from operating leverage, and improved pricing. Margin of marine asset integrity improved as well.
- Solid outlook with double digit backlog growth across both land and marine.

Key figures, adjusted[1]

(x EUR million)	2019	Pro-forma 2019[2]	2018
Revenue	682.2		649.7
comparable growth[3]	*4.9%*		*15.2%*
EBIT	71.4	68.6	35.4
EBIT margin	10.5%	10.1%	5.4%
Backlog next 12 months	386.3		297.1
comparable growth[3]	*27.2%*		*(1.7%)*

[1] Adjusted for specific items; previously called exceptional items.
[2] Excluding impact of implementation of IFRS 16.
[3] Corrected for currency effect and the divestment of the marine construction & installation activities in 2017.

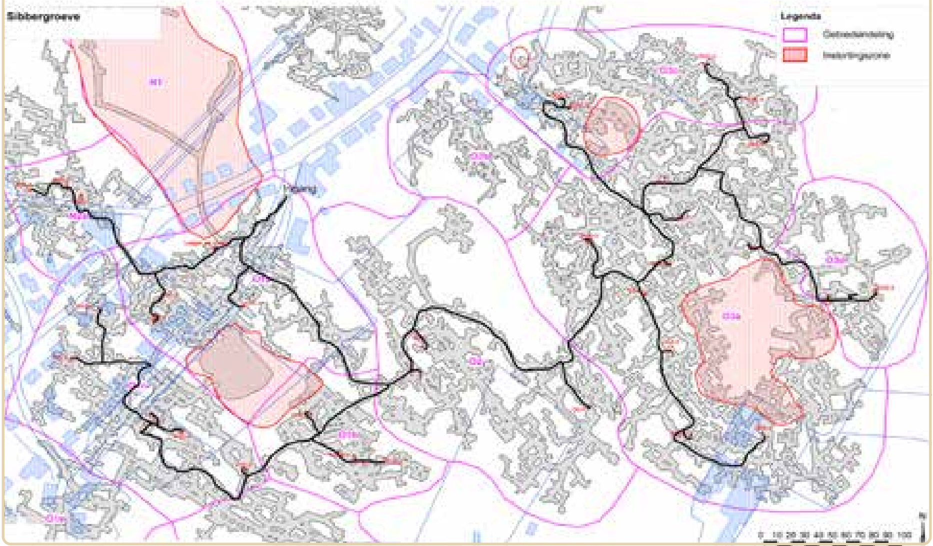
Europe Africa

ILLUSTRATIVE PROJECT

Quarry monitoring Valkenburg

Site appraisal | Design & contracting | Construction | Operation & maintenance | Decommissioning

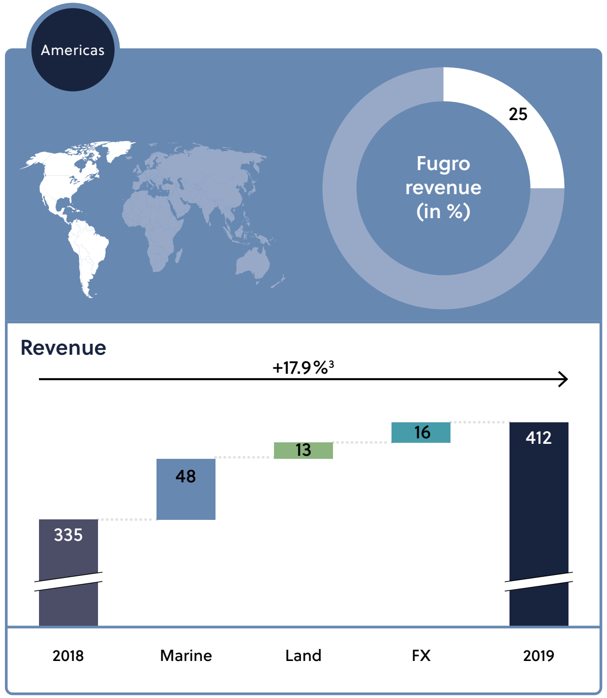
- Installation and maintenance of system to monitor risk of subsidence in quarries.
- Deploying Fugro's fibre optic technology.
- Real-time data access via Fugro GAIA Insight cloud based data platform.
- Client benefits: securing safety of over 300,000 visitors per year.



IMPORTANT 2019 CONTRACT AWARDS

- Fugro has been awarded a substantial site characterisation project for Hollandse Kust (west) wind farm zone. This geotechnical programme follows earlier contracts in the various zones of Hollandse Kust and Borssele wind energy developments since 2015.
- Fugro has successfully provided remote positioning services onboard a floating production storage and offloading vessel for Bluewater during an inspection, repair and maintenance campaign. This was the first fully remote FPSO heading control operation in the North Sea, enabling cost savings and de-risking through a reduction of offshore personnel.
- In the UK, Fugro has been awarded a three-year contract to develop a precise model of SP Energy Networks' overhead network using 3D models and advanced analytics, including virtual world visualisation tools to reduce the risk of power cuts.
- Fugro has completed a successful load-testing programme as part of the foundation design verification for the planned Elbtower construction in Hamburg. On completion, the 244 metre tower will be the third tallest building in Germany.
- Germany's Federal Maritime and Hydrographic Agency has awarded Fugro a multi-annual geotechnical site investigation in the North Sea and Baltic Sea. Fugro's laboratory testing results will be used by future wind farm developers to prepare their bids.
- Banedanmark has awarded Fugro a 4-year framework agreement for scanning of its infrastructure. Fugro's RILA train-borne survey technology will be used to acquire lidar data and imagery of the track and surrounding environment to create a highly accurate model of Denmark's railway infrastructure, essential for the safe operation of the network.
- In November 2019, Fugro executed a successful acoustic inspection of the BP Miller pipeline with its new, proprietary uncrewed surface vessel. The objective of the trial, which was executed successfully, was to assess the control and communications with Fugro's remote operations centre and the support vessel.
- Fugro has been awarded further site characterisation work on the Rovuma-LNG Phase 1 project for Mozambique Rovuma Ventures s.p.a. This follows Fugro's previous metocean, geophysical, environmental and geotechnical / geohazard campaigns since 2013.

AMERICAS



- Revenue growth was particularly strong, driven by high offshore wind activity levels on the east coast of the US and the growth of land activities in the US and South America.
- Profitability was disappointing, especially in relation to the revenue growth. In marine, results were impacted by a difficult and loss-making start of the year, with delayed vessel maintenance and unforeseen repair costs. compounded by additional charter expenses. The second half of the year was marginally profitable, somewhat impacted by unforeseen vessel downtime. In land, overall profitability of projects was too low primarily due to an overrun on two site characterisation projects, and competitive bidding on infrastructure projects. For the full year, the land margin was flat.
- Backlog was down mainly in marine asset integrity and land site characterisation. The decline in marine asset integrity resulted from the expiration of a diving support contract in Brazil in the course of the year. The drop in land site characterisation is mainly caused by the delay of two large projects in California.

Key figures, adjusted[1]

(x EUR million)	2019	Pro-forma 2019[2]	2018
Revenue	411.6		334.5
comparable growth[3]	17.9%		5.4%
EBIT	(11.4)	(11.6)	0.1
EBIT margin	(2.8%)	(2.8%)	0.0%
Backlog next 12 months	272.0		284.9
comparable growth[3]	*(6.4%)*		*40.2%*

1 Adjusted for specific items; previously called exceptional items.
2 Excluding impact of implementation of IFRS 16.
3 Corrected for currency effect.

Americas

ILLUSTRATIVE PROJECT

Revolution wind farm, offshore US

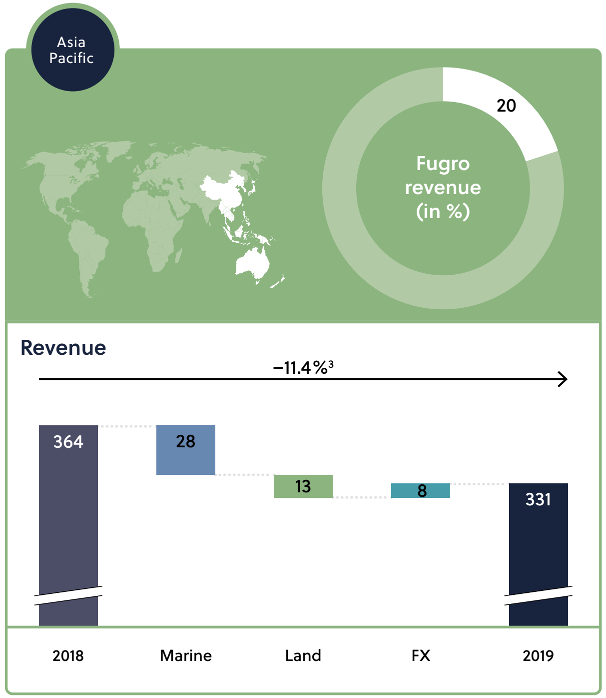
Site appraisal → Design & contracting → Construction → Operation & maintenance → Decommissioning

- Geotechnical and geophysical surveys with ground modeling, at proposed inter-array and export cable routes, wind turbine generator sites and substation sites.
- Using Fugro's proprietary Back2Base and OARS technology, providing data analysis in a centralised command center, and an interactive cloud-based map, providing stakeholders with real-time project data and live offshore positions of the 6 project vessels.
- Involving Fugro's centre of excellence for offshore renewables in the Americas.
- Client benefit: data will assist in the safe design, permitting, and installation of the wind farm.

IMPORTANT 2019 CONTRACT AWARDS

- Fugro is supporting climate change research with a coastal mapping project in Jamaica and Haiti, comprising around 2,000 square kilometres of integrated shallow water and land-based elevation data. Fugro's proprietary rapid airborne multibeam mapping system (RAMMS) delivers industry-leading depth penetration and point densities and is highly efficient, as the compact sensor is deployed on a small aircraft with limited crew requirements.
- Fugro has completed several deepwater geophysical surveys in the Gulf of Mexico for Shell International Exploration and Production Company. The project required autonomous underwater vehicle (AUV) data collection over multiple blocks in the greater Perdido and Mars development areas, to support clearance of potential environmental, engineering, geological and archaeological hazards.
- Fugro completed a large site characterisation program in challenging ground conditions for Canadian energy company Enbridge, to support the design and construction of a tunnel below the Great Lakes in the US, which will be used to protect Enbridge's oil pipeline.
- Fugro was awarded geophysical site investigations for the Atlantic Shores and Mayflower windfarms. The data will be used to characterise the site conditions including seafloor morphology, subsurface geology, environmental conditions, seafloor obstructions and soil conditions. Fugro will deploy a total of five vessels for the work. In addition, Fugro is providing buoys to characterise the metocean conditions and conduct wind resource assessment.
- Fugro was awarded multiple contracts by State Departments of Transportation agencies across the US, in for example North Carolina, Virginia and Arkansas. The awards relate to pavement and asset management surveys and advice, and supply of related assets.

ASIA-PACIFIC



- The revenue decline was largely the result of the rationalisation of the marine asset integrity business, which includes more selective tendering, reduced capacity with one vessel re-positioned to Europe-Africa and the early termination of the Southern Star vessel in the beginning of the year. Land site characterisation declined, predominantly as a result of a challenging Hong Kong market.
- The marine EBIT margin improved strongly and turned positive as a result of improved utilisation, selective tendering with better pricing and cost reduction measures. Land site characterisation margin was lower due to lower revenue in challenging market conditions. Land asset integrity margin showed a slight improvement.
- The backlog was flat with growth in land offset by a decline in marine. In marine, the decline is mainly the result of reduced vessel capacity in both business lines. In land, the backlog increased, driven amongst others by the Hong Kong airport third runway project and asset integrity wins in the power market.

Key figures, adjusted[1]

(x EUR million)	2019	Pro-forma 2019[2]	2018
Revenue	331.3		364.4
comparable growth[3]	*(11.4%)*		*42.7%*
EBIT	1.4	1.0	(18.9)
EBIT margin	0.4%	0.3%	(5.2%)
Backlog next 12 months	219.5		217.2
comparable growth[3]	*(0.3%)*		*(2.1%)*

1 Adjusted for specific items; previously called exceptional items.
2 Excluding impact of implementation of IFRS 16.
3 Corrected for currency effect and the divestment of the marine construction & installation activities in 2017.

Asia Pacific

ILLUSTRATIVE PROJECT

Gas hydrates South China Sea

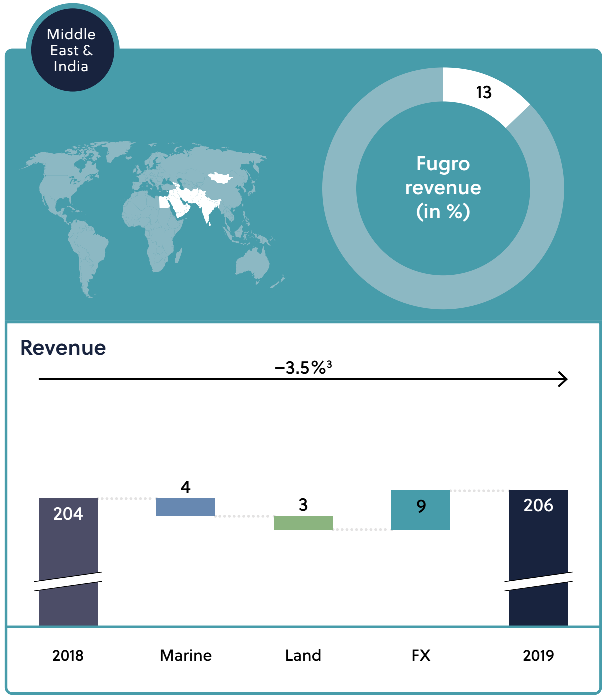
Site appraisal | Design & contracting | Construction | Operation & maintenance | Decommissioning

- Field investigation for Guangzhou Marine Geological Survey.
- Fugro's 6th consecutive program since 2007.
- Client benefits: support for next series of production tests of China's research program into production of gas hydrates.

IMPORTANT 2019 CONTRACT AWARDS

- Airport Authority Hong Kong has awarded Fugro a significant site investigation contract as part of the three-runway system project. Over a period of 18 months, Fugro will perform geotechnical drilling and cone penetration tests on newly reclaimed land, and provide laboratory testing for the new passenger building and related infrastructure. This project is the latest in a series of engagements since 2011 on this project.
- Fugro has signed a Memorandum of Understanding with Underwater Survey Technology 21. The agreement will facilitate collaboration on marine projects in South Korean waters, whereby Fugro will expand UST21's local hydrography capacity to provide site characterisation services.
- Powerco Limited of New Zealand has awarded Fugro a significant digital inspection programme. Fugro will deploy its cloud-based Roames platform to deliver a complete and digital twin of the operator's assets. The resulting data and analytics will be used by Powerco to improve its asset condition assessment and vegetation management process by cost-effectively identifying defective and potentially dangerous assets.
- Fugro has successfully completed the second of three Malaysian seep surveys and the related geochemical campaigns for PETRONAS, offshore Sarawak. More than 40 potential locations of active hydrocarbon seepage, were identified. The third seep survey and geochemical campaign for the client, in the Straits of Malacca, began late 2019.
- The multi-year inspection, repair and maintenance contract for Woodside on the North West shelf of Australia was extended, using Fugro's remote operations centre in Perth, and the Fugro Etive vessel to service Woodside's IRM requirements.
- Fugro has successfully completed the first deepwater autonomous underwater vehicle survey for Brunei Shell Petroleum Company, completed with zero HSSE incidents. The results will support a safe drilling programme, and will provide key inputs for engineering and design studies for pipeline routing and subsea structures.
- Ørsted has awarded Fugro a geotechnical site investigation offshore Taiwan, for the planned Greater Changhua wind farm. For the required mobile heave compensated drilling unit, Fugro's global resource pool of equipment and personnel provided a practical solution during a critical seasonal window. Taiwan's first two wind farms, Changhua-1 and Changhua-2, are expected to come into operation in 2021.

MIDDLE EAST & INDIA



- Revenue declined in marine site characterisation due to low utilisation of one of the vessels. Marine asset integrity revenue was up due to higher activity in positioning and construction support. Land site characterisation revenue was impacted by the ongoing restructuring measures in certain countries and challenging circumstances in core infrastructure markets.
- The margin was impacted by the revenue decline, in combination with some underperforming services in Oman, Qatar and UAE, which are being restructured. For the full year, the marine margin improved slightly, driven by site characterisation.
- The 12-months backlog increased significantly due to both marine and land awards, mainly in the UAE.

Key figures, adjusted[1]

(x EUR million)	2019	Pro-forma 2019[2]	2018
Revenue	206.1		204.2
comparable growth[3]	*(3.5%)*		*16.0%*
EBIT	6.6	6.3	12.9
EBIT margin	3.2%	3.1%	6.3%
Backlog next 12 months	133.3		103.0
comparable growth[3]	*27.2%*		*11.5%*

1 Adjusted for specific items; previously called exceptional items.
2 Excluding impact of implementation of IFRS 16.
3 Corrected for currency effect.

Middle East & India

ILLUSTRATIVE PROJECT

Hatta pumped-storage hydroelectric plant, United Arab Emirates

Site appraisal > Design & contracting > Construction > Operation & maintenance > Decommissioning

- Involvement from initial design phase with consultant EDF, and more recently with the EPC consortium led by STRABAG.
- During the project lifecycle, Fugro has delivered the full suite of site characterisation services, using innovative approaches to survey in an extremely remote mountainous area.
- First of its kind in the Arabian Gulf, and will drive forward Dubai's 2050 vision to provide 75% of total power output from clean energy.
- Client benefit: mitigation of construction risk in challenging environment.

IMPORTANT 2019 CONTRACT AWARDS

- A leading national oil company has awarded Fugro a sizeable survey contract that will feed the redevelopment of a key oil and gas field critical to their plans to increase production, including island development, gas pipelines and rig placement. Fugro will provide a fully turnkey solution involving all marine and nearshore services. Winning factors for this project include the potential use of Fugro's newly developed uncrewed surface vessel and innovative transformer model for nearshore geotechnical surveys.
- Fugro has been awarded sizeable contract by NEOM/Public Investment Fund for deepwater site characterisation and consulting services for the construction of a fixed link crossing in the Gulf of Aqaba between the Kingdom of Saudi Arabia and Egypt. The crossing, once completed, will give Saudi Arabia a new, shorter transport link with Egypt, opening new trade routes through the West of the Kingdom. Fugro's world renowned expertise in optimising deep foundation design for complex bridge and tunnel structures in tectonically and seismically active areas was a key factor in this successful bid.

Food waste reduction programme

Reducing supply chain footprint and disposal of waste are important contributing factors in optimising responsible fleet operations. Fugro teamed up with International Food Services (IFS) to achieve further optimisation of these activities across its fleet of vessels to realise a significant reduction in food waste.

Fugro's food waste reduction programme has been piloted on selected vessels. Although these strategies are not new to the marine services industry, the programme illustrates that refinement of existing methodology and close collaboration between supply chain partners can realise significant further improvements in environmental performance. Fugro and IFS have implemented the programme on the next set of vessels throughout 2019. IFS gathered data from the vessels to detect patterns and design vessel specific, as well as fleetwide, solutions to train galley staff in creating healthy and high quality menus, together with improved food handling and stock management.

In 2019, food waste to sea has been reduced by **8%** and food waste to shore by **20%**

A minimum of **30%** reduction overall is expected upon completion of the full roll out

Governance

BOARD OF MANAGEMENT

Mark R.F. Heine (1973) Chief Executive Officer
Nationality Dutch
Employed by Fugro Since 2000. Joined Fugro's former Executive Committee in 2013 and appointed to the Board of Management in 2015. Appointed CEO in October 2018.
Current term Until AGM 2023
Background Mark Heine joined Fugro in 2000 and served as geodesist on various onshore and offshore survey projects, amongst others, as managing director, regional manager Europe-Africa and Director of the former Survey division. He holds a MSc in Geodetic Engineering from Delft University of Technology. Mark is member of the Board of Directors of marine contractors association IRO.

Paul A.H. Verhagen (1966) Chief Financial Officer
Nationality Dutch
Employed by Fugro Since 2014. Appointed to Board of Management in January 2014, appointed Chief Financial Officer per May 2014
Current term Until AGM 2022
Background Paul Verhagen worked for Philips for 23 years in various financial management positions in the Netherlands, Hong Kong, US, China and Taiwan. He has been active in various global CFO positions since 2005, lastly as Executive Vice President and Chief Financial Officer of Philips Lighting. Paul holds an MSc in Business Administration from the Catholic University Brabant in Tilburg and a post graduate chartered controlling degree from the University in Maastricht.

Brice M.R. Bouffard (1970) Chief Development Officer
Nationality French
Employed by Fugro Since 2016. Appointed to Board of Management in 2016
Current term Until AGM 2020
Background Before joining Fugro, Brice Bouffard worked at several oil field services companies, where he held a range of technical, IT and commercial positions in various countries. He most recently worked at Weatherford and Spectraseis. Brice spent the first 13 years of his career at Schlumberger. He holds a master degree in maritime engineering from École Nationale Supérieure de Techniques Avancées Paris and a masters degree in geophysics from IFP School (Paris).

During 2019, Brice M.R. Bouffard was member of the Board of Management, as Chief Development Officer. His term finishes at the annual general meeting of shareholders at 30 April 2020 and he will not be nominated for reelection. The duties of Brice Bouffard are currently assumed by the Group Director Innovation & Digital Transformation, who will take over the responsibilities for development and will continue as Group Director Development & Digital Transformation as per 30 April 2020.

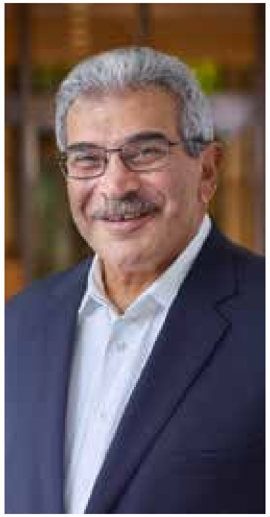
Company secretary Harriet Defesche (1964)

Mark Heine

Paul Verhagen

EXECUTIVE LEADERSHIP TEAM

Erik-Jan Bijvank
(1969)
Group Director
Europe-Africa
Dutch nationality



Edward Saade
(1955)
Group Director
Americas
American nationality

Amar Umap
(1972)
Group Director
Asia Pacific
Indian nationality

Tim Lyle
(1977)
Group Director
Middle East & India
British nationality

Erwin Hoogeveen
(1968)
Group Director
Human Resources
Dutch nationality

Annabelle Vos
(1978)
General Counsel
Dutch nationality

Wim Herijgers
(1975)
Group Director
Development &
Digital Transformation
Dutch nationality

The Executive Leadership Team includes the CEO and CFO and, until 30 April 2020, the CDO.

Lifelong learning via Fugro Academy

The Fugro Academy provides learning and development opportunities for all employees across the entire organisation through its online, globally accessible platform. Regardless of location, training courses are available for all employees; 24/7, 365 days a year.

A significant part of the training courses is provided as online e-learning and through webinars and virtual classrooms, which reduces the need for trainers and participants to travel or to pack and ship paper course materials.

Our online content includes several third-party training libraries to extend the range of topics and staff training. This enables them to learn for their current role, but also to prepare for future roles within the organisation. In this way Fugro encourages lifelong learning and job rotation. Fugro Academy training is also made available to clients and our extended supply chain, providing learning opportunities to Fugro's business community.

Fugro Academy offers over **50,000** learning courses in multiple languages

96% of courses are available online, **24/7/365** and can be completed at home, at work or whilst travelling, using PCs, laptops, mobile or smart devices

RISK MANAGEMENT

Doing business inherently involves taking risk and therefore risk management is an essential element of Fugro's culture, corporate governance, strategy development, and operational and financial management. On a daily basis risks are managed by employees as part of their roles and responsibilities. Fugro is willing to take risks, as it is sufficiently equipped to successfully manage them, and it operates within the boundaries of its expertise and as set by the Board of Management. These boundaries ensure that the actions of a single individual will not result in disproportionate risk or missed opportunities for the entire company resulting in not achieving Fugro's strategic goals.

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

Risk appetite and key risks

Risk category	Key risks	Key risk appetite	Page	Fugro's approach
Strategic	▪ Market exposure ▪ Innovation ▪ Employees	▪ High ▪ High ▪ Low	69 69 70	For strategic risks, acceptable risk levels vary depending on the subject at hand, where expected rewards have to justify the risk. Generally the appetite is between average to high.
Operational	▪ Project management ▪ QHSSE management ▪ Information security	▪ Moderate ▪ Low ▪ Low	70 71 71	Operational risks are handled with a moderate risk appetite. However, all risks related to QHSSE and information security are subject to low risk appetite.
Financial	▪ Credit risk ▪ Currency exchange rate	▪ Low ▪ Low	72 72	Financial risk appetite is low, with the intent to limit financial risks and maintain long-term solvency and secure long-term financing.
Compliance	▪ Legal & regulatory compliance ▪ Intellectual property	▪ Low ▪ Low	73 73	Compliance is subject to a low risk appetite as Fugro strives for the highest level of compliance with legal and regulatory requirements, and strives not to infringe on third party IP and properly license and protect its own IP. Fugro's risk appetite for sustainability is low, since Fugro is commited to conducting its business ethically, responsibly and contribute to sustainable development.

RISK APPETITE AND SENSITIVITY

Risk appetite refers to the amount of risk, on a broad level, an entity is willing to accept in pursuit of value. Risk boundaries are driven by the company's culture, corporate governance, its expertise and strategic risk assessments. This is detailed in Fugro's values and enablers, Code of Conduct, policies and procedures and authorisation schedules. The company's risk management aims to identify, assess and manage risks in accordance with its risk appetite in the different categories.

In addition to the key risks mentioned above, other risks which could impact Fugro's market or financial position, as well as reputation, are closely monitored and managed. Considered risks include: the geopolitical environment (most notably uncertainty about the global macro-economic climate including trade relations), climate change, corruption and fraud. These risks influence Fugro's work environment and could impact the successful achievement of Fugro's strategy 'Path to profitable growth'.

Fugro acknowledges that while changes associated with a transition to a lower-carbon economy present significant risks, they also create significant opportunities for organisations focusing on climate change mitigation and adaptation. Fugro is delivering and developing a significant number of innovations to contribute to the energy transition and carbon emission reduction. The demand for Fugro's services related to renewables and other services which become more relevant in the light of climate change are expected to continue to grow (most notably offshore wind, hydrography, water management and coastal protection work). In addition, Fugro contributes by working with and finding new methods to use available options and efforts in order to operate its own assets with the least amount of impact on the environment, whereby Fugro continuously assesses and monitors the impact of these initiatives on the organisation's business model and strategy. For more information, see Group performance – environmental.

In 2020, Fugro will further focus on climate-related risks and opportunities taking into consideration different climate-related scenarios to better understand the resilience of its organisation and the potential implications of climate change on the organisation.

Risk management framework

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

Sensitivity analysis

	Change	Impact	On	Assumption (based on 2019 adjusted financials)
Revenue (volume)	+ 1%	EUR 10 million	EBITDA	Flat net revenue own services
Revenue (price)	+ 1%	EUR 16 million	EBITDA	No change to cost base
Operating expenses	+ 1%	EUR (15) million	EBITDA	No change to revenue
Vessel utilisation	+ 1%	EUR 5 million	EBITDA	Equal contract terms
Days of revenue outstanding	+ 1%	EUR 4 million	Working capital	All other conditions remaining equal
Euro versus US dollar	+ 10%	EUR 2 million	Net profit	Stable revenue and margin in USD
Euro versus British pound	+ 10%	EUR (3) million	Net profit	Stable revenue and margin in GBP
Interest rate	+ 100 bp	EUR (2) million	Net profit	Net debt year-end 2019
Net debt	+ 100 million	EUR (2) million	Net profit	Stable interest rates

Control environment

The first level of the control environment consists of Fugro's employees who perform the day to day activities in the business operations, and their management. This includes people who work in shared service centres, for among others finance, human resources and IT. They undertake these activities in accordance with the applicable authorisation matrix, which is updated regularly by the Board of Management in consultation with the Executive Leadership Team. They have the obligation to obtain an appropriate level of understanding regarding their roles and responsibilities and carry them out correctly and completely. Every employee is expected to comply with internal procedures and guidance, and applicable laws and regulations.

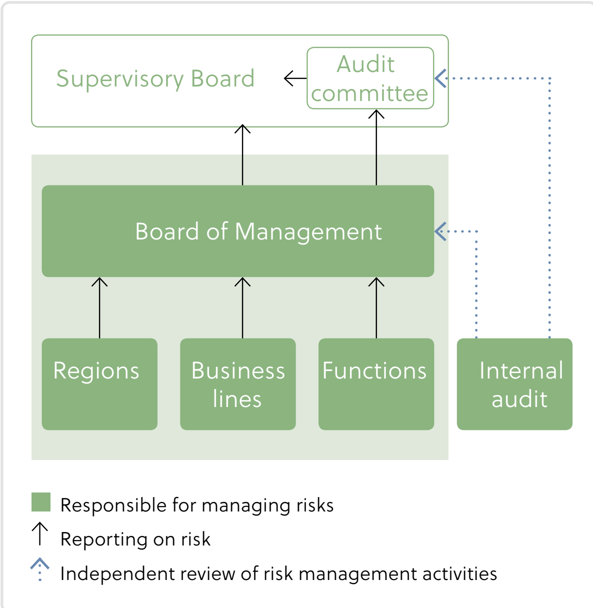
The second level consists of the company's regional and business line management and support functions such as QHSSE, financial and management control, procurement, IT, tax, human resources, insurance, marketing, treasury and legal. People within these functions carry out various risk management and compliance activities to issue guidance, support and/or monitor the first level controls.

The third level consists of the independent internal audit department which reports primarily to the Board of Management and the audit committee on the structure, existence and effectiveness of the risk management and internal control systems. In the second place, internal audit department provides services to facilitate the risk management activities.

During 2019, internal control and risk management procedures have been further structured and optimised. No significant changes have occurred in these processes. The effectiveness of the system, based on repercussions in various reports, demonstrated that adequate actions have been initiated and implemented. No material shortcomings regarding internal control and risk management have been reported.

Responsibilities

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



Emphasis is placed on project risk assessments and management thereof, which is the primary responsibility of the respective entities that manage the project. This process is supported by global functions (e.g. operational excellence) and independently reviewed by the internal audit department.

Risk governance

The Board of Management holds ultimate responsibility for risk management within the company and determines the risk appetite. Internal audit supports the Board of Management in monitoring the implementation of the risk management framework. On an annual basis, the Executive Leadership Team, which includes the members of the Board of Management, performs a comprehensive assessment of Fugro's strategic, operational, financial and compliance risks. The identified key risks are assigned to the appropriate owners within the team, as they have the ultimate responsibility to manage these.

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

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

Strategic risk

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

Market exposure

Risk appetite	Description	Risk direction	Mitigation
High	A high proportion of Fugro's activities, around 50%, is related to the oil and gas industry with the consequently significant exposure of Fugro to oil price volatility and related impact on oil companies' investment and operational budgets.	The market for oil and gas services is expected to grow over the coming years due to a normalisation of investments in offshore oil and gas, after a couple of years of underinvestment in the sector, as the strong growth in onshore shale oil and gas is beginning to taper off, in combination with ongoing global growing demand for oil and gas. In the medium to long-term, the increasing commitment by countries, companies and citizens to reduce carbon and nitrogen emissions to limit and mitigate climate change poses a serious risk to the oil field services industry.	Fugro is strategically targeting non-oil and gas markets such as infrastructure, offshore wind, power distribution, rail, telecom cable routing, and new growth markets such as fresh water sourcing and coastal and flood protection, in order to be less dependent on the oil and gas services market. The renewables, infrastructure and nautical markets are expected to have a higher mid-term growth rate than oil & gas, further increasing Fugro's relative exposure to those markets. Fugro offers essentially the same services with the same technology, expertise, laboratory facilities and support organisation irrespective of the end market.

Innovation

Risk appetite	Description	Risk direction	Mitigation
High	Focus on value-driven innovation and developing new technologies enables Fugro to provide differentiating integrated solutions in growth markets. Innovation is a key enabler of Fugro's strategic priorities, especially in these rapidly changing and demanding markets. There is a risk that investments relating to research and development will not deliver new technologies and market opportunities or that, irrespective of Fugro's efforts to protect its intellectual property, competitors develop similar or better solutions, thereby negatively impacting Fugro's competitive edge.	It is expected that this risk will further increase. There is an increasing need for innovation in order to remain competitive. With the ever-increasing pace of technological advancement and digitalisation, the lifespan of innovative competitive advantages is decreasing.	By continuing to invest in innovative integrated solutions, Fugro is able to effectively invest in research and development resources that are relevant to clients. Furthermore, working with universities, technology institutes and other high tech companies gives Fugro the opportunity to leverage third party technology and research and development, resulting in increased effectiveness. Fugro is fully leveraging technology developments in the field of visualisation, robotics, connectivity and advanced analytics in order to offer safer, faster, more efficient and higher quality services; all in a more sustainable way.

Employees

Risk appetite	Description	Risk direction	Mitigation
Low	Not being able to recruit or retain qualified personnel is a risk that can impact both current and future operations and results. Especially given the large restructurings in the oil field services sector in the 2014-2017 period and the recent growth of the various market segment like oil and gas and offshore wind it might be challenging to get the required resources	It is expected that this risk will increase. As Fugro is evolving towards providing more high-end services as part of its strategy, with its people as a key enabler, the shortage of employees with the right capabilities continues to grow.	Fugro acknowledges the value of its employees and considers them a key enabler for the execution of the new strategy. This is demonstrated by providing opportunities to its employees, through training, leadership and expertise development, career opportunities, and by focusing on attracting young people and healthy retention levels. In 2019, increased focus on employee engagement has been initiated and an employee engagement survey has been conducted. In addition, employee training has been stepped up and additional focus has been given to offer better career opportunities to our employees.

Operational risk

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

Project management

Risk appetite	Description	Risk direction	Mitigation
Moderate	Good project management is essential for satisfactory execution, especially as contract size and the complexity of projects are increasing. Downtime related to adverse weather, vessel or equipment breakdown or availability of assets can significantly impact the project performance. Lack of management or control, due to time, knowledge or resource constraints, can cause unnecessary delays and serious damage to projects and Fugro's reputation, and may result in (financial) penalties.	It is expected that this risk will increase. There is a trend showing increasing project complexity and size and because of rapidly changing demands. A growing risk of not enough resources and expertise to manage the projects is present.	Projects and contracts above a certain threshold, risk or high project complexity must be approved in accordance with the applicable authorisation matrix, which is set by the Board of Management. Focus on a proper risk assessment also ensures that sufficiently qualified managers are selected to manage these projects, reducing the risk of unnecessary costs. Fugro is strongly focused on further improving its efficiency, amongst others by a relentless focus on delivery excellence, for example by implementing a global equipment pool, lessons learned assessments and process standardisation by centralising project management development. Monitoring and required support is provided by regional management, as well as global support functions.

QHSSE management

Risk appetite	Description	Risk direction	Mitigation
Low	Fugro recognises that the industry in which it works exposes employees to health, safety and security risks and is therefore committed to preventing these from turning into incidents.	It is expected that this risk will remain the same. Strong QHSSE management is very important for Fugro, as its employees have always worked in difficult environments, and this is not expected to change. Changing portfolio, but also the difficulty of recruiting and retaining qualified personnel, makes it at times more challenging to maintain high levels of QHSSE management. Fugro has identified this challenge and has programs in place to address this.	Fugro has a group wide QHSSE strategy and related standards, policies and practices where all levels are expected to actively motivate, influence and guide individual and collective behaviour. This is fuelled by the belief that all incidents are preventable. Every employee and contractor is expected to abide by HSSE management systems including its Golden Rules of HSSE, which early 2019 have changed to the industry wide used 'Life Saving Rules'. All Fugro's activities are executed under OHSAS18001, ISO 45001 or similar certified management systems. Employees receive regular inductions and safety training and Fugro is continuously reviewing potential areas of improvement, and ensuring thorough evaluations of all incidents and sharing resulting improvements and best practices. Fugro's safety leadership program helps to establish and use the best culture and practices in its projects and operations.

Information security

Risk appetite	Description	Risk direction	Mitigation
Low	Fugro relies on a range of IT systems (hardware, software and network connections) to manage its business, support operations and deliver many of its advanced technological solutions. Fugro develops proprietary hardware and software to support its specialist services. Consequently, malfunctioning or unavailability of Fugro's IT systems, due to an cyber-attack (e.g. phishing, malware), non-delivering suppliers or internal system instabilities. This may result in a delay of projects resulting in (financial) penalties or a negative impact on Fugro's reputation.	The combination of an increase in IT dependency, increase in cyber threats and increased level of reliance of suppliers, underpin the expectation that this risk will continue to increase in the next few years.	Fugro has a dedicated global IT security team and a solid security IT infrastructure which consists of advanced spam and internet filters, firewalls, policy-based access to the internet and tooling to monitor network and cloud usage. Fugro's IT systems are constantly monitored and controlled for contamination by viruses, malware or malicious content or behaviour. The team operates independently from IT staff in the regions. In 2019, Fugro has taken several actions to further improve information security resilience, among others by transforming the IT organisation to increase the level of awareness of information security. There has not been any major security incident in 2019.

Financial risk

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

Credit risk

Risk appetite	Description	Risk direction	Mitigation
Low	Fugro has an credit exposure in the accounts receivable with customers. A default by counterparties can have a material adverse effect on operating results. Furthermore, aging debtors have a negative impact on the available working capital, exposing Fugro to the risk of increased cost of capital.	It is expected that this risk will remain stable. Because of Fugro's diverse client base, there is always a risk that a client pays late, or goes bankrupt.	Fugro continues to focus on timely collections of outstanding debt in order to minimise this risk. Relevant staff is trained and continuously informed about the importance and impact of this topic.

Currency risk

Risk appetite	Description	Risk direction	Mitigation
Low	Fugro is exposed to fluctuations in exchange rates, which can impact equity, debt, revenue and profitability. The currency movements at group level can be substantial, in particular related to equity and debt. Fugro holds cash balances in local currencies in certain countries where it is difficult to transfer cash abroad or to convert it to USD or EUR at short notice. These local trapped cash balances expose Fugro to risk of devaluations against the euro. In Angola an amount of EUR 15.2 million as per year-end 2019 is in Angola Kwanza's which is subject to risk of further currency devaluation.	It is expected that this risk will remain the same. Given the global presence of Fugro, currency exposure is inevitable. A higher level of awareness, less projects in specific currencies of specific countries and more emphasis placed on this topic, will decrease the risk.	As most of the company's revenue in local currencies is used for local payments, the effect of currency movements on operational activities at a local level is reduced. The group treasurer focuses on improving transparency regarding the various currency exposures and provides advice on how to mitigate these. Based on the complexity of projects, the treasurer is involved during tendering to highlight and monitor these specific risks, within the set boundaries by the Board of Management. Fugro strives to match revenue with costs and assets with liabilities in each applicable currency or in USD and hence makes use of natural hedges. The usage of forward exchange contracts is limited. Through standardisation and centralisation and treasury management systems Fugro is able to monitor and mitigate its transactional currency risks and the group treasurer is monitoring all foreign exchange contracts and, together with group control, their significance for the assessment of assets, liabilities, and the financial situation and results.

Compliance risk

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

Legal & regulatory compliance

Risk appetite	Description	Risk direction	Mitigation
Low	Fugro's global presence exposes the company to regional and local law and regulation, as well as changing and challenging political and economic environments. This can impact the realisation of business opportunities. Other risks may include non-compliance with Fugro's Code of Conduct which explains the fundamental way Fugro strives to conduct the business.	It is expected that this risk will increase. There is a global drive to implement increasingly detailed and more complex regulations and regulatory standards covering an ever broader scope of a company's activities.	The Code of Conduct directs Fugro's employees, subcontractors and business partners to conduct business ethically, comply with the law and regulations, and maintains Fugro's reputation. Continuous efforts are made to inform employees, suppliers and business partners about the Code of Conduct. In addition, in 2019 this continued via dilemma workshops and active monitoring of agents and joint venture partners.

Intellectual property

Risk appetite	Description	Risk direction	Mitigation
Low	Fugro uses high-performance equipment, technologies, software and business processes, and develops a significant part of this in-house. There is a risk that Fugro unintentionally infringes the intellectual property (IP) of others in this process, which could result in material financial claims, high license fees or even prohibition of applying certain technologies or methods. On 8 May 2018, Magseis Fairfield filed an amended complaint against Seabed Geosolutions, in which Magseis Fairfield accuses the company of infringing on several US patents held by Magseis Fairfield. Although Seabed claims invalidity and non-infringement there is a risk that the claims will be awarded. On the other side there is a risk that other companies infringe Fugro's IP, resulting in less competitive advantages.	It is expected that this risk will increase. With the focus on innovation and the increasing utilisation of innovative solutions (both by Fugro and its competitors), there is an increase in competitive use of IP.	In order to mitigate this risk there is a corporate department managing Fugro's IP by increasing awareness within Fugro, and by assisting the Digital Technology & Innovation departments with the prevention of unintentional IP infringements.

Fugro continues to implement a groupwide integrated system to monitor and manage the business, including redesign and standardisation of applicable processes in order to optimise the way Fugro works. The key business processes are validated by business and support functions. The aim for this global implementation is to contribute to and improve Fugro's business management and internal control environment.

Internal audit

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

In 2019, internal audit performed a broader range of services, including (financial) project, organisational and process reviews. In total 25 reviews took place. The internal audit department is independently accountable to the audit committee of the Supervisory Board and participates and reports in each audit committee meeting (5 times per year). Additionally, the Director Internal Audit has direct access to the chairman of the audit committee and CEO and they meet at least twice per year.

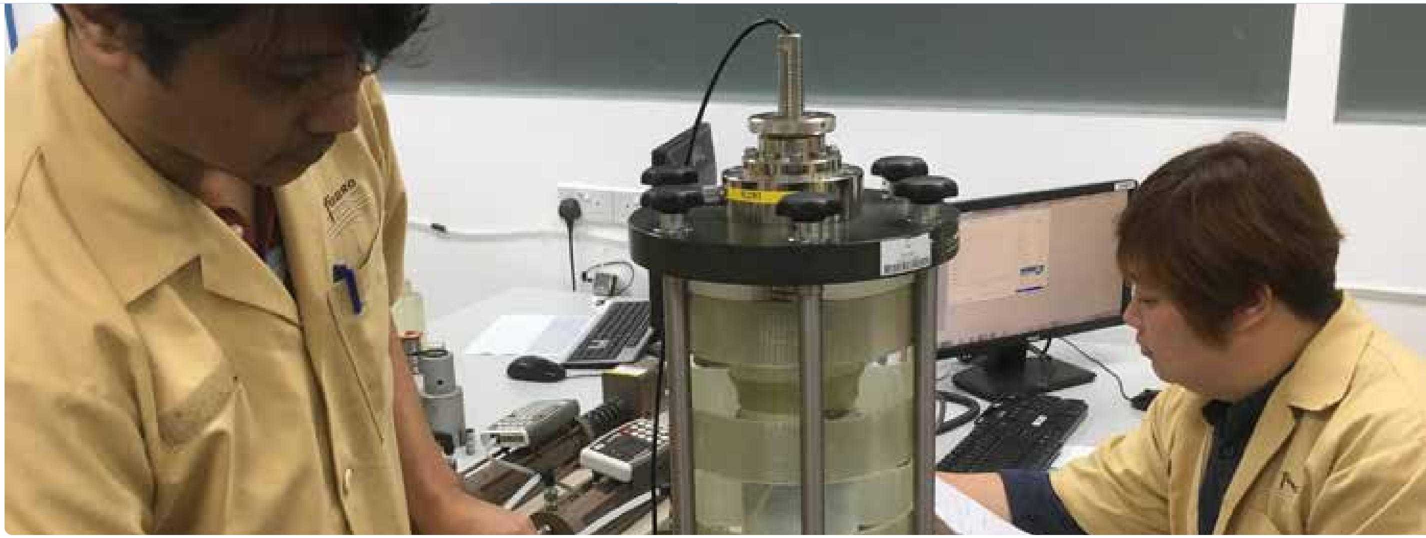
Close cooperation and alignment between the external auditor and internal audit department takes place on approach, scoping and outcome. The performance of the internal audit department is annually evaluated by the audit committee, assisted by the Board of Management.

