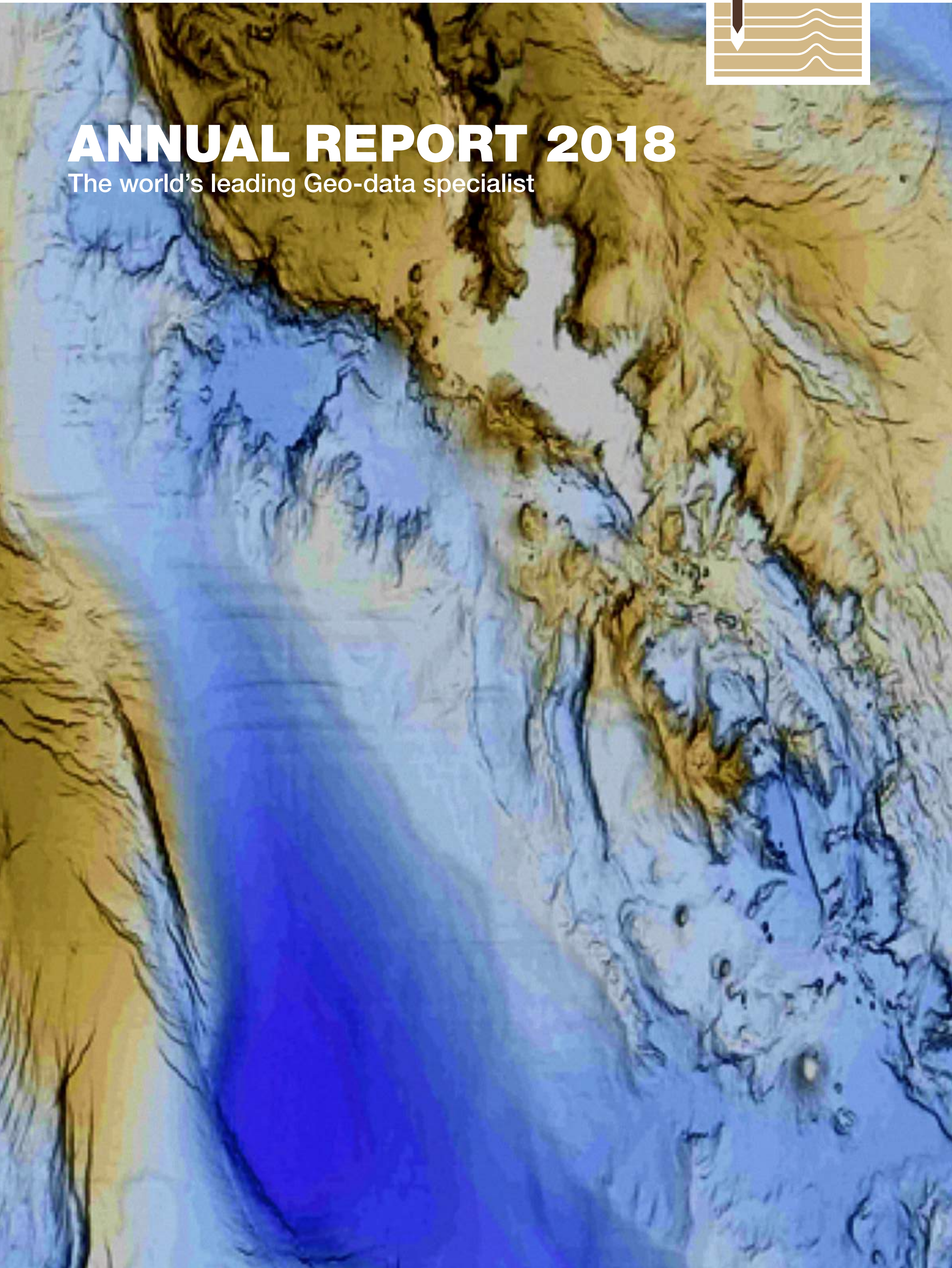
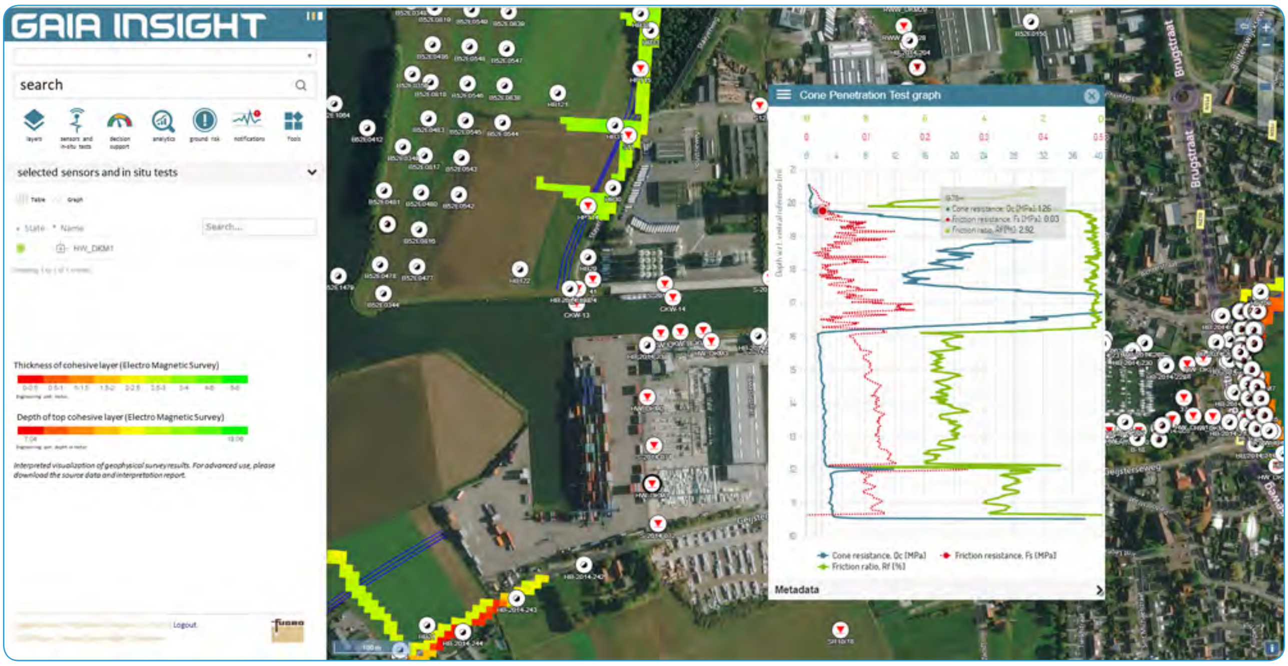
ANNUAL REPORT 2018

The world's leading Geo-data specialist





Fugro's Digital Foundation

Technology is changing faster than ever before. Key industry sectors that Fugro supports have begun to embrace digital solutions to increase efficiency and reduce the overall cost of development and operation of their assets.

Since Fugro was founded 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. For more than 50 years we have been supporting our clients' asset management programmes throughout the full life cycle of their assets. As the world's leading Geo-data specialist, we are ideally positioned to support our clients with the new possibilities that the digitalisation trend provides.

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. In the theme pages throughout this report we provide a number of concrete examples.

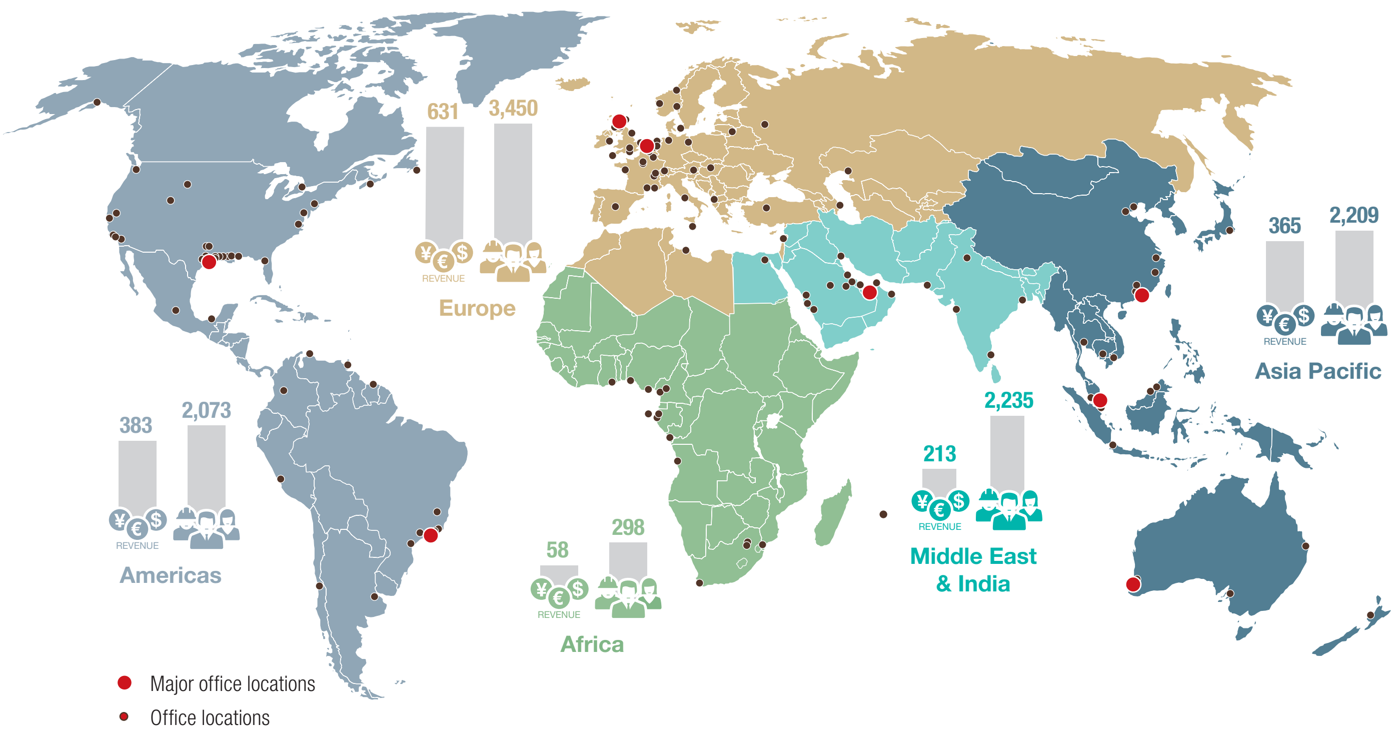
CONTENTS

KEY FIGURES

Revenue	EBITDA[1]	EBIT margin[1]	Backlog 12 months
€ 1,650 million	€ 118 million	0.8%	€ 1,042 million
+19.2%	+16.9%	2017: (2.1%)	+11.6%

1 Excluding exceptional items.

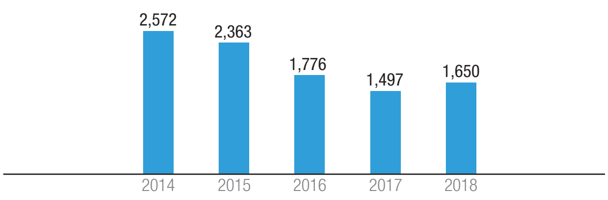
2018 revenue and people per region



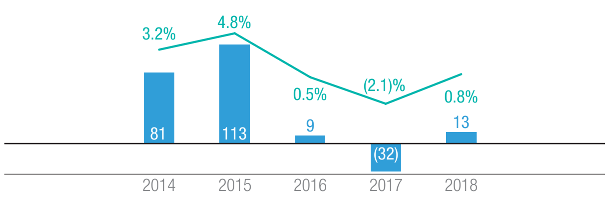
(x EUR million)	2018	2017
Revenue	1,650.0	1,497.4
■ reported growth	10.2%	(15.7%)
■ comparable growth [1,2]	19.2%	(13.2%)
EBITDA (excluding exceptional items) [1]	117.8	100.8
EBIT (excluding exceptional items) [1]	13.1	(32.1)
EBIT	8.8	(51.7)
EBIT margin (excluding exceptional items) [1]	0.8%	(2.1%)
EBIT margin [1]	0.5%	(3.5%)
Net result	(51.1)	(159.9)
Backlog next 12 months [1]	1,041.5	927.8
■ reported growth	12.3%	(20.7%)
■ comparable growth [2]	11.6%	(7.3%)
Cash flow from operating activities after investments	(33.4)	(50.5)
Capex	72.7	108.0
Capital employed [1]	1,207.9	1,184.1
Return on capital employed [1]	0.2%	(3.3%)
Net debt/EBITDA [1]	2.2	1.9
Number of employees (at year-end)	10,265	10,044
Lost time injury frequency (x million hours)	0.46	0.66

1 Refer to glossary (page 194) for definitions.
2 Revenue and backlog growth corrected for currency effect (of around –4% on revenues and +1% on backlog) and for portfolio changes related to the divestment of the marine construction and installation activities in 2017.

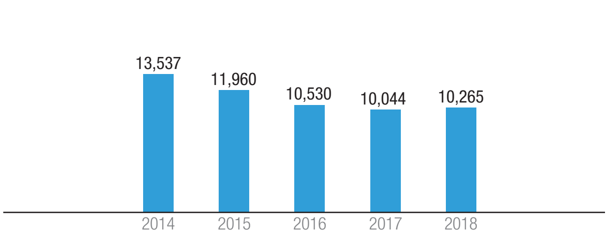
Revenue



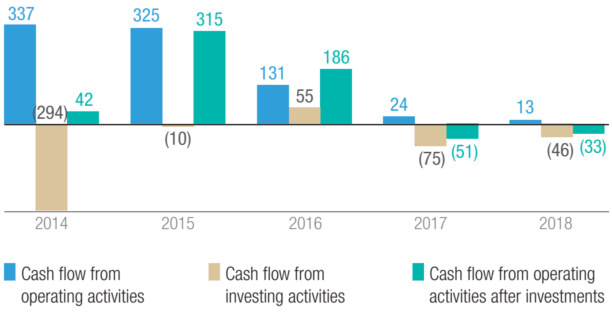
EBIT (margin) excluding exceptional items



Number of employees



Cash flow



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

MESSAGE FROM THE CEO

Dear reader,

The year 2018 marks a turning point in our results, driven by the gradual recovery of the oil and gas market and ongoing growth in offshore wind and infrastructure markets. As the world's leading Geo-data specialist we are well positioned to capitalise on these market trends.

OUR PATH TO PROFITABLE GROWTH

During the years 2014 to 2017, our activity levels and pricing declined strongly, driven by a downturn in the oil and gas market which was longer and deeper than any before. Despite rigorous cost savings, profitability declined far below acceptable levels. Since the start of 2018, we have been experiencing a gradual recovery of the oil and gas market, starting with a sharp growth and improving prices in our early cyclical marine site characterisation activities, resulting in revenue growth and improving profitability. Still, it is evident that our results need further improvement.

We used the downturn as a 'perfect storm' to transform, under our 2014 Building on Strength strategy, from a highly decentralised organisation into a cohesive global company with a clear focus and the ability to deliver integrated service packages and solutions to clients. At the same time, costs were substantially reduced, while we continued to invest in the development of new, innovative technologies and solutions.

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. Drivers for the projected improvement in profitability are volume growth, operating leverage, improved pricing conditions and higher productivity. Disciplined execution of our plans will, in the mid-term, result in a return on capital employed of 10 to 15% and an EBIT margin of 8 to 12%.

To accelerate strategy implementation and further increase efficiencies we will simplify our management structure by integrating the Land and Marine divisions at top-level. Instead of two divisions represented in five regions there will be four integrated regions, effectively removing a management layer. Within the regions, the current business line structure will be maintained: marine site characterisation, marine asset integrity, land site characterisation and land asset integrity.

FUNDAMENTAL CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

The world is changing faster than ever before. Over the coming decades, population growth and urbanisation will lead to an increasing demand for energy, water, food, minerals, metals, buildings, industrial plants and infrastructure. The energy mix, infrastructure and built environments have to evolve if these challenges are to be tackled successfully.

Fugro's services are essential for the sustainable development and operation of our clients' infrastructure, plants, buildings and natural resources. We contribute significantly to the development of sustainable energy, such as offshore wind farms, and to projects that mitigate the impact of climate change such as flood and coastal protection. Today, around 40% of our revenue is generated in these non-oil and gas related market segments.

Even with the ongoing energy transition to combat climate change, oil and in particular gas will remain an important part of the global energy mix. For the coming years, the growth in renewables will not even cover the overall energy demand growth, and it will therefore take time before the demand for fossil fuels starts to decline. Fugro continues to deliver sustainable solutions to oil and gas related projects, targeting a safe and responsible development of these vital resources.

It is not only about what we do, but also about how we do it. We are committed to conducting our business ethically and responsibly. We strive to execute our projects with the highest regard for the safety and wellbeing of everyone who works for and with us, and to minimise the impact on the environment, while remaining compliant with relevant rules and regulations. In 2019, we will further focus on reducing our own environmental footprint.

SAFETY IS KEY

Much of our operations take place in challenging environments, making safety a key priority in Fugro. Over the last decade we've developed and improved our equipment, systems and procedures and more importantly, we've made great improvements to our safety culture and performance.

Sadly, we experienced two work related fatalities in 2018. These losses are unacceptable and devastating for family, friends and colleagues. We must, and will, continue to seek to improve all aspects of the safety of our operations, but particularly our pro-active leadership, employee engagement and team work in this area. To help us do this, we are involving all Fugro employees in a company-wide safety culture assessment, asking them to tell us their personal opinions and views on our current safety culture. The outcome will show us where we are doing well and highlight the opportunities for further improvement.

In January 2019, a dam collapsed at a mining site near Brumadinho in South-Eastern Brazil. Today, many people are still unaccounted for, including four Fugro colleagues that were working at the location. We are of course deeply saddened by this tragic event and our thoughts are with all of those that have been affected.

LOOKING AHEAD

The outlook across our market segments is positive as offshore wind, oil and gas and infrastructure markets continue to grow. The oil and gas market is recovering despite short term volatility related to geopolitical developments and concerns over reduced global economic growth. In the infrastructure market we expect continued growth, driven by population growth and urbanisation. The high order intake in the last quarter of 2018, the solid backlog and latest market forecasts are supportive of the implementation of our strategic plan. For 2019, we expect continued revenue growth, further improvement of EBIT margin and positive cash flow from operating activities after investments.

With over 18 years of experience within Fugro under my belt, in October 2018 I became CEO of this great company with talented people, fascinating technology and leading positions in key markets. I believe we are well placed to meet the challenges of the future. I am looking forward to further build this company together with our colleagues all over the world. Our clients value our advanced technologies and assets, integrated offering, high safety standards and global footprint. But most of all, along with me, they value the deep expertise and commitment of Fugro's people.

Mark Heine
Chief Executive Officer

PROFILE

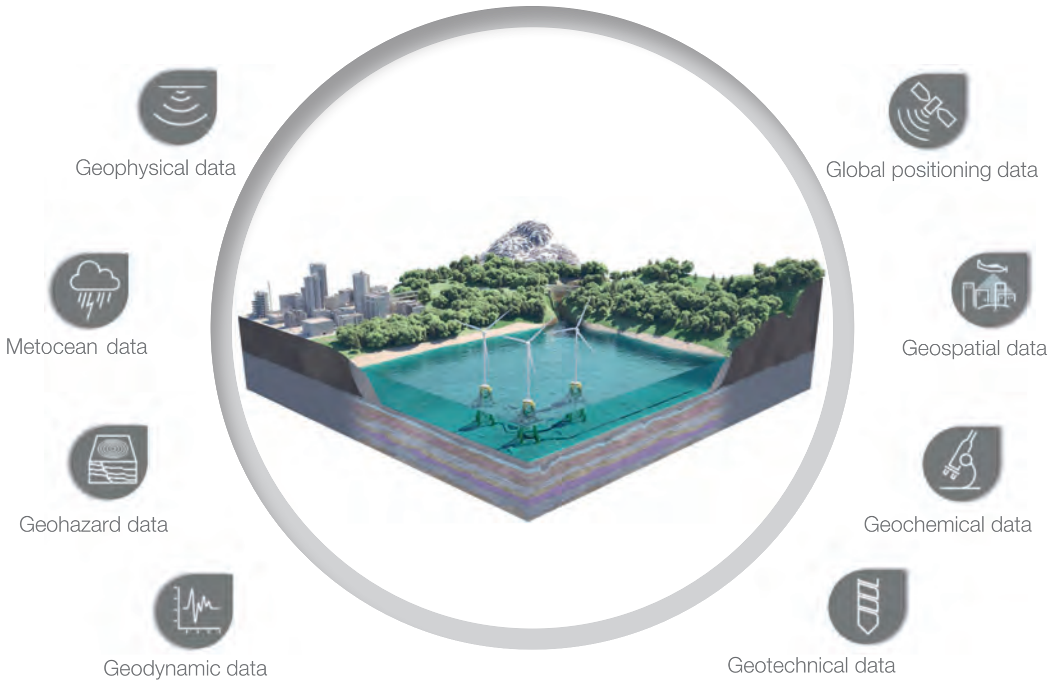
Fugro is the world's leading Geo-data specialist, collecting and analysing comprehensive information about the Earth and the structures built upon it. Through integrated data acquisition, analysis and advice, we unlock insights from Geo-data to help our clients design, build and operate their assets in a safe, sustainable and efficient manner.

Our vision is to be the world's leading Geo-data specialist. 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. Today, whether the project is the characterisation of a new construction site or maintaining the integrity of an existing structure, we employ our unique 'triple A' approach: through the integration of data Acquisition, Analysis and Advice, Fugro provides Geo-data solutions.

The information we provide is essential to our clients for characterising their building sites to facilitate the safe, cost effective and sustainable design and construction of their buildings and infrastructure (site characterisation). We also provide information on the precise location and condition of assets, as they are built and operated, to optimise asset reliability, utilisation and longevity (asset integrity). We serve clients' needs from modest assignments to the most challenging, multi-disciplinary, integrated projects.

With our team of dedicated experts, global fleet of specialised assets and cutting-edge digital solutions, we support a wide range of clients in the energy, power, infrastructure, mining and nautical industries. Employing 10,000 talented people in 65 countries, Fugro works around the globe, both on land and in marine environments.

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



OUR PURPOSE

Our planet is extremely complex and continuously changing. Understanding this complexity is essential in order to build and maintain assets in a responsible manner. Fugro's expertise is essential to create a safe and liveable world.

We are living in a period of intense and accelerating change. 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. This is affecting virtually every industry, 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. Therefore the future cannot just be about more; it also has to be about better. The energy mix, infrastructure and built environments have to evolve if tomorrow's problems are to be tackled successfully.

Through our integrated and digital solutions 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, sustainably and efficiently. We sometimes play a small role in a client's project, but it is always critical.

OUR VALUES

Client focus

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

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.

OUR SERVICES

Fugro is unique in its capabilities to provide both site characterisation and asset integrity solutions throughout the full lifecycle of offshore wind farms, operational offshore platforms, high-rise buildings, industrial facilities, airports, bridges, tunnels, levies and other infrastructure, power line grids, railways tracks and pipelines.

Site characterisation

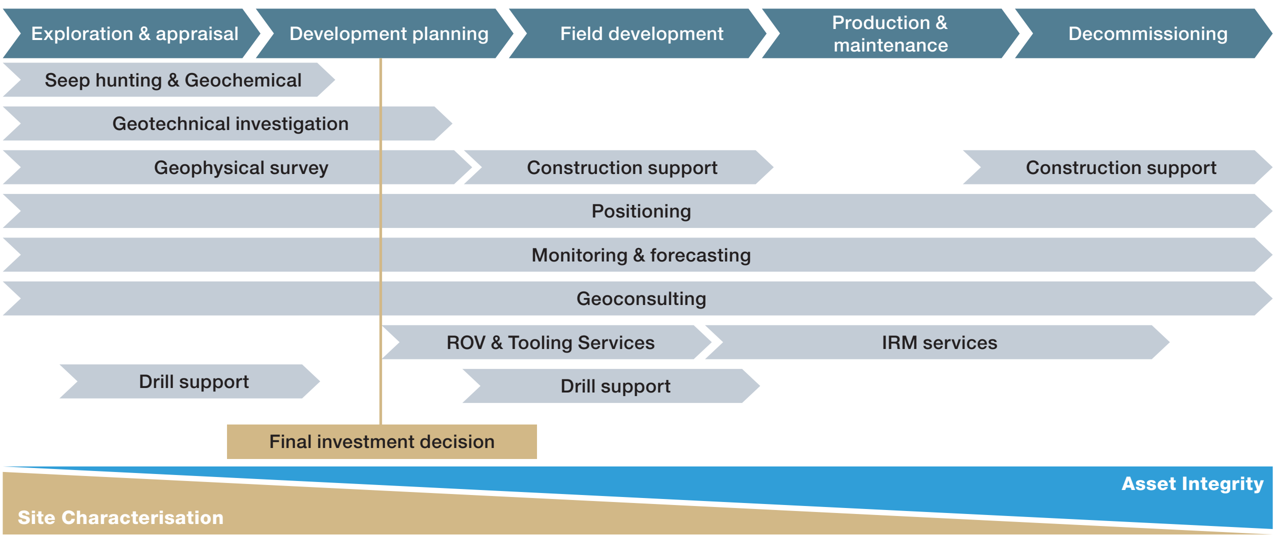
Around the world, both on land and in the marine environment, we carry out technical studies, surveys and investigations to establish the characteristics of sites and routes to be developed. With geophysical surveys we map the Earth's surface and subsurface, and through geotechnical investigations we 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 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.

Asset integrity

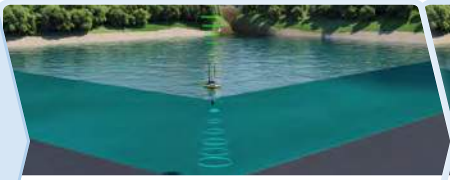
As assets are being built, we support construction projects with our positioning, monitoring and visualisation services. Once assets are built and deployed, we support our clients' asset management programmes. We use innovative scanning, monitoring, analytics and data management techniques to assess 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.

Fugro provides services throughout the life cycle of clients' offshore oil & gas or wind assets



For an explanation of the services mentioned in this graph, see the glossary of this report

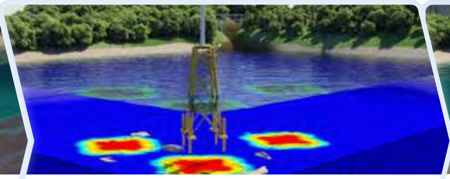
Site characterisation example: offshore windfarm



We send out metocean buoys to measure wind currents, to determine meteorological, oceano-graphic and environmental conditions.

We map the seabed by acquiring hydrographic and geophysical data.

We acquire soil sampling via extraction of soil samples.



We analyse all the collected data to determine where the wind farm should best be placed.

Once the offshore turbines have been constructed, we assess the condition of the underwater parts of the offshore assets.

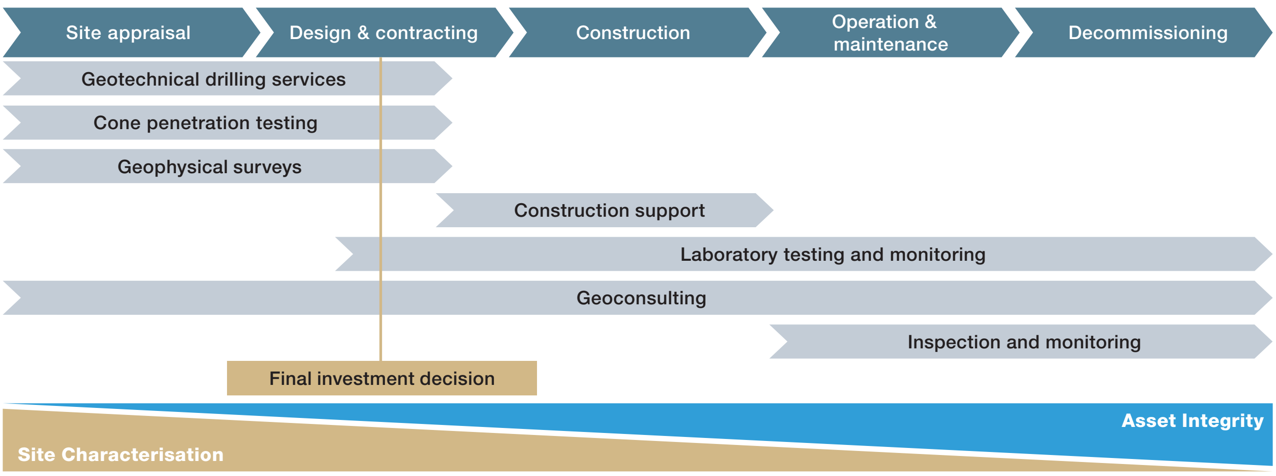
Asset integrity example: railway bridge

With millimeter accuracy we measure where the actual track is, and what is going on in the corridor around the rail environment.

After analysis, we identify for the client where they need to focus their remediation efforts.

We can instrument the asset, providing streaming data about the real-time condition of the asset.

Fugro provides services throughout the life cycle of clients' infrastructure assets



For an explanation of the services mentioned in this graph, see the glossary of this report

OUR KEY STRENGTHS

People with deep expertise

Fugro employs the largest group of geo-specialists in the world. Our teams of motivated employees apply the highest standards of professionalism and integrity. We work around the globe and our office locations are predominantly staffed with local people, from over 100 nationalities. This brings Fugro benefits from knowledge of local business procedures, culture and traditions, combined with the strength of groupwide cooperation. Fugro's strong connection with leading universities and other knowledge institutes in its field further supports the scientific know-how of our people.

Market leading positions

We are the only company active in both marine site characterisation and marine asset integrity, and are the global number 1 or 2 player in almost all our services. In the land environment, Fugro is one of the few companies to offer integrated services anywhere in the world. Our site characterisation services achieve solid market share on complex, high-profile projects, and in asset integrity we have leadership positions in specific market segments in selected countries and regions.

Unique 'triple A'-approach

We provide the full range of data acquisition, analytics and advisory services:

- Acquisition: collection of Geo-data on topography, the subsurface, soil composition, meteorological, oceanographic and environmental conditions and asset condition.
- Analysis: organisation of acquired data and adding value through testing, processing, interpretation, management and hosting.
- Advice: provision of customised consulting services including foundation design, earthquake analysis, slope stability analysis, coastal flood and flood protection, and asset condition analysis.

State-of-the-art technologies

We are a technology leader, applying world-class, innovative and often proprietary solutions. Fugro uses high-performance assets, equipment, technologies, software and business processes and is the only company with purpose-built geophysical and geotechnical vessels. With our cutting-edge technologies, numerous patents to our name and close to 400 people in research and development, our ambition is to remain at the forefront of technological developments.

Global reach, local presence

In recent years, Fugro has transformed from a highly decentralised organisation into a lean, cohesive company with a clear focus and the ability to deliver integrated service packages to clients all over the world. Large integrated projects can in most cases be fully resourced within the relevant regions, so that they can be executed efficiently. Where needed, additional capacity or capabilities are sourced from other regions.

Strong client relations

We have long-standing relationships with most clients in the energy, power, infrastructure, mining and nautical industries. They appreciate our know-how, experience, technology quality of services, integrated service delivery around the globe and strong safety performance.

OUR ORGANISATION

Organisational structure

Fugro N.V. is a public limited liability company managed by a Board of Management under supervision of an independent Supervisory Board; a so-called two-tier board system.
The majority of Fugro's activities are managed within its Marine and Land division. Both divisions comprise a Site Characterisation business line and an Asset Integrity business line, organised within five geographical regions: Europe, Americas, Asia Pacific, Middle East and India,

and Africa. Within the business lines Fugro can provide any of the data acquisition, analytics or advisory services required by its clients separately or in combination in large, integrated projects.

The other activities take place in the Geoscience division, which almost entirely consists of Fugro's 60% stake in Seabed Geosolutions (fully consolidated).

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, marketing and communication and IT are increasingly organised in shared service centres.

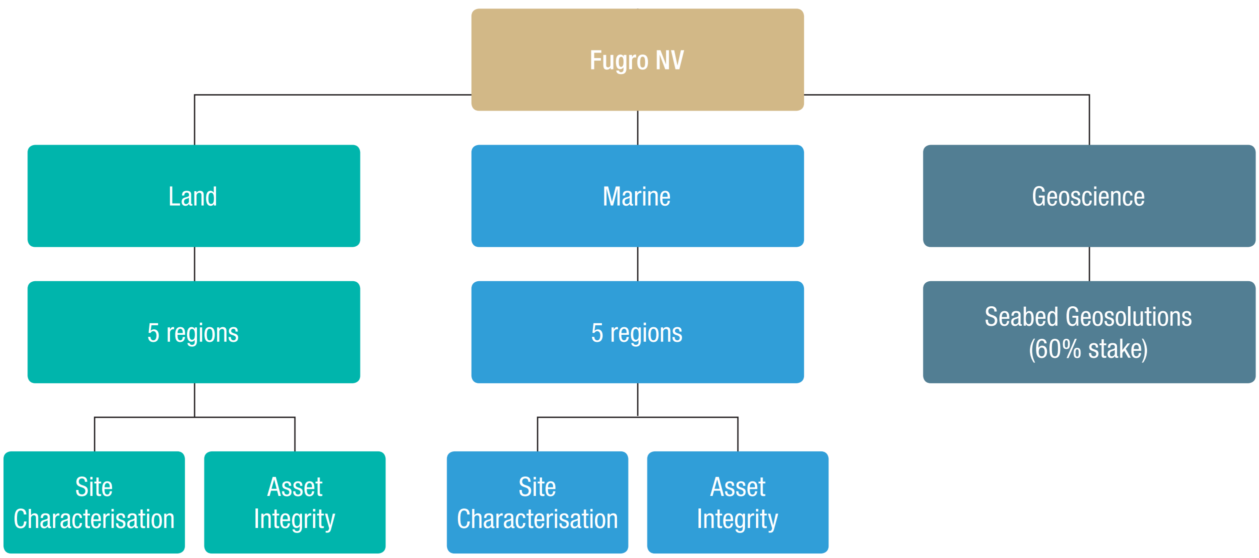
We provide our services from a global network of offices located in 65 countries.

To create more focus on strategic and operational priorities and as a logical next step in Fugro's drive towards offering integrated solutions, Fugro will simplify its top-management structure. The Land and Marine divisions will be integrated at the top-level. Instead of two divisions represented in five regions there will be four integrated regions, effectively removing a management layer. Within the regions, the current business line structure will be maintained: marine site characterisation, marine asset integrity, land site characterisation and land asset integrity.

In addition to the Board of Management, an executive leadership team will be established. This team will consist of the four Regional Group Directors, a Group Director Digital Transformation & Innovation, the Group Director Human Resources and the General Counsel. The Board of Management will continue to consist of three members. As CEO, Mark Heine will be the chairman of both the executive leadership team and the Board of Management. Brice Bouffard, currently Director Land, will become Chief Development Officer with a dedicated focus on the portfolio of services, the global business lines, sales & marketing and operational excellence. Paul Verhagen will continue in his position as CFO, responsible for finance, IT and procurement.

Operational assets (per year-end 2018)
Fugro is the only company with purpose-built geophysical and geotechnical vessels. As needed, we supplement our fleet with mostly short-term seasonal charters. In addition, Fugro is the most experienced commercial operator of autonomous underwater assets. As technology allows us to do so, we are gradually directing our capital expenditures towards lightly manned, remotely operated, in some cases fully autonomous assets.

Organisational structure



At year-end 2018, we have the following operational assets:

- 26 vessels (in addition to 4 long-term charters and 5 vessels under tri-partite agreements)
- 2 unmanned surface vessels (USVs)
- 5 autonomous underwater vehicles (AUVs)
- 107 remotely operated vehicles (ROVs)
- 100 cone penetration testing systems (CPTs)
- 231 onshore and 14 offshore drilling rigs
- 38 laboratories
- 31 jack-up platforms
- 4,500 seabed seismic nodes (around 5,500 more nodes available in the first half year of 2019)
- 374 kilometres of seabed cables

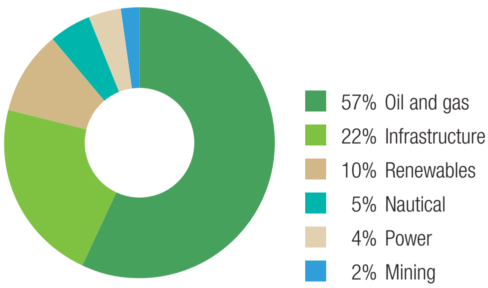
OUR CLIENTS

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

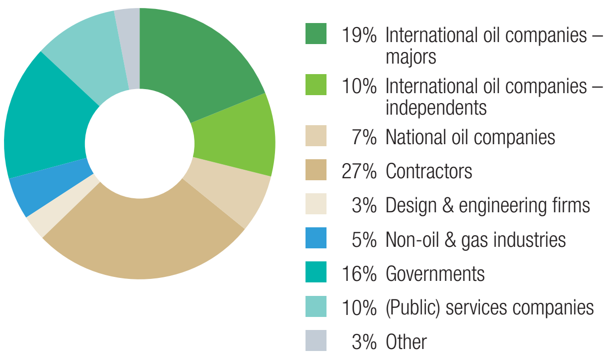
Oil and gas

We provide our services to both oil and gas companies and service providers such as construction and installation contractors and design and engineering companies. Although we are active through the full life cycle of oil and gas fields, the majority of our revenue relates to the offshore upstream (exploration and production) segment. In the downstream segment we provide services to support the construction and operation of LNG plants, refineries, petrochemical facilities and pipelines.

Revenue by market segment



Revenue by client type



Infrastructure

Our main customer groups are government agencies, construction project developers, railroad operators, design and engineering contractors, construction and installation contractors and industrial companies. The insight we provide helps local, regional and national government

agencies to manage their urban planning, security and development of natural resources. Our asset integrity solutions are used to optimise performance and enhance the life time of assets such as roads, railways, bridges, tunnels, pipelines and industrial facilities.

Renewables
We work for offshore wind farm developers, in North Western Europe and increasingly also in other geographies such as the east coast of the USA and Asia. We are the largest provider of services for general site assessment, targeting the optimal location, foundation design and routing of power cables. We also provide performance monitoring and asset inspection services. A smaller client group is the owners or developers of hydropower and geothermal, solar and tidal wave energy projects.

Power
This segment comprises our activities in power distribution and generation, excluding renewables. We provide site characterisation services to power plant engineering companies and owners, mostly in the development phase. For nuclear power plants we provide specialty earthquake risk assessments and site characterisation. For asset integrity services, our main clients are the power distribution companies, to whom we provide innovative, fast, cloud-based asset management solutions for power networks.

Nautical
Fugro services a range of non-energy related maritime clients. Activities include port and harbour surveys, hydrography for nautical charts, Law of the Sea surveys and consultancy, accurate positioning of vessels (in particular large cruise and container vessels), telecom cable surveys and search and recovery operations.

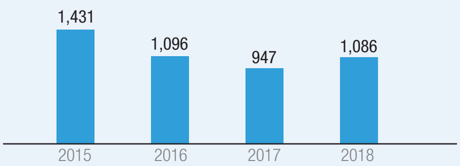
‘Through acquisition, analysis and advice we **unlock key insights** from Geo-data, helping our clients **develop** and **manage** their assets **safely, sustainably** and **efficiently**, throughout their full asset life cycle.’

Mining
Fugro serves global and local mining companies, government agencies, construction contractors and design and engineering companies. Our services are aimed at supporting the efficient, safe and environmentally responsible recovery of natural resources, and remediating mining areas responsibly as part of mine decommissioning.

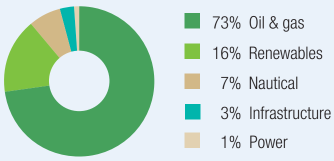
The offshore business is **truly international** with large, globally active clients.

MARINE DIVISION

Revenue (x EUR million)



Revenue per market



With our global reach and integrated offering, we are the only company active in both site characterisation and asset integrity markets. In site characterisation services, 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 deep water. In light inspection, repair and maintenance services for offshore assets, we are one of the largest players overall.

In addition to our strong position in the oil and gas market, during recent years, we have also become the market leader in site characterisation services for offshore wind farms, not only in Europe but also in other geographies such as the United States of America and Asia.

Site characterisation services

Geotechnical investigation	Determination of subterranean soil characteristics via extraction of soil samples or cone penetration testing, and logging of soil and rock layers, in water depths down to 3,000 metres.
Geophysical surveys	Mapping of seabed soil characteristics using non-invasive techniques such as sound.
Seep surveys	Detecting hydrocarbon seeps (leakages) as an indicator of the presence of active oil or gas reserves offshore. Combined with geochemical analysis.
Hydrographic surveys	Hydrographic surveys relating to the production of navigation charts, route surveys for cables and underwater searches.
Metocean measurement	Provision of systems and services to measure, analyse, model and predict meteorological, oceanographic and environmental conditions.
Geoconsulting	Provision of consulting services based on geotechnical, geophysical and environmental data. Includes ground modelling and geohazard risk assessments.

2018 project: site characterisation for offshore wind farm

Exploration & appraisal | **Development planning** | Field development | Production & maintenance | Decommissioning

Project details

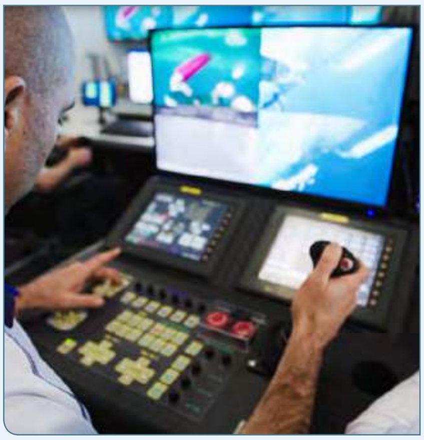
- Client: Ørsted
- Location: Ocean Wind wind farm, offshore New Jersey, USA
- Water depth: 30 – 60 metres
- Services: geophysical survey, geotechnical investigations, laboratory testing and related analysis, advice
- Around 6,000 line kilometres of geophysical survey data collected, mapping the entire field development, supplemented with extensive soil sampling
- Fugro's initial 2017 desk top study already identified the likelihood of geohazard presence and other risks, helping the client to optimally define the survey area

Asset integrity services

Inspection, repair and maintenance (IRM)	Extensive range of services designed to assess the condition of the underwater part of offshore assets and execute subsequent light repair and maintenance programmes.
Positioning signals and services	Subscription-based service which enhances public satellite positioning data to a high accuracy and the provision of positioning equipment. Positioning services during construction and installation activities, both above and below the water surface.
Construction support	Provision of survey systems, usually involving the use of ROVs, and related expertise to support offshore construction projects.
Metocean monitoring and forecasting	Real-time monitoring and forecasting of weather, sea currents and environmental conditions.
ROV and tooling services	Inspection and light intervention services, making use of ROVs, in support of drilling operations at oil or gas wells. Design, development and manufacturing of ROVs.

2018 project: multi-year framework IRM contract

Exploration & appraisal | Development planning | **Field development** | **Production & maintenance** | Decommissioning



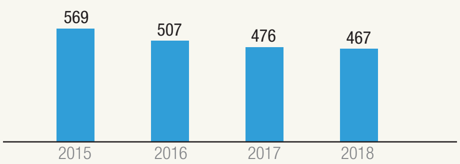
Project details

- Client: Woodside Energy (3 year framework contract)
- Location: North West Shelf Australia
- Water depths: 80 – 1,025 metres
- Services: Inspection, repair and maintenance on pipelines, platforms and subsea facilities; inspections with platform deployed remotely operated vehicles (ROVs) and divers; deep water cone penetration tests.
- Successful first live remote pilotage of ROVs, executed from remote operations control centre in Perth
- 495 offshore days with zero reportable incidents or lost time injuries

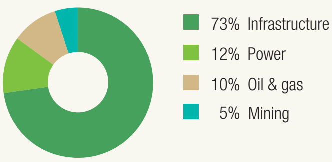
In a fragmented landscape, Fugro is one of the few companies to offer **integrated services, anywhere in the world**.

LAND DIVISION

Revenue (x EUR million)



Revenue per market



Our site characterisation services achieve solid market share on complex, high-profile international projects, such as high-rise buildings, nuclear power plants, tunnels and bridges. In asset integrity we have leadership positions in specific market segments in selected countries, for example in digital rail asset integrity management in Europe and digital power network asset management in Australia.

Site characterisation services	
Geotechnical investigation	Determination of subterranean soil characteristics via extraction of soil samples or cone penetration testing, and logging of soil and rock layers.
Geophysical surveys	Mapping of subterranean soil characteristics using non-invasive techniques such as sound.
Laboratory testing and monitoring	Laboratory testing of rock and soil samples; testing of foundation and construction materials; instrumentation and monitoring of building sites and constructions.
Geoconsulting	Provision of consulting services based on geotechnical, geophysical and environmental data. Includes ground modelling and geohazard risk assessments, water resource management and flood control.

2018 project: site investigation for Heathrow airport expansion

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

Project details

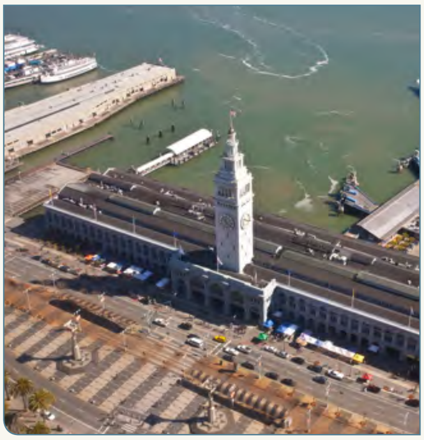
- Client: Heathrow Airport Limited
- Services: soil sampling, lab testing, geophysical surveys and water quality sampling for the proposed airport expansion.
- Use of Fugro's cloud-based solution for management of project reporting, Gaia Forms.
- Five-year framework contract initiated late 2017.
- Services support optimised design of proposed airport expansion, which potentially includes a third runway, works to M25 motorway, a terminal building and supporting infrastructure.

Asset integrity services

Inspection and monitoring	3D digital remote inspection, modelling and analysis of power lines, railways, roads or oil and gas infrastructure using highly-automated, digital data collection and cloud-based processing, analysis and hosted delivery. Remote sensing and mapping of land and properties.

2018 project: port of San Francisco seawall risk assessment

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

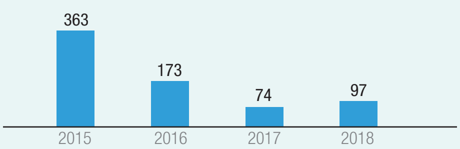


Project details

- Client: Port of San Francisco
- Services: site investigation along existing seawall, advanced laboratory testing, site characterisation and subsurface ground model, earthquake vulnerability and sea level rise assessment, development of ground mitigation concepts.
- In support of client's earthquake safety and disaster prevention program, Fugro provides critical data, advanced analysis and advice for optimised design of earthquake and sea-level remediation measures for seawall and surrounding economic and transportation hub.

GEOSCIENCE DIVISION

Revenue (x EUR million)



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

Seabed Geosolutions supports the optimal development and production of offshore oil and gas fields by providing high quality seismic data collected directly on the seabed. The data are used for detailed reservoir characterisation and monitoring of the impact of production, and detection of potential geohazards; all with the ultimate goal of improving the oil recovery from a producing field.

