



Annual Report

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

2020



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

For the entire world, the Covid-19 pandemic has clearly been the overarching theme throughout the year. In its wake, it has accelerated and intensified the attention for other global developments, most notably climate change.

As a result, Fugro's purpose – to create a safe and liveable world – is becoming ever more relevant. Population growth, urbanisation, climate change and rapid technological developments are driving increased spending on renewable energy, electricity networks, infrastructure, subsea cables, coastal defence, hydrography and freshwater projects. With our leading market positions, global footprint, versatile asset base, specialist workforce, innovative digital solutions and resilient operating model, we are well positioned to benefit from these opportunities, and thus further diversify across multiple markets.

Site investigation services for offshore wind developments



Monitoring Amsterdam's bridges and quay walls



Hydrographic survey in Australia with lower CO₂ footprint



You can find relevant examples of Fugro's solutions in the areas of energy transition, climate change adaptation and sustainable infrastructure throughout this report.



Cautionary statement

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

(Certificates of) shares

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 'depository 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'.

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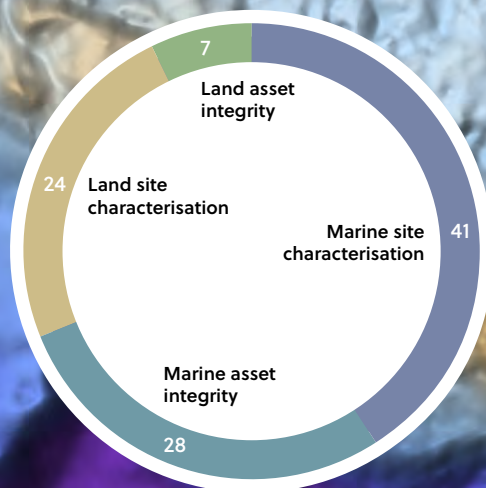
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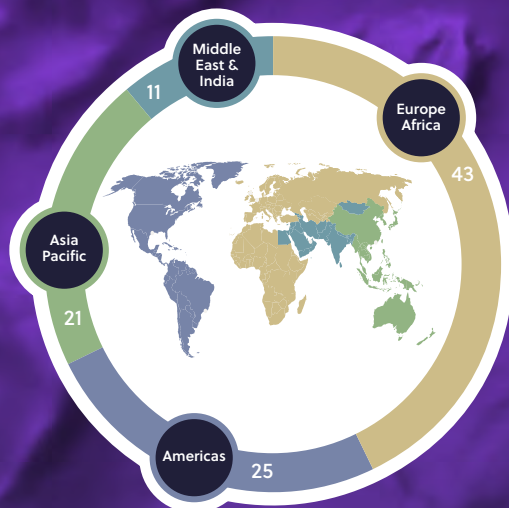


At a glance

Revenue by business line (in %)



Revenue by region (in %)



61
countries

>350
R&D engineers
and scientists

58
years exploring
the Earth

9,000
employees
worldwide

PERFORMANCE HIGHLIGHTS

Revenue

€1,386
million

2019: € 1,631 million
–12.4%

Adjusted EBIT margin

3.5%

2019: 4.2%

Free cash flow

€105
million

2019: € 58 million

12 month backlog

€866
million

2019: € 1,011 million
–8.0%

Lost time injury frequency

0.67
(x million hours)

2019: 0.68

Female managers

20%

2019: 20%

Innovation

69
patents filed

2019: 48

Carbon emissions vessels

180
kilotonnes

2019: 219

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

Refer to glossary for definitions of financial terms and to reconciliation of non-IFRS performance measures in the additional information section.



Message from the CEO

In 2020, the Covid-19 virus took hold around the world and affected all of us. Fugro's results reflect our resilient operating model, which enabled a quick response to the impact of the pandemic, and a very strong growth in offshore wind. In a rapidly changing world, there are many opportunities for Fugro to contribute to the safe, sustainable and efficient development and operation of our clients' assets. We are well placed to support the energy transition, climate change adaptation and sustainable infrastructure development. Our recent refinancing provides us with the flexibility to deliver on our Path to Profitable Growth strategy.

QUICK RESPONSE TO PANDEMIC

During 2018 and 2019, we made significant progress with the implementation of our strategy. After four challenging years in the offshore oil and gas market, we grew again in 2018 and 2019 and, through a strong increase in our offshore wind revenue, we managed to rapidly diversify. While we were anticipating further growth in 2020, the sudden and unprecedented deterioration in market circumstances across the world due to the pandemic created a new reality.

Our resilient operating model provides the flexibility to quickly adapt to the turbulent market conditions. In many countries people are mostly working from home, and our marine crews were at times confronted with longer rotation periods and mitigation measures such as pre-boarding quarantines. Fugro's project teams have been pro-active, flexible and resourceful in meeting the quickly changing and locally varying circumstances. Despite the huge operational complexities, in close cooperation with clients we have been able to continue working on most of our projects, while maintaining health and safety as a priority.

Fugro's revenue was impacted by both the pandemic and the declining oil price, leading to clients' reduced activity levels and spending, only partly offset by a very strong growth of our offshore wind

business. To protect profitability and liquidity, we acted decisively by immediately implementing a comprehensive cost reduction programme. As a result, we are able to report a modest year-on-year decline in margins, despite the significant revenue decline.

SUPPORTING GLOBAL TRENDS

The Earth is a complex and dynamic sphere. We have a deep understanding of Geo-data: information related to the Earth's surface, subsurface and structures built on it. Through integrated data acquisition, analysis and advice, we help our clients design, build and operate their assets in a safe, sustainable and efficient manner.

The Covid-19 pandemic has clearly been the overarching theme throughout the year. In its wake, it has accelerated and intensified the attention on other global issues, most notably climate change. As a result, our purpose to create a safe and liveable world is becoming ever more relevant as we enter the new decade.

Fugro's Path to Profitable Growth strategy is built on our transition towards becoming the world's leading Geo-data specialist in the areas of sustainable energy, infrastructure and water. Population growth and urbanisation combined with the need for decarbonisation are driving increased spending on renewable energy, electricity

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With our continued diversification we are well placed to support the energy transition, climate change adaptation and sustainable infrastructure development

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networks, infrastructure, subsea cables, coastal defence, hydrography and fresh-water projects. Our leading market positions, global footprint, versatile asset base, specialist workforce, innovative digital solutions and resilient operating model position us well to benefit from these opportunities, and thus further diversify. In 2020, we already generated 55% of our revenue in the offshore wind, infrastructure, nautical and other non-oil and gas related markets.

ENERGY TRANSITION

Even in this challenging year, our offshore wind revenue grew by 28%. This demonstrates our leading position in this market and flexibility to deploy our assets and capabilities across multiple markets. Fugro is playing an important role in the energy transition, most notably through its innovative services for the development of offshore wind resources. Initially a mostly European market, offshore wind farms are now being developed all over

the world. In 2020, we both completed and won numerous prestigious site characterisation projects in the North Sea, the US, Taiwan, Korea, Japan and Australia. In addition, we provided positioning and construction support services; for example for the world's first semi-submersible floating wind farm, WindFloat Atlantic in Portugal. At the same time, transmission and distribution networks are increasingly loaded due to ongoing electrification. Fugro's Roames digital asset management solutions drive grid modernisation and resilience. In 2020, we successfully completed projects for utilities in the US, Australia and the UK.

Although the energy transition is clearly gathering pace, there is a large discrepancy between governments' carbon reduction targets and current reality: fossil fuels will remain an important part of the energy mix for years to come. Market watchers expect an increase in oil and gas demand from the current

depressed levels, even though peak demand might be lower and may be reached earlier than assumed before the pandemic. Our solutions enable clients to develop vital fossil resources in a safe and responsible way; for example, through our remote operations centres and lightly crewed vessels, resulting in fewer people offshore, increasing safety and reducing CO₂ footprint.

CLIMATE CHANGE ADAPTATION AND SUSTAINABLE INFRASTRUCTURE

Over the coming decades, climate change is expected to lead to sea level rise, extreme weather, flooding and water scarcity. Governments around the world are investing in coastal zone management and flood protection, and Fugro is supporting these efforts with mapping solutions, such as in Australia and the Caribbean. Also, our reputation as a company committed to ocean sustainability is evidenced by our tangible support of the Seabed 2030 project and the UN Decade of Ocean Science for Sustainable Development.

Infrastructure is the back bone of our society, and Fugro is assisting its clients in the sustainable development and maintenance of their assets, such as by providing route surveys for sub-sea cable installations. Fugro was recently engaged by Alcatel Submarine Networks to support its 37,000 km '2Africa' fibre-optic project, which will connect 23 countries in

Africa, the Middle East and Europe. Also onshore, we provide clients with guidance on the prioritisation of maintenance and lower cost of ownership. This year, with our state-of-the-art acquisition technology and AI-driven data analytics, we assisted organisations including Banedanmark, Network Rail and Caltrans California.