FINANCIAL REPORTING

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

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

Fugro's internal control framework is updated regularly based on the risk management process and identified and evolving key risks for the organisation. The internal control self-assessments (ICS) have been designed. These self-assessments are aimed to increase awareness of Fugro's overall internal control framework and monitor compliance. They are focused on financial reporting, consistency in the use of standards and the effectiveness of controls, ultimately leading to an enhanced control environment.



External audit

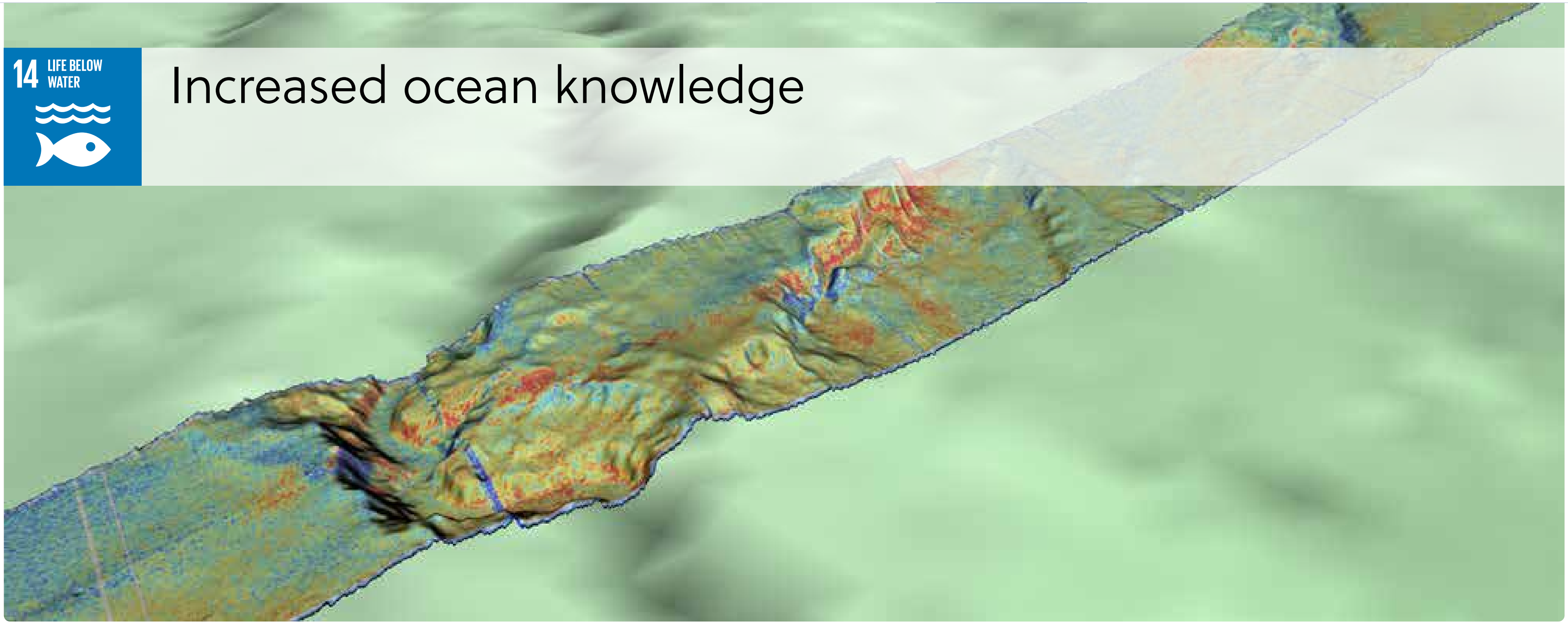
The financial statements of Fugro are audited annually by external auditors, who are not part of the internal controls of the company, but do contribute to the internal control framework. The audit is performed in accordance with Dutch law. As a matter of principle, the external auditor does not act in an advisory capacity. The performance of the external auditor is evaluated annually by the audit committee, assisted by the Board of Management. The audit committee advises the Supervisory Board on their proposal to the annual general meeting regarding (re)appointment of the external auditor. For specific information regarding the external audit we refer to the independent auditor's report on page 194.

Audit committee

The audit committee comprises three members of the Supervisory Board and, based on the risk appetite of the company, it ensures an independent monitoring of the risk management process from the perspective of its supervisory role. The committee focuses on the quality of the internal and external reporting, the effectiveness of the internal audits and the functioning of the external auditor. See 'Supervisory Board report – Supervisory Board committees' for further information on the audit committee. The terms of reference of the audit committee (included in the terms of reference of the Supervisory Board) are posted on Fugro's website.

14 LIFE BELOW WATER

Increased ocean knowledge



The world's oceans cover 70% of the Earth's surface and support nearly every aspect of our lives. Fugro is leading the industry in support of two complementary ocean science initiatives that aim to fill the sizeable data gaps that currently exist in our ocean knowledge.

The Nippon Foundation-GEBCO Seabed 2030 project aims to deliver a wholly mapped ocean within the next decade. Fugro has been involved in the project since its planning stages and to date, more than 1 million square kilometres of bathymetry data during transits has been contributed to the project.

The UN Decade of Ocean Science for Sustainable Development (2021–2030) is focused on developing a multifaceted framework for ocean science that will enable sustainable development of ocean resources. Fugro's bathymetry contributions to Seabed 2030 will also benefit the UN Ocean Decade. Additionally, we are committed to providing physical oceanography data acquired from our vessels and monitoring buoys used during geophysical and geotechnical projects.

Only **15%** of the ocean floor has been mapped. We have more accurate maps of Mars than we do of **70%** of our own planet

Fugro bathymetric surveys have contributed over **1 million** square kilometres of in-transit data to Seabed 2030 and to the UN Ocean Decade

CORPORATE GOVERNANCE

As per 1 May 2019, Fugro introduced a new leadership structure in order to accelerate the progress of the implementation of the Path to Profitable Growth strategy and to further increase efficiencies. The change consisted of the introduction of an Executive Leadership Team. Changes to the governance structure in connection with the introduction of the Executive Leadership Team are further discussed in this corporate governance chapter.

An overview of the corporate governance structure of Fugro in 2019 is provided below.

ORGANISATIONAL STRUCTURE

Fugro N.V. is a public limited liability company under Dutch law. Fugro is also an international holding company. It has a two-tier board structure, consisting of a Board of Management and an independent Supervisory Board. As of 1 May 2019, the company introduced an Executive Leadership Team. This team consists of the Board of Management members and seven senior executives/functional directors.

The Board of Management, Executive Leadership Team and the Supervisory Board have their specific role and task regulated by laws, the articles of association, the Dutch corporate governance code and the rules of these boards.

Board of Management

The Board of Management manages the company and is responsible for the continuity, the goals, objectives, long-term value creation strategy, policies and results of Fugro. The Board of Management establishes a position on the relevance of long-term value creation for the company and takes into account the relevant stakeholder interests.

The members of the Board of Management are appointed (and, if necessary, dismissed) by the general meeting for a maximum period of four years.
The Supervisory Board determines the number of members of the Board of Management after consultation with the Board of Management. Board of Management members may be reappointed.
The Supervisory Board appoints one of the members of the Board of Management as chairman (CEO) and determines, in consultation with the Board of Management, the division of tasks.

On 17 December 2019, Fugro announced that the Supervisory Board decided to reduce the Board of Management to the CEO and the CFO positions only. As a consequence, Brice Bouffard, whose term as member of the Board of Management finishes at the annual general meeting of shareholders on 30 April 2020, will not be nominated for re-election.

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

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

During 2019, the members of the Board of Management have not been involved in transactions involving conflicts of interest for Board of Management which were of material significance to Fugro and/or to members of the Board of Management.

The Board of Management regularly, and at least annually, evaluates its own and the individual members' performance.

Executive Leadership Team

The Executive Leadership Team (ELT) consists of the members of the Board of Management (CEO, CFO and – until 30 April 2020 – CDO) and seven senior managers with clear accountability to deliver on all elements of the strategic plan. The four Regional Group Directors each focuses on their own region. Key functional focus areas are covered by three other members: Digital Transformation and Innovation, Human Resources and Legal and Compliance. As CEO, Mark Heine is chairman of both the Board of Management and the ELT.

The ELT members assist the Board of Management in managing the company. The ELT is collectively responsible for the performance of the company and its business, the implementation of the strategy and group wide policies, systems and processes. It focuses on review of business results, functional and regional strategies, budget-setting, people and organisation. The Board of Management is responsible for ensuring its expertise and responsibilities are safeguarded in the context of the operation of the ELT.

Each ELT member is accountable to the Board of Management for the fulfilment of his/her duties and must therefore report to the Board of Management on a regular basis and in such manner as to give the Board of Management a proper insight in the performance of his/her tasks. The Board of Management remains fully accountable for the actions and decisions of the ELT and has ultimate responsibility for the general affairs of the company's business and the general affairs of the Group.

Size and composition of the ELT are subject to Supervisory Board approval. The ELT members other than the members of the Board of Management are appointed, suspended and dismissed as ELT members by the Board of Management, subject to approval by the Supervisory Board. The remuneration of ELT members, including short- and long-term incentives, other than for the members of the Board of Management is decided annually by the Board of Management, subject to approval by the Supervisory Board.

As of the introduction of the ELT in May 2019, the ELT had 14 formal meetings, some by teleconference. The composition and the information about the members of the ELT is provided on page 64 of this report.

The ELT will at least annually evaluate its own performance. The Board of Management regularly, and at least annually, evaluates the performance of each ELT member, other than the Managing Directors. The CEO informs the Supervisory Board on the outcome of the evaluation.

Supervisory Board

The Supervisory Board supervises and advises the Board of Management and the ELT on the policies, management and the general affairs of Fugro, including the relations with shareholders. The Supervisory Board assists the Board of Management with advice on general policies related to Fugro and its business. In fulfilling its responsibilities, the Supervisory Board is guided by the interests of Fugro and its stakeholders.

Members of the Supervisory Board are appointed (and, if necessary, dismissed) by the general meeting for a maximum period of four years. The Supervisory Board consists of such number of members as shall be set by the Supervisory Board (currently six). In case of an appointment or reappointment of Supervisory Board members, the Supervisory Board profile will be observed. A Supervisory Board member may be reappointed once for a second period of four years, and subsequently reappointed again for a period of two years, which appointment may be extended by at most two years. In the event of a reappointment after an eight-year period, reasons should be given in the report of the Supervisory Board.

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

The Supervisory Board appoints one of its members as chairman and one as vice-chairman. The chairman of the Supervisory Board is assisted in his role by the company secretary.

The Supervisory Board has established three committees from amongst its members: an audit committee, a nomination committee and a remuneration committee. The function of the committees is to assist the Supervisory Board and to prepare the decision-making.

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

During 2019, the members of the Supervisory Board have not been involved in transactions involving conflicts of interest for Supervisory Board members, which were of material significance to Fugro and/or to members of the Supervisory Board other than in one case for which the Supervisory Board considered it appropriate for one of its members to not participate in the decision-making process.

The Supervisory Board regularly, and at least annually, evaluates the performance of the Board of Management and the members individually.
The Supervisory Board discusses the conclusions of this evaluation, also in relation to the succession of directors. The evaluation takes place without the Board of Management being present. The Supervisory Board regularly, and at least annually, also evaluates its own and the individual members' performance without any Board of Management member being present.
The performance of the various committees is evaluated as well.

Further information on the internal proceedings governing the Board of Management, the Executive Leadership Team and the Supervisory Board, can be found on the website of Fugro.

Diversity Board of Management, Executive Leadership Team and Supervisory Board

Fugro values diversity and inclusion in all areas of its organisation. Starting at the top, in 2017, Fugro defined diversity policies for the composition of the Supervisory Board and Board of Management. Reference is made to the diversity policy for the Board of Management and the Supervisory Board, and to the Supervisory Board rules (which contain the profile of the Supervisory Board), both of which are available on Fugro's website. In view of the introduction of the Executive Leadership Team in May 2019, the diversity policy for the Board of Management and the Supervisory Board was expanded to include the Executive Leadership Team.

Increased diversity on these boards will lead to a wider range of skills for better oversight and governance.
It will also better reflect the diversity of Fugro's employees and client base. In these policies, and based on the nature and complexity of the Fugro business, the markets in which Fugro operates, and the diversity of the client base and employees, Fugro identified the diversity aspects of gender, nationality, location of residence, cultural background and qualifications (education and experience) as being most relevant for Fugro and its business. For all boards, these diversity aspects are considered when filling vacancies.

On the basis of these diversity aspects, targets have been set to achieve diversity on the boards.
The Supervisory Board has set the following gender diversity target for both the Supervisory Board and Board of Management: at least 30% of both boards shall consist of female members and at least 30% of male members.

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

The Board of Management currently consists of three members and will, after 30 April 2020, consist of two members. As all members are male, the diversity target regarding gender has not been met.

In the Executive Leadership Team, which consists of seven members outside of the Board of Management, one member is female.

Although Fugro still has steps to take in its diversity profile, it continues to put the gender diversity target high on the list of criteria, besides other relevant criteria for the specific vacancy. In the longer run, gender diversity at the top should also come from a more balanced composition in terms of gender at the other layers in the organisation. Therefore, the company pays specific attention to women in its management development programmes to ensure the rise of women to senior management positions. In addition, external recruitment agencies are specifically instructed to identify and submit capable female candidates for senior management positions. Finally, the company will give preference to women in the case of equal suitability. Nonetheless, it will take time before these measures take effect to achieve the target on gender diversity at the executive level.

See pages 63 and 97 for more information about the gender, nationality and the qualifications (education and professional experience) of the members of the Board of Management and the Supervisory Board.

General meeting of shareholders

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

The powers of the general meeting are stipulated in legislation and in the articles of association of Fugro and can be stated concisely as follows: approval of decisions that would entail a significant change to the identity or character of Fugro or its business; appointment and dismissal of members of the Board of Management and of the Supervisory Board; adoption of the remuneration policy of the Board of Management; approval of option and share plans for the Board of Management; approval of the remuneration of the Supervisory Board; adoption of the annual financial statements; discharge of members of the Board of Management and of the Supervisory Board; approval of the profit appropriation in accordance with article 36 paragraph 7 of the articles of association; authorisation to repurchase or cancellation of shares, to issue shares (or to grant rights to subscribe for shares) and to restrict or exclude pre-emptive rights in respect of shares; and approval of decisions to amend the articles of association or to dissolve Fugro.

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

The shareholders' meeting is chaired by the chairman of the Supervisory Board. The Supervisory Board and the Board of Management provide the shareholders' meeting with all the information requested, unless there is a very good reason why providing the information would not be in the interests of Fugro.

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

CORPORATE INFORMATION

Capital structure

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

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

On 31 December 2019, the issued capital amounted to EUR 4,228,626.25 divided into 84,572,525 ordinary shares. No preference shares have been issued. All the ordinary shares have equal voting rights (one share, one vote). There are no restrictions on the voting rights of the company's ordinary shares and preference shares (if issued). As of 31 December 2019 almost all (83,654,902 = 98.91%) issued ordinary shares were exchanged for certificates of shares. See 'Foundation Trust Office' on page 82 for more information on these certificates.

Restrictions to transfer of shares/exchange of certificates

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

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

- is the holder of ordinary shares to a nominal amount of one per cent or more of the total capital of Fugro issued in the form of ordinary shares (as of 31 December 2019, one percent equals 845,726 shares)
- through such transfer would acquire more than one per cent of the total capital of Fugro issued in the form of ordinary shares.

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

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

- the transfer of ordinary shares to Fugro itself or to a subsidiary of Fugro
- the transfer or issue of ordinary shares to, or the exercise of a right to subscribe for ordinary shares by, a trust office or to another legal person, if in respect of such a trust office or other legal person the Board of Management with the approval of the Supervisory Board has by an irrevocable resolution wholly or partially lifted the restrictions limiting the transfer or issue of ordinary shares, to which lifting of restrictions conditions may be attached; in respect of another legal person as referred to above, such restrictions may be lifted only to the extent that such may be required to permit that legal person to avail itself of the facility of the participation exemption, as at present provided for in section 13 of the Corporation Tax Act 1969
- the transfer of ordinary shares acquired by Fugro itself or the issue by Fugro of ordinary shares, if such a transfer or issue takes place within the framework of either a collaborative arrangement with or the acquisition of another enterprise, or a legal merger, or the acquisition of a participating interest or the expansion thereof, in respect of which the Board of Management with the approval of the Supervisory Board by an irrevocable resolution has wholly or partially lifted the restrictions limiting the transfer or issue of ordinary shares, to which lifting of restrictions conditions may be attached
- the transfer or transmission of ordinary shares to shareholders who on 31 March 1992 were recorded as shareholders in the shareholders' register of Fugro, if in respect of such a transfer or transmission the Board of Management, with the approval of the Supervisory Board, by an irrevocable resolution wholly or partially lifted the restrictions limiting the

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

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

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

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

The protective measures shall be put up, especially in a takeover situation, when this is in the interest of Fugro to protect its independence and also in defining Fugro's position in relation to that of the raider and the raider's plans. It creates the possibility, when necessary, to look for alternatives. The protective measures will not be put up to protect the Board of Management's own position. Due to the uncertainty regarding the situations with which Fugro could be confronted, the use of protective measures in circumstances other than those described above cannot be discounted.

Foundation Trust Office
Only (non-voting) certificates of shares are listed and traded on Euronext Amsterdam. These exchangeable certificates are issued by Foundation Trust Office and the Board of the Foundation exercises the voting rights on the underlying shares in such a manner that the interests of Fugro and the enterprise affiliated therewith and all those concerned therewith are observed and complied with as far as shall be possible. The Board of the Foundation operates completely independent from Fugro. For the report to holders of certificates with respect to the year 2019 and for the composition of the Board see pages 205 – 206.

Holders of certificates (and their authorised proxies):
- may, after timely written notification, attend and speak at shareholders' meetings
- are entitled to request from Foundation Trust Office a proxy to exercise the right to vote for the shares that underlie their certificates. The Foundation may solely limit, exclude or revoke a proxy if:
  - a public offer has been announced or made on the (certificates of) shares of Fugro or if a justifiable expectation prevails that such an offer shall be made, without agreement hereon having been reached with Fugro
  - a holder of certificates or a number of holders of certificates, in accordance with an agreement between and among them to co-operate, together or not, with subsidiaries, acquire at least 25% of the issued capital of Fugro, or have said amount of issued capital acquired

- in the opinion of Foundation Trust Office, the exercise of voting rights by a holder of certificates constitutes a real conflict of interest with those of Fugro and the enterprise affiliated therewith.
- may as long as they are natural persons, exchange their certificates of ordinary shares up to a maximum of 1% of the issued share capital in Fugro per shareholder.

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

Foundation Protective Preference Shares Fugro

The objects of Stichting Beschermingspreferente aandelen Fugro ('Foundation Protective Preference Shares') are to attend to Fugro's interests and of Fugro's businesses as well as the businesses of the entities that form part of the group, in such way that Fugro's interests and the interests of the relevant businesses as well as the interests of all parties involved, are safeguarded to the extent possible, and that Fugro and the relevant businesses are defended to the extent possible against factors that could negatively affect the independence and/or continuity and/or identity of Fugro and the relevant businesses, as well as all activities which are incidental to or which may be conducive to any of the foregoing.

The Foundation aims to achieve its objects independently from Fugro, by acquiring protective preference shares and by exercising the rights attached to such shares. Fugro has entered into a call option agreement with the Foundation pursuant to which the Foundation was granted the right to acquire cumulative protective preference shares in Fugro's share capital, each share with a nominal value of EUR 0.05, up to an amount to be determined by the Foundation and up to a maximum equal to 100% minus 1 share of the aggregate nominal value of ordinary shares and preference financing shares in Fugro that are held by third parties at the time the right to acquire protective preference shares is exercised by the Foundation.
By entering into the option agreement, the Foundation is in a position to achieve its objects – i.e. safeguarding Fugro and its businesses – autonomously, independently and effectively should the occasion occur. The Board of Foundation Protective Preference Shares operates completely independently from Fugro; for the composition of the Board see page 204.

Foundation Continuity Fugro

The objects of Stichting Continuïteit Fugro ('Foundation Continuity') are similar to those of Foundation Protective Preference Shares. Foundation Continuity has entered into call option agreements with Fugro Consultants International N.V. ('FCI') and Fugro Financial International N.V. ('FFI') (both registered in Curaçao) pursuant to which the Foundation was granted the right to acquire preference shares B in each of FCI and FFI up to a maximum equal to 105% of the nominal value of the then issued capital of the relevant company (in a form other than cumulative preference shares B), not including any shares that company holds in its own capital. The grant of these call options has been approved by the AGM in 1999.

Foundation Continuity, at the level of FCI and FFI, basically has similar features as a Dutch Protective Preference Shares Foundation and under circumstances may acquire a veto right on important decisions relating to the Fugro businesses operating under FCI and FFI. The Board of the Foundation operates completely independent of Fugro but Board member A is appointed by the Board of Management of Fugro with the approval of the Supervisory Board of Fugro. For the composition of the Board, see page 204.

Amendment of articles of association

A resolution to amend the articles of association of Fugro may be passed only on a proposal thereto of the Board of Management with the prior approval of the Supervisory Board and by a majority of at least two-thirds of the votes cast at a general meeting, representing at least half of the issued share capital. If this proportion of the share capital is not represented at the meeting, a second meeting may be convened at which the resolution may be passed by a majority of at least two-thirds of the votes cast, irrespective of the proportion of the capital represented at such meeting.

Insofar as a resolution to amend the articles of association brings about a change in the rights vested in the holders of protective preference shares or the holders of financing preference shares or the holders of convertible financing preference shares (currently no such preference shares are issued), such a resolution shall require the approval of the meeting of holders of protective preference shares or the meeting of holders of financing preference shares or the meeting of the holders of convertible financing preference shares, as the case may be. Fugro's articles of association were last amended on 19 December 2017 and are posted on the website.

Authorisation Board of Management regarding shares

Fugro regularly proposes to its shareholders to authorise the Board of Management to grant or issue (rights to acquire) shares and to repurchase own shares. On 26 April 2019, the AGM authorised the Board of Management for a period of 18 months as from 26 April 2019 until 26 November 2020, subject to the approval of the Supervisory Board, to:

- cause Fugro to repurchase (certificates of) its shares in its own capital, up to a maximum of 10% of the issued capital at the date of acquisition, provided that Fugro will hold no more (certificates of) shares in stock than at maximum 10% of the issued capital, either through purchase on a stock exchange or otherwise, at a price, excluding expenses, not lower than the nominal value of the shares and not higher than 10% above the average of the closing price of the certificates of the shares on Euronext Amsterdam for the five business days preceding the date on which the repurchase is made
- resolve on the issue of – and/or on the granting of rights to acquire ordinary shares and/or all sorts of financing preference shares in which the authorised capital of Fugro is divided at the date of the relevant resolution
- limit or exclude pre-emption rights in relation to any issue or grant of (rights to acquire) ordinary shares and all sorts of financing preference shares in which the authorised capital of Fugro is divided at the date of the relevant resolution.

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

The Board of Management may resolve, with the approval of the Supervisory Board, to dispose of shares acquired by Fugro in its own capital.

Long-term incentive plans

Fugro has the following long-term incentive plans in place:

i) Unconditional options, approved by the AGM in 2008
ii) Conditional performance options and performance shares, approved by the AGM in 2014
iii) Conditional performance shares (adjustment of the plan under ii) above), approved by the AGM in 2017.

Until 2014, only unconditional options were granted to members of the Board of Management and to a large number of employees. This changed after amendment of the remuneration policy for the Board of Management in 2014.

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

With effect from 2017, unconditional options and conditional performance shares are no longer granted at the end of the calendar year but the grant date has been shifted to the open period immediately following the publication of the annual results. The first grant under this revised timetable was on 1 March 2018. The vesting date has also been shifted to match the new grant date, but this is not applicable to unconditional options that were granted in the period 2012 – 2016. These option series still vest at year end, three 3 years after the option grant date. The 2016 plan vested December 31, 2019.

The vesting period of the options and performance shares is three years. The term of the options is six years and the term of the performance shares is five years (vesting period is followed by a lock-up of 2 years).

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

The vesting conditions of the performance options (last grant in 2016) and shares are not only subject to continuous employment of the holder by Fugro or one of its subsidiaries, but also to performance testing. Vested performance shares have a holding (lock-up) period of two years and may be partly sold only to meet tax requirements at vesting ('sell to cover'). The usual terms and conditions are applicable including exceptions in connection with redundancy, termination of employment without cause, prorated vesting, retirement, long-term disability, death and change of control.

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

See note 12 of the financial statements for further information on option and share plans.

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

Unconditional options	**Exercise price (EUR)**	**Vesting date**	**Expiration date**
Series 31/12/2014	17.26	31/12/17	31/12/2020
Series 31/12/2015	15.06	31/12/18	31/12/2021
Series 31/12/2016	14.55	31/12/19	31/12/2022
Series 01/03/2018	12.20	05/03/21*	04/03/2024*
Series 04/03/2019	9.99	09/03/22*	08/03/2025*

Performance options	**Exercise price (EUR)**	**Vesting date***	**Expiration date***
Series 31/12/2015	15.06	not vested	n/a
Series 31/12/2016	14.55	partially vested	06/03/2023

Performance shares	**Exercise price (EUR)**	**Vesting date***	**End of lock-up***
Series 31/12/2015	n/a	not vested	n/a
Series 31/12/2016	n/a	partially vested	06/03/2022
Series 01/03/2018	n/a	05/03/21	04/03/2023
Series 04/03/2019	n/a	09/03/22	08/03/2024

* Based on anticipated publication dates of annual results in 2020 and onwards.

Key agreements containing change of control provisions

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

- Fugro, directly and indirectly, has entered into syndicate revolving credit facilities (RCF). See for further details note 28.2 of the financial statements. The RCF agreements stipulate that in the event of a change of control of Fugro, the loans/amounts outstanding under these arrangements are immediately due
- Fugro has entered into a sale and lease back agreement regarding the geotechnical vessels Fugro Scout and Fugro Voyager. The documentation contains change of control clauses which could result, depending on various circumstances, in damages to be paid by Fugro
- In October 2016, Fugro has issued EUR 190 million in subordinated convertible bonds and in October 2017 Fugro N.V. has issued EUR 100 million in subordinated convertible bonds. For further details see note 28.3 of the financial statements. Both agreements contain a change of control clause which gives the holder of each bond the right to require Fugro to redeem that bond

- Agreement between Fugro Nederland B.V. and CGG SA regarding Seabed Geosolutions B.V., a subsidiary of Fugro with significant non-controlling interest. This agreement contains a change of control clause with respect to the situation that a third party, other than an affiliate of Fugro or CGG acquires direct or indirect control over i) the affairs of Fugro or CGG; ii) more than 30% of the voting rights in the capital of Fugro or CGG; or iii) on the appointment or dismissal of the majority of the managing directors or a board of directors of Fugro or CGG. In such a case the other party may terminate the agreement. Reference is made to the press release of Fugro of 30 December 2019, regarding the acquisition by Fugro of CGG's 40% interest in Seabed Geosolutions and the termination of the joint venture agreement. As of the closing of this transaction in the first quarter of 2020, the above mentioned change of control provision will no longer be applicable.
  Some other joint venture agreements Fugro and Fugro subsidiaries have entered into also contain change of control clauses, which agreements are in itself not considered key agreements within the meaning of the Decree on Article 10 of the EU Takeover Directive, but jointly they are considered significant
- Fugro and Fugro subsidiaries have entered into various important agreements that contain clauses that in the event of a change of control the other party has the right to terminate the agreement. These agreements are in itself not considered key agreements within the meaning of the Decree on Article 10 of the Takeover Directive, but jointly they are considered significant
- Long-term incentive plans with respect to unconditional options and conditional performance options and shares. The terms and conditions of the unconditional options stipulate that in the event of a restructuring of the share capital of Fugro or a merger of Fugro with any other legal entity, the option holder is entitled for every option to such securities, cash or other property as to which a shareholder of Fugro is entitled per share immediately prior to the restructuring or merger, unless the option period is shortened by Fugro.
  In the event of a restructuring of its share capital or merger with another company, Fugro may shorten the option period so as to terminate immediately prior to the time at which the restructuring or merger is effectuated. In the event that a public offer is considered hostile and such offer is declared unconditional, all options become immediately exercisable. The terms and conditions of the conditional performance options and shares contain more or less similar change of control clauses.

Termination of management service agreements resulting from public bid

Fugro has not entered into any agreements with members of the Board of Management that provide for a specific severance payment on termination of the services agreement as a result of a public bid within the meaning of section 5:70 or 5:74 of the Dutch Act on Financial Supervision. The agreements with the members of the Board of Management do – in accordance with the Code – provide for a general severance payment amounting to a maximum of one year's fixed base salary which in principle is applicable in the event of termination or annulment of the agreement unless this is for cause. This severance payment is also applicable when the termination is justified by such change of circumstances that the members of the Board of Management cannot reasonably be expected to continue the performance of their function/services as a statutory director of Fugro. This may be the case, for example, if Fugro is liquidated, is merged with or taken over by a third party, is subject to an important reorganisation or to a major change of policy. This severance payment is in addition to a three months' notice period for both parties.

Dutch corporate governance code

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

Compliance with the Code in 2019

Fugro applies the principles and best practices of the Code, except for the following and for the reasons set out below. A full overview ('comply or explain'-report) of Fugro's compliance with the Code in 2019 is posted on Fugro's website, as are the rules governing the internal proceedings of the Board of Management and Executive Leadership Team and of the Supervisory Board (including its three committees).

Principle 4.4

Maintaining its role as independent service provider is crucial for Fugro (see 'Protective measures' on page 82 for further explanation). One of the ways to safeguard this independence is share certification. Although the Code provides that the certification structure is not meant as a protective measure, Fugro has chosen, in the interest of its clients to also view the certification structure as part of its protective measures.
When carrying out assignments Fugro often receives or can have access to extremely confidential information. Fugro can only perform its assignments if it can safeguard the confidential nature of such information towards its clients. Furthermore, it is strategically extremely important for Fugro that it is able to maintain its position as an independent service provider and to deter influences in conflict with these interests which might affect the independent position or the continuity and identity of Fugro and its group companies.

The second reason for the certification structure is the prevention of possible harmful effects as a result of absenteeism in the shareholders' meetings of Fugro. Fugro considers it not to be in the interest of its stakeholders in general that through absenteeism an accidental majority can, based only on its own interest, force through its opinion. Preventing this, ties in with this Principle 4.4.

Best practice provision 4.4.1

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

Best practice provision 4.4.2

According to this provision the meeting of holders of certificates may make recommendations to the Board of the Foundation Trust Office for the appointment of a member to the Board. It depends on whether or not a meeting of holders of certificates is held in which the holders of certificates can make such recommendations. The Board has decided that holders of certificates representing at least 15% of the issued share capital in the form of certificates of shares may request that a meeting of holders of certificates is convened in order to make recommendations concerning persons to be appointed as a member of the Board of the Foundation Trust Office. At this moment, Fugro does not intend to change this.

Best practice provision 4.4.5

According to this provision the Foundation Trust Office, in exercising its voting rights, should be guided 'primarily by the interests of the holders of certificates, taking the interests of the company and its affiliated enterprise into account'. The articles of association and the administration terms and conditions of the Foundation Trust Office provide that if the Foundation Trust Office exercises its voting rights, it will do this in such a manner that the interests of Fugro and the enterprise affiliated therewith and all those concerned therewith are observed and complied with as far as shall be possible (article 2 of the articles of association and article 4 of the administration terms and conditions of the Foundation Trust Office).

The interests of some stakeholders need not necessarily at all times run parallel with that of other stakeholders. For example, some will have a short-term focus whilst others have a long-term focus. It is up to the Board of the Foundation Trust Office to, after balancing the interests, come to a well-considered decision on the exercise of the voting rights. In addition, when considering the exercise of the voting rights the Board in any case takes into consideration the (Dutch) law as well as the articles of association and the administration terms and conditions of the Foundation Trust Office. The Board can (also) opt, for reasons of its own, to not exercise the voting rights on the shares held by the Foundation Trust Office. At this moment, Fugro does not intend to change this.

Best practice provision 4.4.8
Based on the provisions of section 2:118a Dutch Civil Code and article 18.2 of the administration terms and conditions, the Foundation Trust Office will provide a proxy to any holder of certificates of shares who so requests, to exercise the voting rights on the (underlying) shares corresponding to the certificates held by the holder in a shareholders' meeting of Fugro. Holders of certificates of shares can (also) choose to have themselves represented in the shareholders' meeting by a written proxy, whether or not including a voting instruction. In specific situations the Foundation Trust Office may solely limit, exclude or revoke a proxy. See page 82 for more details. This is necessary – summarised – when Fugro's continuity, independence, identity or development is at stake. Therefore the deviation of this provision of the Code relates to the fact that proxies to vote are not issued without any limitation and in all circumstances. This deviation is of course the consequence of the fact that the structure of share certification is also meant as a protective measure. At this moment, Fugro does not intend to change this.

Corporate governance statement

This is a statement concerning corporate governance as referred to in section 2a of the decree on additional requirements for board reports (Besluit inhoud bestuursverslag) effective as of 1 January 2018 (the 'Decree'). The information required to be included in this corporate governance statement as described in sections 3, 3a and 3b of the Decree and in best practice provision 2.1.6 of the Code can be found in the following chapters, sections and pages of this annual report 2019 and are deemed to be included and repeated in this statement:

- The information concerning compliance with the Code, as required by section 3 of the Decree, can be found in 'Corporate governance'.
- The information regarding Fugro's diversity policy for the Supervisory and Management Boards as required by section 3a sub d of the Decree and best practice provision 2.1.6 of the Code, can be found in 'Corporate governance'.
- The information concerning Fugro's main features of the internal risk management and control systems relating to the financial reporting process, as required by section 3a sub a of the Decree, can be found in 'Risk management'.
- The information regarding the functioning of Fugro's general meeting, and the authority and rights of Fugro's shareholders and holders of certificates of shares, as required by section 3a sub b of the Decree, can be found in 'Corporate governance'.
- The information regarding the composition and functioning of Fugro's Board of Management, the Supervisory Board and its committees, as required by section 3a sub c of the Decree, can be found in the relevant sections of 'Corporate governance' and 'Supervisory Board report'.
- The information concerning the disclosure of the information required by the Decree on Article 10 EU Takeover Directive, as required by section 3b of the Decree, can be found in 'Corporate governance' and 'Fugro on the capital markets'.

Next level electricity network management

To ensure a safe and reliable power supply, network operators need accurate, up-to-date information on thousands of kilometres of power lines, as well as the surrounding vegetation. Fugro's award-winning Roames platform is revolutionising the way electricity network operators tackle this challenge, by combining high-resolution remote sensing techniques using small airplanes or drones with cutting-edge data processing and cloud computing capabilities to deliver an accurate and dynamic 3D virtual model of power assets.

One of our assignments was to capture, model and analyse Australian electricity company Western Power's distribution network. This network is made up of 1.25 million poles along 61,000 kilometres, some dating back to the 1940s.

Fugro was able to confirm the real-world location of all assets, helping the company to prevent unnecessary delays, identified severe and potentially dangerous vegetation and major asset defects. In addition to a reduced CO_2 footprint, the data on vegetation was shared with external partners to help manage bushfire risks.

Over **5 million** spans of power network monitored each year, in Europe, Australia and the US

Results in operational savings of up to **40%** compared with traditional asset management costs

FUGRO ON THE CAPITAL MARKETS

Investor relations policy

Fugro's investor relations policy is aimed at providing timely, complete and consistent information to existing and potential shareholders, other capital providers and its intermediaries. Fugro wants to enable them to develop a clear understanding of the company's strategy, activities, historical performance and outlook for the future. Fugro offers comprehensive information on its website and through presentations to and meetings with analysts, investors and media and by means of press releases.

Investors are able to follow analyst presentations live via webcast. Roadshows are held twice a year, amongst others in the UK, the Netherlands, the US, Canada, Switzerland and Germany. In combination with further individual personal contacts with investors throughout the year this resulted in a total of 167 meetings, presentations and telephone conferences in 2019. Fugro is currently covered by eight financial analysts.

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

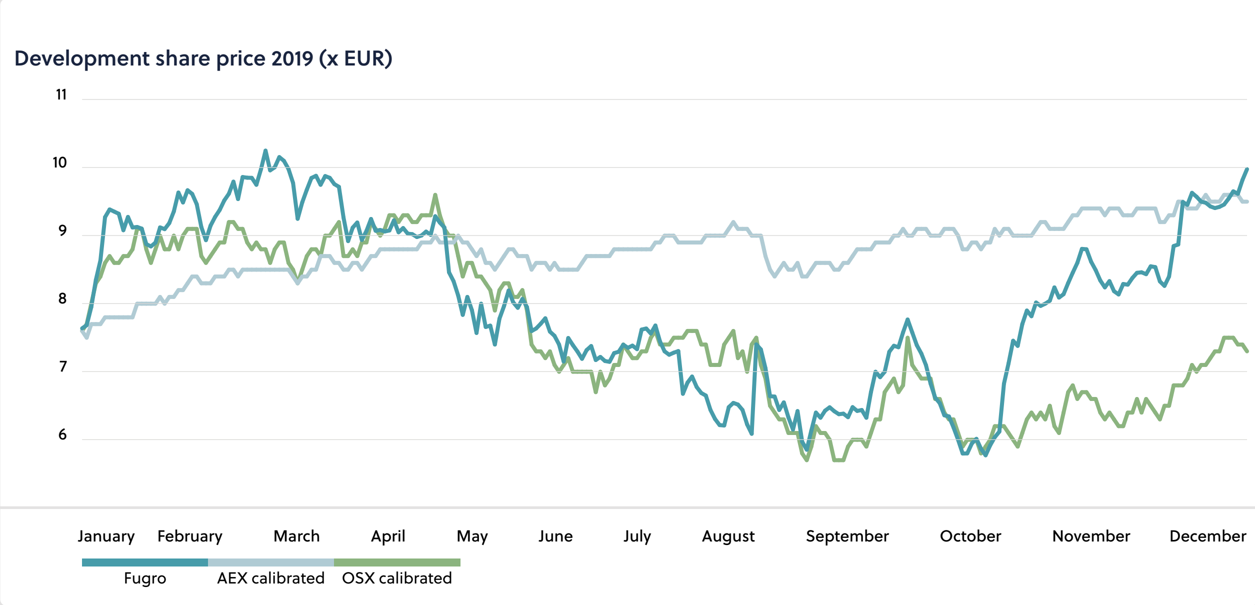
Listing on the stock exchange

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

On 31 December 2019, Fugro had 84,572,525 shares outstanding. Not the shares themselves, but certificates of shares are listed on Euronext Amsterdam. These certificates are issued by the Foundation Trust Office, which carries out the administration of the underlying shares. On 31 December 2019, the Foundation Trust Office administered 83,691,457 or 99.0% of the issued underlying shares. For more information on Fugro's capital structure, see 'Corporate governance – corporate information'.

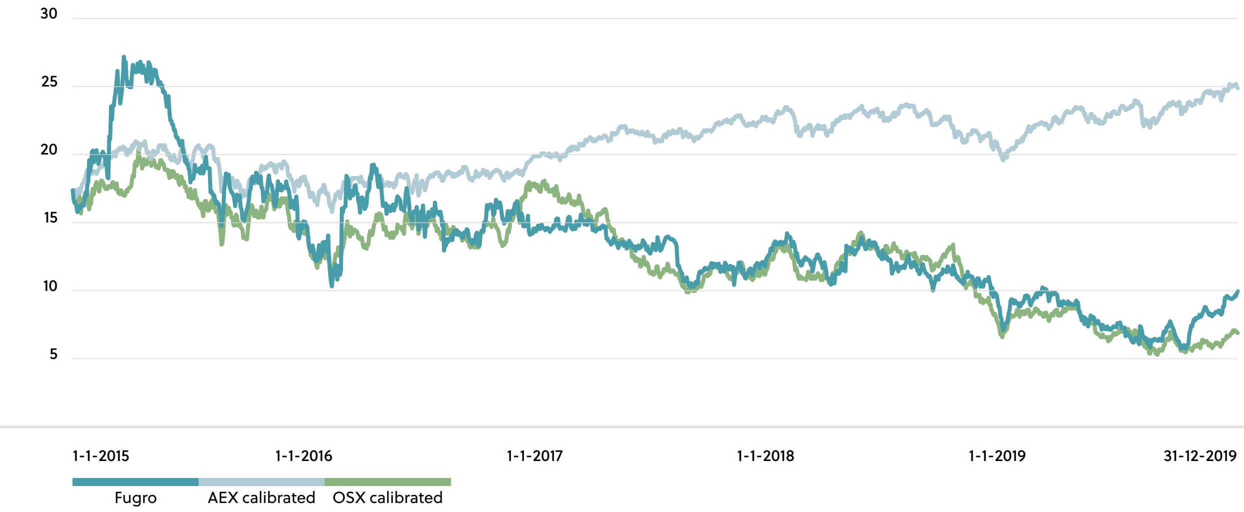
Share price and trading volumes

In 2019, Fugro's share price increased by 32% compared to a 2% decrease in the OSX, the most commonly used oil field services index, and an increase of 24% in the major Dutch stock exchange index AEX.



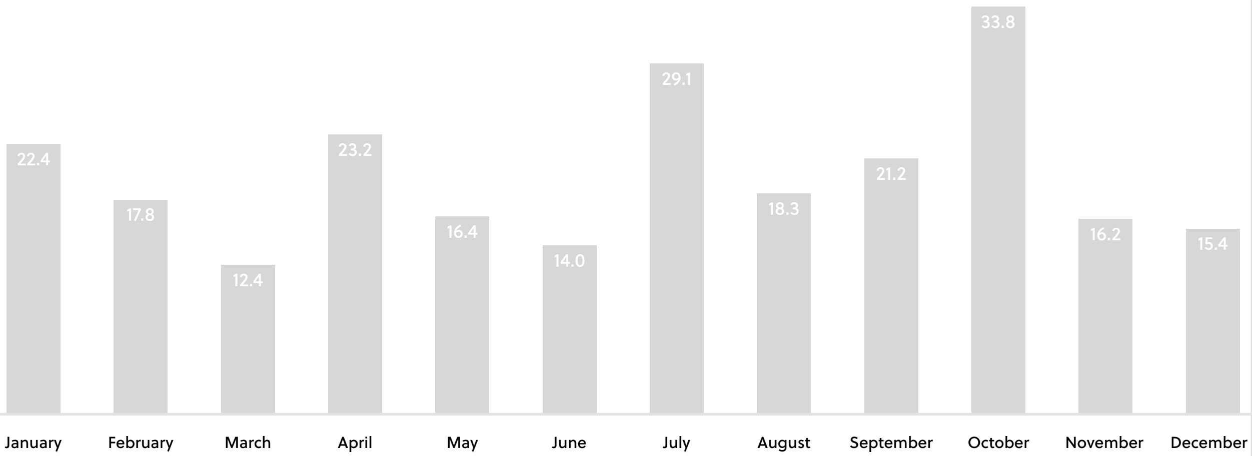
AEX (Dutch large cap index) and OSX (US oil services index composed of amongst others Halliburton, Oceaneering, Schlumberger, Transocean) calibrated to Fugro share price on 2 January 2019.

Development share price 2015 – 2019 (x EUR)



AEX (Dutch large cap index) and OSX (US oil services index composed of amongst others Halliburton, Oceaneering, Schlumberger, Transocean) calibrated to Fugro share price on 2 January 2015.

Monthly trading volumes on Euronext 2019 (x million shares)



The average daily trading volume on Euronext Amsterdam was 941,676 shares. Of the total volume traded throughout the year, 79% of the shares were traded via the Euronext platform, the remainder via alternative platforms such as Equiduct, CHI-X and Turquoise.

Shareholders

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

Holdings of 3% or more per 31 December 2019*

	Position	Date notification
Lucerne Capital Management GP, LLC	10.22%	4 December 2019
NN Groep N.V.	10.01%	4 October 2016
Kiltearn Partners LLP	9.81%	1 February 2019
Sprucegrove Investment Management Limited	5.15%	1 December 2018

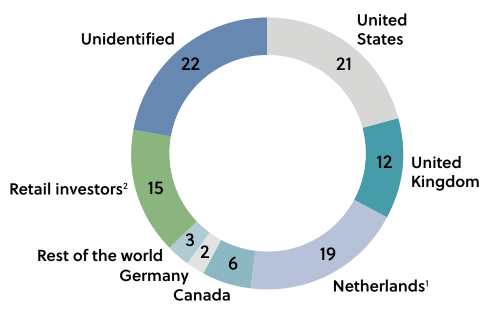
* Only related to real (not potential) holdings

On 31 December 2019, Fugro owned 3,601,447 of its own shares ('treasury shares') which can be (partly) used to cover the employee option and share plans and (partial) conversion of the outstanding subordinated convertible bonds. Treasury shares are not entitled to dividend and there are no voting rights attached to these shares. See 'Corporate governance – corporate information – long-term incentive plans' and note 12 of the financial statements for more information on Fugro's option and share plans.