3D and 4D seismic data are collected in water depths down to 3,000 metres using individual seabed nodes or, in very shallow water environments, sensor cables. Traditionally, Seabed Geosolutions collected seismic data on the seabed in areas where the water depth is too shallow, obstructions at the surface (such as infrastructure) do not allow for conventional surface streamer-based data acquisition or where data of particularly good quality are required. Today, ocean bottom seismic data acquisition is becoming increasingly competitive, with streamer-based data due to operational innovations creating a step change in data acquisition efficiency and cost effectiveness, which expands the traditional boundaries of the seabed market.

In a consolidating but growing market, Seabed Geosolutions is well positioned given its track record as the most experienced seabed data acquisition company, with a strong technology portfolio and the broadest range of technology solutions available in the market, addressing the full range from shallow to deep water.

STRATEGY

Recovery of the oil and gas market and ongoing growth in offshore wind and infrastructure markets create ample opportunities for Fugro. 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 world we live in is changing faster than ever before, driven by population growth, people moving to cities, technological developments and climate change. Fugro, together with its clients, plays a fundamental role in creating a safer and more liveable world. We will continue to work closely with our clients and partners to build programmes to further improve safety and environmental 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.

GLOBAL TRENDS

Population growth

Between now and 2050 the world is expected to host an additional 2.5 billion people; a growth of over 30% compared to today. This puts an enormous strain on our planet and will result in the need for more energy, water, food, minerals and metals. Global energy demand is expected to double this century.

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

Urbanisation

The biggest population growth will take place in large urban centres. Between now and 2050, a further 1.3 billion people will move to cities. In the year 1800 only 2% lived in cities, in 1950 this was 30% and by 2050 two-thirds of the population on this planet will live in cities. This will drive an enormous demand for modern and effective infrastructure. In turn this will lead to increasing demand for roads, railways, airports, buildings, tunnels, bridges and harbours. Without these, we would not have a safe and liveable environment.

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.

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. It is increasingly clear that 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 harsher weather patterns with cyclones and tsunamis 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.

MARKET TRENDS

Oil and gas

The period from 2014 to the first half of 2017 was dominated by oversupply of oil, as technological improvements led to a strong increase in the production of shale oil in the United States of America, new supply from mega projects of the preceding years and continued ample supply from the Middle East and Russia. This resulted in a steep drop in the oil price, which prompted oil companies to sharply reduce their capital and operational spending.

For offshore oil field services companies, this has resulted in continued low work volumes and significant price pressure due to overcapacity. The downturn has forced massive cost reduction throughout the supply chain and has prompted the development of standardised, more cost-effective solutions. As a result, many offshore reservoirs have become more competitive, with a development and production cost per barrel below or at the lower end of the cost range of shale oil; they also have attractive, low cost production profiles following higher upfront investment.

New developments offshore, including in deep water, are now required to fill the gap caused by depletion and increasing demand. Depletion of producing oil and gas fields amounts to several million barrels per day on a current production of around 100 million barrels per day. In addition, in the coming years the demand for oil is expected to grow by around 1 to 1.5 million barrels per day.

On the back of the supply discipline of OPEC and Russia, the oversupply started to decrease during 2017. In 2018, this resulted in a recovering oil price and a growing number of final investment decisions (FIDs) on offshore projects, leading to higher activity levels in the early part of the oil and gas cycle, including marine site characterisation. It is anticipated that offshore oilfield services expenditure will show double digit growth in the coming years. New indications of temporary oversupply, and especially concerns over global economic growth as of 2019, has led to renewed pressure on the oil price towards the end of 2018. Still, we expect projects to continue to move forward as economics are still viable at current commodity price levels.

Renewables

Growth in solar and wind power generation is rapid. Renewables are the fastest growing fuel source, quadrupling over the next twenty years, to around 14% of energy consumption (source: BP Energy Outlook 2018). For offshore wind, decreasing development costs and improving reliability is opening up geographies beyond Europe, such as the USA and Asia. In addition, the market for asset integrity services is beginning to develop as more and more wind farms enter into operation.

Despite the rapid development of renewable energy, it is still small compared to energy generated from oil and gas. For the coming years, the growth in renewables will not even cover the overall energy demand growth, and it will therefore take time before the demand for fossil fuels starts to decline. This means that oil and gas will continue to dominate energy supply for years to come. By 2040, the global energy mix is anticipated to be the most diverse ever, with oil, gas, coal and non-fossil fuels (renewables, hydro and nuclear) each contributing around 25% (source: BP Energy Outlook 2018).

Infrastructure

Population growth and urbanisation is increasing the demand for roads, railways, tunnels, bridges, airports, harbours and mines. In addition, the growing energy demand is leading to higher investments in oil and gas, power and electricity facilities and distribution networks.

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 operability. In addition, there is a continuing demand for conventional and nuclear power stations, which require extensive and specialist site characterisation solutions.

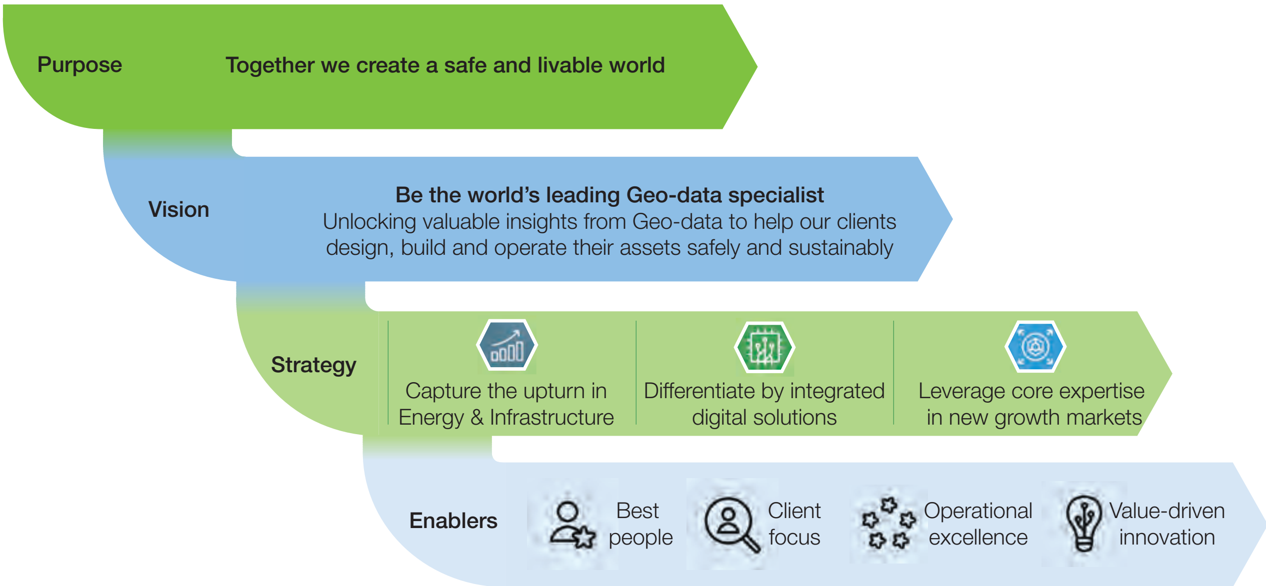
PATH TO PROFITABLE GROWTH STRATEGY

During the years 2014 to 2017, activity levels and pricing declined strongly, driven by an oil and gas crisis that was longer and deeper than any before. Despite rigorous cost savings, Fugro's profitability declined far below acceptable levels. The year 2018 marks a turning point in our results, driven by sharp growth and improving prices in our early cyclical marine site characterisation activities. Still, it is evident that our results need further improvement.

We used the downturn as a 'perfect storm' to transform, under our 2014 Building on Strength strategy, from a highly decentralised organisation into a cohesive company with a clear focus and the ability to deliver integrated service packages and solutions to clients. At the same time, costs were substantially reduced, while we continued to invest in innovative solutions and the development of new technologies.

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

Path to Profitable Growth strategic framework



new growth markets. The implementation will target volume growth, while operating leverage, improved pricing conditions and higher productivity will push our margins.

Capture the upturn in the energy and infrastructure market

The outlook across Fugro's market segments is positive. After a couple of years of underinvestment, oil and gas companies are increasingly taking final investment decisions regarding new offshore developments. This is evidenced by the recovery, since the start of 2018, of our early cyclical marine site characterisation business. Similarly, there is ongoing expansion of offshore wind developments in Europe and, to an increasing extent, also in other geographies like the United States of America 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 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 our key markets. In the Marine division, we are targeting volume growth, while operating leverage, improved pricing conditions and higher productivity will improve our margins. We will increase our integrated offering of acquisition, analysis and advise on Geo-data, strengthen key account management and improve value-based bidding. There is room to increase the utilisation of our current vessel fleet and we will gradually shift towards more lightly manned, sometimes even unmanned, platforms. We will continue to improve our operational excellence to drive client satisfaction and cost efficiencies.

In the Land division, we target 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 (mostly engineering, procurement and construction contractors) we ensure that we are engaged from the very start of their project. To this end, we have developed integrated value propositions for nine defined key asset classes in the energy and infrastructure market: roads, railways, tunnels, bridges, airports, mines, nuclear power plants, power transportation and distribution and oil and gas facilities.

Differentiate by integrated digital solutions

Digitalisation is a key priority for our clients. Key industry sectors that Fugro supports have begun to embrace digital solutions to increase efficiency and reduce the overall cost of development and operation of their assets. We are fully leveraging technology developments in the field of robotics, connectivity and advanced analytics in order to offer safer, faster, more efficient and higher quality services; all in a more sustainable way.

Our digital value proposition comprises:

- Collection of higher quality data. Using the best sensors, we create more insightful deliverables such as photo realistic 3D models of our clients' assets.
- Increased productivity, improved safety and faster delivery of data. Our increased use of autonomous or lightly manned vessels and vehicles, combined with the use of remote field operations, is reducing the need for in-field personnel. High-bandwidth connectivity and advanced analytics are allowing us to provide (near) real-time access to the data.
- Automated processing. Using cloud-based artificial intelligence and machine learning, combined with our people's deep expertise, we provide deeper insights, better validate outcomes and develop new solutions.
- Real-time delivery and visibility of Geo-data. With live streams accessible via regular mobile devices, we connect our clients with data, analytics and advice: delivering better insights faster.

Progressively, we are providing our clients with Fugro's Digital Foundation: a new concept of interacting with them. This digital, four-dimensional model combines all Geo-data acquired throughout the lifetime of the asset, artificial intelligence-driven analytics and related decision making. The result is a comprehensive web-based interface, providing 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.
In order to enable this new client relationship, we are digitally transforming the way we work at Fugro along six building blocks: remote operations, robotics, autonomous work, advanced analytics, connected data and client interfaces.

'Technology allows us to do things in a different way.'

Leverage core expertise in new growth markets

Fugro is leveraging its core expertise and assets to expand in fresh water sourcing and in coastal and flood protection. As a result of global trends, such as climate change and population growth, these markets are expected to grow significantly. We are well positioned to leverage our existing expertise in areas such as hydrography, levees, weather forecasting and early warning systems. The imminent need for maintenance services on the increasing number of offshore wind turbines and for secure offshore positioning provide additional opportunities for Fugro.

Further expansion into these growth markets will support a more balanced portfolio across multiple markets, reducing our exposure to the oil and gas market.

We continue to pursue a divestment of our stakes in Seabed Geosolutions (60%), Global Marine Group (24%) and our interests in Australian exploration projects via Finder Exploration.

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.

Long term value creation model

Capital input

FINANCIAL
- Funding from shareholders, banks and bondholders

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

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

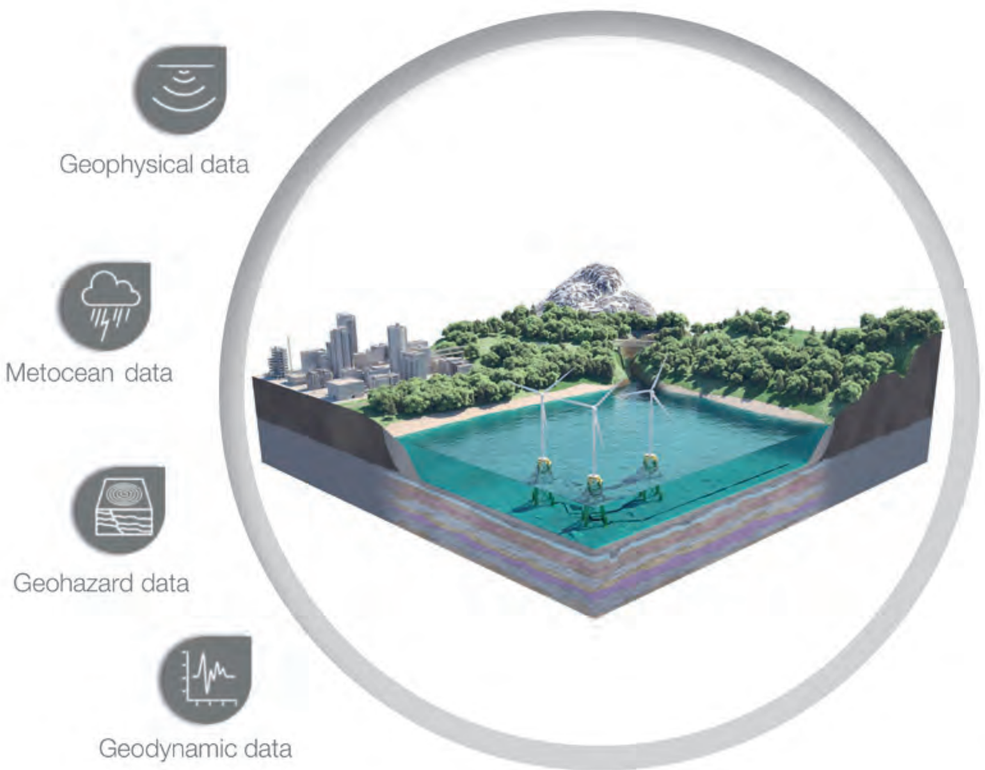
STAKEHOLDER RELATIONSHIPS
- Stakeholder engagement
- Code of Conduct

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

ENVIRONMENT
- Energy use
- Risk mitigation systems

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

Global positioning data

Geospatial data

Geochemical data

Geotechnical data

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 energy

Value to society

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

SUSTAINABLE DEVELOPMENT GOALS

SUSTAINABILITY

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. These global trends lead to massive challenges for the world, most notably climate change. The energy mix, infrastructure and built environments must evolve if tomorrow's problems are to be tackled successfully.

Fugro is seeing increasing demand for environmental mapping, water management, geohazard data and analysis and studies to support development of built assets and natural resources with minimum environmental impact. Similarly, clients seek asset integrity solutions to ensure environmentally sound and safe operation of their assets and to increase longevity. Through our integrated and digital solutions we support clients managing with the challenges of today and tomorrow. Fugro's services are essential for the sustainable development and operation of large infrastructure, industrial plants, buildings and natural resources.

We are also increasingly involved in projects that directly target a low carbon economy. We contribute significantly to the development of sustainable energy, such as offshore wind farms, and to projects that mitigate the impact of climate change such as flood and coastal protection and other geohazards.

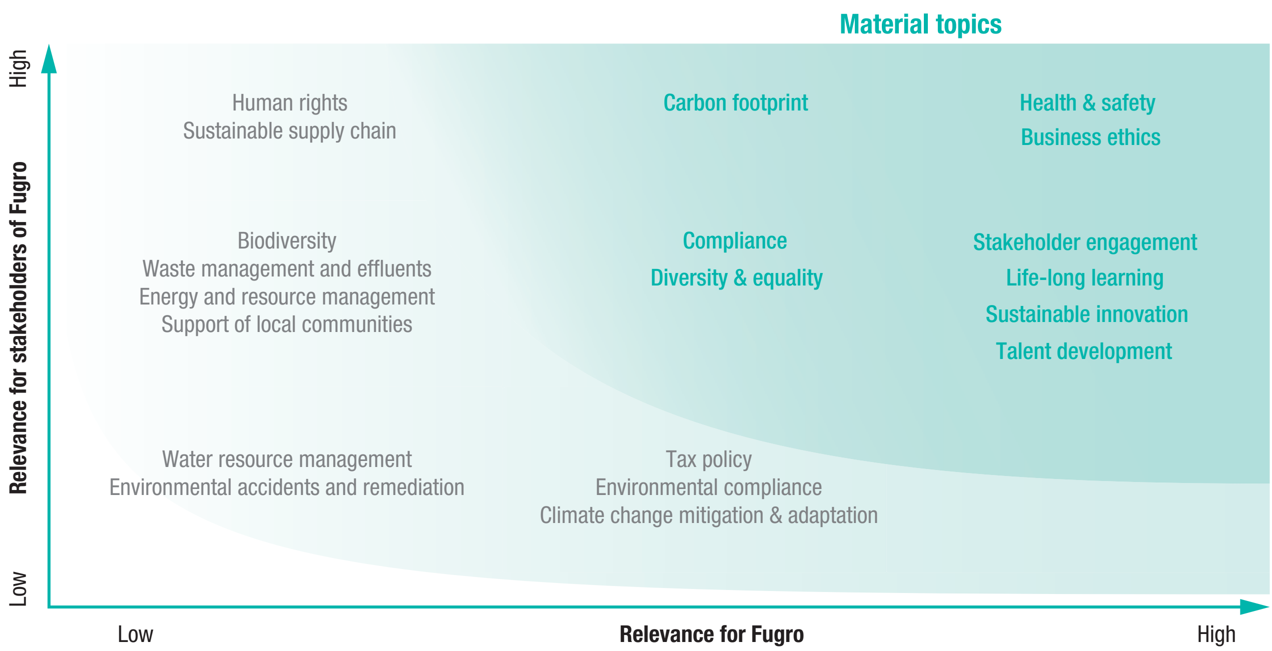
Even with the ongoing world-wide energy transition to combat climate change, oil and gas will remain an important part of the global energy mix and is expected to grow in the foreseeable future to replenish current reserves and meet global energy demands. Fugro continues to deliver sustainable solutions to these projects, targeting the safe and responsible development of these vital resources.

In addition, Fugro is committed to conducting its business ethically and responsibly. We strive to execute our projects with the highest regard for the safety and wellbeing of everyone who works for and with us, 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 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.

Fugro's materiality matrix



Sustainability framework

At the basis of the sustainability framework is a materiality assessment performed in 2016 to identify the most relevant topics for both the company and its stakeholders, covering social, environmental and compliance related topics.

The resulting nine material topics fully support Fugro's business objectives and our purpose. The topics are embedded in Fugro's values and 'Path to Profitable Growth' strategy 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.

In 2018 we worked on improving our policies, processes and monitoring of and reporting on the material topics. The main achievements in 2018 were the establishment of a groupwide diversity ambition, a first assessment of the application of living wages throughout the company, enhanced focus on working welfare principles, the implementation of a cloud-based global human resources system providing enhanced insight into diversity throughout the group, and a completion rate of the groupwide Code of Conduct training in excess of 90%.

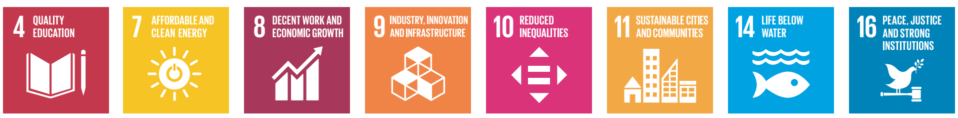
In 2019, we will further focus on reducing our own environmental footprint. In addition, we will conduct a periodical review of the materiality matrix.

Operating safely and compliantly

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 employees and we take 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.

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

Our purpose	Together we create a save and liveable world		
Sustainability drivers	Operating safely and compliant	Valuing people	Partnership for a sustainable world
Focus areas	Health & safety	Diversity & equality	Sustainable innovation
	Business ethics	Talent development	Carbon footprint
	Compliance	Life-long learning	Stakeholder engagement
UN sustainable development goals			

Valuing 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 65 countries are predominantly staffed with local people, from over 100 nationalities.

Partnering for a sustainable world

The increasing global drive to reduce carbon emission caused by fossil fuel consumption is leading to growing investments worldwide in renewable energy. Fugro offers site characterisation and asset integrity services and continuously develops new and innovative solutions in support of renewable energy projects, such as offshore wind farms. We also offer environmental assessment services, and other solutions that assist clients and other partners in limiting the environmental impact of their operations and mitigating the consequences of rising sea-levels and severe weather events caused by global warming.

Fugro contributes to eight United Nations sustainable development goals

4 QUALITY EDUCATION	Fugro supports professional development of all its people, and has its own Fugro Academy with dedicated training facilities and extensive e-learning opportunities to facilitate this. The company has numerous academic partnerships with top universities across the world. Fugro employees are trained to abide by its Code of Conduct and work in accordance with its core values to promote human rights, gender equality, global citizenship and appreciation of cultural diversity.
7 AFFORDABLE AND CLEAN ENERGY	In the ongoing global energy transition, Fugro provides innovative solutions for the development of a variety of clean energy resources, most notably through our strong position servicing the development of offshore windfarms world-wide. In addition, Fugro focuses on reducing its own carbon footprint, most notably from its vessel fleet, through a variety of technical innovations and programmes, and promotes the energy efficiency of its offices and fleet of vehicles.
8 DECENT WORK AND ECONOMIC GROWTH	Fugro treats people with dignity and respect and offers equal opportunities for all based on performance and development, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status. Fugro works in parts of the world where equality and labour rights may be viewed differently. While recognising this, high business ethics in general and mandatory nature of the Code of Conduct in particular, ensure that all within the company abide by the core values.
10 REDUCED INEQUALITIES	Fugro's HSSE policies and programmes are focused on the wellbeing of its employees, by managing health and safety in the workplace. Fugro adheres to local and international guidelines and legislation, and applies and promotes (industry) best practises and initiatives in line with its human rights policy and core values.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Fugro's site characterisation and asset integrity solutions ensure the safe and sustainable development and management of a broad variety of infrastructure assets in the world.
11 SUSTAINABLE CITIES AND COMMUNITIES	Fugro actively contributes its expertise and vast knowledge of subsurface conditions to make invaluable and sustainable contributions to urban development and coastal protection initiatives to protect cities and communities from flooding.
14 LIFE BELOW WATER	Fugro contributes to the sustainable development of coastal and marine areas, by actively contributing data to Seabed 2030, aimed at a complete mapping of the ocean floor by 2030 for scientific, environmental and economic benefits. Also, Fugro is active with mapping coastal areas of vulnerable geographies, and identifying and mapping oil seepage from abandoned offshore well sites.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Fugro adheres to local and international guidelines and legislation and applies and promotes best practices in line with its human rights policy, core values and the objectives of SDGs 8 and 10. Fugro requires its suppliers and business partners to adhere to Fugro's 'Supplier and Partner Code of Business Principles'.

Reducing the environmental impact of our own activities also is an essential part of Fugro's sustainability approach. We are focused on limiting carbon dioxide emissions, mostly within our vessel fleet, as well as limiting the environmental footprint of our office buildings and vehicles.

Fugro is actively involved in the communities in which we work and our people engage and consult with a variety of stakeholders.

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 seventeen interconnected SDGs, Fugro's activities mainly contribute to eight, which are clearly linked to our purpose, strategy, sustainability framework, practices and culture.

Sustainability organisation and reporting

Fugro's policies, performance and ambitions regarding its sustainability focus areas are addressed in the chapter 'Group performance – sustainability'.

At Board of Management level, sustainability is part of the portfolio of the CEO. The Global Director QA and HSSE 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 Global Director Human Resources, General Counsel and Chief Compliance Officer and Global Director QA and HSSE. Fugro's business entities are responsible for local implementation of relevant practices within its policy framework set by the Board of Management.

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. The non-financial data of Seabed Geosolutions is not included in the sustainability performance data. 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 grow further over time.

MID-TERM FINANCIAL OUTLOOK

Fugro's '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 will target volume growth, while operating leverage, improved pricing conditions and higher productivity will push our margins.

Based on the global and market trends as described in the Strategy chapter, we expect revenue of EUR 2 – 2.5 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 for the mid-term (all figures before the impact of the implementation of the new IFRS 16 standard on leasing on 1 January 2019):

- ROCE of 10 – 15%
- EBIT margin of 8 – 12%
- Free cash flow of 4 – 7% of revenue.

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
  - Driving uptime of assets and equipment
  - Further leveraging of the shared service centres.

Updated mid-term targets (2021 – 2023)	ROCE	EBIT	Free cash flow*
Group	10–15%	8–12%	4–7%
Marine	>10%	10–13%	
Land	>10%	6–9%	
Seabed	>10%	8–12%	

* As percentage of revenue.

Regarding capital allocation, Fugro prioritises organic growth and deleveraging. 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 100 to 130 million to support profitable organic growth. As a result of the gradual improvement in profitability and disciplined asset management, Fugro targets an annual positive free cash flow resulting in deleveraging of the balance sheet, and consequently a net debt/EBITDA ratio below 1.5. Dividend payments will be resumed once leverage allows.

IMPLEMENTATION OF IFRS 16 STANDARD

The implementation of the new IFRS 16 standard on leasing on 1 January 2019 is expected to result in increase in debt from lease liabilities of EUR 210 million. The reclassification of related lease expenses is expected to have a positive impact on EBITDA of EUR 45 to 50 million and on EBIT of EUR 5 to 10 million. In addition, due to front loading of interest expenses, profit before income tax will decrease in the early years by around EUR 5 million per year. For more information on IFRS 16, see note 5.3.5 of the financial statements.

This change is an accounting change and has no impact on Fugro's business or cash flows. Furthermore, there is also no impact on covenants as these are based on previous accounting principles on operating leases ("frozen GAAP").

Remote operations

Across the globe, Fugro has six remote operations centres for activities such as remote positioning services, rig moves and survey tasks. From these centres onshore, expert marine survey staff assist in manoeuvring, mooring and positioning as if they were on board the vessel. Throughout the latter part of 2018 these centres logged over 100,000 hours of project experience.

In 2018, our new NeXt remote operations centre in Perth, Australia took this concept to the next level. This next generation remote operations centre is equipped to pilot ROVs, undertaking underwater inspection, repair and maintenance tasks remotely. It is a state-of-the-art-facility, closely simulating the situation offshore, where the staff interacts seamlessly with people offshore via very high quality data link that delivers high resolution images.

Client benefits

- Accelerates projects and reduces costs by providing real-time visibility, supporting real-time decision making.
- Safer operations, due to reduced offshore staff exposure.
- Greater operational efficiency and flexibility.

SAFER

MORE EFFICIENT

GROUP PERFORMANCE

FINANCIAL PERFORMANCE

Highlights income statement

Revenue

Revenue per division (x EUR million)	2018	2017	Reported growth	Comparable growth [1]
Marine	1,085.9	947.3	14.6%	27.4%
Land	466.9	476.0	(1.9%)	1.5%
Geoscience	97.2	74.1	31.2%	35.7%
Total	**1,650.0**	**1,497.4**	**10.2%**	**19.2%**

1 Corrected for currency effect (of around - 4%) and for portfolio changes related to the divestment of the marine construction and installation activities in 2017

After three years of decline, group revenue increased again, mainly led by the Marine and Geoscience divisions. Marine revenue grew strongly thanks to global growth in Fugro's oil and gas related activities and an even larger growth in its offshore wind business, particularly in Europe and the Americas. The comparable revenue growth of the Land division was driven by site characterisation, whilst asset integrity declined. Seabed Geosolutions executed more projects than last year.

Revenue growth 2018	Organic	Exchange rate	Acquisitions	Disposals	Total
	19.2%	(3.8%)	–	(5.2%)	10.2%

Revenue by region [1] (x EUR million)	2018	2017	Reported growth
Europe	631.4	581.2	8.6%
Americas	383.0	334.9	14.4%
Asia Pacific	364.7	303.1	20.3%
Middle East and India	213.3	220.6	(3.3%)
Africa	57.6	57.6	–
Total	**1,650.0**	**1,497.4**	**10.2%**

1 By region of origin.

EBIT

EBIT per division (x EUR million)			2018				2017	
			Excluding				Excluding	
	Reported		exceptional items		Reported		exceptional items	
	EUR	Margin	EUR	Margin	EUR	Margin	EUR	Margin
Marine	17.6	1.6%	21.1	1.9%	(56.5)	(6.0%)	(43.3)	(4.6%)
Land	7.8	1.7%	10.0	2.1%	15.7	3.3%	21.4	4.5%
Geoscience	(16.6)	(17.1%)	(18.0)	(18.5%)	(10.9)	(14.7%)	(10.2)	(13.8%)
Total	**8.8**	**0.5%**	**13.1**	**0.8%**	**(51.7)**	**(3.5%)**	**(32.1)**	**(2.1%)**

EBIT (excluding exceptional items) improved strongly, driven by a significantly higher result of the early cyclical marine site characterisation business. The lower EBIT for the Land division is partly explained by a positive EUR 6.1 million one-off from a contractual settlement in 2017 and reduced results in the asset integrity business due to lower revenues, partly resulting from poor weather conditions. In the Geoscience division, Seabed Geosolution's profitability was disappointing, due to project execution issues on two contracts, mainly in the fourth quarter.

Exceptional items by division (x EUR million)	Marine	Land	Geoscience	Total
Restructuring costs	(3.3)	(2.7)	(0.1)	(6.1)
Other	(0.5)	0.5	–	–
EBITDA impact 2018	**(3.8)**	**(2.2)**	**(0.1)**	**(6.1)**
Impairments	0.3	–	1.5	1.8
EBIT impact 2018	**(3.5)**	**(2.2)**	**1.4**	**(4.3)**
EBITDA impact 2017	(15.2)	(3.5)	(0.7)	(19.4)
EBIT impact 2017	(13.2)	(5.7)	(0.7)	(19.6)

Finance costs

Finance income/(costs) (x EUR million)	2018	2017
Finance income	6.2	**5.4**
Interest expenses	(40.2)	(48.0)
Net change in fair value of financial assets	(0.2)	0.1
Exchange rate variances	(18.6)	(28.2)
Finance expenses	(59.0)	**(76.1)**
Net finance costs	(52.8)	**(70.7)**

The decrease in interest expense was mainly related to lower average interest rates following the early repayment of the United States private placement loans in 2017. The negative exchange rate variances of EUR 18.6 million were mainly the result of the devaluation of the Angolan Kwanza.

Fugro Geowing collects high resolution magnetic data, in order to detect unexploded bombs

Share of profit/ (loss) of equity accounted investees

The share of profit in equity accounted investees of EUR 8.8 million (net of tax) mainly comprises the results of joint ventures, including with China Oilfield Services Limited, and Fugro's interest in Global Marine Holdings.

Income tax gain/(expense)

The income tax expense was EUR 20.0 million compared to EUR 47.6 million last year. The decrease was mainly related to the recognition of previously unrecognised deferred tax assets of EUR 9.6 million in the current year based on improved future financial forecasts and a significant write down of deferred tax assets of EUR 16.4 million last year because of recoverability risk.

(Gain)/loss on non-controlling interests

The EUR 4.1 million loss attributable to non-controlling interests is driven by the negative result of Seabed Geosolutions, partially offset by the profit of a subsidiary in the Middle East.

Net result

Result (x EUR million)	2018	2017
EBIT	8.8	(51.7)
Net finance income/ (costs)	(52.8)	(70.7)
Share of profit/ (loss) in equity accounted investees	8.8	4.7
Income tax gain/ (expense)	(20.0)	(47.6)
(Gain)/ loss on non-controlling interests	4.1	0.3
Net result	**(51.1)**	**(165.0)**
Profit from discontinued operations	–	5.1
Net result including discontinued operations	**(51.1)**	**(159.9)**

Highlights balance sheet and cash flow

Working capital

Working capital (x EUR million)	2018	2017
Working capital	190.6	164.9
Working capital as % of last 12 months revenue	11.6%	11.0%
■ Inventories	29.3	30.5
■ Trade and other receivables	537.4	477.0
■ Trade and other payables	(376.1)	(342.6)
Days of revenue outstanding	86	85

Continued good working capital management resulted in a working capital of 11.6% versus last year's 11.0%. Days of revenue outstanding were in line with 2017 as a result of timely billing and focused cash collection.

Capital employed

The slight increase in capital employed was mainly the result of an increase in working capital, partially offset by capex below depreciation and amortisation, and currency translation effects. Return on capital employed was marginally positive as a result of profitability improvements and controlled capex.

3D ground model developed as part of the feasibility study for proposed nuclear power station in the United Kingdom.

Return on capital employed

(x EUR million)				2018				2017
	YE17	HY18	YE18	Average	YE16	HY17	YE17	Average
Capital employed	1,184.1	1,237.2	1,207.9	1,209.8	1,341.2	1,267.8	1,184.1	1,264.4
Exceptional items EBIT impact	–	0.4	4.3	1.6	–	25.3	19.6	15.0
Exceptional items tax impact	–	(0.2)	(0.5)	(0.2)	–	(0.2)	(0.3)	(0.2)
Adjusted capital employed	**1,184.1**	**1,237.5**	**1,211.8**	**1,211.1**	**1,341.2**	**1,292.9**	**1,203.4**	**1,279.2**

	12 months rolling	12 months rolling
EBIT excluding exceptional items	13.1	(32.1)
Equity accounted investees	8.8	4.7
Profit before tax [1] excluding exceptional items	21.9	(27.4)
Tax expense [2]	(19.3)	(14.6)
NOPAT excluding exceptional items	**2.6**	**(42.0)**
Return on capital employed	**0.2%**	**(3.3%)**

1 Excluding net finance income/(expenses).

2 Tax on profit excluding net finance income/(expenses).

Capital expenditure

Capital expenditure (x EUR million)	2018	2017
Maintenance capex	26.1	37.0
Other capex (including fixed assets under construction)	46.6	71.0
Total capex	**72.7**	**108.0**

Capital expenditure decreased from EUR 108.0 million to EUR 72.7 million, partly due to capex moving into the first quarter of 2019.

Cash flow

Cash flow (x EUR million)	2018	2017
Cash flow from operating activities before changes in working capital	46.8	27.7
Changes in working capital	(34.1)	(3.4)
Cash flow from operating activities	12.7	24.4
Cash flow from investing activities	(46.1)	(74.9)
Cash flow from operating activities after investments	(33.4)	(50.5)
Cash flow from financing activities	64.6	53.6
Net cash movement	**31.2**	**3.1**

Cash flow from operating activities after investments improved year-on-year, but was still negative due to increased working capital, in line with revenue growth. Excluding this working capital impact, cash flow from operating activities after investments was break-even, a significant improvement compared to 2017.

Cash flow from financing activities of EUR 64.6 million was mainly related to additional drawings under the revolving credit facility.

Financial position

Excluding the impact of increased working capital, cash flow was break-even, a significant improvement compared to 2017. At year-end, working capital as a percentage of 12 months rolling revenue improved to 11.6% compared to 15.0% at the end of September and 11.0% at the end of 2017. The strong revenue growth resulted in additional working capital needs, which was the main reason that cash flow from operating activities after investments was negative. Strong cash collection in the fourth quarter resulted in 86 days of revenue outstanding, down from 91 days at the end of September and close to the level at the end of 2017 (85 days).

Net debt/EBITDA ratio improved to 2.2 compared to 2.5 in the previous quarter. Net debt amounted to EUR 505.5 million, compared to EUR 513.2 million at the end of September and EUR 430.4 million at the end of 2017. The year-on-year increase was caused by higher working capital resulting from strong revenue growth, devaluation of foreign cash balances and the accretion of interest on the convertible bonds.

At year-end 2018, the solvency ratio was 34.4%. To facilitate Fugro's growth and as a matter of prudency, an amendment on the solvency covenant requirement was agreed upon for the multicurrency revolving credit facility and certain lease arrangements with the owner of two geotechnical vessels, adjusting the requirement to >27.5% (instead of >33.33%) until maturity of the facility and for the remaining lease term.

Foreign currency

As a result of fluctuations in average exchange rates during the year, the net foreign exchange effect in the profit and loss was EUR (18.6) million compared to EUR (28.2) million in 2017. This loss was for the largest part related to the devaluation of the Angolan Kwanza.

The currency translation difference related to foreign operations had a positive effect of EUR 5.2 million on equity per 31 December 2018 (31 December 2017: EUR 116.5 million). The majority of the translation difference relates to the US dollar and the British pound.

Exchange rates (versus Euro)	2018 Year-end	2018 Average	2017 Year-end	2017 Average
US dollar	0.87	0.85	0.84	0.88
British pound	1.11	1.13	1.12	1.14

Outlook

The outlook across Fugro's market segments is positive as offshore wind, oil and gas and infrastructure markets continue to grow. The oil and gas market is recovering despite short term volatility related to geopolitical developments and concerns over reduced global economic growth. In the infrastructure market Fugro expects continued growth, driven by population growth and urbanisation.
The high order intake in the last quarter of 2018, the solid backlog and latest market forecasts are supportive of the implementation of Fugro's strategic plan.

For 2019, Fugro expects continued revenue growth, further improvement of EBIT margin and positive cash flow from operating activities after investments. Capex is expected to be around EUR 90 million. The implementation of IFRS 16 is expected to have an upward impact of EUR 45 – 50 million on EBITDA and EUR 5 - 10 million on EBIT.

3D laser scanning of industrial facilities, Moerdijk, the Netherlands.

Employees

At the end of 2018, the number of employees was 10,265, which is an increase of 221. The average number for the year was 10,155 (2017: 10,287), a decrease of 1.3%.

Employees by region	2018	2017
Europe	3,450	3,316
Americas	2,073	2,088
Asia Pacific	2,209	2,076
Middle East & India	2,235	2,108
Africa	298	456
Total (at year-end)	**10,265**	**10,044**
Total (average)	**10,155**	**10,287**

Autonomous operations

Over time a significant portion of our marine business can be optimised through the use of autonomous and remote technology. As technology allows, we are gradually directing our fleet towards more lightly manned, remotely operated and, in some cases, autonomous assets and today, Fugro has two unmanned surface vessels (USVs).

In 2018, Fugro signed a development agreement with L3 ASV to create the next generation of marine survey USVs. The first model will have several unique features, and its slender yet stable design will ensure high data quality, superior sea keeping and operational robustness. Initially she is to be used in two operational scenarios: one in combination with a regular survey 'mother' vessel, and another deployed independently from a wharf and controlled from shore. In the future she will also be operated fully autonomously.

Delivery of the first two new USVs, designed for coastal mapping and hydrographic survey applications, is scheduled for the second quarter of 2019.

Client benefits

- Improved safety due to reduced offshore staff exposure.
- More efficient operations with faster data collection and delivery.
- More sustainable operations through a smaller environmental footprint than conventional marine survey operations.

SUSTAINABLE | SAFER | MORE EFFICIENT

SUSTAINABILITY PERFORMANCE

Social performance

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 groupwide related 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 with 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 single employee is personally responsible for his own, and his co-workers', safety and is authorised to speak up and stop the job if he or she feels a situation is unsafe.

Despite an improved safety performance, we highly regret that we had to report two fatal incidents in 2018. One person died as a consequence of a road traffic incident in the Netherlands while mobilising to a vessel, and in Brazil a person died in an incident during saturation diving activities. These tragic incidents demonstrate that the company must, and will, continue to work on its safety awareness and performance, and appeal to both senior management engagement and commitment but also to people's personal responsibility to safety.

To draw worldwide attention to safety following these tragic incidents, Fugro organised a company-wide safety stand down in December 2018. This included a video message from the CEO and brought large groups of Fugro employees together in office locations, vessels and other work environments. The aim of the stand down was to engage with all employees to consider health and safety in the context of their immediate teams and to discuss how they can collaboratively further improve HSSE.

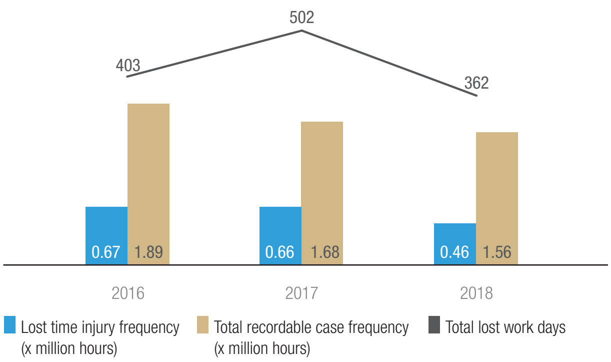
This stand down is followed in the first quarter of 2019 by a company-wide safety culture assessment survey, seeking input from all employees. The aim is to understand in detail what the current culture around safety is at all levels in the company, recognise and share best practices and learn from opportunities for improvements.

Key activities in 2018 included:

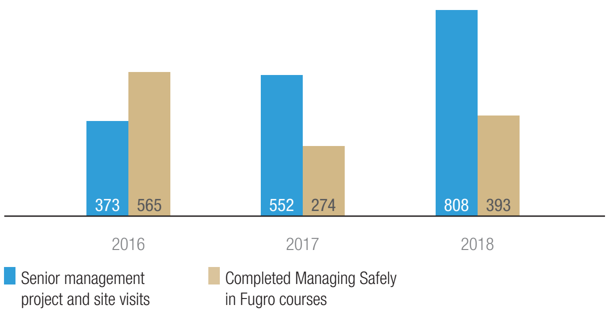
- A dedicated leadership excellence workshop for Fugro's senior managers started as part of Fugro's commitment to achieving health and safety excellence and improved performance. The workshop has been developed with the UK government agency Health and Safety Executive (HSE). To date, 230 of Fugro's senior managers have participated in this workshop, which will continue into 2019.
- Fugro concluded the roll out of the Managing Safely in Fugro (MSiF) 3 day classroom course for (middle-) management and supervisors accredited by the UK Institution of Occupational Safety and Health. By the end of 2018, those selected to attend the training since its introduction in 2015 have completed the course. Going forward, MSiF will be a mandatory requirement for new managers and supervisors, and will be periodically refreshed.
- A company-wide refocus on Fugro's 12 Golden Rules of HSSE was completed in the first quarter of 2018 with the aim of strengthening the understanding, awareness and compliance with the company's Golden Rules of HSSE at all its operations.
- A full review of all corporate HSSE standards was published in January 2018.
- Roll out of Fugro's safety leadership programme to enable everyone to become a safety leader in their own workplace. It involves a suite of tools to further support the safety culture on worksites by encouraging peer-to-peer discussions, involvement, engagement and personal ownership of safety on the worksite. In 2018 the programme was implemented in the full fleet of Fugro's owned and leased vessels and was adapted and rolled out for implementation on other worksites in both the Land and Marine divisions. The safety leadership tools are now further embedded throughout Fugro's operations and are part of the way the company operates.

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 key lost time injury frequency (LTIF) indicator is below 0.3 per million man hours worked.

Safety performance metrics: lagging indicators



Safety performance metrics: leading indicators



For Fugro this is a high bar, as a large number of its people work in general civil construction, where safety standards are lower than in the oil and gas industry. All Fugro operations are in accordance with both ISO 9001 and 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 'senior management site visits' further improved and the number of participants of the 'Managing safely in Fugro' training increased again, with the initial target of required participants now being achieved.

While Fugro's HSSE efforts over the years have been effective, in recent years the rate of improvement has slowed down, in line with the industry wide trend. Together with industry partners and key clients this is being discussed in branche organisations such as IMCA and IOGP. Fugro is working closely with its key clients to harmonise and standardise its applied standards, approach and efforts related to safety in the workplace.

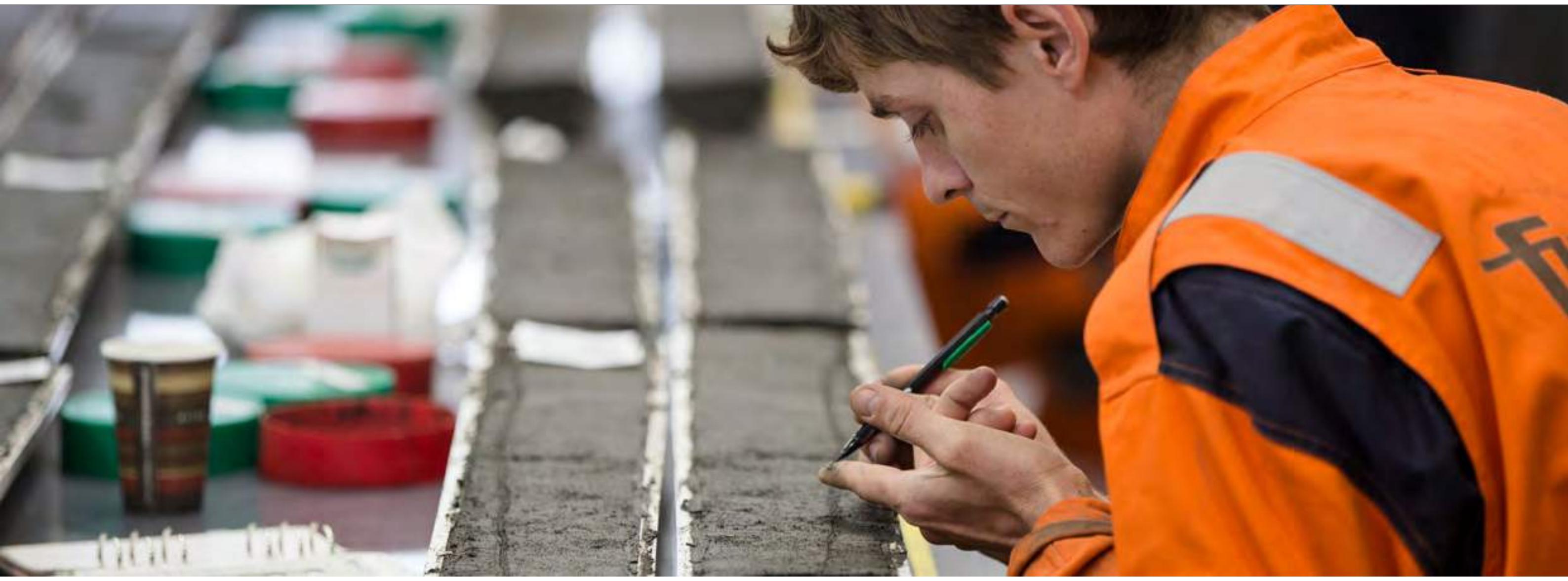
Fugro's commitment to health and safety and Fugro's performance continues to be recognised by external organisations, as evidenced by the various awards and client recognitions that Fugro and its employees received in 2018:

- At the 2018 British Drilling Association awards Fugro was recognised for its outstanding safety performance at the Sirius project site, reporting zero first aid case or worse incidents, despite continuous 24/7 working on open moorland, at times in wintry conditions.
- Fugro Marine in Aberdeen received the ROSPA Order of Distinction for an outstanding performance in health and safety at work over a period of 21 years.
- Fugro Hong Kong was honoured with two Safety Awards from the Labour Department: the 'Gold Prize' and the 'Best Performance'.
- Fugro in Rio de Janeiro received the Petrobras Award for the best service provider in ROV/AUV category in 2017. Fugro was recognised for consistently delivering a superior service in line with Petrobras' standards and expectations, demonstrating a well structured QHSSE management system, strong governance processes and a reliable code of conduct.
- Fugro Egypt has been recognised by key client Shell with an award of recognition for excellent performance and adoption of safety leadership principles on a site survey offshore Egypt.
- Fugro Marine Malaysia has been recognised by Petronas for achieving a zero LTI performance in the 2018 upstream exploration activities.