HOW WE DO IT

We are a recognised leader in remote operations, robotics and data analytics and the events of this year have demonstrated the value of our advanced remote and automated solutions. In 2020, we started with the deployment of our new uncrewed surface vessels (USVs) on nautical charting projects in the US and Australia. At the beginning of 2021, the first of our next generation USVs, from which we can deploy remotely operated vehicles and autonomous underwater vehicles for asset inspections was delivered. In our land based operations, we offer digital asset management solutions for railroads, roads, bridges and overhead electricity networks. We opened a new remote operations centre (ROC) in Abu Dhabi; the latest addition to Fugro's network of ROCs which now totals eight across our regions.

Environmental, social and governance (ESG) related topics feature more prominently in discussions with clients, investors and other stakeholders, including our own employees. We recognise the increasing importance of non-financial reporting. This year we engaged with various ESG rating and benchmark organisations, leading amongst others to full disclosure of the company's corporate climate change data through the CDP platform. In 2020, we began implementing the recommendations of the Task Force on Climate-related Financial Disclosures, with a qualitative assessment of the impact of climate change on our business opportunities and risk profile.

Fugro's sustainability roadmap is specifically aimed at reducing the environmental impact of our own operations (CO₂ emissions, energy consumption, waste and recycling). Our target is to be carbon neutral by 2035. Stimulating diversity and inclusion throughout the organisation is also a key area of attention. In 2020, the company was successful in attracting women for a couple of key management positions, both at corporate and regional level. In 2020, 20% of management positions were held by women, and we target an increase to 25% by 2025.

FOSTERING OUR FUGRO CULTURE

In 2018, we launched our Path to Profitable Growth strategy and in 2019 we adjusted our organisation to facilitate its implementation. An additional and crucial element is our company culture. Ultimately it is not our technology or equipment that determines our long-term success: it the quality and engagement of our people.

To guide us in fulfilling our purpose, in 2020 we formulated our new company values: *we are determined to deliver, we do what's right, we prepare for tomorrow, we build trust*. This set of values was based on hundreds of conversations and workshops with colleagues throughout the organisation. A groupwide activation campaign will start in 2021, after a kick-off in our May senior management meeting.

SAFETY FIRST

Irrespective of the changes around us, health and safety remain our highest priority, for ourselves and for the people and environment around us. In 2020, this translated to a practical risk-based approach to managing Covid-19 and our operational response, which also ensured the best outcome for business continuity. While a number of programmes and initiatives were hampered by the extraordinary circumstances, we were able to

maintain our high levels of health and safety performance.

REFINANCING COMPLETED

Towards the end of the year, we completed a comprehensive refinancing of our balance sheet. In light of this year's challenging market environment, we decided to strengthen our balance sheet by issuing new equity. This was supported by a substantial cornerstone commitment by top tier investors, mostly existing shareholders, which was instrumental in the successful completion of this transaction. In addition, the EUR 575 million revolving credit facility was replaced with a new EUR 250 million facility and a EUR 200 million term loan, both maturing in December 2023. The refinancing provides us with the financial flexibility to deliver on our strategy.

OUTLOOK AND PRIORITIES FOR 2021

At the start of 2021, we are looking forward to what will hopefully be a return to more normal market conditions in the second half of the year. Our management agenda is: to manage our cost base and cash flow; to complete the turnaround of the land business; to further strengthen operational and commercial excellence; to enhance our service delivery with new market leading digital solutions; to divest Seabed Geosolutions and to accelerate our ESG roadmap.

I am very proud of the way in which everyone within Fugro stepped up to the challenges of 2020. Throughout the year we have been able to maintain high a quality of work and service delivery while dealing with mobilisation challenges, local and regional lockdowns, and the organisational changes we had to make in response to market developments. This has not been easy and I want to thank all my colleagues for a job well done.

Mark Heine
Chief Executive Officer

Profile

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

Since our foundation in 1962, we have developed a deep understanding of Geo-data: information related to the Earth’s surface, subsurface and the structures built on it. Through the integration of data acquisition, analysis and advice, Fugro provides Geo-data solutions. This information is essential to our clients for characterising their construction sites to facilitate the safe, reliable, cost effective and sustainable design and construction of buildings, industrial facilities and infrastructure, both on land and

at sea. We also provide information on the precise location and condition of assets, as they are built and operated, to optimise reliability, utilisation and longevity.

With our team of dedicated experts, specialised assets and cutting-edge digital technologies, we support a wide range of clients, predominantly in energy and infrastructure. We serve their needs from modest assignments to the most challenging, integrated projects. Employing approximately 9,000 talented people in 61 countries, Fugro works both on land and in marine environments.

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

Geophysical data

Metocean data

Geohazard data

Geodynamic data

Acquisition of Geo-data
Analysis of the data
Advice

Change detection

Predictive maintenance

Risk based inspection

Life extension

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We have a deep understanding of Geo-data: information related to the Earth’s surface, subsurface and the structures built on it.

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PURPOSE

Over the coming decades, population growth and urbanisation will lead to an increasing demand for energy, water, food, minerals, metals, buildings, industrial facilities and infrastructure. Also, technology is changing faster than even before, opening up new opportunities for different, faster, safer and more effective ways of working. Climate change is leading to rising sea-level, severe weather conditions and drought. In addition, society at large is increasingly engaged in important social, environmental and governance decisions by both the public and corporate organisations.

The future can't be about more, it has to be about better. The energy mix, infrastructure and built environments have to evolve if tomorrow's problems are to be tackled successfully. We believe that together we can create a safe and liveable world. We support clients in dealing with the challenges of today and tomorrow. Our ambition is to support the transition towards carbon neutrality, sustainable infrastructure and climate resilience. For Fugro's own operations, our target is to be carbon neutral by 2035.

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

VALUES

- We are determined to deliver
- We prepare for tomorrow
- We do what's right
- We build trust



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

KEY STRENGTHS

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

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

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

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

Fugro's competitive position

MARINE			LAND		
Hydrography	global	1	Geotechnical investigation	nearshore	1
Geophysical survey	global	1		global	2
Geotechnical investigation	global	1	Road inspection & advice	US	1
Geoconsulting	global	1			
Metocean	global	1			
Positioning & construction support	global	2	Power line inspection & advice	Australia	2
Satellite positioning	global	1			
ROV & tooling	global	3			
Inspection services (IRM)	global	2			

(source: company estimates)



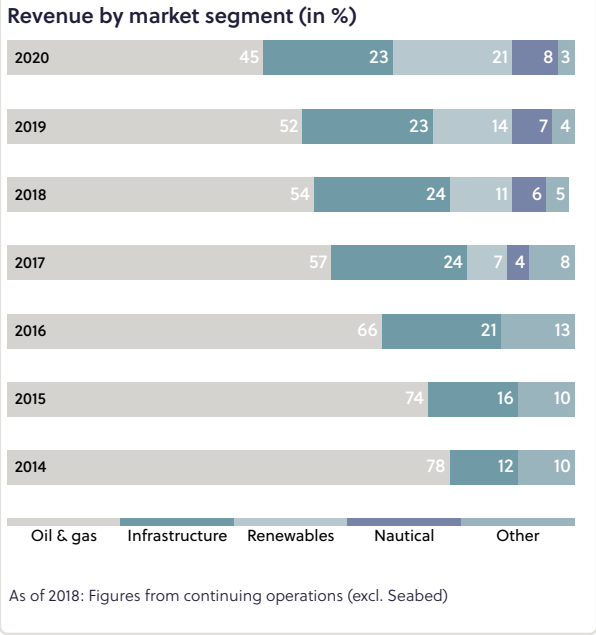
For each of marine and land site characterisation and asset integrity, we are able to provide a full range of services for the life cycle of an asset, starting with the acquisition of Geo-data, through to analytics and critical advisory services. This combination of acquisition, analytics and advisory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

Critical and leading solutions provider in energy transition growth areas

The world is in a period of intense and accelerating change. With our services and innovative solutions, we fulfil an important role in the ongoing energy transition. Our solution for our clients in the renewables

market are mostly through our wide range of site characterisation and asset integrity services for the safe, efficient and sustainable development and construction of offshore wind farms. Initially mostly European, this has increasingly become a global market in which Fugro has a prominent position. We are able to leverage the overlap of assets, expertise, products and solutions of renewables and oil and gas segments, as well as our long-standing relationships with European clients to expand to other geographies.

While the world transitions to more renewable energy sources, we continue to assist our clients who are active in the development of fossil fuels, while those remain an important part of the global energy mix, to safely, efficiently and responsibly develop (still vital) fossil fuels. We increasingly rely on our remote operations centres to manage data collection and analysis on autonomous vessels, which result in less personnel required offshore, increasing safety while reducing the CO₂ footprint. This, together with faster deliverables through cloud processing and automation, machine learning and an ‘asset light’-strategy through mobile solutions, results in a quantifiable positive impact on sustainability for both the Fugro’s marine and land businesses. Our innovations, such as autonomous vessels, mobile laser mapping systems and electric and automated cone penetration testing operations on land, will reduce Fugro’s and its clients’ carbon footprint and increase efficiency and margins.