Trading information

	2019	2018	2017	2016	2015
Market capitalisation (x EUR 1 million, year-end)	844	639	1,099	1,231	1,274
Highest closing share price on Euronext	10.25	14.24	15.61	19.28	27.21
Lowest closing share price on Euronext	5.78	7.14	10.30	10.34	13.86
Year-end closing share price on Euronext	9.98	7.55	12.99	14.55	15.06
Average daily trading on Euronext (shares)	941,676	935,089	786,522	750,484	940,270

Geographical distribution of shares (in %)



[1] Including 4.20% treasury shares.

[2] Primarily Dutch shareholders.

Source: cmi2i, January 2020.

Treasury shares

	2019	2018
Balance on 1 January	**3,605,047**	**3,613,347**
Purchased	–	–
Sold in connection with option exercise	–	–
Vesting of restricted shares	– 3,600	– 8,300
Balance on 31 December	**3,601,447**	**3,605,047**
Granted, not exercised options at year-end	2,562,463	2,752,308
Granted, not exercised performance options at year-end	194,354	372,865
Granted, not vested performance shares at year-end	829,175	524,930

During 2019, Fugro has not been involved in any transaction with holders of at least 10% of shares in Fugro. This means that best practice provision 2.7.5 of the Code has been observed.

Dividend

Due to the negative net result, Fugro has not paid a dividend since 2014 and will not propose to pay a dividend over the year 2019.

Regarding capital allocation, Fugro prioritises organic growth and deleveraging. As a result of the gradual improvement in profitability and disciplined asset management, Fugro targets an annual positive free cash flow resulting in a reduction of total debt, deleveraging of the balance sheet, and consequently a net debt/EBITDA ratio below 1.5. Dividend payments will be resumed once leverage allows.

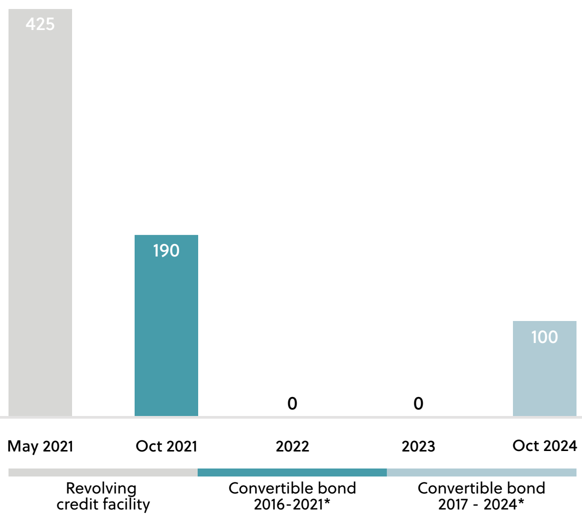
Fugro's dividend policy is a pay-out ratio of 35% to 55% of net result. Shareholders have the choice between cash or shares. In case no choice is made, the dividend will be paid in shares. Fugro offsets dilution resulting from the optional dividend (cash or shares). Fugro will repurchase the number of shares issued as stock dividend and these shares will be cancelled after having obtained shareholder approval. This way, dilution is being offset while the tax advantage for a substantial part of the shareholders related to stock dividend is retained.

Loans

Fugro has a revolving credit facility in place with seven banks. On this 5-year facility of EUR 575 million, EUR 425 million has been drawn as per 31 December 2019. The interest is EURIBOR plus 110 to 190 basis points, dependent on the level of net debt/EBITDA. The credit facility contains covenant requirements, most notably net leverage (net debt/EBITDA) of maximum 3.0 and fixed charge cover of at least 2.5. With net debt/EBITDA of 1.9 and a fixed charge cover of 3.3 per 31 December 2019, Fugro is well within its covenants. See note 28.6 in the financial statements for details.

Fugro also has two subordinated convertible bonds in place. The EUR 190 million bonds, which mature in 2021, carry a coupon of 4.0% and an initial conversion price of EUR 19.4416. The EUR 100 million bonds carry a coupon of 4.5% and an initial conversion price of EUR 14.9412. The bonds are trading on the Open Market (Freiverkehr) segment of the Frankfurt Stock Exchange (symbol: ISIN: XS1508771216 respectively XS1711989928). These bonds and related interest costs are excluded from the covenant ratios as described above. The shares underlying the bonds correspond to approximately 11.5% respectively 7.9% of Fugro's issued share capital.

Debt maturity profile per 31 December 2019 (in millions, euro equivalents)



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

Financial calendar

30 April 2020	Publication trading update first quarter 2020 (7 CET)
30 April 2020	Annual general meeting (Hilton Hotel the Hague, Den Haag, 14 CET)
29 July 2020	Publication half-year results 2020 (7 CET)
30 October 2020	Publication trading update third quarter 2020 (7 CET)
19 February 2021	Publication 2020 annual results (7 CET)
22 April 2021	Annual general meeting

Contact

For further information contact:

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c.vanbuttingha@fugro.com
holding@fugro.com

MANAGEMENT STATEMENTS

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

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

- letters of representation signed by the management of Fugro's reporting entities
- reports of internal audit on reviews performed throughout the year
- various risks assessments performed throughout the company, including risk assessment by the Board of Management
- report of external auditor provided at half year and full year
- management letter from the external auditor.

The management letter notes numerous positive developments and steps being taken to decrease risks and increase efficiency and effectiveness of internal controls. In particular such as further alignment in shared service centres, continued closure or merger of entities and harmonisation of the IT landscape. It was also noted that, as management pursues a high pace of transformation, among others the ongoing larger projects, market situation and divestment pursuits have placed a limit in terms of development capacity.

The establishment of the internal risk management and control systems is based on the identification of external and internal risk factors that could influence Fugro's operational and financial objectives and contains a system of monitoring, reporting and operational reviews. All material risk management activities have been discussed with the audit committee and Supervisory Board. For more information on Fugro's risk management activities and internal control and risk management systems, see pages 66 to 75. For a summary of risk factors, see page 66.

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

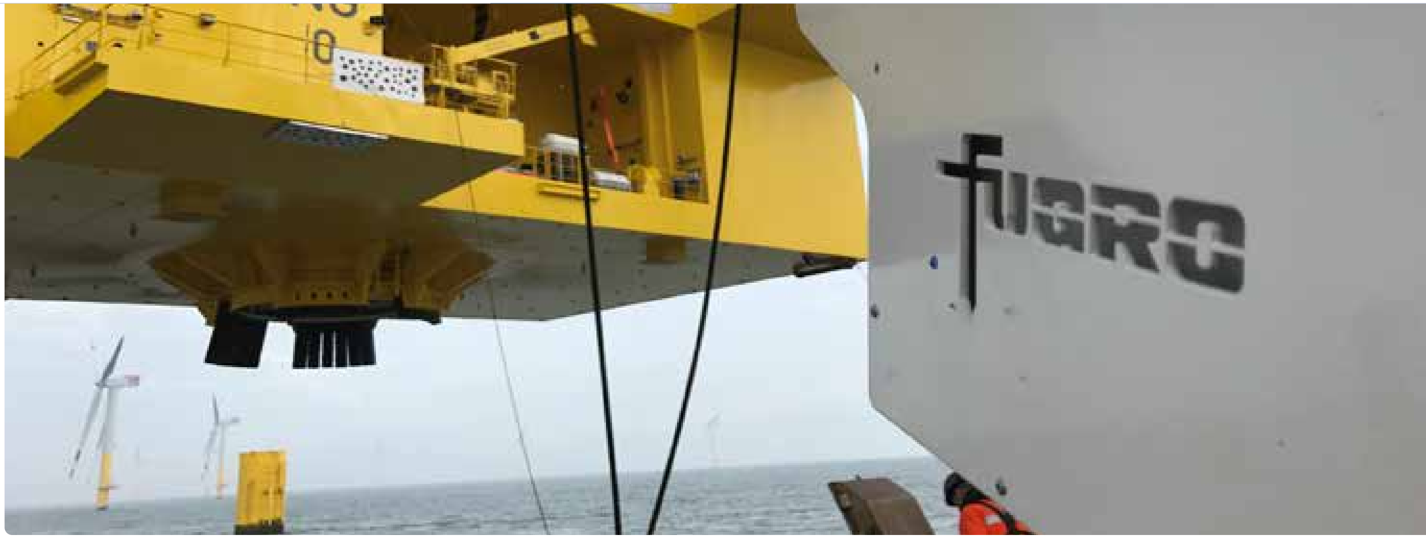
Based on the annual evaluation and discussion of Fugro's internal control and risk management systems and identified risk factors, the Board of Management confirms, in accordance with best practice provision 1.4.3 of the Dutch corporate governance code as published on 8 December 2016, that, according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

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

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

- the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Fugro and of group companies included jointly in the consolidation

- the board report (pages 7 to 93) provides a fair review of the position at the balance sheet date, the development and performance of the business during the financial year of Fugro and of the group companies for which the financial information is recognised in its financial statements
- the board report describes the principal risks and uncertainties that Fugro faces.



Leidschendam, 18 February 2020

M.R.F. Heine, Chief Executive Officer
P.A.H. Verhagen, Chief Financial Officer
B.M.R Bouffard, Chief Development Officer*

* During 2019, Brice M.R. Bouffard was member of the Board of Management. His term finishes at the annual general meeting of shareholders at 30 April 2020 and he will not be nominated for re-election. The duties of Brice Bouffard are currently assumed by the Group Director Innovation & Digital Transformation. Accordingly, Brice Bouffard did not sign the board report.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

Insights for safe, and efficiently managed roads

A safe and liveable world is also a driveable world. After all, well-maintained roads have a positive impact on road safety, boost fuel efficiency and help to extend vehicle longevity.

Fugro has pioneered new technologies to create an ever more precise picture of actual road pavement conditions. One such technology is our patented 3D pavement surfacing modelling system. This allows Fugro's Automatic Road Analyser (ARAN) vehicles to automatically generate 3D images of road surfaces. The system automatically generates and processes these high-resolution images at vehicle cruising speeds of up to 100 kilometres per hour.

As a result, road agencies benefit from accelerated insights into pavement quality and integrity. These insights allow them to optimise maintenance strategies and detect road defects at an early stage.

Roads are the **largest** collective man-made item on the planet

To date, Fugro has collected data on over **16 million** kilometres of roads

Poor road conditions contribute to over **30%** of road accidents

Report of the Supervisory Board

SUPERVISORY BOARD

Name **Harrie L.J. Noy (1951)**
Function Chairman
Committee Chairman nomination committee, member remuneration committee
Nationality Dutch
First appointed 2012
Current term Until AGM 2020
Previous positions Worked at ARCADIS as of 1975, from 1989 until 2000 in several senior management positions. From 2000 until May 2012 Chairman Executive Board and CEO of ARCADIS N.V.
Other functions Chairman Supervisory Board of Royal BAM Group N.V., Chairman Board Foundation Trust Office TKH Group

Name **Maarten Schönfeld (1949)**
Function Vice-chairman
Committee Chairman audit committee
Nationality Dutch
First appointed 2013
Current term Until AGM 2021
Previous positions 1977-2001 Several positions with Royal Dutch Shell Plc. From 2001 until 2008, CFO and vice-chairman of the Board of Management of Stork B.V.
Other functions Member Supervisory Board and chairman audit committee of ARCADIS N.V., member Board Foundation Vopak, member Board Foundation Continuity ICT

Name **Antonio J. Campo (1957)**
Committee Member remuneration committee; member nomination committee
Nationality Colombian
First appointed 2014
Current term Until AGM 2022
Previous positions Multitude of senior management positions at Schlumberger, President and CEO of Integra Group
Other functions
Vice-chairman Board Basin Holdings, Lead director of National Energy Services Reunited Corporation

Name **Petri H.M. Hofsté (1961)**
Committee Member audit committee
nationality Dutch
First appointed 2015
Current term Until AGM 2023
Previous positions Senior financial management positions at various organisations; partner at KPMG, group controller and deputy chief financial officer of ABN AMRO Bank, division director of the Dutch Central Bank and chief financial and risk officer of APG Group
Other functions Member Supervisory Board of Rabobank, Achmea B.V. and Achmea Investment management, Pon Holdings B.V. and chair of the Board of Nyenrode Foundation

Name **Anja H. Montijn (1962)**
Committee Chair remuneration committee; member nomination committee
Nationality Dutch
First appointed 2015
Current term Until AGM 2023
Previous positions Various national and international leadership positions at Accenture, ao managing director Resources practice in France and Benelux, Country Managing Director Accenture the Netherlands, Global Managing Director Management Consulting Resources
Other functions
Non-executive director at OCI N.V., member Supervisory Board Royal VolkerWessels NV

Name **Douglas J. Wall (1953)**
Committee Member audit committee
Nationality American/Canadian
First appointed 2014
Current term Until AGM 2022
Previous positions President and CEO of Patterson-UTI Energy, Group President of completions and production at Baker Hughes, variety of executive positions with other oilfield services companies in Canada and US
Other functions Member Board of Directors of Select Energy Services, LLC

Company secretary Harriet Defesche (1964)

SUPERVISORY BOARD REPORT

'Continued recovery' is the best way to summarise Fugro's development in 2019. After four years with severe losses caused by an unprecedented downturn in the oil and gas market, followed in 2018 by slightly positive operational results, recovery continued in 2019 resulting in strong margin improvement on the back of modest growth of revenues. Main driver for the improvement was the marine site characterisation business which benefitted from a gradual recovery of the oil and gas market, but even more from continuing strong growth in the offshore wind market, a rapidly expanding market in which Fugro, thanks to its technical capabilities and reputation, has a market leading position. The marine asset integrity business also recovered and contributed to the margin improvement.

We are pleased with the improved margin and cash flow of Fugro's core business, which not only reflects the improved market conditions, but also the impact of the performance improvement measures that have been taken in the past years. In addition, management's policy of selective tendering by giving priority to margin instead of growth is paying off. Still, the land business and Seabed Geosolutions ('Seabed') give reason for concern. The performance of the land business was impacted by specific circumstances in the UK, Hong Kong and the Middle East where Fugro traditionally did well. We agreed with the restructuring that is being implemented which should lead to structurally higher margins. We also agreed with the classification of non-core Seabed as 'asset held for sale' which means that it is not included anymore in results from continuing operations.

Management regularly updated us on market developments. The offshore oil and gas market is expected to gradually recover further. The energy transition will continue to create ample opportunities for Fugro in the offshore wind market, not only in Europe, but also in the United States and Asia. The infrastructure markets are still growing in most countries where Fugro is active. Geopolitical developments as well as unexpected events like the corona virus might have a negative impact on the global economy and therefore on the markets in which Fugro operates, but overall the market outlook for Fugro is positive.

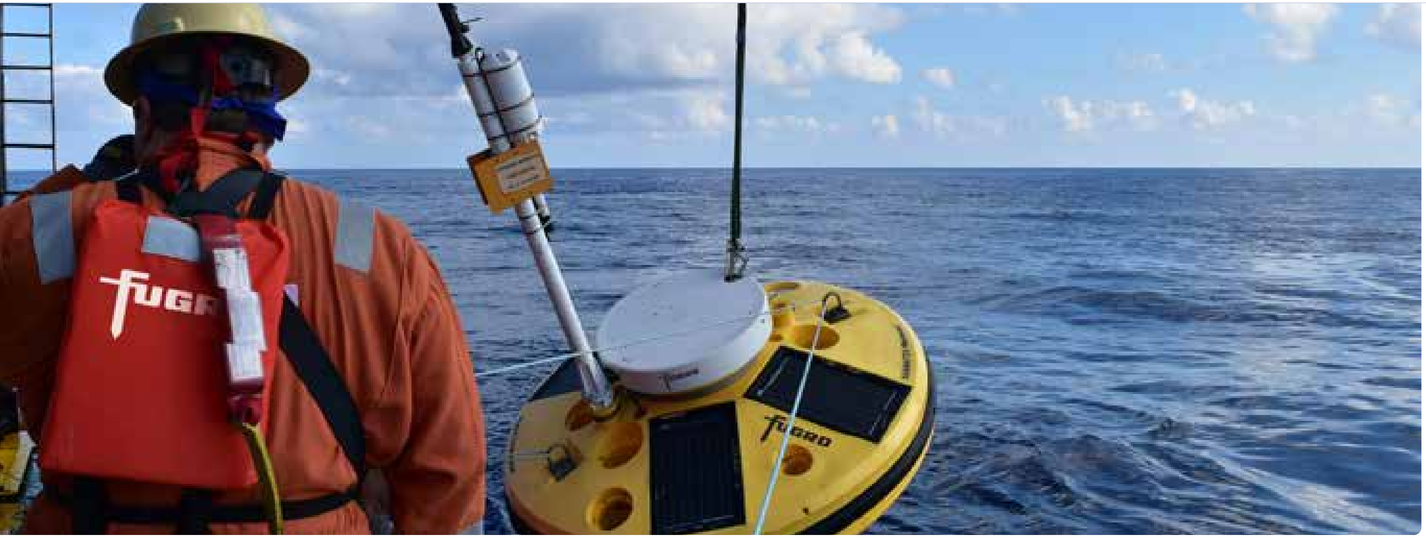
In early 2019, we agreed with the new top-management structure that was implemented as of May 2019. This implied the introduction of a regional model with four regions, directly reporting to the Board of Management and the establishment of an Executive Leadership Team which comprises, besides the Board of Management, the four regional Group Directors and several functional directors. This will enhance alignment in the top, accelerate strategy implementation and create additional synergies and cost savings. We stressed the importance of continuing to externally provide information on the performance of Fugro's business lines.

We regularly discussed the financial condition of the company. During the year the company was able to meet its financial covenants. At year-end, the leverage ratio stayed with 1.9 well within the limits agreed with banks, mainly due to the improved EBITDA. Although maturity of Fugro's financing is only upcoming in 2021, we paid significant attention to the refinancing of the company. We discussed possible scenario's and agreed with the initiatives taken by management. After several years of negative net results, equity has been eroded. Therefore, further restoring profitability with a focus on positive net results, steering on cash flow and reducing net debt remain key priorities for 2020.

2019 FINANCIAL STATEMENTS AND DIVIDEND

This annual report includes the 2019 financial statements, which are accompanied by an unqualified independent auditor's report of Ernst & Young Accountants LLP (see the independent auditor's report starting on page 194). These financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and section 9 of Book 2 of the Dutch Civil Code.

On 17 February 2020, the audit committee discussed the draft financial statements with the CEO, the CFO and the auditors. The audit committee also discussed the management letter and the long form auditor's report,



the quality of internal risk management and control systems and had a discussion with the auditor without Fugro's management being present.

On 18 February 2020, we discussed the annual report, including the 2019 financial statements, with the Board of Management in the presence of the auditor. Furthermore, we took note of the reporting from the audit committee and reviewed the independent auditor's report and the quality of internal risk management and control systems. We concluded that we agree with the 2019 financial statements.

We recommend that the annual general meeting (AGM), to be held on 30 April 2020, adopts the 2019 financial statements. In addition, we request that the AGM grants discharge to the members of the Board of Management in office in the 2019 financial year for their management of the company and its affairs during 2019, and to the members of the Supervisory Board in office for their supervision over said management. We concur with the decision of the Board of Management that due to the results no proposal will be submitted to pay a dividend for 2019.

HEALTH, SAFETY AND SUSTAINABILITY

We consider health and safety of critical importance for Fugro and its people. Unfortunately, in January 2019, five Fugro employees were involved in the Brumandinho tailings dam collapse in Brazil. Four employees sadly lost their lives. This terrible accident and the follow up by Fugro and the assistance for families and local colleagues was a topic throughout the year 2019. We supported the way Fugro, and especially the regional team, handled this tragic event and the actions taken.

In our discussions with management, we noted that management takes health and safety very seriously and considers it a key priority for Fugro. Each regular meeting with the Board of Management starts with a discussion on safety. Partly caused by the afore mentioned accident, the safety indicators did not show an improvement in 2018, which underlines that safety needs continuous attention.

In early 2019, we participated, together with the Board of Management, in a dedicated leadership excellence safety workshop for Fugro's senior managers. In 2019, Fugro furthermore actively sought input from its staff worldwide in a safety culture survey to further strengthen the company's safety culture. We also took note of Fugro's active participation in industry-wide harmonisation and standardisation efforts.

Sustainability is closely linked to Fugro's purpose of creating a safe and liveable world. It is becoming increasingly important, also from a strategic perspective, as it is a driver for long term value creation. Fugro's Global Director Safety & Sustainability presented during one of our meetings ongoing actions and the mid-term sustainability roadmap that is being implemented, which is specifically aimed at reducing the environmental impact of Fugro's own operations (CO_2 emissions, energy consumption, minimising waste and increasing recycling). During the discussion, the importance was stressed of contributing to the safety and sustainability of our clients' assets and operations, for which Fugro offers ample opportunities.

STRATEGY

In November 2018, Fugro launched its new strategy 'Path to Profitable Growth', including financial targets for the period 2021 – 2023. In our view, Fugro is well positioned for the three main objectives of this strategy: capturing the upturn in energy and infrastructure, differentiating by integrated digital solutions and leveraging core expertise in new growth markets.

We regularly discussed with management progress on the implementation of the strategy. In line with the strategy, the company has been rapidly expanding in new growth markets. Together with infrastructure, these non-oil and gas markets now represent around half of Fugro's business. The less capital-intensive business model which is a corner stone of the new strategy, will help to deleverage the balance sheet.

Bringing more focus into the business, among others by divesting non-core activities, is an important element of the strategy. We welcomed the divestment of Fugro's interest in Global Marine and fully support management's efforts to divest other non-core assets, including Seabed and Fugro's interest in Australian exploration projects.

SUPERVISORY BOARD ACTIVITIES AND MEETINGS

During every meeting of the Supervisory Board as of May 2019, one of the Executive Leadership Team members (not being a Board of Management member) joined the meeting and was invited to participate in the discussions and give a presentation on his or her area of responsibility.

During 2019, the Supervisory Board met 12 times jointly with the Board of Management. Six regular scheduled meetings were held, most of which were preceded by internal meetings without the Board of Management being present. In addition, six extra meetings were held by conference call, all jointly with the Board of Management. None of the Supervisory Board members was absent from the regular scheduled meetings. When members were unable to attend the intermediate conference calls, they usually provided their input on the subject to the chairman beforehand and they received an update of the call afterwards.
When necessary or useful, outside of the meetings the chairman was in regular contact with his colleagues, the CEO and other members of the Board of Management and the company secretary.

Supervisory Board attendance record

	SB	AC	RC	NC
Harrie Noy	12/12	–	4/4	4/4
Maarten Schönfeld	12/12	4/5	–	–
Antonio Campo	11/12	–	4/4	4/4
Petri Hofsté	11/12	5/5	–	–
Anja Montijn	11/12	–	4/4	4/4
Douglas Wall	11/12	5/5	–	–

The chairman acts as the first point of contact within the Supervisory Board for the CEO. By way of preparation, many subjects are discussed in advance in one of the three permanent Supervisory Board committees.
All Supervisory Board members receive all the meeting documents and the minutes of the meetings of the three committees. The Board of Management is an important source of information for the Supervisory Board. It is supplemented with information from the external auditor, from internal audit and from presentations and discussions with members of the Executive Leadership Team, corporate directors and regional management and staff in meetings and during site visits. The Supervisory Board receives monthly reports on the company's financial performance. Information is also provided outside meetings, in bilateral contacts or whenever a Supervisory Board member feels the need to be informed on a specific topic.

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

Throughout the year, Fugro's financial position remained high on our agenda. Topics such as working capital, capital expenditures, cash flow and financial headroom under covenants, were frequently discussed. During 2019, in view of the improving performance of Fugro and the fact that the window of opportunity for the refinancing of Fugro seemed attractive, refinancing became a topic in our discussions with the Board of Management. We agreed with management to hire an external financial advisor to assist in this process and established a special committee consisting of the chairman and audit committee member Petri Hofsté to act as a sounding board for management.

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

- In a conference call in January we discussed preliminary results, some key projects, as well as the new proposed organisation structure.

- In our regular February meeting, the Brazil dam disaster was extensively discussed and first reporting on the accident was shared. We also discussed the annual results 2018 and related items in the presence of the external auditor (EY). We approved the internal audit plan for 2019 and we agreed to propose the re-appointment of the external auditor at the AGM. The annual report 2018 and the draft agenda for the 2019 AGM were approved. We approved the remuneration report 2018. We furthermore discussed and evaluated the strategy implementation update. We received a presentation on the share price development and analyst consensus.

- In an internal meeting, we discussed and approved the proposal of the remuneration committee regarding the remuneration and the annual bonus 2018 for the members of the Board of Management and the bonus targets for 2019. We noted and decided that the targets for vesting of the performance shares and performance options, granted as per 31 December 2015, had not been achieved and that, as a result, these shares and options would not vest on 4 March 2019 and would therefore expire/lapse.

- In April, we discussed the first quarter results, which were reason for several additional actions and measures to improve profitability, especially for the land business. The topic of refinancing and especially the timing of preparations was discussed. We approved amended Board of Management and Executive Leadership Team Rules as well as amended Supervisory Board Rules. We also prepared for the 2019 AGM.

- In May, June and July, several conference calls were held about the financial results, measures initiated to improve performance and the status of the ongoing divestment processes of non-core assets.

- At the end of July, the half-yearly report 2019 was discussed and approved. The external auditor attended the financial part of the meeting. We received an update from the Group Director Safety & Sustainability on the Brazil dam disaster and the measures implemented to mitigate future risk for projects which involve working around tailing dams. We also received an update on the ICT road map by the Chief Information Officer. We were updated on various key projects. The Group Director Americas and member of the Executive Leadership Team, was present during this meeting and gave a presentation about his region.

- In September, we had a three-day 'off-site' meeting in Singapore in combination with visits to Fugro's local offices. During our meeting we discussed the employee satisfaction survey, presented by the Group Director Human Resources and we spent ample time on the business transformation plan for the land business. We also took note of the strategy evaluation presented by the CEO and discussed progress made so far. The Group Director Asia Pacific and member of the Executive Leadership Team gave a presentation on progress in the region. We met with senior management and key staff and got presentations on market developments, performance in the different business lines and on some major projects. We were impressed by the progress made in the turnaround of the performance in the region. The 'off-site' visits and meetings with senior management and staff take place annually and we highly value them because it gives us a better view on local operations, management and key employees.

- In October, a conference call was held on a proposal for a large tender in the Middle East.

- In our regular October meeting, we discussed the third quarter results and the restructuring measures for the land business. Also, the Group Director Digital Transformation & Innovation and member of the Executive Leadership Team was present at the meeting and gave a presentation on the technology roadmap and the innovation pipeline. The Global Procurement Director presented an update on the procurement roadmap.

- In a conference call in November we discussed the October results and the preliminary annual budget for 2020. We gave our feedback on the proposed targets for 2020.

- In December, we approved the annual budget/operational plan for 2020. The Group Director Human Resources and member of the Executive Leadership Team attended the meeting and presented the follow up of the employee satisfaction survey, as well as the human resources roadmap. The Global Director Safety & Sustainability gave a presentation on sustainability, and the progress made in 2019. The roadmap, focus and targets with respect to sustainability were discussed. The Director of Fleet Services and the Global Director Operational Excellence gave insight in their activities and plans regarding fleet services. We approved the audit plan for 2020, as recommended by the audit committee.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board has three permanent committees: an audit committee, a nomination committee and a remuneration committee.
The function of these committees is to assist the Supervisory Board and to prepare the decision-making. The chairman of each committee reports the main considerations, findings and recommendations to the full Supervisory Board.

Audit committee

The members of the audit committee are Mr. Maarten Schönfeld (chairman), Mrs. Petri Hofsté and Mr. Douglas Wall. Collectively the members possess the required experience and financial expertise.
Two members (Mr. Schönfeld and Mrs. Hofsté) have specific expertise in financial reporting and the review of financial reports.

In 2019, the committee met five times. All meetings were attended by the CFO (with the exception of one meeting due to personal reasons), the Group Controller, the Director Internal Audit and the external auditor.
In the meeting in which the annual results were discussed, the CEO was also present. The chairman of the audit committee had regular contact with the CFO to discuss financial performance, risks and any other matters.

One time, the committee had a closed meeting with the Director Internal Audit. Among others, the performance and independence of internal audit and its members were discussed and evaluated. Conclusions were positive.

Recurring items on the agenda were the annual financial statements and the quarterly and half-yearly results, risk management and control, the internal audit plan and audit reviews, reports of the external auditor, taxation, insurance, IT (including cyber security), treasury, claims and disputes, compliance (including GDPR), follow-up of the management letter and the annual budget. Many of these topics were presented by the responsible managers.

In February, the external audit plan for 2019 was reviewed. Throughout the year, the key audit matters as identified by the auditor were discussed. These key audit matters were: the valuation of goodwill, vessels and right of use assets, the availability of financing and compliance with debt covenant requirements,
the accounting for the Group's interest in Seabed Geosolutions, the estimates in respect of income tax positions, revenue recognition and project accounting and the changes in internal reporting structure resulting in re-identification of reporting segments and allocation of goodwill to groups of CGUs.

In December, the audit plan for 2020 was reviewed.

Furthermore, the finance roadmap and the compliance and due diligence processes regarding agents were discussed. Considerable time was spent on bank covenants and re-financing scenarios, (possible) impairments and other one-offs, and on capital expenditure.

The committee was briefed by the external auditor on relevant developments in the audit profession, especially those related to new International Financial Reporting Standards. The committee met with the external auditor without the Board of Management being present and reported to the Supervisory Board on the performance of and the relationship with the external auditor. Furthermore, the chairman of the committee regularly communicated on a one to one basis with the external auditor.

It is a regular practice that the audit committee shares its main deliberations and findings in the Supervisory Board meeting following the audit committee meeting. In the reporting to the Supervisory Board, the information as referred to in best practice provision 1.5.3 of the Code is taken into account.

Reappointment of external auditor
At the AGM on 26 April 2019, Ernst & Young Accountants LLP (EY) was reappointed as external auditor to audit the financial statements for 2020. At the upcoming AGM on 30 April 2020, it will be proposed to reappoint EY to audit the financial statements for 2021.

Nomination committee

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

In 2019, the committee met four times, mostly with the CEO and the Group Director Human Resources being present. The topics that were discussed included, among others, global human resources management, talent development and succession planning, annual assessment of the Board of Management and its individual members and the process for self-assessment of the Supervisory Board.

The committee discussed the composition of the Board of Management and advised the Supervisory Board in this respect. The committee also discussed the composition of the Supervisory Board and prepared proposals for the succession in the Supervisory Board.

Remuneration committee

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

Both the remuneration and the nomination committee prepare the Supervisory Board's duties in its role as the employer of the Board of Management.

In 2019, the committee met four times, mostly with the CEO and the Group Director Human Resources being present. Discussed were, among others, the remuneration report 2018, the annual bonus for the members of the Board of Management with respect to 2018, the bonus targets for 2019, the performance share grant 2019 and the lapse of the performance options and shares under the 2015 plan. The impact of the Shareholders' Rights Directive on the remuneration policies for the Supervisory Board and Board of Management was also discussed. Please refer to the remuneration report on page 105 for more details.

COMPOSITION AND FUNCTIONING OF THE SUPERVISORY BOARD

The Supervisory Board has formulated a profile defining its size and composition, taking into account the nature of the company and its activities. The Supervisory Board has set the number of members of which the Supervisory Board shall consist at this moment at six. The current composition of the Supervisory Board (four men, two women) is in compliance with the requirement of at least 30% of each gender. The mix of knowledge, skills, experience and expertise of its members is such that it fits the profile and strategy of the company and its diversity policy (see for further information on composition and diversity, pages 79–80 of this annual report).

In the AGM held on 26 April 2019, both Petri Hofsté and Anja Montijn were reappointed for a second four-year term.

The Supervisory Board attaches great importance to the independence of its members. All members qualify as independent in the meaning of best practice provisions 2.1.7 to 2.1.9 inclusive of the Code. None of the criteria as referred to in best practice provision 2.1.8 is applicable to any one of the members and they do not carry out any other functions that could jeopardise their independence. The Supervisory Board members also comply with the requirement under section 2:142a of the Dutch civil code that they do not hold more than five Supervisory Board positions (including non-executive directorships at one tier boards) at certain 'large' (listed) companies or entities.

The Supervisory Board undertakes a board self-evaluation on an annual basis. In principle, once every three years an external, independent consultant is engaged to assist in this process. Although this was lastly done in February 2017, we decided that the self-evaluation by an external consultant will take place next year. Therefore, we conducted the self-evaluation this year based on a questionnaire, which was completed by each Supervisory Board member and discussed with the full board in an internal meeting. Attention was paid to the composition of our board, the functioning of our board and its three committees and the interaction with the Board of Management and the Executive Leadership Team. The overall conclusion from this process was that the Supervisory Board is operating well and that discussions are open and constructive. The Supervisory Board functions as a team where different opinions are welcomed and respected. The dinner meetings on the evening prior to the regular board meetings, are considered an excellent opportunity to speak about broader topics. Key areas of supervision such as strategy, business and financial performance and risk management are well covered. Several suggestions were made for further improvement. These relate, among other things, to board succession planning, also in view of Fugro's strategic direction, spending more time on longer term strategic challenges, talent management and succession planning, and the required performance improvement in the land business.

COMPOSITION AND FUNCTIONING OF THE BOARD OF MANAGEMENT

At the AGM of 2019, Mark Heine was reappointed to the Board of Management for a four-year term.
He continued to serve as CEO and chairman of the Board of Management. During the year 2019, the Board of Management consisted of Mark Heine (CEO), Paul Verhagen (CFO) and Brice Bouffard (Chief Development Officer). Mark Heine also fulfilled the role of interim Group Director Europe-Africa until the end of 2019.

The Supervisory Board evaluated the performance of the Board of Management and its members individually with input from the CEO. Following this, the nomination committee met with each member of the Board of Management and gave feedback on personal performance. Also, the personal targets for 2019 were evaluated and the functioning of the Board of Management as a team was discussed. The conclusions were discussed in an internal meeting of the Supervisory Board.

As the Executive Leadership Team of Fugro became fully staffed with the start of the new Group Director Europe-Africa as per January 2020, the Supervisory Board decided in December 2019 to reduce the Board of Management to the CEO and the CFO positions only.
As a consequence, Brice Bouffard, whose four-year term as member of the Board of Management finishes at the annual general meeting of shareholders on 30 April 2020, will not be nominated for re-election.
The Supervisory Board thanks Brice Bouffard for his contribution to Fugro.

The size and composition as well as the combined experience and expertise of the Executive Leadership Team and the Board of Management fit the profile and strategy of the company. The current composition meets the company's diversity criteria regarding age, nationality and background, but not yet regarding gender. When vacancies arise in the Board of Management and/or the Executive Leadership Team, we will ensure that the company looks for female candidates that fit the profile. We further refer to the statement on diversity of the boards on page 79–80 of this report.

For the current composition of the Board of Management and the Executive Leadership Team and information about its members, please refer to page 63–64 of this report.

FINAL COMMENTS

We are fully aware that the dedication of Fugro's people to their work is key to the success of our company.
We want to thank everybody in Fugro for their contribution. With the commitment and capabilities of our staff we will be able to further expand our position as the world's leading Geo-data specialist in line with the 'Path to Profitable Growth' strategy.

Leidschendam, 18 February 2020

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

REMUNERATION REPORT 2019

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

This remuneration report contains:

- Current remuneration policy for the Board of Management
- Remuneration of the Board of Management in 2019, based on application of the policy in 2019
- Internal pay ratio and 5-year analysis
- Terms of appointment of the members of the Board of Management
- Remuneration Board of Management per 2020
- Remuneration of the Supervisory Board.

Further information on the remuneration and on option and share ownership of members of the Board of Management and members of the Supervisory Board is available in note 39 of the financial statements in this annual report. The remuneration policy and the remuneration charter, which is included in the Supervisory Board rules, are posted on Fugro's website.

This report takes into account the revised Shareholders' Rights Directive published in May 2017 as implemented into Dutch law per 1 December 2019. Reporting requirements arising from the new guidelines for standardised presentation of the remuneration report, which are expected to be released by the European Commission in 2020, will be incorporated after they have come into force.

The Supervisory Board has decided in December 2019 to reduce Fugro's Board of Management to the CEO and CFO positions only. Until the annual general meeting of shareholders (AGM) in 2020, the Board of Management consists of three persons.

The remuneration policy and the remuneration committees' charter, which is included in the Supervisory Board's rules, are posted on Fugro's website.

REMUNERATION POLICY FOR THE BOARD OF MANAGEMENT

The main objective of Fugro's remuneration policy is to attract, motivate and retain qualified management that is needed for a global company of the size and complexity of Fugro. The members of the Board of Management are rewarded accordingly. The remuneration policy aims at compensation in line with the median of the labour market reference group. Variable remuneration is an important part of the total package.

The policy supports both short and long-term objectives, whereas the emphasis is on long-term value creation for Fugro and its stakeholders. It contributes to this long-term value creation by not only focusing on financial targets, but also on non-financial targets.

The current remuneration policy was first adopted by the AGM in 2014 and has since been adjusted twice, most recently by the AGM in 2017. The remuneration policy will be reviewed regularly to verify its market conformity, potentially leading to adjustments. In line with the new Shareholders' Rights Directive, it will be put forward for adoption at the AGM at least every four years.

Labour market reference group

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

The remuneration committee periodically evaluates the composition of the labour market reference group, amongst others, in light of corporate events and overall fit. Companies removed from the reference group will be replaced by other listed companies of comparable scope with international/ global business activities with the objective to position Fugro around the midpoint in terms of the average of the scope parameters revenues, market capitalisation, assets and employees. In 2019 it was decided to replace Refresco Group (delisted) by AMG and Wolters Kluwer (too large) by Corbion.

Analyses

In the design of the remuneration policy and in determining the remuneration of the members of the Board of Management, the Supervisory Board takes into consideration:

- Fugro's purpose, vision and strategy
- Related strategic enablers and Fugro's values
- Internal pay differentials
- Scenario analyses, indicating possible outcomes of the variable remuneration elements and how these may affect the remuneration
- Performance indicators relevant to the long-term objectives of the company.

Furthermore, Fugro considers sustainable development as an important driver to help create a safe and liveable world. This requires balancing the short- and long-term interests of stakeholders and integrating social and environmental factors, as included in the strategic agenda.

The remuneration structure and elements do not encourage risk taking that is not in line with Fugro's strategy and risk appetite. The remuneration committee takes note of individual Board of Management members' views with regard to the level and structure of their remuneration.

Remuneration elements

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

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

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

Fixed base salary

Fixed base salaries of the members of the Board of Management are determined by the Supervisory Board (based on advice of the remuneration committee) and set in line with the median of the labour market reference group. Once a year, the Supervisory Board determines whether, and if so, to what extent the base salaries will be adjusted. Regularly, the outcome of external benchmarking by an independent consultant is taken into consideration.

Short-term incentive (STI, annual bonus)

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

To ensure continued alignment of the STI with Fugro's strategy and to enable adequate responses to the challenges Fugro is facing, flexibility with respect to the STI targets is important. Therefore, at the beginning of each financial year, the Supervisory Board will set the STI targets, based on the budget and taking into account the strategic goals of the company.

The Supervisory Board will also determine the relative weight for the selected targets and the applicable performance zones for each target (financial and non-financial). These performance zones determine the performance level:

- Below which no pay-outs are made
- At which 100% pay-out is made
- At which the maximum pay-out is made.

There will be no overshoot possibility for the non-financial targets. The maximum for the financial targets is therefore 1.67. The Supervisory Board ensures that the targets are challenging, realistic and consistent with Fugro's strategic goals.

After the end of the financial year, the remuneration committee determines to what extent the targets have been met. The Supervisory Board, following a proposal from the remuneration committee, will decide upon the STI to be awarded over the past financial year. The STI, if any, is paid after adoption by the AGM of the financial statements.

As per 2020, the metrics that will be used for the financial targets and their weighting will be disclosed at the beginning of the financial year, in the remuneration report regarding the previous year. Due to this additional disclosure, the existing list of six possible financial metrics from which the Supervisory Board can make a selection, has been rendered superfluous. After the end of the financial year, the performance on each of the metrics will be disclosed as a percentage of target performance. The performance incentive zones qualify as sensitive information and will not be disclosed.

Long-term incentive (LTI, performance shares only)

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

The number of granted performance shares is set for a period of three years in 2018. The principle being that the expected value as percentage of fixed base salary of the members of the Board of Management is as follows:

- CEO: 100%
- CFO: 90%
- Any other member: 80%.

A new three year period started with the grant on 1 March 2018.

Conditional grants under the LTI are made each year in the open period immediately following the publication of the annual results. The performance period is from 1 January of the year of granting to 31 December three years later. The maximum number of shares that can vest after three years equals 175% of the conditionally granted number of shares (only in the case that maximum performance is achieved on all criteria). As of the granting in 2018, the criteria used for vesting and their relative weight are as follows:

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

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

Total shareholder return ranking (weight: 37.5%) and applicable vesting (% of conditional award)

Ranking	12	11	10	9	8	7	6	5	4	3	2	1
Vesting	0%	0%	0%	0%	0%	25%	50%	75%	100%	125%	150%	175%

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

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

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

Pension and other benefits

The pension contribution for the members of the Board of Management is in line with market practice.
In accordance with Dutch law, tax deductible pension accruals are only possible for the part of salary up to EUR 107,593 (2019). Members of the Board of Management are compensated by a non-tax

deductible, age dependent pension contribution, which allows building up pension out of net salary, resulting in pension costs for Fugro at a similar level as before the legislative changes per 1 January 2015.
In 2019, Fugro transferred all employees in the Netherlands to a new defined contribution plan up through the legal maximum pensionable salary.
The Board of management also participates in this plan up through the legal maximum.

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

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

Claw back and value adjustment

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

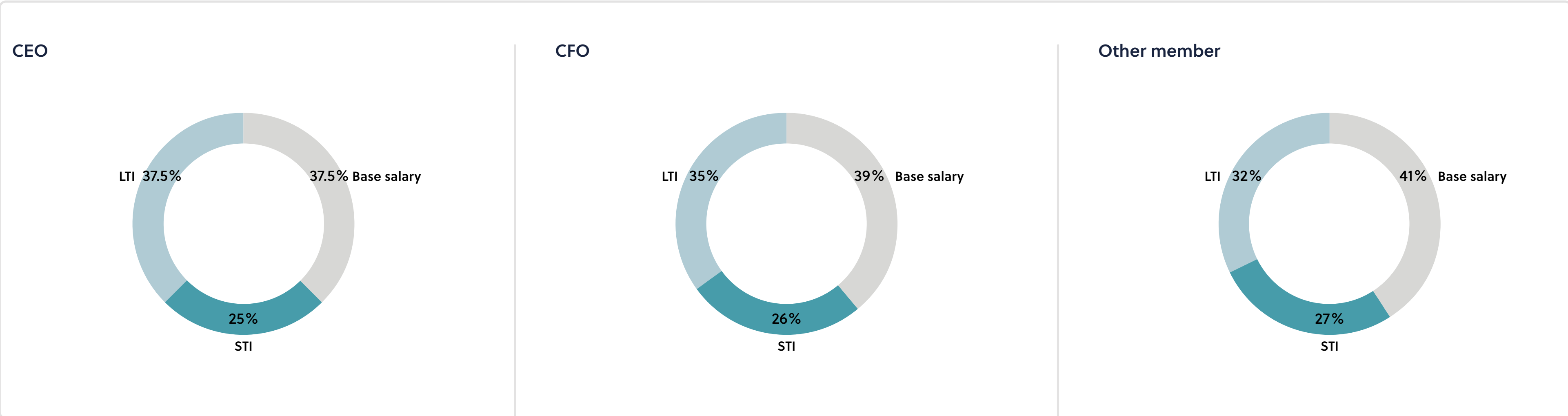
Share ownership guidelines

The Supervisory Board encourages the Board of Management to hold shares in Fugro to emphasise their confidence in Fugro and its strategy. Since 2014, minimum share ownership guidelines are applicable. For the CEO this amounts to 250% of fixed base salary and for the other members of the Board of Management this amounts to 125% of fixed base salary. The target period to achieve these levels is 5 years, but in practice timing will (also) depend on share price developments and the vesting of shares and options that have been granted under the LTI program.