Life-long learning

Attracting, developing, retaining and engaging a diverse pool of talent is key to the success of Fugro. The internal Fugro Academy is instrumental in the further development of commercial, technical and management skills of employees at all levels in the company. Fugro Academy combines class room, on site and virtual training, and operates dedicated live marine training facilities. Over time, the range and depth of courses has continued to grow. Selected courses use external expert support. Since its inception in 2007, annual course completions have continually grown.

One of the 2018 highlights for Fugro Academy was the approval of its advanced hydrographic survey programme course by the International Board of Standards and Competence (IBSC) of hydrographic surveying. The IBSC sets the global standard for hydrographic surveyor



Analysing soil samples in one of Fugro's specialised laboratory, Wallingford, United Kingdom.

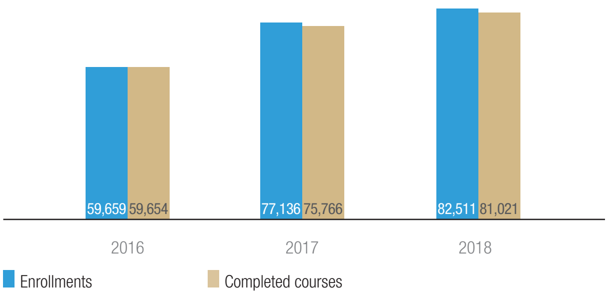
competence; the ability to train Fugro staff according to this standard is essential for many governmental contracts in the hydrography sector.

Another highlight was the establishment of the Marine Technology Centre of Excellence at the King Abdullah University of Science and Technology (KAUST) in Saudi Arabia, where Fugro Academy now has a presence providing a base for the training and development of Saudi nationals as part of Fugro's commitment to local knowledge development. For Fugro Academy, this culminated in the delivery of the first ROV pilot training course in the Kingdom, which also included the first female Saudi ROV pilot.

In 2018, Fugro Academy continued to support the roll-out of two major initiatives across the group: the mandatory Code of Conduct and Golden Rules of HSSE e-learning courses. During 2018, in partnership with the global HSSE team, Fugro Academy continued roll-out of the in class training of 'Managing safely in Fugro' and the 'Working safely in Fugro' e-learning courses. Fugro Academy also continued the supervisor's training programme. The Code of Conduct roll-out was developed together with the corporate legal department and represents a large scale e-learning programme deployed in 11 languages, to ensure the message and information reaches as wide an audience as possible. The roll out started in 2017 and reached over 90% of all employees in 2018. In 2018, 87% of Fugro's employees completed the Golden Rules e-learning course.

Overall utilisation of Fugro Academy learning and development remained high during 2018. Early in the year, the Fugro Academy reached the milestone of 500,000 courses since its inception in 2007.

Fugro Academy statistics



Talent development

Fugro is a service provider and working with motivated, engaged employees is critical to achieving its strategic objectives. Fugro aspires to be an employer of choice and is committed to employ talented staff and keep employee turnover limited. In 2018, 8% of Fugro's staff left the company out of their own initiative, unchanged compared to 2017.

Recruiting, developing and retaining talented and skilled experienced staff continue to be key challenges for Fugro's future. Relevant global human resources processes and practices continue to be developed and implemented to meet these challenges. To improve the impact of Fugro's specific tools for performance and personal development, Fugro successfully completed the implementation of its new cloud-based human resources system (Workday).
All employees have real-time access to their relevant data, targets and organisational references, facilitated by personal dashboards and mobile environments. During the year, Fugro also developed a global career framework with a solid job architecture and common job titles to utilise as a

Fugro management presents Path to Profitable Growth strategy, November 2018

platform to further develop advanced reward and career programs. These improvements are important for management development, general business development and attraction and retention, especially of engineering, consulting and scientific staff, where Fugro faces strong competition.

Fugro Academy continued its leadership development programmes throughout the year, building upon the investment from previous years. Within the 'Growing my' series of leadership programmes, total delegate numbers over the past 4 years have by now exceeded 450, with a total of 26 programmes globally. During the year under review, 54 managers attended the junior, 55 the mid-level and 16 the senior level development programme. Evaluation of the effect of these programmes continues to show significant results across all levels of the organisation, in particular at junior management levels.

The international talent programme that was initiated in 2016 continued through 2018, with the first group completing their assignments, and moving into permanent positions in the organisation, and with a second group continuing their development journey. In December, a new type of leadership programme was piloted in support of Fugro's innovation agenda, designed for talented innovation and research and development staff.

Diversity and equality

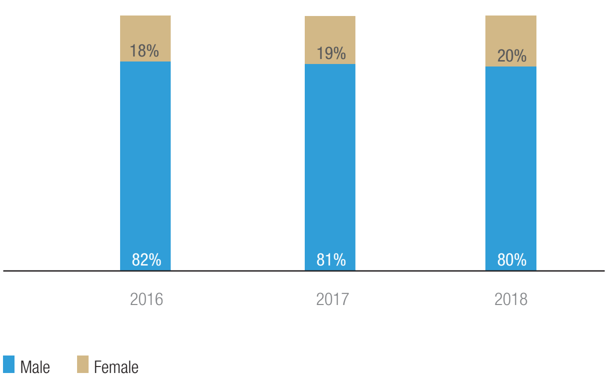
Fugro values diversity and inclusion in all areas of its organisation. Diversity recognises and values the contributions of people with varying capabilities, experience and perspectives, including gender, age, ethnicity and religious or cultural backgrounds. Fugro believes that a diverse workforce is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

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

Fugro's long standing culture is founded upon empowerment of its people in all work locations and the company is committed to having a workplace where there is mutual trust, respect for human rights and equal opportunity, and is free from inappropriate conduct such as bullying, discrimination, harassment and violence. In line with this company culture, 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 also seeks to foster similar standards in third parties that work for Fugro, or on its behalf, in line with the supplier and partner code of business principles. In 2018, together with leading industry partners, Fugro committed to the Building Responsibly Worker Welfare principles. Fugro endorses the ILO international labour conventions and the OECD Guidelines for Multinational Enterprises.

At 20%, the overall female representation was slightly higher than a year ago (2017: 19%). In management functions, female representation was 19% in 2018. The company's field operations work teams are still predominantly male.
The company has the ambition to increase gender diversity at all levels of the organisation. In 2018, Fugro defined its groupwide diversity ambition as management recognised that future success depends on its ability to tap into the widest talent pool, which includes the increasing number of qualified and competent women across the world. Although the aim is to stimulate diversity in the broadest sense, there is a specific focus on attracting, retaining and advancing women at all levels of the organisation. Fugro also has specific diversity policies in place for the Board of Management and the Supervisory Board (see 'Corporate governance').

Gender diversity



Living wages

Fugro is committed to provide fair terms and conditions of employment, and equal opportunity for all. Recruitment of employees, evaluation, promotion, development, discipline, compensation, and termination decisions are based on qualifications, merit, and performance or business considerations.

Fugro has a large number of highly skilled employees. However, given Fugro's broad scope of operations and the wide range of countries that it operates in, there is a variety of roles that required closer assessment to confirm the basis for fair remuneration. For this reason Fugro conducted a living wage assessment during the year, using the benchmarks provided by the WageIndicator and Asia Floor Wage.

The results for the countries where the review has been concluded have indicated that fair remuneration was applied and living wage minima were respected.

Since Fugro operates in many countries where clear benchmarks are still lacking or where the economic situation is volatile and thus requires continuous monitoring, the review will be continued in 2019 and a regular monitoring of living wage developments will be conducted.

Stakeholder engagement

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

Apart from numerous client interactions in the course of normal business relations, leading up to Fugro's strategy update 'Path to Profitable Growth' Fugro has held extensive dedicated meetings and interviews with key clients, across the regions, market sectors and client types.

This engagement campaign was built on the global key account structure implemented in previous years. During 2018, dedicated senior resources ensured more focus on the quality and depth of client engagements.

In the year under review, Fugro management had 144 meetings with investors, which mostly took place after the publication of the full year and half year results. The majority of these meetings take place as 'one-on-one' meetings; the remainder as group presentations or conference calls.

Interaction with Fugro's key stakeholders

Stakeholders	Objective	Relevance for Fugro	Relevance for stakeholder	Interaction
Customers	Customer satisfaction and loyalty	Purchase services to support their projects	Provision of high quality competitive solutions to support and de-risk their investment	Work visits, exhibitions, periodical reviews with senior management (including members Board of Management), technology & innovation fairs
Employees	Employee motivation, engagement and retention	Essential for providing high quality services and continuity	Good employer, satisfying work environment, development, adequate remuneration	Intranet, collaboration tools, town halls, newsletters, quarterly bulletins, engagement surveys, performance appraisals, social media
Capital providers (shareholders, bond holders, banks)	Communication on strategy, results, markets, opportunities and risks, engagement	Access to capital markets	Solid investment	Annual general meeting, trading updates, bi-annual visits to main shareholders, investor conferences, capital markets day, 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, 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 (Seabed 2030)
Local communities	Good citizenship	Societal support	Support of local community	Sponsorship events, engagement activities

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

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

Environmental performance

Fugro is committed to contributing to a better environment. Fugro actively strives to limit the impact of its own operations on the environment, as a minimum by complying with environmental regulations for all its operations and where possible by further implementing solutions to reduce its environmental footprint. In addition, Fugro seeks solutions to ensure that the services it provides contribute to the least possible environmental impact of its clients' projects.

Fugro has strict groupwide guidelines for risk analyses, incident and accident investigation and reporting and prevention of incidents. Fugro operates according to environmental standards in all its activities. The requirements of ISO 14001 or similar standards have been integrated into almost all of Fugro's activities, which provides 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, therefore 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, the impact of its own operations have a relatively low impact on the environment. Fugro's environmental foot print is dominated by carbon dioxide emissions from its vessels, either owned or chartered, followed by road and air transport and thereafter the operation of office and laboratory environments.

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

Sustainable innovation

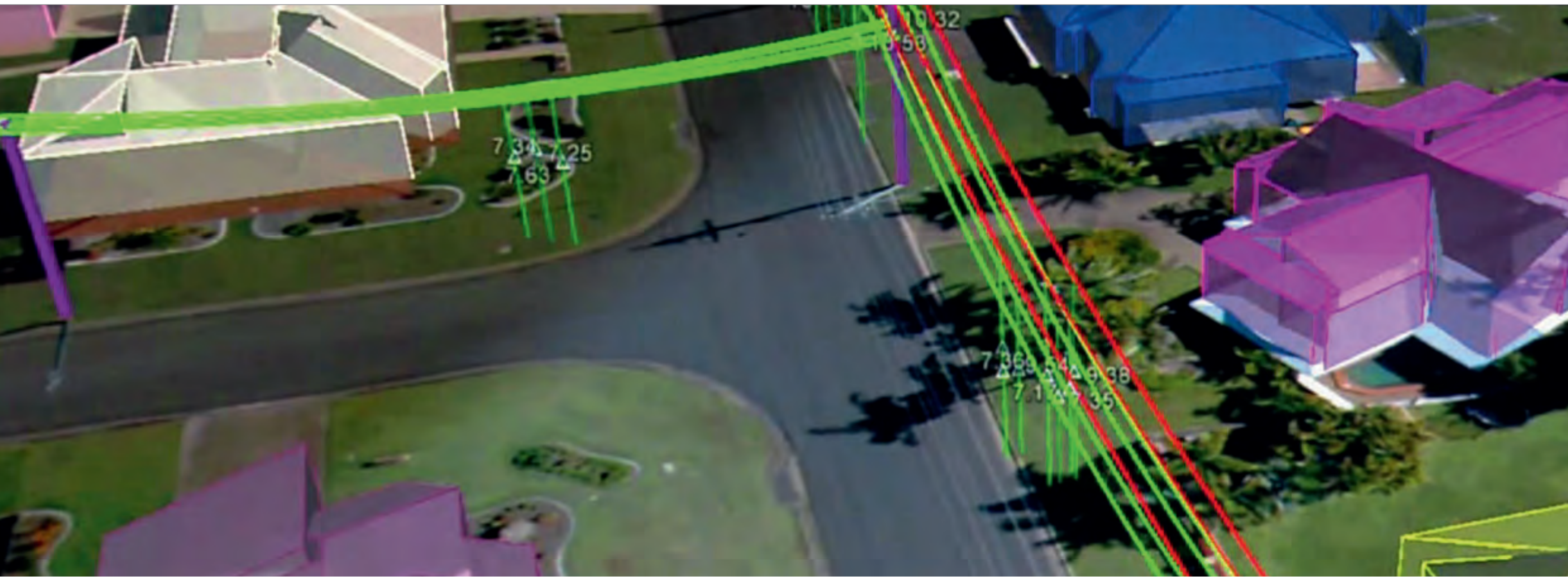
Fugro's leading market positions are supported by advanced technologies and methods in the majority of its work. Fugro differentiates by developing digital solutions and by changing the way its work, resulting in safer, faster, more efficient, higher quality and more sustainable delivery of projects. Innovation, and especially digitalisation, is a key strategic driver for Fugro to support long-term value creation. Furthermore it supports the provision of services for projects targeting renewable energy, the use of sustainable resources, mitigation of the impact of climate change, safe and environmentally sound development and operation of assets, longevity of assets leading to reduction of the environmental impact of renewal, and the sustainability of Fugro's own services.

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

Fugro is also well positioned to provide innovative solutions for coastal protection, fresh water solutions and flooding related projects, combining geospatial and site characterisation data collection and advice.

Three important innovations during 2018 were the introduction of Gaia Insight, the opening of Fugro neXt remote operations control centre and the development of the next generation of autonomous vessels.

Gaia Insight is Fugro's online georisk platform, using cloud based solutions to assist in minimising ground risk, providing real time insight to client's into their projects. Gaia Insight has the ambition to digitise the whole subsurface and allow clients to access data beyond the standard project



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

perimeters supporting cost efficient decision making, providing the analytics required to lower ground risk and accelerate construction project schedules.

Fugro operates 6 remote operations centers, with more than 100,000 project hours of remote operations. By moving tasks and personnel from offshore to onshore, significant reductions in health and safety risk and environmental footprint are being achieved. In 2018, Fugro opened its first neXt remote operations center in Perth, Australia, from which it conducted its first commercial remote inspection, repair and maintenance project. In 2019, Fugro will upgrade its operations centers in Europe and America.

During 2018, Fugro concluded a partnership with L3 ASV in the United Kingdom for the development of the next generation unmanned surface vessels (USVs). Delivery of the first USV, designed for medium- to large-scale hydrographic survey applications, is scheduled for the second quarter of 2019. The USVs will be deployed from Fugro's dedicated survey vessels, simultaneously carrying out the survey. This will shorten project durations and project related risks and will reduce Fugro's carbon footprint.

Fugro has a global network of research and development centres which actively work on the development of innovations. Fugro's portfolio of innovations is managed globally. In 2018, Fugro spent around 2% of its revenue on research and development and technology innovation.

Over the years Fugro has built many successful relations and partnerships with scientific partners. 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 across countries in which Fugro works.

Fugro maintains relationships with over 30 universities and other knowledge institutes across the globe. Examples are: Oregon State University, University of California, at Davis, Berkeley and Santa Cruz, Massachusetts Institute of Technology, University of Texas and Texas A&M University, University of Hawaii at Manoa (United States), University of Montpellier (France), Delft University of Technology, Maritiem Instituut Willem Barentsz Terschelling (the Netherlands), National University of Singapore, King Abdullah University of Science and Technology (KAUST) in Saudi Arabia, University of Western Australia and the Hong Kong University of Science and Technology and the University of Hong Kong.

Fugro established the Fugro Chair in Geotechnics at the University of Western Australia (UWA)'s Centre for Offshore Foundation Systems (COFS) within the Faculty of Engineering and Mathematical Sciences in 2014. UWA and Fugro have developed a sustainable research group that is significant to Fugro's activities worldwide. The Chair addresses key research questions related to design and performance within the field of offshore geotechnics, allowing Fugro to reduce risk and enhance engineering design within the offshore sector including renewable energy, solving relevant industry problems, while also supporting the wider geotechnical community. Fugro further funds a number of PhD scholarships at UWA. In May 2018, Prof Fraser Bransby was appointed to hold this Chair.

Fugro continues to contribute to industry advances through publications, and has published or was involved with publishing over 50 scientific papers in 2018.

Fugro continues to actively protect the intellectual property it develops. During 2018, 53 patents were filed.

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

Carbon footprint

Fugro promotes and undertakes projects to achieve emission reductions, especially focused on its vessels, as Fugro's environmental foot print is dominated by carbon dioxide emissions from its vessels.

Fugro continues to benefit from its vessel renewal program of recent years. The young and modern powered dedicated vessels have a much lower emission than the older vessels they replaced. The positive effects are not directly visible in the overall output of the vessel carbon emissions, due to the increase of vessel activity following the upturn in the market in 2018. However, through its various reduction efforts Fugro has managed to keep the increase of emissions below the higher activity levels. Fugro continues to work on solutions to achieve significant reduction in emission levels in the mid to long term, amongst others by gradually reducing old tonnage and increasingly using remote solutions, such as deploying unmanned surface vessels.

In 2017, Fugro reported on carbon emissions of its own vessels scope 1 (direct emissions from the combustion of fossil fuels), with a total of 123 kilotonnes CO_2 equivalent. In 2018, following a 17% increase in operating hours of owned vessels due to higher activity levels, the CO_2 emission increased by 13% to 139 kilotonnes CO_2 equivalent. In 2018, Fugro also started to record the fuel consumption of leased vessels, with total emissions of 70 kilotonnes CO_2 equivalent, resulting in total vessel emissions of 209 kilotonnes CO_2 equivalent. Fugro intends to report on its full scope 1 emissions during 2019. Based on available data for 2018, the CO_2 of its road transport is around 5% of its total emissions.

Fugro continued with the ship energy efficiency management plan, incorporating best practices for the fuel efficient operation of ships, with more than half of Fugro's owned vessels now using the Fugro Metocean Planner™. This tool provides instant access to metocean statistics and weather window analysis, which serves Fugro or its clients with the most efficient route based on the most favourable weather and oceanographic conditions. It also includes the economic speed model pilot which advises the crew on the most favourable speed from an economic and emission control point of view, taking fuel consumption and subsequent emissions, vessel capabilities and the normal running cost of the vessel into account. In addition, Fugro's vessels fully operate on low sulphur marine gas oil, ahead of the IMO 2020 global sulphur limit regulations.

Fugro also has continuous programmes focused on waste reduction and the adoption of other environmental initiatives, ranging from emissions monitoring to a focus on waste reduction. The Fugro food waste reduction programme was initiated in 2018, with a 20% reduction during the pilot. The programme will continue in 2019 with the ambition to achieve a similar reduction across the fleet.

Compliance

Business ethics

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 a variety of topics including non-discrimination, health and safety, drugs and alcohol, anti-corruption, conflict of interest and fair competition. It applies to all Fugro employees. Continuous efforts are made to convey the importance of the Code of Conduct and adherence with its contents 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. It offers multiple channels for reporting a suspected violation of the Code of Conduct and/or its underlying policies and outlines the subsequent internal investigation process which is supervised by Fugro's corporate integrity committee (see below).

One of the channels for reporting a suspected violation is the Convercent reporting line; a web-based application which also offers reporters the opportunity to phone in reports in their local language. Convercent is available in over 30 languages 24/7. It offers reporters the opportunity to report anonymously should they so wish. 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 was provided to managers and other staff to support them in promoting Fugro's values and to create a culture of transparency and respect, as well as to assist in promoting awareness of the (anonymous) reporting channels available as part of the speak up procedure.

In order to make the Code of Conduct, its underlying policies and the speak up procedure, easily accessible to all employees, the documents have been translated in the company's most relevant working languages. In 2017, Fugro commenced the roll-out of a new mandatory interactive e-learning course about the Code of Conduct, its underlying policies and the speak up procedure. The completion rate of all three modules of the Code of Conduct training exceeded the target of 90% of Fugro staff world-wide by the end of 2018.

Fugro has established a corporate integrity committee. This committee consists of the global director human resources, head internal audit and the chief compliance officer/general counsel, and reports to the CEO and CFO. It investigates 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 strict compliance with Fugro's no retaliation policy for any person making a good faith allegation.

In November 2017, Fugro introduced its 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 a 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 together 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 specialised third party at least every two 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.

Compliance

Fugro is committed to adhere to the applicable laws and regulations in all countries where business is conducted. This commitment is embedded in all parts of the business through policies and training. To ensure compliance with EU/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 2018, 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 on May 25 2018, Fugro has implemented a new privacy program in 2017 and 2018. Fugro has performed a data inventory and mapping exercise, not only in the Netherlands, but also in Fugro's large European markets of Germany, the United Kingdom and Norway. The purpose of the exercise was among others to gather information and form a snapshot view of the data flows for each of the key business processes in scope and to understand how Fugro collects,

Launch of Fugro's Seacalf system to identify soil composition via cone penetration testing.

uses, and shares personal data. Fugro's GDPR programme's main objective is to continuously create awareness of the new principles and obligations as set under the GDPR. In this respect, Fugro has developed a data privacy awareness campaign and GDPR compliance package for all Fugro's operating companies and its employees.

Tax policy

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

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

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 per year, the tax strategy including financial impact, valuation of deferred tax assets, compliance and tax implications of any acquisition or divestment. Based on its risk based audit plan, the internal audit department monitors tax compliance and controls. External support is provided by a reputable network of external tax advisers that strictly follow their professional standards. Fugro's values and compliance with Fugro's Code of Conduct are leading when managing Fugro's tax affairs.

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

OVERVIEW IMPORTANT CONTRACT AWARDS

EUROPE

Germany – Fugro has undertaken a complex geotechnical project for TenneT's high capacity grid. The contract involves detailed site characterisation services for a 38-kilometre-long section from Husum to Niebüll; another 46-kilometre-long section was investigated by Fugro in 2017. The new 'west coast line' is an important energy project, transporting wind power from Germany's west coast to the south of the country.

Germany – Fugro has won a marine site characterisation programme at Iberdrola's Baltic Eagle offshore wind farm, in the Baltic Sea. It relates to an UXO (unexploded ordnance) survey to clear the sites, followed by a geotechnical investigations, including laboratory testing. The data will inform the design of the foundations for the wind turbines and offshore substation.

Norway – Fugro has been awarded a hydrographic survey of approximately 14,500 square kilometres by the Norwegian Hydrographic Service. It is part of the MAREANO seabed mapping programme. Fugro has successfully completed numerous surveys for the programme since 2006.

The Netherlands – Following earlier geophysical surveys, Fugro continued its site characterisation of the Hollandse Kust Noord wind farm zone with geotechnical investigations, laboratory testing and development of an integrated soil model which will be used by future developers to prepare their bids. In 2017 an earlier contract with the Netherlands Enterprise Agency saw Fugro complete a geophysical survey of the area to map the position of existing cables and pipelines.

The Netherlands – Fugro was awarded a five-year contract for roadway pavement condition assessment services with the Ministry of Transport. Detection of pavement surface degradation and surveying of roadway geometry, using Fugro's proprietary automatic road analyser. The contract includes the inspection of around 9,000 kilometres of highway each year allowing the client to optimise its road maintenance programs.

United Kingdom – Reaffirming its market-leading position in the UK North Sea ROV inspection market, Fugro has attracted seven new clients for its IRM services in 2018. Recent work includes significant pipeline and structure inspections for Centrica Storage, Chrysaor, Dana, Petrofac, Premier, Repsol and Spirit Energy. Work scopes also include light repair, maintenance and decommissioning.

United Kingdom – In July, Fugro was awarded site characterisation work on the High Speed 2 Rail Project for the ALIGN consortium, as part of design and construction preparation works for Phase 1 of this high-speed rail network, directly linking London, Birmingham, Leeds, the East-Midlands and Manchester. Fugro geoscientists will apply advanced techniques to determine ground strata and engineering properties to help optimise tunnel and foundation design.

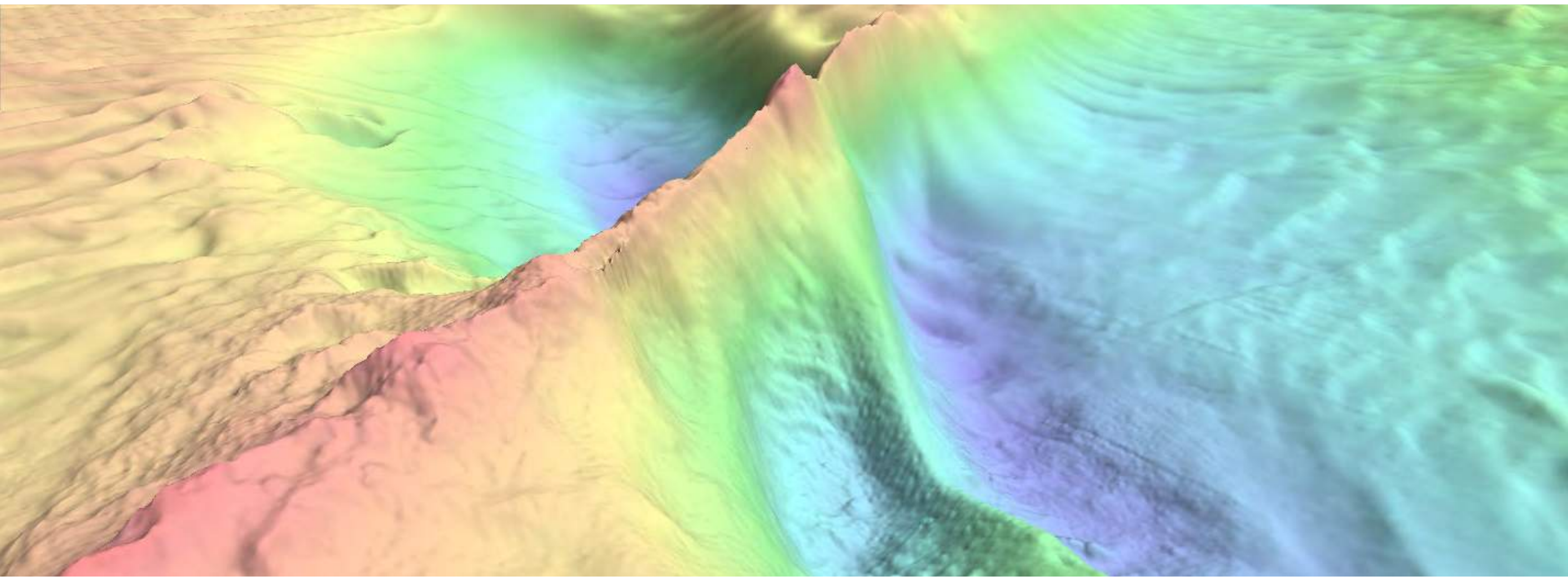
United Kingdom – Fugro has commenced site characterisation work at the Hornsea Two wind farm site. The contract, awarded by Ørsted, covers geotechnical site investigation and follows earlier contracts for geophysical services at the same site. The data will support the development of the ground model, assist design activities for the turbine foundations and inform cable route design at the Hornsea Project Two and Three sites. Since 2016 Fugro has also carried out several marine site characterisation contracts at Ørsted's Hornsea One site.

AMERICAS

Brazil – Fugro is providing remotely operated vehicle (ROV) services to support Petrobras in its exploration and production activities. The two new contracts see Fugro's ROV spread working round-the-clock to support drilling related activities, such as towing, mooring, commissioning and de-commissioning, and positioning of production and drilling. The ROVs are being deployed in water depths of 3,000 metres.

Brazil – For TGS, Fugro has been executing a large hydrocarbon seep survey (detection of leakages from active oil and gas reservoirs) in the Campos and Santos basins. The program covers around 200,000 square kilometres, and follows similar programs in the Gulf of Mexico. The survey is targeted at reducing the client's exploration cost and risk, by improved identification of viable reservoirs.

Canada – Fugro has successfully completed the geophysical acquisition portion of a 2018 Carson Basin seep survey programme, covering an area of 18,875 square kilometres in water depths from 300 to 3,300 metres in this frontier region offshore Newfoundland. From its deepwater survey vessel, Fugro Searcher, Fugro acquired data which were used to interpret geologic features and optimise target selection for geochemical sampling and heat flow measurements.



3D model of seafloor with colours indicating water depth, UK sector of the North Sea

Cayman Islands – Fugro completed the data acquisition phase of a hydrographic survey project designed to update the nautical charts of Grand Cayman and Cayman Brac. Fugro mobilised two survey launches equipped with multibeam sonar suites to capture seabed bathymetry data; tidal observations and tidal stream measurements were also collected. Updating the charts will support safe navigation, improving access for trade and tourism related industries and enabling a wider range of ships to call safely at the islands.

Guyana – As during the previous three years, in 2018 Fugro continued its high level involvement with key players exploration programs in the site characterisation space and in particular for ExxonMobil Liza 2, Hammerhead and Payara development programme. Geotechnical and environmental sampling was also executed for Repsol Guyana and a coastal hydrographic program was conducted for the Guyanese government.

Trinidad & Tobago – Fugro has won three contracts with BHP Petroleum (Deepwater) Inc. Within Trinidad's Block 3(a), Fugro is providing geophysical and geotechnical services to support the development of the Ruby field. Fugro will conduct seismic surveys, seabed clearance and shallow hazards surveys. For the geotechnical investigations, the work scope includes drilling, laboratory analysis and engineering reporting. The operations commenced in June and will continue until May 2020.

USA – Fugro has executed its first project supporting deep sea mining of polymetallic nodules; concretions enriched in nickel, copper, cobalt, metals and non-metals important for electric vehicles and wind energy production. In the eastern Pacific Ocean, a specialist marine geoscience team performed detailed site characterisation surveys, for seafloor mineral exploration company Nauru Ocean Resources, a subsidiary of DeepGreen Metals Inc.

USA – Seabed Geosolutions has been awarded a series of 4D ocean bottom node seismic monitoring surveys over multiple oil and gas fields in the U.S. Gulf of Mexico. At a later stage, Seabed secured an extension of the contract, increasing the total duration to around five months.

USA – 2018 saw a host of geophysical and geotechnical contract awards for offshore wind farms from Ørsted for Bay State (Massachusetts), Ocean Wind (New Jersey), Deepwater Wind for Skipjack (Maryland) and Revolution (Rhode Island) wind developments.

USA – An American energy company contracted Fugro for the inspection and analysis of power lines, hosting the data on Fugro's cloud based Roames platform. The purpose of the project is to provide data collection and data interpretation services to support a vegetation management analysis for the client covering a four state area (Louisiana, Texas, Arkansas, Mississippi).

AFRICA

Nigeria – In 2018 Shell undertook maintenance activities at its SPM buoy at the Bonga field necessitating oil tankers to temporarily tandem-moor at the FPSO. To aid the tanker pilot in safely executing this operation, Shell contracted Fugro to deliver an advanced monitoring and advisory tanker offloading system. Using Fugro's NorthStar integrated software, the existing monitoring system was upgraded to accurately measure wind, current and wave forces, to detect squalls in the wide vicinity and provide advisory warnings, to monitor mooring hawser tension, and to accurately report tanker and FPSO position, velocity and separation distances. The real-time data was amongst others displayed on PCs on a portable hand-held tablet for the tanker pilot, and on Fugro's web-server for off-site staff.

Madagascar – Nearshore site characterisation work for the expansion of the Toamasina Port, Madagascar's largest commercial seaport. Funded by the Japanese International Cooperation Agency (JICA), this project supports the design and construction of new quays to accommodate the future increase in container cargo vessels through the port.

Mozambique – Fugro has started the mobilisation of equipment and personnel to Northern Mozambique for further in-depth studies of the marine site conditions. Fugro has accompanied ENI since 2014 in several campaigns. The contract includes an extensive metocean campaign to define the currents along the continental shelf, additional geotechnical and geophysical data acquisition, processing and integration into the ground model that will be required for the construction phase of the project.

MIDDLE EAST AND INDIA

Saudi Arabia – Fugro is providing on and nearshore site investigation services for the design and engineering phases of the "Pristine" tourism development. Fugro's services support the feasibility and design phase for this mega-resort, built across a lagoon of 50 islands situated between the cities of Umlaj and Al-Wajh.

Saudi Arabia – Seabed Geosolutions has been awarded a significant 3D ocean bottom node survey in the Red Sea. The S-79 project will require the acquisition and processing of high quality 3D data over a large area in various water depths. Seabed's Manta® nodes will be used. The contract will be jointly executed and shared with Seabed's partner in the Middle East ARGAS, who is the contract holder.

Qatar – Under a five year call-off contract for Qatargas, Fugro is providing underwater inspection, geotechnical and geophysical services for its offshore LNG operations. Utilising its survey vessel Fugro Proteus, Fugro will undertake geophysical and environmental services and ROV inspection of subsea assets.

UAE – Fugro completed an extensive programme of surveys for Bechtel as part of the Hail and Ghasha gas field development, a landmark project for the Abu Dhabi National Oil Company (ADNOC). In order to meet the fast track schedule Fugro mobilised specialised equipment, including multiple elevating platforms for geotechnical work and on site crew accommodation.

ASIA PACIFIC

Indonesia – Fugro has provided significant, comprehensive geophysical, geotechnical, and metocean survey and geohazard analysis services, for ENI's Merakes development project in the East Sepinggan Block, offshore East Kalimantan. The field is located in 1,500 metres water depth, 35 kilometres southwest of the Jangkrik floating production unit.

Australia – In order to remotely assess the condition of Western Power's complete 75,000-kilometre electricity network, Fugro was awarded a three-year contract for its Roames solution. Roames combines cutting- edge remote sensing technologies with cloud computing and machine learning algorithms to deliver a complete and accurate, real-world, digital twin. It will provide asset condition and vegetation clearance analytics, helping Western Power to optimise its maintenance programmes.

Australia – Fugro has won a contract to collect seafloor data for the Office of Environment and Heritage, on behalf of the New South Wales Government. This information will enable councils, scientists and government agencies to better understand nearshore processes and the structure and range of habitats on the seafloor.

Papua New Guinea – Total awarded Fugro site investigation services in support of its infrastructure development for the Elk-Antelope field, in preparation for future LNG developments. The one-year contract encompasses site investigation work, including onshore drilling, CPT, geoconsultancy and laboratory testing work to deliver a ground risk model for optimal foundation design.

Taiwan – Fugro was awarded two offshore wind farm projects by Jan De Nul N.V., to aid detailed foundation design for the first two pilot demonstration wind farms in the country. Over 4,000 metres of soil intelligence data was collected over a period of close to 60 fieldwork days. The highly efficient and safe operational performance enabled Jan De Nul to start with the foundation designs quicker than anticipated.

Tuvalu – Fugro has been awarded a contract by the United Nations Development Programme to survey the Polynesian island. With its low lying islands, Tuvalu is very vulnerable to the effects of climate change. The survey will result in accurate coverage of shallow, nearshore and lagoon bathymetry and island topography, to support the island's infrastructure development, natural resource management and environmental monitoring needs.

Robotics

As the world's leading commercial supplier of offshore geotechnical site investigations. Fugro operates the largest fleet of dedicated geotechnical vessels, and seabed sampling and testing equipment.

An example of our robotic seabed geotechnical systems is the SEADEVIL™, Fugro's proprietary seabed drilling control system that improves the quality of drilling and sampling activities by controlling seafloor penetration from the seabed. Drilling from the seabed allows for better control, as it is independent of vessel movement, delivering samples and cores of a very high quality. At the same time, the direct connectivity with the vessel results in continuous monitoring and control of the sampling processes, recovery of samples and cores to the vessel deck, exchange of tools without having to recover the seabed frame, and real-time flexibility in the drilling depth and sampling programme.

Client benefits

- Cost and risk reduction for offshore field design and construction by higher quality sample data and test results.
- Improved operational safety through reduced manual activities on deck.
- More efficient operations through faster data collection, leading to optimised programme planning and potentially reduced programme duration.

HIGHER QUALITY | SAFER | MORE EFFICIENT

FUGRO

DIVISIONAL FINANCIAL PERFORMANCE

MARINE DIVISION

Key figures (amounts x EUR million)	2018	2017
Revenue	1,085.9	947.3
■ reported growth (%)	14.6%	(13.6%)
■ comparable growth (%)[1]	27.4%	(11.3%)
EBITDA excluding exceptional items	93.8	47.8
EBIT excluding exceptional items	21.1	(43.3)
EBIT margin excluding exceptional items (%)	1.9%	(4.6%)
EBIT	17.6	(56.5)
Capital employed	844.2	820.6
Backlog next 12 months	618.8	545.3
■ comparable growth (%)[1]	13.6%	(7.6%)
Number of employees (at year-end)	5,175	5,053

1 Revenue and backlog growth corrected for currency effect (of around -4% and 0% respectively) and for portfolio changes related to the divestment of the construction and installation activities in 2017.

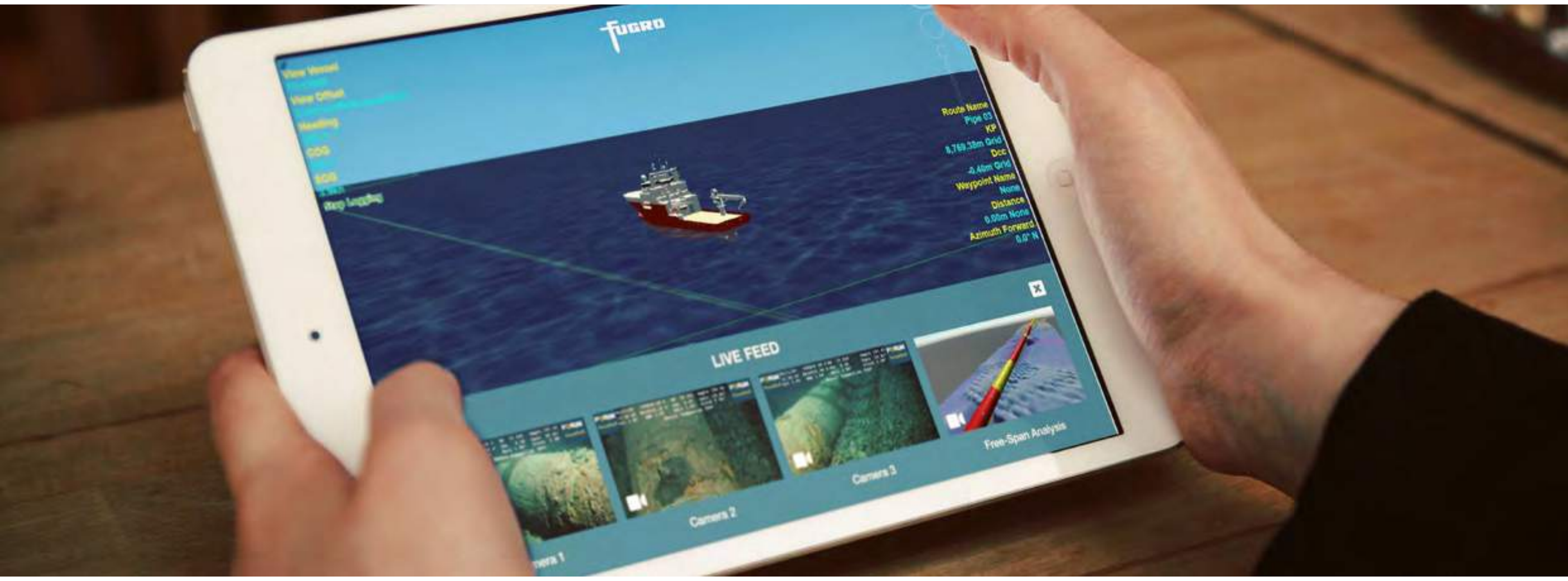
- Revenue increased year-on-year by 27.4% on a comparable basis, driven by Fugro's leading market shares in the oil and gas market and its increasingly global position in offshore wind, particularly in Europe and the Americas. Revenue in new growth markets, such as hydrography and coastal protection, also showed a significant increase.
- The utilisation of owned and long-term chartered vessels increased to 73% from 69% last year, complemented by spot charters in Europe, Middle East & India and Asia Pacific.
- EBIT recovered from a loss in 2018 to a positive margin of 1.9%, with an improvement in all regions, resulting from better asset utilisation and improved pricing in the geophysical and geotechnical markets.
- Site characterisation revenue increased significantly by 48.2% at constant currencies to EUR 563.9 million, capturing the upturn in the oil and gas and offshore wind markets. EBIT improved significantly to low single digit positive margin, compared to a double digit negative margin last year, driven by improved asset utilisation and a better pricing environment.
- The asset integrity comparable revenue increased by 10.9% to EUR 522.0 million, mainly due to growth in Asia Pacific. EBIT was marginally positive and deteriorated compared to last year, reflecting the sustained global over-supply and related challenging pricing environment of inspection, repair and maintenance and construction support services.
- Capital employed increased to EUR 844.2 million as a result of higher working capital needs from increased activity levels.
- Backlog for the next 12 months increased by 13.6% on a comparable basis, with 46.0% growth in site characterisation projects to EUR 313.7 million and a 7.1% decrease in the asset integrity business line, due to increased focus on profitability improvement.

LAND DIVISION

Key figures (amounts x EUR million)	2018	2017
Revenue	466.9	476.0
■ reported growth (%)	(1.9%)	(6.1%)
■ comparable growth (%)[1]	1.5%	(3.0%)
EBITDA excluding exceptional items	28.2	42.4
EBIT excluding exceptional items	10.0	21.4
EBIT margin excluding exceptional items (%)	2.1%	4.5%
EBIT	7.8	15.7
Capital employed	223.2	218.9
Backlog next 12 months	283.4	273.6
■ comparable growth (%)[1]	2.7%	(17.0%)
Number of employees (at year-end)	4,870	4,804

1 Revenue and backlog growth corrected for currency effect (of around -3% and +1% respectively).

- Land revenue increased by 1.5% year-on-year at constant currencies, thanks to an increase in infrastructure projects that fully offset the decrease in oil and gas and power related activity. EBIT (excluding exceptional items) was below last year as a result of lower asset integrity results and a positive one-off operational effect of EUR 6.1 million from a contractual settlement in 2017.
- Site Characterisation revenue increased by 2.8% at constant currencies to EUR 367.9 million, mainly as a result of higher revenue in Europe. The mid-single digit EBIT margin was comparable to last year when the aforementioned contractual settlement is excluded. Increased profitability in Europe and the Americas was offset by lower performance in the Middle East, impacted by the economic and political environment in the region and some bad debt write offs.
- Asset Integrity revenue decreased by 3.2% at constant currencies to EUR 99.0 million, as a consequence of poor weather conditions in the USA, impacting the road business, and postponed awards in the rail business in Europe. As a result, EBIT margin was mid-single digit



With live streams accessible via regular mobile devices, Fugro connects clients with data, analytics and advice: delivering better insights faster.

negative and below last year. Backlog however has significantly improved and represents a good base for 2019 growth.

- Backlog for the next 12 months increased for the first time in eight quarters and is up 2.7% on a currency comparable basis. Site characterisation backlog is flat compared to last year and asset integrity backlog increased by 11.1%, mainly due to increased activity in the Americas.

GEOSCIENCE DIVISION

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

Key figures (amounts x EUR million)	2018	2017
Revenue	97.2	74.1
■ reported growth (%)	31.2%	(57.2%)
■ comparable growth (%)[1]	35.7%	(55.7%)
EBITDA excluding exceptional items	(4.2)	10.6
EBIT excluding exceptional items	(18.0)	(10.2)
EBIT margin excluding exceptional items (%)	(18.5%)	(13.8%)
EBIT	(16.6)	(10.9)
Capital employed	140.5	144.6
Backlog next 12 months	139.3	108.9
■ comparable growth (%)[1]	23.5%	31.9%
Number of employees (at year-end)	220	187

1 Revenue and backlog growth corrected for currency effect.

- Revenue increased by 35.7% at constant currencies, largely driven by a higher activity level in the ocean bottom node (OBN) business.
- At the end of 2018, Seabed Geosolutions was operating three crews compared to only one crew a year ago. The shallow water cable crew is working for ADNOC in the United Arab Emirates since December. The Manta® node crew started in November on the Buzios survey for Petrobras and the Case Abyss crew was busy in the Gulf of Mexico.
- The second half of 2018 was characterised by a number of challenges, resulting in a significant loss in the period. Idle periods and project execution issues including weather standby significantly impacted profitability of the contracts in the Gulf of Mexico and the Middle East. This will continue to impact Seabed's results over the remaining duration of these projects; mainly in the first quarter of 2019.
- After completion of the contracts in the Gulf of Mexico and the Middle East, Seabed Geosolutions expects to benefit from improved market conditions and more favourable contracts resulting in both better utilisation and improved margins.
- The 12-month backlog increased by 23.5% on a currency comparable basis. The pipeline of potential projects remains solid with significant tendering activity reflecting the increased appetite for ocean bottom seismic technology.
- The S-79 project, a significant 3D ocean bottom node survey in the Red Sea, is scheduled to start during the second quarter of 2019.

GOVERNANCE

BOARD OF MANAGEMENT

Name **Mark R.F. Heine** (1973)
Function Chief Executive Officer, Director Marine division (as of May 2019: 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 2019

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 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 associations IMCA and IRO.

Name **Paul A.H. Verhagen** (1966)
Function Chief Financial Officer
Nationality Dutch
Employed by Fugro Since 2014. Appointed to Board of Management per January 2014, appointed Chief Financial Officer in May 2014.
Current term Until AGM 2022

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

Name **Brice M.R. Bouffard** (1970)
Function Director Land division (as of May 2019: 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).

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

Fugro Voyager working on a geotechnical investigation at the site of Kriegers Flak wind farm, Denmark.

RISK MANAGEMENT

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

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

Risk appetite and sensitivity

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

Risk appetite and key risks

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

Fugro's Seawatch Lidar bouy for measuring wind profiles and waves.

Sensitivity analysis	Change	Impact	On	Assumption (based on 2018 financials excluding exceptional items)
Revenue (volume)	+ 1%	EUR 9 million	EBITDA	Flat net revenue own services
Revenue (price)	+ 1%	EUR 16 million	EBITDA	No change to cost base
Operating expenses	+ 1%	EUR (16) million	EBITDA	No change to revenue
Vessel utilisation	+ 1%	EUR 4 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 5 million	Net profit	Stable revenue and margin in USD
Euro versus British pound	+ 10%	EUR (1) million	Net profit	Stable revenue and margin in GBP
Interest rate	+ 100 bp	EUR (2) million	Net profit	Net debt year-end 2017
Net debt	+ 100 million	EUR (3) million	Net profit	Stable interest rates

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

Control environment

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

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

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

Responsibilities

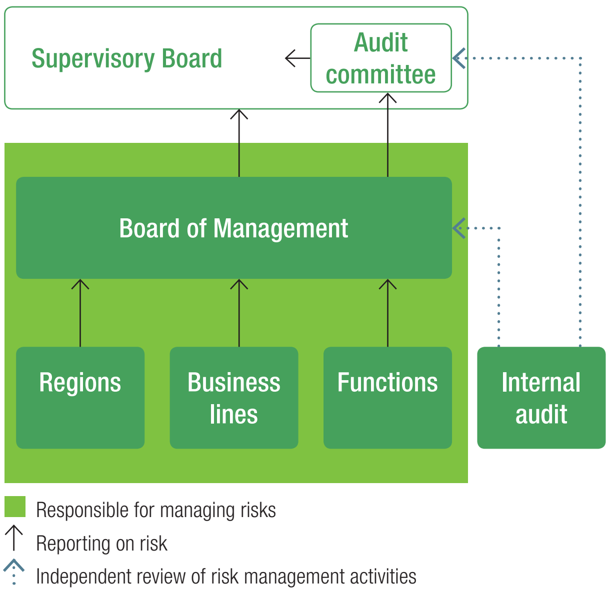
Fugro's risk management governance is based on a delegated accountability across the regions, business lines and global functions, so that risks and opportunities are the responsibility of those best placed to manage them. Risks that can and should be managed by the regions, business lines and global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

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

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

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

Risk governance



Strategic risk

Fugro's strategy 'Path to Profitable Growth' 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, utilisation of its asset base and the ongoing consolidation and transformation of its organisational structure. All these risks are mitigated with proportionate measures and monitored on different levels within the company.