Active in climate change adaptation and sustainable infrastructure growth areas

Over the coming decades, population growth, economic development and urbanisation will result in increasing demand for energy, water, food, minerals, metals, housing, industrial plants and infrastructure. This will lead to significant challenges for the environment and effects of climate change, including such as extreme weather, flooding and water scarcity. As a result, the sustainable development and operation of infrastructure, industrial facilities, and buildings in both land and marine environments are becoming prominent concerns for our clients. We support and assist our clients in the sustainable development and maintenance of their projects and assets and is expecting that demand for such climate change-related services (such as hydrography, water management and coastal resilience and protection work) to keep growing.

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With our team of dedicated experts, specialised assets and cutting-edge digital technologies, we support a wide range of clients, predominantly in energy and infrastructure

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In addition, we contribute to building and expanding sustainable infrastructure such as the safe, prompt and efficient maintenance and operation of power grids, railways and roads through cloud processing, automation and machine learning. In addition, Fugro also provides services in connection with the positioning and inspection of its clients' assets.

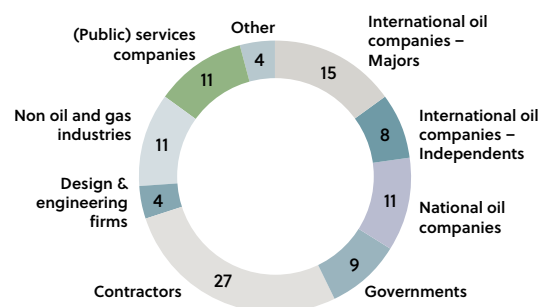
Diversified customer base and long-standing client relationships

We have a wide and diversified client base. In the oil and gas market, we provide our services to both oil and gas companies and services providers, such as construction and installation contractors and design and engineering companies. In the renewables market, Fugro works for both energy and utility companies and services providers, such as construction and installation contractors and design and engineering companies. In the infrastructure market our main client groups are government agencies, construction project developers, railroad operators, design and engineering contractors, construction and installation contractors and industrial companies. In the nautical market, Fugro's key clients are government agencies, port and harbour facilities, research institutes, telecom providers and shipping agencies.

This wide and diversified client base results in the absence of significant client concentration, with only around 15 clients representing more than 1% of total revenues in each and typically no client representing more than 5% of total revenues in a single year. Our top clients vary from year-to-year, but typically include blue chip companies, such as Alcatel-Lucent, ENI, Equinor, Government of Hong Kong, Ørsted, Petrobras, Shell, TechnipFMC, Total, Trimble, and Woodside.

Fugro has long-standing relationships with many of its clients, some relationships going back decades. Our clients especially appreciate our know-how, experience, technology, quality of services, integrated service delivery ("triple-A" approach) around the globe and strong safety performance.

Revenue by client type (in %)



Global player with local presence

We have a global reach, with major hubs in each key region (Europe and Africa: Leidschendam, the Netherlands and Aberdeen and Wallingford, the United Kingdom; Americas: Houston, US and Macaé, Brazil; Asia Pacific: Hong Kong, Singapore and Perth, Australia; Middle East and India: Dubai and Abu Dhabi, UAE) and a local presence in 61 countries in total. Although Europe still makes up a substantial part of our total revenue, we have a well-balanced presence in each of our four regions. Moreover, as an organisation benefitting from a global reach, we are able to offer client solutions throughout the year across geographies and seasons, reducing earnings volatility due to our presence in diversified regional markets and

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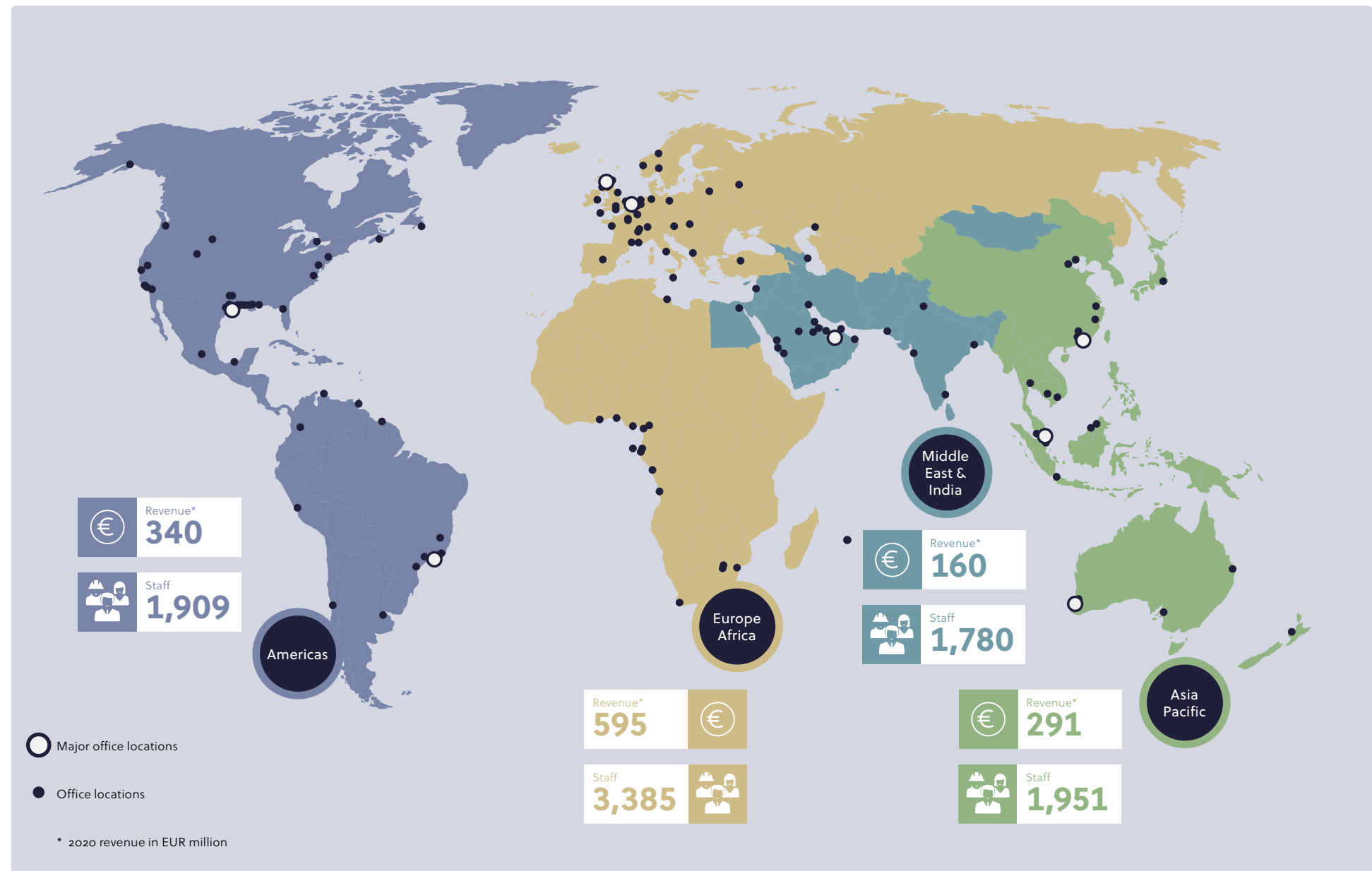
We have a wide and diversified client base, and long-standing relationships with many of our customers

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economies, with standardisation of our solutions enabling us to deliver the same quality of integrated solutions to clients all over the world.

Fugro combines its global reach with a local presence, with local offices being predominantly staffed by local employees. Often, large integrated projects can be fully resourced within the relevant regions. This ensures that we understand local business procedures, culture and traditions and allows us to compete against local participants, while, at the same time, drawing on our global reach, resources and expertise and the strength of company-wide cooperation.

Global player with local presence



Best in class, market agnostic assets coupled with highly skilled specialists and strong safety culture

Fugro is the only company with purpose-built geophysical and geotechnical vessels. Our fleet of 25 vessels is amongst the youngest in the industry. With our market agnostic asset base, expertise and client solutions we are able to serve clients across different end markets and geographies, providing flexibility to optimise utilisation, pricing and costs across multiple projects. We have further improved the flexibility of our fleet by focusing on a more balanced mix of paid working days between fully owned plus long-term charters on the one hand and short-term charters on the other hand, enabling us to meet demand variations during the course of a year and quickly relocate assets to meet revenue opportunities as required. We are transitioning to a more asset light model, shifting toward lightly, sometimes uncrewed vessels and innovating to produce smaller, more modular and mobile solutions.