Ratio between fixed and variable pay

Based on Fugro's remuneration policy as described above, the following pie charts represent the pay mix for the CEO, the CFO and the other board member in case of 'at target' performance.

Ratio between fixed and variable pay



REMUNERATION BOARD OF MANAGEMENT IN 2019

Fixed base salary

In 2019, the fixed base salaries of the members of the Board of Management have not changed.

Short-term incentive

The remuneration committee evaluated the performance of the Board of Management in 2019 in relation to the targets that had been set for the year. The financial metrics applied for the STI in 2019 were: adjusted EBIT margin, working capital percentage and adjusted cash flow after investments. The actual 2019 performance in relation to the performance zones that had been set for each of the **financial** targets, resulted in a bonus of 51.85% of the 2019 fixed base salary. Fugro decided not to disclose the performance zones as this is considered competitive sensitive information.

The **personal** targets consisted of specific targets for each individual board member and were related to:

- for CEO: the change of the leadership structure, the implementation of the sustainability road map and diversity policies and initiatives throughout the company
- for CFO: shared services centers, implementation of robotics process automation and upgrade of management information systems
- for CDO: implementation of business line strategies, strengthening of commercial capabilities, account management and project management.

For each of the board members also a target regarding HSSE was applicable.

The evaluation of performance on these **personal** targets resulted in a bonus of 5.8% to 15.0% of 2019 fixed base salary. The total of **financial** and **personal** targets would result in a bonus of 57.7% to 66.9% of fixed base salary. As earnings per share of Fugro were negative in 2019, the remuneration committee proposed to reduce the bonusses to 72.5% of the calculated amounts, in line with the practice applied to other senior staff in Fugro that are eligible for a bonus. This resulted in a bonus for the members of the Board of Management of 41.8% to 48.5% of fixed base salary. On 18 February 2020, the Supervisory Board discussed the proposal of the remuneration committee and agreed with it.

Performance Board of Management on short term incentive targets 2019

	Weight	Achievement versus target	Bonus as % of base salary
Adjusted EBIT margin	35%	67%	15.6%
Working capital as % of 4 times Q4 revenue	20%	137%	18.2%
Adjusted cash flow after investments	20%	136%	18.1%
Personal targets	25%	35 – 90%	5.8 – 15.0%
Total			**57.7 – 66.9%**

Long-term incentive

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

The following table shows an overview of unconditional options, granted under the 'old' unconditional option plan, held by members of the Board of Management who were in office in 2019. As of 2014 no unconditional options were granted anymore to members of the Board of Management. At December 31, 2019 all outstanding conditional options expired.

Long-term incentive

Unconditional options	M.R.F. Heine	P.A.H. Verhagen	B.M.R. Bouffard	P. van Riel
Outstanding on 31 December 2018	28,500	30,000	n/a	55,000
Exercised in 2019	0	0	n/a	0
Expired with no value on 31 December 2019	28,500	30,000	n/a	55,000
Outstanding on 31 December 2019	0	0	n/a	0

The vesting date of the performance shares and performance options granted as per 31 December 2015 was 4 March 2019. On 22 February 2019, following the advice of the remuneration committee, the Supervisory Board decided that the targets for vesting of these performance shares and performance options were not achieved because the ROCE target (50% weight) was below the threshold and the TSR ranking (50% weight) was below 7. As a result, these performance shares and performance options did not vest on 4 March 2019 and expired.

The following table shows an overview of conditional performance shares and performance options held by members of the Board of Management who were in office in 2019 and the former CEO who left the organisation in 2018.

Long-term incentive

	M.R.F. Heine	P.A.H. Verhagen	B.M.R. Bouffard	P. van Riel
Performance shares				
Outstanding on 31 December 2018	54,500	62,500	43,250	20,000
Not vested on 4 March 2019 as a result of not achieving the targets	(11,250)	(11,250)	n/a	(12,500)
Granted on 4 March 2019	58,000	40,000	32,000	0
Outstanding on 31 December 2019	101,250	91,250	75,250	7,500
Performance options				
Outstanding on 31 December 2018	45,000	45,000	22,500	40,000
Not vested on 4 March 2019 as a result of not achieving the targets	(22,500)	(22,500)	n/a	(25,000)
Outstanding on 31 December 2019	22,500	22,500	22,500	15,000

The following table shows an overview of shares held by the current members of the Board of Management. The numbers include for each member 6,250 restricted shares with a vesting period of 3 years as of 1 March 2018 and thereafter a lock-up period of 2 years. These restricted shares were granted per 1 March 2018 as bonus for the performance regarding 2017 (approved by the AGM in 2018).

Number of shares

	M.R.F. Heine	P.A.H. Verhagen	B.M.R. Bouffard
31 December 2018	22,350	28,730	15,750
31 December 2019	22,350	28,730	15,750

Vesting of 2016 performance shares and options

On February 26, 2020 the 2016 LTI plan including performance shares and performance options vested for the Board of Management and other senior management. The TSR target resulted in a 25% vesting and the ROCE target resulted in a 12.5% vesting.

The total vesting over the period 2017–2019 therefore amounted to 37.5%.

The table below shows the vested performance shares and performance options for the Board of Management.

Long-term incentive

	M.R.F. Heine	P.A.H. Verhagen	B.M.R. Bouffard	P. van Riel[1]
Performance shares				
Grant December 31,2016	11,250	11,250	11,250	7,500
Vested per February 26, 2020	4,219	4,219	4,219	2,813
Performance options				
Grant December 31,2016	22,500	22,500	22,500	15,000
Vested per February 26, 2020	8,438	8,438	8,438	5,625

1 Prorated for 50% due to end of service per June 30, 2018

Total remuneration Board of Management in 2018–2019

The table below gives an overview of the remuneration of the Board of Management in 2018–2019. In this table the value of the LTI is not based on the vesting of shares and options in 2020 but on the value of the performance shares granted in March 2019 as included in the financial statements.

Other benefits

The additional benefits remained unchanged in 2019.

Remuneration Board of Management 2018–2019

(in EUR)	M.R.F. Heine[2]		P.A.H. Verhagen[3]		B.M.R. Bouffard		P. van Riel[4]		Ø. Løseth[5]	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Fixed base salary	660,000	502,500	500,000	483,336	450,000	450,000	–	300,000	–	590,000
Short-term incentive (STI)[1]	320,000	151,000	242,500	145,000	188,198	121,000	–	90,000	–	330,000
Pension costs including disability insurance and related costs	33,935	45,469	36,207	59,890	33,935	41,041	–	26,084	–	137,608
Pension compensation	62,345	61,042	78,638	76,841	68,090	66,567	–	48,189	–	n/a
Severance					450,000		–		–	
Sub Total	1,076,280	760,011	857,345	765,067	1,190,223	678,608	–	464,273	–	1,057,608
Long-term incentive plan[6]	382,541	261,050	366,799	288,968	299,853	197,150	–	223,936	–	n/a
Total	**1,458,821**	**1,021,061**	**1,224,144**	**1,054,035**	**1,490,076**	**875,758**	**–**	**688,209**	**–**	**1,057,608**

1 STI 2019 is related to 2019 performance, paid in 2020; STI 2018 is related to 2018 performance, paid in 2019.
2 As of 1 October 2018, Mr. Heine became CEO and his annual fixed base salary was increased from EUR 450,000 to EUR 660,000 gross per year.
3 As of 26 April 2018, the annual fixed base salary of Mr. Verhagen was increased from EUR 450,000 to EUR 500,000 gross per year.
4 Mr van Riel management services agreement ended 30 June 2018. The amounts shown cover the period through 30 June 2018.
5 Mr Løseth management services agreement ended 31 December 2018. The amounts shown cover the period through 31 December 2018 including contractually agreed bonus.
6 The LTI includes the vested plans in 2019 (see note 12 financial statements).

INTERNAL PAY RATIO AND 5-YEAR ANALYSIS

Pay ratios

In designing the remuneration policy, the pay ratios within Fugro are taken into consideration. An external consultant assisted in developing an approach to review internal pay ratios and, more specifically, the internal pay ratio between the CEO and the average of the employees for the relevant year. Based on the value of the actual long-term incentive awarded to the CEO in 2019, Fugro continued to have a pay ratio of 20 (2018: 20), implying that the CEO pay was 20 times the average pay within the organisation. The average pay takes into account all employee costs, i.e. salaries, variable pay, pensions and other benefits. Based on the expected value of the CEO's long-term incentive at target vesting, the pay ratio would have been 29 (2018: 26).

5-year analysis

Due to the economic circumstances and the business environment, Fugro had limited salary increases for all employees from 2015 through 2017. In 2018, Fugro adjusted salaries at 80% of market movement and in 2019 had a regular salary review. The remuneration of the Board did not change during their four year appointment and changed only as a result of the re-appointment in 2018 of Paul Verhagen and the appointment of Mark Heine as CEO in 2019. The table below shows the overall Board remuneration for five years compared to personnel expenses and company performance. For a better comparison it was decided not to include the IFRS value of the LTI program. For 2018 and 2019, these can be found in the table on the bottom of page 111.

Remuneration Board of Management 2015–2019

Five year remuneration Board of Management compared to company performance[1]

		2019	2018	2017	2016	2015
M.R.F. Heine[2]	Remuneration	1,076,280	760,011	628,123	633,530	687,738
	% change	42%	21%	(1%)	(8%)	–
P.A.H. Verhagen[3]	Remuneration	857,345	765,067	659,968	665,720	626,797
	% change	12%	16%	(1%)	6%	–
B.M.R Bouffard[4]	Remuneration	740,025	678,608	633,993	487,673	
	% change	9%	7%	30%		
Adjusted EBITDA	actual	184.9	120.4	100.8	189.5	353.0
Employees	Personnel expenses	668,528	625,765	629,572	694,436	809,130
	% change	7%	(1%)	(9%)	(14%)	–

1 Remuneration includes base salary, short term incentive, pension and pension contribution.
2 Appointed CEO in October 2018.
3 Reappointed CFO at AGM 2018.
4 Appointed to the Board of Management at AGM 2016.

TERMS OF APPOINTMENT OF THE MEMBERS OF THE BOARD OF MANAGEMENT

When members of the Board of Management are nominated for (re)appointment, the nomination is for a maximum period of four years. Members of the Board of Management deliver their services under a management services contract.

For termination of contract, a three months' notice period is applicable for both Fugro and the members of the Board of Management. The current appointments expire as follows:

M.R.F. Heine (CEO)	AGM 2023
P.A.H. Verhagen (CFO)	AGM 2022
B.M.R. Bouffard	AGM 2020

In December 2019, the Supervisory Board has decided to reduce Fugro's Board of Management to the CEO and CFO positions only. Therefore, Brice Bouffard, whose term as member of the Board of Management finishes at the AGM on 30 April 2020, will not be nominated for re-election. In accordance with his contract, Mr. Bouffard will receive a severance payment of one year base salary.

Severance pay

Severance payment for members of the Board of Management is limited to one year's fixed base salary and is in principle applicable in the event of termination or annulment of the management services agreement, unless this is for cause. No severance payment will apply if the agreement is terminated at the initiative of the member of the Board of Management.

Severance payment is also applicable when the termination is justified by such change of circumstances that the members of the Board of Management cannot reasonably be expected to continue the performance of their function/ services as a statutory director of Fugro. This may be the case, for example, if Fugro is liquidated, is merged with or taken over by a third party, is subject to an important reorganisation or to a major change of policy.

In 2019, no severance payments have been paid or committed to (former) members of the Board of Management, except for the severance payment for Mr. Bouffard that will be paid in 2020.

REMUNERATION BOARD OF MANAGEMENT PER 2020

The remuneration committee has evaluated the remuneration policy for the Board of Management. Based on that evaluation and taking into account the feedback from stakeholders, the Supervisory Board has agreed with the advice of the remuneration committee not to adjust the remuneration policy other than required by the revised Shareholders' Rights Directive. In line with the revised Directive, the existing remuneration policy for the Board of Management, as last adopted in 2017, will be re-submitted for shareholder approval on 30 April 2020.

The following derogation clause is however added to the policy to safeguard that the Supervisory Board can use its discretion to ensure that the short-term and long-term incentive plans continue to support the interests of the company even in exceptional circumstances: 'In exceptional circumstances the Supervisory Board may decide to temporarily deviate from the remuneration policy based on a proposal of its remuneration committee, when this is necessary to serve the long-term interests and sustainability of the company as a whole or to assure its viability. The derogations can concern the objective setting and pay-out of the short-term and long-term incentive plans.'

In evaluating the remuneration policy, the remuneration committee concluded that the policy still strongly supports Fugro's strategy and company objectives. It is also considered to be well aligned with the external environment in which the company operates as well as with all applicable rules, regulations and best practices. The committee is aware of the public debate surrounding the topic of remuneration, including the debate on internal pay differentials, and strives for broad stakeholder support. In this light, the committee had several discussions with major shareholders and representatives of Dutch institutional and retail investors.

During these discussions it became clear that the policy is generally supported. It is considered to be straightforward, aligned with shareholder interests, aligned with market practice and prudently applied. There is however a call to disclose more information on the objectives of the incentive plans and on the achievements per objective.

As follow up to the discussions, the Supervisory Board has decided to start disclosing the specific financial objectives and relevant weighting for the short-term incentive plan at the beginning of the financial year. For 2020 these are:

- adjusted EBIT margin, weight 35%
- working capital, weight 15%
- business cash flow, weight 15%.
- adjusted net profit 10%

After the end of the financial year the performance on each of the objectives as a percentage of target performance will be disclosed. For 2019, this can be found on page 109.

REMUNERATION SUPERVISORY BOARD

Remuneration policy for the Supervisory Board

On the basis of the revised Shareholders' Rights Directive, the remuneration policy for the Supervisory Board will be submitted for adoption to the AGM of 2020. The current remuneration of the Supervisory Board was determined by the AGM in 2011.

The Supervisory Board draws up the Supervisory Board remuneration policy based on advice from its remuneration committee. The remuneration policy will be evaluated regularly and will be put forward for adoption by the AGM at least every 4 years.

The Supervisory Board remuneration policy is geared to attract and retain members that contribute to the desired composition with regard to expertise, experience, diversity and independence, as set out in the profile of the Supervisory Board. The policy aims to reward Supervisory Board members for the time spent and the responsibilities of their role, including but not limited to the responsibilities imposed by the Dutch Civil Code, Dutch Corporate Governance Code and the articles of association.

The remuneration for Supervisory Board members consists of the following elements:

- a fixed remuneration and a committee fee, which varies for the Chair, Vice-Chair and members, to reflect the time spent and the responsibilities of the role

- an attendance allowance per meeting held outside the country of residence, to compensate for additional time spent to attend meetings
- a reimbursement for actual costs in the performance of the duties for Fugro.

Committee impact and responsibility is deemed to be comparable, hence no difference in committee fees. For remuneration purposes, the remuneration committee and the nomination committee are considered a combined committee.

The remuneration committee uses external benchmark information to assess market comparability of the remuneration. Remuneration levels are aimed at the median of Dutch listed companies with a two-tier board structure comparable in size and scope.

Remuneration Supervisory Board

Fixed remuneration per year	▪ Chairman EUR 70,000 ▪ Vice-Chairman EUR 55,000 ▪ Member EUR 50,000
Committee fee per year	▪ Chairman EUR 10,000 ▪ Member EUR 8,000
Attendance allowance for meetings outside country of residence	EUR 5,000 per meeting
Expenses	Reimbursement of actual incurred costs

This overview reflects standing remuneration practice, except for the attendance allowance that currently only applies to members that live or have business in the United States.

The remuneration is not dependent on the results of Fugro. Members of the Supervisory Board will not be awarded remuneration in the form of shares and/or rights to shares. In addition, Fugro does not grant loans, advance payments, guarantees, shares or rights to shares.

In exceptional circumstances the Supervisory Board may decide to temporarily deviate from its remuneration policy based on a proposal of its remuneration committee. The derogations can concern increasing remuneration and/or committee fees in case a significant increase in time investment by its members is necessary to serve the long-term interests and sustainability of the company as a whole, or to assure its viability, e.g. in case someone is asked to act as delegated member of the Supervisory Board. In such a case the additional remuneration will be EUR 1,500 per half-day.

Remuneration of the Supervisory Board in 2019

The following table provides an overview of the remuneration awarded to the members of the Supervisory Board in 2019. For the past 5 years the remuneration level did not change.

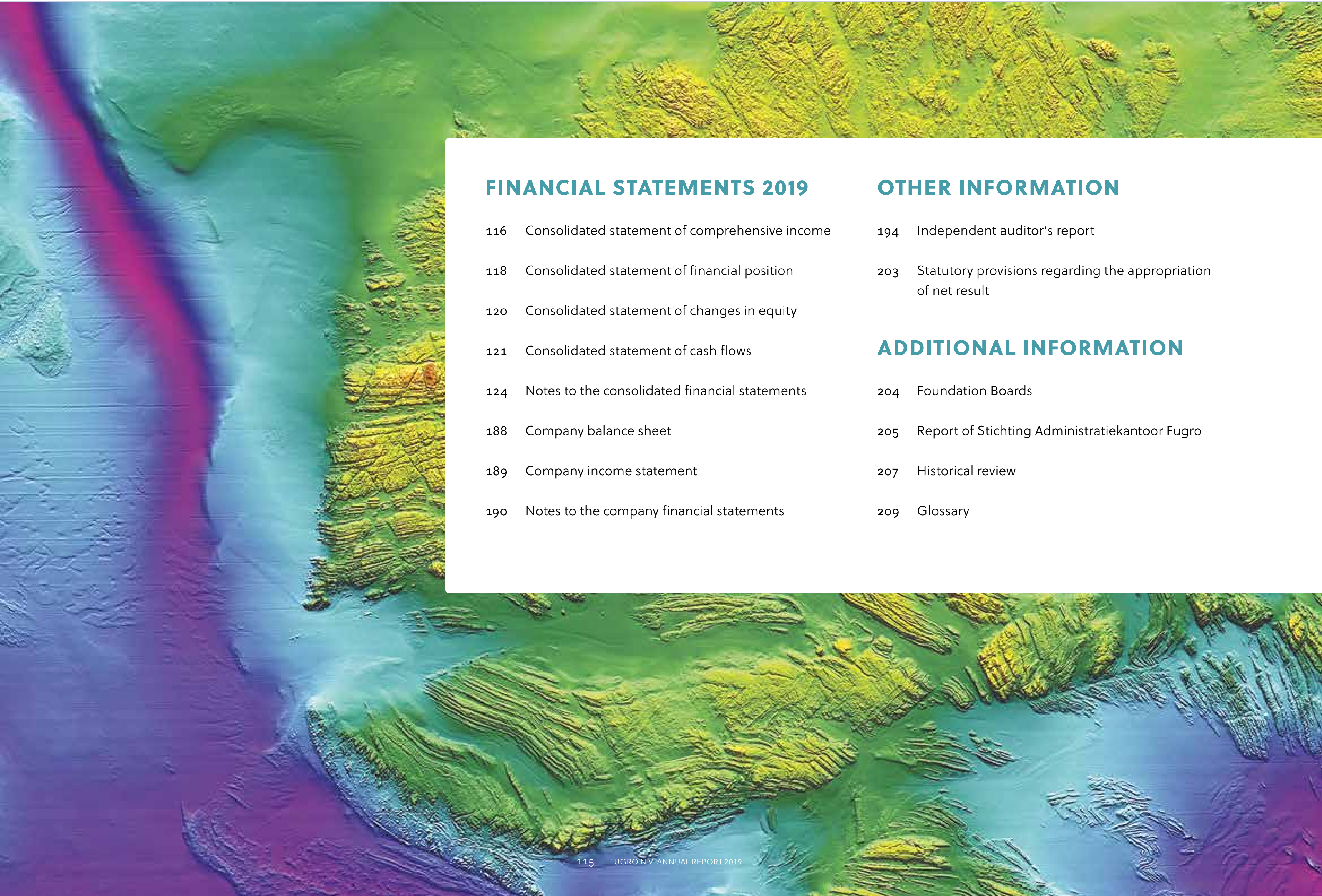
Remuneration Supervisory Board 2019

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

Members of the Supervisory Board currently do not hold shares or rights to shares in Fugro.

Leidschendam, 18 February 2020

On behalf of the remuneration committee
Anja Montijn
Chair



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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

Notes	(EUR x 1,000)	2019	2018[1]
	Continuing operations		
5, 7	Revenue	1,631,328	1,552,761
8	Third party costs	(654,230)	(672,687)
	Net revenue own services[2]	977,098	880,074
9	Other income	12,175	12,893
10	Personnel expenses	(640,291)	(599,072)
17, 18	Depreciation	(113,928)	(87,445)
19	Amortisation	(2,973)	(3,459)
13	Impairments	(3,286)	263
14	Other expenses	(203,235)	(179,470)
	Results from operating activities (EBIT[2])	**25,560**	**23,784**
	Finance income	3,968	6,194
	Finance expenses	(61,732)	(57,817)
15	**Net finance income/(expenses)**	**(57,764)**	**(51,623)**
20	Share of profit/(loss) of equity-accounted investees (net of income tax)	9,236	8,791
	Profit/(loss) before income tax	**(22,968)**	**(19,048)**
16	Income tax gain/(expense)	(13,792)	(16,771)
	Profit/(loss) for the period from continuing operations	**(36,760)**	**(35,819)**
6	Profit/(loss) for the period from discontinued operations	(85,653)	(19,336)
	Profit/(loss) for the period	**(122,413)**	**(55,155)**
	Attributable to:		
	Owners of the company (net result)	(108,492)	(51,064)
27	Non-controlling interests	(13,921)	(4,091)
	Earnings per share (Euro)		
26	Basic and diluted earnings per share	(1.34)	(0.63)
26	Basic and diluted earnings per share from continuing operations	(0.28)	(0.39)

1 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'.

2 Non-GAAP performance measure. Reference is made to the glossary.

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December

Notes	(EUR x 1,000)	2019	2018
	Profit/(loss) for the period	(122,413)	(55,155)
29, 16	Defined benefit plan actuarial gains/(losses)	(16,877)	5,110
	Total of items that will not be reclassified to profit or loss	**(16,877)**	**5,110**
15	Foreign currency translation differences of foreign operations	23,421	5,196
15	Foreign currency translation differences of equity-accounted investees	(868)	775
15	Net change in fair value of hedge of net investment in foreign operations	(3,983)	(6,301)
	Total of items that may be reclassified subsequently to profit or loss	**18,570**	**(330)**
	Other comprehensive income/(loss) for the period	**1,693**	**4,780**
	Total comprehensive income/(loss) for the period	**(120,720)**	**(50,375)**
	Attributable to:		
	Owners of the company	(108,982)	(47,659)
	Non-controlling interests	(11,738)	(2,716)
	Total comprehensive income attributable to owners of the company arises from:		
	Continuing operations	(26,535)	(32,342)
	Discontinued operations	(82,447)	(15,317)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

Notes	(EUR x 1,000)	2019	2018
	ASSETS		
17	Property, plant and equipment	564,291	619,985
18	Right-of-use assets	160,479	–
19	Intangible assets including goodwill	288,631	376,958
20	Investments in equity-accounted investees	76,868	72,370
21	Other investments	30,942	28,918
16	Deferred tax assets	50,474	42,993
	Total non-current assets	**1,171,685**	**1,141,224**
22	Inventories	29,681	29,304
23	Trade and other receivables	485,687	537,441
16	Current tax assets	14,757	9,306
24	Cash and cash equivalents	201,147	227,147
		731,272	803,198
6	Assets classified as held for sale	153,347	–
	Total current assets	**884,619**	**803,198**
	Total assets	**2,056,304**	**1,944,422**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December

Notes	(EUR x 1,000)	2019	2018
	EQUITY		
	Total equity attributable to owners of the company	597,257	668,763
27	Non-controlling interests	10,630	33,722
25	**Total equity**	**607,887**	**702,485**
	LIABILITIES		
28	Loans and borrowings	687,478	725,803
18	Lease liabilities	134,720	–
29	Employee benefits	72,243	50,058
30	Provisions	17,836	17,786
16	Deferred tax liabilities	1,834	1,326
	Total non-current liabilities	**914,111**	**794,973**
24	Bank overdraft	2,635	1,229
28	Loans and borrowings	20	5,566
18	Lease liabilities	22,939	–
31	Trade and other payables	361,301	376,135
30	Provisions	3,366	3,281
16	Current tax liabilities	26,112	26,207
	Other taxes and social security charges	37,728	34,546
		454,101	446,964
6	Liabilities classified as held for sale	80,205	–
	Total current liabilities	**534,306**	**446,964**
	Total liabilities	**1,448,417**	**1,241,937**
	Total equity and liabilities	**2,056,304**	**1,944,422**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Notes	(EUR x 1,000)	Share capital	Share premium	Translation reserve	Reserve for own shares	Equity component of convertible bonds	Retained earnings	Unappropriated result	Total	Non-controlling interest	Total equity
	Balance at 31 December 2018 as previously reported	4,228	431,227	(117,620)	(353,958)	38,424	717,526	(51,064)	668,763	33,722	702,485
3	Impact of change in accounting policy (IFRS 16) net of tax	–	–	–	–	–	2,697	–	2,697	–	2,697
	Adjusted balance at 1 January 2019	**4,228**	**431,227**	**(117,620)**	**(353,958)**	**38,424**	**720,223**	**(51,064)**	**671,460**	**33,722**	**705,182**
	Profit or (loss)	–	–	–	–	–	–	(108,492)	(108,492)	(13,921)	(122,413)
	Other comprehensive income	–	–	16,387	–	–	(16,877)	–	(490)	2,183	1,693
	Total comprehensive income/(loss) for the period	**–**	**–**	**16,387**	**–**	**–**	**(16,877)**	**(108,492)**	**(108,982)**	**(11,738)**	**(120,720)**
12	Share-based payments	–	–	–	–	–	5,972	–	5,972	–	5,972
16	Change in tax rate	–	–	–	–	(402)	–	–	(402)	–	(402)
	Addition to/(reduction of) reserves	–	–	–	–	–	(51,064)	51,064	–	–	–
27	Transactions with non-controlling interests	–	–	–	–	–	29,209	–	29,209	(8,210)	20,999
27	Dividends to shareholders	–	–	–	–	–	–	–	–	(3,144)	(3,144)
	Total contributions by and distributions to owners	**–**	**–**	**–**	**–**	**(402)**	**(15,883)**	**51,064**	**34,779**	**(11,354)**	**23,425**
	Balance at 31 December 2019	**4,228**	**431,227**	**(101,233)**	**(353,958)**	**38,022**	**687,463**	**(108,492)**	**597,257**	**10,630**	**607,887**
	Balance at 1 January 2018	4,228	431,227	(115,909)	(353,958)	37,546	868,821	(159,901)	712,054	41,610	753,664
	Profit or (loss)	–	–	–	–	–	–	(51,064)	(51,064)	(4,091)	(55,155)
	Other comprehensive income	–	–	(1,711)	–	–	5,116	–	3,405	1,375	4,780
	Total comprehensive income/(loss) for the period	**–**	**–**	**(1,711)**	**–**	**–**	**5,116**	**(51,064)**	**(47,659)**	**(2,716)**	**(50,375)**
12	Share-based payments	–	–	–	–	–	4,652	–	4,652	–	4,652
16	Change in tax rate	–	–	–	–	878	–	–	878	–	878
	Addition to/(reduction of) reserves	–	–	–	–	–	(159,901)	159,901	–	–	–
27	Transactions with non-controlling interests	–	–	–	–	–	(1,162)	–	(1,162)	(1,388)	(2,550)
27	Dividends to shareholders	–	–	–	–	–	–	–	–	(3,784)	(3,784)
	Total contributions by and distributions to owners	**–**	**–**	**–**	**–**	**878**	**(156,411)**	**159,901**	**4,368**	**(5,172)**	**(804)**
	Balance at 31 December 2018	**4,228**	**431,227**	**(117,620)**	**(353,958)**	**38,424**	**717,526**	**(51,064)**	**668,763**	**33,722**	**702,485**

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

Notes	(EUR x 1,000)	2019	2018[2]
	Continuing operations		
	Cash flows from operating activities		
	Profit/(loss) for the period	(36,760)	(35,819)
	Adjustments for:		
17, 18, 19	Depreciation and amortisation	116,901	90,904
13	Impairments	3,286	(263)
20	Share of (profit)/loss of equity-accounted investees (net of income tax)	(9,236)	(8,791)
	Net gain on sale of property, plant and equipment	(3,093)	(4,073)
	Gain on termination of lease	(864)	–
12	Equity-settled share-based payments	5,972	4,652
	Change in provisions and employee benefits	(2,907)	(20,836)
16	Income tax expense/(gain)	13,792	16,771
	Income tax paid	(26,795)	(14,538)
15	Finance income and expense	57,764	51,623
	Interest paid	(37,271)	(23,513)
	Operating cash flows before changes in working capital[1]	**80,789**	**56,117**
	Decrease (increase) in working capital:	47,174	(41,206)
	▪ Change in inventories	(1,150)	2,118
	▪ Change in trade and other receivables	9,238	(47,740)
	▪ Change in trade and other payables	39,086	4,416
	Net cash generated from operating activities	**127,963**	**14,911**

[1] Non-GAAP performance measure. Reference is made to the Glossary.

[2] The consolidated statement of cash flows includes separate cash flows and cash balances of the discontinued operations.

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December

Notes	(EUR x 1,000)	2019	2018[2]
	Cash flows from investing activities		
17	Capital expenditures on property, plant and equipment	(82,502)	(58,827)
19	Acquisition of and other additions to intangible assets	(2,817)	(4,754)
17	Proceeds from sale of property, plant and equipment	7,350	7,072
	Disposal of intangible assets	4,449	2,804
	Interest received	–	485
20	Dividends received	3,825	6,864
	Repayment of vendor loan	–	6,375
	Repayment of long-term loans	43	3,842
	Net cash (used in)/from investing activities	**(69,652)**	**(36,139)**
	Cash flows from operating activities after investing activities[1]	**58,311**	**(21,228)**
	Cash flows from financing activities		
	Proceeds from issue of long-term loans	–	60,484
	Repayment of borrowings	(87,294)	(82)
27	Dividends paid	(3,144)	(3,784)
27	Transactions with non-controlling interests	(9)	(2,550)
18	Payments of (finance) lease liability	(24,476)	(66)
	Net cash from/(used in) financing activities	**(114,923)**	**54,002**
	Net cash provided by (used for) continuing operations	**(56,612)**	**32,774**

1 Non-GAAP performance measure. Reference is made to the Glossary.

2 The consolidated statement of cash flows includes separate cash flows and cash balances of the discontinued operations.

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December

Notes	(EUR x 1,000)	2019	2018[1]
	Discontinued operations		
	Cash flows from operating activities	(16,404)	(2,195)
	Cash flows from investing activities	(19,090)	(9,956)
	Cash flows from financing activities	66,875	10,611
6	**Net cash provided by (used for) discontinued operations**	**31,381**	**(1,540)**
	Total net cash provided by (used for) operations	**(25,231)**	**31,234**
	Effect of exchange rate fluctuations on cash held	1,080	(16,252)
	Cash and cash equivalents at 1 January	225,918	210,936
	Cash and cash equivalents at 31 December	**201,767**	**225,918**
	Presentation in the statement of financial position		
24	Cash and cash equivalents	201,147	227,147
24	Bank overdraft	(2,635)	(1,229)
6	**Cash and cash equivalents (classified as held for sale)**	**3,255**	**–**

[1] The consolidated statement of cash flows includes separate cash flows and cash balances of the discontinued operations.

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Fugro N.V., hereinafter to be referred to as 'Fugro' or 'the company', has its corporate seat in The Netherlands. The address of the company's principal office is Veurse Achterweg 10, 2264 SG, Leidschendam, the Netherlands. The consolidated financial statements of Fugro as at and for the year ended 31 December 2019 include Fugro and its subsidiaries (together referred to as the 'Group') and the Group's interests in equity-accounted investees.
The financial statements are presented in EUR x 1,000, unless stated otherwise. The Euro is the presentation currency of the company.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and with Part 9 of Book 2 of the Netherlands Civil Code.

On 18 February 2020, the Board of Management and Supervisory Board authorised the financial statements for issue. Publication will take place on 26 February 2020.
The financial statements will be submitted for adoption to the annual general meeting which takes place on 30 April 2020.

The financial statements have been prepared on the measurement basis of historical cost, except for the following assets and liabilities that are stated at their fair value: derivative financial instruments, equity securities and plan assets associated with defined benefit plans. For more detailed information on the measurement basis, reference is made to the significant accounting policies included in the relevant notes to the consolidated financial statements.

Alternative format

As of 2019, the significant accounting policies have been included in the relevant notes to the consolidated financial statements. The structure and content of the disclosure notes have been simplified. The objective of this alternative format is to enable the users to identify relevant information more easily and further improve the effectiveness of disclosures.

Estimates, judgements and uncertainties

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The reported amounts are based on factors which by default are associated with uncertainties. Actual results may therefore differ materially from these estimates. The notes dealing with the most significant estimates, judgements and uncertainties are as follows:

Estimates, judgements and uncertainties with respect to:	**Note:**
Impairment of non-financial assets (property, plant and equipment, right-of-use assets and intangible assets including goodwill)	13
Impairment financial assets (trade receivables, unbilled revenue on (completed) projects, and other receivables)	23
Leases	18
Deferred tax	16
Employee benefits	29
Provisions	30

3 CHANGES IN ACCOUNTING POLICIES

Changes in accounting policies effective 1 January 2019

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except as described below.

The Group applies IFRS 16 Leases with a date of initial application of 1 January 2019. As a result, the Group has changed its accounting policy for lease contracts.

A number of new standards, amendments and/or interpretations are also effective from 1 January 2019, but these do not have a material effect on the Group's financial statements.

IFRS 16 Leases

The Group applies IFRS 16 using the modified retrospective transition approach, under which the cumulative effect of initial application is recognised in retained earnings as at 1 January 2019. Comparative information for 2018 was not restated and continues to be reported under IAS 17 and related interpretations. The details of the changes in accounting policies are as follows.

Definition of a 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. Following a reassessment at transition, no significant differences in the lease portfolio were identified on transition to the new lease definition.

Lessee
As a lessee, the Group previously classified leases as operating and financing leases. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

Leases classified as operating leases under IAS 17
At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. All right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. This policy choice was applied to all leases. This resulted in higher right-of-use assets and consequently higher future depreciation expenses on the right-of-use assets, compared to the alternative method of calculating the right-of-use assets retrospectively as if IFRS 16 had been applied since the commencement date.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:
- Applied a single discount rate to a portfolio of leases with similar characteristics (i.e. vessels, property and equipment)
- Adjusted the right-of-use asset by the amount of any provisions for onerous lease contracts recognised under IAS 37 immediately before the date of initial application to approximate impairment
- Applied the transition expedient not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term since 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.

Leases previously classified as finance leases
For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date. Finance leases previously recognised in property, plant and equipment, with a carrying amount of EUR 17.1 million at the date of initial application, were reclassified to right-of-use assets as of 1 January 2019. The corresponding finance lease liability (as previously presented under loans and borrowings) amounted to EUR 6.0 million and was reclassified to lease liabilities as of 1 January 2019. Comparative figures for 2018 were not restated.

Lessor
The Group does not engage in material leasing transactions as lessor.

Sale and leaseback transactions prior to 1 January 2019
Under IFRS 16, the Group consistently accounts for sale and leaseback transactions of vessels, property and equipment completed prior to 1 January 2019. Fugro did not perform any retrospective accounting specific to the sale element of sale and leaseback transactions prior to 1 January 2019. Fugro applies the IFRS 16 partial gain recognition approach on sale and leaseback transactions entered into on or after 1 January 2019. Accordingly, previous sale and leaseback transactions up to 31 December 2018 were not revisited as of 1 January 2019. For these leases, the Group recognised a right-of-use asset and a lease liability on 1 January 2019, measured in the same way as other right-of-use assets and lease liabilities at that date.

Impact on consolidated financial statements
The Group considered its lease portfolio (e.g. the nature and characteristics of the contract types). The following judgements and choices were made in determining the right-of-use assets and lease liabilities:
- The assessment of whether a contract contains a lease under IFRS 16
- With the exception of leases of vessels, the Group has elected not to separate non-lease components and account for the lease and non-lease component as a single lease
- The determination of lease terms: whether it is reasonably certain that an extension or termination option will be exercised
- The determination whether variable payments are in-substance fixed
- Establishing whether there are multiple leases in an arrangement

- Determination of the appropriate rate to discount the lease payments. Generally, the Group uses its incremental borrowing rate as the discount rate.

The main assumptions and judgements used in estimating the incremental borrowing rate are as follows:
- The determination of a risk-free rate (i.e. government bond yields), considering the currency, economic environment and term
- The determination of a debt risk premium specific to the entity, using observable inputs
- The determination of a lease specific adjustment (e.g. including lease specific collateral).

On transition to IFRS 16, the Group accounted for right-of-use assets (increase of EUR 218.1 million), other investments (decrease of EUR 7.4 million in connection with advance lease payments), trade and other receivables (decrease of EUR 0.9 million), lease liabilities (increase of EUR 209.8 million), trade and other payables (decrease of EUR 2.7 million due to the release of accrued lease incentives) and deferred tax (EUR nil), recognising the difference (increase of EUR 2.7 million) in retained earnings. The Group did not have provisions for onerous lease contracts as of 1 January 2019. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied was 6.6%. There is no material impact on other comprehensive income or the basic and diluted earnings per share.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

(EUR x 1,000)	**2019**
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	315,333
Discounted using the weighted average incremental borrowing rate at 1 January 2019	245,811
Finance lease liabilities recognised as at 31 December 2018	6,019
Recognition exemptions (short-term leases and leases of low-value assets)	(25,112)
Extension and termination options reasonably certain to be exercised	–
Variable lease payments based on index	–
Residual value guarantees	–
Leases committed as of 31 December 2018, but not yet commenced	(10,925)
Lease liabilities recognised at 1 January 2019	**215,793**

New standards and interpretations not yet effective
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. The impact of these new standards and interpretations are either not expected to be material for Fugro or not applicable to Fugro.

4 OTHER ACCOUNTING POLICIES
Statement of cash flows
The consolidated statement of cash flows is prepared using the indirect method. The cash flow statement distinguishes between operating, investing and financing activities.
Cash flows in foreign currencies are converted at the exchange rate at the dates of the transactions. Currency exchange differences on cash held are presented separately.
Payments and receipts of corporate taxes are included as cash flow from operating activities and interest paid is shown as cash flow from operating activities. The line item interest paid includes cash payments for the interest portion of lease liabilities. Cash flows as a result from acquisition/divestment of financial interests in subsidiaries and equity-accounted investees are included as cash flow from investing activities, taking into account

the available cash in these interests. Dividends paid are part of the cash flow from financing activities.

Basis of consolidation

Accounting for business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.
In assessing control, the Group takes into consideration potential voting rights, if the rights are substantive. Non-controlling interests in the acquiree are measured at the proportionate share of the acquiree's identifiable net assets.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, it is accounted for as an equity-accounted investee or as an equity security depending on the level of influence retained.

Transactions eliminated on consolidation

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

Foreign currency

Foreign currency transactions and translation

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the respective functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at foreign exchange rates effective at the date the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity-accounted investees, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges (insofar applicable), which are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. A summary of the main currency exchange rates applied in the year under review and the preceding years reads as follows:

	USD at year-end	USD average	GBP at year-end	GBP average	NOK at year-end	NOK average	AUD at year-end	AUD average
2019	0.890	0.900	1.170	1.140	0.101	0.102	0.620	0.620
2018	0.870	0.850	1.110	1.130	0.100	0.104	0.620	0.630

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to EUR at foreign exchange rates effective at the reporting date. The income and expenses of foreign operations are translated to EUR at exchange rates effective at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve for foreign operations (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount in the translation reserve is reattributed to non-controlling interests. If the Group disposes of only part of its investment in an equity-accounted investee that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount in the translation reserve is reclassified to profit or loss.

If the settlement of a monetary item, receivable from or payable to a foreign operation, is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such monetary items are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the translation reserve in equity.

Net investment hedge of foreign operations

The Group hedges the foreign currency exposure in USD for net investments in foreign operations in the United States with USD bank loans (part of the multicurrency revolving credit facility) as hedging instruments.

Foreign currency differences arising on the (re-)translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective, and are presented and accumulated within equity in the translation reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged net investment is disposed of, the relevant amount in the translation reserve is transferred to profit or loss as part of the profit or loss upon disposal.

Derivative financial instruments and hedge accounting

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss. The Group does not engage in material hedging transactions with derivatives. Accordingly, consistent with prior year, there are no qualifying fair value hedge or cash flow hedge relationships as of 31 December 2019. The Group does not have separately accounted embedded derivative financial liabilities. The Group does not have derivatives embedded within a hybrid contract containing a financial asset host.

5 SEGMENT REPORTING

Fugro is the world's leading Geo-data specialist, unlocking insights to help our clients design, build and operate their assets. Through the integration of data acquisition, analysis and advice, related to the Earth's surface, subsurface and the structure, Fugro provides Geo-data solutions. This information is essential to our clients for characterising their building sites to facilitate the safe, reliable, cost effective and sustainable design and construction of buildings and infrastructure. Fugro also provides information on the precise location and condition of assets, as they are built and operated, to optimise reliability, utilisation and longevity.

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). As a consequence, the organisational and reporting structure changed from two divisions to four regions plus Geoscience. 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 operating results of the four regions plus Geoscience are directly reported to and reviewed by the Board of Management, being the Chief Operating Decision Maker. These five operating segments are therefore 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. In presenting information on the basis of geographical areas, segment revenue is based on the geographical location of operating companies. The allocation of segment assets is based on the geographical location of the operating company using the assets ('region of origin'). Information regarding the results of each reportable segment is included below. Performance is measured based on reported result from operating activities before interest and taxation (EBIT), as included in the internal management reports that are reviewed by the Board of Management. Segment profit or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Fugro allocates all other corporate expenses and finance income to the reportable segment profit (or loss) before income tax of the respective operating segments pro-rata based on net revenue. Assets that are used by more than one operating segment and liabilities that relate to more operating segments are pro-rata allocated based on net revenues to the respective reporting segments as well. Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

The E-A, AM, APAC, MEI operating segments generate revenues from:

- Marine environment: The determination of soil composition via cone penetration testing or the acquisition of soil samples and related laboratory testing; and the mapping of seabed and geological features and hazards below using non-invasive techniques including the related interpretation and visualisation. Its services also include geoconsulting, general purpose navigation charts and environmental, meteorological & oceanographic measurement services. In addition, the activities consist of positioning signals and services, construction support, monitoring and forecasting services, drill support, remote systems technology, and inspection, repair and maintenance services (IRM)
- Land environment: The determination of soil characteristics via cone penetration testing and/or the acquisition of soil samples and related laboratory testing. These services are offered both onshore and in near shore environments. In addition, the activities consist of material testing and geo-consulting services as well as asset integrity solutions (monitoring, analysis, modelling) for clients in the electrical power business, railroads, roads and oil & gas infrastructure.

The Geoscience segment consists solely of the disposal group Seabed Geosolutions. As further explained below, as per 30 June 2019, Seabed Geosolutions is classified as a disposal group held for sale and as a discontinued operation. The Geoscience operating segment previously also included some minor other assets, primarily consisting of intangible assets related to exploration and evaluation (E&E) activities in Australian areas of interest to discover petroleum resources in cooperation with Finder Exploration Pty Ltd (Finder) and Finder related parties. In connection with the planned divestment of Seabed's business, Fugro's Board of Management has decided to re-allocate these assets, 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 operating segment, and have been re-allocated to the other regions.