Market exposure **Description**	Risk appetite: High **Risk direction**	**Mitigation**
A high proportion of Fugro's activities, around 60%, is related to the oil and gas industry and as such Fugro is significantly exposed to the volatility of the oil price and the related impact on oil companies' investment and operational budgets.	The market for oil and gas services is expected to improve the coming years as new investments are needed to satisfy the still growing demand for oil and gas. When viewed over decades, the increasing commitment by countries, companies and citizens to reduce carbon emissions to mitigate climate change poses a serious risk.	To a degree this is mitigated by Fugro's balanced exposure across the oil and gas field life cycle and strong market positions. Additionally, Fugro is strategically targeting non-oil and gas markets such as infrastructure, power, rail, telecom cable routing, offshore wind, and new growth markets such as fresh water sourcing and in coastal and flood protection, to be less dependent on the oil and gas services market. These markets run in different economic cycles than the oil and gas markets and offer good opportunities for Fugro.

Innovation **Description**	Risk appetite: High **Risk direction**	**Mitigation**
Focus on value-driven innovation and developing new technologies enables Fugro to provide differentiating integrated solutions. Innovation is a key enabler of Fugro's strategic priorities, even in the current challenging market circumstances. There is a risk that investments relating to research and development will not deliver new technologies and market opportunities or that, irrespective of Fugro's efforts to protect its intellectual property, competitors develop similar or better solutions, thereby negatively impacting Fugro's competitive edge.	It is expected that this risk will increase. 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, even during the recent downturn and by working closely with clients and understanding their needs, Fugro is able to effectively invest in research and development resources that are relevant to clients. Furthermore, working with universities, technology institutes and other high tech companies gives Fugro the opportunity to leverage third party technology and research and development, resulting in increased effectiveness.

Employees **Description**	Risk appetite: Low **Risk direction**	**Mitigation**
Not being able to recruit or retain qualified personnel is a risk that can impact both current and future operations and results. Especially given the recent restructurings in line with the decline of the oil and gas market, there is a risk that certain capabilities cannot be maintained at the desired level.	It is expected that this risk will increase. As Fugro expect to grow and is evolving towards providing more high-end services as part of its strategy, with our 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 2018 an integrated employee management system was implemented and a global career framework was introduced, providing employees with a better understanding of the possibilities to advance within the group, both on the technology and managerial ladder.

Operational risk

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

Project management	Risk appetite: Moderate	
Description	**Risk direction**	**Mitigation**
Good project management is essential for satisfactory execution, especially as contract size and the complexity of projects are increasing. Downtime related to adverse weather or vessel or equipment breakdown or availability of assets can significantly impact project performance. Lack of management or control, due to time, knowledge or resource constraints, can cause unnecessary delays and serious damage to a project and Fugro's reputation, and may result in (financial) penalties.	It is expected that this risk will increase. There is a trend showing increasing project complexity and size and because of the growth of the industry a growing risk of not enough resources and expertise to manage the projects appropriately.	Projects and contracts with a value or risk exceeding a specified amount must be approved in accordance with the applicable authorisation matrix, which is updated regularly by the Board of Management. A proper risk assessment also ensures that a sufficiently qualified manager is selected to manage these projects, reducing the risk that unnecessary costs are incurred. Fugro is strongly focused on further improving its efficiency, amongst others by a relentless focus on delivery excellence, for example by implementing a global equipment pool and process standardisation by centralising project management development and the appointment of a global director of project management.

QHSSE management	Risk appetite: Low	
Description	**Risk direction**	**Mitigation**
Fugro recognises that the industries in which it works expose employees to health, safety and security risks and is therefore committed to preventing these from turning into incidents.	It is expected that this risk will remain the same. Strong QHSSE management has been very relevant for Fugro, as its employees have always worked in harsh environments, and this is not expected to change. In the current oil and gas market, price pressure and new staff coming in 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 fueled 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. All Fugro's activities are executed under OHSAS18001 or similar certified management systems. Employees receive regular safety training and Fugro is continuously reviewing potential areas of improvement, and ensuring thorough evaluations of all incidents.

Cyber security	Risk appetite: Low	
Description	**Risk direction**	**Mitigation**
Fugro relies on a range of IT systems (hardware, software and network connections) to manage its business, support operations and deliver many of its advanced technological solutions. Fugro develops proprietary hardware and software to support its specialist services. Consequently, malfunctioning of Fugro's IT systems, due to an outside attack (e.g. phishing, malware) or other internal system instabilities, may result in a delay of projects or a negative impact on Fugro's reputation.	The increase in IT dependency, combined with an increase in cyber threats, underpin the expectation that this risk will be increasing in the next few years.	Fugro has a dedicated global IT security team and a solid security IT infrastructure which consists of advanced spam and internet filters, firewalls, policy-based access to the internet and tooling to monitor network and cloud usage. Fugro's IT systems are constantly monitored and controlled for contamination by viruses, malware or malicious content. The team operates independently from IT staff in the country organisations. In 2018 Fugro has taken several actions to improved cyber security resilience, including an independent penetration test on key systems and services, implementation of multi-factor authentication for account access and DMARC (digital signing) on all fugro.com email. There has not been any major security incident in 2018.

Financial risk

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

Credit risk	Risk appetite: Low	
Description	**Risk direction**	**Mitigation**
Fugro has credit exposure to accounts receivable with customers. A default by counterparties can have a material adverse effect on operating results. Also, aging debtors have a negative impact on the available working capital, exposing Fugro to the risk of increased cost of capital.	It is expected that this risk will 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. In addition, relevant staff is being trained on proper working capital management, client acceptance reviews and an overall awareness on the impact of this topic.

Currency risk	Risk appetite: Low	
Description	**Risk direction**	**Mitigation**
Fugro is exposed to fluctuations in exchange rates, which can impact equity, debt, revenue and profitability. The currency movements at group level can be substantial, in particular related to equity and debt. Fugro holds cash balances in local currencies in certain countries where it is difficult to transfer cash abroad or to convert it to USD or EUR at short notice. These local trapped cash balances expose Fugro to risk of devaluations against the euro. In Angola an amount of EUR 26 million is in Angolan Kwanza's which is subject to currency risk at year end 2018.	It is expected that this risk will remain the same. Given the global presence of Fugro, there will always be currency exposure, and a change in fluctuations between currencies is not expected.	As most of the company's revenue in local currencies is used for local payments, the effect of currency movements on operational activities at a local level is reduced. The group treasurer focuses on improving transparency regarding the various currency exposures and provides advice on how to mitigate these. Fugro strives to match revenue with costs and assets with liabilities in each applicable currency or in USD and hence makes use of natural hedges. The usage of forward exchange contracts is limited. Through standardisation and centralisation and improved treasury management systems Fugro will be able to monitor and mitigate its transactional currency risks and the group treasurer is monitoring all foreign exchange contracts and, together with group control, their significance for the assessment of assets, liabilities, and the financial situation and results.

Compliance risk

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

Legal compliance **Description**	Risk appetite: Low **Risk direction**	**Mitigation**
Fugro's global presence exposes the company to regional and local law and regulation, as well as changing and challenging political and economic environments. This can impact the realisation of business opportunities. Other risks may include non-compliance with Fugro's Code of Conduct such as its anti-bribery provisions.	It is expected that this risk will increase. Especially in the Western world, there is a drive to implement increasingly detailed and more complex regulations and regulatory standards covering an ever broader scope of a company's activities.	The Code of Conduct directs Fugro's employees, subcontractors and business partners to conduct business ethically, comply with the law, and maintain Fugro's reputation. Continuous efforts are made to inform employees, suppliers and business partners about the Code of Conduct. In 2018 this was further enforced through multi language e-learning courses and active monitoring of agents and joint venture partners.

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

Financial reporting

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

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

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

Fugro has implemented internal control self-assessments (ICS) at most of its financial shared service centres. The first implementation was at the FSSC in the Netherlands, which is the largest FSSC within the group. These self-assessments are aimed at increasing awareness of Fugro's overall internal control framework. They are focused on financial reporting, consistency in the use of standards and the effectiveness of controls, ultimately leading to an enhanced control environment.

Fugro is implementing a groupwide IT system to optimise the way Fugro works in business development, project management and operations, procurement, and finance across the company. These key business processes are in the process of being standardised based on best practices and will be supported by a global cloud-based tool. In 2018 part of the system (the finance components) were implemented in several entities, and further fit-gap analyses were and will be performed to intensify roll out activities in 2019. A second proof of concept for the full solution will be rolled out in another operating company in 2019 in order to further prepare for a global implementation of the fully integrated solution.

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 2018, 19 reviews took place including 2 project focused reviews. The internal audit department is independently accountable to the audit committee of the Supervisory Board and participates and reports in each audit committee meeting (5 times per year). Additionally, the head of internal audit has direct access to the chairman of the audit committee and CEO and they meet at least twice per year.

External audit

The financial statements of Fugro are audited annually by external auditors, who are not part of the internal controls of the company, but do contribute to the internal control framework. These audits take place on the basis of Dutch law. As a matter of principle, the external auditor does not act in an advisory capacity, however, on an exceptional basis and when allowed by the respective independence requirements, this is permitted. In the majority of cases when advisory services are required, Fugro selects firms that are not selected to carry out component audits.
The performance of the external auditor is evaluated annually by the audit committee, assisted by the Board of Management. The audit committee advises the Supervisory Board on their proposal to the annual general meeting regarding (re)appointment of the external auditor.
For specific information on the external audit we refer to the independent auditor's report on page 181.

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.

CORPORATE GOVERNANCE

Dutch corporate governance code

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

In the Code, a central role is given to long-term value creation and culture is introduced as a component of effective corporate governance.

Compliance with the Code in 2018

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 2018 is posted on Fugro's website, as are the rules governing the internal proceedings of the Board of Management and of the Supervisory Board (including its three committees).

Principle 4.4

Maintaining its role as independent service provider is crucial for Fugro (see 'Protective measures' on page 67 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

Diver inspecting offshore structure.

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 67 for more details. This is necessary when Fugro's continuity, independence, identity or development is at stake. Therefore the deviation of this provision of the Code relates to the fact that proxies to vote are not issued without any limitation and in all circumstances. This deviation is of course the consequence of the fact that the structure of share certification is also meant as a protective measure. At this moment, Fugro does not intend to change this.

Corporate information

Capital structure

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

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

On 31 December 2018 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 2018 almost all (83,603,050 = 98.85%) issued ordinary shares are exchanged for certificates of shares. See page 67 for more information on certificates of shares.

Restrictions to transfer of shares/exchange of certificates

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

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

- is the holder of ordinary shares to a nominal amount of one per cent or more of the total capital of Fugro issued in the form of ordinary shares (as of 31 December 2018 one percent equals 845,726 shares).
- through such transfer would acquire more than one per cent of the total capital of Fugro issued in the form of ordinary shares.

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

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

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

Protective measures

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

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

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

Foundation Trust Office

Only (non-voting) certificates of shares are listed and traded on Euronext Amsterdam. These exchangeable certificates are issued by Foundation Trust Office and the Board of the Foundation exercises the voting rights on the underlying shares in such a manner that the interests of Fugro and the enterprise affiliated therewith and all those concerned therewith are observed and complied with as far as shall be possible. The Board of the Foundation operates completely independent from Fugro. For the report to holders of certificates with respect to the year 2018 and for the composition of the Board see pages 188-190.

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.

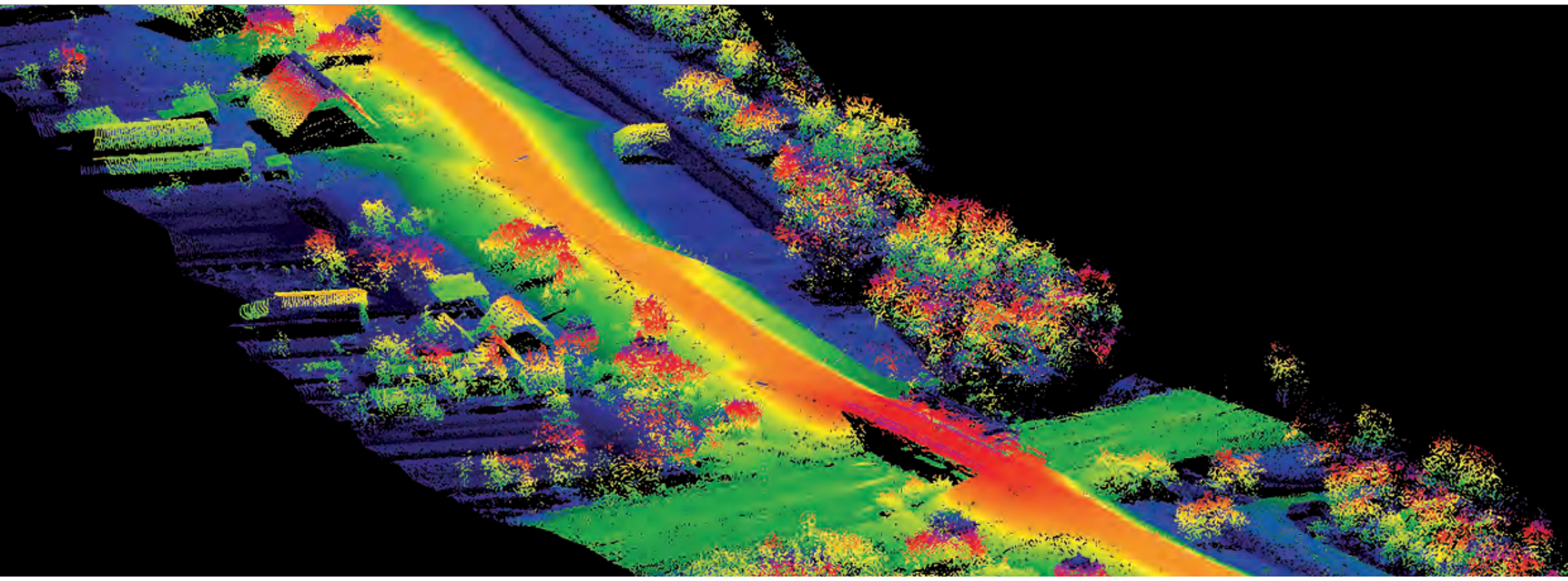
Foundation Protective Preference Shares Fugro

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 188.

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 188.



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

Stock option and share plans (long-term incentive)

Currently Fugro has the following long-term incentive plans:

i) Unconditional options, approved by the AGM in 2008.
ii) 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.

Furthermore, with effect from 2017, these unconditional options and conditional performance shares are no longer granted at the end of the year but the grant date has been shifted to the open period immediately following the publication of the annual results. The first grant under this revised timetable 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 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 the performance 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 the employment without cause, prorated vesting, retirement, long-term disability, death and change of control.

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

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

Unconditional options	Exercise price (EUR)	Vesting date	Expiration date
Series 31/12/2013	43.32	31/12/16	31/12/2019
Series 31/12/2014	17.26	31/12/17	31/12/2020
Series 31/12/2015	15.06	31/12/18	31/12/2021
Series 31/12/2016	14.55	31/12/19	31/12/2022
Series 01/03/2018	12.20	05/03/21*	04/03/2024*

Performance options	Exercise price (EUR)	Vesting date*	Expiration date*
Series 31/12/2014	17.26	not vested	n/a
Series 31/12/2015	15.06	will not vest	n/a
Series 31/12/2016	14.55	06/03/20	06/03/2023

Performance shares	Exercise price (EUR)	Vesting date*	End of lock-up*
Series 31/12/2014	n/a	not vested	n/a
Series 31/12/2015	n/a	will not vest	n/a
Series 31/12/2016	n/a	06/03/20	06/03/2022
Series 01/03/2018	n/a	05/03/21	04/03/2023

* Based on anticipated publication dates of annual results in 2020 and onwards.
See pages 132 to 137 for further information on option and share plans.

General meeting of shareholders

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

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

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

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

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

HSSE inspection on board the Fugro Searcher.

Board of Management and Supervisory Board

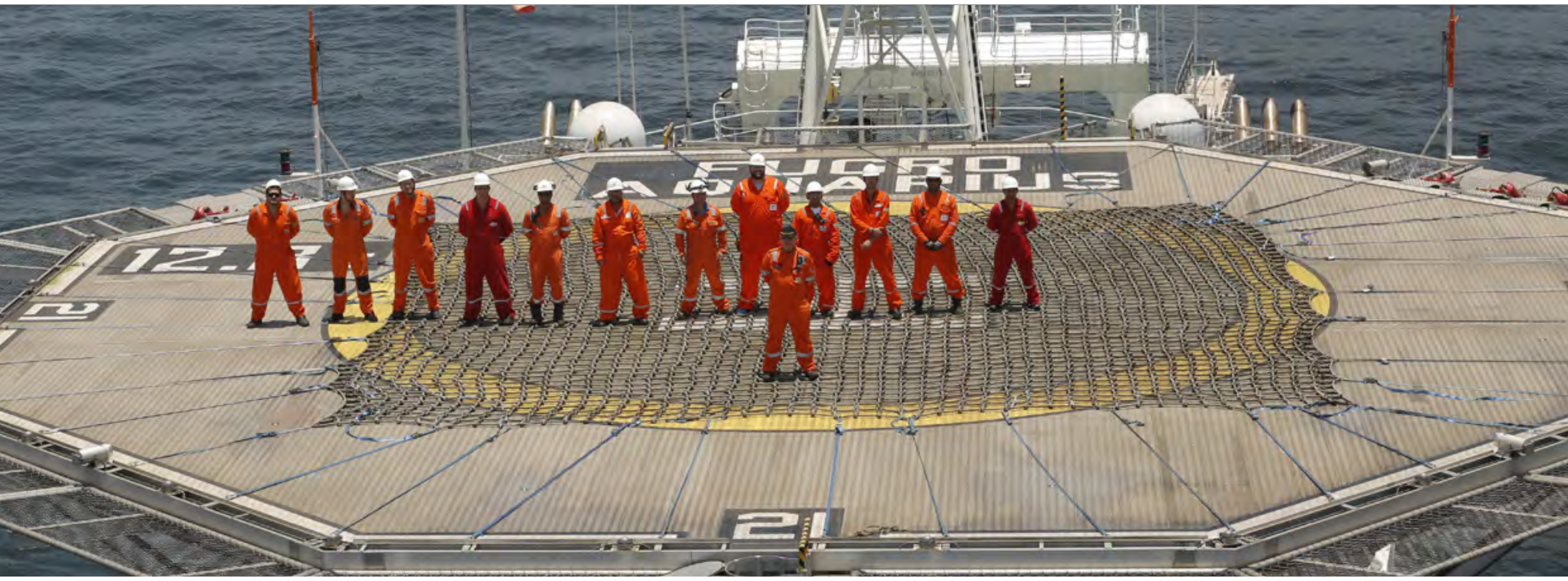
Fugro N.V. is a public limited liability company under Dutch law. Fugro is also an international holding company. It has a two-tier board structure, consisting of a Board of Management and an independent Supervisory Board. Each board has its specific role and task regulated by laws, the articles of association,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

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

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

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

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



Crew on top of helideck, Fugro Aquarius, Brazil.

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

During 2018, the members of the Board of Management and the Supervisory Board have not been involved in transactions involving conflicts of interest for Board of Management or Supervisory Board members which were of material significance to Fugro and/or to members of the Board of Management or the Supervisory Board. Such transactions have not been reported by members of the Board of Management or the Supervisory Board.

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

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

Diversity Board of Management and Supervisory Board

Fugro 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. Increased diversity on both boards will mean 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 both boards, these diversity aspects are considered when filling vacancies.

On the basis of these diversity aspects, targets have been set to achieve diversity on both boards. In line with applicable Dutch legislation, 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. As all members are male, the diversity target regarding gender has not been met. In the past few years, two new members have been appointed: Brice Bouffard, appointed by the AGM in April 2016, and Øystein Løseth, appointed by the EGM in December 2017 (and who stepped down for personal reasons on 1 October 2018). In both cases, the Supervisory Board expressly included female candidates in the search. However, the female candidates did not meet the requirements of the profile, were not interested in the job or retracted their candidacy.

However, when a vacancy in the Board of Management arises, the Supervisory Board will continue 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 56 and 82 – 83 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.

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 2018 the AGM authorised the Board of Management for a period of 18 months as from 26 April 2018 until 22 November 2019, 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.

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 5.47.1 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 5.47.2 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. 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.

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 2018 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'.

Advanced analytics

To enhance the understanding and risk management of its 200,000-kilometre power distribution network, servicing more than 800,000 homes and businesses in Australia, Essential Energy has been using Fugro's Roames technology since 2014. Every pole, every wire, everything within the proximity of the network has been digitally scanned, uploaded to the cloud, and analysed using artificial intelligence.

During 2018 the same Roames technology was combined with our proprietary Seastriper® technology to digitalise offshore pipelines for another client in Australia.

The result is a comprehensive digital archive providing our clients with near real-time insight, via a web-based interface, into location and design optimisation, change and fault detection, and economic simulation capability; this data insight ultimately lowers maintenance costs and can extend the lifetime of the asset.

Client benefits

- Key faults in infrastructure can be immediately identified and relayed to clients, while rates of change can be used to evaluate various asset health scenarios.
- The virtual representation of the as-is asset can be digitally compared to required tolerances, yielding full-network asset compliance reports.
- Web access, via mobile device, to asset health and fault reports as remotely collected data is sent directly to the cloud and analysed automatically.

FASTER

MORE EFFICIENT

HIGHER QUALITY

SUSTAINABLE

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 United Kingdom, the Netherlands, the United States of America, Canada, Switzerland and Germany. In combination with further individual personal contacts with investors throughout the year this resulted in a total of 144 meetings, presentations and telephone conferences in 2018.
In addition, in November the company organised a capital markets day, to present its updated strategy 'Path to Profitable Growth'. 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).

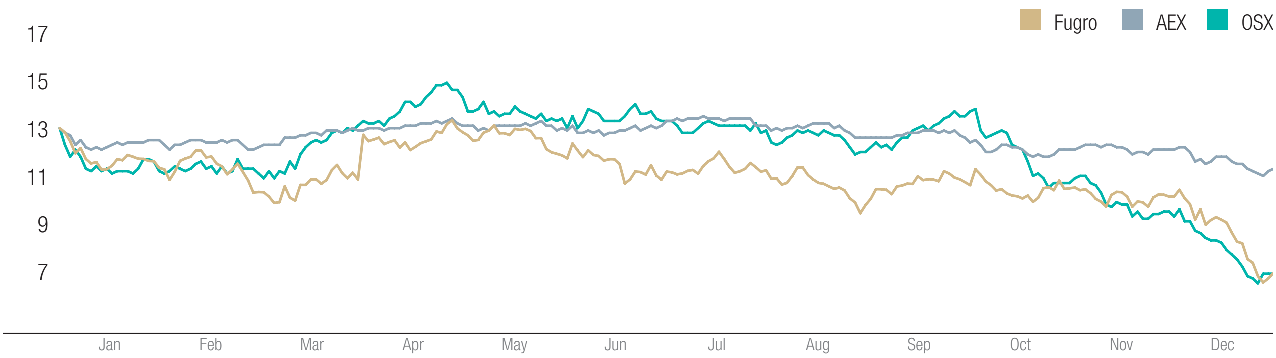
On 31 December 2017 Fugro had 84,572,525 shares outstanding. Not the shares themselves, but certificates of shares are listed on Euronext Amsterdam. These certificates are issued by the Foundation Trust Office, which carries out the administration of the underlying shares.
On 31 December 2018 the Foundation Trust Office administered 83,603,050 or 98.85% of the issued underlying shares. For more information on Fugro's capital structure, see 'Corporate governance – corporate information'.

Share price and trading volumes

In 2018, Fugro's share price declined by 42%, in line with a 43% decrease in the OSX, the most commonly used oil field services index. The pressure on the oil price in the last weeks of the year was the most important driver of this significant decline, combined with general market concerns over geopolitics and worldwide economic growth. The major Dutch index, the AEX, decreased by 10% during the year.

The average daily trading volume on Euronext Amsterdam was 935,088 shares. Of the total volume traded throughout the year, 75% of the shares were traded via the Euronext platform, 8% via CHI-X, 6% via Turquoise and 5% via BATS.

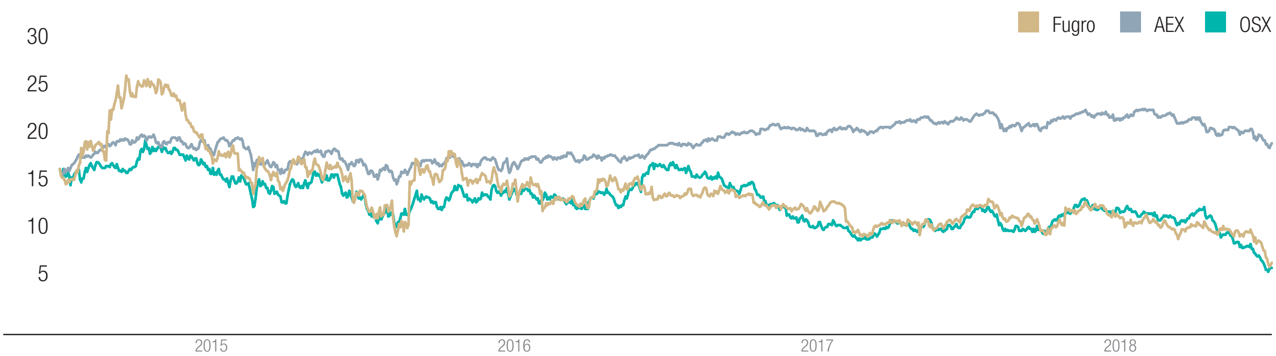
Development share price 2018* (x EUR)



* AEX (Dutch large cap index) and OSX (US oil services index composed of amongst others Halliburton, Oceaneering, Schlumberger, Transocean, Weatherford) calibrated to Fugro share price on 2 January 2018.

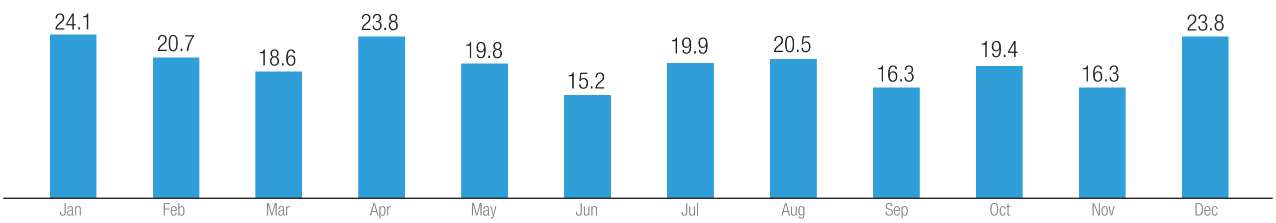
Geophysical survey vessel Fugro Equator.

Development share price 2015 – 2018* (x EUR)



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

Trading volumes on Euronext 2018 (x million shares)



Trading information	**2018**	2017	2016	2015	2014
Market capitalisation (x EUR 1 million, year-end)	639	1,099	1,231	1,274	1,460
Highest closing share price on Euronext	14.24	15.61	19.28	27.21	47.72
Lowest closing share price on Euronext	7.14	10.30	10.34	13.86	9.07
Year-end closing share price on Euronext	7.55	12.99	14.55	15.06	17.26
Average daily trading on Euronext (shares)	935,089	786,522	750,484	940,270	1,133,414

Shareholders

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

Substantial holdings of 3% or more per 31 December 2018

	Position	Date notification
Goldman Sachs Group Inc	7.10%	13 December 2018
Sprucegrove Investment Management Limited	5.15%	11 December 2018
HBK Investments LP	3.00%	10 December 2018
Lucerne Capital Management GP, LLC	5.34%	26 April 2018
Invesco Limited	3.10%	10 April 2018
Kiltearn Partners LLP	10.25%	13 March 2017
NN Groep N.V.	10.01%	4 October 2016
Fugro N.V. (treasury shares)	4.20%	30 September 2014

Geographical distribution of shares

* Including 4.20% treasury shares.
** Primarily Dutch shareholders.

Source: cmi2i, September 2018.

On 31 December 2018, Fugro owned 3,605,047 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 – stock options and share plans' and note 5.29.1 for more information on Fugro's option and share plans.

Treasury shares	2018	2017
Balance on 1 January	3,613,347	3,628,347
Purchased	–	–
Sold in connection with option exercise	–	–
Vesting of restricted shares	–8,300	–15,000
Balance on 31 December	**3,605,047**	**3,613,347**
Granted, not exercised options at year-end	2,752,308	3,141,153
Granted, not exercised performance options at year-end	372,865	565,544
Granted, not vested performance shares at year-end	524,930	282,768

During 2018, 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 2018.

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 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.

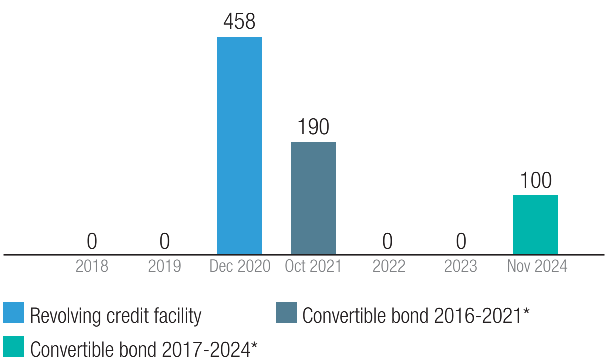
Loans
Fugro has a revolving credit facility in place with seven banks. On this 5-year facility of EUR 575 million, EUR 458 million has been drawn as per 31 December 2018. The interest is EURIBOR plus 110 to 190 basis points, dependent on the level of net debt/EBITDA. The credit facility contains covenant requirements, most notably net leverage (net debt/EBITDA) below 3.0 and fixed charge cover above 2.0 (and above 2.5 from March 2019 onwards). With net debt/EBITDA of 2.2 and a fixed charge cover of 2.8 per 31 December 2018, Fugro is well within its covenants.

In October 2016, Fugro issued EUR 190 million in subordinated convertible bonds, maturing in 2021, and with a coupon of 4.0% and an initial conversion price of EUR 19.4416. The proceeds were fully used for early repayments on the private placement loans with US and UK investors (USPP notes) which were placed in 2002 and 2011, and carried a weighted average interest rate of around 5.7%. On 2 November 2017, Fugro issued a further EUR 100 million in subordinated convertible bonds. These bonds carry a coupon of 4.5% and an initial conversion price of EUR 14.9412. Again, the proceeds were fully used for early repayment on the USPP notes, which were fully redeemed per year-end 2017. The bonds are trading on the Open Market (Freiverkehr) segment of the Frankfurt Stock Exchange (symbol: ISIN: XS1508771216 respectively XS1711989928).

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

Debt maturity profile per 31 December 2018

(in millions, euro equivalents)



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

Financial calendar

26 April 2019	Publication trading update first quarter 2019 (7 CET)
26 April 2019	Annual general meeting (Hilton Hotel the Hague, Den Haag, 14 CET)
31 July 2019	Publication half-year results 2019 (7 CET)
25 October 2019	Publication trading update third quarter 2019 (7 CET)
19 February 2020	Publication 2019 annual results (7 CET)
30 April 2020	Annual general meeting

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 continued progress in the company's change programs to decrease risks and increase efficiency and effectiveness of internal controls with respect to finance operations and compliance procedures implemented at local level through, among others, the centralisation in regional shared service centers. It was also noted that there is room for further improvement, especially in the timing of certain local financial closing procedures.

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 57 to 64. For a summary of risk factors, see page 57.

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 19 to 80) 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, 22 February 2019

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

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., Extraordinary Board member Dutch Safety Board, Chairman Board Foundation Trust Office TKH Group.

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

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

Other functions Member Supervisory Board and chairman audit committee 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 and CEO of Integra Group.

Other functions Vice-chairman Board Basin Holdings, Executive 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 2019

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

Other functions Member Supervisory Board of Rabobank, Achmea B.V. and Achmea Investment management, Kas Bank and member 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 2019

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

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

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

Other functions Member Board of Directors of Select Energy Services, LLC.

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

SUPERVISORY BOARD REPORT

After four years in which Fugro had to deal with an unprecedented downturn in the oil and gas market, resulting in a revenue decline of around 40%, in 2018 this market finally started to recover. This was mostly reflected in the early cyclical marine site characterisation business. That business also benefitted 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 very strong position. These developments were the main reason that Fugro for the first time in several years could again report growth of revenues, close to 20% on a comparable basis.

In our discussions with the Board of Management we gave a lot of attention to the financial performance of the company. We are pleased that after the severe operational loss in 2017, Fugro was able to report a slightly positive EBIT with a margin close to 1%. However, in view of the strong revenue growth and all the performance improvement measures taken in the past years, this was still somewhat disappointing. The main reasons were the slow pace of recovery in oil and gas, price pressure in the offshore services market and the poor performance of Seabed Geosolutions ('Seabed'). Cash flow was negative mainly due to the strong growth and related working capital needs and the poor performance of Seabed. We agree with management's policy of selective tendering by giving priority to margin instead of growth.

As demand for oil and gas is still growing and existing resources get depleted, the general expectation is that the offshore oil and gas market will further recover gradually. The need to reduce carbon dioxide emissions 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 and building markets are still growing in most countries where Fugro is active. Geopolitical developments 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 seems positive.

Although the oil and gas market is recovering, the situation that Fugro was used to before the downturn began, will not return. In view of the changed market circumstances and the rapidly growing impact of digitalisation, we welcomed management's initiative to update the strategy of the company. This became a key item in our discussions during 2018. In October we approved the updated strategy 'Path to Profitable Growth' and we noted that this strategy was well received at the Capital Markets Day in November.

We also regularly discussed with the Board of Management the financial condition of the company and the near-term outlook. During the year and at year-end, the company was able to meet its financial covenants, despite the additional working capital needed to finance the growth. Nevertheless, the room for investments to expand the company, also by making use of acquisition opportunities that regularly come up, is limited. After five years of negative net earnings, equity has been eroded. Therefore, further restoring profitability with a focus on positive net earnings, steering on cash flow and reducing net debt are key priorities for 2019. We fully support management's efforts to divest non-core assets, including Fugro's interests in Global Marine, Seabed and in Australian exploration projects.

2018 Financial statements and dividend

This annual report includes the 2018 financial statements, which are accompanied by an unqualified external auditor's report of Ernst & Young Accountants LLP (see the external auditor's report starting on page 181). 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 21 February 2019, 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 22 February 2019, we discussed the annual report, including the 2018 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 external auditor's report and the quality of internal risk management and control systems.
We concluded that we agree with the 2018 financial statements.

We recommend that the annual general meeting (AGM), to be held on 26 April 2019, adopts the 2018 financial statements. In addition, we request that the AGM grants discharge to the members of the Board of Management in office in the 2018 financial year for their management of the company and its affairs during 2018, 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 2018.

Health and safety

We consider health and safety of critical importance for Fugro and its people. We highly regret that Fugro had to report two fatalities in 2018: a car accident during commuting and a diving accident during work. These were both tragic accidents that were experienced as a shock. We extensively discussed both accidents with management and we supported the way these were handled and the actions taken.

These accidents show that safety needs continuous attention. To show our commitment in this respect, we start each regular meeting with the Board of Management with a discussion on safety. In 2016 we had seen a decline in safety performance compared to the previous year and we had noted that many in the industry were experiencing a levelling off in the rate of improvement of safety indicators. In 2017 safety performance did not improve, but remained more or less at the same level compared to 2016. We are pleased that in 2018, the safety indicators again show an improvement, although this improvement is overshadowed by the two fatalities that the company had to report.

In our discussions with management, we noted that management takes health and safety very seriously and considers it a key priority for Fugro. This is also apparent from the worldwide safety stand down, an all company event where large groups of Fugro employees were brought together in office locations, vessels and worksites to discuss safety extensively, with the main goal to increase safety awareness.

Strategy

Fugro's previous strategy 'Building on Strength' was introduced in 2014 to deal with the deteriorating market circumstances in the oil and gas market. It meant focusing on core activities where Fugro has global market leading positions and adjusting the company wherever possible to weather the storm caused by the downturn in oil and gas. This included building a more client centric organisation, continuously reducing costs, lowering working capital, curtailing investments and divesting non-core assets.

As market circumstances are changing, it was logical that the Board of Management in April 2018 took the initiative for a strategy update. As Supervisory Board we were strongly involved. In May/June all members were interviewed individually to reflect on a 'photo' of Fugro's current situation and to share their views on the main challenges the company is facing. In our August meeting we had a discussion with management on the key issues that needed to be addressed and potential directions to be pursued.
In our September offside meeting, management presented a first outline of the updated strategy, including financial targets for the coming period and in an extensive discussion we gave our feedback. In our October meeting, the draft strategy was presented to us and after discussion we approved the 'Path to Profitable Growth' strategy, including the financial mid-term targets for the period 2021 – 2023.

In our view, Fugro is well positioned for the three main objectives of the strategy: capturing the upturn in energy and infrastructure, differentiating by integrated digital solutions and leveraging core expertise in new growth markets. We consider the first objective key for improving the financial condition of Fugro and for providing the financial means to really make progress on the other two objectives. As the world's leading geo-data specialist, Fugro can strongly benefit from digitalisation, also because it helps to strengthen the relationship with customers. By using its core capabilities in focused efforts, the company will be able to enter and expand into new growth markets.

We reviewed the in-depth scenario analysis which management had performed regarding the development of revenues and margins. This shows that the company will be able to deleverage its balance sheet to a net debt to EBITDA ratio below 1.5, also helped by the less capital intensive business model as the basis of the strategy going forward. Achieving the targets and the timing will of course also depend on market circumstances. This will be closely monitored. Regular review of the implementation and execution of the strategy will be high on our agenda in the coming years.

Management structure
In the past five years, Fugro has been transformed from a highly decentralised organisation with rather autonomous operating companies to a much more cohesive company with two divisions, Land and Marine, and a regional structure within each of these divisions. This much more client centric organisation enabled the company to deliver integrated service packages to customers and to streamline systems and processes resulting in substantial cost savings.

Within the framework of the strategy update process, we also discussed with the Board of Management Fugro's organisational and operating model. This led to the decision in January 2019, to further simplify the top structure by introducing a regional model with four regions, directly reporting to the Board of Management. In addition, an executive leadership team will be established which will comprise, besides the Board of Management, four regional directors and a few functional directors. This new structure is meant to enhance alignment in the top, to accelerate strategy implementation by creating more focus on the strategic and operational priorities and to get additional synergies, efficiencies and cost savings by combining the land and marine activities in four regions. It is the intention to implement the new structure in May 2019.

Supervisory Board activities and meetings
During 2018, the Supervisory Board met nine times jointly with the Board of Management. Six regular scheduled meetings were held, all of which were preceded and/or concluded by internal meetings without the Board of Management being present. In addition, four extra meetings were held, partly by conference call, of which three jointly with the Board of Management and one without the Board of Management being present. None of the Supervisory Board members was absent from the Supervisory Board regular scheduled meetings. 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 meetings attendance record

	SB	AC	RC	NC
Harrie Noy	10/10	–	4/4	4/4
Maarten Schönfeld	9/10	5/5	–	–
Antonio Campo	9/10	–	4/4	4/4
Petri Hofsté	10/10	5/5	–	–
Anja Montijn	10/10	–	4/4	4/4
Douglas Wall	10/10	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 corporate directors and with regional management and staff in meetings and during site visits. The Supervisory Board receives monthly reports on the company's financial performance. Information is also provided outside meetings, in bilateral contacts or whenever a Supervisory Board member feels the need to be informed on a specific topic.

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

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

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

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 and approved a proposed tender for a large project, including the related capital expenditures.

In our regular February meeting the annual results 2017 and related items were discussed in the presence of the external auditor (EY). We discussed the outcome of an internal risk assessment workshop and Fugro's risk management framework was presented. The annual report 2017 and the draft agenda for the 2018 AGM were approved. We also discussed contingency plans for the divisions in the event that the downturn in the oil and gas market would continue in 2018. We approved the remuneration report 2017. We decided to propose the external auditor (EY) for reappointment. We received a presentation on HSSE safety performance in 2017. The director corporate strategy & communication presented his roadmap for 2018, which included the time line for the strategy update process.

In an internal meeting, we discussed and approved the proposal of the remuneration committee regarding the remuneration and the annual bonus 2017 for the members of the Board of Management and the bonus targets for 2018. We noted and decided that the targets for vesting of the LTIP 2014 had not been achieved and that, as a result, the performance options and shares would not vest on 1 March 2018 and would therefore expire/lapse.

In April we discussed the first quarter results and we were updated on various key projects. We took note of the HSSE plan for 2018. We received an update on Fugro's compliance program. Management responsible for Africa presented a post-acquisition analysis regarding the acquisition of Geofor (in 2014) and we discussed lessons learned. We also prepared for the 2018 AGM.

In a conference call in June we discussed the May results and we received an update on the ongoing strategy update process. We concluded that the process had started off well.

At the end of July, the half-yearly report 2018 was discussed and approved. The external auditor (EY) attended the financial part of the meeting. We also received an update on the finance roadmap and an overview of the finance leadership team. In a separate dinner meeting we discussed the strategy update.

In September, we had intended to visit operations in Singapore and Hong Kong but we decided to cancel this visit to save costs. Instead, we had a three-day 'off-site' meeting in the Netherlands in combination with a site visit to two projects. Various senior management and staff gave presentations on a number of topics. A large part of the meeting was dedicated to discussions on Fugro's (updated) strategy and long-term value creation model, with several senior managers also participating in part of these discussions. 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.

At the end of September, we had several conference calls, without the Board of Management being present, to discuss CEO succession as Mr. Øystein Løseth had informed the Supervisory Board that he wanted to step down from the Board of Management for personal reasons.

In October, we discussed the third quarter results. We discussed and approved the (updated) strategy and the financial mid-term targets for 2021-2023. We noted that the strategy as formulated by the Board of Management was (also) in line with the requirements of the Code and the same applied with respect to the (early) involvement and the role of the Supervisory Board in the whole strategy update process. Two employees from Fugro's young talent pool gave a presentation on their activities and experiences at Fugro.

In a conference call at the end of November we discussed the October results and the preliminary annual budget for 2019. We gave our feedback on the targets for 2019.

In December, we approved the annual budget and the operational plan for 2019. We also discussed refinancing and possible changes to the regional organisation and management. We received a presentation on one of the windfarm projects Fugro is involved in and were impressed by the strong position Fugro has in this market.

Supervisory Board committees
The Supervisory Board has three permanent committees from amongst its members: 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 2018, the audit committee met five times. All meetings were attended by the CFO, the head of internal audit and the external auditor. In the meetings in which the annual results and half-year results were discussed, also the CEO was present. The chairman of the audit committee had regular contact with the CFO to discuss financial performance, risks and any other matters.

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

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

In February, the audit plan for 2018 was reviewed and approved. Throughout the year, the key audit matters as identified by the auditor were discussed. These key audit matters were: availability of financing and compliance with debt covenant requirements; changes in internal reporting structure resulting in re-identification of reporting segments and re-allocation of goodwill to groups of CGUs; sensitivities and estimates with respect to the valuation of goodwill, vessels and other operational equipment; revenue recognition, project accounting and valuation with respect to unbilled receivables and trade receivables; and estimates in respect to deferred tax assets.

Furthermore, the functioning of the internal risk management and control system and specific risk areas, such as currency exchange exposures, were discussed. In addition, the finance roadmap and the compliance and due diligence processes regarding agents were discussed. Considerable time was spent on bank covenant scenarios, (possible) impairments and other one-offs and on capital expenditure.

The audit committee was briefed by the external auditor on relevant developments in the audit profession, especially those related to new IFRS reporting standards.
The committee met with the external auditor without the Executive Board 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 2018, Ernst & Young Accountants LLP (EY) was reappointed as external auditor to audit the financial statements for 2019. At the upcoming AGM on 26 April 2019, it will be proposed to reappoint EY to audit the financial statements for 2020.

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

In 2018, the committee met four times, mostly with the CEO and the global director human resources being present.

The committee also met informally on several occasions. The topics that were discussed included, among others, global human resources management, succession planning, leadership competencies, (re)appointments, annual assessment of the Board of Management and its individual members and the process for self-assessment of the Supervisory Board.

At the end of September 2018, the committee was heavily involved in the situation that arose when Mr. Løseth informed the chairman that he wanted to step down from the Board of Management for personal reasons. The nomination committee had several discussions with all members of the Board of Management individually and recommended the appointment of Mr. Mark Heine as the CEO per 1 October 2018.

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 2018, the committee met four times, mostly with the CEO and the global director human resources being present. The committee also met informally on several occasions. Discussed were, among others, the remuneration report 2017, the annual bonus for the members of the Board of Management with respect to 2017 and the suggestion to pay this bonus in restricted shares, the bonus targets for 2018, the vesting of performance options and shares under the LTIP 2014, the settlement of the resignation of Mr. Løseth and Mr. Heine's remuneration package as from 1 October. Please refer to the remuneration report starting on page 91 for more and further details.

Composition and functioning of the Supervisory Board

The Supervisory Board has formulated a profile defining its size and composition, taking into account the nature of the company and its activities. The Supervisory Board has set the number of members of which the Supervisory Board shall consist at this moment at six. The current composition of the Supervisory Board (four men, two women) is in compliance with the requirement of at least 30% of each gender. The mix of knowledge, skills, experience and expertise of its members, is such that it fits the profile and strategy of the company and also fits the diversity policy (see for further information on composition and diversity, pages 82 – 83 of this annual report).

In the AGM held on 26 April 2018, both Antonio Campo and Doug Wall were reappointed for a second four-year term.

At the end of the upcoming AGM on 26 April 2019, the first four-year term of both Petri Hofsté and Anja Montijn will expire. Based on their valuable contribution in the past years, the Supervisory Board has decided to nominate them both for reappointment as members of the Supervisory Board.

The Supervisory Board attaches great importance to the independence of its members. All members of the Supervisory Board qualify as independent in the meaning of best practice provisions 2.1.7 to 2.1.9 inclusive of the Code. None of the criteria as referred to in best practice provision 2.1.8 is applicable to any one of the Supervisory Board 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. Once every three years an external, independent consultant is engaged to assist in the self-evaluation. As this was done in February 2017, we conducted the self-evaluation this year based on a questionnaire, which was completed by each Supervisory Board member and 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, the interaction with the Board of Management and lessons learned from certain events. The overall conclusion from this process was that the Supervisory Board is operating well and that discussions are open and constructive. The strong involvement of the Supervisory Board in the strategy update process was highly appreciated. It was also noted that the Board of Management has an open attitude towards the Supervisory Board. 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 paying more attention to permanent education, to have more in depth discussions on the competitive environment and opportunities of digitalisation, timely provision of information, continued focus on management development and succession planning for the Supervisory Board.