Clients value Fugro for its operational excellence. We have approximately 9,000 employees, with over 100 nationalities. Fugro is one of the largest employers of Geo-specialists in the world, employing over 350 research and development engineers and 35 data scientists.

Much of our operations take place in challenging environments, hence safety is a key priority. Over the last decade, we have further developed and improved our equipment, systems and procedures and made significant improvements to our safety culture and performance. Fugro continuously puts safety first by understanding the risks associated with its work and taking a proactive approach embedding appropriate safety standards and practices in its operations and workforce behaviour. We continuously review potential areas for improvement and ensure, by thoroughly

evaluating and learning from every incident and promoting visible leadership, a sense of responsibility throughout the organisation.

Differentiation through innovation and digitalisation

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

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

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

Operational assets

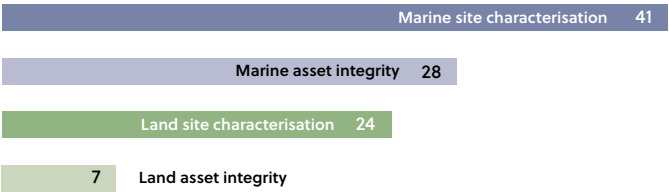
(per year-end 2020)

25 vessels (plus 4 long-term charters)
5 uncrewed surface vessels (USVs)
7 autonomous underwater vehicles (AUVs)
69 remotely operated vehicles (ROVs)
113 cone penetration testing systems (CPTs)
228 onshore and 12 offshore geotechnical drilling rigs
31 jack-up platforms
36 laboratories
8 remote operations centres

“With our market agnostic asset base, expertise and client solutions are able to serve clients across different end markets and geographies

BUSINESS LINES

Revenue 2020 by business line (of group, in %)



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

Site characterisation 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 Geo-data, using our expertise, technology, equipment and world-class laboratory facilities to turn it into valuable knowledge. Based on this knowledge, we provide advice on the best way to use a site for safe, efficient, reliable and sustainable construction of the asset.

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

MARINE SITE CHARACTERISATION

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

LAND SITE CHARACTERISATION

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

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

MARINE ASSET INTEGRITY

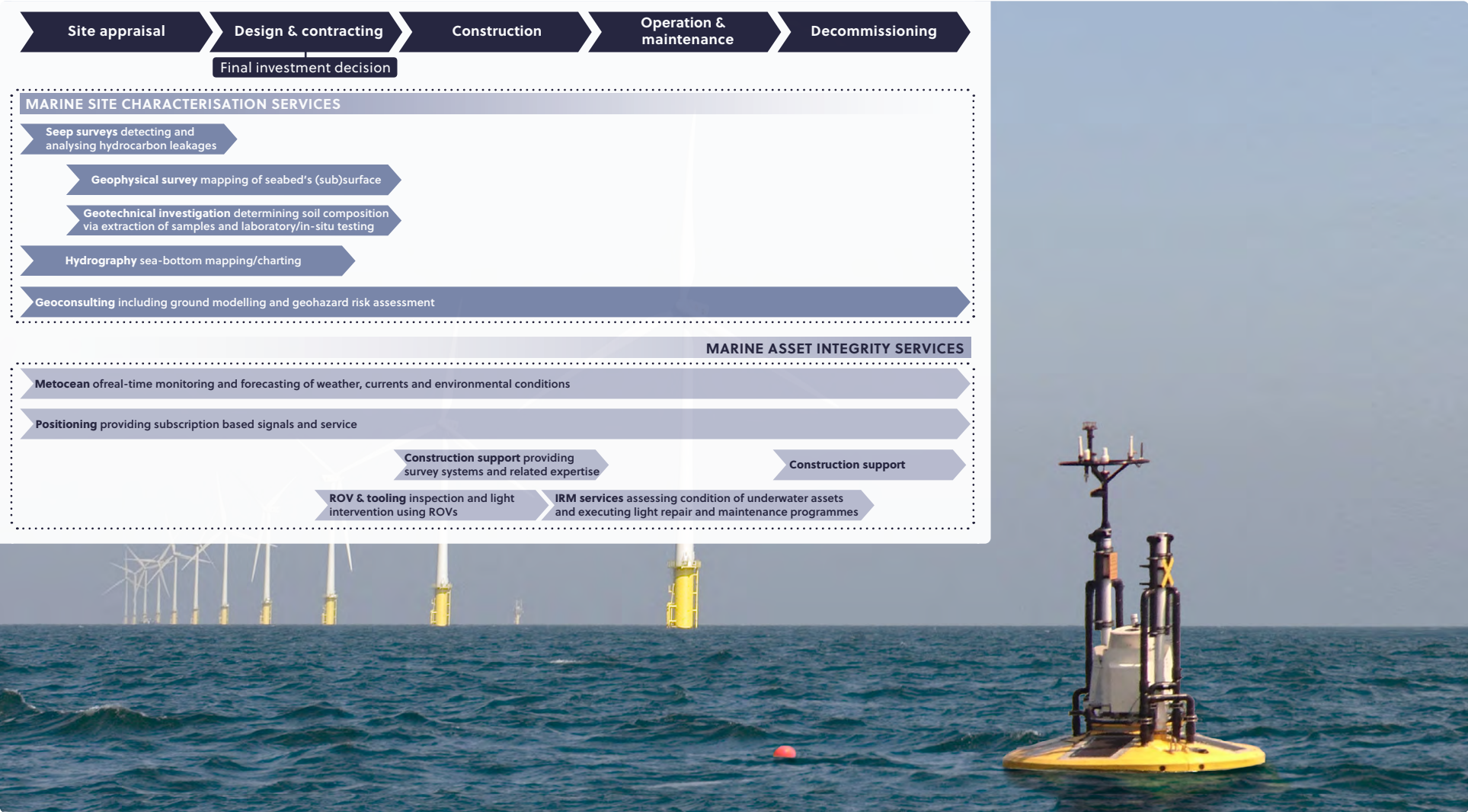
We are a worldwide top 3 player in our services, and leading in remote inspection for offshore assets. We offer invaluable insights to our clients by linking our asset integrity services to our unique knowledge of the sub-surface.

LAND ASSET INTEGRITY

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

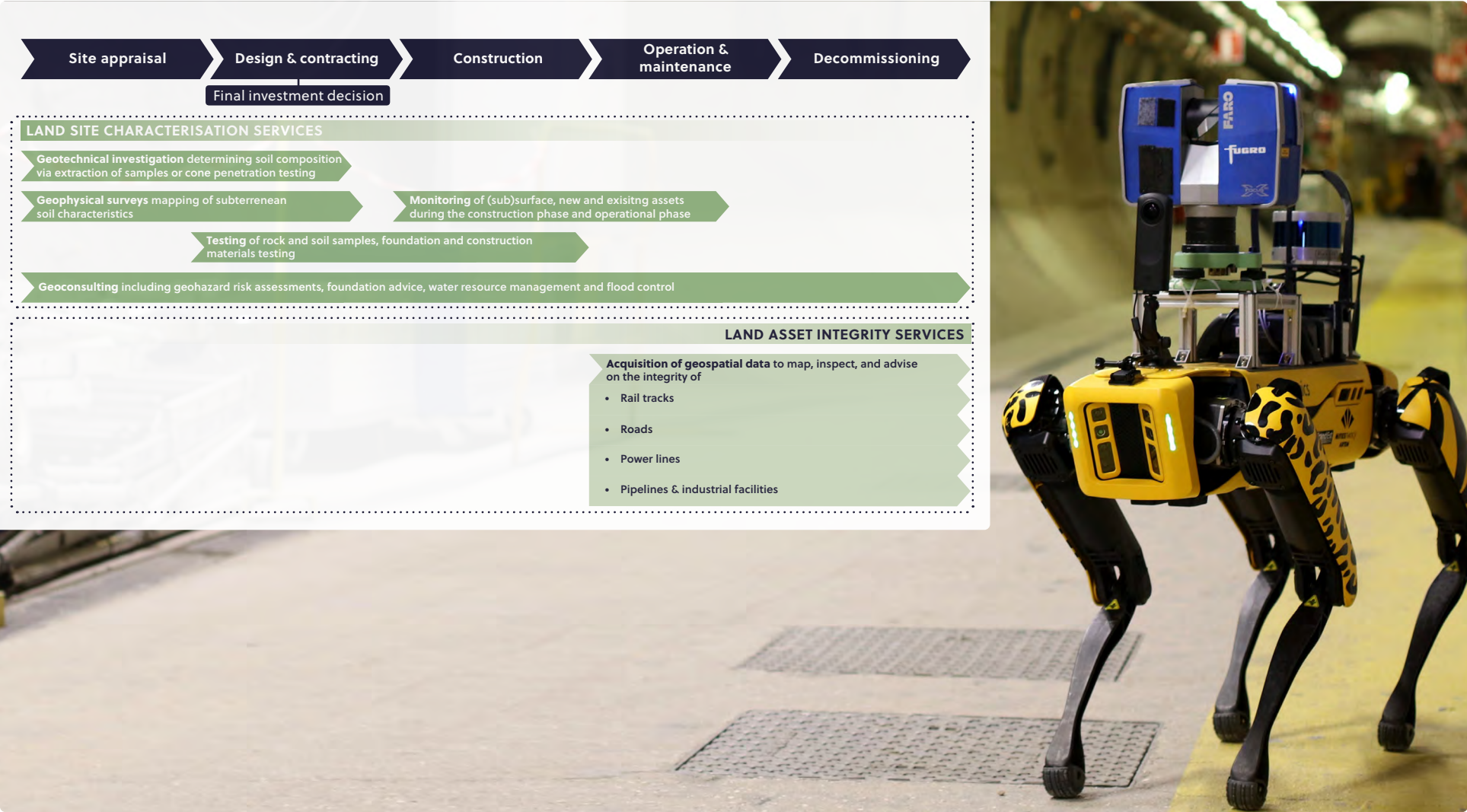
The offshore market is a global market with large, internationally active clients. With our global reach and integrated offering, we are the only company active in both site characterisation and asset integrity markets.