Operating segments

(EUR x 1,000)	E-A		AM		APAC		MEI		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Segment revenue	767,578	716,675	437,034	346,703	362,214	387,467	222,679	214,736	1,789,505	1,665,581
Of which inter-segment revenue	85,375	66,958	25,397	12,206	30,866	23,081	16,539	10,575	158,177	112,820
Revenue from external customers	**682,203**	**649,717**	**411,637**	**334,497**	**331,348**	**364,386**	**206,140**	**204,161**	**1,631,328**	**1,552,761**
Segment result	120,746	71,272	9,377	18,061	(3,154)	903	18,778	24,189	145,747	114,425
Depreciation	(50,300)	(39,136)	(23,171)	(19,016)	(27,481)	(18,665)	(12,976)	(10,628)	(113,928)	(87,445)
Amortisation	(769)	(1,065)	(1,430)	(545)	(569)	(1,551)	(205)	(298)	(2,973)	(3,459)
Impairments	(2,520)	(1,310)	(363)	(27)	(321)	1,600	(82)	–	(3,286)	263
Result from operating activities (EBIT)	**67,157**	**29,761**	**(15,587)**	**(1,527)**	**(31,525)**	**(17,713)**	**5,515**	**13,263**	**25,560**	**23,784**
EBIT in % of revenue	9.8%	4.6%	(3.8%)	(0.5%)	(9.5%)	(4.9%)	2.7%	6.5%	1.6%	1.5%
Finance income	14,612	15,439	5,855	5,483	7,425	7,424	3,398	3,228	31,290	31,574
Finance expense	(46,374)	(49,732)	(11,681)	(8,856)	(22,393)	(17,095)	(8,606)	(7,514)	(89,054)	(83,197)
Share of profit/(loss) of equity-accounted investees	(1,563)	705	–	–	7,685	5,532	3,114	2,554	9,236	8,791
Reportable segment profit/(loss) before income tax	**33,832**	**(3,827)**	**(21,413)**	**(4,900)**	**(38,808)**	**(21,852)**	**3,421**	**11,531**	**(22,968)**	**(19,048)**
Income tax	(8,638)	(7,456)	1,010	(95)	(989)	(2,465)	(5,175)	(6,755)	(13,792)	(16,771)
Profit/(loss) for the period from continuing operations	**25,194**	**(11,283)**	**(20,403)**	**(4,995)**	**(39,797)**	**(24,317)**	**(1,754)**	**4,776**	**(36,760)**	**(35,819)**
Capital employed	518,874	475,815	268,747	249,523	150,833	198,616	158,420	148,439	1,096,874	1,072,393
Non-current assets	616,630	504,119	213,068	200,666	204,508	162,551	137,479	126,685	1,171,685	994,021
Capital expenditure, property, plant and equipment	38,559	26,072	20,154	8,663	16,631	17,542	7,735	9,058	83,079	61,335
Capital expenditure software and other intangible assets	185	491	278	2,221	88	117	4	72	555	2,901

Other material items 2019 in respect of elements of profit or loss

(EUR x 1,000)	Reportable segment totals	Adjustments and other unallocated amounts	Consolidated totals
Finance income	31,290	(27,322)	3,968
Finance expense	(89,054)	27,322	(61,732)

Other material items 2018 in respect of elements of profit or loss

(EUR x 1,000)	Reportable segment totals	Adjustments and other unallocated amounts	Consolidated totals
Finance income	31,574	(25,380)	6,194
Finance expense	(83,197)	25,380	(57,817)

6 DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, these assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair values less costs to sell. Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated and any equity-accounted investees are no longer equity-accounted.

Fugro continues to pursue divestment of its stake in Seabed Geosolutions (Seabed). Since 30 June 2019, Fugro considers it highly probable that substantially all Seabed's business will be sold within one year. As further explained in note 27 Non-controlling interest, in December 2019, Fugro entered into an agreement with CGG to acquire CGG's 40% shareholding in Seabed as well as to terminate the Seabed Geosolutions' joint venture agreement effective 30 December 2019. It is expected that this transaction, resulting in Fugro becoming the sole owner of Seabed, will facilitate the divestment process.

Seabed represents a separate major line of business. As at 31 December 2019, the disposal group is classified as held for sale and as a discontinued operation. The assets and liabilities of the disposal group are classified as held for sale in the consolidated statement of financial position as of 31 December 2019. The comparative 31 December 2018 consolidated statement of financial position has not been restated. The net results for the twelve months of 2019, and comparative 2018 figures, of the discontinued operation have been presented on a separate line in the consolidated statement of comprehensive income. The consolidated statement of cash flows for 2019 and 2018 include separate cash flows and cash balances of the discontinued operation.

Fugro has estimated Seabed's recoverable amount of the disposal group at fair value less cost of disposal, which was below its carrying amount. As a result, Seabed's goodwill was impaired in full, resulting in a total impairment loss of EUR 65.4 million, out of which EUR 61.4 million was recognised immediately before it was classified as disposal group held for sale. The re-estimated recoverable amount of Seabed as of 31 December 2019 at fair value less cost of disposal resulted in a further impairment of other intangible assets and property, plant and equipment amounting to EUR 10.8 million and a further impairment of goodwill of EUR 4 million. This was presented in the loss for the period from discontinued operations in the consolidated statement of comprehensive income in December 2019.

The consolidated statement of comprehensive income below presents the discontinued operations on a stand-alone basis:

(EUR x 1,000)	Twelve months ended 31 December 2019	Twelve months ended 31 December 2018
From discontinued operations		
Revenue	135,583	97,211
Third party costs	(103,172)	(66,659)
Other income	9,869	5,238
Personnel expenses	(28,237)	(26,693)
Depreciation and amortisation	(9,504)	(13,827)
(Impairment)/Reversal of impairment	(76,182)	1,522
Other expenses	(13,384)	(11,813)
Results from operating activities (EBIT)	**(85,027)**	**(15,021)**
Finance expenses	(1,103)	(1,124)
Income tax gain/(expense)	477	(3,191)
Profit/(loss) for the period from discontinued operations	**(85,653)**	**(19,336)**
Basic and diluted earnings per share from discontinued operations	(1.06)	(0.24)

Other expenses from discontinued operations include a gain of EUR 1,947 thousand related to a release of the provision for certain tax indemnities and warranties under procedures in respect of the sale of the majority of the Geoscience business to CGG in 2013 for liabilities arising from tax exposures. Refer to note 30 Provisions. This gain is not related to Seabed Geosolutions.

The cumulative amount recognised in other comprehensive income for foreign currency translation differences in respect of discontinued operations amounts to a gain of EUR 1,445 thousand for the year 2019 (2018: EUR 1,389 thousand).

At 31 December 2019, the assets and liabilities comprising the disposal group classified as held for sale are as follows:

(EUR x 1,000)	31 December 2019
Assets classified as held for sale	
Property, plant and equipment	73,330
Right-of-use assets	7,382
Intangible assets	14,101
Financial assets	26
Inventories	1,848
Trade and other receivables	51,218
Current tax assets	2,187
Cash and cash equivalents	3,255
Total assets classified as held for sale	**153,347**
Liabilities classified as held for sale	
Loans and borrowings	16,836
Employee benefits	1,086
Lease liabilities	6,104
Trade and other payables	53,731
Other taxes and social security charges	504
Current tax liabilities	1,944
Total liabilities classified as held for sale	**80,205**

The goodwill included in intangible assets relating to the disposal group was fully impaired during 2019.

The cash flows associated with discontinued operations are as follows:

(EUR x 1,000)	Twelve months ended 31 December 2019	Twelve months ended 31 December 2018
Cash flows from discontinued operations		
Net cash (used in)/from operating activities	(16,404)	(2,195)
Net cash (used in)/from investing activities	(19,090)	(9,956)
Net cash (used in)/from financing activities	66,875	10,611
Net increase in cash and cash equivalents from discontinued operations	**31,381**	**(1,540)**

7 REVENUE

Revenue is recognised when control of the promised goods or services is transferred to the Group's customers, in an amount that reflects the consideration the Group expects to be entitled to in exchange for those goods or services. Fugro primarily generates revenue from services which are based on geo-intelligence derived by acquiring bespoke data and providing analysis and advisory. Revenue from sales of goods, software licences and subscription income are not a significant category of revenue. Sales within the Group are eliminated and not included in revenue shown.

Revenue is measured based on the consideration contractually agreed with the customer. Common considerations are fixed price, daily rates or rates per (square) kilometre. The transaction price excludes amounts collected on behalf of third parties, such as value-added taxes. It is common for the Group's contracts with customers to include liquidated damages, weather standby fees or discounts that can either increase or decrease the transaction price, leading to the consideration to be variable. Variable considerations are generally constrained and recognised as revenue only to the extent that it is highly probable that the amount will not be subject to significant reversal when the uncertainty is resolved. The Group estimates variable consideration using either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group's services are typically sold in a bundled package of services which together form a single performance obligation. Control of the single performance obligations is generally transferred to the customer over time. The transfer of control over time is supported mostly by one of the following conditions being met:

- Clauses in the contract that allow the customer to terminate the contract, pay for costs incurred plus a reasonable profit margin and take control of any work in progress. The Group does not create an asset alternative use to the Group.
- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

In limited cases, the Group may also create or enhance an asset that customer controls as the asset is created or enhanced.

For performance obligations that are satisfied over time, revenue and cost are recognised based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgement and is based on the nature of the services to be provided.
The Group generally determines progress towards completion by measuring the proportion of actual cost incurred for work performed to date, compared to total estimated cost to completion. In the Group's view this best depicts the Group's performance in transferring control of services promised to its customers.

When it becomes probable that the total estimated cost to completion (i.e. incremental costs and an allocation of costs directly related to contract activities) exceed the total consideration for a certain contract, the Group recognises a provision for the lower of the net expected cost of performing under the contract and cost of terminating the contract. See further in note 30 Provisions.

Payment terms for service contracts are usually based on several instalments over the duration of the contract based on pre-set contract milestones. Significant financing components are not prevalent nor material within the Group. When applicable, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it is expected, at contract inception, that the period between when the entity transfers a promised good or service and when the customer pays for the good or service is one year or less.

Generally, the Group does not incur costs to obtain a contract. Up-front fees and pre-production costs are not prevalent in the Group's business.

Contract balances

When revenue recognised to date exceeds the progress billings to the customer, the surplus is accounted for as a contract asset and presented as unbilled revenue. Unbilled revenue is accounted net of any impairment losses. See explained further in note 23 Trade and other receivables. When progress billings exceed the revenue, measured as costs incurred plus profits recognised to date, the balance is accounted for as a contract liability, which is presented as advance instalments to work in progress.

7.1 Disaggregation of revenue from contracts with customers

In the following tables, revenue is disaggregated by business lines and market segment. Revenue disaggregated by geographical area is shown in note 5 Segment reporting.

Revenue by businesses and market segment

			2019			2018
(EUR x 1,000)	Marine	Land	Total	Marine	Land	Total
Oil and gas	808,837	41,535	850,372	796,595	46,304	842,899
Infrastructure	27,279	344,692	371,971	31,507	339,611	371,118
Renewables	214,423	19,260	233,683	171,705	–	171,705
Nautical	108,461	–	108,461	79,146	–	79,146
Other	12,595	54,246	66,841	6,953	80,940	87,893
Total	**1,171,595**	**459,733**	**1,631,328**	**1,085,906**	**466,855**	**1,552,761**
Of which:						
Asset integrity	522,010	102,217	624,227	521,999	98,989	620,988
Site characterisation	649,585	357,516	1,007,101	563,907	367,866	931,773

7.2 Performance obligations

The table below presents the transaction price allocated to performance obligations that are (partially) unsatisfied as at 31 December. Certain amounts of variable consideration are not included in the amounts presented below as these are considered to be constrained. The Group applies the practical expedient allowing not to disclose information about remaining performance obligations that have an original expected duration of one year or less. The amounts therefore differ from the backlog.

(EUR x 1,000)	2019	2018
Within one year	54,089	265,046
More than one year	53,647	106,349
Total	**107,736**	**371,395**

The decrease in total amount of transaction price allocated to performance obligations that are (partially) unsatisfied as at 31 December is primarily caused by the exclusion of Seabed which, as at 31 December 2019, is presented as held for sale and as a discontinued operation. Contracts operated by Seabed are typically of longer duration compared to those in continuing operations.

7.3 Contract balances

The Group has recognised the following assets and liabilities related to contracts with customers:

(EUR x 1,000)	Note	2019	2018
Unbilled revenue on (completed) projects	23	156,743	189,583
Trade receivables	23	268,394	262,142
Other receivables	23	60,550	85,716
Advance instalments to work in progress	31	(38,732)	(49,487)

8 THIRD PARTY COSTS

(EUR x 1,000)	2019	2018
Cost of suppliers	531,917	533,412
Lease expenses	82,990	98,527
Onerous contracts	2,044	398
Other costs	37,279	40,350
Total	**654,230**	**672,687**

Cost of suppliers comprises costs of short-term third party hire, lease of low-value assets, fuel, demobilisation and mobilisation, consumables and third party personnel. Cost of suppliers includes costs of maintenance and operational supplies amounting to EUR 27.2 million (2018: EUR 27.7 million) directly related to projects.

Lease expenses for 2019 relate to short-term vessel leases and variable lease payments not included in the measurement of vessel lease liabilities. Leases expenses for 2018 relate to long-term vessel leases and vessel leases with a term of less than one year (e.g. project-based leases with a term that begins at the start of a specific project and ends upon completion of such project). The implementation of IFRS 16 led to a decrease in lease expenses, as further explained in note 3 Changes in accounting policies and note 18 Leases. This decrease is offset by an increase in short-term leases compared to prior year. The 2018 lease expenses included an amount of EUR 5.9 million that was excluded for covenant requirements.

Other costs mainly relate to subcontracted cost at request of the client which can be recharged to the client directly.

9 OTHER INCOME

Other income consists of income not related to the key business activities of the Group, such as income from the sale of non-monetary assets and/or liabilities, and/or non-recurring income.

(EUR x 1,000)	2019	2018
Settlements claims	–	2,863
Government grants	2,244	2,544
Gain on sale of property, plant and equipment	3,772	4,465
Sundry income	6,159	3,021
Total	**12,175**	**12,893**

Sundry income includes research and developments tax credits received.

10 PERSONNEL EXPENSES

(EUR x 1,000)	2019	2018
Wages and salaries	550,971	523,302
Compulsory social security contributions	51,273	49,963
Equity-settled share-based payments	5,972	4,652
Expense related to defined contribution plans	29,268	18,890
Expense related to defined benefit plans	843	1,748
Increase/(decrease) in liability for long-service leave	1,964	517
Total	**640,291**	**599,072**

11 EMPLOYEES

The total number of full-time equivalent (FTE) employees as at 31 December and average number for the year is as follows:

	2019			2018		
	Netherlands	Other countries	Total	Netherlands	Other countries	Total
Technical staff	671	6,829	7,500	623	6,971	7,594
Management and administrative staff	284	1,868	2,152	271	1,879	2,150
Temporary and contract staff	182	243	425	198	323	521
Total number of employees at 31 December	**1,137**	**8,940**	**10,077**	**1,092**	**9,173**	**10,265**
Average number of employees during the year	1,114	9,057	10,171	1,042	9,113	10,155

The above numbers include the disposal group Seabed Geosolutions.

12 SHARE-BASED PAYMENTS

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

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made. Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

If awards do not vest due to non-market conditions and/or service conditions not being met, no expense is recognised. Awards that include a market condition are treated as vested irrespective of whether the market condition is satisfied, provided that all other (non-market) performance conditions and/or service conditions are satisfied.

The grant-date fair value of equity-settled share-based payment awards granted to employees is recognised as personnel expense, with a corresponding increase in equity, over the vesting period of the award. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity shares that will ultimately vest. The expense or credit in the consolidated statement of comprehensive income for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Long-term incentive plan

The long-term incentive plan for members of the Board of Management, and other selected senior employees, effective as of 1 January 2014, consists of performance shares (and consisted of performance options prior to the amendment in 2017). Vesting is subject to continuous employment and performance measurement. The performance period is three years starting on 1 January in the year of the grant.

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

Performance targets	**2017 – 2019**	**2014 – 2016**
ROCE	37.5%	50.0%
TSR	37.5%	50.0%
Strategic targets	25.0%	–

- Return on capital employed (ROCE) will be based on net operating profit after tax (NOPAT), excluding impairments; capital employed will be corrected for impairments (these will be set back when applying the vesting criteria)
- TSR is defined as share price increase, including reinvested dividends. TSR is measured over a three-year period based on a three-month average period measured immediately prior to the start and end date of the performance period. The relative position within the peer group determines the vesting level
- Strategic target achievement is determined by the Supervisory Board in the first quarter of the year following the three-year performance period for the Board of Management and for other employees by the Board of Management.

A summary of performance shares movements and outstanding balance as at 31 December 2019 is presented below.

	2019		2018	
	Number of shares	Weighted average grant date fair value	Number of shares	Weighted average grant date fair value
Performance shares outstanding at 1 January	524,930	13.28	282,768	14.33
Granted during the period	400,500	9.23	410,500	12.56
Forfeited during the period	96,255	14.50	168,338	13.82
Vested during the period	–	–	–	–
Performance shares outstanding at 31 December	**829,175**	**11.18**	**524,930**	**13.28**

The grant date fair value of the portion with a TSR performance condition, a market performance condition, has been derived using a Monte Carlo simulation model. The fair value of the portion with a ROCE or Strategic performance condition is equal to the share price at date of grant adjusted for expected dividends during the vesting period.

The significant inputs into the valuation models are:

	2019	2018
	Performance shares	Performance shares
Share price (in EUR)	9.25 – 10.16	12.66
Volatility (%)	37.2% – 37.4%	46.2%
Dividend yield (%)	0.0%	0.0%
Vesting period (in years)	2.93 – 3.00	3.00
Risk-free interest rate (%)	(0.47)% – (0.58)%	(0.39)%
Remaining performance period (in years)	2.75 – 2.83	2.81

The expected volatility is based on the annualised historical volatility for a prior to the date of grant corresponding with the remaining performance period, and the dividend yield is estimated based on the historic dividend yield on Fugro shares at the date of grant.

The last time that performance options were granted in connection with the long-term incentive plan was in 2016. As at 31 December, the following performance options (all granted prior to 2017) were outstanding:

	2019		2018	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Performance options outstanding at 1 January	372,865	14.79	565,544	15.43
Forfeited during the period	178,511	15.05	192,679	16.68
Exercised during the period	–	–	–	–
Performance options outstanding at 31 December	**194,354**	**14.55**	**372,865**	**14.79**
Performance options exercisable at 31 December	**–**	**–**	**–**	**–**

The average remaining term of the performance options outstanding as at 31 December 2019 is 3.1 years (31 December 2018: 3.7 years).

The total expense recognised in 2019 related to performance shares and performance options amounted to EUR 2,744,318 (2018: EUR 1,753,749).

Share option scheme

Fugro's share option scheme allows some assigned Group employees, who do not participate in the long-term incentive plan, to acquire shares in Fugro. A share option entitles the employee to purchase ordinary shares in Fugro. The vesting period for the options granted up to and including 31 December 2016 was three years starting on 1 January of the year following the grant date. The vesting period of the options granted from 2018 is three years starting at the grant date. The maximum contractual option life is six years. The options granted are not subject to any further conditions of vesting, except that the option holder remains employed by Fugro or one of its subsidiaries. The Board of Management and the Supervisory Board decide annually on the granting of options. The exercise price for the options granted in 2019 has been determined based on the average closing price of 5 days preceding the grant date.

A summary of movements during the year of options and balances outstanding as at 31 December is presented below.

	2019		2018	
	Number of options	Weighted average exercise price (EUR)	Number of options	Weighted average exercise price (EUR)
Options outstanding at 1 January	2,752,308	22.11	3,141,153	29.25
Forfeited during the period	136,150	24.15	207,845	21.24
Expired during the period	659,625	43.32	754,850	44.90
Options granted during the period	605,930	9.99	573,850	12.20
Options outstanding at 31 December	**2,562,463**	**13.68**	**2,752,308**	**22.11**
Exercisable at 31 December	**1,435,933**	**15.76**	**1,700,258**	**27.57**

The outstanding options have an exercise price ranging from EUR 9.99 to EUR 17.26 as at 31 December 2019. The average remaining term of the options is 3.2 years (2018: 3.0 years).

The fair value of the share options with only service conditions is determined by using a binomial model. The option life is estimated based on the expected behaviour for exercising the options, and the estimate is that the employees will hold the options until the end of the exercise period. Expected volatility is estimated by considering historical share price volatility.

The inputs used in the measurement of the fair values at the grant date of the share options are the following:

	2019	2018
Average fair value of the granted options during the year in EUR	4.00	5.90
Share price (in EUR)	9.25	12.66
Exercise price (in EUR)	9.99	12.20
Expected volatility (in %)	50.10	49.10
Option term (Years)	6	6
Expected dividends	0.00%	0.00%
Risk-free interest rate (based on government bonds)	0.35%	0.19%

The total expense recognised in 2019 related to share options amounted to EUR 2,295,736 (2018: EUR 2,075,942).

Restricted shares

The vesting of the restricted shares is only dependent on continued services during the vesting period. The grant date fair value of the awards is the share price at date of grant adjusted for expected dividends during the vesting period.

A summary of restricted shares movements and outstanding balance as at 31 December 2019 is presented below.

	2019		2018	
	Number of shares	Weighted average grant date fair value	Number of shares	Weighted average grant date fair value
Restricted shares outstanding at 1 January	205,350	12.71	–	–
Granted during the period	20,000	9.38	266,450	12.79
Forfeited during the period	2,400	12.72	52,800	10.90
Vested during the period	3,600	12.72	8,300	13.32
Restricted shares outstanding at 31 December	**219,350**	**12.41**	**205,350**	**12.71**

The total expense recognised in 2019 related to restricted shares amounted to EUR 932,323 (2018: EUR 822,100).

13 IMPAIRMENTS

Intangible assets that have an indefinite useful life or intangible assets not ready for use are not subject to amortisation and are tested annually for impairment. Other non-financial assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In 2019, a total impairment loss has been recognised of EUR 3,286 thousand (2018: EUR 263 thousand impairment reversal).

14 OTHER EXPENSES

(EUR x 1,000)	2019	2018
Maintenance and operational supplies	7,478	6,991
Indirect operating expenses	38,953	38,895
Occupancy costs	12,602	17,901
Property lease expense	7,819	18,493
Communication and office equipment	38,143	33,355
Impairment of receivables	4,783	4,953
Restructuring costs	6,968	6,013
Research costs	2,278	2,347
Loss on disposal of property, plant and equipment	741	393
Marketing and advertising costs	2,736	3,968
Other	80,734	46,161
Total	**203,235**	**179,470**

Other expenses include professional services, training costs, audit fees, miscellaneous charges. Other expenses in 2019 includes an expense of EUR 24.1 million in connection with the arbitration proceedings with lessor Tasik regarding Fugro's termination of a long-term vessel charter (Southern Star). See further explained in note 31 Trade and other payables. The decrease in occupancy costs and property lease expense compared to prior year reflects the impact of IFRS 16.

15 NET FINANCE (INCOME)/EXPENSES

Net finance income and expenses consist of finance expenses, finance income and foreign currency gains and losses. Finance expenses comprise interest expense on borrowings and lease liabilities, unwinding of the discount on provisions, losses on disposal of equity securities, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables), and losses on hedging instruments that are recognised in profit or loss.

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of equity securities, fair value gains on financial assets at fair value through profit or loss, gains on the re-measurement to fair value of any pre-existing interest in an acquiree, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in profit or loss on the date the Group's right to receive payment is established, which in the case of quoted shares is normally the ex-dividend date.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(EUR x 1,000)	2019	2018
Interest income on loans and receivables	(3,968)	(6,194)
Finance income	**(3,968)**	**(6,194)**
Interest expense on financial liabilities measured at amortised cost	53,121	39,483
Net change in fair value of financial assets at fair value through profit or loss	(965)	156
Net foreign exchange variance	9,576	18,178
Finance expense	**61,732**	**57,817**
Net finance (income)/expenses recognised in profit or loss	**57,764**	**51,623**

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

(EUR x 1,000)	2019	2018
Recognised in other comprehensive income		
Change net investment hedge of foreign operations	(3,983)	(6,301)
Foreign currency translation differences of foreign operations	23,421	5,196
Foreign currency translation differences of equity-accounted investees	(868)	775
Total	**18,570**	**(330)**
Recognised in:		
Translation reserve	16,387	(1,711)
Non-controlling interests	2,183	1,381
Total	**18,570**	**(330)**

16 INCOME TAX

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill, temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Income tax expense/(gain)

Recognised in profit or loss

(EUR x 1,000)	**2019**	**2018**
Current income tax expense/(gain)		
Current year	18,048	20,434
Adjustments for prior years	(1,647)	142
	16,401	**20,576**
Deferred income tax expense/(gain)		
Origination and reversal of tax losses and temporary differences	6,128	3,239
Change in tax rate	(619)	1,814
Recognition of previously unrecognised tax losses and temporary differences	(8,891)	(8,711)
Liability for undistributed foreign earnings (deferred)	205	(11)
Adjustments for prior years	568	(136)
	(2,609)	**(3,805)**
Total income tax expense/(gain)	**13,792**	**16,771**

Reconciliation of effective tax rate

(EUR x 1,000)	2019 %	2019	2018 %	2018
Profit/(loss) for the period from continuing operations		(36,760)		(35,819)
Income tax expense/(gain)		13,792		16,771
Profit/(loss) before income tax		**(22,968)**		**(19,048)**
Income tax using the weighted domestic average tax rates	(9.5)	2,189	(2.6)	494
Change in tax rate	2.7	(619)	(9.5)	1,814
Recognition of previously unrecognised tax losses and temporary differences	38.7	(8,891)	45.7	(8,711)
Current year tax losses and tax credits not recognised	(94.3)	21,653	(113.2)	21,564
Non-deductible expenses	(24.3)	5,588	(34.8)	6,634
Tax exempt income	27.0	(6,199)	32.2	(6,134)
Liability for undistributed foreign earnings (deferred)	(0.9)	205	0.1	(11)
Adjustments for prior years (deferred)	(2.5)	568	0.7	(136)
Adjustments for prior years (current)	7.2	(1,647)	(0.7)	142
Dividend and other income taxes	(4.1)	945	(5.9)	1,115
Total	**(60.0)**	**13,792**	**(88.0)**	**16,771**

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

Income tax recognised in other comprehensive income and in equity

(EUR x 1,000)	2019			2018		
	Before tax	Tax (expense) / benefit	Net of tax	Before tax	Tax (expense) / benefit	Net of tax
Defined benefit plan actuarial gains (losses)	(19,841)	2,964	(16,877)	6,600	(1,490)	5,110
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	–	–	–	–
Net change in fair value of hedge of net investment in foreign operations	(4,249)	266	(3,983)	(8,401)	2,100	(6,301)
Share-based payment transactions	5,972	–	5,972	4,652	–	4,652
Net change in fair value of equity securities	–	–	–	–	–	–
Subordinated unsecured convertible bonds	–	(402)	(402)	–	878	878
Transactions with non-controlling interests	20,999	–	20,999	(2,550)	–	(2,550)
Foreign currency translation differences of foreign operations and equity-accounted investees	20,743	1,810	22,553	6,468	(497)	5,971
Total	**23,624**	**4,638**	**28,262**	**6,769**	**991**	**7,760**

Current tax assets and liabilities

The net current tax liability of EUR 11,355 thousand (2018: EUR 16,901 thousand liability) represents the balance of current tax assets and liabilities in respect of current and prior periods less advance tax payments.

Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

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

(EUR x 1,000)	Assets		Liabilities		Net	
	2019	2018	**2019**	2018	**2019**	2018
Property, plant and equipment	9,232	12,498	(4,301)	(1,870)	4,931	10,628
Intangible assets	232	291	(1,161)	(506)	(929)	(215)
Subordinated unsecured convertible bonds	–	–	(5,464)	(7,388)	(5,464)	(7,388)
Right-of-use assets	–	–	(17,777)	–	(17,777)	–
Lease liabilities (long term)	12,394	–	–	–	12,394	–
Lease liabilities (current)	5,511	–	–	–	5,511	–
Employee benefits	6,464	5,088	(41)	–	6,423	5,088
Provisions	5,043	2,189	(1,880)	(529)	3,163	1,660
Tax loss carry-forwards	42,667	32,325	–	–	42,667	32,325
Other items	1,366	1,655	(3,645)	(2,086)	(2,279)	(431)
Deferred tax assets/ (liabilities)	**71,201**	54,046	**(22,561)**	(12,379)	**48,640**	41,667
Set off of tax components	(32,435)	(11,053)	32,435	11,053	–	–
Net deferred tax asset/ (liability)	**50,474**	42,993	**(1,834)**	(1,326)	**48,640**	41,667

The recognised deferred tax assets are dependent on future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. The recognised amounts relate to tax groups that are profitable or are expected to be profitable in the foreseeable future.

Movement in temporary differences during the year

(EUR x 1,000)	Balance 1 January 2019	Recognised in profit or loss	Recognised in other compre-hensive income	Recognised directly in equity	Balance 31 December 2019
Property, plant and equipment	10,628	(5,697)	–	–	4,931
Intangible assets	(215)	(714)	–	–	(929)
Subordinated unsecured convertible bonds	(7,388)	2,326	–	(402)	(5,464)
Right-of-use assets	–	(17,777)	–	–	(17,777)
Lease liabilities (long term)	–	12,394	–	–	12,394
Lease liabilities (current)	–	5,511	–	–	5,511
Employee benefits	5,088	(1,629)	2,964	–	6,423
Provisions	1,660	1,503	–	–	3,163
Tax loss carry-forward	32,325	10,342	–	–	42,667
Exchange differences	–	(1,802)	1,802	–	–
Other items	(431)	(1,848)	–	–	(2,279)
Total	**41,667**	**2,609**	**4,766**	**(402)**	**48,640**

(EUR x 1,000)	Balance 1 January 2018	Recognised in profit or loss	Recognised in other compre-hensive income	Recognised directly in equity	Balance 31 December 2018
Property, plant and equipment	9,995	633	–	–	10,628
Intangible assets	660	(875)	–	–	(215)
Subordinated unsecured convertible bonds	(10,593)	2,327	–	878	(7,388)
Employee benefits	7,822	(1,244)	(1,490)	–	5,088
Provisions	2,497	(837)	–	–	1,660
Tax loss carry-forward	26,263	6,062	–	–	32,325
Exchange differences	–	(297)	297	–	–
Other items	1,532	(1,963)	–	–	(431)
Total	**38,176**	**3,806**	**(1,193)**	**878**	**41,667**

Unrecognised deferred tax assets and liabilities

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

Unrecognised deferred tax assets

(EUR x 1,000)	2019	2018
Tax credits	8,915	2,258
Deductible temporary differences	27,205	21,952
Tax losses	210,128	194,166
Total	**246,248**	**218,376**

Unrecognised deferred tax assets relate to tax units previously suffering losses for which it is currently not probable that future taxable profit will be available to offset these losses, taking into account fiscal restrictions on the utilisation of loss compensation.

The deductible temporary differences and capital allowances do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items, because it is not probable that future taxable profit will be available against which the Group can utilise these benefits. Unrecognised tax assets changed over the period as follows:

Unrecognised deferred tax assets

(EUR x 1,000)	2019	2018
As at 1 January	218,376	231,547
Movements during the period:		
Additional unrecognised losses and temporary differences	29,028	25,077
Recognition of previously unrecognised tax losses and temporary differences (profit or loss)	(8,968)	(9,596)
Recognition of previously unrecognised tax losses and temporary differences (equity)	1,264	687
Effect of change in tax rates	610	(922)
Exchange rate differences	1,990	(3,052)
Expiration of tax losses	(4,591)	(2,588)
Change from reassessment	8,539	(22,777)
As at 31 December	**246,248**	**218,376**

Of the total recognised and unrecognised deferred tax assets in respect of tax losses carried forward an amount of EUR 17,814 thousand expires in periods varying from one to five years. An amount of EUR 13,679 thousand expires between five and ten years, an amount of EUR 56,823 thousand expires between ten and twenty years and an amount of EUR 164,479 thousand can be offset indefinitely. Based on forecasted results per tax jurisdiction, management considered it probable that sufficient future taxable profit will be generated to utilise recognised deferred tax assets depending on taxable profits in excess of the profits arising from the reversal of existing temporary differences.

Temporary differences relating to investments in subsidiaries

At 31 December 2019 a deferred tax liability of EUR 431 thousand relating to investments in subsidiaries has been recognized (2018: EUR 446 thousand). No deferred tax liability is recognized in case Fugro controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future due to permanent reinvestments. The aggregate amount of temporary differences for which these deferred tax liabilities have been recognized is EUR 8,620 thousand (2018: EUR 8,921 thousand).

In some of the countries where the Group operates, local tax laws provide that gains on disposal of certain assets are tax exempt, provided that the gains are not distributed. The company does not intend to distribute such gains; therefore no tax liabilities are recognised in this respect.

17 PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the costs of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Property, plant and equipment that is being constructed or developed for future use is classified as property, plant and equipment under construction and stated at cost until construction or development is complete, at which time it is reclassified as land and buildings, plant and equipment, vessels (including jack-ups) or other property, plant and equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within 'other income' or 'other expenses' in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The estimated useful lives for the current and comparative period of significant items of property, plant and equipment are as follows:

Category	Years
Land	Infinite
Buildings	20 – 40
Plant and equipment	3 – 10
Vessels	2 – 25
Other	1 – 5

The carrying amounts of the Group's non-financial assets other than assets arising from employee benefits and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (CGU) is the higher of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one cash-generating unit. Corporate assets are allocated to cash-generating units on a reasonable and consistent basis and tested for impairment as part of the testing of the cash generating units to which the corporate asset is allocated.

Impairment losses recognised in prior periods are reviewed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(EUR x 1,000) **2019**

	Land and buildings	Plant and equipment	Vessels	Fixed assets under construction	Other	Total
Balance at 1 January 2019						
Cost	184,252	1,055,553	768,277	14,003	193,425	2,215,510
Accumulated depreciation and impairment	(83,232)	(924,991)	(406,045)	–	(181,257)	(1,595,525)
Carrying amount	**101,020**	**130,562**	**362,232**	**14,003**	**12,168**	**619,985**
Change in carrying amount:						
Investments – continuing operations	7,483	31,093	14,165	26,109	4,229	83,079
Investments – discontinuing operations	–	23,108	–	–	32	23,140
Transfers from fixed assets under construction	1,300	6,940	1,125	(9,734)	369	–
Depreciation – continuing operations	(5,061)	(37,482)	(31,990)	–	(8,797)	(83,330)
Depreciation – discontinuing operations	–	(5,689)	(1,241)	–	(49)	(6,979)
Impairment (loss) / reversal - continuing operations	–	(218)	(61)	–	(349)	(628)
Impairment (loss) / reversal - discontinuing operations	–	–	(2,250)	–	–	(2,250)
Disposals	(894)	(1,068)	(2,152)	–	(205)	(4,319)
Effects of movement in foreign exchange rates	1,706	494	4,945	276	1,502	8,923
Transfers from / (to) assets classified as held for sale	(81)	(58,996)	(14,126)	–	(127)	(73,330)
Total changes	**4,453**	**(41,818)**	**(31,585)**	**16,651**	**(3,395)**	**(55,694)**
Balance at 31 December 2019						
Cost	194,092	903,631	766,401	30,654	182,940	2,077,718
Accumulated depreciation and impairment	(88,619)	(814,887)	(435,754)	–	(174,167)	(1,513,427)
Carrying amount	**105,473**	**88,744**	**330,647**	**30,654**	**8,773**	**564,291**

(EUR x 1,000) **2018**

	Land and buildings	Plant and equipment	Vessels	Fixed assets under construction	Other	Total
Balance at 1 January 2018						
Cost	171,855	1,172,823	794,348	16,109	200,042	2,355,177
Accumulated depreciation and impairment	(76,699)	(1,021,983)	(427,656)	–	(185,144)	(1,711,482)
Carrying amount	**95,156**	**150,840**	**366,692**	**16,109**	**14,898**	**643,695**
Change in carrying amount:						
Investments – continued	6,183	23,203	19,066	9,121	3,762	61,335
Investments – discontinued	–	11,317	11	–	48	11,376
Transfers from fixed assets under construction	105	1,996	8,817	(11,066)	148	–
Depreciation – continued	(5,245)	(45,684)	(28,724)	–	(7,792)	(87,445)
Depreciation – discontinued	–	(8,682)	(2,362)	–	(1,110)	(12,154)
Impairment (loss) / reversal – continued	1,952	(1,634)	–	–	(55)	263
Impairment (loss/ reversal – discontinued	–	1,522	–	–	–	1,522
Disposals	(100)	(2,296)	(176)	(319)	730	(2,161)
Effects of movement in foreign exchange rates	575	(20)	(1,092)	158	1,539	1,160
Transfers from / (to) assets classified as held for sale	2,394	–	–	–	–	2,394
Total changes	**5,864**	**(20,278)**	**(4,460)**	**(2,106)**	**(2,730)**	**(23,710)**
Balance at 31 December 2018						
Cost	184,252	1,055,553	768,277	14,003	193,425	2,215,510
Accumulated depreciation and impairment	(83,232)	(924,991)	(406,045)	–	(181,257)	(1,595,525)
Carrying amount	**101,020**	**130,562**	**362,232**	**14,003**	**12,168**	**619,985**

The investments in property, plant and equipment include a non-cash amount of EUR 577 thousand (2018: EUR 2,508 thousand) that relates to asset retirement obligations. This has been considered as a non-cash item for the purpose of the consolidated statement of cash flows.

18 LEASES

The Group has applied IFRS 16 using the modified retrospective transition approach. Accordingly, the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and related interpretations are disclosed separately, if they are different from those under IFRS 16.

Accounting policies Fugro as lessee

Definition of a lease

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

At inception or on reassessment of a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices. However, for leases of property and equipment, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Policy applicable before 1 January 2019

A lease is an arrangement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset.

Recognition and measurement

Policy applicable from 1 January 2019

The Group recognises a right-of-use asset and lease liability at the lease commencement date. The Group applies the short-term lease recognition exemption to its short term leases of vessels, property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Group also applies the lease of low-value assets recognition exemption, the impact of which is not material (including the IFRS 16.53d disclosure). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

The right-of-use asset is initially measured at cost. Cost comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at the present value of the lease payments that are not paid at the commencement date. The discount rate is the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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.

Lease payments included in the measurement of the lease liability comprise the following:
- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index, initially measured using the index as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when:
- there is a change in future lease payments arising from a change in an index or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee. In these cases, the lease liability is remeasured by discounting the revised lease payments by using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- the Group changes its assessment of whether it will exercise a purchase, extension or termination option. In this case, the lease liability is remeasured by discounting the revised lease payments using a revised discount rate; and
- a lease contract is modified and the lease modification is not accounted for as a separate lease. In this case, the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

Lease payments are allocated between the liability and finance expenses (interest costs). The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

In a sale and leaseback transaction, the Group first assesses whether the criteria in IFRS 15 for a sale to be recognised have been met. If, under IFRS 15, a sale is to be recognised, then the right-of-use asset leased back is measured as a proportion of the underlying asset's previous carrying amount, based on the liability for lease payments divided by the fair value of the underlying asset (i.e. the right-of-use retained by the Group). This partial gain recognition method has the effect of restricting any profit recognised on disposal of the asset to the rights transferred to the buyer-lessor.

Policy applicable before 1 January 2019

In the comparative period, as a lessee the Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding contingent rent. Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

If a sale and leaseback transaction resulted in an operating lease, and it was clear that the transaction was established at fair value, any profit or loss was recognised immediately.

Accounting policies Fugro as lessor

The Group does not act as lessor. Accordingly, no accounting policies for lessors are applicable.

The Group's lease portfolio consists of vessels, property and equipment.

Vessels

The Group leases vessels to perform site characterisation and asset integrity services for clients. Leased vessels generally offer more flexibility than the Group's owned vessels. The non-cancellable periods of the these leases vary from 3 to 9 years. The Group has options to extend, terminate or purchase certain vessel leases. These options facilitate the Group's asset portfolio management to market conditions. Periods covered by extension options and termination options are generally not reflected in the lease term, due to the reasonably certain threshold. Purchase options are not reasonably certain. The operational and financial effects of such options are therefore not significant. The lease payments generally include a fixed component (e.g. a fixed day rate). In addition, a variable component based on actual vessel utilisation generally applies. These variable lease payments based on the utilisation of vessels are common in the industry. The Group typically guarantees a minimum utilisation rate (e.g. a minimum number of charter days per annum at a predetermined day rate), which is reflected in the lease liability. In two instances, the variable lease payment component consists of an additional day rate contingent on the Group's net debt/EBITDA ratio. EBITDA as underlying is driven by different factors many of which are non-financial variables. This feature is not an embedded derivative. The relative magnitude of catch-up adjustment payments for actual vessel utilisation or the Group's net debt/EBITDA ratio are not significant compared to the fixed payments. Residual value guarantees are not prevalent in vessel leases.
The sensitivity of reported information to the aforementioned variables (e.g. future variable lease payments) is deemed low.

Property

The Group has more than 200 property leases, which consist of land and buildings (e.g. offices, laboratory facilities, warehouses and housing). The lease terms vary from 2 to 19 years. Land leases have longer durations than buildings. Some leases contain options to extend or terminate certain property leases. Periods covered by extension options and termination options are reflected in the lease term, depending on whether the reasonably certain threshold is satisfied. In making this judgement, the Group considers favourable terms compared to market rates, termination costs (e.g. relocation and negotiation costs), lack of suitable alternatives and other facts and circumstances. Significant leasehold improvements are rare. The reasonably certain threshold for extension and termination options is generally not satisfied. Fixed lease payments are generally subject to periodic adjustment to market rentals by means of a retail price index and/or in-substance fixed annual rent escalations. The relative magnitude of these adjustments compared to the fixed lease payments is not significant. The potential future lease payments not included in the measurement of lease liabilities and the prevalence of the exercise of options is not significant. Property leases do not include material residual value guarantees.
The sensitivity of reported information to the aforementioned variables (e.g. future variable lease payments) is low.

Some leases of office buildings contain extension options exercisable by the Group which provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. The prevalence of the exercise of options that were not included in the measurement of lease liabilities is low.

Equipment

The Group has more than 450 equipment leases, comprising vehicles, IT equipment (data storage, copiers, printers, scanners, servers etc.), telecom (telecom, radio and satellite devices), aerial vehicles, drilling equipment, compressors, subsea equipment and cranes. The average lease term is 2 years. Although these leases may contain renewal options, the Group has determined that it is not reasonable certain to exercise these options.
The lease payments are generally fixed in nature.

Right-of-use assets

2019 (EUR x 1,000)	Vessels	Property	Equipment	Total
Balance at 1 January	122,347	90,714	5,063	218,124
Balance at 31 December	77,400	78,653	4,426	160,479

2019 (EUR x 1,000)	Depreciation	Additions
Vessels	15,603	4,130
Property	12,837	6,655
Equipment	2,158	1,641
Total	**30,598**	**12,426**

Lease liabilities

(EUR x 1,000)	2019
Maturity analysis – contractual undiscounted cash flows:	
Less than one year	31,810
One to five years	92,116
More than five years	88,618
Total undiscounted lease liabilities at 31 December	**212,544**

(EUR x 1,000)	2019
Discounted lease liabilities included in the statement of financial position at 31 December:	
Current	22,939
Non-current	134,720
Total discounted lease liabilities in the statement of financial position at 31 December	**157,659**

Amounts recognised in profit and loss

(EUR x 1,000)	2019
Interest on lease liabilities	11,312
Variable lease payments not included in the measurement of lease liabilities	1,150
Income from sub-leasing right-of-use assets	–
Expenses relating to short-term leases	**120,803**

The impact of the low-value asset exemption was determined to be immaterial to the Group financial statements (including the IFRS 16.53d disclosure).

Amounts recognised in the statement of cash flows

(EUR x 1,000)	2019
Total cash outflow for leases	**35,197**

Supplementary reconciliations

As of 1 January 2019, IFRS 16 has been applied in these consolidated financial statements. The Group applies IAS 17 for debt covenant calculation purposes (frozen GAAP). The following supplementary reconciliations are therefore provided.

Consolidated statement of profit or loss on a continuing basis (extract)

(EUR x 1,000)	31 December 2019 before IFRS 16 (frozen GAAP)	Impact IFRS 16	31 December 2019 including IFRS 16
Third party costs	(667,604)	13,374	(654,230)
Other income	11,249	926	12,175
Depreciation	(83,330)	(30,598)	(113,928)
Personnel expenses	(642,250)	1,959	(640,291)
Other expenses	(221,259)	18,024	(203,235)
EBIT	**21,875**	**3,685**	**25,560**
Net finance expenses	(46,600)	(11,164)	(57,764)
Profit/(loss) before income tax	**(15,489)**	**(7,479)**	**(22,968)**

Consolidated statement of financial position (extract)

(EUR x 1,000)	31 December 2019 before IFRS 16 (frozen GAAP)	Impact IFRS 16	31 December 2019 including IFRS 16
Non-current assets			
Right-of-use assets	–	160,479	160,479
Other investments	37,672	(6,730)	30,942
Current assets			
Trade and other receivables	487,530	(1,843)	485,687
Assets classified as held for sale	145,956	7,391	153,347
Non-current liabilities			
Lease liabilities	342	134,378	134,720
Current liabilities			
Lease liabilities	380	22,559	22,939
Trade and other payables	361,436	(135)	361,301
Liabilities classified as held for sale	74,115	6,090	80,205
Total equity	**611,482**	**(3,595)**	**607,887**

Consolidated statement of cash flows on a continuing basis (extract)

(EUR x 1,000)	31 December 2019 before IFRS 16 (frozen GAAP)	Impact IFRS 16	31 December 2019 including IFRS 16
Cash generated from operating activities (excluding interest paid)	130,035	35,197	165,232
Interest paid	(26,199)	(11,072)	(37,271)
Net cash from operating activities	103,838	24,125	127,963
Net cash generated from operating activities after investing activities	(69,652)	–	(69,652)
Payments of lease liability	(58)	(24,125)	(24,183)
Net cash from/(used in) financing activities	(90,798)	(24,125)	(114,923)
Net decrease in cash and cash equivalents	**(56,612)**	**–**	**(56,612)**

Fugro does not act as lessor.