Composition and functioning of the Board of Management

Paul van Riel stepped down as CEO and retired as planned at the end of his term at the AGM on 26 April 2018. At his farewell reception on 31 May 2018 in the Oude Kerk Delft, attended by many relations, clients and present and former Fugro staff, we thanked him for what he has done for Fugro and particularly for leading Fugro through one of the most difficult periods in its history. He was succeeded as CEO by Øystein Løseth who was appointed to the Board of Management as of 1 January 2018 by the EGM on 14 December 2017.

At the end of September 2018, we were informed by Øystein Løseth that he had decided to resign per the end of 2018 due to personal reasons. He stepped down as CEO and chairman of the Board of Management per 1 October 2018 and acted as an advisor until the end of 2018. His decision came as a surprise and although we regretted that he resigned so soon after joining Fugro, we had to respect his decision. We were very pleased that we were able to announce the appointment of Mark Heine as CEO and chairman of the Board of Management per 1 October 2018. Mark has been a member of the Board of Management since May 2015 and in recent years he has proven to possess the leadership skills to bring Fugro to the next phase. He took full ownership of the strategy update process and led the presentation at the Capital Markets Day in November 2018 very well.

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 2018 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.

At the end of the upcoming AGM on 26 April 2019, the four-year term of Fugro's CEO, Mark Heine, will expire. In view of his performance and contribution to Fugro in the past four years and as CEO since 1 October 2018, the Supervisory Board has decided to nominate Mark Heine for reappointment for a four-year term.

The size and composition of the Board of Management and the combined experience and expertise fit the profile and strategy of the company. As an Executive Committee will be established, we have decided to continue with a Board of Management of three members: a Chief Executive Officer (Mark Heine), a Chief Financial Officer (Paul Verhagen) and a Chief Development Officer (Brice Bouffard). The current composition meets the diversity criteria regarding age, nationality and background, but not yet regarding gender. When vacancies arise in the Board of Management and/or the Executive Committee, we will ensure that the company looks for female candidates that fit the profile. We further refer to the statement on diversity on page 72 of this report.

For the current composition of the Board of Management and information about its members, please refer to page 56 of this report.

Final comments

Fugro has gone through a difficult period, but with growing revenues and improved profitability, 2018 can be seen as a turning point. The updated strategy 'Path to Profitable Growth' sets a clear direction for the future and will help to reap the benefits of the performance improvement measures taken in the recent past. We are fully aware that the dedication of Fugro's people to the work for clients is key to the success of the company. We want to thank everybody in Fugro for their contribution. With the commitment and capabilities of our staff we will be able to build on our position as the world's leading Geo-data specialist.

Leidschendam, 22 February 2019

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

REMUNERATION REPORT

This remuneration report has been prepared by the remuneration committee of the Supervisory Board. The responsibility of this committee is to prepare the decision-making of the Supervisory Board regarding the remuneration policy and the determination of the remuneration of individual members of the Board of Management within the framework of the remuneration policy. It assists and advices the Supervisory Board in this respect. 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:

- Overview of the current remuneration policy and remuneration design for the Board of Management.
- Remuneration of the Board of Management in 2018, based on application of the policy in 2018.
- Remuneration of the Board of Management in 2019.
- Overview of term of appointment of the members of the Board of Management.
- Remuneration of the Supervisory Board.

Further information on remuneration and on option and share ownership of members of the Board of Management is available in note 5.59.2 of the financial statements in this annual report, while note 5.59.3 contains more information on remuneration of the Supervisory Board members. The remuneration policy and the remuneration committees' charter, which is included in the Supervisory Board's rules, are posted on Fugro's website.

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

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

The current remuneration policy was first adopted by the AGM in 2014 and has since been adjusted twice, most recently by the AGM in 2017. The remuneration policy will be reviewed once every three years to verify its market conformity, potentially leading to adjustments. The last review took place in 2017 and the next review will in principle take place in 2020.

Labour market reference group

In preparing the remuneration policy and to determine the remuneration of the members of the Board of Management, the remuneration committee uses external benchmark information to assess market comparability of the remuneration. The labour market reference group consists of 14 Dutch listed companies of comparable scope with international/ global business activities. These are: Aalberts Industries, Accell Group, Aperam, Arcadis, ASM International, BAM Group, Boskalis, Brunel, Refresco, SBM Offshore, TKH Group, TomTom, Vopak and Wolters Kluwer.

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

Pay ratios

When formulating the remuneration policy, the pay ratios within Fugro are taken into consideration. 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[1] in 2018, Fugro had a pay ratio of 20 (2017: 13), 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 long-term incentive at target vesting, the pay ratio would have been 26 (2017: 23).

[1] For this calculation, the remuneration package of the CEO as per year end (Mark Heine) has been used. The total remuneration package has been annualised to reflect a full year of service in this position (given the appointment during the year as of 1 October 2018).

Analyses

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

Share ownership guidelines

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

Claw back and value adjustment

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

Remuneration design

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

- Fixed base salary
- Short-term incentive (STI), consisting of an annual cash bonus opportunity
- Long-term incentive (LTI), consisting of conditional performance shares[1]
- 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. At least once every three years, the outcome of external benchmarking by an independent consultant is taken into consideration.

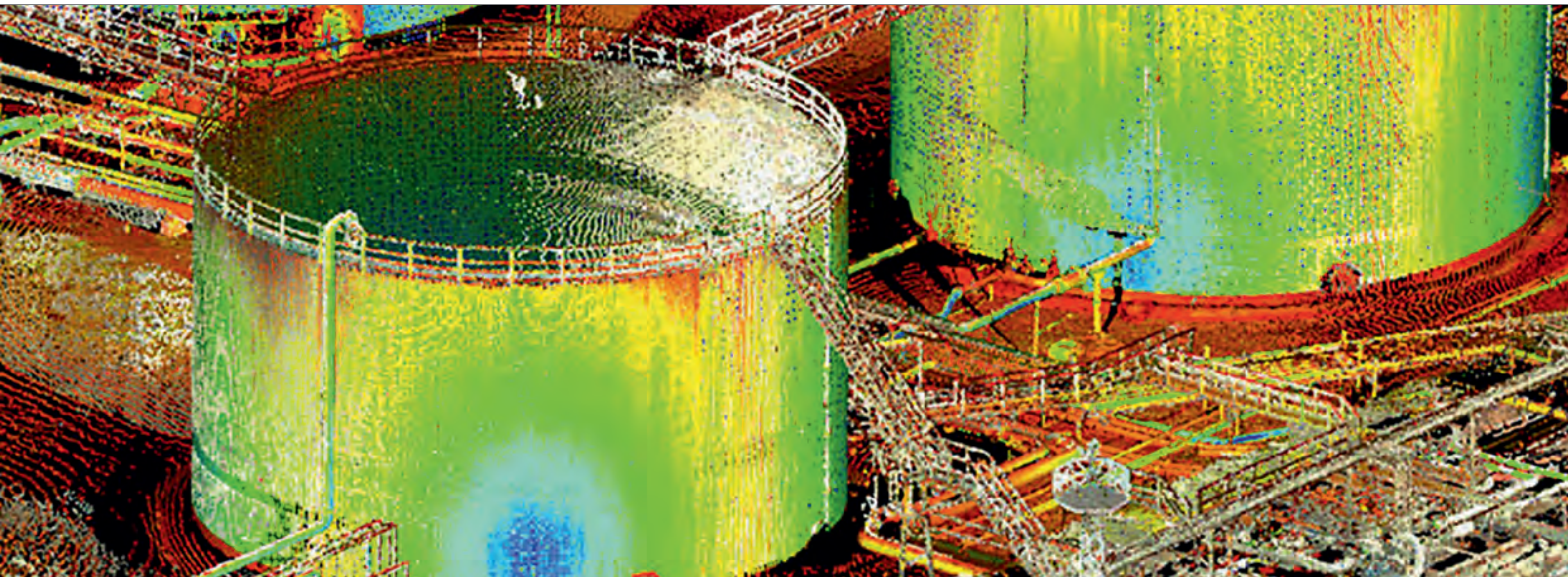
Short-term incentive (STI)

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

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

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

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



3D mapping of tank storage.

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

Long-term incentive (LTI)

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

The number of granted performance shares is set for a period of three years. The principle being that the expected value as percentage of fixed base salary of the members of the Board of Management is as follows: CEO 100%, CFO 90% and other members 80%. A new three-year period started with the grant on 1 March 2018.

Grants under the LTI are made in the open period on the fifth trading date after publication of the annual results.
The performance period is from 1 January of the year of granting to 31 December three years later. The next grant will be on Monday 4 March 2019, with the numbers of conditionally granted performance shares being equal to the numbers that were granted in 2018. After the grant in 2018, the fixed base salary of Paul Verhagen was increased from EUR 450,000 to EUR 500,000 gross per year as of 26 April 2018 and the fixed base salary of Mark Heine was increased from EUR 450,000 to EUR 660,000 gross per year as of 1 October 2018, when he was appointed CEO. As a result, the Supervisory Board has decided, on the recommendation of the remuneration committee, to base the award on 4 March 2019 on the higher salaries and to increase the number of conditionally granted performance shares accordingly.

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 of: Arcadis, Boskalis, Core Laboratories, Fluor, John Wood Group, Oceaneering International, Schlumberger, Subsea 7, TechnipFMC, Transocean and WorleyParsons.

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

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

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

Achievement of the performance targets is determined by the Supervisory Board in the first quarter of the year following the three-year performance period. The vesting period starts at the first day following the grant date. Vested shares have a holding (lock-up) period of 2 years and may be partly sold only to meet tax requirements at vesting ("sell to cover"). 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 105,075 (2018). Members of the Board of Management are compensated by a non-tax deductible, age dependent pension contribution, which allows building up pension out of net salary, resulting in pension costs for Fugro at a similar level as before the legislative changes per 1 January 2015.

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

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

Remuneration Board of Management 2018

Fixed base salary

As was announced in the remuneration report 2017, part of the annual report 2017, as of 26 April 2018 (the date of the AGM in 2018), the annual fixed base salary of the CEO has been increased from EUR 600,000 to EUR 660,000 gross per year and the annual fixed base salary of the CFO has been increased from EUR 450,000 to EUR 500,000 gross per year. Both salary increases were based on the outcome of external benchmarking by an independent consultant. The Supervisory Board also took into account the fact that the fixed base salary of the CEO had not been increased since 2014 and that of the CFO had never been increased since his appointment per 1 January 2014.

Short-term incentive

2017 (paid in 2018)

As explained in the remuneration report 2017, part of the annual report 2017, the bonuses regarding 2017 were only based on the achievement of the personal (non-financial) targets. These bonuses were not paid in cash, but in restricted shares, as follows: Mr. Van Riel 8,300 shares, Mr. Verhagen 6,250 shares, Mr. Heine 6,250 shares and Mr. Bouffard 6,250 shares. These shares have a vesting period of 3 years and thereafter a lock-up period of 2 years.
An exception was made for Mr. Van Riel who retired after the AGM. His shares do not have a vesting period, but only a lock-up period of 3 years. The granting of these shares was approved by the AGM on 26 April 2018 and took place on 1 May 2018.

2018 (to be paid in 2019)

The remuneration committee evaluated the performance of the Board of Management in 2018 in relation to the targets that had been set for the year. The financial metrics applied for the STI in 2018 were: adjusted EBIT margin (weight 35%), working capital percentage (weight 20%) and adjusted cash flow after investments (weight 20%). The actual 2018 performance in relation to the performance zones that had been set for each of the financial targets resulted in a bonus of 34.7% of the 2018 fixed base salary. The personal targets (weight 25%) consisted of several targets for the Board of Management as a team (e.g. updating strategy), in addition to some specific targets for each individual board member. The evaluation of performance on these personal targets resulted in a bonus of 8.3% to 13.4% of 2018 fixed base salary. The total of financial and personal targets would result in a bonus of 43.0% to 48.0% of fixed base salary.

As earnings per share of Fugro were negative in 2018, the remuneration committee proposed to reduce the bonusses to 62.5% of the calculated amounts, in line with the practice applied to other senior staff this year in Fugro that is eligible to a bonus. This resulted in a bonus for members of the Board of Management of 26.9% to 30.0% of fixed base salary. On 22 February 2019, the Supervisory Board discussed the proposal of the remuneration committee and agreed with it.

Mr. Løseth, who stepped down from the Board of Management as of 1 October 2018 for personal reasons and whose management services agreement was terminated per 31 December 2018, was entitled to a contractually agreed bonus relating to 2018 of 50% of his fixed annual salary of EUR 660,000 gross. This was approved by the Extraordinary General Meeting of 14 December 2017.

Remuneration overview	M.R.F. Heine CEO		P.A.H. Verhagen CFO		B.M.R. Bouffard		P. van Riel		Ø. Løseth	
2018	**2018 Euro**	2017 Euro	**2018 Euro**	2017 Euro	**2018 Euro**	2017 Euro	**2018 Euro**	2017 Euro	**2018 Euro**	2017 Euro
Fixed base salary	502,500[1]	450,000	483,336[2]	450,000	450,000	450,000	300,000[3]	600,000	590,000[4]	n/a
Short-term incentive (STI)[5]	151,000	75,000	145,000	75,000	121,000	75,000	90,000	99,600	330,000[6]	n/a
Pension costs including disability insurance and related costs	45,469	43,505	59,890	59,032	41,041	43,385	26,084	43,129	137,608	n/a
Pension compensation	61,042	59,618	76,841	75,936	66,567	65,608	49,189	96,847	n/a	n/a

1 As of 1 October 2018, Mr. Heine succeeded Mr. Løseth as CEO and his annual fixed base salary was increased from EUR 450,000 to EUR 660,000 gross per year. The amounts shown above cover the full year 2018.

2 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. The amounts shown above cover the full year 2018.

3 Mr. Van Riel stepped down from the Board of Management on 26 April 2018 and his management services agreement ended on 30 June 2018. The amounts shown above cover the period until 30 June 2018.

4 Mr. Løseth stepped down from the Board of Management on 1 October 2018 but his management services agreement ended on 31 December 2018. The amounts shown above cover the full year 2018.

5 The STI 2017 was paid in restricted shares on 1 May 2018, based on a price of EUR 12 per share. The 8,300 shares that Mr. Van Riel received had no vesting period but are subject to a lock-up period of 3 years. Mr. Van Riel was allowed to sell 4,011 shares (which he did) to cover for taxes.

6 Mr. Løseth was entitled to a contractually agreed bonus relating to 2018 of 50% of EUR 660,000 gross (approved by the EGM in December 2017). This amount was paid in December 2018.

Long-term incentive

Until 2014, the LTI for the members of the Board of Management and other senior management consisted of unconditional options with a vesting period of three years and a lifetime of six years. As of 2014, the LTI 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, still outstanding under the ‘old’ unconditional option plan, held by members of the Board of Management who were in office in 2018. As of 2014 no unconditional options were granted anymore to members of the Board of Management.

Unconditional options	M.R.F. Heine	P.A.H. Verhagen	B.M.R. Bouffard	P. van Riel
Outstanding on 31 December 2017	36,500	30,000	n/a	115,000
Exercised in 2018	0	n/a	n/a	0
Expired with no value on 31 December 2018	(8,000)	n/a	n/a	(60,000)
Outstanding on 31 December 2018	28,500	30,000	n/a	55,000

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 2018. The 58,000 performance shares that were granted to Mr. Løseth on 1 March 2018, lapsed when Mr. Løseth decided to step down from the Board of Management as per 1 October 2018.

	M.R.F. Heine	P.A.H. Verhagen	B.M.R. Bouffard	P. van Riel
Performance shares				
Outstanding on 31 December 2017	31,000	33,750	11,250	45,000
Not vested on 1 March 2018 as a result of not achieving the targets[1]	(8,500)	(11,250)	n/a	(15,000)
Forfeited on 30 June 2018	n/a	n/a	n/a	(10,000)
Granted on 1 March 2018	32,000	40,000	32,000	n/a
Outstanding on 31 December 2018	54,500	62,500	43,250	20,000
Performance options				
Outstanding on 31 December 2017	62,000	67,500	22,500	90,000
Not vested on 1 March 2018 as a result of not achieving the targets[1]	(17,000)	(22,500)	n/a	(30,000)
Forfeited on 30 June 2018	n/a	n/a	n/a	(20,000)
Outstanding on 31 December 2018	45,000	45,000	22,500	40,000

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

The following table shows an overview of shares held by the current members of the Board of Management. The 50,000 restricted shares that were granted to Mr. Løseth upon his appointment as member of the Executive Board per 1 January 2018, lapsed when Mr. Løseth decided to step down from the Board of Management as per 1 October 2018.

	M.R.F. Heine	P.A.H. Verhagen	B.M.R. Bouffard
Number of shares on 31 December 2018	22,350[1]	28,730[1]	15,750[1]

1 Including 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.

Other benefits

The additional benefits remained unchanged in 2018.

Remuneration Board of Management 2019

No changes are foreseen in 2019.

Term of appointment of members of Board of Management

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

M.R.F. Heine (CEO) [1]	AGM 2019
P.A.H. Verhagen (CFO)	AGM 2022
B.M.R. Bouffard	AGM 2020

1 Mr. Heine will be nominated for reappointment at the AGM on 26 April 2019.

Severance payments

Severance payment to members of the Board of Management is limited to one year's fixed base salary and in principle is applicable in the event of termination or annulment of the management services agreement unless this is for cause. This severance payment is also applicable when the termination is justified by such change of circumstances that the members of the Board of Management cannot reasonably be expected to continue the performance of their function/ services as a statutory director of Fugro. This may be the case, for example, if Fugro is liquidated, is merged with or taken over by a third party, is subject to an important reorganisation or to a major change of policy.

In 2018, no severance payments have been paid or committed to (former) members of the Board of Management.

Remuneration Supervisory Board in 2018

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

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

No proposal to increase the remuneration for Supervisory Board members will be submitted to the AGM in 2019.

The following table provides an overview of the remuneration awarded to Supervisory Board members in 2018.

(x EUR)	Fixed fee	Membership committee	Attendance allowance	Total
H.L.J. Noy (chairman)	70,000	10,000	–	80,000
J.C.M. Schönfeld (vice-chairman)	55,000	10,000	–	65,000
A.J. Campo	50,000	8,000	30,000	88,000
P.H.M. Hofsté	50,000	8,000	–	58,000
A.H. Montijn	50,000	10,000	–	60,000
D.J. Wall	50,000	8,000	25,000	83,000

Leidschendam, 22 February 2019

On behalf of the remuneration committee
Anja Montijn, Chair

Decision support and client interfaces

At the end of 2018, Fugro launched Gaia Insight; the online platform that creates a real-time window to the subsurface. A network of monitoring sensors feeds data into the platform where they are immediately processed and analysed to present the monitoring results to the client. It integrates site investigation, real-time geotechnical and structural monitoring and third-party data, and provides the analytics required to lower ground risk and accelerate construction project schedules.

Gaia Insight is already used at the world's largest infrastructure construction sites and in civil engineering assets, providing real-time data insight and risk visualisation. With regional expansion of Gaia Insight planned for 2019, many more projects around the world are expected to benefit from the unique insight the digital platform provides.

Client benefits

- Agile planning and safer operations due to direct access to results and visibility on progress.
- Accelerated projects and thus reduced costs as results are available directly and changes and decisions can be made in real time.
- De-risking of major construction works with analytical tools accessible through the platform.

FASTER | SAFER | MORE EFFICIENT

FINANCIAL STATEMENTS 2018

OTHER INFORMATION

1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

(EUR x 1,000)		2018	2017
(5.26)	Revenue	1,649,971	1,497,392
(5.27)	Third party costs	(739,346)	(621,936)
	Net revenue own services (revenue less third party costs)	**910,625**	**875,456**
(5.28)	Other income	18,131	31,802
(5.29)	Personnel expenses	(625,765)	(629,572)
(5.35)	Depreciation	(99,598)	(126,942)
(5.36)	Amortisation	(5,132)	(6,060)
(5.30)	Impairments	1,785	(164)
(5.31)	Other expenses	(191,251)	(196,242)
	Results from operating activities (EBIT)	**8,795**	**(51,722)**
	Finance income	6,218	5,408
	Finance expenses	(58,998)	(76,147)
(5.32)	**Net finance income/(expenses)**	**(52,780)**	**(70,739)**
(5.37)	Share of profit/(loss) of equity-accounted investees (net of income tax)	8,791	4,712
	Profit/(loss) before income tax	**(35,194)**	**(117,749)**
(5.33)	Income tax gain/(expense)	(19,961)	(47,595)
	Profit/(loss) for the period from continuing operations	**(55,155)**	**(165,344)**
	Profit/(loss) for the period from discontinued operations	–	5,070
	Profit/(loss) for the period	**(55,155)**	**(160,274)**
	Attributable to:		
	Owners of the company (net result)	(51,064)	(159,901)
(5.46)	Non-controlling interests	(4,091)	(373)
	Profit/(loss) for the period	**(55,155)**	**(160,274)**
	Earnings per share from continuing and discontinued operations (attributable to owners of the company during the period):		
(5.45)	Basic and diluted earnings per share from continuing operations	(0.63)	(2.04)
(5.45)	Basic and diluted earnings per share from discontinued operations	–	0.06

The notes on pages 108 to 180 are an integral part of these consolidated financial statements.

1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December

(EUR x 1,000)		2018	2017
	Profit/(loss) for the period	(55,155)	(160,274)
	Other comprehensive income		
	Items that will not be reclassified to profit or loss		
(5.33/5.48)	Defined benefit plan actuarial gains/(losses)	5,110	17,025
	Total items that will not be reclassified to profit or loss	**5,110**	**17,025**
	Items that may be reclassified subsequently to profit or loss		
(5.32)	Foreign currency translation differences of foreign operations	5,196	(116,498)
(5.32)	Foreign currency translation differences of equity-accounted investees	775	(835)
(5.32)	Net change in fair value of hedge of net investment in foreign operations	(6,301)	16,117
(5.32)	Net change in fair value of cash flow hedges transferred to profit or loss	–	103
(5.32)	Other movement	–	218
	Total items that may be reclassified subsequently to profit or loss	**(330)**	**(100,895)**
	Total other comprehensive income for the period (net of tax)	**4,780**	**(83,870)**
	Total comprehensive income/(loss) for the period	**(50,375)**	**(244,144)**
	Attributable to:		
	Owners of the company	(47,659)	237,738)
	Non-controlling interests	(2,716)	(6,406)
	Total comprehensive income/(loss) for the period	**(50,375)**	**(244,144)**
	Total comprehensive income attributable to owners of the company arises from:		
	Continuing operations	(47,659)	(242,808)
	Discontinued operations	–	5,070
		(47,659)	**(237,738)**

The notes on pages 108 to 180 are an integral part of these consolidated financial statements.

2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

(EUR x 1,000)		2018	2017
	Assets		
(5.35)	Property, plant and equipment	619,985	643,695
(5.36)	Intangible assets	376,958	372,325
(5.37)	Investments in equity-accounted investees	72,370	69,701
(5.38)	Other investments	28,918	31,146
(5.39)	Deferred tax assets	42,993	39,423
	Total non-current assets	**1,141,224**	**1,156,290**
(5.40)	Inventories	29,304	30,543
(5.41)	Trade and other receivables	537,441	476,930
(5.34)	Current tax assets	9,306	16,124
(5.42)	Cash and cash equivalents	227,147	213,574
(5.43)	Assets classified as held for sale	–	4,843
	Total current assets	**803,198**	**742,014**
	Total assets	**1,944,422**	**1,898,304**

The notes on pages 108 to 180 are an integral part of these consolidated financial statements.

2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December

(EUR x 1,000)		2018	2017
	Equity		
	Total equity attributable to owners of the company	668,763	712,054
(5.46)	Non-controlling interests	33,722	41,610
(5.44)	**Total equity**	**702,485**	**753,664**
	Liabilities		
(5.47)	Loans and borrowings	725,803	634,893
(5.48)	Employee benefits	50,058	68,867
(5.49)	Provisions for other liabilities and charges	17,786	17,068
(5.39)	Deferred tax liabilities	1,326	1,247
	Total non-current liabilities	**794,973**	**722,075**
(5.42)	Bank overdraft	1,229	2,638
(5.47)	Loans and borrowings	5,566	6,488
(5.50)	Trade and other payables	376,135	342,594
(5.49)	Provisions for other liabilities and charges	3,281	8,005
	Other taxes and social security charges	34,546	35,406
(5.34)	Current tax liabilities	26,207	27,434
	Total current liabilities	**446,964**	**422,565**
	Total liabilities	**1,241,937**	**1,144,640**
	Total equity and liabilities	**1,944,422**	**1,898,304**

The notes on pages 108 to 180 are an integral part of these consolidated financial statements.

3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	(EUR x 1,000)										2018
		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 1 January 2018	4,228	431,227	(115,909)	(353,958)	37,546	868,821	(159,901)	712,054	41,610	753,664
	Total comprehensive income for the period:										
	Profit or (loss)							(51,064)	(51,064)	(4,091)	(55,155)
	Other comprehensive income										
(5.32)	Foreign currency translation differences of foreign operations			3,815					3,815	1,381	5,196
(5.32)	Foreign currency translation differences of equity-accounted investees			775					775		775
(5.32)	Net change in fair value of hedge of net investment in foreign operations			(6,301)					(6,301)		(6,301)
(5.33/5.48)	Defined benefit plan actuarial gains/(losses)						5,116		5,116	(6)	5,110
	Total other comprehensive income/(loss), net of tax			(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)
	Transactions with owners recognised directly in equity										
(5.29)	Share-based payments						4,652		4,652		4,652
(5.44)	Change in tax rate					878			878		878
	Addition to/(reduction of) reserves						(159,901)	159,901	–		–
(5.46)	Transactions with non-controlling interests						(1,162)		(1,162)	(1,388)	(2,550)
(5.46)	Dividends to shareholders									(3,784)	(3,784)
	Total contributions by and distribution 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 notes on pages 108 to 180 are an integral part of these consolidated financial statements.

3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

(EUR x 1,000)												2017
Note		Share capital	Share premium	Translation reserve	Hedging reserve	Reserve for own shares	Equity component of convertible bonds	Retained earnings	Unappropriated result	Total	Non-controlling interest	Total equity
	Balance at 1 January 2017	4,228	431,227	(20,715)	(103)	(353,958)	25,716	1,157,398	(308,934)	934,859	55,250	990,109
	Total comprehensive income for the period:											
	Profit or (loss)								(159,901)	(159,901)	(373)	(160,274)
	Other comprehensive income											
(5.32)	Foreign currency translation differences of foreign operations			(110,476)						(110,476)	(6,022)	(116,498)
(5.32)	Foreign currency translation differences of equity-accounted investees			(835)						(835)		(835)
(5.32)	Net change in fair value of hedge of net investment in foreign operations			16,117						16,117		16,117
(5.33/5.48)	Defined benefit plan actuarial gains/(losses)							17,036		17,036	(11)	17,025
(5.32)	Net change in fair value of cash flow hedges transferred to profit or loss				103					103		103
	Other movement							218		218		218
	Total other comprehensive income/(loss), net of tax			**(95,194)**	**103**			**17,254**		**(77,837)**	**(6,033)**	**(83,870)**
	Total comprehensive income/(loss) for the period			**(95,194)**	**103**			**17,254**	**(159,901)**	**(237,738)**	**(6,406)**	**(244,144)**
	Transactions with owners recognised directly in equity											
(5.29)	Share-based payments							3,103		3,103		3,103
(5.44)	Issuance of subordinated unsecured convertible bonds, net of tax						11,830			11,830		11,830
	Addition to/(reduction of) reserves							(308,934)	308,934	–		–
(5.46)	Dividends to shareholders										(7,234)	(7,234)
	Total contributions by and distribution to owners						**11,830**	**(305,831)**	**308,934**	**14,933**	**(7,234)**	**7,699**
	Balance at 31 December 2017	**4,228**	**431,227**	**(115,909)**	**–**	**(353,958)**	**37,546**	**868,821**	**(159,901)**	**712,054**	**41,610**	**753,664**

The notes on pages 108 to 180 are an integral part of these consolidated financial statements.

4 CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

(EUR x 1,000)		2018	2017
	Cash flows from operating activities		
	Profit/(loss) for the period	**(55,155)**	**(165,344)**
	Adjustments for:		
(5.35/5.36)	Depreciation and amortisation	104,730	133,002
(5.30)	Impairments	(1,785)	164
	Write-off long-term receivables	–	1,019
(5.37)	Share of (profit)/loss of equity-accounted investees (net of income tax)	(8,791)	(4,712)
(5.28/5.31)	Net gain on sale of property, plant and equipment	(9,297)	(13,870)
(5.29)	Equity-settled share-based payments	4,652	3,103
	Change in provisions for other liabilities and charges and employee benefits	(19,894)	(3,491)
(5.33)	Income tax expense/(gain)	19,961	47,595
	Income tax paid	(16,821)	(15,744)
(5.32)	Finance income and expenses	52,780	70,739
	Interest paid	(23,546)	(24,750)
	Operating cash flows before changes in working capital	**46,834**	**27,711**
	Change in inventories	1,214	(9,740)
	Change in trade and other receivables	(67,646)	63,255
	Change in trade and other payables	32,314	(56,878)
	Changes in working capital	**(34,118)**	**(3,363)**
	Net cash generated from operating activities	**12,716**	**24,348**
	Cash flows from investing activities		
	Proceeds from sale of property, plant and equipment	13,858	30,801
(5.36)	Acquisition of intangible assets	(8,266)	(5,923)
(5.36)	Other additions to intangible assets	(1,854)	(3,249)
(5.35)	Capital expenditures on property, plant and equipment	(70,203)	(107,974)
	Acquisitions of investments in equity accounted investees	–	(3,788)
(5.36)	Disposal of intangible assets	2,805	–
	Interest received	484	5,408
(5.37)	Dividends received	6,864	8,843
(5.41)	Repayment of vendor loan	6,375	–
(5.38)	Repayment of long-term loans	3,842	1,018
	Net cash (used in) / from investing activities	**(46,095)**	**(74,864)**
	Cash flows from operating activities after investing activities	**(33,379)**	**(50,516)**

4 CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December

(EUR x 1,000)		2018	2017
	Cash flows from financing activities		
(5.47)	Proceeds from issue of long-term loans	77,016	152,918
(5.47)	Proceeds from issue of subordinated unsecured convertible bonds	–	100,000
	Transaction costs relating to loans and borrowings	–	(9,235)
(5.47)	Repayment of borrowings	(82)	(177,048)
(5.46)	Dividends paid	(3,784)	(7,234)
(5.46)	Transactions with non-controlling interests	(2,550)	–
	Payments of finance lease liability	(5,987)	(5,807)
	Net cash from / (used in) financing activities	**64,613**	**53,594**
	Change in cash flows from operations	**31,234**	**3,078**
	Net increase in cash and cash equivalents	31,234	3,078
	Cash and cash equivalents at 1 January	210,936	244,445
	Effect of exchange rate fluctuations on cash held	(16,252)	(36,587)
	Cash and cash equivalents at 31 December	**225,918**	**210,936**
	Presentation in the statement of financial position		
(5.42)	Cash and cash equivalents	227,147	213,574
(5.42)	Bank overdraft	(1,229)	(2,638)
		225,918	**210,936**

The notes on pages 108 to 180 are an integral part of these consolidated financial statements.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 General

Fugro N.V., hereinafter to be referred to as 'Fugro' or 'the company', has its corporate seat in The Netherlands. The address of the company's principal office is Veurse Achterweg 10, 2264 SG, Leidschendam, the Netherlands. The consolidated financial statements of Fugro as at and for the year ended 31 December 2018 include Fugro and its subsidiaries (together referred to as the 'Group') and the Group's interests in equity-accounted investees. An overview of the main subsidiaries is included in chapter 6.

5.2 Statement of compliance

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

On 22 February 2019, the Board of Management and Supervisory Board authorised the financial statements for issue. Publication will take place on 4 March 2019.

The financial statements will be submitted for adoption to the annual general meeting on 26 April 2019.

5.3 Basis of preparation

5.3.1 Functional and presentation currency

The financial statements are presented in EUR x 1,000, unless stated otherwise. The Euro is the functional and presentation currency of the company.

5.3.2 Basis of measurement

The financial statements have been prepared on the basis of historical cost, except for 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.

5.3.3 Changes in accounting policies effective 1 January 2018

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 has initially applied IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018.

A number of new standards, amendments and/or interpretations are also effective from 1 January 2018, but these do not have a material effect on the Group's financial statements.

5.3.3.1 *IFRS 9 Financial Instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The latter category is not applicable to the Group. Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. IFRS 9 does not have a material effect on the Group's financial statements. Accordingly, prior period figures have not been restated and detailed descriptions of changes from IAS 39 accounting policies are not considered relevant information. The Group's specific IFRS 9 accounting policies are disclosed in the notes below. The impairment of financial assets is deemed immaterial and accordingly no separate line item is presented in the statement of comprehensive income. Such impairments are disclosed in note 5.52 credit risk.
The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

Classification and measurement

The classification and measurement requirements of IFRS 9 did not have a material impact on the Group. On the date of initial application, 1 January 2018, the financial instruments of the group were as follows, with any reclassifications noted:

(EUR x 1,000)	IFRS 9 measurement category	Original carrying amount IAS 39	New carrying amount IFRS 9
IAS 39 measurement category			
Loans and receivables			
Trade receivables and other receivables	Amortised cost	476,930	476,930
Cash and cash equivalents	Amortised cost	213,574	213,574
Deposits	Amortised cost	12,447	12,447
Long-term loans	Amortised cost	8,070	8,070
Other long-term receivables	Amortised cost	910	910
Available-for-sale			
Equity securities	Fair value through profit or loss	1,653	1,653

Certain investments in equity securities were reclassified from available-for-sale to financial assets at fair value through profit or loss (EUR 1,653 thousand as at 1 January 2018). They do not meet the IFRS 9 criteria for classification at amortised cost, because their cash flows do not represent solely payments of principal and interest. Related fair value gains and losses formed part of retained earnings and do not need to be further reclassified on 1 January 2018.

Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortised cost, unbilled revenue on (completed) contracts, and debt instruments at fair value through other comprehensive income, but not to investments in equity instruments.

The impairment model in IFRS 9 also applies to lease receivables, loan commitments and financial guarantee contracts. The Group has no such items.

No material additional allowances for impairment are applicable as of 1 January 2018 on adoption of IFRS 9. Accordingly, the closing impairment allowances under IAS 39 equal the opening impairment allowances under IFRS 9.

Hedge accounting

The Group has elected to adopt the new general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The Group does not engage in material hedging transactions with derivatives. The Group hedges foreign currency exposure for net investments in certain foreign operations with certain financial liabilities as hedging instruments. The Group continued its hedging relationships on adoption of IFRS 9. There are no recognition and measurement adjustments as of 1 January 2018 on adoption of IFRS 9. The practical expedients provided on transition in relation to the solely payments of principal and interest assessment in IFRS 9 are not relevant to the Group. For an explanation of how the Group applies hedge accounting under IFRS 9, refer to note 5.7.3.

5.3.3.2 *IFRS 15 Revenue from Contracts with Customers*

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled. An entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ is transferred to the customer. The Group applied the modified retrospective transition approach. IFRS 15 does not have a material effect on the Group’s financial statements. Accordingly, prior period figures have not been restated and detailed descriptions of changes from previous accounting policies are not considered relevant information. The Group’s specific IFRS 15 policies are disclosed in the notes below. The Group has implemented system changes, policies and procedures to collect and provide the new IFRS 15 disclosures in the notes to the 2018 financial statements below. The Group’s contract assets are referred to as unbilled revenue on (completed) contracts and partly as to other receivables. The Group’s contract liabilities are referred to as advance instalments to work in progress.

Key considerations

The Group is the world’s leading Geo-data specialist, unlocking insights from geo-data. The Group provides site characterisation and asset integrity solutions. The Group continued to recognise revenue for the bundled packages of services (i.e. one performance obligation) over time.

Accordingly, the allocation of transaction price to multiple performance obligations is generally not applicable. Considering the new requirements including IFRS Interpretations Committee Decisions in March 2018, no material change in the pattern of revenue recognition from over time to point in time or vice versa has been identified.

The Group did not apply the portfolio approach. The method to measure progress towards complete satisfaction of the performance obligation remained unchanged (generally the cost-to-cost method). Measuring the proportion of actual cost incurred for work performed to date, compared to total estimated cost to completion, best depicts the Group's performance in transferring control of services promised to its customers. The recognition and measurement of variable consideration (i.e. liquidated damages, weather standby fees or discounts) remained unchanged. Contracts with significant financing components are rare. Insofar applicable, Fugro qualifies for the application of the practical expedient in IFRS 15 and did not adjust the transaction price. 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.

Upon consideration, the Group's principal versus agent conclusions remained unchanged.
Reference is made to the revenue recognition policies in note 5.21.

5.3.4 Use of estimates and judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ materially from these estimates.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis of making the judgements about the carrying values of the assets and liabilities that are not readily apparent from other sources. The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty and references to the notes which include information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in note 5.61.

5.3.5 New standards and interpretations not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The impact of these new standards and interpretations are assessed in the table and paragraphs below.

The Group has substantially completed its transition project to IFRS 16 Leases, which will have a material impact on the Group's 2019 consolidated financial statements.
The findings and conclusions have been shared with the Board of Management, the audit committee of the Supervisory Board and the external auditors.

IFRS 16 Leasing	
Nature of change	IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for financial leases under IAS 17. IFRS 16 includes two recognition exemptions for lessees – leases of 'low-value' assets and short-term leases. At commencement of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lease liabilities are measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. Lessees separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting remains substantially unchanged from current standards. IFRS 16 requires more extensive disclosures.
Impact	The Group applied the modified retrospective transition approach, under which the cumulative effect of initial application is recognised in retained earnings as at 1 January 2019. Comparative 2018 information in the 2019 financial statements will not be restated and reported under IAS 17 and related interpretations. 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 operational equipment); ■ Adjusted the right-of-use assets by the amount of IAS 37's onerous contract provision immediately before the date of initial application, as an alternative to an impairment review; ■ Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term; ■ Excluded initial direct costs from measuring the right-of-use asset at the date of initial application; ■ Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease. The Group applied the short-term recognition exemption to vessels, property and operational equipment. The Group applied the low-value recognition exemption. The impact of the low-value exemption is immaterial. 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 was determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date. For leases that were classified as operating leases under IAS 17, the carrying amount of the right-of-use asset was measured at an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments recognised in the statement of financial position immediately before 1 January 2019. The Group does not engage in material leasing transactions as lessor.

IFRS 16 Leasing

Impact (continued)	Under IFRS 16, the Group consistently accounts for sale and (operational) leaseback transactions of vessels, property and operational 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 will apply the IFRS 16 partial gain recognition approach on sale and leaseback transactions (if applicable) 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. 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. The Group elected to not apply the practical expedient to grandfather the assessment of which transactions are leases; ■ With the exception 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 of 1 January 2019 as the discount rate. The main assumptions and judgements used in estimating the incremental borrowing rate were as follows: ■ A portfolio approach was applied; ■ 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; and ■ The determination of a lease specific adjustment. As of 1 January 2019, the Group recognised an additional EUR 210 million of right-of-use assets and a corresponding amount for the lease liabilities. The Group anticipates to disclose the quantitative reconciliation between the 2018 operating lease commitments and total lease liability as of 1 January 2019 in its 2019 consolidated interim financial statements. On a qualitative basis, the main reconciling items are: the short-term lease exemption, variable lease payments based on an index and extension and termination options. The expense profile in profit and loss will be front-loaded, due to higher interest expenses in early years on the lease liability.
Mandatory application date	Mandatory for financial years commencing on or after 1 January 2019 (endorsed by EU).

IFRS 17 Insurance Contracts	
Nature of change	IFRS 17 establishes the requirements that a company must apply in reporting information about insurance contracts it issues and reinsurance contracts it holds.
Impact	IFRS 17 is not applicable to Fugro.
Mandatory application date	Mandatory for financial years commencing on or after 1 January 2021 (subject to EU endorsement).

IFRIC 23 Uncertainty over Income Tax Treatments	
Nature of change	The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: ■ Whether tax treatments should be considered collectively; ■ Assumptions for taxation authorities' examinations; ■ The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; ■ The effect of changes in facts and circumstances.
Impact	The impact of IFRIC 23 is not material.
Mandatory application date	Mandatory for financial years commencing on or after 1 January 2019 (endorsed by EU).

Certain other new standards, interpretations and amendments issued by the IASB are either not material for Fugro or not applicable to Fugro.

Summary of significant accounting policies
The accounting policies set out below have been applied consistently by all subsidiaries and equity-accounted investees to all periods presented in these consolidated financial statements.

5.4 Basis of consolidation

5.4.1 Accounting for business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.
In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.
Non-controlling interest in the acquiree are measured at the proportionate share of the acquiree's identifiable net assets.

5.4.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, it is accounted for as an equity-accounted investee or as an equity security depending on the level of influence retained.

5.4.3 Equity-accounted investees

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

5.4.4 Equity securities

Equity securities are investments in entities in whose activities the Group holds a non-controlling interest and has no control, joint control or significant influence. Equity securities are accounted for at fair value with changes through profit and loss. 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.

5.4.5 Transactions eliminated on consolidation

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

5.5 Foreign currency

5.5.1 Foreign currency transactions and translation

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the respective functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at foreign exchange rates effective at the date the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity-accounted investees, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised in other comprehensive income. A summary of the main currency exchange rates applied in the year under review and the preceding years reads as follows:

	USD at year-end	USD average	GBP at year-end	GBP average	NOK at year-end	NOK average	AUD at year-end	AUD average
2018	0.870	0.850	1.110	0.130	0.100	0.104	0.620	0.630
2017	0.840	0.880	1.120	1.140	0.101	0.107	0.650	0.680

5.5.2 Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to EUR at foreign exchange rates effective at the reporting date. The income and expenses of foreign operations are translated to EUR at exchange rates effective at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve for foreign operations (Translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.
When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount in the translation reserve is reattributed to non-controlling interests. If the Group disposes of only part of its investment in an equity-accounted investee that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount in the translation reserve is reclassified to profit or loss.

If the settlement of a monetary item, receivable from or payable to a foreign operation, is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such monetary items are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the Translation reserve in equity.

5.5.3 Hedge of a net investment in foreign operations

The Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the functional currency of Fugro (EUR), regardless of whether the net investment is held directly or through an intermediate parent.

Foreign currency differences arising on the (re-)translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective, and are presented within equity in the Translation reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged net investment is disposed of, the relevant amount in the Translation reserve is transferred to profit or loss as part of the profit or loss upon disposal.

5.6 Determination of fair values

A number of the Group's accounting policies and disclosures requires the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods.
When applicable, additional information on the determination of fair values is disclosed in the notes of the specific asset or liability.

5.6.1 Equity and debt securities

The fair value of equity and debt securities is determined by reference to their quoted closing bid price at the reporting date, or if unquoted, determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate.

5.6.2 Trade and other receivables

The fair value of trade and other receivables is estimated at the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

5.6.3 Forward exchange contracts and interest rate swaps

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

5.6.4 Other non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date, taking into consideration the Group's own non-performance risk. For financial leases the market rate of interest is either determined by reference to similar lease agreements or based on the implicit discount rate if determinable.

5.6.5 Share-based payment transactions

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

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

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

5.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

5.7.1 Financial assets

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit and loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. 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. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

5.7.1.1 *Financial assets at amortised cost (debt instruments)*

This category is the most relevant to the Group. It includes trade and other receivables and other investments (e.g. long-term loans, deposits, and other long-term receivables). 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; and
- 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.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

5.7.1.2 *Financial assets at fair value through OCI (debt instruments)*

The Group currently does not have financial assets classified in this category.

5.7.1.3 *Financial assets designated at fair value through OCI (equity instruments)*

The Group currently does not have financial assets classified in this category.

5.7.1.4 *Financial assets at fair value through profit and loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through OCI. 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.

5.7.1.5 *Derecognition of financial assets*

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.

5.7.2 Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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.

The Group's financial liabilities include loans and borrowings including bank overdrafts and trade and other payables.

The subsequent measurement of financial liabilities depends on their classification, as described below.

5.7.2.1 *Loans and other payables*

This is the category most relevant to the Group. This category generally applies to interest-bearing loans, the liability portion of convertible bonds, financial lease liabilities, bank overdrafts, other taxes and social security payables and trade and other payables. 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 as well as through the effective interest rate amortisation process.

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 effective interest rate amortisation is included as finance costs in the statement of comprehensive income.

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.

5.7.2.2 *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

5.7.2.3 *Derecognition of financial liabilities*

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.

5.7.2.4 *Offsetting of financial instruments*

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.

5.7.3 Derivative financial instruments and hedge accounting

5.7.3.1 *Derivative financial instruments*

The Group may use derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational and financing activities.
In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. The Group does not have material derivative financial instruments.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category. The Group does not have such separately accounted embedded derivative financial liabilities.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately.
The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss. The Group does not have such financial assets.

Derivatives are recognised initially at fair value and directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives (insofar applicable) are measured at fair value, and changes therein are accounted for as described below.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment;
- Net investment hedges.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and the hedging instrument;
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship;
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

5.7.3.2 *Fair value hedges*

The change in the fair value of a hedging instrument is recognised in profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in profit or loss as other expense. For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the effective interest rate method.
The effective interest rate amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

5.7.3.3 *Cash flow hedges*

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group may use forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised as other expense and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognised in OCI and accumulated in a separate component of equity under cost of hedging reserve.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Consistent with prior year, there are no qualifying fair value hedge or cash flow hedge relationships as of 31 December 2018.

5.7.3.4 *Net investment hedges*

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

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

5.7.3.5 *Other non-trading derivatives*

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss. The Group does not have such derivatives in 2018 and 2017.

5.8 Property, plant and equipment

5.8.1 Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (refer to accounting policy 5.15). The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the asset.
The cost of self-constructed assets includes the costs of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Property, plant and equipment that is being constructed or developed for future use is classified as property, plant and equipment under construction and stated at cost until construction or development is complete, at which time it is reclassified as land and buildings, plant and equipment, vessels or other property, plant and equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within 'other income' or 'other expenses' in profit or loss.

5.8.2 Leased assets

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership and are not recognised in the Group's statement of financial position. Lease payments are accounted for as described in accounting policy 5.22.2.
If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss is recognised immediately.

5.8.3 Subsequent cost

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

5.8.4 Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. The estimated useful lives for the current and comparative period of significant items of property, plant and equipment are as follows:

Category	Years
Land and buildings	
Land	Infinite
Buildings	20 – 40
Fixtures and fittings	5 – 10
Vessels	
Vessels and jack-ups	2 – 25
Plant and equipment	
Plant and equipment	4 – 10
Survey equipment	3 – 5
Ocean bottom nodes	5 – 6
Aircraft	5 – 10
AUVs and ROVs	6 – 7
Computers and office equipment	3 – 4
Transport equipment	4
Other	
Dry-docking	3 – 5
Used plant and machinery	1 – 2

5.9 Intangible assets

5.9.1 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but is tested for impairment annually and when there is an indication for impairment (refer to accounting policy 5.15). In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

5.9.2 Finder

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

5.9.3 Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The capitalised expenditure includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses (refer to accounting policy 5.15).