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



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

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



ORGANISATION

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 company is organised in four regions, which all operate the same four business lines: marine site characterisation, marine asset integrity, land site characterisation and land asset integrity.

The Executive Leadership Team (ELT) assists the Board of Management in managing the company, and is collectively responsible for the performance of the company and its business, the implementation of the strategy and group wide policies, systems and

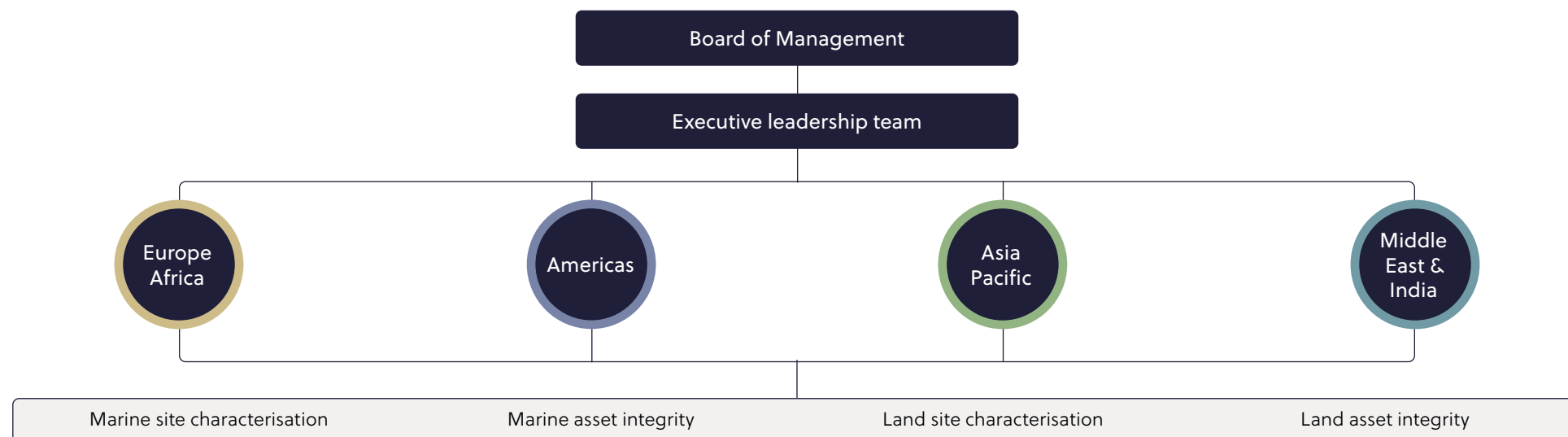
processes. Apart from the members of the Board of Management, this team consists of the four Regional Group Directors, a Group Director Digital Transformation & Innovation, the Group Director Human Resources and the General Counsel. CEO Mark Heine is chairman of both the Board of Management and the ELT.

In July 2019, Fugro announced that it had stepped up its efforts to sell its non-core stake in Seabed Geosolutions. As a result, the Geoscience division, which entirely consists of this interest, has been since designated as asset held for sale. Fugro in advanced exclusive negotiations with an interested potential buyer. Fugro closely monitors the progress on this

planned divestment and still considers it is highly probable that substantially all Seabed's business will be sold in the first half of 2021.

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

Organisational structure



7 AFFORDABLE AND
CLEAN ENERGY

ENERGY TRANSITION

High performance site investigation services for offshore wind

Fugro fulfils an important role in the ongoing energy transition, mostly through its wide range of site characterisation and asset integrity services for the safe, efficient and sustainable development of offshore wind parks. Fugro's Geo-data enhance the client's understanding of the ground risks associated with the project, de-risking the decision-making process. At the same time, Fugro's dedicated assets and purpose-built equipment ensure safe installation and cost-effective operation.

In August 2020, the CrossWind consortium, a joint venture between Shell and Eneco, was awarded the Hollandse Kust Noord development concession from the Dutch Government. The park will be located 18.5 km off the coast near Egmond aan Zee. The consortium plans to have it operational by 2023, enabling the supply of green energy to 1 million households.

Fugro supported the project with a comprehensive geotechnical site investigation, which started with an unexploded ordnance clearance survey. This was followed by a cone penetration test to determine the soil composition in order to gain insights for foundation design, using Fugro's SEACALF® MkV. This system is more cost-effective and penetrates deeper than conventional systems, shortening the fieldwork. ■



Strategy

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

Despite a significant decrease in activity levels in 2020 due to the pandemic, which is continuing well into 2021, the long term outlook across Fugro's key markets remains positive. The demand for energy and infrastructure is expected to further increase in the coming decades. Energy transition, sustainable infrastructure, digitalisation and climate change adaptation are key industry trends in our markets. Our Path to Profitable Growth strategy is based on three strategic objectives: capture the growth in energy and infrastructure, differentiate by integrated digital solutions and leverage core expertise in new growth markets. Drivers for the targeted improvement in profitability are mid-term revenue growth on the back of further diversification through strong growth in renewables, disciplined management of costs, working capital and liquidity, value-based pricing, digital transformation to increase efficiency and reorganisations.

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

environmental factors into our decision making to ensure our long-term success.

TRENDS IN FUGRO'S MARKETS

Population growth, urbanisation, climate change and technology are key global developments that are shaping our world. The world population will grow by approximately 2.0 billion in comparison with today, while over 1.3 billion people are moving into urban areas by 2050, providing enormous challenges for infrastructure around the world. Rapidly developing technologies with connected devices and robotics enable more remote solutions, which can deliver sustainable operations. With the growing necessity of a strong global response to limit climate change and its impact on society, an imminent and meaningful change in the world's energy mix is essential. Increasingly, extreme weather patterns lead to the need to protect ourselves and build safe living conditions.

In addition, governments, companies, and other organisations are increasingly experiencing active engagement by diverse stakeholder groups. Societal expectations regarding an organisation's contributions

in the fields of environment, social and governance (ESG) related aspects, such as carbon emissions, inclusive working and business ethics are definitely on the rise.

Covid-19 pandemic

Early 2020, the world was suddenly confronted with the outbreak of a global health crisis, which impacted economic growth and investment activities worldwide. In efforts to slow down the spread of the virus, governments around the world adopted various measures, such as shutdowns of non-essential businesses, social distancing requirements and travel restrictions. This negatively affected global economic activity levels. The pandemic has had, and is likely to continue to have, major implications for global economies and energy use. In the first quarter of 2020, global energy demand declined by 3.8%, year-on-year, followed by a slight increase in demand in the second quarter. Although a recovery of GDP is expected in 2021, new strains of the virus are resulting in ongoing lockdown measures and increasing uncertainty around the extent to which this recovery will materialise. Since the outbreak of the pandemic, investment budgets across industries have been hit hard, especially in the oil and gas sector. According to Rystad Energy,

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The world we live in is **changing faster than ever before**, driven by population growth, urbanisation, accelerating technological developments, the increasing effects of climate change and an **increasingly demanding society**

”

exploration and production companies are expected to have cut their investments by as much as 30% in 2020 as a result of the steep reduction in oil prices in the first quarter of 2020 following a strong decline in demand. According to Rystad Energy, demand is considered to have bottomed in the second quarter of 2020 and could return to 2019 levels at the end of 2021.

On the other hand, the impact of the pandemic on the renewables, infrastructure and nautical markets has been limited, due to the continued growth in the offshore wind market and due to aggressive governmental incentive programs, which have been put in place to support economic activity.

Above all, the pandemic has accelerated and intensified the attention for global developments, most notably climate change.