19 INTANGIBLE ASSETS INCLUDING GOODWILL

Goodwill that arises upon the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but is tested for impairment annually and when there is an indication for impairment. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

Fugro incurs exploration and evaluation (E&E) costs in Australian areas of interest to discover petroleum resources in cooperation with Finder Exploration Pty Ltd (Finder) and Finder related parties. Fugro capitalises these costs as E&E assets. E&E assets are classified as intangible assets, as they typically relate to drilling permits. A regular review of each area of interest is undertaken to determine the appropriateness of continuing to carry forward costs in relation to that area. Capitalised costs are only carried forward to the extent that they are expected to be recovered. Accordingly, E&E assets are not amortised, but assessed for impairment indications.

Research expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The capitalised expenditure includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Software and other intangible assets acquired or developed by the Group and that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite life are annually tested for impairment or when there is an indication for impairment. Other intangible assets and software are amortised from the date they are available for their intended use. The estimated useful life of software and other capitalised development costs is, in general, five years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (or group of cash-generating units) on a pro rata basis.

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated, are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are reviewed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

					2019
(EUR x 1,000)	**Goodwill**	**E&E (Finder)**	**Software**	**Other**	**Total**
Balance at 1 January 2019					
Cost	802,057	36,788	26,392	93,691	958,928
Accumulated amortisation and impairment	(475,711)	(16,294)	(24,239)	(65,726)	(581,970)
Carrying amount	**326,346**	**20,494**	**2,153**	**27,965**	**376,958**
Change in carrying amount:					
Purchase of intangible assets – continued	–	–	133	422	555
Purchase of intangible assets – discontinued	–	–	–	1,412	1,412
Other additions	–	2,262	–	–	2,262
Amortisation – continued	–	–	(937)	(2,036)	(2,973)
Amortisation – discontinued	–	–	(15)	(2,190)	(2,205)
Impairment – continued	–	(2,212)	–	(446)	(2,658)
Impairment – discontinued	(65,382)	–	–	(8,550)	(73,932)
Disposals	–	(3,956)	(28)	(465)	(4,449)
Effect of movements in foreign exchange rates	7,059	–	7	696	7,762
Transfers from / (to) assets classified as held for sale	–	–	(137)	(13,964)	(14,101)
Total changes	**(58,323)**	**(3,906)**	**(977)**	**(25,121)**	**(88,327)**
Balance at 31 December 2019					
Cost	588,751	35,102	18,534	31,251	673,638
Accumulated amortisation and impairment	(320,728)	(18,514)	(17,358)	(28,407)	(385,007)
Carrying amount	**268,023**	**16,588**	**1,176**	**2,844**	**288,631**

2018

(EUR x 1,000)	Goodwill	E&E (Finder)	Software	Other	Total
Balance at 1 January 2018					
Cost	793,396	39,514	26,079	83,920	942,909
Accumulated amortisation and impairment	(469,849)	(17,053)	(22,668)	(61,014)	(570,584)
Carrying amount	**323,547**	**22,461**	**3,411**	**22,906**	**372,325**
Change in carrying amount:					
Purchase of intangible assets – continued	–	–	50	2,850	2,900
Purchase of intangible assets – discontinued	–	–	–	5,366	5,366
Other additions	–	1,854	–	–	1,854
Amortisation – continued	–	–	(1,206)	(2,253)	(3,459)
Amortisation – discontinued	–	–	(102)	(1,571)	(1,673)
Disposals	–	(2,801)	(4)	–	(2,805)
Effect of movements in foreign exchange rates	2,799	(1,020)	4	667	2,450
Total changes	**2,799**	**(1,967)**	**(1,258)**	**5,059**	**4,633**
Balance at 31 December 2018					
Cost	802,057	36,788	26,392	93,691	958,928
Accumulated amortisation and impairment	(475,711)	(16,294)	(24,239)	(65,726)	(581,970)
Carrying amount	**326,346**	**20,494**	**2,153**	**27,965**	**376,958**

Impairment testing for cash-generating units containing goodwill

Due to changes to the organisational and reporting structure (refer to note 5 Segment reporting), Fugro has reassessed its reportable segments and (groups of) cash-generating units to which goodwill has been allocated. 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.
The revised goodwill CGU structure did not give rise to goodwill impairments.

The capitalised goodwill was allocated to the following CGUs as at 31 December 2019:

(EUR x 1,000)	Growth rate first year	Growth rate long-term	Pre-tax discount rate	Long-term EBIT margin %	Goodwill 2019
Europe-Africa	4.5%	2.0%	11.8%	9.3%	118,321
Americas	5.2%	2.0%	11.4%	9.8%	69,388
Asia Pacific	0.9%	2.0%	11.7%	6.4%	29,252
Middle East & India	3.5%	2.0%	11.8%	9.3%	51,062
Total					**268,023**

The capitalised goodwill was allocated to the following CGUs as at 31 December 2018:

(EUR x 1,000)	Growth rate first year	Growth rate long-term	Pre-tax discount rate	Long-term EBIT margin %	Goodwill 2018
Marine	1.6%	2.0%	10.8%	11.7%	175,645
Land	3.8%	2.0%	10.8%	7.0%	87,498
Seabed Geosolutions	195.6%	2.0%	11.2%	10.3%	63,203
Total					**326,346**

The recoverable amounts of the cash-generating units have been determined based on value in use calculations. Value in use was determined by discounting the expected future cash flows from the continuing use of the CGUs. The calculation of the value in use was based on the following key assumptions:

- Cash flows in the first year of the forecast are based on management's approved financial budget. For all CGUs, the 2020 projections factor in, amongst others, already signed contracts, expected win rates on contracts out for bid, expected crew and vessel utilisation rates and/or industry developments. Cash flows for the CGUs beyond one year are extrapolated using an estimated growth rate based on expected market developments, taking into account strategic plans of the company. The Europe-Africa, Americas, Asia Pacific and Middle East & India CGUs projections factor in a further improvement of the market in 2020 with a further expected recovery of the market conditions for the mid-term range
- Cash flows for the CGUs beyond five years are extrapolated using an estimated long-term growth rate of 2.0% (2018: 2.0%). For the CGUs the growth rates are based on an analysis of the long-term market price trends in the oil and gas industry adjusted for actual experience
- The pre-tax discount rate used to discount the pre-tax cash flows for impairment testing purposes is determined through an iterative calculation using the projected post-tax cash flows, expected tax rate for the respective cash generating units and a post-tax discount rate for the Group.

The excess of the recoverable amount over the carrying amount (headroom) of each CGU and the goodwill sensitivity analysis is as follows:

		Change required in each key assumption for headroom to equal zero			
(EUR x 1,000)	Headroom	Growth rate first year	Growth rate long-term	Pre-tax discount rate	Long-term EBIT margin %
Europe-Africa	269,363	(22.2%)	(6.9%)	5.6%	(6.7%)
Americas	195,462	(36.6%)	(9.2%)	6.6%	(7.2%)
Asia Pacific	33,759	(7.8%)	(2%)	1.8%	(2.2%)
Middle East & India	51,822	(15.3%)	(3.9%)	3.0%	(6.7%)
Total	550,406				

Exploration and evaluation (E&E)

E&E expenditure results in certain items of expenditure being capitalised for an area of interest where it is considered likely to be recoverable. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established by the parties involved. These estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the statement of comprehensive income. For the year ended 31 December 2019, this resulted in an impairment charge of EUR 2,212 thousand (2018: nil).

20 INVESTMENTS IN EQUITY-ACCOUNTED INVESTEES

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

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

The aggregate carrying amount of the equity-accounted investees of EUR 76,868 thousand as at 31 December 2019 (31 December 2018: EUR 72,370 thousand), consists of joint ventures for EUR 23,654 thousand (31 December 2018: EUR 16,525 thousand) and associates for EUR 53,214 thousand (31 December 2018: EUR 55,845 thousand), consisting of Fugro's 23.6% share in Global Marine Group. On 30 January 2020, HC2 Holdings Inc. announced the sale of Global Marine Group (GMG) excluding GMG's 49% stake in Huawei Marine Networks (HMN). Earlier, on 30 October 2019, HC2 Holdings Inc. had announced the sale by GMG of its 49% stake in HMN. Through its ownership of 23.6% in GMG (an equity accounted associate), Fugro will monetise its non-core interest in GMG. Fugro's share of the net proceeds from the divestment of its stake in GMG and HMN is approximately EUR 65 million. Initially, GMG will sell 30% of HMN and retain a 19% interest under a two-year put option agreement. For this reason, Fugro's investment in GMG is not classified as held for sale as at 31 December 2019, despite the fact that completion of the above mentioned transactions is expected in the first half of 2020.

The Group's share of profit from continuing operations from its joint ventures amounted to EUR 10,775 thousand in 2019 (2018: EUR 8,857 thousand profit). No amounts were reported as other comprehensive income from its joint ventures in 2019 (2018: EUR nil).

In 2019, the Group received dividends of EUR 3,825 thousand (2018: 6,864 thousand) from its joint ventures.

The Group's share of profit (or loss) from continuing operations and of other comprehensive income from associates in 2019 amounts to a loss of EUR 1,539 thousand (2018: 66 thousand loss) and a loss of EUR 1,092 thousand (2018: 1,071 thousand gain) respectively. The other comprehensive income from Fugro's associates mainly relates to foreign currency exchange differences. None of the group's equity-accounted investees are publicly listed entities and consequently they do not have published price quotations.

The group has no significant commitments to its joint ventures and associates.

21 OTHER INVESTMENTS

Equity securities, long-term loans, deposits and other long-term receivables are financial assets. The Group does not have material derivative financial assets.
The aforementioned financial assets are classified at initial recognition, and subsequently measured at amortised cost or fair value through profit and loss.
The advance lease payment is not a financial asset and is measured at nominal value.
These measurement categories are specified in the table below. The classification at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Subsequent measurement is at amortised cost using the effective interest method and is subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of comprehensive income. Dividends on equity investments are also recognised as net finance income in the statement of comprehensive income when the right of payment has been established. The Group derecognises a financial asset when the rights to receive cash flows from the asset have expired, or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms (insofar applicable).

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements (insofar applicable) held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.
A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

(EUR x 1,000)	**Measurement Category**	**2019**	**2018**
Equity securities	Fair value through profit and loss	1,614	1,554
Long-term loans	Amortised cost	4,500	4,500
Deposits	Amortised cost	15,586	14,764
Advance lease payment	Nominal value	–	7,426
Net defined benefit asset	Present value	8,442	–
Other long-term receivables	Amortised cost	800	674
Balance at 31 December		**30,942**	**28,918**

Equity securities are investments in third party entities in whose activities the Group holds a non-controlling interest and has no control, joint control or significant influence.
The Group received no dividends from its equity securities in 2019 (2018: nil).

Long-term loans mainly comprise a loan due from Wavewalker B.V. for the carrying amount of EUR 4.5 million (31 December 2018: EUR 4.5 million). The loan bears annual interest of 5%. The loan has to be fully repaid, including interest, before 30 April 2027.

The net defined benefit asset comprises of a surplus on a UK pension plan as per 31 December 2019 (refer to note 29 Employee Benefits).

Deposits pertain to certain vessel leases.

22 INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined using on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.
Net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

In 2019, EUR 25,484 thousand (2018: EUR 26,084 thousand) of other inventories was recognised as an expense.

23 TRADE AND OTHER RECEIVABLES

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient when it is expected, at contract inception, that the period between when the Group transfers the promised goods or services and when the customers pays for this good or service is one year or less, are measured at the transaction price determined under IFRS 15. 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.

Unbilled revenue on (completed) projects represents the gross amount expected to be collected from customers for contract work performed to date. It is measured at costs incurred plus profits recognised to date less progress billings and any impairment losses.

The Group applies the ECL model. For trade receivables and unbilled revenue on (completed) contracts, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables or unbilled revenue on (completed) contracts that contain a significant financing component and for lease receivables, the Group applies the simplified approach in calculating ECL. The Group does not have material trade receivables or unbilled revenue on (completed) contracts that contain a significant financing component. The Group is not a lessor and does not have lease receivables. A trade receivable is written off when there is no reasonable expectation of recovering the contractual cash flows.

(EUR x 1,000)	2019	2018
Trade receivables	268,394	262,142
Other receivables	60,550	85,716
Unbilled revenue on (completed) projects	156,743	189,583
Balance at 31 December	**485,687**	**537,441**

Unbilled revenue on (completed) projects represents the gross amount expected to be collected from customers for contract work performed to date (a contract asset). It is measured at costs incurred plus profits recognised to date less progress billings and recognised losses. Generally, unbilled revenue on (completed) projects is invoiced to customers in the period following execution of work. Subsequently, trade receivables are paid by customers in accordance with their respective payment term. The contracts in progress for which this amount exceeds progress billings are presented as unbilled revenue on (completed) projects. The decrease in unbilled revenue on (completed) projects is explained by the classification of Seabed Geosolutions as a disposal group held for sale during 2019.

As at 31 December 2019, other receivables include no amount for capitalised contracts costs for certain pending projects (2018: EUR 13.0 million). Capitalised contract costs of EUR 13 million as at 31 December 2018 fully related to Seabed Geosolutions. Remaining balance includes prepayments, deposits, VAT, and other receivables.

The contracts in progress for which progress billing exceeds costs incurred plus profits recognised to date less progress billings and recognised losses are presented as advance instalments to work in progress. At 31 December 2019, trade receivables include retentions of EUR 11.2 million (2018: EUR 10.6 million) relating to completed projects.

Trade receivables are shown net of impairment losses which amount to EUR 17.4 million (2018: EUR 16.4 million) arising from identified doubtful receivables from customers as well as expected credit losses. Trade receivables were impaired taking into account the financial position of the debtors, the days outstanding, the expected outcome of negotiations and legal proceedings against debtors and probabilities of default. Unbilled revenue on (completed) projects does not include (material) impairment losses which is similar to previous year. Other receivables include VAT receivables, prepayments for insurance and claims, deposits, current portion of long term receivables and sundry receivables.

24 CASH AND CASH EQUIVALENTS

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and call deposits. Bank overdrafts that are repayable on demand and which form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Bank overdrafts are shown within the current liabilities in the consolidated statement of financial position.

(EUR x 1,000)	**2019**	2018
Cash and cash equivalents	201,147	227,147
Bank overdraft	(2,635)	(1,229)
Cash and cash equivalents in the consolidated statement of cash flows	**198,512**	**225,918**

The cash and cash equivalents disclosed above and in the consolidated statement of cash flows include EUR 15 million (31 December 2018: EUR 26 million) of Angolan kwanza's in Angola where exchange controls apply. These cash balances are therefore not available for general use by the other entities within the group.

25 TOTAL EQUITY

Share capital is classified as equity. The term 'shares' as used in the financial statements should, with respect to ordinary shares issued by Fugro, be construed to include certificates of shares ('share certificates' or 'depositary receipts' for shares) issued by 'Stichting Administratiekantoor Fugro' (also referred to as 'Fugro Foundation Trust Office' or 'Foundation Trust Office'), unless the context otherwise requires or unless it is clear from the context that this is not the case. The surplus paid by shareholders above the nominal value of shares is recognised as share premium. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

When shares are repurchased or sold, the amount of the consideration paid or received, including direct attributable costs, net of any tax effects, is recognised as a change in equity. Repurchased shares and related results are reported as reserve for own shares and presented separately as a component of total equity.

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

Share capital

	Ordinary shares	
(In thousands of shares)	**2019**	**2018**
On issue and fully paid at 1 January	84,572	84,572
Number of (certificates of) own shares held by Fugro N.V. (treasury shares)	(3,601)	(3,605)
On issue and fully paid at 31 December – entitled to dividend	**80,971**	**80,967**

On 31 December 2019, the authorised share capital amounts to EUR 16 million (2018: EUR 16 million) divided into 140 million ordinary shares (2018: 140 million), each of EUR 0.05 nominal value and 180 million (2018: 180 million) various types of preference shares, each of EUR 0.05 nominal value.

On 31 December 2019, the issued share capital amounted to EUR 4,228,626. As of this date, 60% of the ordinary shares (84,572,525 shares) were issued. No preference shares have been issued. In 2019, no certificates of shares were issued by the Foundation Trust Office (2018: nil). The holders of ordinary shares are entitled to dividends as approved by the annual general meeting from time to time. Furthermore, they are entitled to one vote per share in Fugro's shareholders meeting. The holders of certificates of shares are entitled to the same dividend but they are not entitled to voting rights. Under certain conditions the holder of certificates can exchange his/her certificates into ordinary shares and vice versa. No dividend is (to be) paid for 2019 (2018: EUR nil).

Share premium

The share premium is considered as paid in capital.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the company's net investment in a foreign subsidiary.

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.

Reserve for own shares

Fugro purchases and sells own shares in relation to the share option scheme. The cost of these shares held by the Group is recorded as a reserve within shareholder's equity. Fugro has not purchased certificates of own shares to cover its option scheme in 2019 (2018: nil). In 2019, 3,600 shares were used (2018: 8,300). As per 31 December 2019, Fugro holds 3,601,447 own certificates of shares (2018: 3,605,047) with respect to the option scheme, subordinated unsecured convertible bonds and performance awards. This was 4.3% of the issued capital (2018: 4.3%).

Subordinated unsecured convertible bonds-equity component

The equity component of the subordinated unsecured convertible bonds as presented in the consolidated statement of changes in equity is summarised as follows:

(EUR x 1,000)

Equity component of EUR 100 million issued in 2017, net of tax	11,830
Equity component of EUR 190 million issued in 2016, net of tax	25,716
Change in tax rate	878
Total equity component of subordinated unsecured convertible as at 31 December 2018	**38,424**
Change in tax rate	(402)
Total equity component of subordinated unsecured convertible as at 31 December 2019	**38,022**

Refer to note 28.3 Subordinated unsecured convertible bonds for further explanation.

Unappropriated result

No dividend is proposed to be paid-out for 2019.

26 BASIC AND DILUTED EARNINGS PER SHARE

The basic and diluted earnings per share for 2019 amount to EUR 1.34 negative (2018: EUR 0.63 negative). The calculation of basic earnings per share at 31 December 2019, is based on the loss from operations attributable to owners of the company consisting of a loss of EUR 122,413 thousand (2018: EUR 55,155 thousand loss) that is adjusted for the loss of the non-controlling interest of EUR 13,921 thousand (2018: EUR 4,091 thousand loss), and the weighted average number of shares outstanding at 31 December 2019 of 80,967 thousand (2018: 80,967 thousand). The share options on issue and the subordinated unsecured convertible bonds could have an impact on the weighted average number of (diluted) ordinary shares. However, their conversion to (certificates of) ordinary shares would not decrease earnings per share or increase loss per share and as such they have not been treated as dilutive.

27 NON-CONTROLLING INTEREST

The total non-controlling interest as at 31 December 2019 is EUR 10,630 thousand (surplus), of which EUR 10,535 thousand (surplus) is attributable to Fugro-Suhaimi Ltd.
The non-controlling interest of other subsidiaries is insignificant.

Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for the subsidiary Fugro-Suhaimi Ltd (Suhaimi) that has a material non-controlling interest to the Group.
The non-controlling interest in Fugro-Suhaimi is 50%, which also represent 50% of the companies' voting rights in the general meeting of shareholders.

Fugro controls the operations and management of Suhaimi as it directs the relevant revenue generating activities of this company. Fugro also determines the strategy, policies and day-to-day business of Suhaimi. Therefore this subsidiary, with a significant non-controlling interest, is fully incorporated into these consolidated financial statements. The shareholders of Suhaimi have certain customary rights on certain key decisions, such as decisions on the declaration and payment of dividend and any significant change to the scope of the business, which rights are considered as protective in nature and normally go beyond the normal scope of business. Such decisions do not affect Fugro's ability to control the activities of Suhaimi.

Summarised balance sheet Suhaimi

	As at 31 December	
(EUR x 1,000)	**2019**	**2018**
Current		
Assets	29,609	31,771
Liabilities	(16,176)	(17,862)
Total current net assets	**13,433**	**13,909**
Non-current		
Assets	12,591	12,110
Liabilities	(4,955)	(5,164)
Total non-current net assets	**7,636**	**6,946**
Net assets	21,069	20,855
NCI percentage	50%	50%
Carrying amount of NCI	10,535	10,428

Summarised income statement Suhaimi

	For period ended 31 December	
(EUR x 1,000)	**2019**	**2018**
Revenue	32,634	31,819
Profit/(loss) before income tax	5,595	6,762
Income tax (expense)/income	–	–
Post-tax profit/(loss) from continuing operations	5,595	6,762
Other comprehensive income	–	–
Total comprehensive income/(loss)	5,595	6,762
Total comprehensive income/(loss) allocated to non-controlling interests	2,798	3,381
Dividends paid to non-controlling interests	3,144	3,784

Summarised cash flows Suhaimi

	For period ended 31 December	
(EUR x 1,000)	**2019**	**2018**
Net cash generated from operating activities	6,742	10,035
Net cash used in investing activities	(906)	(369)
Net cash used in financing activities	(6,288)	(7,567)
Net increase in cash and cash equivalents and bank overdrafts	(452)	2,099
Cash, cash equivalents and bank overdrafts at beginning of year	6,377	4,092
Exchange gains/(losses) on cash and cash equivalents	277	186
Cash and cash equivalents and bank overdrafts at end of year	6,202	6,377

The information above are the amounts before intercompany eliminations.

Acquisition of remaining 40% in Seabed Geosolutions

In December 2019, Fugro entered into an agreement to acquire CGG's 40% shareholding in Seabed Geosolutions B.V. as well as to terminate the Seabed Geosolutions' joint venture agreement effective 30 December 2019, in exchange for a cash consideration of EUR 31 million, paid by CGG before year-end 2019.

The buy-out of CGG's 40% non-controlling interest in Seabed Geosolutions is a transaction between the shareholders CGG and Fugro in the capacity as owners and accounted for as an equity transaction. Out of the 40% shareholding, 15% transferred immediately to Fugro, while the remaining 25% will transfer to Fugro no later than the end of the first quarter of 2020. Regardless, the risks and rewards of the full 40% shareholding transferred to Fugro on 30 December 2019 (i.e. a present ownership interest). Accordingly, the full 40% non-controlling interest with respect to Seabed Geosolutions was derecognised on 30 December 2019 (at carrying amount). The difference by which the 40% non-controlling interest in Seabed Geosolutions was adjusted and the fair value of the consideration received was accounted for directly in equity attributable to owners of Fugro NV. Reference is further made to the consolidated statement of changes in equity and note 6.

The termination of the abovementioned joint venture agreement concerns the settlement of a pre-existing relationship with CGG. A gain of EUR 10 million was recorded in other income. The other income was presented in discontinued operations. Reference is further made to note 6.

Following the classification as disposal group held for sale in the statement of financial position and discontinued operation in the statement of comprehensive income, the summarised financial information for Seabed Geosolutions B.V. is disclosed in note 6 Disposal group classified as held for sale and discontinued operations.

28 FINANCIAL LIABILITIES

The Group's financial liabilities consist of loans and borrowings, bank overdrafts, trade and other payables, other taxes and social security contributions. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised. The effective interest rate amortisation is included as finance costs in the statement of comprehensive income. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The fair value of the liability portion of a convertible bond is initially determined using a market interest rate for an equivalent non-convertible bond at the issue date. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds.
The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects and is not subsequently remeasured.

The Group has not designated any financial liability as at fair value through profit or loss.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.
The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a currently enforceable legal right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

28.1 Loans and borrowings

(EUR x 1,000)	2019	2018
Bank loans	425,051	458,839
Subordinated unsecured convertible bonds in EUR 190,000	175,278	167,506
Subordinated unsecured convertible bonds in EUR 100,000	87,114	84,887
Loan from partner	–	13,619
Finance lease liabilities	–	6,019
Other loans and long-term borrowings	55	499
Subtotal	**687,498**	731,369
Less: current portion of loans and borrowings	20	5,566
Balance at 31 December	**687,478**	725,803

As at 31 December 2019, Fugro has drawn a total amount of EUR 425.2 million under the committed multicurrency revolving facilities (31 December 2018: EUR 459 million).

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				2019		2018	
(EUR x 1,000)	Currency	Nominal interest rate	Year of maturity	Face value	Carrying value	Face value	Carrying value
Bank loans	EUR/USD	EURIBOR/ LIBOR +190 bps	2021	425,150	425,051	458,151	458,839
190 million EUR Subordinated unsecured convertible bonds 2016	EUR	4.00%	2021	190,000	175,278	190,000	167,506
100 million EUR Subordinated unsecured convertible bonds 2017	EUR	4.50%	2024	100,000	87,114	100,000	84,887
Loan from partner	USD	–	–	–	–	13,619	13,619
Finance lease liabilities	USD	–	–	–	–	6,251	6,019
Other long-term loans	Variable	4.95% – 5.51%	2023 – 2024	55	55	499	499
Balance at 31 December				**715,205**	**687,498**	768,520	731,369

28.2 Bank loans

The bank loans represents a 5-year multicurrency revolving credit facility of initially EUR 500 million which was expanded to EUR 575 million in 2017. The maturity of Fugro's 5-year multicurrency revolving credit facility was extended from December 2020 to May 2021. This provides Fugro a wider window and increased flexibility for refinancing. Rabobank and ING Bank N.V. provided EUR 144.75 million each, ABN AMRO Bank N.V. provided EUR 80 million, HSBC Bank Plc. provided EUR 75 million, Barclays Bank plc provided 50 million, Credit Suisse provided EUR 46 million and BNP Paribas S.A./N.V. provided EUR 34.5 million. The interest is LIBOR, or in relation to any loan in EUR, EURIBOR plus a margin based on the consolidated net debt/adjusted EBITDA at each period of twelve months ending on the last day of the company's financial quarters. At 31 December 2019, a total amount of EUR 425 million of the multicurrency revolving credit facility was in use (31 December 2018: EUR 459 million), of which an equivalent of EUR 120 million (31 December 2018: EUR 213 million) was drawn in USD (USD 135 million).

The total amortised transaction costs amounts to EUR 1.4 million (31 December 2018: EUR 1.3 million) of which EUR 0.4 million relates to the drawn part of the bank loans. These are included in the carrying amount of the bank loans for the drawn facility and recorded as other current assets for the undrawn portion and are amortised over the term. No transaction costs were paid in 2019 (2018: EUR nil).

28.3 Subordinated unsecured convertible bonds

As at 31 December 2019, the carrying amount of the EUR 190 million subordinated unsecured convertible bonds issued in 2016 amounts to EUR 175,278 thousand (31 December 2018: EUR 167,506 thousand) with an effective interest expense (at 9.2%) of EUR 15.4 million in 2019 (2018: EUR 14.7 million). EUR 7.6 million coupon of 4% has been paid in 2019 (2018: EUR 7.6 million). Unless previously redeemed, converted or purchased and cancelled, these bonds will be redeemed at their principal amount on or around 26 October 2021. Upon exercise of their conversion rights, these bonds will be convertible into certificates (certificaten van aandelen) at a conversion rate of 5,144 for each bond held, representing ordinary shares in the capital of Fugro. The initial conversion price was set at EUR 19.4416. The certificates underlying the bonds corresponded to approximately 12% of the company's issued share capital. Fugro will have the option to convert all but not some of these outstanding bonds into certificates at the then prevailing conversion price at any time from 18 November 2019, if the value of the certificates underlying a bond exceeds EUR 150 thousand for a specified period of time. Holders of the bonds have the option to force redemption of the principal amount plus interest (in cash) by Fugro in the event of a change in control. Fugro has an early redemption option (clean-up call) if 15% or less of the aggregate principal amount of the bonds remains outstanding. Fugro has an option to redeem all, but not some of the bonds in the event of certain changes in tax law.

As at 31 December 2019, the carrying amount of the EUR 100 million subordinated unsecured convertible bonds issued in 2017 amounts to EUR 87,114 thousand (31 December 2018: EUR 84,887 thousand) with an effective interest expense (at 7.9%) of EUR 6,7 million in 2019 (2018: EUR 6.6 million). EUR 4.5 million coupon of 4.5% has been paid in 2019 (2018: 4.5 million). Unless previously redeemed, converted or purchased and cancelled, these bonds will be redeemed at their principal amount on or around 2 November 2024. Upon exercise of their conversion rights, these bonds will be convertible into certificates (certificaten van aandelen) at a conversion rate of 6,693 for each bond held, representing ordinary shares in the capital of Fugro. The initial conversion price was set at EUR 14.9412. The certificates underlying the bonds corresponded to approximately 7.9% of the company's issued share capital. Fugro will have the option to convert all but not some of these outstanding bonds into certificates at the then prevailing conversion price at any time from 23 November 2020, if the value of the certificates underlying a bond exceeds EUR 150 thousand for a specified period of time. Holders of the bonds have the option to force redemption of the principal amount plus interest (in cash) by Fugro on 30 October 2022 or in the event of a change in control. Fugro has an early redemption option (clean-up call) if 15% or less of the aggregate principal amount of the bonds remains outstanding. Fugro has an option to redeem all, but not some of the bonds in the event of certain changes in tax law.

The Group considers each bond as a compound financial instrument containing a debt host (including closely related embedded liability derivatives) and an embedded equity derivative (conversion option). The subordinated convertible bonds are publicity traded on the Frankfurt stock exchange. The conversion price of the bonds is subject to standard anti-dilution adjustments such as in the event of share consolidations, share splits, capital distributions, rights issues and bonus issues and in the event of a change in control, a merger, or other events.

28.4 Loan from partner

The loan from partner represents a loan received from a long-term partner in the Middle East in connection with a awarded contract in this region. The loan contains no interest. The loan is expected to be repaid in 2020, after completion of the project, and the effective interest applied is 7.72%. As at 31 December 2019, the loan is presented in the disposal group held for sale.

28.5 Changes in liabilities arising from financing activities

The table below sets out an analysis of the changes in liabilities arising from financing activities.

(EUR x 1,000)	Bank loans	Subordinate unsecured convertible bonds EUR 190,000	Subordinate unsecured convertible bonds EUR 100,000	Loan from partner	Lease liabilities	Transaction with discontinued operations	Other long-term loans	Total
Balance at 1 January	458,839	167,506	84,887	13,619	215,793	–	499	941,143
Cash flow from financing activities provided by (used for) continued operations	(37,250)	–	–	–	(24,476)	(49,600)	(444)	(111,770)
Cash flow from financing activities provided by (used for) discontinued operations	–	–	–	2,586	(6,774)	49,600	–	45,412
Effect of movement in foreign exchange rates	4,281	–	–	281	27	–	–	4,589
Other changes*	(819)	7,772	2,227	350	(20,809)	–	–	(11,279)
Transfer to liabilities held for sale	–	–	–	(16,836)	(6,104)	–	–	(22,940)
Balance at 31 December	**425,051**	**175,278**	**87,114**	**–**	**157,657**	**–**	**55**	**845,155**

* Other changes include interest payments, accrued interest, amortisation. modification of leases and early termination of the long-term vessel charter for the Southern Star.

The cash flow from financing activities of EUR 111,770 thousand in 2019 represents the total net cash from financing activities in the consolidated statement of cash flows of EUR 114,923 thousand excluding dividends paid of EUR 3,144 thousand and transaction with non-controlling interest of EUR 9 thousand. The cash flow from financing activities used for discontinued operations of EUR 45,412 thousand in 2019 represents the total net cash from financing activities in the consolidated statement of cash flows of EUR 66,875 thousand excluding the transaction between Fugro and CGG to acquire CGG's 40% shareholding in Seabed. Financing cash flows between Fugro NV and Seabed Geosolutions have been eliminated against continuing operations.

In 2018, the analysis of the changes in liabilities arising from financing activities was as follows:

(EUR x 1,000)	Bank loans	Subordinate unsecured convertible bonds EUR 190,000	Subordinate unsecured convertible bonds EUR 100,000	Loan from partner	Finance lease liabilities	Other long-term loans	Total
Balance at 1 January	386,699	160,399	82,827	–	10,973	483	641,381
Cash flow from financing activities	62,783	–	–	13,306	(5,190)	48	70,947
Effect of movement in foreign ex-change rates	8,436	–	–	313	236	(32)	8,953
Other changes*	921	7,107	2,060	–	–	–	10,088
Balance at 31 December	458,839	167,506	84,887	13,619	6,019	499	731,369

* Other changes include interest payments, accrued interest and amortisation.

28.6 Covenant requirements

The bank loans (i.e. the multicurrency revolving credit facility) contain certain covenant requirements. Such requirements are based on IAS 17 (frozen GAAP). This disclosure note is based on frozen GAAP, unless stated otherwise. The covenants are as follows:

- Net leverage (EBITDA coverage): Net financial indebtedness (loans and borrowings less net cash) plus outstanding guarantees in excess of EUR 250 million/Adjusted consolidated EBITDA ≤ 3.0
- Fixed charge coverage: Adjusted consolidated EBITDA plus operating lease expense/ net interest expense plus operating lease expense ≥ 2.50
- Solvency: Consolidated net worth/Balance sheet total ≥ 27.5%. The solvency covenant requirement was adjusted during 2019 from 33% to 27.5%
- Consolidated financial indebtedness of the subsidiaries, excluding Seabed, ≤ EUR 55 million for the bank loans
- Declared dividend ≤ 60% of the profit of the group for such financial year (dividend payment in the current year over the prior year is conditional on covenant compliance at original levels).

The covenant requirements are applicable at each period of twelve months ending on the last day of the company's financial quarters.

The adjusted consolidated EBITDA for purpose of the covenant calculations comprises EBITDA adjusted for the following items:
Inclusion of:

- Pre-acquisition income or (loss) from businesses acquired.

Exclusion of:

- Onerous contract charges (note 8)
- Restructuring costs (note 14)
- Impairment charge trade receivables (note 14)
- Certain adviser and other costs or gains (note 14)
- Profit/ (loss) on disposal of property, plant and equipment (note 9 and 14)
- Profit/ (loss) from businesses disposed of, for the period for which they formed part of the Group.

An aggregate maximum amount of EUR 35 million is applied in respect of adjusted items excluded from adjusted consolidated EBITDA, excluding any gains from adjusted items unless such gains represent an adjustment or reversal relating to a loss previously classified as an adjusted item.

For purpose of the calculation of the net financial indebtedness, the amounts of the subordinated unsecured convertible bonds are not included.

For purpose of the calculation of the net interest expense, any amortised transaction costs directly attributable to covenant amendments (advisor and other fees), other amortised transaction costs of a non-recurring nature in relation to the loans and interest expenses related to the subordinated unsecured convertible bonds are not included. The operating lease expense comprises operational lease expense under third party costs as well as the property lease expense under other expenses. For covenant requirements, part of the operational lease expense is excluded for amounts that relate to maintenance, repairs, taxes, insurance, assessments or other similar charges, and additional rentals (in excess of fixed minimums) based on gross receipts. Amounts required to be paid pursuant to (i) any lease or agreement with a term of less than one year or (ii) any project-based lease or agreement with a term that begins at the start of a specific project and ends upon completion of such project are reported as costs of other rentals under third party costs, are not included for covenant requirements to an amount equal to, or less than EUR 175 million.

The total operational lease expense as referred to above amounts to EUR nil (2018: EUR 5,942 thousand). The property lease expense for the amount of EUR 18,393 thousand (2018: EUR 19,888 thousand) is therefore included in the operating lease expense. The total operating lease expense for covenant requirements therefore amounts to EUR 33,670 thousand in 2019 (2018: EUR 45,101 thousand).

As specified in the table below, Fugro complies with all covenant requirements for the multicurrency revolving credit facility. In case Fugro would not comply with the (adjusted) covenant requirements, the multicurrency revolving credit facility will become immediately due.

(EUR x 1,000)	**2019**	**2018**
Adjusted consolidated EBITDA*	129,773	112,912
Operating lease expense	33,670	45,101
Net interest expense	15,819	10,546
Fixed charge coverage ≥ 2.5	3.30	2.84
Net consolidated financial indebtedness (loans and borrowings less net cash)**	241,255	253,157
Bank guarantees exceeding cap of EUR 250 million	–	–
Total	**241,255**	**253,157**
EBITDA coverage ≤ 3.0	1.86	2.24
Consolidated net worth**	600,754	668,763
Balance sheet total**	1,897,006	1,944,422
Solvency ≥ 27.5%	31.7%	34.4%
Financial indebtedness ≤ EUR 55 million	20,607	21,465
Dividend ≤ 60% of the profit	–	–

* Adjusted consolidated EBITDA is based on 'frozen GAAP' and hence is derived by applying IAS 17 Leases. Therefore, the 2019 EBITDA is amended by reversing the impact of IFRS 16 and subsequently adjusted for adjusting items for covenants purposes. Furthermore, the adjusted EBITDA for covenant purposes includes the disposal group Seabed, since the classification as discontinued operations held for sale is ignored for covenant purposes.

** For impact relating to IFRS16 reference is made to note 18.

Two additional covenant requirements were agreed with the owner of two leased vessels following the placement of subordinated unsecured convertible bonds in 2016 and 2017. The requirements are as follows:

- Total net debt excluding the liability component of the EUR 100 million subordinated unsecured convertible bonds 2017 should not exceed EUR 530 million at the end of each quarter as of 30 June 2018
- The consolidated EBITDA should be at least EUR 125 million for the twelve months period ended 31 December 2019.

Fugro complied with these requirements as at 31 December 2019.

28.7 Other long-term loans

The interest rate on mortgage loans and other long-term borrowings over one year amounts to 4.95% - 5.51% (2018: 3.8% - 8.6%).

28.8 Change of control provisions

A change of control of Fugro could result in early repayment of the bank loans and the unsecured subordinated convertible bond. An amount of EUR 425 million was drawn from the bank facilities as at 31 December 2019 (31 December 2018: EUR 459 million). The sale and lease back arrangement for two vessels contains certain change of control clauses.

29 EMPLOYEE BENEFITS

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than twelve months after the end of the period in which the employees render the service are discounted to their present value.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The discount rate is the yield at the reporting date on AA credit-rated (high quality) corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed by qualified independent actuaries using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss. Employee contributions for which the amount is independent of the number of years of service are recognised as a reduction of the service costs in the period in which the related services are rendered.

When the benefits of a plan are changed or when a plan is curtailed, then resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any assets is deducted. At the reporting date, the discount rate is determined by reference to the yield on AA credit-rated corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The actuarial calculations are performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

(EUR x 1,000)	2019	2018
Net defined benefit asset	(8,442)	–
Total employee benefit asset	**(8,442)**	**–**
Net defined benefit obligation	57,422	36,814
Liability for long-service leave	15,907	13,244
Total employee benefit liabilities	**73,329**	**50,058**

The Group makes contributions to a number of pension plans, both defined benefit plans as well as defined contribution plans, that provide pension benefits for employees upon retirement in a number of countries. The retirement age is in line with the provisions in the different plans. The most important plans relate to plans in the Netherlands, United Kingdom and the United States. Details of these plans are as follows:

- In the Netherlands, the Group provided a pension plan based on average salary. This plan qualified as a defined benefit scheme. The pension entitlements from this plan are insured with an insurance company that guarantees the accrued pension entitlements. In 2018, this pension plan was terminated and has been replaced by a new plan pension plan, qualified as a defined contribution scheme, that is applicable as of 2019. The accrued pension entitlements up to 2018 remained at the insurer and indexation is provided to these accrued pension entitlements for active participants
- In the United Kingdom (UK) the Group operates two defined benefit pension schemes. For Fugro Holdings (FH), the company operates a final salary defined benefit pension scheme. The scheme is an HMRC registered pension scheme and is subject to standard UK pensions and tax law. The Robertson Research International Group Pension Scheme (RRI) is a funded, defined benefit pension plan. The pension schemes have been closed in previous years for new participants, but include the on-going obligations to their members (both former and present employees). The pension schemes assets are held in separate Trustee-administered funds. The schemes includes indexation in line with RPI. The valuation of the RRI scheme resulted in a net defined benefit asset as per 31 December 2019
- In the United States of America the Group operates a 401K plan for its employees. The Group contributes towards the deposits of its employees in accordance with agreed rules and taking into account the regulations of the Internal Revenue Service (IRS), the US tax authority. This plan qualifies as a defined contribution plan.

The defined benefit obligation and fair value of plan assets are specified as follows:

(EUR x 1,000)	2019 RRI plan	2019 Other	2019 Total	2018
Present value of funded obligations	69,397	441,387	510,784	416,373
Fair value of plan assets	(77,839)	(383,965)	(461,804)	(379,559)
Net defined benefit obligation (asset)	**(8,442)**	**57,422**	**48,980**	**36,814**

Plan assets consist of the following:

(EUR x 1,000)	2019	2018
Equity securities	95,847	72,461
Government bonds	9,972	8,339
Corporate bonds	49,360	40,050
Investment funds	26,724	23,391
Insurance policies	245,782	203,693
Real estate	27,920	22,534
Cash	6,199	9,091
Balance at 31 December	**461,804**	**379,559**

Movements in the present value of the funded obligations

(EUR x 1,000)	2019 RRI plan	2019 Other	2019 Total	2018
Present value of the funded obligation at 1 January	61,609	354,764	416,373	438,188
Current service costs (see below)	–	–	–	7,700
Interest expenses	1,840	8,069	9,909	9,527
	1,840	**8,069**	**9,909**	**17,227**
Remeasurements:				
(Gain)/loss from change in demographic assumptions	(2,042)	10,489	8,447	(6,614)
(Gain)/loss from change in financial assumptions	8,756	67,725	76,481	(13,875)
Experience (gains)/losses	(2,391)	(238)	(2,629)	(1,138)
	4,323	**77,976**	**82,299**	**(21,627)**
Exchange differences	3,493	8,382	11,875	(1,709)
Paid by plan participants	–	–	–	1,974
Benefits paid by the plan	(1,868)	(7,804)	(9,672)	(9,719)
Plan amendments and curtailments	–	–	–	(7,961)
Present value of the funded obligation at 31 December	**69,397**	**441,387**	**510,784**	**416,373**

Movement in the fair value of plan assets

(EUR x 1,000)	2019 RRI plan	2019 Other	2019 Total	2018
Fair value of plan assets at 1 January	63,297	316,262	379,559	381,274
Interest income	1,936	7,130	9,066	8,363
Remeasurement:				
Return on plan assets, excluding amounts included in interest income	7,645	54,815	62,460	(15,027)
Exchange differences	3,672	6,291	9,963	(1,449)
Paid by the employer	3,157	7,272	10,429	14,974
Contributions paid by plan participants	–	–	–	1,974
Benefits paid by the plan	(1,868)	(7,805)	(9,673)	(9,719)
Administrative expenses	–	–	–	(831)
Settlements	–	–	–	–
Fair value of plan assets at 31 December	**77,839**	**383,965**	**461,804**	**379,559**

Expenses recognised in profit or loss

(EUR x 1,000)	2019	2018
Current service costs	–	7,700
Past service costs	–	(7,961)
Administrative expenses	–	831
Interest on obligation	9,909	9,527
	9,909	**10,097**
Interest income	(9,066)	(8,363)
Total	**843**	**1,734**

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

(EUR x 1,000)	**2019**	2018
Personnel expenses	843	1,734
▪ Continuing operations	843	1,748
▪ Discontinued operations	–	(14)

Actual return on plan assets

(EUR x 1,000)	**2019**	2018
Actual return on plan assets	71,526	(6,664)

Remeasurements recognised directly in other comprehensive income

(EUR x 1,000)	**2019**	2018
Cumulative amount at 1 January	(38,984)	(45,825)
Recognised during the year	(19,839)	6,600
Effect of movement in exchange rates	(2,219)	241
Cumulative amount at 31 December	**(61,042)**	**(38,984)**

Refer to note 16 with respect to the income tax impact on the actuarial gains/(losses) of EUR (19,840) thousand (2018: EUR 6,600 thousand gain).