5.9.4 Software and other intangible assets

Software and other intangible assets acquired or developed by the Group and that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses (refer to accounting policy 5.15).

5.9.5 Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

5.9.6 Amortisation

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite life are annually tested for impairment or when there is an indication for impairment (refer to accounting policy 5.15). Other intangible assets and software are amortised from the date they are available for their intended use. The estimated useful life of software and other capitalised development costs is, in general, five years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

5.10 Investments in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in joint ventures and associates. Investments in equity-accounted investees are accounted for using the equity method. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment. Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables that form part of the entity's net investment, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in accounting policy 5.15.

5.11 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined using on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

5.12 Trade and other receivables

Trade and other receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method less, any impairment losses (refer to accounting policy 5.15). 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 (refer to accounting policy 5.15). Advances received from customers are presented as advance instalments to work in progress.

5.13 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and call deposits. Bank overdrafts that are repayable on demand and which form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. Bank overdrafts are shown within the current liabilities in the consolidated statement of financial position.

5.14 Assets of disposal groups classified as held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, these assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair values less costs to sell. Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated and any equity-accounted investees are no longer equity-accounted.

5.15 Impairment

5.15.1 Non-derivative financial assets

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). 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).

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.

For debt instruments at fair value through OCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The Group does not have debt instruments at fair value through OCI.

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.

5.15.2 Non-financial assets

The carrying amounts of the Group's non-financial assets other than assets arising from employee benefits and deferred tax assets (refer to accounting policy 5.23), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.
An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (or group of cash-generating units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit (CGU) is the higher of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated, are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of cash generating units that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one cash-generating unit. Corporate assets are allocated to cash-generating units on a reasonable and consistent basis and tested for impairment as part of the testing of the cash generating units to which the corporate asset is allocated.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are reviewed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

5.16 Equity

5.16.1 Share capital

Share capital is classified as equity. The term 'shares' as used in the financial statements should, with respect to ordinary shares issued by Fugro, be construed to include certificates of shares ('share certificates' or 'depositary receipts' for shares) issued by 'Stichting Administratie-kantoor Fugro' (also referred to as 'Fugro Foundation Trust Office' or 'Foundation Trust Office'), unless the context otherwise requires or unless it is clear from the context that this is not the case. The surplus paid by shareholders above the nominal value of shares is recognised as share premium. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

5.16.2 Repurchase and sale of shares

When shares are repurchased or sold, the amount of the consideration paid or received, including direct attributable costs, net of any tax effects, is recognised as a change in equity. Repurchased shares and related results are reported as reserve for own shares and presented separately as a component of total equity.

5.16.3 Dividends paid

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

5.17 Loans and borrowings

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

5.18 Employee benefits

5.18.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than twelve months after the end of the period in which the employees render the service are discounted to their present value.

5.18.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The discount rate is the yield at the reporting date on AA credit-rated (high quality) corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed by qualified independent actuaries using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss. Employee contributions for which the amount is independent of the number of years of service are recognised as a reduction of the service costs in the period in which the related services are rendered.

When the benefits of a plan are changed or when a plan is curtailed, then resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

5.18.3 Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any assets is deducted. At the reporting date, the discount rate is determined by reference to the yield on AA credit-rated corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The actuarial calculations are performed using the projected unit credit method. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

5.18.4 Share-based payments

The share incentive schemes allow Members of the Board of Management and some assigned Group employees to acquire shares in Fugro. The fair value of granted options and shares (awards) is recognised as an employee expense, with a corresponding increase in equity. The fair value is determined on the date of grant and is spread over the period during which the employees (share options) and the members of the Board of Management and other selected senior employees (performance shares and options) provide services and become unconditionally entitled to the share options or shares. The amount recognised as an expense is adjusted to reflect the number of awards for which the related non-market performance and service vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet these conditions at the vesting date.

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

5.19 Provisions for other liabilities and charges

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions for other liabilities and charges are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as finance expenses.

5.19.1 Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of performing under the contract. The expected net cost of performing under the contract is based on cash flow calculations discounted using a rate that reflects current market assessments of the time value of money. Before a provision is established, the Group recognises any impairment loss on the assets associated with and/or dedicated to that contract.

5.19.2 Restructuring cost

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

5.20 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.

5.21 Revenue

Revenues are 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. Revenue from sales of goods, software licences and subscription income are not a significant category of revenue. Revenue is shown net of value-added tax and discounts and after eliminating sales within the Group.

Fugro generates revenue from services which are based on geo-intelligence derived by acquiring bespoke data and providing analysis and advisory. The Group is organised in three divisions. The Marine division's services encompass the acquisition of soil samples and related laboratory testing, and the mapping of soil characteristics. Furthermore, activities include geoconsulting, general purpose navigation charts and environmental, meteorological and oceanographic measurement services. Lastly, services relate to construction support, inspection, repair & maintenance, positioning, and monitoring & forecasting services. The Land division's services encompass the determination of soil characteristics via cone penetration testing and/or the acquisition of soil samples and related laboratory testing. Furthermore, the division performs monitoring, analysis and modelling for clients. The services in the Geoscience division rely on acquiring geophysical data on oil and gas reservoir characteristics, using seismic technology.

The Group's services are typically sold in a bundled package of services which generally result in one performance obligation. For disaggregation of revenue reference is made to note 5.26.

Revenue from services rendered to third parties mainly relate to fixed price, daily rates or rates per (square) kilometre contracts. Revenue is generally recognised in profit or loss as services are rendered (over time) because of continuous transfer of control to the customer.
This continuous transfer of control to the customer is supported by either one of the following:

- 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.
- The Group creates an asset that the customer controls.

Because of control transferring over time, revenue is 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 uses the cost-to-cost measure of progress for contracts with customers because it best depicts the transfer of control to the customer. Measuring the proportion of actual cost incurred for work performed to date, compared to total estimated cost to completion, best depicts the Group's performance in transferring control of services promised to its customers. 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. If services rendered by the Group exceed payment by the customer, than unbilled revenue on (completed) projects is recognised. The unbilled revenue on (completed) projects is transferred to receivables when the entitlement to payment becomes unconditional.

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 makes an assessment of the amount of revenue expected to be received. 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. This variable consideration is generally constrained and is 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 (generally when a matter is concluded).

Applying the practical expedient in IFRS 15, 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.

The Group generally does not have costs to obtain a contract with a customer.

5.21.1 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 charter-lease costs and other cost required for the execution of various projects.

5.21.2 Other income

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

5.21.3 Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. Grants that compensate the Group (partly) for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised. Grants that (partly) compensate the Group for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

5.22 Expenses

5.22.1 Third party costs

Third party costs are matched with related revenues on contracts and accounted for on a historical cost basis.

5.22.2 Lease payments

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a lease receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

5.22.3 Net finance income and expenses

Net finance income and expenses consist of finance expenses, finance income and foreign currency gains and losses. Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, losses on disposal of 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.

5.23 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.
Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for: taxable temporary differences arising on the initial recognition of goodwill; temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

5.24 Statement of cash flows

The consolidated statement of cash flows is prepared using the indirect method. The cash flow statement distinguishes between operating, investing and financing activities.
Cash flows in foreign currencies are converted at the exchange rate at the dates of the transactions. Currency exchange differences on cash held are separately shown. Payments and receipts of corporate taxes are included as cash flow from operating activities and interest paid is shown as cash flow from operating activities. Cash flows as a result from acquisition/divestment of financial interest in subsidiaries and equity accounted investees are included as cash flow from investing activities, taking into account the available cash in these interests. Dividends paid are part of the cash flow from financing activities.

5.25 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Board of Management to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

5.25.1 Operating segments

Fugro is the world's leading Geo-data specialist, collecting and analysing comprehensive information about the Earth's surface, subsurface and the structures built upon it. Through integrated data acquisition, analysis and advice, we unlock insights from Geo-data to help clients design, build and operate their assets in a safe, sustainable and efficient manner. The information we provide is essential to our clients for characterising their building sites to facilitate the safe, cost effective and sustainable design and construction of their buildings and infrastructure (site characterisation). We also provide information on the precise location and condition of assets, as they are built and operated, to optimise asset reliability, utilisation and longevity (asset integrity).

Based on Fugro's evaluation on how the company allocates resources and analyses performance, the company present its operating segments by the identification of three operating and reportable segments: Marine, Land and Geoscience. The performance of the Marine, Land and Geoscience divisions are separately reported to and reviewed by the Board of Management (as the Chief Operating Decision Maker: CODM). For each of the divisions, the Board of Management reviews internal management reports on a monthly basis.

The segments are managed on a worldwide basis, and operate in five principal geographical areas: Europe, Americas, Asia Pacific, Middle East/India and Africa. 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 segment profit or loss before income tax, as included in the internal management reports that are reviewed by the Board of Management. Segment profit or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Fugro allocates all other corporate expenses and finance income to the reportable segment profit (or loss) before income tax of the respective operating segments pro-rate based on net revenue. Assets that are used by more than one operating segment and liabilities that relate to more operating segments are pro-rate allocated based on net revenues to the respective reporting segments as well.

The following summary describes the operations in each of the Group's reportable segments:

Marine

The Marine division encompasses the determination of soil composition via cone penetration testing or the acquisition of soil samples (geotechnical site investigations) and related laboratory testing; and the mapping of seabed and geological features and hazards below using non-invasive techniques (geophysical surveys) including the related interpretation and visualisation. Its services also include geoconsulting, general purpose navigation charts and environmental, meteorological & oceanographic measurement services. In addition, the division offers positioning signals and services, construction support, monitoring and forecasting services, drill support, remote systems technology, and inspection, repair and maintenance services (IRM).

Land

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

Geoscience

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

Operating segments	Marine		Land		Geoscience		Total	
(EUR x 1,000)	2018	2017	2018	2017	2018	2017	2018	2017
Segment revenue	1,208,892	1,029,466	499,027	493,845	97,210	74,078	1,805,129	1,597,389
Of which inter-segment revenue	122,986	82,205	32,172	17,792	–	–	155,158	99,997
Revenue	1,085,906	947,261	466,855	476,053	97,210	74,078	1,649,971	1,497,392
Segment result	89,963	32,576	26,051	38,937	(4,274)	9,931	111,740	81,444
Depreciation	(71,449)	(89,492)	(15,995)	(18,348)	(12,154)	(19,102)	(99,598)	(126,942)
Amortisation	(1,244)	(1,641)	(2,215)	(2,724)	(1,673)	(1,695)	(5,132)	(6,060)
Impairments	329	2,075	(65)	(2,200)	1,521	(39)	1,785	(164)
Result from operating activities (EBIT)	17,599	(56,482)	7,776	15,665	(16,580)	(10,905)	8,795	(51,722)
EBIT in % of revenue	1.6	(6.0)	1.7	3.3	(17.1)	(14.7)	0.5	(3.5)
Finance income	7,178	8,890	8,135	2,130	4,552	7,068	19,865	18,088
Finance expense	(49,963)	(60,941)	(14,171)	(16,219)	(8,511)	(11,667)	(72,645)	(88,827)
Share of profit/(loss) of equity-accounted investees	6,631	2,462	2,160	2,250	–	–	8,791	4,712
Reportable segment profit/(loss) before income tax	(18,555)	(106,071)	3,900	3,826	(20,539)	(15,504)	(35,194)	(117,749)
Income tax	(9,139)	(27,947)	(8,650)	(19,390)	(2,172)	(258)	(19,961)	(47,595)
Profit/(loss) for the period from discontinued operations	–	–	–	–	–	5,070	–	5,070
Profit/(loss) for the period	**(27,694)**	**(134,018)**	**(4,750)**	**(15,564)**	**(22,711)**	**(10,692)**	**(55,155)**	**(160,274)**
Capital employed	844,182	820,641	223,227	218,912	140,527	144,555	1,207,936	1,184,108
Reportable segment assets	1,235,585	1,249,648	453,577	431,408	255,260	217,248	1,944,422	1,898,304
Reportable segment liabilities	788,782	762,227	331,667	304,241	121,488	78,172	1,241,937	1,144,640
Capital expenditure, property, plant and equipment	44,842	76,376	16,493	11,913	11,376	19,685	72,711	107,974
Capital expenditure software and other intangible assets	2,620	1,028	281	128	5,365	4,767	8,266	5,923
Other additions to intangible assets	–	–	–	–	1,854	3,249	1,854	3,249
Movement in other investments	3,329	(2,650)	(5,459)	877	(98)	(831)	(2,228)	(2,604)

Geographical areas	Europe		Americas		Asia Pacific		Middle East/India		Africa		Total	
(EUR x 1,000)	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue from external customers	631,349	581,193	383,009	334,868	364,649	303,058	213,332	220,655	57,632	57,618	1,649,971	1,497,392
Non-current assets	610,420	617,824	239,537	241,576	203,030	202,420	83,379	84,457	4,858	10,013	1,141,224	1,156,290

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	19,865	(13,647)	6,218
Finance expense	(72,645)	13,647	(58,998)

Other material items 2017 in respect of elements of profit or loss (EUR x 1,000)	Reportable segment totals	Adjustments and other unallocated amounts	Consolidated totals
Finance income	18,088	(12,680)	5,408
Finance expense	(88,827)	12,680	(76,147)

5.26 Revenue from contracts with customers

5.26.1 Disaggregation of revenue from contracts with customers

In the following tables, revenue is disaggregated by business line, market segment, client type and geographical area.

Revenue by business line						2018
(EUR x 1,000)			Marine			Land
	Asset Integrity	Site Character-isation	Total	Asset Integrity	Site Character-isation	Total
Revenue	521,999	563,907	1,085,906	98,989	367,866	466,855

Revenue per market segment				2018
(EUR x 1,000)	Marine	Land	Geoscience*	Total
Oil and gas	796,595	46,304	97,210	940,109
Infrastructure	31,507	339,611	–	371,118
Renewables	171,705	–	–	171,705
Power	6,953	55,747	–	62,700
Nautical	79,146	–	–	79,146
Mining	–	25,193	–	25,193
Total	**1,085,906**	**466,855**	**97,210**	**1,649,971**

* Revenue of Geoscience division is fully related to Seabed Geosolutions.

Revenue by client type (EUR x 1,000)	2018
International oil companies – majors	311,146
International oil companies – independents	168,709
National oil companies	113,366
Contractors	454,929
Design & engineering firms	49,617
Non-oil & gas industries	81,641
Government	262,052
(Public) services companies	161,567
Other	46,944
Total	**1,649,971**

The unbilled revenue on (completed) projects primarily represents the gross amount expected to be collected from customers for contract work performed to date.

5.26.2 Performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

(EUR x 1,000)	2018
Within one year	265,046
More than one year	106,349
Total	**371,395**

Certain amounts of variable consideration are not included in the amounts presented above as these are considered to be constrained. No information is provided about remaining performance obligations at 31 December 2018 that have an original expected duration of one year or less.

5.27 Third party costs

(EUR x 1,000)	2018	2017
Cost of suppliers*	595,124	458,311
Operational lease expense**	31,156	61,172
Other rentals	90,635	45,465
Onerous contracts	398	17,658
Other costs	22,033	39,330
Total	**739,346**	**621,936**

* Cost of suppliers includes costs of maintenance and operational supplies amounting to EUR 27.7 million (2017: EUR 32.0 million) directly related to projects.

** The operational lease expense includes an amount of EUR 5.9 million (2017: EUR 12.5 million) that is excluded for covenant requirements. Refer to note 5.47.6.

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

5.28 Other income

(EUR x 1,000)	2018	2017
Settlements claims	2,863	6,453
Government grants	2,544	2,482
Gain on sale of property, plant and equipment	9,696	14,352
Sundry income	3,028	8,515
Total	**18,131**	**31,802**

5.29 Personnel expenses

(EUR x 1,000)	2018	2017
Wages and salaries	546,955	546,259
Compulsory social security contributions	51,553	50,499
Equity-settled share-based payments	4,652	3,103
Contributions to defined contribution plans	20,354	20,073
Expense related to defined benefit plans	1,734	10,042
Increase/(decrease) in liability for long-service leave	517	(404)
Total	**625,765**	**629,572**

5.29.1 Share-based payments

The share-based payment plans of Fugro N.V. consist of a long-term incentive plan (LTIP), which includes the annual grant of conditional performance shares, and a share option scheme, which includes the annual grant of conditional options.

At the annual general meeting (AGM) held in May 2017, amendments to the LTIP were approved. The new annual grant date is the 5th trading day following the publication of the annual results. Furthermore, only conditional performance shares will be granted under the LTIP going forward. Granting of performance shares under the amended LTIP has taken place for the first time early in 2018, after the publication of the 2017 annual results. The grant date under the share option scheme has also been adjusted to the same date as for grants under the LTIP.

In addition, in 2018, the Company has granted restricted shares to the Board of Management and other employees for personal targets met under the bonus plan 2017. These restricted shares are not part of the LTIP.

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 for the performance awards are as follows:

Performance targets	2017 – 2018	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.

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

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

As at 31 December the following performance options (granted prior to 2017) were outstanding:

Year of issue	Duration	Number of participants	Granted	Outstanding at 1 January 2018	Forfeited in 2018	Exercised in 2017	Outstanding at 31 December 2018	Exercisable at 31 December 2018	Exercise price (EUR)
2014	6 years	22	158,500	148,479	148,479	–	–	–	17.26
2015	6 years	39	219,200	188,878	14,367	–	174,511	–	15.06
2016	6 years	44	261,200	228,187	29,833	–	198,354	–	14.55
Total			**638,900**	**565,544**	**192,679**	**–**	**372,865**	**–**	

The average remaining term of the performance options outstanding as at 31 December 2018 is 3.7 years (31 December 2017: 4.3 years).

As at 1 March 2018, Fugro N.V. granted 410,500 performance shares (2017: nil). As at 31 December the following performance shares were outstanding:

Year of issue	Duration	Number of participants	Granted	Outstanding at 1 January 2018	Forfeited in 2018	Vested in 2018	Outstanding at 31 December 2018
2014	3 years	22	79,250	74,238	74,238	–	–
2015	3 years	39	109,600	94,438	7,183	–	87,255
2016	3 years	44	130,600	114,092	16,917	–	97,175
2018	3 years	52	410,500	–	70,000	–	340,500
Total			**729,950**	**282,768**	**168,338**	**–**	**524,930**

The grant date fair value of the portion with a TSR 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 weighted average grant date fair value amounts to EUR 12.56 for the performance shares granted in 2018. No performance shares were granted in 2017.
The significant inputs into the valuation models are:

Performance shares	2018	2017
Share price (in EUR)	12.66	–
Exercise price options	–	–
Volatility (%)	46.2%	–
Dividend yield (%)	0.0%	–
Vesting period (in years)	3	–
Risk-free interest rate (%)	(0.385)%	–
Remaining performance period (in years)	2.81	–
Costs of granted performance shares and performance options at the end of 2014 in EUR	–	225,862
Costs of granted performance shares and performance options at the end of 2015 in EUR	290,820	301,325
Costs of granted performance shares and performance options at the end of 2016 in EUR	293,354	422,847
Costs of granted performance shares in 2018 in EUR	1,169,575	–
Total cost allocated	**1,753,749**	**950,034**

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 estimate for early departure (forfeitures) is 3% per annum (excluding the members of the Board of Management). The total costs allocated to 2018 for the performance awards granted in 2014, 2015, 2016 and 2018 amount to EUR 1,753,749 (2017: EUR 950,034).

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 early in 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 costs of granted options are recognised in profit or loss over the total service period of three years. (The costs for granted options before 2018 are recognised in profit or loss over a period of four years.)

The Board of Management and the Supervisory Board decide annually on the granting of options. The exercise price for the options granted in 2018 has been determined based on the average closing price of 5 days preceding the grant date.

As at 31 December the following options were outstanding:

Year of issue	Duration	Number of partici-pants	Granted	Outstanding at 1-1-2018	Forfeited in 2018	Expired in 2018	Exercised in 2018	Outstanding at 31-12-2018	Exercisable at 31-12-2018	Exercise price (EUR)
2012	6 years	674	1,093,300	754,850	–	754,850	–	–	–	44.520
2013	6 years	621	956,925	751,205	43,130	–	–	708,075	708,075	43.315
2014	6 years	654	770,638	630,218	59,415	–	–	570,803	570,803	17.260
2015	6 years	654	534,470	467,580	46,200	–	–	421,380	421,380	15.060
2016	6 years	695	571,850	537,300	44,000	–	–	493,300	–	14.550
2018	6 years	653	573,850	–	15,100	–	–	558,750	–	12.201
Total			**4,501,033**	**3,141,153**	**207,845**	**754,850**	**–**	**2,752,308**	**1,700,258**	

The outstanding options have an exercise price ranging from EUR 12.201 to EUR 43.315 as at 31 December 2018. The average remaining term of the options is 3.0 years (2017: 2.8 years). The movement during the year of options and the average exercise price is as follows:

	2018		2017	
	Weighted average exercise price (EUR)	Number of options	Weighted average exercise price (EUR)	Number of options
Options outstanding at 1 January	29.25	3,141,153	32.45	4,281,670
Forfeited during the period	1.41	207,845	41.24	1,140,517
Expired during the period	10.70	754,850	–	–
Options granted during the period	4.97	573,850	–	–
Options outstanding at 31 December	22.11	2,752,308	29.25	3,141,153
Exercisable at 31 December		**1,700,258**		**2,136,273**

The fair value of the share options with only service conditions is determined by using a binomial model. The estimate for early departure (forfeitures) is 3% per annum. 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.

Fugro granted 573,850 share options in 2018 (2017: nil). The inputs used in the measurement of the fair values at the grant date of the share options are the following:

	2018	2017
Average fair value of the granted options during the year in EUR	5.90	–
Share price (in EUR)	12.66	–
Exercise price (in EUR)	12.20	–
Expected volatility (in %)	49.10	–
Option term (Years)	6	–
Expected dividends	0.00%	–
Risk-free interest rate (based on government bonds)	0.19%	–
Costs of granted options at the end of 2014 in EUR	–	712,546
Costs of granted options at the end of 2015 in EUR	513,282	632,054
Costs of granted options at the end of 2016 in EUR	701,875	808,072
Costs of granted options in March 2018 in EUR	860,785	–
Total	**2,075,942**	**2,152,672**

Restricted shares

In 2018, Fugro has granted 77,050 (2017: nil) restricted shares to the Board of Management of which 50,000 shares were granted to the former board member Øystein Løseth as at 1 January 2018. An amount of 27,050 of (restricted) shares were granted on 1 May 2018 to the other members of the Board of Management for which shareholder's approval was obtained at the AGM 2018. Further, 189,400 (2017: nil) restricted shares were granted at 9 March 2018 to other employees for meeting their personal targets as at 9 March 2018.

As at 31 December the following restricted shares were outstanding:

Year of issue	Granted to	Duration	Number of participants	Granted	Outstanding at 1 January 2018	Forfeited in 2018	Vested in 2018	Outstanding at 31 December 2018
2018	Employees	3 years	84	189,400	–	2,800	–	186,600
2018	Board of Management	3 years	4	77,050	–	50,000	8,300	18,750
Total			**88**	**266,450**	**–**	**52,800**	**8,300**	**205,350**

The vesting of the restricted stock units 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.

The weighted average grant date fair value amounts to EUR 12.79 for the restricted shares granted in 2018. No restricted shares were granted in 2017. The significant inputs into the valuation models are:

Board of Management and employees	2018
Weighted average share price (in EUR)	12.79
Dividend yield (%)	0.0%
Vesting period (in years)	3
Costs of granted restricted shares to employees in 2018 in EUR	645,820
Costs of granted restricted shares to Board of Management in 2018 in EUR	176,280
Total	**822,100**

The estimate for early departure (forfeitures) is 3% per annum (excluding the members of the Board of Management). The total costs allocated to 2018 for the restricted shares granted in 2018 amount to EUR 822,100 (2017: nil).

5.29.2 Number of employees as at 31 December

			2018			2017
	Netherlands	Foreign	Total	Netherlands	Foreign	Total
Technical staff	623	6,971	7,594	611	6,854	7,465
Management and administrative staff	271	1,879	2,150	252	1,858	2,110
Temporary and contract staff	198	323	521	128	341	469
	1,092	**9,173**	**10,265**	**991**	**9,053**	**10,044**
Average number of employees during the year	**1,042**	**9,113**	**10,155**	**964**	**9,323**	**10,287**

5.30 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 2018, a total reversal of impairment losses has been recognised of EUR 1,785 thousand (2017: EUR 164 thousand impairment loss) which consist of an impairment loss of EUR 1,720 thousand and a reversal of an impairment loss of EUR 3,505 thousand. The reversal of impairment loss comprises some spare cables of EUR 1,522 thousand within the Geoscience division. Previously, these cables were nearly fully impaired. The cables have been sold in 2018 and a net gain on the sale has been realised of EUR 5,231 thousand that has been reported as other income in the consolidated statement of comprehensive income.

Furthermore, certain buildings, previously classified as held for sale, were transferred back to property plant and equipment (PP&E) as the sale did not materialise in 2018. The reversal of the impairment loss amount in connection with this building amounts to EUR 1,983 thousand.

The building is used by both Land and Marine division.

The impairment loss mainly relate to certain other equipment in PP&E of the Land and Marine division.

5.31 Other expenses

(EUR x 1,000)	2018	2017
Maintenance and operational supplies	6,991	14,683
Indirect operating expenses	41,489	38,958
Occupancy costs	18,294	19,041
Property lease expense	19,887	20,213
Communication and office equipment	34,338	32,272
Impairment of receivables	4,387	1,897
Restructuring costs	6,081	12,196
Research costs	1,259	2,103
Loss on disposal of property, plant and equipment	399	482
Marketing and advertising costs	4,399	3,908
Other	53,727	50,489
Total	**191,251**	**196,242**

Other expenses include amongst others professional services, training costs, audit fees, miscellaneous charges and sundry costs. Certain adviser and other costs amounting to EUR 0.4 million for 2018 a gain (2017: EUR 0.8 million), included in Other, are considered as exceptional item under the covenant requirement. Refer to note 5.47.6. Audit fees, as charged by EY, are disclosed in note 9.16.

5.32 Net finance (income)/expenses

(EUR x 1,000)	2018	2017
Interest income on loans and receivables	(6,218)	(5,408)
Finance income	**(6,218)**	**(5,408)**
Interest expense on financial liabilities measured at amortised cost	40,246	48,032
Net change in fair value of financial assets at fair value through profit or loss	156	(143)
Net foreign exchange variance	18,596	28,258
Finance expense	**58,998**	**76,147**
Net finance (income)/expenses recognised in profit or loss	**52,780**	**70,739**

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)	2018	2017
Recognised in other comprehensive income		
Net change in fair value of hedge of net investment in foreign operations	(6,301)	16,117
Foreign currency translation differences of foreign operations	5,196	(116,498)
Foreign currency translation differences of equity-accounted investees	775	(835)
	(330)	**(101,216)**
Net change in fair value of cash flow hedges transferred to profit or loss	–	103
Other movement	–	218
Total	**(330)**	**(100,895)**
Recognised in:		
Hedging reserve	–	103
Translation reserve	(1,711)	(95,194)
Retained earnings	–	218
Non-controlling interests	1,381	(6,022)
Total	**(330)**	**(100,895)**

5.33 Income tax expense/(gain)

Recognised in profit or loss

(EUR x 1,000)	2018	2017
Current income tax expense/(gain)		
Current year	23,654	18,931
Adjustments for prior years	113	(5)
	23,767	18,926
Deferred income tax expense/(gain)		
Origination and reversal of tax losses and temporary differences	3,955	8,538
Change in tax rate	1,983	10,550
Recognition of previously unrecognised tax losses and temporary differences	(9,596)	(2,523)
Write down of deferred tax asset	–	16,386
Liability for undistributed foreign earnings (deferred)	(11)	(48)
Adjustments for prior years	(137)	(4,234)
	(3,806)	28,669
Total income tax expense/(gain)	**19,961**	**47,595**

Reconciliation of effective tax rate

(EUR x 1,000)	2018 %	2018	2017 %	2017
Profit/(loss) for the period from continuing operations		(55,155)		(165,344)
Income tax expense/(gain)		19,961		47,595
Profit/(loss) before income tax		**(35,194)**		**(117,749)**
Income tax using the weighted domestic average tax rates	0.7	(250)	29.1	(34,285)
Change in tax rate	(5.6)	1,983	(8.9)	10,550
Recognition of previously unrecognised tax losses and temporary differences	27.3	(9,596)	2.2	(2,523)
Current year tax losses and tax credits not recognised	(71.3)	25,077	(43.5)	51,199
Write down of deferred tax asset	0.0	–	(13.9)	16,386
Non-deductible expenses	(22.2)	7,812	(13.5)	15,852
Tax exempt income	17.5	(6,145)	6.3	(7,371)
Liability for undistributed foreign earnings (deferred)	0.0	(11)	0.0	(48)
Adjustments for prior years (deferred)	0.4	(137)	3.6	(4,234)
Adjustments for prior years (current)	(0.3)	113	0.0	(5)
Dividend and other income taxes	(3.2)	1,115	(1.8)	2,074
Total	**(56.7)**	**19,961**	**(40.4)**	**47,595**

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

Income tax recognised in other comprehensive income and in equity

(EUR x 1,000)			2018			2017
	Before tax	Tax (expense)/ benefit	Net of tax	Before tax	Tax (expense)/ benefit	Net of tax
Defined benefit plan actuarial gains (losses)	6,600	(1,490)	5,110	19,916	(2,891)	17,025
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	–	103	–	103
Net change in fair value of hedge of net investment in foreign operations	(8,401)	2,100	(6,301)	21,489	(5,372)	16,117
Share-based payment transactions	4,652	–	4,652	3,103	–	3,103
Net change in fair value of equity securities	–	–	–	218	–	218
Subordinated unsecured convertible bonds	–	878	878	15,773	(3,943)	11,830
Transactions with non-controlling interests	(2,550)	–	(2,550)	–	–	–
Foreign currency translation differences of foreign operations and equity-accounted investees	6,468	(497)	5,971	(114,727)	(2,606)	(117,333)
Total	**6,769**	**991**	**7,760**	**(54,125)**	**(14,812)**	**(68,937)**

Reference is also made to note 5.39.

5.34 Current tax assets and liabilities

The net current tax liability of EUR 16,901 thousand (2017: EUR 11,310 thousand liability) represents the balance of current tax assets and liabilities in respect of current and prior periods less advance tax payments.

5.35 Property, plant and equipment

(EUR x 1,000)						2018
	Land and buildings	Plant and equipment	Vessels	Fixed assets under construction	Other	Total
Cost						
Balance at 1 January	171,855	1,172,823	794,348	16,109	200,042	2,355,177
Investments	6,183	34,520	19,077	9,121	3,810	72,711
Transfers from fixed assets under construction	105	1,996	8,817	(11,066)	148	–
Disposals	(269)	(157,809)	(56,016)	(319)	(12,957)	(227,370)
Effects of movement in foreign exchange rates	1,453	4,023	2,051	158	2,382	10,067
Transfers from assets classified as held for sale	4,925	–	–	–	–	4,925
Balance at 31 December	**184,252**	**1,055,553**	**768,277**	**14,003**	**193,425**	**2,215,510**
Depreciation and impairment losses						
Balance at 1 January	76,699	1,021,983	427,656	–	185,144	1,711,482
Depreciation	5,245	54,366	31,086	–	8,901	99,598
Impairment loss (note 5.30)	(1,952)	112	–	–	55	(1,785)
Disposals	(169)	(155,513)	(55,840)	–	(13,687)	(225,209)
Effects of movement in foreign exchange rates	878	4,043	3,143	–	844	8,908
Transfers from assets classified as held for sale	2,531	–	–	–	–	2,531
Balance at 31 December	**83,232**	**924,991**	**406,045**	**–**	**181,257**	**1,595,525**
Carrying amount						
At 1 January	95,156	150,840	366,692	16,109	14,898	643,695
At 31 December	101,020	130,562	362,232	14,003	12,168	619,985

In 2018, the investments in property, plant and equipment include a non-cash amount of EUR 2,508 thousand that relates to decommissioning of a vessel lease and certain property leases. This has been considered as a non-cash item for purpose of the consolidated statement of cash flows.

(EUR x 1,000)						2017
	Land and buildings	Plant and equipment	Vessels	Fixed assets under construction	Other	Total
Cost						
Balance at 1 January	211,982	1,258,294	954,004	40,857	221,191	2,686,328
Investments	1,318	43,090	41,240	15,995	6,331	107,974
Transfers from fixed assets under construction	–	8,606	30,690	(39,907)	611	–
Disposals	(18,359)	(67,170)	(135,576)	–	(6,603)	(227,708)
Effects of movement in foreign exchange rates	(12,410)	(69,997)	(96,010)	(836)	(21,488)	(200,741)
Transfers to assets classified as held for sale	(10,676)	–	–	–	–	(10,676)
Balance at 31 December	**171,855**	**1,172,823**	**794,348**	**16,109**	**200,042**	**2,355,177**
Depreciation and impairment losses						
Balance at 1 January	88,070	1,072,593	522,040	–	197,633	1,880,336
Depreciation	5,773	71,642	37,975	–	11,552	126,942
Impairment loss (note 5.30)	56	(6,665)	6,720	–	53	164
Disposals	(5,820)	(53,076)	(89,255)	–	(6,255)	(154,406)
Effects of movement in foreign exchange rates	(5,547)	(62,511)	(49,824)	–	(17,839)	(135,721)
Transfers to assets classified as held for sale	(5,833)	–	–	–	–	(5,833)
Balance at 31 December	**76,699**	**1,021,983**	**427,656**	**–**	**185,144**	**1,711,482**
Carrying amount						
At 1 January	123,912	185,701	431,964	40,857	23,558	805,992
At 31 December	95,156	150,840	366,692	16,109	14,898	643,695

5.35.1 Impairment loss and subsequent reversal

The Group has assessed whether any impairment indications exist for its property, plant and equipment. Reference is made to note 5.30 Impairments.

5.35.2 Leased fixed assets

In 2016, Fugro entered into a finance lease arrangement for a certain vessel (Hugin Explorer). The total carrying amount of this vessel is EUR 17.1 million as at 31 December 2018 (31 December 2017: EUR 18.8 million). Refer to note 5.47.4.

5.36 Intangible assets

(EUR x 1,000)					2018
	Goodwill	Finder	Software	Other	Total
Cost					
Balance at 1 January	793,396	39,514	26,079	83,920	942,909
Purchase of intangible assets	–	–	50	8,216	8,266
Other additions	–	1,854	–	–	1,854
Disposals	–	(2,801)	(47)	(149)	(2,997)
Effect of movements in foreign exchange rates	8,661	(1,779)	310	1,704	8,896
Balance at 31 December	**802,057**	**36,788**	**26,392**	**93,691**	**958,928**
Amortisation and impairment losses					
Balance at 1 January	469,849	17,053	22,668	61,014	570,584
Amortisation	–	–	1,308	3,824	5,132
Disposals	–	–	(43)	(149)	(192)
Effect of movements in foreign exchange rates	5,862	(759)	306	1,037	6,446
Balance at 31 December	**475,711**	**16,294**	**24,239**	**65,726**	**581,970**
Carrying amount					
At 1 January	323,547	22,461	3,411	22,906	372,325
At 31 December	326,346	20,494	2,153	27,965	376,958

(EUR x 1,000)					2017
	Goodwill	Finder	Software	Other	Total
Cost					
Balance at 1 January	853,037	38,671	27,977	86,902	1,006,587
Purchase of intangible assets	–	–	1,118	4,805	5,923
Other additions	–	3,249	–	–	3,249
Disposals	–	–	(895)	(86)	(981)
Effect of movements in foreign exchange rates	(59,641)	(2,406)	(2,121)	(7,701)	(71,869)
Balance at 31 December	**793,396**	**39,514**	**26,079**	**83,920**	**942,909**
Amortisation and impairment losses					
Balance at 1 January	509,116	18,124	23,612	62,238	613,090
Amortisation	–	–	1,808	4,252	6,060
Disposals	–	–	(895)	(86)	(981)
Effect of movements in foreign exchange rates	(39,267)	(1,071)	(1,857)	(5,390)	(47,585)
Balance at 31 December	**469,849**	**17,053**	**22,668**	**61,014**	**570,584**
Carrying amount					
At 1 January	343,921	20,547	4,365	24,664	393,497
At 31 December	323,547	22,461	3,411	22,906	372,325

5.36.1 Impairment testing for cash-generating units containing goodwill

For the purpose of goodwill impairment testing, Fugro allocates goodwill to the following cash-generating units: Marine, Land and Seabed Geosolutions. For the purpose of impairment testing, these three cash-generating units represent the lowest level within the Group at which goodwill is monitored for internal management purposes and are not larger than the Group's three operating segments.

The following CGUs have significant goodwill allocated as at 31 December 2018:

(EUR x 1,000)	Growth rate first year	Growth rate long-term	Pre-tax discount rate	Division	Goodwill
Marine	1.6%	2.0%	10.8%	Marine	175,645
Land	3.8%	2.0%	10.8%	Land	87,498
Seabed Geosolutions	195.6%	2.0%	11.2%	Geoscience	63,203
Total					**326,346**

The capitalised goodwill was allocated to the following CGUs as at 31 December 2017:

(EUR x 1,000)	Growth rate first year	Growth rate long-term	Pre-tax discount rate	Division	Goodwill
Marine	(4.5%)	2.0%	10.2%	Marine	175,562
Land	(4.4%)	2.0%	10.2%	Land	86,962
Seabed Geosolutions	146.5%	2.0%	11.0%	Geoscience	61,023
Total					**323,547**

The 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:

- The period for the discounted cash flow calculations is indefinite. About 57% of the Group's activities relate to the oil and gas industry. The services are in principle of such a nature that our clients use us to help them to explore and extract hydrocarbon and mineral resources in addition to provide services related to development, production and decommission of the infrastructure. Industry experts believe that these resources will continue to be available for many decades and their reports indicate periods between fifty and hundred years.
- Cash flows in the first year of the forecast are based on management's approved financial budget. For all CGUs, the 2019 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 Land and Marine CGUs projections factor in a further improvement of the market in 2019 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% (2017: 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 pre-tax discount rate used to discount the pre-tax cash flows for impairment testing purposes ranges for the CGUs from 10.8% to 11.2% (2017: 10.2%-11.0%).

The Seabed business mainly focusses on the development and production cycle of oil and gas fields. This business is more volatile and less predictable than the other Fugro businesses because of its lumpy nature and relatively large projects. In this respect, significant changes in the assumptions applied in the value in use calculation for Seabed Geosolutions, reflecting changed circumstances, could reasonably be possible and could result in significant fluctuations of the recoverable amount of the value in use calculation. Last year, Seabed assumed a growth rate in revenue of approximately 147% for 2018, which could not fully materialise as the business was faced with significant project delays of earlier secured projects. These delays were not all at the control of the Company, were considered as rather incidental and resulted in a shift of revenue from 2018 to 2019. The expected successful deployment of the new Manta nodes, the increased backlog due to additional projects and secured contracts to be executed in 2019 and beyond, the solid tendering activity and positive market trend in the ocean bottom seismic technology not only support the expected growth rate in first year, but also reflect a more standard and normalised asset utilisation level from 2019 onwards. The assumptions for the impairment test at year-end 2018, contain a significant increase of forecasted revenue and cash flow growth for 2020, and after, with a post-tax discount rate of 9.5% (pre-tax 11.2%). If and when these underlying assumptions would change in future, this might have significant impact on Seabed's recoverable amount (based on value in use). If the post-tax discount rate would be 11.5% or the long term expected EBIT margin % would be 2.5% lower, considering all other assumptions remain the same, the recoverable amount would equal the carrying amount.

The recoverable amounts for Marine and Land exceed the carrying amounts of the CGUs with significant headroom.

5.37 Investments in equity-accounted investees

The aggregate carrying amount of the equity-accounted investees of EUR 72,370 thousand as at 31 December 2018 (31 December 2017: EUR 69,701 thousand), consists of joint ventures for EUR 16,525 thousand (31 December 2017: EUR 14,861 thousand) and associates for EUR 55,845 thousand (31 December 2017: EUR 54,840 thousand).

The Group's share of profit from continuing operations from its joint ventures amounted to EUR 8,857 thousand in 2018 (2017: EUR 5,121 thousand profit). No amounts were reported as other comprehensive income from its joint ventures in 2018 (2017: EUR nil). In 2018, the Group received dividends of EUR 6,864 thousand (2017: EUR 8,843 thousand) from its joint ventures.
The Group's share of profit (or loss) from continuing operations and of other comprehensive income from associates in 2018 amounts to a loss of EUR 66 thousand (2017: EUR 409 thousand loss) and a gain of EUR 1,071 thousand (2017: EUR 649 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.

5.38 Other investments

The Group holds the following other investments:

(EUR x 1,000)	2018	2017
Equity securities	1,554	1,653
Long-term loans	4,500	8,070
Deposits	14,764	12,447
Advance lease payment	7,426	8,066
Other long-term receivables	674	910
Balance at 31 December	**28,918**	**31,146**

Equity securities pertain to non-controlling interests in several third party companies. The Group received no dividends from its equity securities in 2018 (2017: nil).

Long-term loans mainly comprise a loan due from Wavewalker B.V. for the carrying amount of EUR 4.5 million (31 December 2017: EUR 7.5 million). An amount of EUR 3 million was repaid in 2018. The loan bears annual interest of 5%. The loan has to be fully repaid, including interest, before 30 April 2027.

Deposits and advance lease payments pertain to vessel leases.

5.39 Deferred tax assets and liabilities

5.39.1 Recognised deferred tax assets and liabilities

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

(EUR x 1,000)	Assets		Liabilities		Net	
	2018	2017	2018	2017	2018	2017
Property, plant and equipment	12,498	10,197	(1,870)	(202)	10,628	9,995
Intangible assets	291	765	(506)	(105)	(215)	660
Subordinated unsecured convertible bonds	–	–	(7,388)	(10,593)	(7,388)	(10,593)
Employee benefits	5,088	7,822	–	–	5,088	7,822
Provisions for other liabilities and charges	2,189	2,879	(529)	(382)	1,660	2,497
Tax loss carry-forwards	32,325	26,263	–	–	32,325	26,263
Other items	1,655	4,251	(2,086)	(2,719)	(431)	1,532
Deferred tax assets/(liabilities)	54,046	52,177	(12,379)	(14,001)	41,667	38,176
Set off of tax components	(11,053)	(12,754)	11,053	12,754	–	–
Net deferred tax asset/(liability)	**42,993**	**39,423**	**(1,326)**	**(1,247)**	**41,667**	**38,176**

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 2018	Recognised in profit or loss	Recognised in other comprehen-sive 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 for other liabilities and charges	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**

Movement in temporary differences during the year (EUR x 1,000)	Balance 1 January 2017	Recognised in profit or loss	Recognised in other comprehen-sive income	Recognised directly in equity	Balance 31 December 2017
Property, plant and equipment	25,971	(15,976)	–	–	9,995
Intangible assets	1,679	(1,019)	–	–	660
Loans and borrowings	(997)	997	–	–	–
Subordinated unsecured convertible bonds	(8,503)	1,853	–	(3,943)	(10,593)
Employee benefits	15,415	(4,702)	(2,891)	–	7,822
Provisions for other liabilities and charges	3,613	(1,116)	–	–	2,497
Tax loss carry-forward	39,222	(12,959)	–	–	26,263
Exchange differences	–	5,273	(5,273)	–	–
Other items	2,552	(1,020)	–	–	1,532
Total	**78,952**	**(28,669)**	**(8,164)**	**(3,943)**	**38,176**

5.39.2 Unrecognised deferred tax assets and liabilities

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

Unrecognised deferred tax assets (EUR x 1,000)	2018	2017
Tax credits	2,258	1,079
Deductible temporary differences	21,952	41,113
Tax losses	194,166	189,355
Total	**218,376**	**231,547**

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)	2018	2017
As at 1 January	231,547	207,003
Movements during the period:		
Additional unrecognised losses and temporary differences	25,077	67,585
Recognition of previously unrecognised tax losses and temporary differences (profit or loss)	(9,596)	(7,297)
Recognition of previously unrecognised tax losses and temporary differences (equity)	687	(507)
Effect of change in tax rates	(922)	(32,115)
Exchange rate differences	(3,052)	(19,699)
Expiration of tax losses	(2,588)	–
Change from reassessment	(22,777)	16,577
As at 31 December	**218,376**	**231,547**

Of the total recognised and unrecognised deferred tax assets in respect of tax losses carried forward an amount of EUR 18,310 thousand expires in periods varying from one to five years. An amount of EUR 12,779 thousand expires between five and ten years, an amount of EUR 55,289 thousand expires between ten and twenty years and an amount of EUR 140,113 thousand can be offset indefinitely. Based on forecasted results per tax jurisdiction, management considered it probable that sufficient future taxable profit will be generated to utilise recognised deferred tax assets depending on taxable profits in excess of the profits arising from the reversal of existing temporary differences.

Unrecognised deferred tax liabilities
At 31 December 2018, no deferred tax liabilities relating to investments in subsidiaries have been recognised (2017: EUR nil), because Fugro controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future due to permanent reinvestments.
The aggregate amount of temporary differences for which these deferred tax liabilities have not been recognised is EUR nil (2017: EUR nil).

In some of the countries where the Group operates, local tax laws provide that gains on disposal of certain assets are tax exempt, provided that the gains are not distributed. The company does not intend to distribute such gains; therefore no tax liabilities are recognised in this respect.

5.40 Inventories

In 2018, EUR 26,084 thousand (2017: EUR 23,404 thousand) of other inventories was recognised as an expense.

5.41 Trade and other receivables

(EUR x 1,000)	2018	2017
Unbilled revenue on (completed) projects	189,583	146,590
Trade receivables	262,142	240,655
Other receivables	85,716	83,385
Vendor loan	–	6,300
Balance at 31 December	**537,441**	**476,930**

Unbilled revenue on (completed) projects represents the gross amount expected to be collected from customers for contract work performed to date. It is measured at costs incurred plus profits recognised to date less progress billings and recognised losses. 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 significant increase in unbilled revenue on (completed) projects is mainly due to an increase in project activities late 2018.

Other receivables includes contract assets for an amount of EUR 13.0 million that relate to capitalised mobilisation costs for certain pending projects at 31 December 2018.

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 2018, trade receivables include retentions of EUR 10.6 million (2017: EUR 17.3 million) relating to completed projects.

Trade receivables are shown net of impairment losses which amount to EUR 16.4 million (2017: EUR 17.9 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. The vendor loan has been repaid in 2018.

5.42 Cash and cash equivalents

(EUR x 1,000)	2018	2017
Cash and cash equivalents	227,147	213,574
Bank overdraft	(1,229)	(2,638)
Cash and cash equivalents in the consolidated statement of cash flows	**225,918**	**210,936**

The cash and cash equivalents disclosed above and in the consolidated statement of cash flows include EUR 26 million (31 December 2017: EUR 48 million) of Angolan kwanza’s in Angola where exchange controls apply. These cash balances are therefore not available for general use by the other entities within the group. Refer to note 5.51.

5.43 Assets classified as held for sale

The assets held for sale related to buildings which sale has been cancelled in 2018. These buildings have been transferred back to property, plant and equipment.