Energy transition

Businesses are adapting to a transformation of the global energy sector from fossil-based systems of energy production and consumption to renewable energy sources. Switching from non-renewable sources like oil, natural gas, and coal to renewable energy is enabled by technological advancements and a societal push toward sustainability. Spurred by structural changes to energy supply, demand, and prices, the energy transition aims to reduce energy-related greenhouse gas emissions through various forms of decarbonisation.

Sustainable infrastructure

Utility and transportation infrastructure is the backbone of any economy. However, most infrastructure was built decades ago and has gone past its original lifespan, safety and design criteria. Climate impact and deferred maintenance compound the challenges owners of these critical assets and networks face. Sustainability in infrastructure is about life-time extension, repair and replacement of existing aging infrastructure, and building smarter new infrastructure.

Complementing data-driven decision making, on the basis of high tech sensors, with risk based expert inspections and assessment will support better prioritisation of spending due to the onset of predictive asset management. A good understanding of the current status of infrastructure assets and the interaction with its ever evolving surroundings and subsurface environment, is essential to increase safety and reduce total cost of ownership.

Climate change adaptation

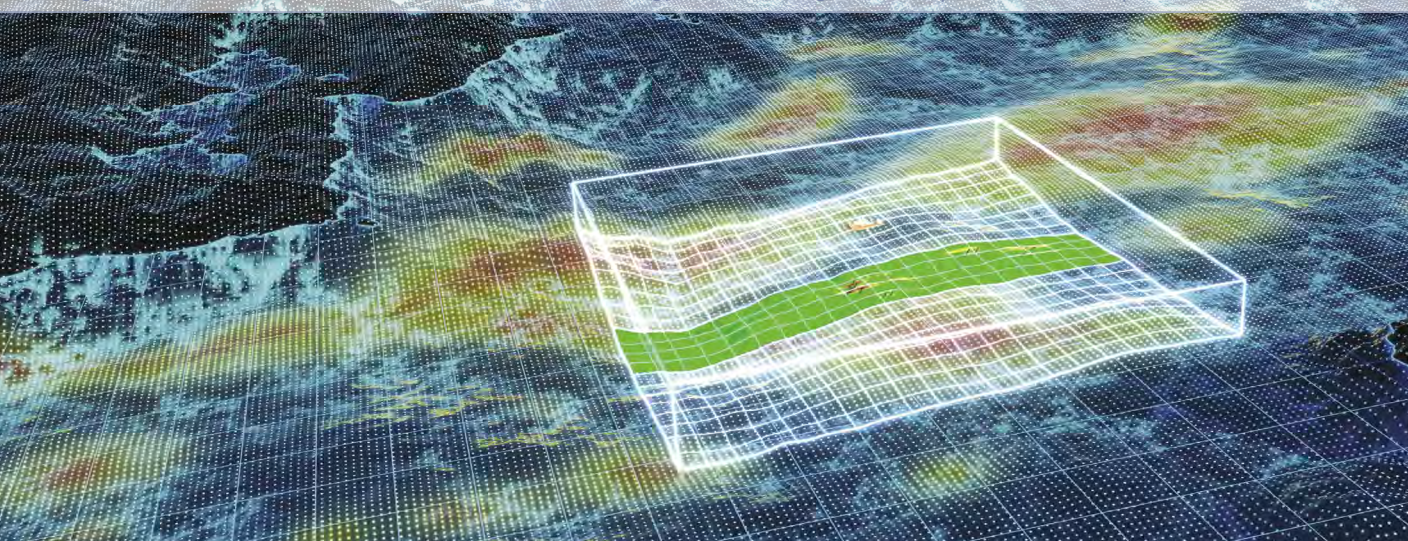
Climate change will lead to more challenges in the future, even if global efforts to reduce emissions prove to be effective. Extreme weather and climate-related events that result in hazards such as floods and droughts will become more frequent and intense in many regions. This leads to many adverse impacts on ecosystems, economic sectors, and human health and well-being.

Therefore, actions to adapt to climate change are paramount and should be tailored to the specific circumstances in different parts of the world. Governments and society are actively taking measures to counter and mitigate risks related to the sea-level rise by adequate coastal defence infrastructure and systems, levee reinforcements and acquiring detailed knowledge of the oceans to prevent flooding. In regions facing severe dry seasons, the need for innovative water sourcing and water management solutions is increasing.

Digitalisation

Technology is changing faster than ever before. With the advent of the so-called fourth industrial revolution, increasingly devices all over the world are 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.



OUTLOOK IN FUGRO'S MARKETS

Energy

According to the BP Energy Outlook 2020, the world economy continues to grow over the next 30 years, driven by increasing wealth and living standards in the developing world, albeit at a slower rate than in the past. Global GDP annual growth estimates average around 2.6% over the next 30 years. The expansion in global activity is supported by an estimated increase in the world's population by over 2 billion people to around 9.6 billion by 2050. The increase in income, particularly in China and India, is reflected in an increase in GDP per head, resulting in an increase in energy consumption per head.

Oil and gas

Oil and natural gas are expected to be a key source of energy in the medium to long term. Gas investments are expected to continue to grow driven by increasing energy demand and switching from higher carbon emission sources (coal in particular) to gas.

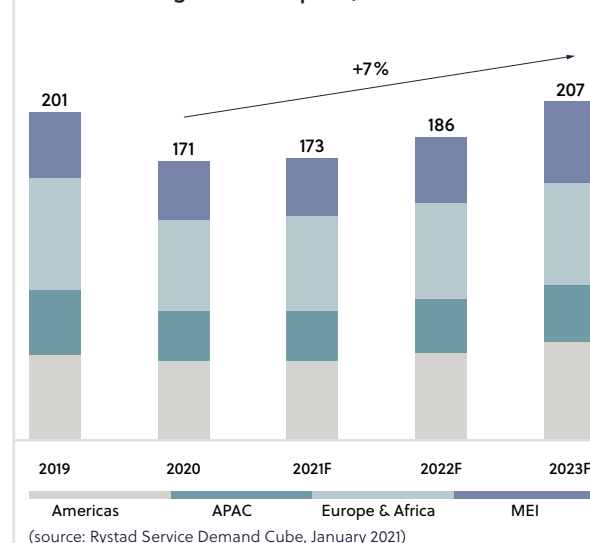
As production from current producing fields declines, new investments will be required to meet global oil demand.

According to Rystad Energy, the deviation from the long-term due to the pandemic has resulted in a short-term decline in investments and budgets cuts for the industry, but investments are expected to return to growth from 2022 onwards. Offshore oil and gas spend is primarily driven by drilling and production activity and the number of sanctioned projects. The number of offshore final investment decisions (FIDs) has fallen to 39 in 2020, reflecting the pandemic and lower oil price. Looking ahead, investments are expected to gradually increase across the full life cycle of oil and gas projects, albeit to lower levels compared to 2012-2014.