Actuarial assumptions

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

	2019		2018	
	UK	**Nether-lands**	**UK**	**Nether-lands**
Discount rate at 31 December	2.0%	1.1%	2.9%	1.9%
Future salary increases	0.0%	0.0%	0.0%	1.5%
Future pension increases	1.4%	0.0%	1.5%	0.0%

The financial effects of differences between the actuarial assumptions and actuals for the pension liability and plan assets are included in the remeasurements. For the Netherlands, life expectancy assumptions are derived from the Projections Life Table AG2018 from the Royal Dutch Actuarial Association. The mortality table is adjusted to tailor the mortality figures to the insured population by applying the experience factors from the 'Centrum voor Verzekeringsstatistiek': the so-called ES-P2 factors. For the United Kingdom, the mortality basis adopted is the standard table S3PxA (Robertson Plan: 92% of S2PxA) with future improvements in line with the Continuous Mortality Investigation's 2018 projection model using an additional initial rate of 0.5% per annum (Robertson Plan: 0% per annum) with a long term improvement rate of 1.25% per annum for all members.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

		Impact on defined benefit obligation	
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.50%	Decrease by 9.2%	Increase by 10.7%
Salary growth rate	0.50%	Increase by 0.0%	Decrease by 0.0%
Pension growth rate	0.50%	Increase by 2.7%	Decrease by 2.5%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		Increase by 3.4%	Decrease by 3.5%

The sensitivity analyses are based on a change in one assumption while holding all other assumptions constant, so that interdependencies between the assumptions are excluded.

Plan assets are comprised as follows:

				2019				2018
(EUR x 1,000)	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total	%
Equity instruments	95,847	–	95,847	21%	72,461	–	72,461	19%
Debt instruments	86,056	–	86,056	19%	71,780	–	71,780	19%
Government	9,972	–	9,972	2%	8,339	–	8,339	2%
Corporate bonds (Investment grade)	49,360	–	49,360	11%	40,050	–	40,050	11%
Corporate bonds (Non-investment grade)	26,724	–	26,724	6%	23,391	–	23,391	6%
Insurance policies	–	245,782	245,782	53%	–	203,693	203,693	54%
Property	27,920	–	27,920	6%	22,534	–	22,534	6%
UK	27,920	–	27,920	6%	22,534	–	22,534	6%
Cash and cash equivalents	6,199	–	6,199	1%	9,091	–	9,091	2%
Balance at 31 December	**216,022**	**245,782**	**461,804**	**100%**	**175,866**	**203,693**	**379,559**	**100%**

Through its defined benefit pension plans, the Group is exposed to a number of risks. Most of these risks come with the nature of a defined benefit plan and are therefore not country specific. The most significant risks are detailed below:

Asset volatility
The plan liabilities are calculated using a discount rate set with reference to AA credit-rated corporate bond yields. If plan assets underperform this yield, the deficits will increase. The UK plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.

Changes in bond yields
A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk
Some of the group pension obligations are linked to inflation, meaning higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy
The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant in the UK plan, where inflationary increases result in higher sensitivity to changes in life expectancy. This risk is limited in the Netherlands where the insurer guarantees the payment of the accrued benefits.

In addition, the Group is exposed to a number of local risks. This is considered to be limited for the Netherlands as in the Netherlands the company terminated its defined benefit scheme in 2018 and the accrued pension entitlements were insured, limiting the risk for the Group to the indexation of the accrued entitlements. The insurance company guarantees all accrued entitlements. The insurance contract includes an account in which 80% of the investments are used to match the liability on a funding basis and 20% of the investments are used to invest in equity. The insurance company ultimately decides on investment policies and governance, since they run the downside risk.

In the UK, the Trustees set the Scheme's investment strategy, in consultation with the employer. The Robertson and UK Holdings plan include return seeking assets and bonds. The Robertson plan also includes matching assets to cover the pensioner liabilities. The employer is ultimately responsible for funding the accrued pensions and the pension increases.

The expected 2020 contributions amount to EUR 11.2 million (2019: EUR 10.0 million).

The weighted average duration of the defined benefit obligation is 20 years (2018: 20 years).

As at 31 December 2019	**Netherlands**	**United Kingdom**	**Total weighted**
Duration of plan	22	18	20

30 PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance expenses.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of performing under the contract. The expected net cost of performing under the contract is based on cash flow calculations discounted using a rate that reflects current market assessments of the time value of money. Before a provision is established, the Group recognises any impairment loss on the assets associated with and/or dedicated to that contract.

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

Asset retirement obligations are recognised in connection with lease contracts (vessels and property). These obligations are measured at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the costs of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the asset retirement obligation. The unwinding of the discount is expensed as incurred and recognised in the statement of comprehensive income as a finance expense.

(EUR x 1,000)	2019 Onerous contracts	2019 Procedures	2019 Restructuring	2019 Asset retirement obligations	2019 Total	2018 Onerous contracts	2018 Procedures	2018 Restructuring	2018 Asset retirement obligations	2018 Total
Balance at 1 January	490	16,378	1,650	2,549	21,067	3,398	17,087	4,588	–	25,073
Provisions made during the year	2,123	4,511	7,905	577	15,116	416	760	7,305	2,508	10,989
Provisions used during the year	(2,243)	(1,743)	(6,902)	(861)	(11,749)	(3,127)	(1,156)	(9,044)	–	(13,327)
Provisions reversed during the year	(81)	(2,360)	(1,019)	–	(3,460)	(18)	(92)	(1,224)	–	(1,334)
Unwinding of discount	–	–	–	86	86	–	–	–	47	47
Effect of movements in foreign exchange rates	11	(21)	48	104	142	(179)	(162)	25	(6)	(322)
Transfer to trade and other payables	–	–	–	–	–	–	(59)	–	–	(59)
Balance at 31 December	**300**	**16,765**	**1,682**	**2,455**	**21,202**	**490**	**16,378**	**1,650**	**2,549**	**21,067**
Non-current	–	15,561	–	2,275	17,836	–	16,050	–	1,736	17,786
Current	300	1,204	1,682	180	3,366	490	328	1,650	813	3,281

Fugro has accounted for certain tax indemnities and warranties under procedures in respect of the sale of the majority of the Geoscience business to CGG in 2013 for liabilities arising from tax exposures. This tax indemnity and warranty amounts to EUR 10.2 million as at 31 December 2019 (31 December 2018: EUR 12.1 million).

31 TRADE AND OTHER PAYABLES

Trade and other payables represent liabilities for services and goods provided to the group prior to the end of financial year which are unpaid. Trade and other payables are recognised initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method.

The contracts in progress for which progress billing exceeds costs incurred plus profits recognised to date less progress billings and recognised losses are presented as advance instalments to work in progress.

(EUR x 1,000)	2019	2018
Trade payables	85,859	119,825
Advance instalments to work in progress	38,732	49,487
Other payables	236,710	206,823
Balance at 31 December	**361,301**	**376,135**

Other payables include elements such as accrued expenses of invoices to be received and employee related accruals. As at 31 December 2019, other payables includes an amount of EUR 24.1 million in connection with the arbitration proceedings with lessor Tasik regarding Fugro's termination of a long-term vessel charter (Southern Star). On 6 January 2020, the arbitration tribunal delivered its decision and determined that the charter should not have been terminated and thus Tasik was awarded a sum of EUR 24.1 million. This amount was paid in January 2020. Advance instalments to work in progress primarily represent advances received from customers for which revenue is recognised as services are performed to customers. From the advance instalments to work in progress, an amount of

EUR 30,179 thousand has been recognised as revenue from continuing operations that was included in the closing balance as at 31 December 2019 (2018: EUR 40,093 thousand).

32 FINANCIAL RISK MANAGEMENT

Overview

The company's risk management policy includes the long-term sustainable management of its business activities and where possible, the mitigation of the associated business risks. Based on the nature and relative significance of the risks related to the Group's wide diversity of markets, clients and regions and its broad portfolio of activities the risks have been quantified to the extent possible.

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. This note presents information on a consolidated basis including both continued and discontinued operations.

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

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

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

Credit risk management practices

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 and unbilled revenue on (completed) contracts.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. The Group applies the low credit risk simplification to long-term loans, deposits and other long-term receivables.

The Board of Management reviews the outstanding trade receivables and unbilled revenue on (completed) contracts on an ongoing basis. Local management is requested to take additional precaution in working with certain clients. The Group uses a provision matrix to calculate ECLs for trade receivables and unbilled revenue on (completed) contracts. Generally, trade receivables are fully impaired if past due more than 1.5 year and are not subject to enforcement activity. The provision rates are based on days past due for customers. The Group considered various customer segments that have similar loss patterns (i.e., by geography, service/product type, industry, customer type and rating, and coverage from credit insurance where applicable). The ageing is based on invoice due date. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information at every reporting date. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is an estimate. The sensitivity of the amount of ECLs to changes in circumstances and of forecast economic conditions is limited. The Group's historical credit loss experience and forecast of economic conditions may not be representative of customer's actual default in the future. The Group did not provide detailed information on (a) the estimation techniques and inputs used, (b) how the forecast economic conditions have been incorporated in the determination of ECL and (c) changes in estimation techniques and inputs used, because the impact is not significant.

Some of the Group's orders are awarded on the basis of long-term preferred supplier agreements. In the course of a year Fugro often carries out multiple projects for the same client. Fugro typically has no single client that generates more than 5% of its revenue in the year. On occasion one client may generate more than 5%, which can happen in case of exceptionally large contracts where most of the revenue falls in the accounting year. Having a large number of clients and short project time spans mitigates Fugro's credit risk as the individual amounts receivable with the same client are limited.

New customers are analysed individually for creditworthiness before payment and delivery terms and conditions are offered. The Group's review may include external ratings, where available, and in some cases bank references. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis or have to provide a bank guarantee.

The majority of the Group's clients has done business with the Group for many years and significant losses have only occurred incidentally in prior years. Clients that are known to have negative credit characteristics are individually monitored by the group controllers. If clients fail to pay timely the Group re-assesses the creditworthiness and stronger debt collection is started if deemed necessary. The Group closely monitors certain clients that need extra attention before a contract is closed.

The Group's carrying amount of cash and cash equivalents represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which have 'investment grade' credit ratings.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The global cash pool was introduced in 2015, which made it possible for the company to use the cash surplus within the group to reduce the overdrafts at its main uncommitted facilities.

As at 31 December 2019, Fugro holds cash balances in Angolan Kwanza's for the amount of EUR 15 million (31 December 2018: EUR 26 million) in Angola where exchange controls apply. The company expects that these exchange controls will become less when the oil and gas market conditions are expected to improve and when Angola will have increased inflow of USD in relation to their oil business. In addition, several actions have been explored to further lower this amount in the coming year and thereafter.

The Group monitors cash flow on a regular basis and operates with a global cash pool. Consolidated cash flow information, including a projection for the year, is reported on a monthly basis to the Board of Management, ensuring that the Group has sufficient cash on demand (or available lines of credit) to meet expected near term operational expenditures. Cash flows exclude the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Group maintains the following lines of credit:

- A total amount of multicurrency revolving credit facility agreements with seven banks totalling EUR 575 million. Rabobank and ING Bank N.V. provided EUR 144.75 million each, HSBC Bank Plc. provided EUR 75 million, Barclays Bank Plc. provided EUR 50 million and ABN AMRO Bank N.V. provided EUR 80 million, Credit Suisse provided EUR 46 million and BNP Paribas S.A./N.V. provided EUR 34.5 million. At 31 December 2019, an amount of EUR 425 million has been drawn (2018: EUR 459 million). These bank facilities have been secured until December 2020.
- A variety of unsecured overdraft facilities in various currencies totalling around EUR 122 million of which EUR 2.6 million has been drawn at 31 December 2019 (31 December 2018: EUR 149 million with EUR 1.2 million drawn).

Market risk

Market risk includes changes in market prices, such as foreign exchange rates, interest rates and equity prices which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.About 56% (52% for continuing operations) of the Group's activities relate to the oil and gas industry.

Currency risk

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

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

To mitigate the impact of currency exchange rate fluctuations, the Group continually assesses the exposure to currency risks and if deemed necessary a portion of those risks is hedged by using derivative financial instruments. The principal derivative financial instruments used to cover foreign currency exposure are forward foreign currency exchange contracts. As of 31 December 2019, there are no material forward foreign currency exchange contracts outstanding (consistent with prior year). An amount of EUR 15 million (31 December 2018: EUR 26 million) is in Angolan Kwanza's which is subject to currency risk at year-end 2019.

Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily Euro, US dollar and British pound.
This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.
The Group's investment in its subsidiaries with US dollar as functional currency is partly hedged by means of the use of the multicurrency revolving credit facility in USD, which reduces the currency risk arising from the subsidiary's net assets. The Group's investments in other subsidiaries are not hedged.

The hedge on the investment on foreign operations is fully effective. Consequently all exchange differences relating to this hedge have been accounted for in other comprehensive income. The Group is sensitive to translation differences resulting from translation of its operations in non-Euro currencies to Euros.

Interest rate risk

The Group's liabilities bear both fixed and variable interests. The Group's objective is to limit the effect of interest rate changes on the results by matching long term investment with long term (fixed interest) financing as much as possible.

Capital management

The Board of Management's policy is to maintain a strong capital base in order to retain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, retained earnings and non-controlling interests of the Group. Important key performance indicators for the Board of Management are free cash flow, the return on capital as well as the level of dividends. The Board strives for a dividend pay-out ratio of 35 to 55% of net result. However, due to a negative net result, no dividend is proposed for 2019.

The targeted solvency is set at, at least 27.5%. The solvency at the end of 2019 was 31.7% (2018: 34.4%). The Group's objective is to achieve a healthy return on shareholders' equity. Despite a strong improvement of the underlying business, driven by the marine business, the result for the year was significantly impacted by some specific items, including the negative outcome of the arbitration with Tasik regarding the handing back of the long-term chartered vessel Southern Star and impairments on goodwill and assets related to the disposal group Seabed Geosolutions. As a result, the return, calculated as profit (loss) for the period attributable to owners of the company, divided by the average total equity attributable to owners of the company for the year, is 17.1% (negative) in 2019 (2018: 7.4% negative).

From time to time Fugro purchases its own certificates of shares. These certificates are used to cover the options and shares granted by Fugro. Purchase and sale decisions are made on a specific transaction basis by the Board of Management. Fugro does not have a defined share buy-back plan.

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

33 CREDIT RISK

Credit risk exposure

	Carrying amount	
(EUR x 1,000)	**2019**	**2018**
Equity securities	1,614	1,554
Long-term loans	4,500	4,500
Deposits	15,586	14,764
Other long-term receivables	825	674
Unbilled revenue on (completed) projects	160,052	189,583
Trade receivables	299,185	262,142
Other receivables (excluding prepayments)	56,645	59,650*
Cash and cash equivalents	204,402	227,147
Balance at 31 December	**742,809**	**760,014**

* Adjusted to exclude prepayments.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial assets mentioned above. The group holds no collateral as security on the long-term loans, deposits, other long-term receivables, trade and other receivables and unbilled revenue on (completed) contracts. As such, the Group does not have financial assets for which no loss allowance is recognised because of collateral. The maximum exposure for trade receivables and unbilled revenue on (completed) contracts at the reporting date by geographic region was:

	Carrying amount	
(EUR x 1,000)	**2019**	**2018**
Netherlands	25,527	31,449
Europe other	116,287	93,872
Africa	20,842	17,139
Middle East	84,017	98,359
Asia	37,874	38,544
Australia	27,754	46,455
Americas	146,936	125,907
Balance at 31 December	**459,237**	**451,725**

Impairment losses

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

- As of 31 December 2019, trade receivables and unbilled revenue on (completed) projects of EUR 331,332 thousand (31 December 2018: EUR 339,244 thousand) were fully performing
- As of 31 December 2019, trade receivables of EUR 127,905 thousand (31 December 2018: EUR 112,481 thousand), included in EUR 459,237 thousand (31 December 2018: 451,725 thousand), were past due but not (materially) impaired. These relate to a number of independent customers for whom there is no recent history of default and not to be expected.
- As of 31 December 2019, trade receivables and unbilled revenue on (completed) projects of EUR 17,398 thousand (31 December 2018: EUR 16,384 thousand) were impaired and provided for.

The individually impaired receivables mainly relate to customers, which are in difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of trade receivables and unbilled revenue on (completed) projects is as follows:

2019

(EUR x 1,000)	Estimated total gross carrying amount at default	Expected credit loss	Expected credit loss rate %
From 0 to 30 days	331,332	–	0.00
From 31 to 60 days	52,246	50	0.10
From 61 to 90 days	25,170	166	0.66
Over 90 days	56,691	17,182	30.31
Retentions and special items	11,196	–	0.00
Balance at 31 December	**476,635**	**17,398**	

2018

(EUR x 1,000)	Estimated total gross carrying amount at default	Expected credit loss	Expected credit loss rate %
From 0 to 30 days	340,023	779	0.23
From 31 to 60 days	41,142	232	0.56
From 61 to 90 days	17,582	162	0.92
Over 90 days	58,771	14,813	25.20
Retentions and special items	10,591	398	3.76
Balance at 31 December	**468,109**	**16,384**	

Quantitative and qualitative information about amounts arising from expected credit losses

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)	2019	2018
Balance at 1 January	16,384	17,892
Impairment loss recognised	9,417	7,204
Impairment loss reversed	(4,634)	(2,817)
Write-off	(3,627)	(6,110)
Effect of movements in exchange rates	(142)	215
Balance at 31 December	**17,398**	**16,384**

The allowance account in respect of trade receivables and unbilled revenue on (completed) contracts are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point the amount considered irrecoverable is written off directly against the allowance. The changes in the aforementioned balances contributed to changes in the loss allowance. Consistent with prior year, there are no trade receivables which were written off during 2019 and which are still subject to enforcement activity.

The loss allowance and movement for other financial assets such as long-term loans, deposits, and other long-term receivables are not material. Accordingly, no reconciliation of opening and closing balance of the respective loss allowance is provided. There have been no modifications of contractual cash flows on financial assets that have not resulted in derecognition.

Cash and cash equivalents are held with large well known banks with adequate credit ratings only.

34 LIQUIDITY RISK

The following are the contractual maturities of financial liabilities, including interest payments:

2019

(EUR x 1,000)	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Bank loans	425,051	438,828	5,237	5,069	428,522	–	–
Subordinated unsecured convertible bonds in EUR 190,000	175,278	205,200	3,790	3,810	197,600	–	–
Subordinated unsecured convertible bonds in EUR 100,000	87,114	122,500	2,250	2,250	4,500	113,500	–
Loan from partner	16,836	18,418	–	–	18,418	–	–
Lease liabilities	163,763	219,184	18,806	15,986	28,306	66,955	89,131
Other loans and long-term borrowings	55	56	7	7	19	23	–
Trade and other payables	361,301	361,301	361,301	–	–	–	–
Bank overdraft	2,635	2,635	2,635	–	–	–	–
Balance at 31 December	**1,232,033**	**1,368,122**	**394,026**	**27,122**	**677,365**	**180,478**	**89,131**

2018

(EUR x 1,000)	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Bank loans	458,839	487,525	7,255	7,294	472,976	–	–
Subordinated unsecured convertible bonds in EUR 190,000	167,506	212,821	3,790	3,810	7,621	197,600	–
Subordinated unsecured convertible bonds in EUR 100,000	84,887	127,000	2,250	2,250	4,500	13,500	104,500
Loan from partner	13,619	15,483	–	–	15,483	–	–
Finance lease liabilities	6,019	6,167	3,412	2,054	361	340	
Other loans and long-term borrowings	499	537	287	24	48	142	36
Trade and other payables	376,135	376,135	376,135	–	–	–	–
Bank overdraft	1,229	1,229	1,229	–	–	–	–
Balance at 31 December	**1,108,733**	**1,226,897**	**394,358**	**15,432**	**500,989**	**211,582**	**104,536**

The interest included in the above table is based on the current amounts borrowed with current interest rates against the current exchange rate (if applicable). No assumptions are included for possible future changes in borrowings or interest payments. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

35 CURRENCY RISK

Sensitivity analysis

A 10 percent strengthening of the Euro against the above currencies at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below.
This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

Effect in EUR x 1,000	Equity	Profit or (loss) after tax
31 December 2019		
USD	(6,612)	17,823
GBP	(21,962)	(2,528)
AUD	(4,597)	(1,501)
NOK	(1,282)	897
31 December 2018		
USD	(50,881)	4,951
GBP	(19,662)	(921)
AUD	(3,623)	1,896
NOK	(4,584)	(1,102)

A 10 percent weakening of the Euro against the above currencies at 31 December would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant. The total effect for 2019 in the table above on profit or loss is positive, since losses incurred in foreign currencies, most notably in USD, would reduce in Euro in case of a strengthening of the Euro against these currencies.

36 INTEREST RATE RISK

Profile

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

	Carrying amount	
(EUR x 1,000)	**2019**	2018
Fixed rate instruments		
Financial assets	4,500	4,500
Financial liabilities	(420,106)	(272,530)
Variable rate instruments		
Financial assets	204,402	227,147
Financial liabilities	(427,686)	(460,068)
Balance at 31 December	**(638,890)**	**(500,951)**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.
At 31 December 2019, it is estimated that a general increase (decrease) of 100 basis points in interest rates would decrease (increase) the Group's profit before income tax by approximately:

(EUR x 1,000)	Profit or loss 100 bp increase	Profit or loss 100 bp decrease	Equity 100 bp increase	Equity 100 bp decrease
31 December 2019				
Variable rate instruments	(2,333)	2,333	–	–
Cash flow sensitivity (net)	(2,333)	2,333	–	–
31 December 2018				
Variable rate instruments	(2,329)	2,329	–	–
Cash flow sensitivity (net)	(2,329)	2,329	–	–

37 FAIR VALUES

Determination of fair values

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate.

The fair value of receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

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

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date, taking into consideration the Group's own non-performance risk.

Financial assets and liabilities

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

(EUR x 1,000)	2019 Carrying amount	2019 Fair value	2018 Carrying amount	2018 Fair value
Financial assets				
Trade receivables and other receivables*	485,687	485,687	537,441	537,441
Cash and cash equivalents	201,147	201,147	227,147	227,147
Deposits	15,586	15,586	14,764	14,764
Long-term loans	4,500	4,500	4,500	4,500
Other long-term receivables	800	800	674	674
Equity securities	1,614	1,614	1,554	1,554
Financial liabilities measured at amortised cost				
Bank loans	(425,051)	(425,051)	(458,839)	(458,839)
Other long-term loans	(55)	(55)	(499)	(499)
Subordinated unsecured convertible bonds EUR 190,000	(175,278)	(179,866)	(167,506)	(174,193)
Subordinated unsecured convertible bonds EUR 100,000	(87,114)	(85,472)	(84,887)	(86,688)
Loan from partner	–	–	(13,619)	(13,619)
Finance lease liabilities	–	–	(6,019)	(6,019)
Bank overdraft	(2,635)	(2,635)	(1,229)	(1,229)
Trade and other payables	(361,301)	(361,301)	(376,135)	(376,135)
Total	**(342,100)**	**(345,046)**	**(322,653)**	**(331,141)**
Unrecognised gains/(losses)		(2,946)		(8,488)

* Due to the short-term nature of the trade receivables and other receivables, their carrying amount is considered to be the same as their fair value.

The fair values of the subordinated unsecured convertible bonds are based on discounted cash flows using a current borrowing rate.
They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

Interest rates used for determining fair value

The Group uses the government yield curve as per the reporting date plus an adequate constant credit spread to discount financial instruments. The interest rates used are as follows:

(EUR x 1,000)	2019	2018
Loans and borrowings	1.9% – 8.0%	1.9% – 8.6%
Long term receivables	5.0%	5.0%

Fair value hierarchy

The different fair value hierarchy levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Fugro has equity securities of EUR 1,614 thousand as at 31 December 2019 (31 December 2018: 1,554 thousand), which are categorised within level 1. As in last year, there are no assets or liabilities accounted for that are categorised within level 2 or 3.

Fugro's valuation processes

The group's finance department performs the valuations of financial assets required for financial reporting purposes, including Level 3 fair values. The valuations are directly reported to the Chief Financial Officer. Changes in Level 2 and Level 3 values are analysed at each reporting date.

38 COMMITMENTS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION

Bank guarantees

Per 31 December 2019, Fugro's bank has issued bank guarantees to clients for an amount of EUR 113 million (2018: EUR 116 million).

Capital commitments

At 31 December 2019, the Group has no material contractual obligations to purchase property, plant and equipment (2018: nil).

Contingencies

Some Group companies are, as a result of their normal business activities, involved either as plaintiffs or defendants in claims. Based on information presently available and management's best estimate, it is not probable that the financial position of the Group will be significantly influenced by any of these matters. Should the actual outcome differ from the assumptions and estimates, the financial position of the Group would be impacted. Fugro N.V. and its Dutch operating companies form a fiscal unity for corporate tax. Each of the operating companies is severally liable for corporate tax to be paid by the fiscal unity.

Parent company guarantees

In principle Fugro does not provide parent company guarantees to its subsidiaries, unless commercial reasons exist. Fugro has filed declarations of joint and several liabilities for a number of subsidiaries at the Chambers of Commerce. Fugro has filed a list with the Chamber of Commerce which includes all financial interests of Fugro as well as a reference to each subsidiary for which such a declaration of liability has been provided.

39 RELATED PARTIES

The Group has a related party relationship with its subsidiaries, equity-accounted investees and key management personnel. Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions with key management personnel

Fugro's key management personnel (as defined in IAS 24) consists of the people in the Board of Management, Executive Leadership Team and Supervisory Board.

The Executive Leadership Team consists of the three members of Board of Management and six senior managers. The Board of Management controls the Executive Leadership Team. The key management compensation, based on amounts recognised in the statement of comprehensive income, is as follows:

(in EUR)	Short-term employee benefits	Post-employment benefits	Severance	Share-based payment [1]	Total 2019 [2]
Board of Management	2,360,500	313,150	450,000	1,049,192	4,172,842
Senior managers	1,433,113	119,111	–	444,876	1,997,100
Executive Leadership Team (subtotal)	**3,793,613**	**432,261**	**450,000**	**1,494,068**	**6,169,942**
Supervisory Board	439,000	–	–	–	439,000
Total 2019	**4,232,613**	**432,261**	**450,000**	**1,494,068**	**6,608,942**

[1] Costs of share-based compensation are based on accounting standards (IFRS) and do not reflect the value of the shares at the vesting/release date.

[2] The six senior managers became part of Fugro's key management personnel as of 1 May 2019, i.e. the date the Executive Leadership Team became effective. The senior managers therefore became a related party in the context of IAS 24.19f as of that date. Since the senior managers were not a related party in the period 1 January 2019 to 30 April 2019, their compensation for this period was excluded from the table above. The Board of Management and Supervisory Board are a related party and part of the key management personnel in the context of IAS 24 for the twelve month period ended 31 December 2019. Accordingly, their compensation for the twelve month period 2019 was included in the table above.

(in EUR)	Short-term employee benefits	Post-employment benefits	Severance	Share-based payment [3]	Total 2018 [4]
Board of Management	3,162,836	563,731	–	971,105	4,697,672
Supervisory Board	434,000	–	–	–	434,000
Total 2018	**3,596,836**	**563,731**	**–**	**971,105**	**5,131,672**

[3] Costs of share-based compensation are based on accounting standards (IFRS) and do not reflect the value of the shares at the vesting/release date. The comparative information for 2018 was revised, to reflect the full IFRS expense for the year for share-based compensation received by the members of the Board of Management. The expense disclosed in the 2018 financial statements only related to the IFRS expense for the year for the grant made in 2018, and excluded the expense for earlier grants that were still vesting in 2018.

[4] The 2018 compensation above excluded the abovementioned six senior managers, because they were not a related party (i.e. no key management personnel) in the context of IAS 24 during 2018.

The Dutch Civil Code disclosures with respect to remuneration of individual members of the Board of Management and Supervisory Board are included in the Remuneration report. Reference is further made to the Remuneration report.

Other related parties

The Group has not entered into any material transaction with other related parties.

40 SUBSEQUENT EVENTS

On 30 January 2020, HC2 Holdings Inc. announced the sale of Global Marine Group (GMG) excluding GMG's 49% stake in Huawei Marine Networks (HMN). Refer to note 20 Investments in equity-accounted investees for more details.

On 18 February 2020, the Supervisory Board approved the management's proposal to refinance its capital structure subject to certain conditions being met. Subject to this refinancing being undertaken and completed, the Foundation Continuity Fugro (Stichting Continuiteit Fugro) has agreed to terminate the call option agreements which provide the Foundation with a right to exercise a call option on preference shares in relation to Fugro Consultants international N.V. and Fugro Finance International N.V.. The termination is subject to the refinancing being completed.

41 SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD OF FUGRO N.V.

Unless stated otherwise, the direct or indirect interest of Fugro in the subsidiaries listed below is 100%. Insignificant, but consolidated, subsidiaries have not been included. For entities where the direct or indirect interest of Fugro is less than 50%, the Group consolidates financial information of such entities based on the definition of control.

The subsidiaries listed below have been fully incorporated into the consolidated financial statements of Fugro, unless indicated otherwise.

The information as required by sections 2:379 and 2:414 of the Dutch Civil Code has been filed at the trade registry of the Chamber of Commerce in The Hague.

Company	%	Office, Country
Fugro Albania sh.p.k.		Tirana, Albania
Fugro Angola Limitada	49%	Luanda, Angola
Fugro ROAMES Pty Ltd		Brisbane, Australia
Fugro TSM Finance Pty Ltd		Perth, Australia
Fugro Exploration Pty Ltd		Perth, Australia
Fugro Survey Pty Ltd.		Balcatta, Australia
Fugro LADS Corporation Pty Ltd		Kidman Park, Australia
Fugro Holdings (Australia) Pty Ltd		Perth, Australia
Fugro Australia Land Pty Ltd		Perth, Australia
Fugro Australia Marine Pty Ltd		Perth, Australia
Fugro Satellite Positioning Pty Ltd		Balcatta, Australia
Fugro AG Pty Ltd		Perth, Australia
Fugro Austria GmbH		Bruck an der Mur, Austria
SOCAR-Fugro LLC	49%*	Baku, Azerbaijan
Fugro Belgique/België SA/NV		Brussels, Belgium
Fugro In Situ Geotecnia Ltda.		Pinhais, Brazil
Fugro Brasil Levantamentos Ltda.		Rio de Janeiro, Brazil
Sudeste Serviços Ltda.		Rio de Janeiro, Brazil
Fugro Sendirian Berhad		Bandar Seri, Brunei Darussalam
Fugro Marine (B) Sdn Bhd	70%	Kuala Belait, Brunei Darussalam
Fugro Cameroun SA		Douala, Cameroun
GIE GEOFOR Afrique		Douala, Cameroun
Fugro Canada, Corp.		St. John's, Canada
Fugro Chile S.A.		Santiago, Chile
Fugro Technical Services (Guangzhou) Ltd.		Guangzhou, China

Company	%	Office, Country
Fugro Pacifica Qinhuangdao Co. Ltd.		Qinhuangdao, China
China Offshore Fugro GeoSolutions (Shenzhen) Co. Ltd.	50%*	Shekou, Shenzhen, China
Fugro Consultants International N.V.		Willemstad, Curaçao
Fugro Financial International N.V.		Willemstad, Curaçao
Fugro S.A.E.		Cairo, Egypt
Fugro Holding France S.A.S.		Nanterre, France
GEOTER S.A.S.		Clapiers, France
Geofor Gabon SA		Libreville, Gabon
Fugro Gabon SARL		Port Gentil, Gabon
Fugro Germany Land GmbH		Berlin, Germany
Fugro Germany Marine GmbH		Bremen, Germany
Fugro Certification Services Ltd.		Kwai Fong, Hong Kong
Fugro Technical Services Ltd.		Tuen Mun, Hong Kong
Fugro Geotechnical Services Ltd.		Fo Tan, Hong Kong
Fugro (Hong Kong) Ltd.		Wanchai, Hong Kong
Fugro Geosciences International Ltd.		Wanchai, Hong Kong
Fugro Holdings (Hong Kong) Ltd.		Wanchai, Hong Kong
Fugro Hydrographic Surveys Ltd.		Wanchai, Hong Kong
Fugro Geospatial Services (Hong Kong) Ltd.		Wanchai, Hong Kong
Fugro Geotechnics Vietnam (Hong Kong) Ltd.		Wanchai, Hong Kong

Company	%	Office, Country
Fugro Marine Survey International Ltd.		Wanchai, Hong Kong
Fugro SEA Ltd.		Wanchai, Hong Kong
Fugro Subsea Services Ltd.		Wanchai, Hong Kong
Fugro Survey Ltd.		Wanchai, Hong Kong
Fugro International (Hong Kong) Ltd.		Wanchai, Hong Kong
Fugro Satellite Positioning (Hong Kong) Ltd.		Wanchai, Hong Kong
MateriaLab Consultants Ltd.		Kwai Fong, Hong Kong
Fugro Consult Kft		Budapest, Hungary
Fugro Geotech (India) Private Limited		Navi Mumbai, India
Fugro Survey (India) Private Limited		Navi Mumbai, India
PT Fugro Indonesia		Jakarta Selatan, Indonesia
PT Fugro Geosolutions Indonesia		Jakarta, Indonesia
Fugro-ETW LLC	50%*	Basra, Iraq
FAZ Technology Ltd.		Dublin, Ireland
FAZ Research Ltd.		Dublin, Ireland
Fugro Italy S.p.A.		Rome, Italy
Fugro Japan Co., Ltd.		Tokyo, Japan
MAPS SARL		Beirut, Lebanon
Fugro Eco Consult GmbH		Munsbach, Luxembourg
Fugro Technical Services (Macau) Ltd.		Macau, Macau
Fugro Malaysia Marine Sdn Bhd	30%	Kuala Lumpur, Malaysia
Fugro Geosciences (Malaysia) Sdn Bhd	30%	Kuala Lumpur, Malaysia

Company	%	Office, Country
Fugro Malaysia Land Sdn Bhd		Puchong, Malaysia
Fugro TSM Labuan Pty Ltd		Federal Territory of Labuan, Malaysia
Geofor International SA		Quatre Bornes, Mauritius
Fugro Mauritius Ltd.		Quatre Bornes, Mauritius
Fugro Mexico S.A. de C.V.		Ciudad Del Carmen, Campeche, Mexico
Geomundo S.A. de C.V.		Ciudad Del Carmen, Campeche, Mexico
Fugro Mozambique Lda.		Maputo, Mozambique
Fugro CIS B.V.		Leidschendam, The Netherlands
Fugro-Elbocon B.V.		Leidschendam, The Netherlands
Fugro Netherlands Marine B.V.		Nootdorp, The Netherlands
Fugro Finance B.V.		Leidschendam, The Netherlands
Fugro Financial Resources B.V.		Leidschendam, The Netherlands
Fugro NL Land B.V.		Leidschendam, The Netherlands
Fugro Innovation & Technology B.V.		Leidschendam, The Netherlands
Fugro Marine Services B.V.		Leidschendam, The Netherlands
Fugro Nederland B.V.		Leidschendam, The Netherlands
Fugro South America B.V.		Leidschendam, The Netherlands
Fugro Survey B.V.		Leidschendam, The Netherlands

Company	%	Office, Country
Fugro Vastgoed B.V.		Leidschendam, The Netherlands
FNV IP B.V.		Leidschendam, The Netherlands
Seabed Geosolutions B.V.	75%**	Leidschendam, The Netherlands
Agung Shipping B.V.		Leidschendam, The Netherlands
Alutan Shipping B.V.		Leidschendam, The Netherlands
Arjuna Shipping B.V.		Leidschendam, The Netherlands
Erebus Shipping B.V.		Leidschendam, The Netherlands
FNV IP B.V.		Leidschendam, The Netherlands
Foster Shipping B.V.		Leidschendam, The Netherlands
Fugro Middle East B.V.		Leidschendam, The Netherlands
Katla Shipping B.V.		Leidschendam, The Netherlands
Mayon Shipping B.V.		Leidschendam, The Netherlands
Scenery Shipping B.V.		Leidschendam, The Netherlands
Semeru Shipping B.V.		Leidschendam, The Netherlands
Stromboli Shipping B.V.		Leidschendam, The Netherlands
Taranaki Shipping B.V.		Leidschendam, The Netherlands
Tongariro Shipping B.V.		Leidschendam, The Netherlands

Company	%	Office, Country
Wavewalker B.V.	50%*	Leidschendam, The Netherlands
Fugro New Zealand Ltd.		New Plymouth, New Zealand
Fugro Survey (Nigeria) Ltd.		Port Harcourt, Nigeria
Fugro Nigeria Ltd.		Port Harcourt, Nigeria
Fugro Norway AS		Oslo, Norway
Fugro Middle East & Partners LLC	70%	Muscat, Oman
Fugro Symphony Inc.		Panama City, Panama
Fugro Peru S.A.		Lima, Peru
Fugro Peninsular Services Co. W.L.L.	49%	Doha, Qatar
GEOINGSERVICE LLP		Moscow, Russia
Geofor Sao Tome Ltda.		Sao Tome City, Sao Tome
Fugro-Suhaimi Ltd.	50%	Dammam, Saudi Arabia
Decca Survey Saudi Arabia Ltd.	40%	Dammam, Saudi Arabia
Fugro Saudi Arabia Ltd.	83%	Dammam, Saudi Arabia
Fugro Satellite Positioning Pte Ltd		Singapore, Singapore
Fugro Subsea Technologies Pte Ltd		Singapore, Singapore
Fugro Singapore Marine Pte Ltd		Singapore, Singapore
Eastern Equator Pte Ltd.		Singapore, Singapore
Eastern Mariner Pte Ltd.		Singapore, Singapore
Fugro Holding (Singapore) Pte Ltd.		Singapore, Singapore
Fugro Marine Personnel Pte Ltd.		Singapore, Singapore
Southern Evolution Pte Ltd.		Singapore, Singapore

Company	%	Office, Country
Fugro Survey Africa (Pty) Ltd.		Cape Town, South Africa
Fugro Maps South Africa (Pty) Ltd.		Cape Town, South Africa
Fugro South Africa Land (Pty) Ltd.		Johannesburg, South Africa
Fugro Geodetic AG		Zug, Switzerland
Fugro South America GmbH		Zug, Switzerland
Fugro Sial Ltd.		Ankara, Turkey
Fugro Subsea LLC	49%	Abu Dhabi, United Arab Emirates
Fugro GB (North) Marine Limited		Aberdeen, United Kingdom
Fugro Subsea Services Limited		Aberdeen, United Kingdom
Fugro-BKS Limited		Coleraine, United Kingdom

Company	%	Office, Country
Fugro GeoServices Limited		Falmouth, United Kingdom
Fugro GB Marine Limited		Wallingford, United Kingdom
Fugro Holdings Limited		Wallingford, United Kingdom
Global Marine Holdings LLC	23.6%*	Delaware, United States
Fugro (USA) Holdings, Inc.		Houston, United States
Fugro Enterprise, Inc.		Houston, United States
Fugro Synergy, Inc.		Houston, United States
Fugro Roadware, Inc.		Richmond, United States
Fugro USA Land, Inc.		Houston, United States
Fugro USA Marine, Inc.		Lafayette, United States
Fugro Geotechnics Vietnam LLC		Ho Chi Minh City, Vietnam

* Joint arrangements classified as joint ventures or associates that are equity-accounted.

** For consolidation purposes Seabed Geosolutions B.V. is consolidated at 100% as per December 31, 2019.

COMPANY BALANCE SHEET

As at 31 December, before result appropriation

Notes	(EUR x 1,000)	2019	2018
	ASSETS		
43	Financial fixed assets	930,583	996,227
	Deferred tax assets	161	125
	Total non-current assets	**930,744**	**996,352**
44	Trade and other receivables	15,046	200,162
	Cash and cash equivalents	800	195
	Total current assets	**15,846**	**200,357**
	Total assets	**946,590**	**1,196,709**
	EQUITY		
	Share capital	4,228	4,228
	Share premium	431,227	431,227
	Translation reserve	(101,233)	(117,620)
	Other reserves	(315,936)	(315,534)
	Retained earnings	687,463	717,526
	Unappropriated result	(108,492)	(51,064)
45	**Total equity**	**597,257**	**668,763**
	Provisions		
46	Provisions	11,727	13,099
	LIABILITIES		
47	Loans and borrowings	262,392	252,393
	Total non-current liabilities	**274,119**	**265,492**
48	Trade and other payables	74,313	261,988
	Other taxes and social security charges	901	466
	Total current liabilities	**75,214**	**262,454**
	Total liabilities	**349,333**	**527,946**
	Total equity and liabilities	**946,590**	**1,196,709**

COMPANY INCOME STATEMENT

For the year ended 31 December

Notes	(EUR x 1,000)	2019	2018
49	Revenue	44,710	38,824
50	Other income	9,800	–
51	Personnel expenses	(27,075)	(23,296)
	Amortisation	–	(160)
52	Other expenses	(26,818)	(25,274)
	Results from operating activities (EBIT)	**617**	**(9,906)**
	Finance income	1,819	–
	Finance expenses	(24,367)	(24,191)
53	Net finance income/(expenses)	(22,548)	(24,191)
	Profit/(loss) before income tax	**(21,931)**	**(34,097)**
54	Income tax gain/(expense)	7,575	1,585
	Share in results from participating interests, after taxation	(94,136)	(18,552)
	Profit/(loss) for the period	**(108,492)**	**(51,064)**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

42 BASIS OF PREPARATION

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, Fugro makes use of the option provided in Clause 8 Section 2:362 of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements of Fugro N.V. are the same as those applied for the consolidated IFRS-EU financial statements. Investments in subsidiaries are accounted for at net asset value which comprises the cost, excluding goodwill, of Fugro's share in the net assets of the subsidiaries. Participating interests, over which significant influence is exercised, are stated on the basis of the equity method. Reference is made to the significant accounting policies in the notes to the consolidated financial statements.

The share in the result of participating interests consists of the share of Fugro in the result of these participating interests. Results on transactions, where the transfer of assets and liabilities between Fugro and its participating interests, and mutually between participating interests themselves, are not incorporated as far as they can be deemed to be unrealised. Fugro N.V. is neither lessee nor lessor.

43 FINANCIAL FIXED ASSETS

Subsidiaries

(EUR x 1,000)	**2019**	**2018**
Balance at 1 January	996,227	1,203,907
Share in result of participating interests	(94,136)	(18,552)
Capital increase/(decrease)	18,000	(190,385)
Dividends	(3,144)	(3,786)
Currency exchange differences	16,387	(1,716)
Other	(2,751)	6,759
Balance at 31 December	**930,583**	**996,227**

44 TRADE AND OTHER RECEIVABLES

(EUR x 1,000)	**2019**	**2018**
Receivables from Group companies	14,122	199,730
Other receivables	924	432
Balance at 31 December	**15,046**	**200,162**

45 EQUITY

Reference is made to the equity movement schedule included in the consolidated financial statements and the corresponding disclosure note. The translation reserve qualifies as legal reserves (Dutch: 'wettelijke reserve') in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

46 PROVISIONS

Reference is made to the provisions note in the consolidated financial statements. Fugro has accounted for certain tax indemnities and warranties under procedures in respect of the sale of the majority of the Geoscience business to CGG in 2013, for liabilities arising from tax exposures amounting to EUR 10.1 million as at 31 December 2019 (31 December 2018: EUR 12.1 million). An amount of EUR 0.5 million (31 December 2018: EUR 0.2 million) and EUR 1.1 million (31 December 2018: EUR 0.7 million) relate to a restructuring provision respectively employee benefit obligations. An amount of EUR 0.5 million is expected to be settled within one year.

47 LOANS AND BORROWINGS

(EUR x 1,000)	**2019**	**2018**
Subordinated unsecured convertible bonds EUR 190,000	175,278	167,506
Subordinated unsecured convertible bonds EUR 100,000	87,114	84,887
Balance at 31 December	**262,392**	**252,393**

Reference is made to the financial liabilities note in the consolidated financial statements. The average interest on loans and borrowings amounts to 4.2% per annum (2018: 4.2%).