5.44 Total equity

5.44.1 Share capital

Ordinary shares

(In thousands of shares)	2018	2017
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)	(3,605)	(3,613)
On issue and fully paid at 31 December – entitled to dividend	**80,967**	**80,959**

On 31 December 2018, the authorised share capital amounts to EUR 16 million (2017: EUR 16 million) divided into 140 million ordinary shares (2017: 140 million), each of EUR 0.05 nominal value and 180 million (2017: 180 million) various types of preference shares, each of EUR 0.05 nominal value.

On 31 December 2018, the issued share capital amounted to EUR 4,228,626.25. As of this date, 60% of the ordinary shares (84,572,525 shares) were issued. No preference shares have been issued. In 2018, no certificates of shares were issued by the Foundation Trust Office (2017: 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 2018 (2017: EUR nil).

5.44.2 Share premium

The share premium can be considered as paid in capital.

5.44.3 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the company's net investment in a foreign subsidiary.

5.44.4 Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

5.44.5 Reserve for own shares

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 2018 (2017: nil). In 2018, 8,300 shares were used (2017: 15,000). As per 31 December 2018, Fugro holds 3,605,047 own certificates of shares (2017: 3,613,347) with respect to the option scheme, subordinated unsecured convertible bonds and performance awards. This was 4.3% of the issued capital (2017: 4.3%).

5.44.6 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 can be 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
Total equity component of subordinated unsecured convertible and 31 December 2017	37,546
Change in tax rate*	878
Total equity component of subordinated unsecured convertible as at 31 December 2018	**38,424**

* Due to reduction of the corporate income tax rate in Netherlands as of 2019.

Refer to note 5.47.2.

5.44.7 Unappropriated result

No dividend is proposed to be paid-out for 2018.

5.45 Basic and diluted earnings per share

The basic and diluted earnings per share for 2018 amount to EUR 0.63 negative (2017: EUR 2.04 negative).
The calculation of basic earnings per share at 31 December 2018, is based on the loss from operations attributable to owners of the company consisting of a loss of EUR 55,155 thousand (2017: EUR 165,344 thousand loss) that is adjusted for the loss of the non-controlling interest of EUR 4,091 thousand (2017: EUR 373 thousand loss), and the weighted average number of shares outstanding at 31 December 2018 of 80,967 thousand (2017: 80,959 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.

5.46 Non-controlling interest

5.46.1 Subsidiaries with non-controlling interest

The total non-controlling interest for the period is EUR 33,722 thousand (surplus), of which EUR 23,676 thousand (surplus) is for Seabed Geosolutions B.V. and EUR 10,428 thousand (surplus) is attributable to Fugro-Suhaimi Ltd. The non-controlling interest of other subsidiaries is insignificant.
In 2018, Fugro acquired the remaining shares of a subsidiary in Middle East/India that resulted in a full reduction of the non-controlling interest in that subsidiary. Total consideration amounted to EUR 2.6 million of which EUR 1.4 million was related to the non-controlling interest.
The remainder has been deducted from the retained earnings within equity. Fugro remain to have control over this subsidiary.

5.46.2 Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for the subsidiaries Seabed Geosolutions B.V. (Seabed) and Fugro-Suhaimi Ltd (Suhaimi) that have material non-controlling interests to the Group. The non-controlling interest in Seabed and Fugro-Suhaimi is 40% and 50% respectively, which also represent 40% respectively 50% of the companies' voting rights in the general meeting of shareholders.

Fugro controls the operations and management of Seabed and Suhaimi as it directs the relevant revenue generating activities of both companies. Fugro also determines the strategy, policies and day-to-day business of these activities; therefore both subsidiaries, with a significant non-controlling interest, are fully incorporated into these consolidated financial statements. The shareholders of these companies have certain customary rights on certain key decisions, such as decisions on the declaration and payment of dividend and any significant change to the scope of the business, which rights are considered as protective in nature and normally go beyond the normal scope of business. Such decisions must be taken by a majority of 75% of the votes cast in both entities, but do not affect Fugro's ability to control the activities of both companies.

Summarised balance sheet	Seabed		Suhaimi	
(EUR x 1,000)	As at 31 December		As at 31 December	
	2018	2017	2018	2017
Current				
Assets	55,078	33,797	31,771	23,820
Liabilities	(67,956)	(40,107)	(17,862)	(10,600)
Total current net assets	**(12,878)**	**(6,310)**	**13,909**	**13,220**
Non-current				
Assets	91,134	86,034	12,110	12,665
Liabilities	(19,065)	(4,561)	(5,164)	(5,166)
Total non-current net assets	**72,069**	**81,473**	**6,946**	**7,499**
Net assets	59,191	75,163	20,855	20,719
NCI percentage	40%	40%	50%	50%
Carrying amount of NCI	23,676	30,065	10,428	10,360

Summarised income statement	Seabed		Suhaimi	
(EUR x 1,000)	For period ended 31 December		For period ended 31 December	
	2018	2017	2018	2017
Revenue	97,569	73,582	31,819	30,354
Profit/(loss) before income tax	(14,856)	(15,060)	6,762	12,011
Income tax (expense)/income	(3,190)	(1,354)	–	–
Post-tax profit/(loss) from continuing operations	(18,046)	(16,414)	6,762	12,011
Other comprehensive income	(15)	(26)	–	–
Total comprehensive income/(loss)	(18,061)	(16,440)	6,762	12,011
Total comprehensive income/(loss) allocated to non-controlling interests	(7,224)	(6,576)	3,381	6,006
Dividends paid to non-controlling interests	–	–	3,784	7,234

Summarised cash flows	Seabed		Suhaimi	
(EUR x 1,000)	For period ended 31 December		For period ended 31 December	
	2018	2017	2018	2017
Net cash generated from operating activities	1,031	(11,740)	10,035	9,246
Net cash used in investing activities	(9,956)	(24,307)	(369)	(856)
Net cash used in financing activities	7,385	(5,807)	(7,567)	(14,467)
Net increase in cash and cash equivalents and bank overdrafts	(1,540)	(41,854)	2,099	(6,077)
Cash, cash equivalents and bank overdrafts at beginning of year	4,496	50,073	4,092	11,256
Exchange gains/(losses) on cash and cash equivalents	111	(3,723)	186	(1,087)
Cash and cash equivalents and bank overdrafts at end of year	3,067	4,496	6,377	4,092

The information above are the amounts before intercompany eliminations.

5.47 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to liquidity risk, currency risk and interest rate risk and, refer to note 5.53, 5.54 and 5.55.

(EUR x 1,000)	2018	2017
Bank loans	458,839	386,699
Subordinated unsecured convertible bonds in EUR 190,000	167,506	160,399
Subordinated unsecured convertible bonds in EUR 100,000	84,887	82,827
Loan from partner	13,619	–
Finance lease liabilities	6,019	10,973
Other loans and long-term borrowings	499	483
Subtotal	731,369	641,381
Less: current portion of loans and borrowings	5,566	6,488
Balance at 31 December	**725,803**	**634,893**

The bank loans contain certain covenants requirements. The Group is in compliance with these covenants as at 31 December 2018. Reference is made to note 5.47.6.

As at 31 December 2018, Fugro has drawn a total amount of EUR 459 million under the committed multicurrency revolving facilities (31 December 2017: EUR 387 million).

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

(EUR x 1,000)					2018		2017
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying value	Face value	Carrying value
Bank loans	EUR/USD	EURIBOR/ LIBOR +190 bps	2020	458,151	458,839	387,000	386,699
190 million EUR Subordinated unsecured convertible bonds	EUR	4.00%	2021	190,000	167,506	190,000	160,399
100 million EUR Subordinated unsecured convertible bonds	EUR	4.50%	2024	100,000	84,887	100,000	82,827
Loan from partner	USD	–	2020	13,619	13,619	–	–
Finance lease liabilities	USD	5.15–5.55%	2019–2022	6,251	6,019	11,553	10,973
Other long-term loans	Variable	3.8 – 8.6%	2018–2024	499	499	483	483
Balance at 31 December				**768,520**	**731,369**	**689,036**	**641,381**

5.47.1 Bank loans

The bank loan represents a 5-year multicurrency revolving credit facility of initially EUR 500 million. Rabobank and ING Bank N.V. provided EUR 127.5 million each, HSBC Bank Plc. provided EUR 75 million, Barclays Bank plc and ABN AMRO Bank N.V. provided EUR 50 million each, Credit Suisse provided EUR 40 million and BNP Paribas S.A./N.V. provided EUR 30 million. The interest is LIBOR, or in relation to any loan in EUR, EURIBOR plus a margin based on the consolidated net debt/adjusted EBITDA at each period of twelve months ending on the last day of the company's financial quarters. In 2017, the multicurrency revolving credit facility has been increased by EUR 75 million to EUR 575 million. Rabobank and ING Bank N.V. provided EUR 17.25 million each. ABN AMRO Bank N.V. provided EUR 30 million. Credit Suisse and BNP Paribas S.A./N.V. have provided EUR 6 million and EUR 4.5 million respectively. At 31 December 2018, a total amount of EUR 459 million of the multicurrency revolving credit facility was in use (31 December 2017: EUR 387 million), of which an equivalent of EUR 213 million (31 December 2017: EUR 147 million) was drawn in USD (USD 245 million).

The total amortised transaction costs amounts to to EUR 1.3 million (31 December 2017: EUR 1.4 million) of which EUR 0.4 million relate to the drawn part of the bank loans. These are included in the carrying amount of the bank loans for the drawn facility and recorded as other current assets for the undrawn portion and are amortised over the term.

No transaction costs were paid in 2018 (2017: EUR 0.6 million).

5.47.2 Subordinated unsecured convertible bonds

As at 31 December 2018, the carrying amount of the EUR 190 million subordinated unsecured convertible bonds issued in 2016 amount to EUR 167,506 thousand (31 December 2017: EUR 160,399 thousand) with an interest expense (at 9.2%) of EUR 14.7 million in 2018 (2017: EUR 14.1 million). EUR 7.6 million coupon of 4% has been paid in 2018 (2017: 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 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.

As at 31 December 2018, the carrying amount of the EUR 100 million subordinated unsecured convertible bonds issued in 2017 amount to EUR 84,887 thousand

(31 December 2017: EUR 82,827 thousand) with an interest expense (at 8.1%) of EUR 6.6 million in 2018 (2017: EUR 1.0 million). EUR 4.5 million coupon of 4.5% has been paid in 2018 (2017: nil). 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 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 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.

5.47.3 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%.

5.47.4 Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. On 1 July 2016, Fugro entered into a finance lease arrangement in connection with the purchase of a chartered vessel Hugin Explorer with a lease term of three years for the amount of EUR 23,850 thousand. At expiry of the charter period, Fugro will acquire and ownership will be transferred to Fugro by payment of the remaining purchase price.

Commitments in relation to finance leases and the present value of these liabilities, which are mainly related to the finance lease arrangement in connection with the purchase of a chartered vessel, are as follows:

(EUR x 1,000)	2018	2017
Gross finance lease liabilities – minimum lease payments		
No later than one year	5,466	6,342
Later than one year and no later than 5 years	701	5,211
	6,167	11,553
Future finance charges on finance lease liabilities	148	580
Present value of finance lease liabilities	**6,019**	**10,973**
Of which:		
Non-current *	670	4,631
Current	5,349	6,342

* Are due later than 1 year and no later than 3 years and relate to certain individual insignificant finance lease arrangements.

5.47.5 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	Finance Lease Liabilities	Other long-term loans	Total
Balance at 1 January 2018	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 exchange rates	8,436	–	–	313	236	(32)	8,953
Other changes*	921	7,107	2,060	–	–	–	10,088
Balance at 31 December 2018	**458,839**	**167,506**	**84,887**	**13,619**	**6,019**	**499**	**731,369**

* Other changes include interest payments, accrued interest and amortisation.

The cash flow from financing activities of EUR 70,947 thousand in 2018 represents the total net cash from financing activities in the consolidated statement of cash flows of EUR 64,613 thousand excluding dividends paid of EUR 3,784 thousand and transaction with non-controlling interest of EUR 2,550.

In 2017, the analysis of the changes in liabilities arising from financing activities is as follows:

(EUR x 1,000)	Bank Loans	Private placement loans	Subordinate unsecured convertible bonds EUR 190,000	Subordinate unsecured convertible bonds EUR 100,000	Finance Lease Liabilities	Mortgage and other loans and long-term borrowings	Total
Balance at 1 January 2017	243,537	179,199	153,900	–	18,336	537	595,509
Cash flow from financing activities	152,011	(183,212)	–	97,567	(5,499)	(39)	60,828
Equity Component of convertible bond	–	–	–	(15,773)	–	–	(15,773)
Effect of movement in foreign exchange rates	(9,449)	(9,029)	–	–	(1,864)	(15)	(20,357)
Other changes	600	13,042	6,499	1,033	–	–	21,174
Balance at 31 December 2017	**386,699**	**–**	**160,399**	**82,827**	**10,973**	**483**	**641,381**

5.47.6 Covenant requirements

The multicurrency revolving credit facility contains certain covenant requirements. In 2015, Fugro has reached agreement with its lenders on the refinancing of the multicurrency revolving credit facility. Upon the refinancing, the margin fixed charge coverage (fixed charge cover) has been adjusted as shown in the adjacent table:

Relevant period ended or ending	Net leverage Covenant	Fixed charge cover Original covenant	Fixed charge cover Adjusted covenant
December 2017	< 3.00x	> 2.50x	> 1.80x
March, June, September and December 2018	< 3.00x	> 2.50x	> 2.00x
March 2019 onwards	< 3.00x	> 2.50x	> 2.50x

The covenant requirements consist of the following:

- Net leverage (EBITDA coverage): Net financial indebtedness (loans and borrowings less net cash) plus outstanding guarantees in excess of EUR 250 million / Adjusted consolidated EBITDA.
- Margin fixed charge cover(age): Adjusted consolidated EBITDA plus operating lease expense / net interest expense plus operating lease expense.
- Solvency: Consolidated net worth / Balance sheet total > 1.0: 3.0.
- Consolidated financial indebtedness of the subsidiaries, 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 2018 (over the year 2017) is conditional on covenant compliance at original levels).

The covenant requirements are applicable at each period of twelve months ending on the last day of the company's financial quarters.

The adjusted consolidated EBITDA for purpose of the covenant calculations comprises the income (or loss) from operations before interest expense, depreciation, amortisation and taxes, but not including any exceptional items as listed below, and are further adjusted by:

- Including pre-acquisition income or (loss) from businesses acquired.
- Excluding the income or (loss) from businesses disposed of, for the period for which they formed part of the Group.

Exceptional items comprise:

- Onerous contract charges (note 5.27).
- Restructuring costs (note 5.31).
- Impairment of receivables (note 5.31).
- Certain adviser and other fees (to the extent not capitalised as transaction costs on loans and borrowings (note 5.31).
- Profit/ (loss) on disposal of property, plant and equipment (note 5.28 and 5.31).

For purpose of the calculation of the net interest expense, any amortised transaction costs directly attributable to covenant amendments (advisor and other fees), other amortised transaction costs of a non-recurring nature in relation to the loans and interest expenses related to the subordinated unsecured convertible bonds are not included.

For purpose of the calculation of the net financial indebtedness, the amounts of the subordinated unsecured convertible bonds are not included.

The operating lease expense comprises operational lease expense under third party costs as well as the property lease expense under other expenses. For covenant requirements (a) part of the operational lease expense is excluded for amounts that relate to maintenance, repairs, taxes, insurance, assessments or other similar charges, and additional rentals (in excess of fixed minimums) based on gross receipts. Amounts required to be paid pursuant to (i) any lease or agreement with a term of less than one year or (ii) any project-based lease or agreement with a term that begins at the start of a specific project and ends upon completion of such project are reported as costs of other rentals under third party costs, are not included for covenant requirements to an amount equal or less than EUR 175 million. Total operational lease expense relating to (a) amounts to EUR 5,942 thousand (2017: EUR 12,456 thousand) and is therefore excluded from operating lease expense. The property lease expense for the amount of EUR 19,888 thousand (2017: EUR 20,213 thousand) is therefore included in the operating lease expense as from 2016. Total operating lease expense for covenant requirements therefore amounts to EUR 45,101 thousand in 2018 (2017: EUR 68,929 thousand).

The covenant requirements are based on “frozen GAAP” which means that covenant requirements will not change upon transition towards IFRS 16 as per 1 January 2019. The covenant requirements will be calculated in 2019 based on the accounting principles prior to the transition.

As from 31 December 2016 and onwards, an aggregate maximum amount of EUR 35 million is applied in respect of exceptional items excluded from adjusted consolidated EBITDA, excluding any gains from exceptional items unless such gains represent an adjustment or reversal relating to a loss previously counted as an exceptional item. Some of the covenant requirements such as the margin fixed charge cover(age), solvency and net leverage (EBITDA coverage) are incorporated in certain sale and lease back arrangements.

As can be concluded from the table below, Fugro complies with all (adjusted) covenant requirements and also complied with all covenant requirements for the multicurrency revolving credit facility. In case Fugro would not comply with the (adjusted) covenant requirements, the multicurrency revolving credit facility will become immediately due.

(EUR x 1,000)		2018
	Adjusted consolidated EBITDA	112,912
(5.27)	Operating lease expense	45,101
(5.32)	Net interest expense	10,546
	Margin fixed charge coverage > 2.0	2.84
	Net consolidated financial indebtedness (loans and borrowings less net cash)	253,157
	Bank guarantees exceeding cap of EUR 250 million	–
	Total	**253,157**
	EBITDA coverage < 3.0	2.24
	Consolidated net worth	668,763
	Balance sheet total	1,944,422
	Solvency > 33.33%	34.4%
	Financial indebtedness < EUR 55 million	21,465
	Dividend < 60% of the profit	–

The table below summarises the covenant requirements of 2017:

(EUR x 1,000)		2017
	Adjusted consolidated EBITDA	100,120
(5.27)	Operating lease expense	68,929
(5.32)	Net interest expense	9,659
	Margin fixed charge coverage > 1.8	2.15
	Net consolidated financial indebtedness (loans and borrowings less net cash)	187,165
	Bank guarantees exceeding cap of EUR 250 million	–
	Total	**187,165**
	EBITDA coverage < 3.0	1.87
	Consolidated net worth	712,054
	Balance sheet total	1,898,304
	Solvency > 33.33%	37.5%
	Financial indebtedness < EUR 55 million	14,042
	Dividend < 60% of the profit	–

In October 2016, following the placement of the EUR 190 million subordinated unsecured convertible bonds, two additional covenant requirements were agreed with the owner of two geotechnical vessels and subsequently amended following the placement of the EUR 100 million subordinated unsecured convertible bonds in December 2017. In the first quarter of 2018, the total net debt covenant requirement was amended and total net debt excluding the liability component of the EUR 100 million subordinated unsecured convertible bonds 2017 should not exceed EUR 430 million (previously: EUR 400 million). In June 2018, the covenant requirements were further amended and 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.
- For the 12 months ended the consolidated EBITDA should at least be:
  - EUR 100 million as per 31 December 2018
  - EUR 105 million as per 31 March 2019
  - EUR 115 million as per 30 June 2019
  - EUR 120 million as per 30 September 2019
  - EUR 125 million as per 31 December 2019

Fugro complies with these requirements as at 31 December 2018.

In February 2019, an amendment on the solvency covenant requirement was agreed upon for the multicurrency revolving credit facility and certain lease arrangements with the owner of two geotechnical vessels, adjusting the requirement to >27.5% (instead of >33.33%) until maturity of the facility and for the remaining lease term. This amended covenant requirement is effective as of February 2019, and is applicable for each relevant period ending (company's financial quarters).

5.47.7 Other long-term loans

The interest rate on mortgage loans and other long-term borrowings over one year amounts to 3.8% – 8.6% (2017: 3.5% – 8.6%).

5.47.8 Change of control provisions

A change of control of Fugro could result in early repayment of the bank loans (note 5.47.1) and the unsecured subordinated convertible bond (note 5.47.2). An amount of EUR 459 million was drawn from the bank facilities as at 31 December 2018 (31 December 2017: EUR 387 million). The sale and lease back arrangement for two vessels contains certain change of control clauses.

5.48 Employee benefits

(EUR x 1,000)	2018	2017
Present value of funded obligations	416,373	438,188
Fair value of plan assets	(379,559)	(381,274)
Recognised net liability for defined benefit obligations	36,814	56,914
Liability for long-service leave	13,244	11,953
Total employee benefit liabilities	**50,058**	**68,867**

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 will remain at the insurer and indexation will be provided to these accrued pension entitlements for active participants. The termination of this pension plan resulted in a gain of EUR 9.6 million in profit or loss of 2018. This gain forms part of past service costs presented.
- In the United Kingdom (UK) the Group operates two defined benefit pension schemes. For Fugro Holdings, the company operates a final salary defined benefit pension scheme. The scheme is an HMRC registered pension schemes and is subject to standard UK pensions and tax law. The Robertson Research International Group Pension Scheme is a funded, defined benefit pension plan. The pension schemes have been closed in previous years for new participants, but include the on-going obligations to their members (both former and present employees). The pension schemes assets are held in separate Trustee-administered funds. The schemes includes indexation in line with RPI.
- In the United States of America the Group operates a 401K plan for its employees. The Group contributes towards the deposits of its employees in accordance with agreed rules and taking into account the regulations of the IRS, the US tax authority. This plan qualifies as a defined contribution plan.

Plan assets consist of the following:

(EUR x 1,000)	2018	2017
Equity securities	72,461	81,346
Government bonds	8,339	8,270
Corporate bonds	40,050	41,953
Investment funds	23,391	19,825
Insurance policies	203,693	195,793
Real estate	22,534	21,291
Cash	9,091	12,796
Total	**379,559**	**381,274**

Movements in the present value of the funded obligations

(EUR x 1,000)	2018	2017
Present value of the funded obligation at 1 January	438,188	441,449
Current service costs (see below)	7,700	7,411
Interest expenses	9,527	9,944
	17,227	17,355
Remeasurements:		
(Gain)/loss from change in demographic assumptions	(6,614)	–
(Gain)/loss from change in financial assumptions	(13,875)	(5,694)
Experience (gains)/losses	(1,138)	1,729
	(21,627)	(3,965)
Exchange differences	(1,709)	(8,049)
Paid by plan participants	1,974	1,819
Benefits paid by the plan	(9,719)	(10,414)
Plan amendments and curtailments	(7,961)	(7)
Present value of the funded obligation at 31 December	**416,373**	**438,188**

The plan amendments and curtailments for 2018 mainly relate to the termination of the pension plan in the Netherland and also represent certain additional allowances to equalise scheme benefits for unequal guaranteed minimum pensions in UK. The gain from change in demographic assumptions relate to the change in mortality tables in UK and Netherlands in 2018.

Movement in the fair value of plan assets

(EUR x 1,000)	2018	2017
Fair value of plan assets at 1 January	381,274	359,565
Interest income	8,363	8,045
Remeasurement:		
Return on plan assets, excluding amounts included in interest income	(15,027)	15,951
Exchange differences	(1,449)	(5,912)
Paid by the employer	14,974	13,239
Contributions paid by plan participants	1,974	1,819
Benefits paid by the plan	(9,719)	(10,414)
Administrative expenses	(831)	(879)
Settlements	–	(140)
Fair value of plan assets at 31 December	**379,559**	**381,274**

Expenses recognised in profit or loss

(EUR x 1,000)	2018	2017
Current service costs	7,700	7,411
Past service costs	(7,961)	(147)
Administrative expenses	831	879
Interest on obligation	9,527	9,944
	10,097	**18,087**
Interest income	(8,363)	(8,045)
Total	**1,734**	**10,042**

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

(EUR x 1,000)	2018	2017
Personnel expenses	1,734	10,042

Actual return on plan assets

(EUR x 1,000)	2018	2017
Actual return on plan assets	(6,664)	23,996

Remeasurements recognised directly in other comprehensive income

(EUR x 1,000)	2018	2017
Cumulative amount at 1 January	(45,825)	(67,865)
Recognised during the year	6,600	19,916
Effect of movement in exchange rates	409	2,124
Cumulative amount at 31 December	**(38,816)**	**(45,825)**

Refer to note 5.33 with respect to the income tax impact on the actuarial gains / (losses) of EUR 6,600 thousand gain (2017: EUR 19,916 thousand gain).

Actuarial assumptions

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

	2018		2017	
	UK	Netherlands	UK	Netherlands
Discount rate at 31 December	2.9%	1.9%	2.5%	1.9%
Future salary increases	0.0%	1.5%	0.0%	1.4%
Future pension increases	1.5%	0.0%	2.6%	0.0%

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

Netherlands: AG2018 Generation table for men and women with an age correction according to ES-P2.
United Kingdom: 92% of S2NxA with improvements in line with CMI 2017 and a long-term rate of improvements of 1.5% per annum and SAPS2 CMI 2017 1.25% long term + 1 year adjustment.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 10.2%	Increase by 11.2%
Salary growth rate	0.50%	Increase by 0.5%	Decrease by 0.5%
Pension growth rate	0.50%	Increase by 2.4%	Decrease by 2.3%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		Increase by 3.3%	Decrease by 3.1%

The sensitivity analyses are based on a change in one assumption while holding all other assumptions constant, so that interdependencies between the assumptions are excluded.

Historical information					
(EUR x 1,000)	2018	2017	2016	2015	2014
Present value of the defined obligation	416,373	438,188	441,449	431,190	454,345
Fair value of plan assets	379,559	381,274	359,565	354,001	352,063
Deficit in the plan	(36,814)	(56,914)	(81,884)	(77,189)	(102,282)
Experience adjustments arising on plan liabilities	(1,138)	1,729	(4,222)	(545)	2,552
Experience adjustments arising on plan assets	(15,027)	15,951	17,370	(9,993)	52,814

Plan assets are comprised as follows:

(EUR x 1,000)				2018				2017
	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total	%
Equity instruments	72,461		72,461	19%	81,346		81,346	21%
Debt instruments	71,780		71,780	19%	70,048		70,048	18%
Government	8,339		8,339	2%	8,270		8,270	2%
Corporate bonds (Investment grade)	40,050		40,050	11%	41,953		41,953	11%
Corporate bonds (Non-investment grade)	23,391		23,391	6%	19,825		19,825	5%
Insurance policies		203,693	203,693	54%		195,793	195,793	52%
Property	22,534		22,534	6%	21,291		21,291	6%
UK	22,534		22,534	6%	21,291		21,291	6%
Cash and cash equivalents	9,091		9,091	2%	12,796		12,796	3%
Total	**175,866**	**203,693**	**379,559**	**100%**	**185,481**	**195,793**	**381,274**	**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, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation).
The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy
The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant in the UK plan, where inflationary increases result in higher sensitivity to changes in life expectancy. This risk is limited in the Netherlands where the insurer guarantees the payment of the accrued benefits.

In addition, the Group is exposed to a number of local risks. This is considered to be limited for the Netherlands as in the Netherlands the company has taken out an insurance contract to cover the pension plan. The insurance company guarantees all accrued entitlements. The insurance contract includes a separate account in which 80% of the investments are used to match the liability on a funding basis and 20% of the investments are used to invest in equity. The insurance company ultimately decides on investment policies and governance, as they run the downside risk. Returns over the unwinding interest are used to increase pensions. Fugro pays additional amounts to fund the indexation for active participants, but otherwise is only responsible for the annual cost of pension accrual.
The pension increases for deferred and pensioners are depending on the means available in the investment depot and therefore changes in the value of the investment depot will affect future pension increases as well.

In the UK, the Trustees set the Scheme's investment strategy, in consultation with the employer. The Robertson and UK Holdings plan include return seeking assets and bonds. The Robertson plan also includes matching assets to cover the pensioner liabilities. The employer is ultimately responsible for funding the accrued pensions and the pension increases.

The expected 2019 contributions amount to EUR 10.0 million (2018: EUR 16.2 million).

The weighted average duration of the defined benefit obligation is 20 years (2017: 21 years).

As at 31 December 2018	Netherlands	United Kingdom	Total weighted
Duration of plan	22	17	20

5.49 Provisions for other liabilities and charges

(EUR x 1,000)					2018				2017
	Onerous contracts	Procedures	Restructuring	Asset retirement obligations	Total	Onerous contracts	Procedures	Restructuring	Total
Balance at 1 January	3,398	17,087	4,588	–	25,073	13,017	21,173	7,465	41,655
Provisions made during the year	416	760	7,305	2,508	10,989	19,915	3,112	12,980	36,007
Provisions used during the year	(3,127)	(1,156)	(9,044)	–	(13,327)	(14,013)	(272)	(14,721)	(29,006)
Provisions reversed during the year	(18)	(92)	(1,224)	–	(1,334)	(2,257)	(5,853)	(784)	(8,894)
Unwinding of discount	–	–	–	47	47	–	–	–	–
Effect of movements in foreign exchange rates	(179)	(162)	25	(6)	(322)	(1,049)	(380)	(352)	(1,781)
Transfer to trade and other payables	–	(59)	–	–	(59)	(12,215)	(693)	–	(12,908)
Balance at 31 December	**490**	**16,378**	**1,650**	**2,549**	**21,067**	**3,398**	**17,087**	**4,588**	**25,073**
Non-current	–	16,050	–	1,736	17,786	342	16,726	–	17,068
Current	490	328	1,650	813	3,281	3,056	361	4,588	8,005

In 2018, the restructuring costs amounted to EUR 6.1 million (2017: EUR 12.2 million), including a reversal of EUR 1.2 million, and EUR 9.0 million has been used (2017: EUR 14.7 million). In 2018, asset retirement obligations were recognised in connection with a vessel lease and certain property leases. Fugro has accounted for certain tax indemnities and warranties under procedures in respect of the sale of the majority of the Geoscience business to CGG for liabilities arising from tax exposures. The total provision amounts to EUR 12.1 million as at 31 December 2018 (31 December 2017: EUR 12.1 million).

5.50 Trade and other payables

(EUR x 1,000)	2018	2017
Trade payables	119,825	98,797
Advance instalments to work in progress	49,487	42,300
Other payables	206,823	201,497
Balance at 31 December	**376,135**	**342,594**

Other payables include elements such as accrued expenses of invoices to be received, employee related accruals and considerations payable regarding acquisitions. 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 40,093 thousand has been recognised as revenue that was included in closing balance as at 31 December 2017.

5.51 Financial risk management

5.51.1 Overview

The company's risk management policy includes the long-term sustainable management of its business activities and where possible, the mitigation of the associated business risks. Based on the nature and relative significance of the risks related to the Group's wide diversity of markets, clients and regions and its broad portfolio of activities the risks have been quantified to the extent possible.

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

5.51.2 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. The information about the ECLs on the Group's trade receivables and unbilled revenue on (completed) contracts is disclosed in note 5.52 (credit risk).

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.

5.51.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The global cash pool was introduced in 2015, which made it possible for the company to use the cash surplus within the group to reduce the overdrafts at its main uncommitted facilities.

As at 31 December 2018, Fugro holds cash balances in Angolan Kwanza's for the amount of EUR 26 million (31 December 2017: EUR 48 million) in Angola where exchange controls apply. The company expects that these exchange controls will become less when the oil and gas market conditions are expected to improve and when Angola will have increased inflow of USD in relation to their oil business. In addition, several actions have been explored to further lower this amount in the coming year and thereafter.

The Group monitors cash flow on a regular basis and operates with a global cash pool. Consolidated cash flow information, including a projection for the year, is reported on a monthly basis to the Board of Management, ensuring that the Group has sufficient cash on demand (or available lines of credit) to meet expected near term operational expenditures, including the servicing of financial obligations from lease commitments not included in the statement of financial position. Cash flows exclude the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Group maintains the following lines of credit:

- A total amount of multicurrency revolving credit facility agreements with seven banks totalling EUR 575 million. Rabobank and ING Bank N.V. provided EUR 144.75 million each, HSBC Bank Plc. provided EUR 75 million, Barclays Bank Plc. provided EUR 50 million and ABN AMRO Bank N.V. provided EUR 80 million, Credit Suisse provided EUR 46 million and BNP Paribas S.A./N.V. provided EUR 34.5 million. At 31 December 2018, an amount of EUR 459 million has been drawn (2017: EUR 387 million). These bank facilities have been secured until December 2020.
- A variety of unsecured overdraft facilities in various currencies totalling around EUR 149 million of which EUR 1.2 million has been drawn at 31 December 2018 (31 December 2017: around EUR 155 million with EUR 3 million drawn).

5.51.4 Market risk

Market risk includes changes in market prices, such as foreign exchange rates, interest rates and equity prices which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. About 57% of the Group's activities relate to the oil and gas industry. The general downturn in the oil and gas market has resulted in pressure on work volume and pricing for oil services companies.

Currency risk

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

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

To mitigate the impact of currency exchange rate fluctuations, the Group continually assesses the exposure to currency risks and if deemed necessary a portion of those risks is hedged by using derivative financial instruments.
The principal derivative financial instruments used to cover foreign currency exposure are forward foreign currency exchange contracts. An amount of EUR 26 million (31 December 2017: EUR 48 million) is in Angolan Kwanza's which is subject to currency risk at year-end 2018.

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.

5.51.5 Capital management

The Board of Management's policy is to maintain a strong capital base in order to retain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, retained earnings and non-controlling interests of the Group. The Board of Management monitors the geographic spread of shareholders, the return on capital as well as the level of dividends to ordinary shareholders. The Board strives for a dividend pay-out ratio of 35 to 55% of the net result.
No dividend is proposed to be paid-out for 2018.

The targeted solvency is set > 33.33%. The solvency at the end of 2018 was 34.4% (2017: 37.5%). The Group's objective is to achieve a healthy return on shareholders' equity. However, as in previous year(s) the return is significantly affected by the current market conditions and impairments identified in the current and mainly in prior years. As a result the return is 7.4% (negative) in 2018 (2017: 19.4% 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.

The Group is subject to the externally imposed capital requirements related to covenant requirements as set out in note 5.47.6. As per 31 December 2018 and 31 December 2017 the Group complied with all imposed external capital requirements.

5.52 Credit risk

Credit risk exposure	Carrying amount	
(EUR x 1,000)	2018	2017
Equity securities	1,554	1,653
Long-term loans	4,500	8,070
Deposits	14,764	12,447
Other long-term receivables	674	910
Unbilled revenue on (completed) projects	189,583	146,590
Trade receivables	262,142	240,655
Other receivables	85,716	83,385
Vendor loan	–	6,300
Cash and cash equivalents	227,147	213,574
Balance at 31 December	**786,080**	**713,584**

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:

(EUR x 1,000)	Carrying amount	
	2018	2017
Netherlands	31,449	32,328
Europe other	93,872	102,717
Africa	17,139	19,526
Middle East	98,359	79,931
Asia	38,544	37,102
Australia	46,455	26,920
Americas	125,907	88,721
Balance at 31 December	**451,725**	**387,245**

Impairment losses

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

- As of 31 December 2018, trade receivables and unbilled revenue on (completed) projects of EUR 451,725 thousand (31 December 2017: EUR 387,245 thousand) were fully performing.
- As of 31 December 2018, trade receivables of EUR 112,481 thousand (31 December 2017: EUR 116,204 thousand), included in EUR 451,725 thousand (31 December 2017: EUR 387,245 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 2018, trade receivables and unbilled revenue on (completed) projects of EUR 16,384 thousand (31 December 2017: EUR 17,892 thousand) were impaired and provided for.

The individually impaired receivables mainly relate to customers, which are in difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of trade receivables and unbilled revenue on (completed) projects is as follows:

(EUR x 1,000)	2018		
	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
Total	**468,109**	**16,384**	

(EUR x 1,000)	2017		
	Estimated total gross carrying amount at default	Expected credit loss	Expected credit loss rate %
From 0 to 30 days	272,029	988	0.36
From 31 to 60 days	41,100	44	0.11
From 61 to 90 days	18,661	294	1.58
Over 90 days	56,059	13,834	24.68
Retentions and special items	17,288	2,732	15.80
Total	**405,137**	**17,892**	

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)	2018	2017
Balance at 1 January	17,892	39,482
Impairment loss recognised	7,204	7,133
Impairment loss reversed	(2,817)	(5,236)
Write-off	(6,110)	(21,860)
Effect of movements in exchange rates	215	(1,627)
Balance at 31 December	**16,384**	**17,892**

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. There are no trade receivables which were written off during 2018 still subject to enforcement activity similar to last year.

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. Refer to note 5.51.2.

5.53 Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments:

(EUR x 1,000) 2018	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	–	–	–	–
Total	**1,108,733**	**1,226,897**	**394,358**	**15,432**	**500,989**	**211,582**	**104,536**

(EUR x 1,000) 2017	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Bank loans	386,699	418,088	5,251	5,251	10,503	397,083	–
Subordinated unsecured convertible bonds in EUR 190,000	160,399	220,421	3,790	3,810	7,600	205,221	–
Subordinated unsecured convertible bonds in EUR 100,000	82,827	131,500	2,250	2,250	4,500	18,000	104,500
Finance lease liabilities	10,973	11,553	3,153	3,189	4,994	217	–
Other loans and long-term borrowings	483	539	183	44	72	150	90
Trade and other payables	342,594	342,594	342,594	–	–	–	–
Bank overdraft	2,638	2,638	2,638	–	–	–	–
Total	**986,613**	**1,127,333**	**359,859**	**14,544**	**27,669**	**620,671**	**104,590**

The interest included in the above table is based on the current amounts borrowed with current interest rates against the current exchange rate (if applicable).
No assumptions are included for possible future changes in borrowings or interest payments. It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

5.54 Currency risk

Refer to 5.5.1 for the significant main currency exchange rates applied in the year.

Sensitivity analysis

A 10 percent strengthening of the Euro against the above currencies at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis as for 2017. Refer to note 5.51.4 currency risk.

Effect in EUR x 1,000	Equity	Profit or (loss) after tax
31 December 2018		
USD	(50,881)	4,951
GBP	(19,662)	(921)
AUD	(3,623)	1,896
NOK	(4,584)	(1,102)
31 December 2017		
USD	(18,557)	9,621
GBP	(16,710)	772
AUD	(7,000)	1,636
NOK	(4,994)	(1,075)

A 10 percent weakening of the euro against the above currencies at 31 December would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant. The effect for 2018 in the table above on profit or loss is mainly positive as the losses reduce if the euro would increase against the other currencies.

5.55 Interest rate risk

Profile

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

(EUR x 1,000)	Carrying amount 2018	Carrying amount 2017
Fixed rate instruments		
Financial assets	4,500	14,370
Financial liabilities	(272,530)	(254,682)
Variable rate instruments		
Financial assets	227,147	213,574
Financial liabilities	(460,068)	(389,337)
Total	**(500,951)**	**(416,075)**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis as in 2017. At 31 December 2018, it is estimated that a general increase (decrease) of 100 basis points in interest rates would decrease (increase) the Group's profit before income tax by approximately:

(EUR x 1,000)	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2018				
Variable rate instruments	(2,329)	2,329	–	–
Cash flow sensitivity (net)	(2,329)	2,329	–	–
31 December 2017				
Variable rate instruments	(1,758)	1,758	–	–
Cash flow sensitivity (net)	(1,758)	1,758	–	–

5.56 Fair values

5.56.1 Financial assets and liabilities

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

(EUR x 1,000)	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Trade receivables and other receivables*	537,441	537,441	476,930	476,930
Cash and cash equivalents	227,147	227,147	213,574	213,574
Deposits	14,764	14,764	12,447	12,447
Long-term loans	4,500	4,500	8,070	8,070
Other long-term receivables	674	674	910	910
Equity securities	1,554	1,554	1,653	1,653
Vendor loan	–	–	6,300	6,300
Financial liabilities measured at amortised cost				
Bank loans	(458,839)	(458,839)	(386,699)	(386,699)
Other long-term loans	(499)	(499)	(483)	(483)
Subordinated unsecured convertible bonds EUR 190,000	(167,506)	(174,193)	(160,399)	(168,929)
Subordinated unsecured convertible bonds EUR 100,000	(84,887)	(86,688)	(82,827)	(84,835)
Loan from partner	(13,619)	(13,619)	–	–
Finance lease liabilities	(6,019)	(6,019)	(10,973)	(10,973)
Bank overdraft	(1,229)	(1,229)	(2,638)	(2,638)
Trade and other payables	(376,135)	(376,135)	(342,594)	(342,594)
Total	**(322,653)**	**(331,141)**	**(266,729)**	**(277,267)**
Unrecognised gains/(losses)		**(8,488)**		**(10,538)**

* 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)	2018	2017
Loans and borrowings	1.9% – 8.6%	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 1,554 thousand as at 31 December 2018 (31 December 2017: EUR 1,653 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.

5.56.2 Fugro's valuation processes
The group's finance department performs the valuations of financial assets required for financial reporting purposes, including Level 3 fair values. The valuations are directly reported to the Chief Financial Officer.

Changes in Level 2 and Level 3 values are analysed at each reporting date.

5.57 Commitments not included in the statement of financial position

5.57.1 Operating leases as lessee
Non-cancellable operating lease rentals are payable as follows:

(EUR x 1,000)	2018	2017
Less than one year	71,630	69,504
Between one and five years	144,617	162,845
More than five years	99,086	88,802
Total	**315,333**	**321,151**

The Group leases a number of offices and warehouse/ laboratory facilities and vessels under operating leases. The leases typically run for an initial period of between three and ten years, with in most cases an option to renew the lease after that date. Lease payments are adjusted annually to reflect market rentals. None of the leases include significant contingent rentals. During the year an amount of EUR 140 million was recognised as an expense in profit or loss in respect of operating leases and other rentals (2017: EUR 127 million).

5.57.2 Bank guarantees
Per 31 December 2018, Fugro's bank has issued bank guarantees to clients for an amount of EUR 116 million (2017: EUR 85 million).

5.57.3 Capital commitments
At 31 December 2018, the Group has no material contractual obligations to purchase property, plant and equipment (2017: nil).

5.57.4 Contingencies
Some Group companies are, as a result of their normal business activities, involved either as plaintiffs or defendants in claims. Based on information presently available and management's best estimate, it is not probable that the financial position of the Group will be significantly influenced by any of these matters. Should the actual outcome differ from the assumptions and estimates, the financial position of the Group would be impacted. Fugro N.V. and its Dutch operating companies form a fiscal unity for corporate tax. Each of the operating companies is severally liable for corporate tax to be paid by the fiscal unity.

5.57.5 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.

5.58 Subsequent events

No significant subsequent events to be noted.

5.59 Related parties

5.59.1 Identity of related parties

The Group has a related party relationship with its subsidiaries, equity-accounted investees, members of the Board of Management and Supervisory Board.

5.59.2 Transactions with the Board of Management

Members of the Board of Management of Fugro hold 0.06% (2017: 0.3%) of the outstanding voting shares and certificates of shares in Fugro. Members of the Board of Management also participate in Fugro's share option scheme (refer note 5.29). In September 2018, Mr. Ø. Løseth resigned as the chairman of the Board of Management. Mr. M. Heine has succeeded Mr. Ø. Løseth as a chairman of the Board of Management and CEO as per 1 October 2018. The remuneration of the Board of Management for 2018 and 2017 is as follows:

(in EUR)	M.R.F. Heine		P.A.H. Verhagen		B.M.R. Bouffard	
	2018	2017	2018	2017	2018	2017
Fixed base salary	502,500	450,000	483,336	450,000	450,000	450,000
Compensation pension contribution	61,042	59,618	76,841	75,936	66,567	65,608
Short-term incentive	151,000	75,000	145,000	75,000	121,000	75,000
Pension costs (including disability insurance)	45,469	43,505	59,890	59,032	41,041	43,385
Severance	–	–	–	–	–	–
	760,011	628,123	765,067	659,968	678,608	633,993
Long-term incentive plan (see note 5.29.1)	133,580	–	161,498	–	133,580	–
Total	**893,591**	**628,123**	**926,565**	**659,968**	**812,188**	**633,993**

(in EUR)	P. van Riel**		Ø. Løseth		S.J. Thomson		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Fixed base salary	300,000	600,000	590,000	–	–	160,086*	2,325,836	2,110,086
Compensation pension contribution	49,189	96,847	–	–	–	53,216	253,639	351,225
Short-term incentive	90,000	99,600	330,000	–	–	–	837,000	324,600
Pension costs (including disability insurance)	26,084	43,129	137,608	–	–	50,481	310,092	239,532
Severance	–	–	–	–	–	450,000	–	450,000
	465,273	839,576	1,057,608	–	–	713,783	3,726,567	3,475,443
Long-term incentive plan (see note 5.29.1)	131,856	–	–	–	–	–	560,514	–
Total	**597,129**	**839,576**	**1,057,608**	**–**	**–**	**713,783**	**4,287,081**	**3,475,443**

* Fixed base salary comprised a fixed salary until July 2017 compensated by allowances of the insurer due to sickness leave of this former board member and a payment of EUR 77,586 for outstanding vacation days.

** After P. van Riel stepped down from the Board of Management, he rendered some services in 2018 for Fugro for which he gets compensated for the amount of EUR 70,000.

There are no guarantees or obligations towards or on behalf of the Board of Management.

The current remuneration policy was adopted by the AGM in 2014 and took effect retroactively as of 1 January 2014. The policy was amended twice after the adoption in 2014, the most recent amendment was adopted by the AGM in 2017. Within the framework of the policy, the remuneration for the Board of Management is determined by the Supervisory Board on the advice of the remuneration committee. The remuneration policy will be reviewed once every three years to verify its market conformity, potentially leading to adjustments. This remuneration policy is available on Fugro's website: www.fugro.com.

Annual bonus
Each member of the Board of Management is eligible for an annual bonus. The bonus may vary from 0% to 100% of fixed base salary, with 66.7% being applicable when targets are achieved.

Targets are set yearly by the Supervisory Board, based on the budget and taking into account the strategy aspirations. Financial targets determine 75% of the bonus, non-financial or personal targets determine the remaining 25%. For each of the financial targets, a performance zone is set, with no bonus below the threshold level and the maximum bonus when performance exceeds the upper end of the performance zone. There will be no overshoot possibility for personal targets. The maximum multiplier for financial targets is therefore 1.67. The Supervisory Board ensures that the targets are challenging, realistic and consistent with Fugro's strategy.

The measures used and their relative weight are as follows:

Financial targets:	Adjusted EBIT margin	35%
	Working capital	20%
	Adjusted cash flow	20%
Non-financial (personal) targets		25%

The non-financial targets give the possibility to include health and safety, corporate social responsibility, personal development goals, etc. as targets into the bonus programme.

The remuneration committee evaluated the performance of the Board of Management in 2018 in relation to the targets that had been set for the year. The financial metrics applied for the STI in 2018 were: adjusted EBIT margin (weight 35%), working capital percentage (weight 20%) and adjusted cash flow after investments (weight 20%). The actual 2018 performance in relation to the performance zones that had been set for each of the financial targets resulted in a bonus of 34.7% of the 2018 fixed base salary. The personal targets (weight 25%) consisted of several targets for the Board of Management as a team (e.g. updating strategy), in addition to some specific targets for each individual board member. The evaluation of performance on these personal targets resulted in a bonus of 8.3% to 13.4% of 2018 fixed base salary. The total of financial and personal targets would result in a bonus of 43.0% to 48.0% of fixed base salary. As earnings per share of Fugro were negative in 2018, the remuneration committee proposed to reduce the bonusses to 62.5% of the calculated amounts, in line with the practice applied to other senior staff this year in Fugro that is eligible to a bonus. This resulted in a bonus for members of the Board of Management of 26.9% to 30.0% of fixed base salary. On 22 February 2019, the Supervisory Board discussed the proposal of the remuneration committee and agreed with it.
Mr. Løseth, who stepped down from the Board of Management as of 1 October 2018 for personal reasons and whose management services agreement was terminated per 31 December 2018, was entitled to a contractually agreed bonus relating to 2018 of 50% of his fixed annual salary of EUR 660,000 gross. This was approved by the Extraordinary General Meeting of 14 December 2017.