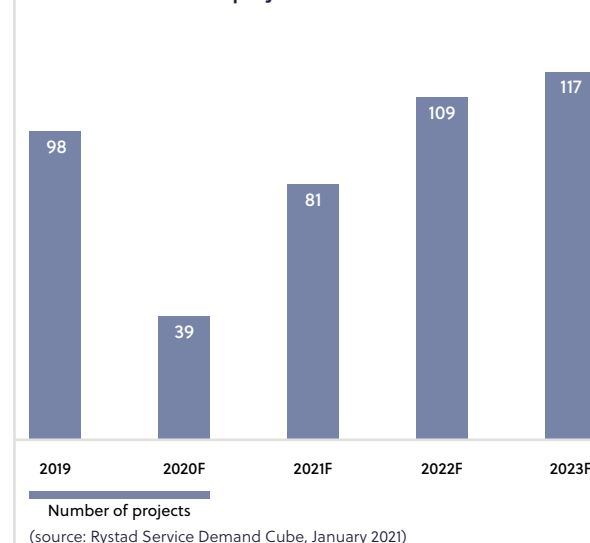
Renewables

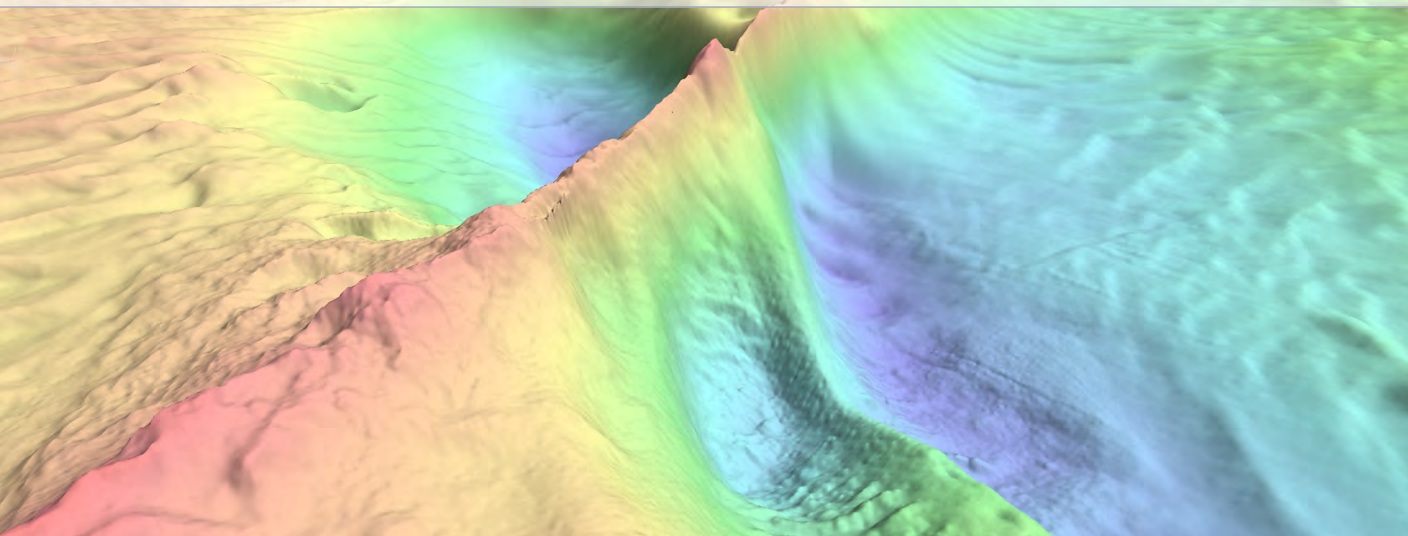
The transition to low carbon energy resources will result in a fundamental shift in the global energy system. The demand growth in global energy in the upcoming decades is envisioned to be fully absorbed by a variety

Offshore oil & gas market spend, USD billion



Number of offshore project final investment decisions





of renewable sources. The greater variety and growing share of renewable fuels means that the fuel mix is increasingly driven by customer choice rather than the availability of fuels.

The global offshore wind market, albeit smaller than the onshore market, grew nearly 30% per year between 2010 and 2019, benefitting from rapid technology improvements. The majority of the turbines has been so far installed in north-west Europe, but the trend is rapidly expanding to other countries. Over the next five years, about 150 new offshore wind projects are scheduled to be completed around the world, and the International Energy Agency projects that annual capacity additions are set to double over the next five years and increase almost fivefold by 2030, primarily driven by incentive policies in various countries.

In line with global wind power capacity increases, offshore wind capital expenditure is projected to increase at a compounded annual growth rate of 22%

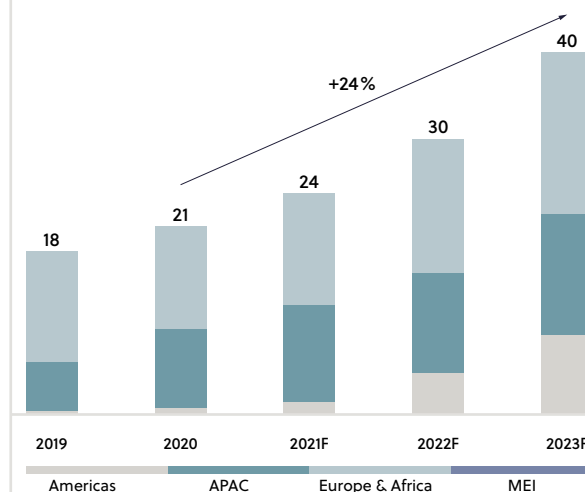
over the next 5 years, with a majority of the investments in Europe, while Americas shows a strong growth, albeit from a lower base.

As the global offshore wind market grows, countries will increase their reliance on power generated from this source to meet demand. Activities such as inspections of cables and foundation, as well as monitoring of the asset integrity of offshore wind farms once fully operational will be increasingly important to prevent any issues that might cause the interruption in power supply.

Infrastructure

Infrastructure investments are crucial for most advanced economies and those at the early stages of development alike. In mature economies, keeping pace with demand and building new and upgraded infrastructure is integral for efforts to sustain economic growth. In developing economies, infrastructure can have a transformative impact on the lives of citizens and

Offshore wind capex, EUR billion



(source: 4C Offshore, December 2020. Note: data exclude China)

business prospects as roads are built, reliable electricity generation sources installed and clean water made available to all.

The level of investments in infrastructure is directly correlated to economic growth. Although in 2020 the GDP growth was negative due to the Covid-19 pandemic, it is expected that there will be a strong recovery from 2021 onwards. According to the Global Data Construction Intelligence Centre, global infrastructure spend is expected to increase by approximately 29% between 2019 and 2024, from USD 610 billion to USD 784 billion.

As investments in roads and electricity networks are expected to continue growing, there is an increasing need for competent site investigation, quality data collection and accurate interpretation and advice to assist construction management companies through condition monitoring and evaluation, contributing to the feasibility, design, engineering, construction, maintenance and decommissioning stages of buildings, highways, railways, bridges, tunnels, ports and airports.

New growth markets

Coastal protection and land reclamation activities contribute to the sustainable growth of the water management sector. With rising sea levels threatening the viability of homes in coastal regions and deltas, effective solutions for protection and land reclamation are crucial. Additionally, harsh weather patterns and natural disasters are increasingly impacting high density population areas in river deltas and low-lying areas. Coastal areas tend to have high population levels and will continue to be economically important. At the same time, increasingly cases of drought are resulting in low ground water levels, subsidence risks and foundation issues. All in all, these challenges are necessitating additional investments in general water management, flood protection and coastal defence projects.

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

The effects of climate change, and the resulting need for mitigation measures to protect coast lines, also lead to a greater need for a thorough understanding of the oceans. This, in turn, increases the need for geospatial information. In general, the market for satellite positioning is set to continue to grow as a result of higher activity levels offshore, such as wind farm developments and maritime transport. This is compounded by increasingly remote technologies, innovations and increasing regulations regarding safety and sustainability.

PATH TO PROFITABLE GROWTH STRATEGY

Our 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.



Capture the growth in energy and infrastructure

In the long term, population growth and urbanisation are driving the growth of the energy and infrastructure, leading to growth in spending on renewable power and electricity networks, both on land and in marine environments, railways, roads, bridges, tunnels and other infrastructure, buildings and industrial facilities. We will grow our integrated client solutions within these markets, improving its asset utilisation and restructuring our service offerings in selected countries. 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, we are well positioned to capture the long term growth in these markets.

In the Marine business lines, Fugro will increase its integrated offering of data acquisition, analysis and advice of Geo-data, strengthen key account management and improve value-based bidding. We will continue to improve vessel utilisation and its operational excellence in every area to drive client satisfaction and cost efficiencies.

In the Land business lines, we will further grow our share of large complex infrastructure projects as Fugro is one of the few companies that can offer integrated Geo-data acquisition, analysis and advice. By strengthening our relationship with key clients in the engineering, procurement and construction segment, Fugro ensures that it is engaged from the very start of their projects and deliver a lower cost and more effective solution for them over the project lifecycle. Moreover, we are taking restructuring measures, aimed at specific services in certain countries to improve the overall profitability of the Land business lines.

The company will also continue recruiting the best in class personnel and training graduates and further implement an optimised pricing strategy across its business lines by transitioning towards more value based contracts.



Differentiate by integrated digital solutions

We are committed to maintaining our differentiated position as the most innovative Geo-data company across the markets in which we operate. We aim to continue to do so with strong client involvement to efficiently focus our research and development efforts on less capital-intensive solutions for our clients, such as autonomous vessels and remote operations that aim to reduce the overall cost of development and operation

of our clients' assets. Our emphasis on integrated digital solutions, and in particular autonomous vessels and remote operations, has provided and is expected to continue to provide us with a critical advantage over its competitors due to client's need to work remotely as a result of the pandemic.

We believe integrated digital solutions and flexibility between owned and chartered vessels are key in successfully serving clients across different end markets and adequately and swiftly reacting to changing market conditions. We will therefore increasingly pursue an asset light strategy, shifting towards more lightly crewed, sometimes uncrewed, vessels. We will accelerate the implementation of robotics and analytics across all its service lines. Autonomous assets are less capital intensive than those operated today for the same function.