48 TRADE AND OTHER PAYABLES

(EUR x 1,000)	2019	2018
Trade payables	2,329	1,420
Payables to Group companies	65,524	254,596
Other payables	6,460	5,972
Balance at 31 December	**74,313**	**261,988**

The payables to Group companies mainly relate to the cash-pool overdraft of Fugro N.V. The interest is calculated on the total balance of the cash pool. Reference is made to the financial risk management note in the consolidated financial statements.

49 REVENUE

Revenue relates to the services provided by Fugro N.V. to subsidiaries in respect of their management activities and responsibilities.

50 OTHER INCOME

Other income relates to the gain on the settlement of a pre-existing relationship with CGG. Reference is made to the non-controlling interest note in the consolidated financial statements.

51 PERSONNEL EXPENSES

(EUR x 1,000)	2019	2018
Wages and salaries	22,253	19,684
Compulsory social security contributions	1,189	732
Equity-settled share-based payments	2,506	1,906
Contributions to defined contribution plans	1,112	126
Expense related to defined benefit plans	15	848
Total	**27,075**	**23,296**

The Dutch Civil Code disclosures with respect to remuneration of the Board of Management and Supervisory Board is included in the Remuneration report. The average number of employees within Fugro N.V. during the year was 47 (2018: 48), all posted in the Netherlands as in last year.

52 OTHER EXPENSES

(EUR x 1,000)	2019	2018
Indirect operating expenses	3,275	3,086
Occupancy costs	27	197
Communication and office equipment	1,875	1,614
Restructuring costs	450	(150)
Marketing and advertising costs	491	301
Release provision tax indemnities	(1,947)	–
Other	22,647	20,226
Total	**26,818**	**25,274**

Other expenses include professional services, training costs, audit fees and miscellaneous charges.

Audit fees

With reference to Section 2:382a of the Netherlands Civil Code, the following fees for the financial year have been charged by EY to the company and its subsidiaries:

	2019			2018		
(EUR x 1,000)	Ernst & Young Account-ants LLP	Other EY network	Total EY	Ernst & Young Account-ants LLP	Other EY network	Total EY
Statutory audit of financial statements	1,740	2,012	3,752	1,543	2,133	3,676
Other audit services	–	13	13	12	–	12
Other assurance related services	56	9	65	53	–	53
Tax advisory services	–	20	20	–	50	50
Total	**1,796**	**2,054**	**3,850**	**1,608**	**2,183**	**3,791**

Audit and (non-)audit related fees for the respective years are charged to the income statement on an accrual basis. The fees paid for the above mentioned services, which are included in profit or loss of the consolidated financial statements in the line other expenses, are evaluated on a regular basis and in line with the market.

53 NET FINANCE (INCOME)/EXPENSES

(EUR x 1,000)	2019	2018
Interest income on loans and receivables from Group companies	(1,819)	–
Finance income	**(1,819)**	**–**
Interest expense on financial liabilities measured at amortised cost	22,678	21,821
Net foreign exchange variance	1,689	2,370
Finance expense	**24,367**	**24,191**
Net finance (income)/expenses recognised in profit or loss	**22,548**	**24,191**

54 INCOME TAX

Fugro NV is head of the fiscal unity that exists for Dutch corporate income taxes.
The effective tax rate in 2019 deviates compared to the Dutch statutory rate of 25%, mainly due to a tax exempt income of EUR 9.8 million. The effective tax rate deviation in 2018 relates mainly to a prior year adjustment and deferred tax rate change.

55 CONTINGENCIES

Fiscal unity

Fugro N.V. and the Dutch operating companies form a fiscal unit for corporate tax. Each of the operating companies is severally liable for corporate tax to be paid by the fiscal unity.

Bank guarantees

As per 31 December 2019, Fugro's bank has issued bank guarantees to clients for an amount of EUR 91 million (2018: EUR 98 million).

Other guarantees

Fugro has filed declarations of joint and several liabilities for a number of subsidiaries at the Chambers of Commerce. Fugro has filed a list with the Chamber of Commerce, which includes all financial interests of the Group in subsidiaries as well as a reference to each subsidiary for which such a declaration of liability has been deposited. In connection with the current revolving credit facility of the discontinued operation (Seabed Geosolutions B.V.), a USD 10 million commitment has been made for a period of 12 months after the date of approval of the 2018 financial statements of Seabed Geosolutions B.V. Fugro N.V. is borrower and guarantor under this multicurrency revolving credit facility agreement.

Other contingencies

Reference is made to the note 'commitments not included in the statement of financial position' of the consolidated financial statements.

56 RELATED PARTIES

Reference is made to the related parties note of the consolidated financial statements, which included the remuneration of the Board of Management and Supervisory Board.

The members of the Supervisory Board have signed the financial statements pursuant to their statutory obligations under Section 2:101 sub 2 Netherlands Civil Code.

The members of the Board of Management have signed the financial statements pursuant to their statutory obligations under Section 2:101 sub 2 Netherlands Civil Code and Section 5:25c sub 2 (c) Financial Markets Supervision Act.

Fugro will not propose to the annual general meeting on 30 April 2020 to declare a dividend for 2019 to shareholders.

Leidschendam, 18 February 2020

Board of Management
M.R.F. Heine, Chairman Board of Management, Chief Executive Officer
P.A.H. Verhagen, Chief Financial Officer
B.M.R. Bouffard*, Chief Development Officer

Supervisory Board
H.L.J. Noy, Chairman
J.C.M. Schönfeld, Vice-chairman
A.J. Campo
P.H.M. Hofsté
A.H. Montijn
D.J. Wall

* During 2019, Brice M.R. Bouffard was member of the Board of Management. His term finishes at the annual general meeting of shareholders at 30 April 2020 and he will not be nominated for reelection. The duties of Brice Bouffard are currently assumed by the Group Director Innovation & Digital Transformation. Accordingly, Brice Bouffard did not sign the financial statements.

OTHER INFORMATION

INDEPENDENT AUDITOR'S REPORT

To: the shareholders and supervisory board of Fugro N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2019 INCLUDED IN THE ANNUAL REPORT

OUR OPINION

We have audited the financial statements 2019 of Fugro N.V., based in Leidschendam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Fugro N.V. as at 31 December 2019, and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of Fugro N.V. as at 31 December 2019 and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- The consolidated statement of financial position as at 31 December 2019.
- The following statements for 2019: the consolidated statements of comprehensive income, changes in equity and cash flows.
- The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

- The company balance sheet as at 31 December 2019.
- The company income statement for 2019.
- The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Fugro N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OUR AUDIT APPROACH

Our understanding of the business

The Fugro group is structured in components and we tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment.

We started by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations or error in order to design audit procedures responsive to those risks, and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Materiality

Materiality	€ 10.0 million (2018: € 10.0 million)
Benchmark applied	Approximately 0.6% of revenue (2018: approximately 0.6% of revenue)
Explanation	We have applied this benchmark based on our professional judgment and taken into account the users of the financial statements. Earnings based measures are not considered to be appropriate benchmarks, given their volatility over the years.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of € 0.5 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.
Non-compliance with laws and regulations may result in fines, litigation or other consequences for the company that may have a material effect on the financial statements.

Our audit response related to fraud risks

In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the entity and its environment, including the entity's internal control relevant to the audit and in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed the risk of management override of internal control. We do not audit internal control per se for the purpose of expressing an opinion on the effectiveness of the company's internal control.

We considered available information and made enquiries of relevant executives, directors (including internal audit, legal, compliance, human resources and regional directors) and the supervisory board. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic and legal specialists.

We evaluated the design and the implementation of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates as disclosed in note 2 to the financial statements.

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so, we reevaluate our assessment of fraud risk and its resulting impact on our audit procedures.

Our audit response related to risks of non-compliance with laws and regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the management board, reading minutes and performing substantive tests of details of account balances and disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Going concern

In order to identify and assess the risks of going concern and to conclude on the appropriateness of management's use of the going concern basis of accounting, we consider based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern. We make reference to our key audit matter 'Availability of financing and compliance with debt covenant requirements' for more details.

Scope of the group audit

Fugro N.V. is at the head of a group of entities. Our group audit mainly focused on group entities that are either significant based on their size or risk relative to the consolidated financial statements. All entities exceeding 1.5% of revenues are included within our audit scope. We used the work of other EY member firms when auditing entities outside the Netherlands. We performed audit procedures ourselves at certain group entities located in the Netherlands and performed analytical review procedures at group entities without an audit scope.

The procedures performed for group entities with an audit scope represent 74% of revenue and 75% of total assets. By performing the procedures mentioned above over group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Teaming and use of specialists

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of Fugro. We included in the audit specialists in the areas of IT, forensics, treasury, share based payments, income tax, pensions and business valuations.

General audit procedures

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

Four out of six key audit matters are consistent with prior year. The key audit matters related to accounting for the Group's interest in Seabed Geosolutions and the change in segmentation and allocation of goodwill to groups of CGU's are new considering developments on these topics. In prior year, we reported a key audit matter related to the impact of IFRS 16. As the number of changes in the lease register are limited in 2019, it no longer is a key matter to our audit.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Availability of financing and compliance with debt covenant requirements (see note 28)

Description	Fugro's financing arrangements, including the multicurrency revolving credit facility and two leased geotechnical vessels, contain certain financial covenant requirements as described in note 28.6. Continued compliance with debt covenant requirements is a key element of management's assessment of the use of the going concern assumption. In February 2019, an amendment of the solvency covenant requirement was agreed for the multicurrency revolving credit facility and the two leased geotechnical vessels, adjusting the requirement to >27.5% instead of >33.33%. In May 2019, the maturity date of the multicurrency revolving credit facility was extended from December 2020 to May 2021. Fugro complied with its debt covenant requirements as at 31 December 2019 and management concluded that forecasts and assessments of the covenant requirements for the next year present sufficient headroom in connection with the going concern assessment.
Our audit approach	We analysed Fugro's financing arrangements as part of our audit, which included the evaluation of compliance with the debt covenant requirements. For the verification of the forecasted covenant calculations for the next year, as part of our evaluation of management's assessment of the going concern assumption, we evaluated the 2020 financial forecast as approved by management, the solidity of the financial forecast preparation process, the reasonability of the 2020 forecasts at the level of individual entities as well as at corporate level and performed an assessment of the historical accuracy of management's estimates through retrospective review. Our assessment also included covenant sensitivity analyses as well as stress-testing. We assessed the adequacy of the disclosures included in note 28.6 of the consolidated financial statements.
Key observations	We agree with the covenant calculations as per 31 December 2019 as well as management's conclusion that the use of the going concern assumption is appropriate. We concluded the disclosures in the consolidated financial statements to be proportionate and in accordance with EU-IFRS.

Accounting for the Group's interest in Seabed Geosolutions (see notes 6 and 27)

Description	During 2019, Fugro announced that it has stepped up its efforts to divest Seabed Geosolutions. As of 30 June 2019, management concluded it was highly probable that the planned divestment would materialize within a year. Consequently, assets and liabilities of Seabed Geosolutions were classified as held-for-sale and considering the activities represent a separate major line of business, the disposal group was reported as discontinued operation. As the carrying amount exceeded the recoverable amount, a goodwill impairment loss of EUR 61.4 million was recorded. On 30 December 2019, Fugro became the sole shareholder of Seabed Geosolutions, acquiring CGG's 40% shareholding and receiving a cash payment of USD 35 million from CGG. As part of this transaction, the joint venture agreement between Fugro and CGG was terminated which also included settlements of pre-existing relationships. At 31 December 2019, supported by external valuation specialists, Fugro re-assessed the recoverable amount of Seabed Geosolutions and concluded it was below the recorded carrying amount. As a result an additional impairment of EUR 14.8 million was recorded.
Our audit approach	Our audit procedures included verification of appropriateness of the likelihood of a successful disposal of Seabed Geosolutions within the next 6 months as well as verification of appropriate estimation of the recoverable amount. We performed enquiries with the Company's advisors involved in the divestment process as well as with advisors involved in the valuation exercise. We assessed appropriateness of the assumption that there is a high probability of a successful disposal of Seabed Geosolutions within the next 6 months. We also assessed appropriateness of the model, input and assumptions applied in determining the recoverable amount. The latter assessment also included support of independent EY valuation experts. Additionally, we verified appropriate accounting for the acquisition of CGG's 40% shareholding based on the underlying termination agreement and related documentation. We also verified that Fugro appropriately evaluated whether the acquisition of CGG's 40% shareholding would require further impairment of Seabed Geosolutions' assets.

Key observations	We conclude that Fugro appropriately accounted for the acquisition of CGG's 40% shareholding in Seabed Geosolutions as an equity transaction and settlement of pre-existing relationships. We concur with the Seabed Geosolutions' classification as held-for-sale and discontinued operations as of 31 December 2019 and we concluded the assumptions underlying the recoverable amount fell within an acceptable range. We concluded the disclosures in the consolidated financial statements being proportionate and in accordance with EU-IFRS.

Sensitivities and estimates with respect to the valuation of goodwill, vessels and right-of-use assets (see notes 17, 18 and 19)

Description	At 31 December 2019, goodwill, vessels, right-of-use assets and goodwill amount to, respectively, € 268.0 million, € 330.6 million and € 160.5 million, together amounting to approximately 37% of total assets. Management performed the annual impairment tests for goodwill and evaluated property, plant and equipment and right-of-use assets with significant net book values for indicators of impairment. The annual impairment tests for goodwill carried out by management are complex and require significant management judgement. The recoverable amounts of groups of cash-generating units (CGUs) with allocated goodwill have been determined based on value in use calculations. Value in use was determined by discounting the expected future cash flows from continuing use of the CGU's. Cash flows in the first year of the forecast are based on management's approved 2020 financial forecast. The cash flows for the following four years are made explicit and a long term growth rate is assumed for the remaining period. These impairment tests resulted in €0.6 million impairment of property, plant and equipment and no impairment of right-of-use assets and goodwill.
Our audit approach	Our audit procedures included an assessment of the historical accuracy of management's estimates through retrospective review, evaluating and testing the assumptions, methodologies, discount rates and other data used by the company, for example by comparing them to external data. This assessment included support of EY valuation experts. We evaluated the 2020 financial forecast, the solidity of the financial forecast preparation process and the reasonability of the 2020 forecasts at the level of individual entities as well as at corporate level. Furthermore, we evaluated management's outlook in the explicit period, in particular around forecasted revenues, EBITDAs and capital expenditures, as well as the long term growth rate. Our assessment also included sensitivity analyses. We assessed the adequacy of the disclosures included in notes 17, 18 and 19 of the consolidated financial statements including those assumptions to which the outcome of the impairment test is most sensitive.
Key observations	We concluded the assumptions relating to the impairment models to fall within acceptable ranges and we agree with management's conclusions. Furthermore, we concluded that the disclosures in the consolidated financial statements are proportionate and in accordance with EU-IFRS.

Revenue recognition, project accounting and valuation with respect to unbilled revenue on (completed) projects and trade receivables (see note 7 and 23)

Description	The project revenue recognition process, including determining the appropriate cut-off of revenues, involves management estimates. The valuation of unbilled revenue on (completed) projects is affected by subjective elements including estimated costs to complete and projected revenue, whether impacted by additional/ reduced services, project progress or (potential) disputes.
Our audit approach	Our audit included evaluation of internal controls with respect to project management, project accounting and the project results estimation process. In addition, we performed substantive audit procedures relating to contractual terms and conditions, revenues and costs incurred, including local representatives' fees, and disputes or potential disputes. For individually significant projects, we performed testing procedures, such as substantiating transactions with underlying documentation, including contracts and third party correspondence, to obtain evidence for the accuracy and recoverability of unbilled revenue on (completed) projects and trade receivables. We made enquiries with project controllers, inspected contracts and underlying documentation, tested the project progress, forecasts and appropriateness of the (planned) result and verified whether the project status has been appropriately reflected in the consolidated financial statements. We assessed the adequacy of the disclosures included in note 7 'Revenue'.
Key observations	We conclude that Fugro appropriately recognised unbilled revenue on (completed) projects and trade receivables as at 31 December 2019 and revenue for the year then ended. We concluded the disclosures in the consolidated financial statements are proportionate and in accordance with EU-IFRS.

Estimates in respect of deferred tax assets (see note 16)

Description	The Group's results on operations are subject to income taxes in various jurisdictions. Due to reported losses since 2014, Fugro has significant tax loss carry forwards available. For part of these tax loss carry forwards, deferred tax assets were recognised. The assessment process of recoverability of deferred tax assets involves a high degree of judgement. As at 31 December 2019, recognized deferred tax assets amount to €50.5 million.
Our audit approach	Our audit procedures included amongst others an assessment of the historical accuracy of management's estimates through retrospective review, analyses of tax positions and the effective tax rate reconciliation. We involved specialists for the audit of the amounts recognized in the statement of comprehensive income and assessment of judgmental (deferred) tax positions. For tax positions where management's assumptions are used to determine the probability that deferred tax assets recognized in the statement of financial position will be recovered through taxable income in future years and available tax planning strategies, we evaluated the 2020 financial forecast, the solidity of the financial forecast preparation process and the reasonability of the 2020 forecasts at the level of individual jurisdictions. Also, we evaluated the projected developments after 2020 and reasonability of expectations and assumptions. We also assessed the adequacy of the disclosure in note 16 of the consolidated financial statements.
Key observations	We concluded that management's judgements in relation to the recognition and measurement of deferred tax assets are appropriate. We concluded the disclosures in the consolidated financial statements are proportionate and in accordance with EU-IFRS.

Changes in internal reporting structure resulting in a change in reporting segments and allocation of goodwill to groups of CGUs (see note 5)	
Description	As from May 2019, Fugro changed its senior management model from a divisional to a regional structure and the internal financial reporting structure was updated accordingly. In the new structure, the land and marine divisions changed to four regions, while the Geoscience segment now fully consists of Seabed Geosolutions. Following the implementation of the management and internal reporting structure, Fugro performed a reassessment of its reporting segments in accordance with IFRS 8 and concluded that the reporting segments are Europe-Africa, Middle East and India, Asia-Pacific, Americas and Geoscience. Further, Fugro concluded that goodwill previously allocated to land and marine should be re-allocated to the four regions. Since no other basis for reallocation of goodwill was more appropriate, Fugro has reallocated goodwill based on the 'relative value approach'. This approach requires reallocation of goodwill based on the relative recoverable amount of the respective groups of CGUs.
Our audit approach	Our audit procedures included evaluating Fugro's assessment of the impact of the restructuring on reporting segments and on groups of CGUs to which goodwill is allocated. As part of our evaluation of the appropriateness of the impact assessment in accordance with EU-IFRS, we assessed the appropriateness of the identification of the Chief Operating Decision Maker in accordance with IFRS 8 and we verified that Fugro's conclusions are consistent with management information, including monthly and quarterly management reports, as well as our general knowledge and experience as auditor of Fugro. Additionally, for the re-allocation of goodwill to groups of CGUs, we analysed whether the reallocation of goodwill would trigger impairments, noting that the risk of impairment increased due to disaggregation. In accordance with the relative value approach Fugro made calculations of the recoverable amount for each region. These calculations were assessed by us and we verified consistency with assumptions and expectations applied in most recent goodwill impairment test noting no exceptions.
Key observations	We concluded that Fugro has appropriately reassessed its operating segments in accordance with EU-IFRS and we concur with management's conclusion that the operating segments are Europe-Africa, Middle East and India, Asia-Pacific, Americas and Geoscience. We concluded that Fugro appropriately reallocated goodwill previously allocated to land and marine to groups of CGUs, being Europe-Africa, Middle East and India, Asia-Pacific and Americas. We concluded the disclosures in the consolidated financial statements are proportionate and in accordance with EU-IFRS.

REPORT ON OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of the reports of the board of management and the supervisory board, the remuneration report and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:
- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and Section 2:135b sub-Section 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code, other information required by Part 9 of Book 2 of the Dutch Civil Code and the remuneration report in accordance with Section 2:135b of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement
We were engaged by the supervisory board as auditor of Fugro N.V. on 7 December 2015, as of the audit for the year 2016 and have operated as statutory auditor since that financial year.

No prohibited non-audit services
We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Other non-prohibited services provided
In addition to the statutory audit of the financial statements we provided the following services:
- Review of interim financial statements of a Dutch subsidiary of Fugro N.V.
- Agreed-upon procedures in connection with legal ownership of certain subsidiaries of Fugro N.V.

DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibilities of management and the supervisory board for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The section Our audit approach includes a summary of our responsibilities and the work performed as the basis for our opinion.

Communication

We communicated with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provided the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We described these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 18 February 2020

Ernst & Young Accountants LLP

signed by A.A. van Eimeren

STATUTORY PROVISIONS REGARDING THE APPROPRIATION OF NET RESULT

The provisions regarding the appropriation of profit are contained in article 36 of the Articles of Association of Fugro and, as far as relevant, read as follows:

36.2 a. The profit shall, if sufficient, be applied first in payment to the holders of protective preference shares of a percentage as specified below of the compulsory amount paid on these shares as at the commencement of the financial year for which the distribution is made.

b. The percentage referred to above in subparagraph a. shall be equal to the average of the Euribor interest charged for loans with a term of one year – weighted by the number of days for which this interest was applicable – during the financial year for which the distribution is made, increased by at most four percentage points; this increase shall each time be fixed by the Board of Management for a period of five years, after approval by the Supervisory Board.

36.3 a. Next, if possible, a dividend shall be paid on the financing preference shares of each series and on the convertible financing preference shares of each series, equal to a percentage calculated on the amount effectively paid on the financing preference shares of the respective series and the convertible financing preference shares of the respective series, including a share premium, if any, upon the first issue of the series in question, and which percentage shall be related to the average effective return on 'state loans general with a term of 7 – 8 years', calculated and determined in the manner as described hereinafter.

b. The percentage of the dividend for the financing preference shares of each or for the convertible financing preference shares of each series, as the case may be, shall be calculated by taking the arithmetic mean of the average effective return on the aforesaid loans, as published by Bloomberg, or if Bloomberg does not publish this information, by Reuters, for the last five stock market trading days preceding the day of the first issue of financing preference shares of the respective series or the convertible financing preference shares of the respective series, as the case may be, or preceding the day on which the dividend percentage is adjusted, increased or decreased, if applicable, by a mark-up or mark-down set by the Board of Management upon issue and approved by the Supervisory Board of at most two percentage points, depending on the market conditions then obtaining, which mark-up or mark-down may differ for each series, or, if Reuters does not publish this information or if such state loan and information source that is or are most comparable thereto as to be determined by the board of Management and approved by the Supervisory Board.

36.4 If in any financial year the profit is insufficient to make the distributions referred to above in paragraph 3 of this article, then in subsequent financial years the provisions of paragraph 3 shall not apply until the deficit has been made good and until the provisions of paragraph 3 have been applied or until the Board of Management, with the approval of the Supervisory Board, resolves to charge an amount equal to the deficit to the freely distributable reserves, with the exception of the reserves which have been set aside as share premium upon the issue of financing preference shares or convertible financing preference shares.

36.5 If the first issue of financing preference shares or convertible financing preference shares of a series takes place during the course of a financial year, the dividend for that financial year on the respective series of financing preference shares or convertible financing preference shares shall be decreased proportionately up to the first day of such issue.

36.6 After application of paragraphs 2 to 5 no further distribution of shall be made on the protective preference shares, the financing preference shares or the convertible financing preference shares.

36.7 Of any profit remaining after application of the paragraphs 2 to 5 such amount shall be allocated to the reserves by the Board of Management with the approval of the Supervisory Board as the Board of Management shall deem necessary. Insofar as the profit is not allocated to the reserves pursuant to the provisions of the preceding sentence, it shall be at the disposal of the annual general meeting either for allocation in whole or in part to the reserves or for distribution in whole or in part to the holders of ordinary shares pro rata to the aggregate amount of their ordinary shares.

ADDITIONAL INFORMATION

FOUNDATION BOARDS

Stichting Administratiekantoor Fugro ('Foundation Trust Office')

The Board of Foundation Trust Office, Leidschendam, The Netherlands, is composed as follows:

Name	Function	Term
M.C. van Gelder, Chairman	Board member	2023
D.F.M.M. Zaman	Board member	2023
R. Willems	Board member	2020
A.P.M. van der Veer-Vergeer	Board member	2023

The (Board of) Foundation Trust Office operates completely independent of Fugro.

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

The Board of Foundation Protective Preference Shares, Leidschendam, The Netherlands, is composed as follows:

Name	Function	Term
J.C. de Mos, Chairman	Board member	2021
S.C.J.J. Kortmann	Board member	2022
J.J. Nooitgedagt	Board member	2021
C.P. Veerman	Board member	2022
A. van der Lof	Board member	2023

The (Board of) Foundation Protective Preference Shares operates completely independent of Fugro.

Stichting Continuïteit Fugro ('Foundation Continuity')

The Board of Foundation Continuity, Curacao, is composed as follows:

Name	Function	Term
G.E. Elias, Chairman	Board member B	2020
A.C.M. Goede	Board member B	2021
R. de Paus	Board member B	2023
M. van der Plank	Board member B	2022
G-J. Kramer	Board member A	2021

The (Board of) Foundation Continuity operates completely independent of Fugro.
Board member A is appointed by the Board of Management of Fugro with the approval of the Supervisory Board of Fugro.

REPORT OF STICHTING ADMINISTRATIEKANTOOR FUGRO ('FOUNDATION TRUST OFFICE')

In accordance with article 19 of the administration terms and conditions of the Foundation Trust Office ('Trust Office') and best practice provision 4.2.6 of the Corporate Governance Code, the undersigned issues the following report to the holders of certificates of ordinary shares in the share capital of Fugro N.V. ('Fugro').

During the 2019 reporting year, all the Trust Office's activities were related to the administration of ordinary shares against which certificates have been issued.

During 2019 the Board met two times. The meeting of 29 March 2019 was mainly dedicated to the approval of the Foundation's annual accounts 2018 and preparation for the annual general meeting of Fugro on 26 April 2019. Furthermore, the Board discussed with members of the Board of Management and the Supervisory Board of Fugro the activities and performance of Fugro on the basis of the annual report 2018. In accordance with the roster of the Board, Mr. M.C. van Gelder and Mr. D.F.M.M. Zaman were re-appointed for a period of four years, after holders of certificates who represent at least 15% of the issued certificates were offered the opportunity to request that the Board convenes a meeting of holders of certificates in order to recommend one or two candidates to the Trust Office's Board. No such request was received.

In the meeting on 1 October 2019 , the Board discussed, amongst other things, general business developments and the independent position of the Foundation as a special shareholder on the one hand and as a protective measure on the other hand. Furthermore, Mrs A. van der Veer-Vergeer was appointed as a new member to the board, after Mr van Rooijen stepped down as board member and the Board had decided to appoint a new member. Through an announcement that was placed on the website of the Trust Office, holders who represent at least 15% of the issued certificates were offered the opportunity to request that the Board convenes a meeting of holders of certificates in order to recommend a candidate to the Trust Office's Board, but no such request was received.

In both meetings, it was also discussed whether it would be necessary or useful to convene a meeting of holders of certificates. Both times it was decided that at that particular moment such was not the case. Corporate governance within Fugro and the Trust Office was also discussed in both meetings.

All the Trust Office's Board members are independent of Fugro. The Board may offer holders of certificates the opportunity to recommend candidates for appointment to the Board. The voting policy of the Trust Office has been laid down in a document that can be found on the website of the Trust Office: https://stichtingakfugro.nl/ and also on https://www.fugro.com/about-fugro/corporate-governance/protective-measures.
The Trust Office is authorised to accept voting instructions from holders of certificates and to cast these votes during a general meeting of Fugro.

The Board attended the annual general meeting of Fugro held on 26 April 2019. In this meeting the Trust Office represented 56.44% of the votes cast. The Trust Office voted in favour of all the proposals submitted to the meeting. In accordance with the administration terms and conditions, holders of certificates were offered the opportunity to vote, in accordance with their own opinion, as authorised representatives of the Trust Office. This opportunity was taken by holders of certificates representing 43.22% of the votes cast at the annual general meeting.

At present the Board of the Trust Office comprises:

1. Mr. M.C. van Gelder, Chairman
2. Mr. R. Willems
3. Mr. D.F.M.M. Zaman
4. Mrs. A.P.M. van der Veer-Vergeer

Mr. Van Gelder was amongst others Chairman of the Board of Management and Chief Executive Officer of Mediq N.V. He presently serves, amongst others, as supervisory board member of VastNed Retail. Mr. Willems was in a 38 year career with Royal Dutch Shell. He presently serves, amongst others, as supervisory board member of the Netherlands Investment Institute (NLII) and Rijksmuseum Boerhaave. Mr. Zaman was notary and partner at Loyens & Loeff from 1987 until 2015. He was professor Notarial Corporate Law at Utrecht University from 2006 until 2016 and is since 2013 professor Notarial Corporate Law at Leiden University. Mrs. Van der Veer was amongst others Executive Board member Achmea Bank Holding and she presently serves, amongst others, as Chair of the Supervisory Board of Arcadis NL and of the Dutch Monitoring Committee Accountancy.

In 2019 the total costs of the Trust Office amounted to EUR 66,660 including the total remuneration of the members of the Board of EUR 43,250 (excluding VAT).

On 31 December 2019, 83,691,457 ordinary shares with a nominal value of EUR 0.05 were in administration against which 83,691,457 certificates of ordinary shares had been issued. During the financial year 88,407 ordinary shares were exchanged into certificates and no certificates were exchanged into ordinary shares. The activities related to the administration of the shares are carried out by the administrator of the Trust Office: IQEQ Financial Services B.V. (previously named SGG Financial Services B.V.).

The Trust Office's address is: Veurse Achterweg 10, 2264 SG Leidschendam, the Netherlands.

Leidschendam, 13 February 2020
The Board

HISTORICAL REVIEW

	IFRS 2019	IFRS 2018[2]	IFRS 2018[9]	IFRS 2017	IFRS 2016[2]*	IFRS 2015[2]*	IFRS 2014[2]*	IFRS 2013[2]*[4]	IFRS 2012	IFRS 2011[7]	IFRS 2010	IFRS 2009	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004
Income and expenses (x EUR 1,000)																	
Revenue	1,631,328	1,552,761	1,649,971	1,497,392	1,775,874	2,362,986	2,572,191	2,423,971	2,164,996	1,858,043	2,280,391	2,052,988	2,154,474	1,802,730	1,434,319	1,160,615	1,008,008
Third party costs	654,230	672,687	739,346	621,936	678,757	918,396	1,227,011	915,412	793,250	617,107	765,587	624,413	722,321	604,855	503,096	405,701	364,644
Net revenue own services	977,098	880,074	910,625	875,456	1,097,117	1,444,590	1,345,180	1,508,559	1,371,746	1,240,936	1,514,804	1,428,575	1,432,153	1,197,875	931,223	754,914	643,364
EBITDA[5]	145,745	114,422	111,740	81,444	154,966	353,258	251,746	545,467	465,368	481,925	561,083	551,130	535,178	439,590	295,948	218,833	177,453
Impairments	(3,286)	263	1,785	(164)	(192,716)	(363,318)	(509,048)	–	–	–	–	–	–	–	–	–	–
Results from operating activities (EBIT)	25,560	23,784	8,795	(51,722)	(218,678)	(249,928)	(548,568)	267,020	306,624	352,016	351,479	367,422	385,732	324,813	211,567	144,070	104,236
Cash flow[6]	127,963	14,911	12,716	24,348	130,760	324,930	336,696	365,381	400,148	431,495	489,757	456,773	438,902	337,106	226,130	176,093	125,802
Net result (including discontinued operations)	(108,492)	(51,064)	(51,064)	(159,901)	(308,934)	(372,522)	(458,870)	428,303	289,745	287,595	272,219	263,410	283,412	216,213	141,011	99,412	49,317
Net result from continuing operations	(39,558)	(38,946)	(51,064)	(164,971)	(308,934)	(372,522)	(457,870)	224,230	231,535	293,911	–	–	–	–	–	–	–
Balance sheet (x EUR 1,000)																	
Property, plant and equipment	564,291	619,985	619,985	643,695	805,992	986,585	1,198,024	1,129,920	1,065,873	981,104	1,291,314	1,043,227	859,088	599,298	412,232	262,759	232,956
Capital expenditures	83,079	61,335	72,711	107,974	92,493	177,560	296,934	318,767	261,687	359,238	446,755	330,244	337,469	299,699	203,944	90,414	71,028
Total assets	2,056,304	1,944,423	1,944,422	1,898,304	2,174,449	2,841,184	3,565,672	3,630,602	4,169,716	3,861,595	3,089,991	2,366,317	2,123,306	1,700,130	1,405,698	1,138,660	983,350
Provisions[8]	17,836	17,786	17,786	17,068	26,845	61,827	61,046	225	1,165	4,215	5,204	6,240	13,155	16,278	13,888	398	1,075
Loans and borrowings[8]	822,198	725,803	725,803	634,893	573,503	728,082	949,954	689,023	1,166,734	1,215,173	590,862	441,339	395,384	449,957	341,997	300,753	184,268
Equity attributable to owners of the company	597,257	668,764	668,763	712,054	934,859	1,197,655	1,517,766	2,024,971	1,956,729	1,655,785	1,508,318	1,187,731	928,329	699,989	562,417	465,460	223,913
Capital employed	1,162,661	1,207,936	1,207,936	1,184,108	1,341,174	1,689,689	2,230,609	2,683,569	3,139,525	2,891,066	2,194,837	1,594,587	1,324,580	1,099,288	889,122	611,926	647,795
Key ratios (in %)																	
Results from operating activities (EBIT)/ revenue	1.6	1.5	0.5	(3.5)	(12.3)	(10.6)	(21.3)	11.0	14.2	18.9	15.4	17.9	17.9	18.0	14.8	12.9	10.3
Profit/revenue	(1.4)	(2.0)	(3.1)	(11.0)	(17.4)	(15.8)	(17.8)	9.3	10.7	15.8	11.9	12.8	13.2	12.0	9.8	8.6	4.9
Profit/average capital and reserves	(3.5)	(4.7)	(7.4)	(20.0)	(29.0)	(27.4)	(25.8)	11.3	12.8	18.6	22.3	24.9	34.8	34.3	27.4	28.8	22.7
Return on capital employed	5.0	0.2	0.2	(3.3)	(0.7)	3.9	1.3	8.2	11.0	12.5	14.6	20.2	24.1	25.1	20.5	19.8	15.8
Total equity/total assets	29.6	36.1	36.1	39.7	45.5	43.4	42.4	58.1	47.4	43.4	49.3	50.7	44.1	41.6	40.2	41.3	23.2

	IFRS 2019	IFRS 2018 2)	IFRS 2018 9)	IFRS 2017	IFRS 2016 2)*	IFRS 2015 2)*	IFRS 2014 2)*	IFRS 2013 2)* 4)	IFRS 2012	IFRS 2011 7)	IFRS 2010	IFRS 2009	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004
Data per share (x EUR 1.-) 2)																	
Equity attributable to owners of the company 1)	7.06	7.91	7.91	8.42	11.05	14.16	17.95	23.94	23.62	20.34	18.79	15.08	12.12	9.94	8.08	6.76	3.60
Results from operating activities (EBIT)	0.32	0.29	0.11	(0.64)	(2.70)	(3.09)	(6.78)	3.30	3.82	4.44	4.49	4.82	5.29	4.67	3.08	2.18	1.76
Cash flow	1.38	0.18	0.16	0.30	1.62	4.01	4.16	4.52	4.99	5.45	6.25	5.99	6.01	4.84	3.29	2.67	2.12
Net result	(0.28)	(0.39)	(0.63)	(2.04)	(3.82)	(4.60)	(5.65)	5.29	3.61	3.63	3.47	3.46	3.88	3.11	2.05	1.51	0.83
Dividend paid in year under review 3)	–	–	–	–	–	–	–	1.50	1.50	1.50	1.50	1.50	1.25	0.83	0.60	0.48	0.48
One-off extra dividend in connection with the divestment of the majority of the Geoscience business	–	–	–	–	–	–	–	–	0.50	–	–	–	–	–	–	–	–
Share price (x EUR 1.-) 1)																	
Year-end share price	9.97	7.55	7.55	12.99	14.55	15.06	17.26	43.32	44.52	44.895	61.50	40.26	20.485	52.80	36.20	27.13	15.35
Number of employees																	
At year-end	10,077	10,265	10,265	10,044	10,530	11,960	13,537	12,591	12,165	11.495	13,463	13,482	13,627	11,472	9,837	8,534	7,615
Shares in issue (x 1,000) 1)																	
Of nominal EUR 0.05 at year-end	84,572	84,572	84,572	84,572	84,572	84,572	84,572	84,572	82,844	81,393	80,270	78,772	76,608	70,421	69,582	68,825	62,192

* Including effect change of presentation multi-client data libraries.
1) As a result of the share split (4:1) in 2005, the historical figures have been restated. Equity attributable to owners of the company is based on issued shares. The other data per share is based on issued shares entitled to dividend.
2) On a continued basis, unless otherwise stated.
3) Including a one off extra dividend of EUR 0.50 in 2013.
4) As of 2013 the amortisation on multi-client data libraries is reclassified from third party costs to amortisation costs.
5) EBITDA is excluding impairments.
6) As of 2013 the cash flow represents the net cash generated from operating activities.
7) Excluding the revenue and results of the majority of the Geoscience division which have been sold as per 31 January 2013.
8) Consist of non-current portion.
9) Including discontinued operations.

GLOSSARY

Business/ technical terms

AUV (autonomous underwater vehicle) Unmanned submersible launched from a 'mother-vessel' but not connected to it via a cable. Propulsion and control are autonomous and use pre-defined mission protocols.

Bathymetry Study of underwater depth of lake or ocean floors. Underwater equivalent of topography.

Brent Major trading classification of sweet light crude oil that serves as a major benchmark price for purchases of oil worldwide.

CPT Cone penetration test(ing) Pushing a steel cone-tipped probe into the soil, measuring resistance, in order to identify soil composition.

CPT truck Truck that can be used for estimation of soil type and soil properties.

Geochemical The geology and chemistry concerned with the chemical composition of, and chemical reactions taking place within, the Earth's crust.

Geohazard Geological state that may lead to widespread damage or risk e.g., landslides, earthquakes, tsunamis.

Gas hydrates Mixture of semi-solid methane gas and water molecules that are created by water pressure and cold temperatures found deep in the ocean.

Geo-data Information related to the Earth's surface, subsurface and the structures built on it.

Geo-intelligence Acquisition and analysis of data on topography and the subsurface, soil composition, spatial reference, meteorological and environmental conditions, and the related advice.

Geophysical survey Mapping of subterranean soil characteristics using non-invasive techniques such as sound.

Geotechnical investigation Determination of subterranean soil characteristics using invasive techniques such as probing, drilling and sampling.

Geoscience Range of scientific disciplines (geology, geophysics, petroleum engineering, bio stratification, geochemistry, etc.) related to the study of rocks, fossils and fluids.

Geospatial Information on the position of something with respect to the things around it.

Hydrography Science that measures and describes physical features of water and the adjacent land areas.

IOC International oil company.

Jack-up platform Self-elevating platform. The buoyant hull is fitted with a number of movable legs, capable of raising its hull over the surface of the sea.

(Q)HSSE (Quality,) health, safety, security and environment.

LiDAR Measuring system based on laser technology that can make extremely accurate recordings.

LNG Liquefied natural gas.

Metocean Refers to combined wind, wave and climate conditions at a certain location offshore.

Multibeam echosounder Type of sonar that is used to map the seabed. Like other sonar systems, multibeam systems emit sound waves in a fan shape beneath a ship's hull. The amount of time it takes for the sound waves to bounce off the seabed and return to a receiver is used to determine water depth.

NOC National oil company.

Ocean bottom node (OBN) Seismic imaging through individual nodes placed on the seabed.

Ocean bottom cable (OBC) Seismic imaging through nodes attached to a cable on the seabed.

OHSAS British standard for occupational health and safety management systems. It is widely seen as the world's most recognised occupational health and safety management systems standard.

Remote operations centre using cloud based solutions, surveyors work onshore, reducing health and safety exposure, and accelerating delivery and insights for the client.

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.

Financial terms

Alternative Performance Measures

Fugro uses non-GAAP financial measures or alternative performance measures (as defined by European Securities and Market Authority). These measures are not recognised by IFRS-EU and may not appear on the face of the primary statements. The measures adjust the reported IFRS-EU results, which facilitate a users' understanding of the company's underlying operational performance, liquidity or financial position and trend development. This information may provide additional insights into the company's business, its past results, and its potential for future prospects. All of these measures, disclosed in the list of financial terms below and used by management, are included in this annual report. As of 2019, Fugro has considered European Securities and Market Authority guidelines on alternative performance measures. As a result, certain items are no longer be labelled as 'exceptional items' and these items are instead labelled as 'adjustments'. Terminology has changed to adjusted EBIT, adjusted EBIT margin, adjusted EBITDA, etc.

Backlog The amount of revenue related to signed contracts and work that can reasonably be expected based on framework contracts and outstanding tenders and proposals of which a good chance of success is expected (>50%) weighted with the likelihood of winning this work. Regarding Seabed Geosolutions, only signed contracts are taken into account.

Backlog – comparable growth Backlog growth corrected for currency effect and for portfolio and other changes.

Capital employed Total equity plus loans and borrowings and bank overdrafts, minus cash and cash equivalents. Capital employed is calculated at the end of the (full or half year) reporting period.

Cash flows from operating activities after investing activities Net cash provided by operating activities minus net cash flows used for investing activities. Also referred to as Free Cash Flow.

Currency comparable growth Reported revenue growth versus comparable period last year at last year's exchange rates

Days of revenue outstanding (DRO) Trade receivables plus the unbilled revenue on (completed) projects minus advance instalments to work in progress expressed as a number of days. The number of days is calculated backward based on monthly revenue.

Dividend yield Dividend as a percentage of the (average) share price.

EBIT Reported result from operating activities before net financial expenses and taxation.

Adjusted EBIT Reported result from operating activities before net financial expenses and taxation, adjusted for the following items:

- Impairment losses
- Onerous contract charges
- Restructuring costs
- Certain adviser and other costs or gains

Adjusted EBIT margin Adjusted EBIT as a percentage of revenue for the relevant period.

EBITDA Reported result from operating activities before net financial expenses, taxation, depreciation, amortisation, and impairment losses.

Adjusted EBITDA Reported result from operating activities before net financial expenses, taxation, depreciation, amortisation, and impairment losses, adjusted for the following items:
- Onerous contract charges
- Restructuring costs
- Certain adviser and other costs or gains.

Adjusted consolidated EBITDA for purpose of covenant calculations EBITDA, adjusted for the following items:
- Exclusion of (i) the impact of IFRS 16 ('frozen GAAP'), (ii) onerous contract charges, (iii) restructuring costs, (iv) certain adviser and other costs or gains, (v) impairment charge trade receivables, (vi) profit/(loss) on disposal of property, plant and equipment and (vii) profit/(loss) from businesses disposed of for the period for which they formed part of the Group
- Inclusion of (viii) pre-acquisition profit/loss from businesses acquired
- The aforementioned items are capped at a certain amount

Free cash flow See 'Cash flows from operating activities after investing activities'.

Interest cover Result from operating activities (EBIT) divided by the net interest charges.

Net debt Loans and borrowings, bank overdraft minus cash and cash equivalents.

Net debt for covenant purposes Loans and borrowings (not including the subordinated unsecured convertible bonds), net liabilities under or pursuant to swaps, bank overdraft minus cash and cash equivalents.

Net interest charges Interest payable on loans and borrowings, less interest income received (net financial expenses).

Net profit margin Profit as a percentage of revenue.

Net result Profit or loss for the period, attributable to the owners of the company.

Net revenue own service (revenue less third party costs) Net revenue own service comprises all revenue minus costs incurred with third parties related to the deployment of resources (in addition to the resources deployed by the Group) and other third party cost such as short-term lease or low-value lease expenses and other expenses required for the execution of various projects.

NOPAT Net operating profit after tax excluding net finance income/(expenses).

Operating cash flows before changes in working capital Net cash provided by operating activities excluding the impact of movements in working capital during the period.

Pay-out ratio Proposed dividend, multiplied by the number of shares entitled to dividend, divided by one thousand, divided by the net result.

Revenue – comparable growth Revenue growth corrected for currency effect and for portfolio and other changes.

Return on capital employed NOPAT as a percentage of a three points average capital employed. The three points consists of the last three reporting periods. The following items (post-tax) are added back both in the NOPAT as well as the capital employed for the same period:
- Impairment losses
- Onerous contract charges
- Restructuring costs
- Certain adviser and other costs or gains.

Solvency Shareholders' equity as a percentage of the balance sheet total.

Working capital The sum of inventories, trade and other receivables and trade and other payables.

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