As at 31 December the following performance shares for the Board of Management under the long-term incentive plan were outstanding:

Year of issue	Duration	Number of participants	Granted	Outstanding at 1 January 2018	Forfeited in 2018	Vested in 2018	Outstanding at 31 December 2018
2014	3 years	4	48,750	47,187	47,187	–	–
2015	3 years	4	48,750	43,437	2,500	–	40,937
2016	3 years	5	60,000	50,937	7,500	–	43,437
2018	3 years	4	162,000	–	58,000	–	104,000
Total			**319,500**	**141,561**	**115,187**	**–**	**188,374**

The members of the Board of Management received 162,000 performance shares in 2018 (2017: nil). Refer to note 5.29.1

As at 31 December the following performance options for the Board of Management under the long-term incentive plan were outstanding:

Year of issue	Duration	Number of participants	Granted	Outstanding at 1 January 2018	Forfeited in 2018	Exercised in 2018	Outstanding at 31 December 2018	Exercisable at 31 December 2018	Exercise price (EUR)
2014	6 years	4	97,500	94,375	94,375	–	–	–	17.26
2015	6 years	4	97,500	86,875	5,000	–	81,875	–	15.06
2016	6 years	5	120,000	101,875	15,000	–	86,875	–	14.55
Total			**315,000**	**283,125**	**114,375**	**–**	**168,750**	**–**	

In 2018, Fugro has granted 77,050 (2017: nil) restricted shares to the Board of Management of which 50,000 shares were granted to the former board member Øystein Løseth as at 1 January 2018. A number of 27,050 of (restricted) shares were granted on 1 May 2018 to the other members of the Board of Management, 8,300 shares for Paul van Riel and 6,250 for each of the other board members. A number of 50,000 shares and 8,300 shares were respectively forfeited and vested in 2018.

The table below provides an overview of the outstanding number of options for the (former) members of the Board of Management in respect of the share option scheme:

Board of Management

						Number of options	In EUR		Number of months	
	Year	Number at 1-1-2018	Granted in 2018	Exercised in 2018	Forfeited in 2018	Number at 31-12-2018	Exercise price	Share price at exercise day	Expiring date	Bonus
P. van Riel	2012	60,000	–	–	60,000	–	44.52		31-12-2018	8
	2013	55,000	–	–	–	55,000	43.315		31-12-2019	8
Total		**115,000**	**–**	**–**	**60,000**	**55,000**				
P.A.H. Verhagen	2013-2014	30,000	–	–	–	30,000	43.315		31-12-2019	
Total		**30,000**	**–**	**–**	**–**	**30,000**				
W.S. Rainey	2012	53,000	–	–	53,000	–	44.52		31-12-2018	8
	2013	47,000	–	–	–	47,000	43.315		31-12-2019	8
Total		**100,000**	**–**	**–**	**53,000**	**47,000**				
A. Jonkman	2012	53,000	–	–	53,000	–	44.52		31-12-2018	8
	2013	47,000	–	–	–	47,000	43,315		31-12-2019	8
Total		**100,000**	**–**	**–**	**53,000**	**47,000**				
Total		**345,000**	**–**	**–**	**166,000**	**179,000**				

5.59.3 Supervisory Board

The remuneration of the Supervisory Board is as follows:

	2018	2017
H.L.J. Noy, Chairman	80,000	80,000
J.C.M. Schönfeld, Vice-Chairman	65,000	65,000
A.J. Campo	88,000	88,000
P.H.M. Hofsté	58,000	58,000
A.H. Montijn	60,000	60,000
D.J. Wall	83,000	88,000
Total	**434,000**	**439,000**

There are no loans outstanding to the members of the Supervisory Board and no guarantees given on behalf of members of the Supervisory Board.

5.59.4 Other related party transactions

5.59.4.1 *Joint ventures and associates*

The Group has not entered into any significant joint ventures in 2018.

5.60 Subsidiaries

5.60.1 Significant subsidiaries

For an overview of (significant) subsidiaries we refer to chapter 6.

5.61 Estimates and management judgements

Management discussed with the audit committee the development in and choice of critical accounting principles and estimates and the application of such principles and estimates.

Key sources of estimation uncertainty

The preparation of financial statements in conformity with EU-IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- **Impairments:** Impairment analyses, amongst other relating to vessels, are performed whenever a triggering event has occurred to determine whether the carrying amount exceeds the recoverable amount. Goodwill is at least tested for impairment annually. Impairment tests are based on estimates of future cash flows. The accounting policies regarding impairments are included in accounting policy 5.15. Note 5.36.1 contains information about the key assumptions used to determine the recoverable amount of the various cash generating units. Specific information on credit risk is disclosed in notes 5.51.2 and 5.52. These notes contain information about the assumptions used relating to impairment of trade receivables, unbilled revenue on (completed) projects and other receivables and appropriate sensitivity analysis.
- **Deferred tax:** The assumptions used in recognition and measurement of deferred taxes are disclosed in note 5.39.
- **Assets and liabilities from employee benefits:** Actuarial assumptions are established to anticipate future events and are used in calculating pension and other post-retirement benefit and liabilities. These factors include assumptions with respect to interest rates, expected investment returns on plan assets, rates of future compensation increases, turnover rates and life expectancy. Note 5.48 contains information about the (actuarial) assumptions related to employee benefits. Actuarial gains and losses related to defined benefit plans are accounted for in other comprehensive income.
- **Other provisions, tax and other contingencies:** Information on the assumptions used in estimating the effect of legal claims, asset retirement obligations and onerous contract provisions are included in accounting policy 5.19 and note 5.49. The provisions in respect of onerous contracts are based on the obligation that the Group has with counterparties involved and represent the best estimate of the obligation.

6 SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD OF FUGRO N.V.

(including statutory seat and percentage of interest)

Unless stated otherwise, the direct or indirect interest of Fugro in the subsidiaries listed below is 100%. Insignificant, but consolidated, subsidiaries in terms of third party recompense for goods and services supplied and balance sheet totals have not been included. For entities where the direct or indirect interest of Fugro is less than 50%, the Group consolidates financial information of such entities based on the definition of control.

The subsidiaries listed below have been fully incorporated into the consolidated financial statements of Fugro, unless indicated otherwise.

The information as required by sections 2:379 and 2:414 of the Dutch Civil Code has been filed at the trade registry of the Chamber of Commerce in The Hague.

Company	%	Office, Country
Fugro Albania sh.p.k.		Tirana, Albania
Fugro Angola Limitada	49%	Luanda, Angola
Fugro ROAMES Pty Ltd		Brisbane, Australia
Fugro TSM Finance Pty Ltd		Perth, Australia
Fugro Exploration Pty Ltd		Perth, Australia
Fugro Survey Pty Ltd.		Balcatta, Australia
Fugro LADS Corporation Pty Ltd		Kidman Park, Australia
Fugro Holdings (Australia) Pty Ltd		Perth, Australia
Fugro Australia Land Pty Ltd		Perth, Australia
Fugro Australia Marine Pty Ltd		Perth, Australia
Fugro Satellite Positioning Pty Ltd		Perth, Australia
Fugro AG Pty Ltd		Perth, Australia
Fugro Austria GmbH		Bruck an der Mur, Austria
SOCAR-Fugro LLC	49%*	Baku, Azerbaijan
Fugro Belgique/België S.A./N.V.		Brussels, Belgium
Fugro In Situ Geotecnia Ltda.		Pinhais, Brazil
Fugro Brasil Levantamentos Ltda.		Rio de Janeiro, Brazil
Sudeste Serviços Ltda.		Rio de Janeiro, Brazil
Fugro Sendirian Berhad		Bandar Seri Begawan, Brunei Darussalam
Fugro 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
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 Geoid S.A.S.		Jacou, France
Fugro GeoConsulting S.A.S.		Nanterre, France
Fugro Holding France S.A.S.		Nanterre, France
Fugro Topnav S.A.S.		Palaiseau, France
GEOTER S.A.S.		Clapiers, France
Geofor Gabon SA		Libreville, Gabon
Fugro Gabon SARL		Port Gentil, Gabon
Fugro Germany Land GmbH		Berlin, Germany
Fugro Germany Marine GmbH		Bremen, Germany
Fugro Certification Services Ltd.		Kwai Fong, Hong Kong
Fugro Technical Services Ltd.		Tuen Mun, Hong Kong
Fugro Geotechnical Services Ltd.		Fo Tan, Hong Kong
Fugro (Hong Kong) Ltd.		Wanchai, Hong Kong
Fugro Geosciences International Ltd.		Wanchai, Hong Kong
Fugro Holdings (Hong Kong) Ltd.		Wanchai, Hong Kong
Fugro Hydrographic Surveys Ltd.		Wanchai, Hong Kong
Fugro Geospatial Services (Hong Kong) Ltd.		Wanchai, Hong Kong
Fugro Geotechnics Vietnam (Hong Kong) Ltd.		Wanchai, Hong Kong
Fugro Marine Survey International Ltd.		Wanchai, Hong Kong
Fugro SEA Ltd.		Wanchai, Hong Kong
Fugro Subsea Services Ltd.		Wanchai, Hong Kong
Fugro Survey Ltd.		Wanchai, Hong Kong
MateriaLab Consultants Ltd.		Kwai Fong, Hong Kong
Fugro Consult Kft		Budapest, Hungary
Fugro Geotech (India) Private Limited		Navi Mumbai, India
Fugro Survey (India) Private Limited		Navi Mumbai, India
PT Fugro Indonesia		Jakarta Selatan, Indonesia
Fugro-ETW LLC	50%*	Basra, Iraq
FAZ Technology Ltd.	97.1%	Dublin, Ireland
FAZ Research Ltd.	97.1%	Dublin, Ireland
Fugro Italy S.p.A.		Rome, Italy
Fugro Japan Co., Ltd.		Tokyo, Japan
MAPS SARL		Beirut, Lebanon
Fugro Eco Consult S.a.r.l.		Munsbach, Luxembourg
Fugro Technical Services (Macau) Ltd.		Macau, Macau
Fugro Malaysia Marine Sdn Bhd	30%	Kuala Lumpur, Malaysia

Company	%	Office, Country
Fugro Geosciences (Malaysia) Sdn Bhd	30%	Kuala Lumpur, Malaysia
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
Fugro Vastgoed B.V.		Leidschendam, The Netherlands
FNV IP B.V.		Leidschendam, The Netherlands
Seabed Geosolutions B.V.	60%	Leidschendam, The Netherlands
Fugro BTW Ltd.		New Plymouth, New Zealand
Fugro Survey (Nigeria) Ltd.		Port Harcourt, Nigeria
Fugro Nigeria Ltd.		Port Harcourt, Nigeria
Fugro Norway AS		Oslo, Norway
Fugro Middle East & Partners LLC	70%	Muscat, Oman
Fugro Symphony Inc.		Panama City, Panama
Fugro Peru S.A.		Lima, Peru

Company	%	Office, Country
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.		Dammam, Saudi Arabia
Fugro Satellite Positioning Pte Ltd		Singapore, Singapore
Fugro Subsea Technologies Pte Ltd		Singapore, Singapore
Fugro Singapore Marine Pte Ltd		Singapore, Singapore
Fugro Survey Africa (Pty) Ltd.		Cape Town, South Africa
Fugro Maps South Africa (Pty) Ltd.		Cape Town, South Africa
Fugro Earth Resources (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 Marine North Limited		Aberdeen, United Kingdom
Fugro-ImpROV Limited		Aberdeen, United Kingdom
Fugro Subsea Services Limited		Aberdeen, United Kingdom
Fugro-BKS Limited		Coleraine, United Kingdom
Fugro GeoServices Limited		Falmouth, United Kingdom
Fugro 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.

7 COMPANY BALANCE SHEET

As at 31 December, before result appropriation

(EUR x 1,000)		2018	2017
	Assets		
	Intangible assets	–	160
(9.1)	Financial fixed assets	996,227	1,203,907
	Deferred tax assets	125	186
	Total non-current assets	996,352	1,204,253
(9.2)	Trade and other receivables	200,162	8,113
	Current tax assets	–	137
	Cash and cash equivalents	195	384
	Total current assets	200,357	8,634
	Total assets	**1,196,709**	**1,212,887**
	Equity		
	Share capital	4,228	4,228
	Share premium	431,227	431,227
	Translation reserve	(117,620)	(115,909)
	Other reserves	(315,534)	(316,412)
	Retained earnings	717,526	868,821
	Unappropriated result	(51,064)	(159,901)
(9.3)	**Total equity**	668,763	712,054
	Provisions		
(9.4)	Provisions for other liabilities and charges	13,099	13,172
	Liabilities		
(9.5)	Loans and borrowings	252,393	243,226
	Total non-current liabilities	265,492	256,398
(9.6)	Trade and other payables	261,988	238,075
	Current tax liabilities	–	6,006
	Other taxes and social security charges	466	354
	Total current liabilities	262,454	244,435
	Total liabilities	527,946	500,833
	Total equity and liabilities	**1,196,709**	**1,212,887**

8 COMPANY INCOME STATEMENT

For the year ended 31 December

	(EUR x 1,000)	2018	2017
(9.7)	Revenue	38,824	37,263
	Other income	–	970
(9.8)	Personnel expenses	(23,296)	(20,699)
	Depreciation	–	(3)
	Amortisation	(160)	(644)
(9.9)	Other expenses	(25,274)	(23,022)
	Results from operating activities (EBIT)	**(9,906)**	**(6,135)**
	Finance income	–	11,530
	Finance expenses	(24,191)	(37,964)
(9.10)	**Net finance income/(expenses)**	(24,191)	(26,434)
	Profit/(loss) before income tax	**(34,097)**	**(32,569)**
	Income tax gain/(expense)	1,585	(1,001)
	Share in results from participating interests, after taxation	(18,552)	(126,331)
	Profit/(loss) for the period	**(51,064)**	**(159,901)**

9 NOTES TO THE COMPANY FINANCIAL STATEMENTS

General
The company financial statements form part of the 2018 consolidated financial statements of Fugro.

Accounting policies
For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, Fugro makes use of the option provided in Clause 8 Section 2:362 of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements of Fugro N.V. are the same as those applied for the consolidated EU-IFRS financial statements. Investments in subsidiaries are accounted for at net asset value which comprises the cost, excluding goodwill, of Fugro's share in the net assets of the subsidiaries. Participating interests, over which significant influence is exercised, are stated on the basis of the equity method. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code. Reference is made to accounting policies 5.3 to 5.24 for a description of these principles.

The share in the result of participating interests consists of the share of Fugro in the result of these participating interests. Results on transactions, where the transfer of assets and liabilities between Fugro and its participating interests, and mutually between participating interests themselves, are not incorporated as far as they can be deemed to be unrealised. Fugro N.V. is neither lessee nor lessor.

9.1 Financial fixed assets
9.1.1 Subsidiaries

(EUR x 1,000)	2018	2017
Balance at 1 January	1,203,907	1,235,774
Share in result of participating interests	(18,552)	(126,331)
Capital increase/(decrease)	(190,385)	181,342
Dividends	(3,786)	(7,242)
Currency exchange differences	(1,716)	(98,262)
Other	6,759	18,626
Balance at 31 December	**996,227**	**1,203,907**

9.2 Trade and other receivables

(EUR x 1,000)	2018	2017
Receivables from Group companies	199,730	7,334
Other receivables	432	779
Balance at 31 December	**200,162**	**8,113**

Receivables from group companies mainly relate to a loan due from a subsidiary. The loan will be repaid within one year. The loan contains interest of 2.3% per annum.

9.3 Equity
The equity movement schedule is included in chapter 3 of the consolidated financial statements. For the notes to the equity reference is made to note 5.44 of the consolidated financial statements. The translation reserve qualifies as legal reserves (Dutch: 'wettelijke reserve') in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

9.4 Provisions for other liabilities and charges
For the notes on provisions reference is made to note 5.49 of the consolidated financial statements. Fugro has accounted for certain tax indemnities and warranties under procedures in respect of the sale of the majority of the Geoscience business to CGG for liabilities arising from tax exposures amounting to EUR 12.1 million as at 31 December 2018 (31 December 2017: EUR 12.1 million). An amount of EUR 0.2 million (31 December 2017: EUR 0.6 million) and EUR 0.7 million (31 December 2017: EUR 0.5 million) relate to a restructuring provision respectively employee benefit obligations. An amount of EUR 0.9 million is expected to be settled within one year. Refer to note 9.9.

9.5 Loans and borrowings

(EUR x 1,000)	2018	2017
Subordinated unsecured convertible bonds EUR 190,000	167,506	160,399
Subordinated unsecured convertible bonds EUR 100,000	84,887	82,827
Balance at 31 December	**252,393**	**243,226**

For the notes on subordinated unsecured convertible bonds refer to note 5.47 of the consolidated financial statements. The average interest on loans and borrowings amounts to 4.2% per annum (2017: 4.2%).

9.6 Trade and other payables

(EUR x 1,000)	2018	2017
Trade payables	1,420	1,267
Payables to Group companies	254,596	230,547
Other payables	5,972	6,261
Balance at 31 December	**261,988**	**238,075**

The payables to group companies mainly relate to the cash-pool overdraft of Fugro N.V. The interest is calculated on the total balance of the cash pool. Reference is made to note 5.51 of the consolidated financial statements.

9.7 Revenue

Revenue relates to the services provided by Fugro N.V. to subsidiaries in respect of their management activities and responsibilities.

9.8 Personnel expenses

(EUR x 1,000)	2018	2017
Wages and salaries	19,684	18,230
Compulsory social security contributions	732	824
Equity-settled share-based payments	1,906	759
Contributions to defined contribution plans	126	8
Expense related to defined benefit plans	848	878
Total	**23,296**	**20,699**

Refer to note 5.59 of the consolidated financial statements for remuneration of the Board of Management.
The average number of employees within Fugro N.V. during the year was 48 (2017:45), all posted in the Netherlands as in last year.

9.9 Other expenses

(EUR x 1,000)	2018	2017
Indirect operating expenses	3,086	1,709
Occupancy costs	197	62
Communication and office equipment	1,614	1,163
Restructuring costs	(150)	1,923
Marketing and advertising costs	301	1,980
Release provision tax indemnities	–	(5,070)
Other	20,226	21,255
Total	**25,274**	**23,022**

Other expenses include amongst others professional services, training costs, audit fees, miscellaneous charges and sundry costs. Refer to note 5.31 of the consolidated financial statements. Audit fees, as charged by EY are disclosed in note 9.16.

9.10 Net finance (income)/expenses

(EUR x 1,000)	2018	2017
Interest income on loans and receivables from Group companies	–	(9,659)
Interest income on loans and receivables	–	(71)
Net foreign exchange variance	–	(1,800)
Finance income	–	(11,530)
Interest expense on financial liabilities measured at amortised cost	21,821	37,964
Net foreign exchange variance	2,370	–
Finance expense	24,191	37,964
Net finance (income)/expenses recognised in profit or loss	**24,191**	**26,434**

9.11 Commitments not included in the balance sheet

Fiscal unity

Fugro N.V. and the Dutch operating companies form a fiscal unit for corporate tax. Each of the operating companies is severally liable for corporate tax to be paid by the fiscal unity.

9.12 Bank guarantees

As per 31 December 2018, Fugro's bank has issued bank guarantees to clients for an amount of EUR 98 million (2017: EUR 66 million).

9.13 Guarantees

Fugro has filed declarations of joint and several liabilities for a number of subsidiaries at the Chambers of Commerce. Fugro has filed a list with the Chamber of Commerce, which includes all financial interests of the Group in subsidiaries as well as a reference to each subsidiary for which such a declaration of liability has been deposited. Fugro N.V. is borrower and guarantor under this multicurrency revolving credit facility agreement.

9.14 Contingencies

For the notes on contingencies reference is made to note 5.57.4 of the consolidated financial statements.

9.15 Related parties

For the notes on related parties, reference is made to note 5.59 of the consolidated financial statements.
In note 5.59.2 of the consolidated financial statements the remuneration of the Board of Management and Supervisory Board is disclosed.

9.16 Audit fees

With reference to Section 2:382a of the Netherlands Civil Code, the following fees for the financial year have been charged by EY to the company and its subsidiaries:

(EUR x 1,000)			2018			2017
	Ernst & Young Accountants LLP	Other EY network	Total EY	Ernst & Young Accountants LLP	Other EY network	Total EY
Statutory audit of financial statements	1,543	2,133	3,676	1,242	2,269	3,511
Other audit services	12	–	12	260	–	260
Other assurance related services	53	–	53	2	–	2
Tax advisory services	–	50	50	–	201	201
Total	**1,608**	**2,183**	**3,791**	**1,504**	**2,470**	**3,974**

Tax advisory services primarily consist of tax compliance work. Other audit services relate to a non-recurring audit of general purpose financial statements and other assurance related services relate to certain agreed-upon procedures. Audit and (non-)audit related fees for the respective years are charged to the income statement on an accrual basis. The fees paid for the above mentioned services, which are included in profit or loss of the consolidated financial statements in the line other expenses, are evaluated on a regular basis and in line with the market.

The members of the Supervisory Board have signed the financial statements pursuant to their statutory obligations under Section 2:101 sub 2 Netherlands Civil Code.

The members of the Board of Management have signed the financial statements pursuant to their statutory obligations under Section 2:101 sub 2 Netherlands Civil Code and Section 5:25c sub 2 (c) Financial Markets Supervision Act.

Fugro will not propose to the annual general meeting on 26 April 2019 to declare a dividend for 2018 to shareholders.

Leidschendam, 22 February 2019

Board of Management
M.R.F. Heine, Chairman Board of Management,
Chief Executive Officer, Director Marine Division
P.A.H. Verhagen, Chief Financial Officer
B.M.R. Bouffard, Director Land division

Supervisory Board
H.L.J. Noy, Chairman
J.C.M. Schönfeld, Vice-chairman
A.J. Campo
P.H.M. Hofsté
A.H. Montijn
D.J. Wall

OTHER INFORMATION

INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements 2018 included in the annual report

Our opinion

We have audited the financial statements 2018 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 2018 and of its result and its cash flows for 2018 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 2018 and of its result for 2018 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 2018.
- The following statements for 2018: 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 2018.
- The company income statement for 2018.
- The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing.
Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Fugro N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Audit firms supervision act (Wet toezicht accountantsorganisaties, Wta), the Code of Ethics for Professional Auditors (Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten, ViO, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Dutch Code of Ethics (Verordening gedrags- en beroepsregels accountants, VGBA).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality
- € 10,000,000 (2017: € 10,000,000)

Benchmark
- Approximately 0.6% of revenue

Explanation
We have applied this benchmark based on our professional judgment and taking into account the users of the financial statements. Earnings based measures are not considered to be appropriate benchmarks, given their volatility over the years.

We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of € 500,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Fugro N.V. is at the head of a group of entities. Our group audit mainly focused on group entities that are either significant based on their size or risk relative to the consolidated financial statements. All entities exceeding 1.1% 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 77% of revenue and 74% of total assets. By performing the procedures mentioned above over group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The nature of our key audit matters is consistent with the prior year except for the key audit matter related to changes in the internal reporting structure during 2017. As no such changes occurred in 2018, the key audit matter is not applicable this year.

Availability of financing and compliance with debt covenant requirements (see note 5.47)	
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 5.47.6. Continued compliance with debt covenant requirements is a key element of management's assessment of the use of the going concern assumption. Fugro complied with its debt covenant requirements as at 31 December 2018. In February 2019 an amended solvency covenant requirement for the multicurrency revolving credit facility and the lease agreements for two geotechnical vessels was agreed as described in note 5.47.6. Management's forecasts and assessments of the covenant requirements present sufficient headroom in connection with the going concern assessment.
Audit approach	We analysed Fugro's financing arrangements as part of our audit, which included the evaluation of compliance with the debt covenant requirements. We also verified that covenants are not impacted by the adoption of IFRS 16. For the verification of the forecasted covenant calculation, as part of our evaluation of management's assessment of the going concern assumption, we evaluated the 2019 financial forecast, the solidity of the financial forecast preparation process, the reasonability of the 2019 forecasts at the level of individual entities as well as at corporate level and an assessment of the historical accuracy of management's estimates through retrospective review. The amended debt covenant requirement in February 2019 were incorporated in our analysis. Our assessment included covenant sensitivity analyses as well as stress-testing. We assessed the adequacy of the disclosures included in note 5.47.6 of the consolidated financial statements.
Key observations	We agree with the covenant calculations as per 31 December 2018 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 being proportionate and in accordance with EU-IFRS.

Sensitivities and estimates with respect to the valuation of goodwill, vessels and other operational equipment (see notes 5.30, 5.35 and 5.36)	
Description	At 31 December 2018, property, plant and equipment and intangible assets amount to, respectively, € 620 million and € 377 million, together amounting to approximately 51% of total assets presented in the statement of financial position. Management performed the annual impairment tests for goodwill and evaluated property, plant and equipment with significant net book value 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 CGUs. Cash flows in the first year of the forecast are based on management's approved 2019 forecast. Management analysed the differences, mainly for Seabed Geosolutions, between the 2018 actual performance and the forecast embedded in the prior year goodwill impairment tests. The cash flows for the first five years are made explicit and a long term growth rate is assumed for the remaining period. These impairment tests resulted in € 1.7 million impairment of property, plant and equipment (excluding reversal of impairment) and no impairment of goodwill.
Audit approach	Our audit procedures included an assessment of the historical accuracy of management's estimates through retrospective review, evaluating and testing the assumptions, methodologies, the discount rates and other data used by the Company, for example by comparing them to external data. This assessment included support of EY valuation experts. We evaluated the 2019 financial forecast, the solidity of the financial forecast preparation process and the reasonability of the 2019 forecasts at the level of individual entities as well as at corporate level. Furthermore, we evaluated management's outlook in the explicit period as well as the long term growth rate, in particular around forecasted revenues, EBITDAs and capital expenditures. Our assessment included sensitivity analyses. We assessed the adequacy of the disclosures included in notes 5.30, 5.35 and 5.36 of the consolidated financial statements including those assumptions to which the outcome of the impairment test is most sensitive.
Key observations	We noted the assumptions relating to the impairment models fell within the acceptable ranges and we agree with management's conclusions. Furthermore, we concluded the disclosures in the consolidated financial statements being proportionate and in accordance with EU-IFRS.

Revenue recognition, project accounting and valuation with respect to unbilled revenue on (completed) projects and trade receivables (see note 5.26 and 5.41)	
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 and disputes or potential disputes.
Audit approach	Our audit included evaluation of internal controls with respect to project management, project accounting and the project results estimation process. In addition, we performed substantive audit procedures relating to contractual terms and conditions, revenue, costs incurred, including local representatives' fees, and disputes or potential disputes. For individually significant projects, we performed detailed procedures, such as substantiating transactions with underlying documentation, including contracts and third party correspondence, to obtain evidence for the accuracy and recoverability of unbilled revenue on (completed) projects and trade receivables. We made inquiries 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 5.26 'revenues from contracts with customers' in the consolidated financial statements, which includes additional disclosures required by IFRS 15.
Key observations	We did not identify evidence of material misstatement in the revenue recognised in 2018 and we concur with the valuation of unbilled revenue on (completed) projects and trade receivables as at 31 December 2018. We concluded the disclosures in the consolidated financial statements are proportionate and in accordance with EU-IFRS.

Estimates in respect to deferred tax assets (see note 5.33 and 5.39)	
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 2018, recognized deferred tax assets amount to € 43.0 million.
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 accuracy of the amounts recognized in the income statements and assessment of judgmental (deferred) tax positions. For tax positions where management's assumptions are used to determine the probability that deferred tax assets recognized in the statement of financial position will be recovered through taxable income in future years and available tax planning strategies, we evaluated the 2019 financial forecast, the solidity of the financial forecast preparation process and the reasonability of the 2019 forecasts at the level of individual jurisdictions. Also, we evaluated the projected developments after 2019 and reasonability of expectations and assumptions. We also assessed the adequacy of the disclosure in notes 5.33 and 5.39 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.

Disclosure implementation of IFRS 16 (see note 5.3.5)	
Description	The Group has implemented IFRS 16 on 1 January 2019 and has applied the modified retrospective transition approach. Implementing the standard required Fugro to design new accounting policies, develop new processes and controls, assess to use practical expedients and apply certain judgements and assumptions. Implementation of the new standard has resulted in a significant impact on Group's financial statements as from 2019. At 1 January 2019, the Group recognised additional € 210 million of right-of-use assets and a corresponding amount of lease liabilities.
Audit approach	Our audit procedures focused on auditing the Group's transition adjustments and disclosures and assessing the appropriateness of the applied practical expedients, judgements and assumptions. We evaluated the completeness of the population of leases, the completeness and accuracy of the data used to calculate the transition adjustments, which included an assessment of the reasonableness of estimates with respect to the lease term and the incremental borrowing rate.
Key observations	We concluded that the disclosures in the consolidated financial statements of 2018 are proportionate and adequate.

Report on other information included in the annual report

In addition to the financial statements and our independent auditor's report thereon, the annual report contains other information that consists of the reports of the Board of Management and Supervisory Board and the other information 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 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 report of the Board of Management in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the Supervisory Board as auditor of Fugro N.V. on 7 December 2015, as of the audit for the year 2016 and have operated as statutory auditor since that date.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Other non-prohibited services provided

In addition to the statutory audit of the financial statements we provided the following services:

- Review of interim financial statements of a Dutch subsidiary of Fugro N.V.
- Audit of a subsidy statement for a Dutch subsidiary of Fugro N.V.
- Agreed upon procedures in connection with the determination of cost prices for a Dutch subsidiary of Fugro N.V.

Description of responsibilities for the financial statements

Responsibilities of Board of Management and Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit 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 scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this independent auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our independent auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 22 February 2019

Ernst & Young Accountants LLP

A.A. van Eimeren

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	2019
J.A.W.M. van Rooijen	Board member	2019
D.F.M.M. Zaman	Board member	2019
R. Willems	Board member	2020

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	2019
S.C.J.J. Kortmann	Board member	2020
J.J. Nooitgedagt	Board member	2021
C.P. Veerman	Board member	2022

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	2019
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.

STATUTORY PROVISIONS REGARDING THE APPROPRIATION OF NET RESULT

The provisions regarding the appropriation of profit are contained in article 36 of the Articles of Association of Fugro and, as far as relevant, read as follows:

36.2 a. The profit shall, if sufficient, be applied first in payment to the holders of protective preference shares of a percentage as specified below of the compulsory amount paid on these shares as at the commencement of the financial year for which the distribution is made.

b. The percentage referred to above in subparagraph a. shall be equal to the average of the Euribor interest charged for loans with a term of one year – weighted by the number of days for which this interest was applicable – during the financial year for which the distribution is made, increased by at most four percentage points; this increase shall each time be fixed by the Board of Management for a period of five years, after approval by the Supervisory Board.

36.3 a. Next, if possible, a dividend shall be paid on the financing preference shares of each series and on the convertible financing preference shares of each series, equal to a percentage calculated on the amount effectively paid on the financing preference shares of the respective series and the convertible financing preference shares of the respective series, including a share premium, if any, upon the first issue of the series in question, and which percentage shall be related to the average effective return on 'state loans general with a term of 7 – 8 years', calculated and determined in the manner as described hereinafter.

b. The percentage of the dividend for the financing preference shares of each or for the convertible financing preference shares of each series, as the case may be, shall be calculated by taking the arithmetic mean of the average effective return on the aforesaid loans, as published by Bloomberg, or if Bloomberg does not publish this information, by Reuters, for the last five stock market trading days preceding the day of the first issue of financing preference shares of the respective series or the convertible financing preference shares of the respective series, as the case may be, or preceding the day on which the dividend percentage is adjusted, increased or decreased, if applicable, by a mark-up or mark-down set by the Board of Management upon issue and approved by the Supervisory Board of at most two percentage points, depending on the market conditions then obtaining, which mark-up or mark-down may differ for each series, or, if Reuters does not publish this information or if such state loan and information source that is or are most comparable thereto as to be determined by the board of Management and approved by the Supervisory Board.

36.4 If in any financial year the profit is insufficient to make the distributions referred to above in paragraph 3 of this article, then in subsequent financial years the provisions of paragraph 3 shall not apply until the deficit has been made good and until the provisions of paragraph 3 have been applied or until the Board of Management, with the approval of the Supervisory Board, resolves to charge an amount equal to the deficit to the freely distributable reserves, with the exception of the reserves which have been set aside as share premium upon the issue of financing preference shares or convertible financing preference shares.

36.5 If the first issue of financing preference shares or convertible financing preference shares of a series takes place during the course of a financial year, the dividend for that financial year on the respective series of financing preference shares or convertible financing preference shares shall be decreased proportionately up to the first day of such issue.

36.6 After application of paragraphs 2 to 5 no further distribution of shall be made on the protective preference shares, the financing preference shares or the convertible financing preference shares.

36.7 Of any profit remaining after application of the paragraphs 2 to 5 such amount shall be allocated to the reserves by the Board of Management with the approval of the Supervisory Board as the Board of Management shall deem necessary. Insofar as the profit is not allocated to the reserves pursuant to the provisions of the preceding sentence, it shall be at the disposal of the annual general meeting either for allocation in whole or in part to the reserves or for distribution in whole or in part to the holders of ordinary shares pro rata to the aggregate amount of their ordinary shares.

REPORT OF STICHTING ADMINISTRATIEKANTOOR FUGRO

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 2018 reporting year, all the Trust Office's activities were related to the administration of ordinary shares against which certificates have been issued.

During 2018 the Board met two times. The meeting of 26 March 2018 was mainly dedicated to the approval of the Foundation's annual accounts 2017 and preparation for the annual general meeting of Fugro on 26 April 2018. In the meeting on 17 September 2018 we 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. 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 this was not the case. Prior to the meeting in March, 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 2017. Corporate governance within Fugro and the Trust Office was also discussed in the various meetings.

All the Trust Office's Board members are independent of Fugro. The Board may offer holders of certificates the opportunity to recommend candidates for appointment to the Board. The voting policy of the Trust Office has been laid down in a document that can be found on the website of the Trust Office: http://stichtingakfugro.nl/ and also on http://www.fugro.com/about-fugro/corporate-governance/fugro-trust-office. The Trust Office is authorised to accept voting instructions from holders of certificates and to cast these votes during a general meeting of Fugro.

The Board attended the annual general meeting of Fugro held on 26 April 2018. In this meeting the Trust Office represented 54.51% 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 45.25% of the votes cast at the annual general meeting.

In 2018, no members of the Trust Office's Board stepped down or were (re)appointed.

In accordance with the roster of the Board, Mr. M.C. van Gelder, Mr. J.A.W.M. van Rooijen and Mr. D.F.M.M. Zaman will step down on 30 June 2019. The Board intents reappointing both Mr. Van Gelder and Mr. Zaman as member for a period of four years. In accordance with article 4.3 of the articles of association, the Board offers holders of certificates who represent at least 15% of the issued certificates the opportunity to request, until 27 March 2019, that the Board convenes a meeting of holders of certificates in order to recommend one or two candidates to the Trust Office's Board. The request for such a meeting should be submitted in writing and should state the name and address of the recommended candidate(s).

On 30 June 2019, Mr. van Rooijen has been a member of the Board for 10 years (2x4 years and 1x2 years). He has indicated that he is not available for reappointment. The Board is very grateful for his contribution during this period of 10 years and for his wisdom based on his experience in finance and his keen eye for business issues. The Board of the Foundation Trust Office has not yet decided if it intends to appoint a successor. If a successor will be appointed, the Board will offer (on the website of the Trust Office) holders of certificates who represent at least 15% of the issued certificates the opportunity to recommend a candidate to the Trust Office's Board.

At present the Board of the Trust Office comprises:
1. Mr. M.C. van Gelder, Chairman
2. Mr. J.A.W.M. van Rooijen
3. Mr. R. Willems
4. Mr. D.F.M.M. Zaman

Mr. Van Gelder was amongst others Chairman of the Board of Management and Chief Executive Officer of Mediq N.V. He presently serves, amongst others, as supervisory board member of VastNed Retail.
Mr. Van Rooijen was, amongst others, Chairman of KPMG Corporate Finance N.V. and member (CFO) of the Board of Management of KPMG Holding N.V.
Mr. Willems was in a 38 year career with Royal Dutch Shell. He presently serves, amongst others, as supervisory board member of 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.

In 2018 the total costs of the Trust Office amounted to EUR 111,226 including the total remuneration of the members of the Board of EUR 46,000 (excluding VAT).

On 31 December 2018, 83,603,050 ordinary shares with a nominal value of EUR 0.05 were in administration against which 83,603,050 certificates of ordinary shares had been issued. During the financial year 50,396 ordinary shares were exchanged into certificates and 4,289 certificates were exchanged into ordinary shares. Until 11 September 2018, the activities related to the administration of the shares were carried out by the administrator of the Trust Office: Administratiekantoor van het Algemeen Administratie- en Trustkantoor B.V. in Amsterdam, the Netherlands. As of 11 September 2018, Algemeen Administratie- en Trustkantoor B.V. has been merged with SGG Financial Services B.V., the Netherlands, whereby SGG Financial Services B.V. has remained as the successor company that has continued the activities related to the administration of the shares.

The Trust Office's address is: Veurse Achterweg 10, 2264 SG Leidschendam, the Netherlands.

Leidschendam, 7 February 2019
The Board

HISTORICAL REVIEW

	IFRS 2018	IFRS 2017	IFRS 2016 2)*	IFRS 2015 2)*	IFRS 2014 2)*
Income and expenses (x EUR 1,000)					
Revenue	1,649,971	1,497,392	1,775,874	2,362,986	2,572,191
Third party costs	739,346	621,936	678,757	918,396	1,227,011
Net revenue own services (revenue less third party costs)	910,625	875,456	1,097,117	1,444,590	1,345,180
EBITDA 5)	111,740	81,444	154,966	353,258	251,746
Impairments	1,785	(164)	(192,716)	(363,318)	(509,048)
Results from operating activities (EBIT)	8,795	(51,722)	(218,678)	(249,928)	(548,568)
Cash flow 6)	12,716	24,348	130,760	324,930	336,696
Net result (including discontinued operations)	(51,064)	(159,901)	(308,934)	(372,522)	(458,870)
Net result from continuing operations	(51,064)	(164,971)	(308,934)	(372,522)	(457,870)
Balance sheet (x EUR 1,000)					
Property, plant and equipment	619,985	643,695	805,992	986,585	1,198,024
Capital expenditures	72,711	107,974	92,493	177,560	296,934
Total assets	1,944,422	1,898,304	2,174,449	2,841,184	3,565,672
Provisions for other liabilities and charges 8)	17,786	17,068	26,845	61,827	61,046
Loans and borrowings 8)	725,803	634,893	573,503	728,082	949,954
Equity attributable to owners of the company	668,763	712,054	934,859	1,197,655	1,517,766
Capital employed	1,207,936	1,184,108	1,341,174	1,689,689	2,230,609
Key ratios (in %)					
Results from operating activities (EBIT)/revenue	0.5	(3.5)	(12.3)	(10.6)	(21.3)
Profit/revenue	(3.1)	(11.0)	(17.4)	(15.8)	(17.8)
Profit/average capital and reserves	(7.4)	(20.0)	(29.0)	(27.4)	(25.8)
Return on capital employed	0.2	(3.3)	(0.7)	3.9	1.3
Total equity/total assets	36.1	39.7	45.5	43.4	42.4
Data per share (x EUR 1.–) 2)					
Equity attributable to owners of the company 1)	7.91	8.42	11.05	14.16	17.95
Results from operating activities (EBIT)	0.11	(0.64)	(2.70)	(3.09)	(6.78)
Cash flow	0.16	0.30	1.62	4.01	4.16
Net result	(0.63)	(2.04)	(3.82)	(4.60)	(5.65)
Dividend paid in year under review 3)	–	–	–	–	–
One-off extra dividend in connection with the divestment of the majority of the Geoscience business					
Share price (x EUR 1.–) 1)					
Year-end share price	7.55	12.99	14.55	15.06	17.26
Number of employees					
At year-end	10,265	10,044	10,530	11,960	13,537
Shares in issue (x 1,000) 1)					
Of nominal EUR 0.05 at year-end	84,572	84,572	84,572	84,572	84,572

* Including effect change of presentation multi-client data libraries.
1) As a result of the share split (4:1) in 2005, the historical figures have been restated. 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.

IFRS 2013 2)* 4)	IFRS 2012	IFRS 2011 7)	IFRS 2010	IFRS 2009	IFRS 2008	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004
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
915,412	793,250	617,107	765,587	624,413	722,321	604,855	503,096	405,701	364,644
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
545,467	465,368	481,925	561,083	551,130	535,178	439,590	295,948	218,833	177,453
–	–	–	–	–	–	–	–	–	–
267,020	306,624	352,016	351,479	367,422	385,732	324,813	211,567	144,070	104,236
365,381	400,148	431,495	489,757	456,773	438,902	337,106	226,130	176,093	125,802
428,303	289,745	287,595	272,219	263,410	283,412	216,213	141,011	99,412	49,317
224,230	231,535	293,911	–	–	–	–	–	–	–
1,129,920	1,065,873	981,104	1,291,314	1,043,227	859,088	599,298	412,232	262,759	232,956
318,767	261,687	359,238	446,755	330,244	337,469	299,699	203,944	90,414	71,028
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
225	1,165	4,215	5,204	6,240	13,155	16,278	13,888	398	1,075
689,023	1,166,734	1,215,173	590,862	441,339	395,384	449,957	341,997	300,753	184,268
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
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
11.0	14.2	18.9	15.4	17.9	17.9	18.0	14.8	12.9	10.3
9.3	10.7	15.8	11.9	12.8	13.2	12.0	9.8	8.6	4.9
11.3	12.8	18.6	22.3	24.9	34.8	34.3	27.4	28.8	22.7
8.2	11.0	12.5	14.6	20.2	24.1	25.1	20.5	19.8	15.8
58.1	47.4	43.4	49.3	50.7	44.1	41.6	40.2	41.3	23.2
23.94	23.62	20.34	18.79	15.08	12.12	9.94	8.08	6.76	3.60
3.30	3.82	4.44	4.49	4.82	5.29	4.67	3.08	2.18	1.76
4.52	4.99	5.45	6.25	5.99	6.01	4.84	3.29	2.67	2.12
5.29	3.61	3.63	3.47	3.46	3.88	3.11	2.05	1.51	0.83
1.50	1.50	1.50	1.50	1.50	1.25	0.83	0.60	0.48	0.48
	0.50								
43.32	44.52	44.895	61.50	40.26	20.485	52.80	36.20	27.13	15.35
12,591	12,165	11,495	13,463	13,482	13,627	11,472	9,837	8,534	7,615
84,572	82,844	81,393	80,270	78,772	76,608	70,421	69,582	68,825	62,192

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.

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 crude Major trading classification of sweet light crude oil that serves as a major benchmark price for purchases of oil worldwide. Brent Crude is sourced from the North Sea.

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.

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.

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.

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.

Node Autonomous battery powered component recording device deployed by ROV.

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.

ROV (remotely operated vehicle) Unmanned submersible launched from a vessel and equipped with measuring and manipulation equipment. A cable to the mother-vessel provides power, video and data communication.

Saturation diving Method of prolonged diving, using an underwater habitat to allow divers to remain in the high-pressure environment of the ocean depths long enough for their body tissues to become saturated with the inert components of the pressurised gas mixture that they breathe.

Work class ROV Large remotely operated vehicle with the ability to operate multiple tools and sensors. With their ability to operate across the depth range required by the client base, these systems operate in support of subsea operations across all business line segments.

Financial terms

Fugro uses non-GAAP financial measures or alternative performance measures (as defined by European Securities and Market Authority). These measures adjust the reported GAAP results, which facilitate a users' understanding of a company's underlying operational performance, liquidity or financial position. This information provide or may provide additional insights into the company's business, its past results, and its potential for future prospects. All of these measures, disclosed in the list of financial terms below and used by management, are included in this annual report.

Backlog The amount of revenue related to signed contracts and work that can reasonably be expected based on framework contracts and outstanding tenders and proposals of which a good chance of success is expected (>50%) weighted with the likelihood of winning this work. Regarding Seabed Geosolutions, only signed contracts are taken into account.

Capital employed Total equity plus loans and borrowings and bank overdrafts, minus cash and cash equivalents. The capital employed is calculated at the end of the (full or half year) reporting period.

Currency comparable growth Reported revenue growth versus comparable period last year at last year's exchange rates.

Days of revenue outstanding Trade receivables plus the unbilled revenue minus advances expressed as a number of days. The number of days is calculated backwards based on monthly revenue.

Dividend yield Dividend as a percentage of the (average) share price.

EBIT Reported result from operating activities before interest and taxation.

EBIT excluding exceptional items Result from operating activities before interest and taxation, excluding

- Impairment losses
- Onerous contract charges
- Restructuring costs
- Certain adviser and other costs (to the extent not capitalised as transaction costs on loans and borrowings)

EBITDA Reported result from operating activities before interest, taxation, depreciation, amortisation, and impairments related to goodwill, intangible fixed assets, and property, plant and equipment.

EBITDA excluding exceptional items Result from operating activities before interest, taxation, depreciation, amortisation, and impairments related to goodwill, intangible fixed assets, and property, plant and equipment, excluding

- Onerous contract charges
- Restructuring costs
- Certain adviser and other costs (to the extent not capitalised as transaction costs on loans and borrowings)

Adjusted consolidated EBITDA for purpose of covenant calculations EBITDA, excluding exceptional items for covenant purposes

- Onerous contract charges
- Restructuring costs
- Write-off receivables
- Certain adviser and other costs (to the extent not capitalised as transaction costs on loans and borrowings)
- Profit / (loss) on disposal of property, plant and equipment

adjusted by:

- Including pre-acquisition profit / (loss) from businesses acquired
- Excluding profit / (loss) from businesses disposed of, for the period for which they formed part of the Group

Gearing Loans and borrowings plus bank overdraft minus cash and cash equivalents, divided by shareholders equity.

Interest cover Result from operating activities (EBIT) divided by the net interest charges.

Net debt Loans and borrowings, bank overdraft minus cash and cash equivalents.

Net debt for covenant purposes Loans and borrowings (not including the subordinated unsecured convertible bonds), net liabilities under or pursuant to swaps, bank overdraft minus cash and cash equivalents.

Net profit margin Profit as a percentage of revenue.

NOPAT Net operating profit after tax excluding net finance income/(expenses).

Pay-out ratio Proposed dividend, multiplied by the number of shares entitled to dividend, divided by one thousand, divided by the net result.

Return on capital employed NOPAT as a percentage of a three points average capital employed. The three points consists of the last three reporting periods. Exceptional items (post-tax) are added back both in the NOPAT as well as the capital employed for the same period.

Solvency Shareholders' equity as a percentage of the balance sheet total.

Colophon

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