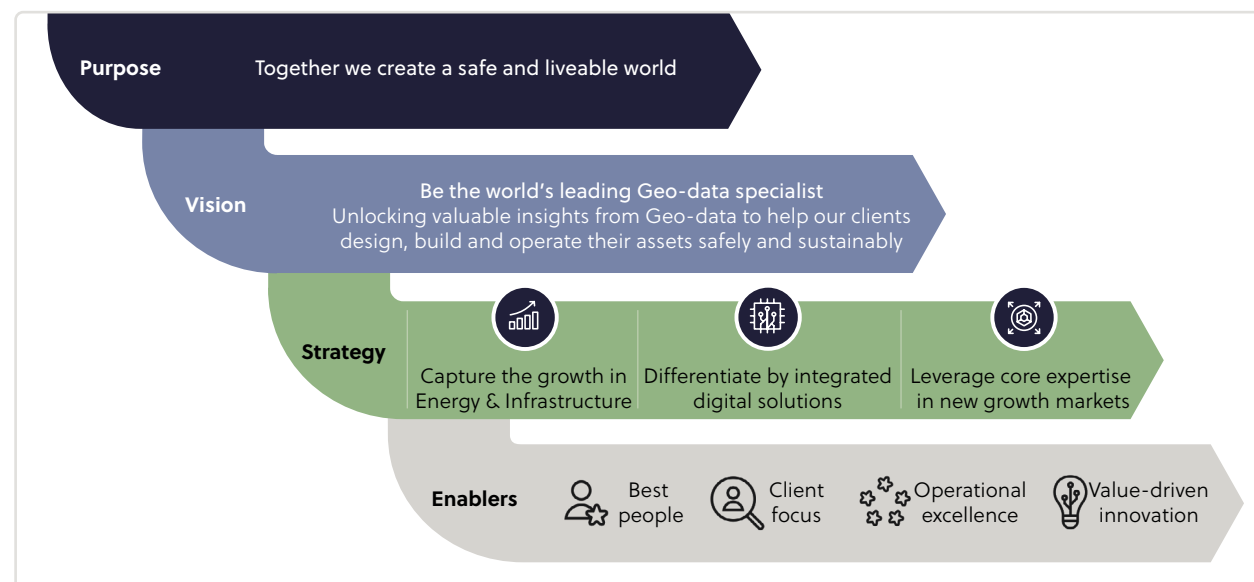
Fugro is also increasingly providing its clients with the Fugro's Digital Foundation: a digital, four-dimensional model combining all Geo-data acquired throughout the lifetime of the asset, artificial intelligence-driven analytics and related decision making. The resulting comprehensive web-based interface provides clients with (near) real-time insight into location and design optimisation, change detection and simulation, with the ultimate goal of reducing the overall costs of development and operation of clients' assets.



Leverage core expertise in new growth markets

While Fugro is already strongly positioned in supporting clients in its core markets (energy and infrastructure), it will continue to pursue further growth opportunities in these markets. Fugro is well positioned to leverage its existing expertise to develop new activities in adjacent and new markets. These new markets are driven by

Path to Profitable Growth strategic framework



population growth, urbanisation and climate change. For example, as the number and size of offshore wind turbines is growing, the need for inspection for repair and maintenance is increasing, especially in North-West Europe and on the east coast of the United States. We can use our existing expertise in asset integrity monitoring for existing offshore wind farms.

We are further leveraging our core expertise and assets to expand into the nautical market, such as in fresh water sourcing, coastal defence and flood protection. Due to our diversified fleet, we are well positioned to support the growing demand in the nautical market, allowing it to understand the characteristics of the oceans to manage diverse risks and opportunities. This growing demand originates from an increased

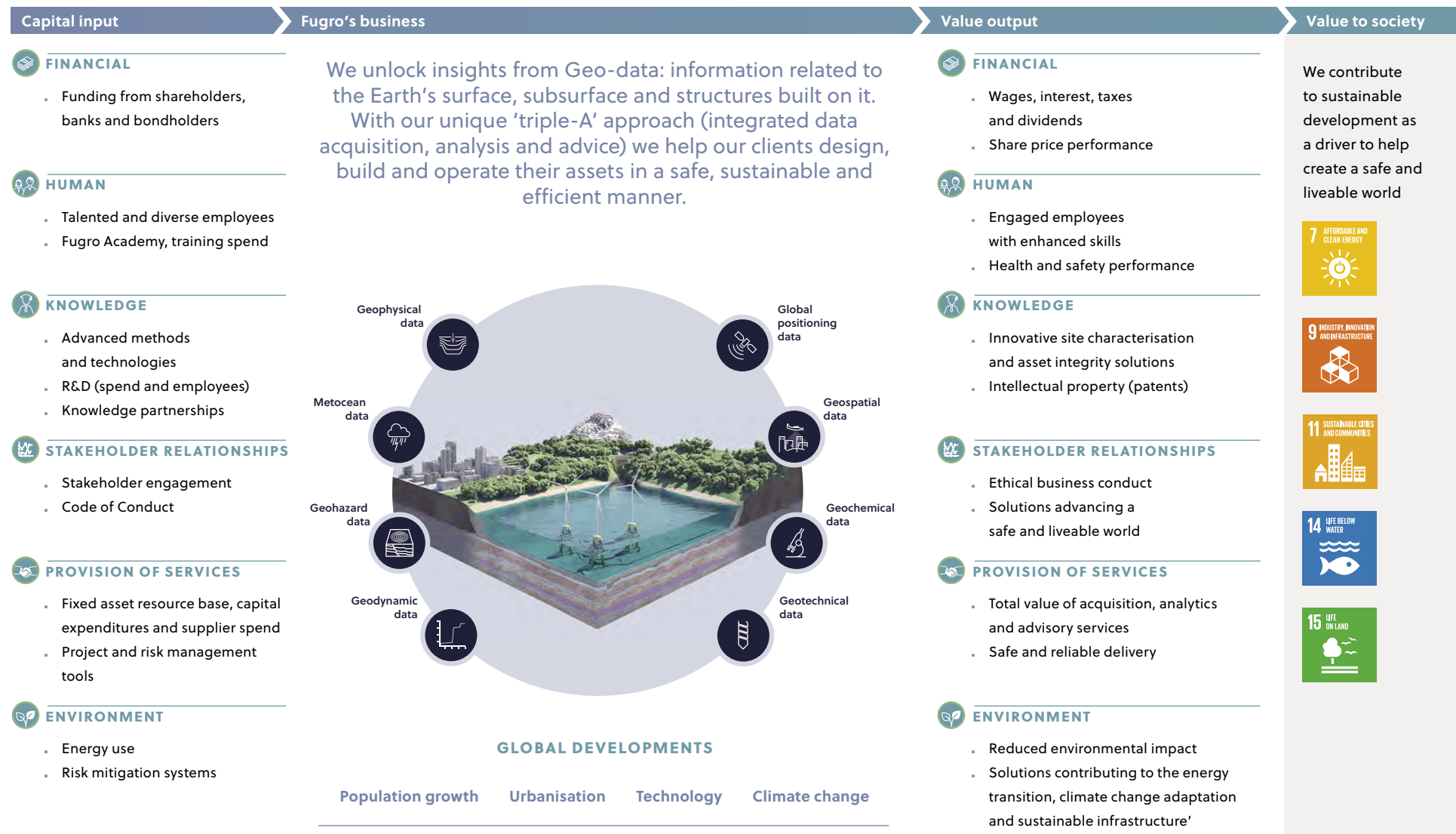
need to acquire information about the ocean, the seabed, the sea level rise and coastal protection as a result of the main trends of climate change. Fugro is committed to support diverse nautical clients' needs, including, for example, the growing market of cable route surveys for telecom infrastructure providers developing transatlantic communication infrastructures for their global networks.

LONG-TERM VALUE CREATION

We work closely with our clients and partners to build programmes to further improve safety and sustainability. We believe in sustainable development as a driver to help create a safe and liveable world.

This requires balancing the short- and long-term interests of our stakeholders and integrating social and environmental factors into our decision making to ensure our long-term success. 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.



ENVIRONMENT, SOCIAL, GOVERNANCE

Coming decades, population growth and urbanisation will lead to further increasing demands for energy, fresh water, food, minerals, metals, buildings, industrial

plants and infrastructure. These global developments, as demonstrated in this pandemic year, lead to massive and potentially disruptive challenges for the world. The impact of the effects of climate change are becoming increasingly visible by the day, with rising sea

levels putting coastal systems and low lying areas at risk, increasing pressure on ecosystems and biodiversity and decreasing diversity in ocean and marine ecosystems. The energy mix, infrastructure and built environments must evolve and adapt if tomorrow's problems are to be tackled successfully.

Interaction with key stakeholders

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

Fugro actively manages the risks and opportunities flowing from climate change for its own business operations and recognises its responsibility in climate change mitigation and adaptation. Fugro aims to further improve reporting on climate-related risks and opportunities. In 2020, we have set a new step by starting to use the Task Force on Climate-related Financial Disclosures TCFD framework. Guided by the framework we increased our insight into the potential impacts of climate change on the organisation by conducting a qualitative assessment. This allows us to better understand and validate the resilience of our organisation in the light of the risks and opportunities relating to climate change. At this stage we have not yet included a detailed scenario analysis, or a quantitative assessment of the financial impact. These elements of the framework will be included in future analyses.

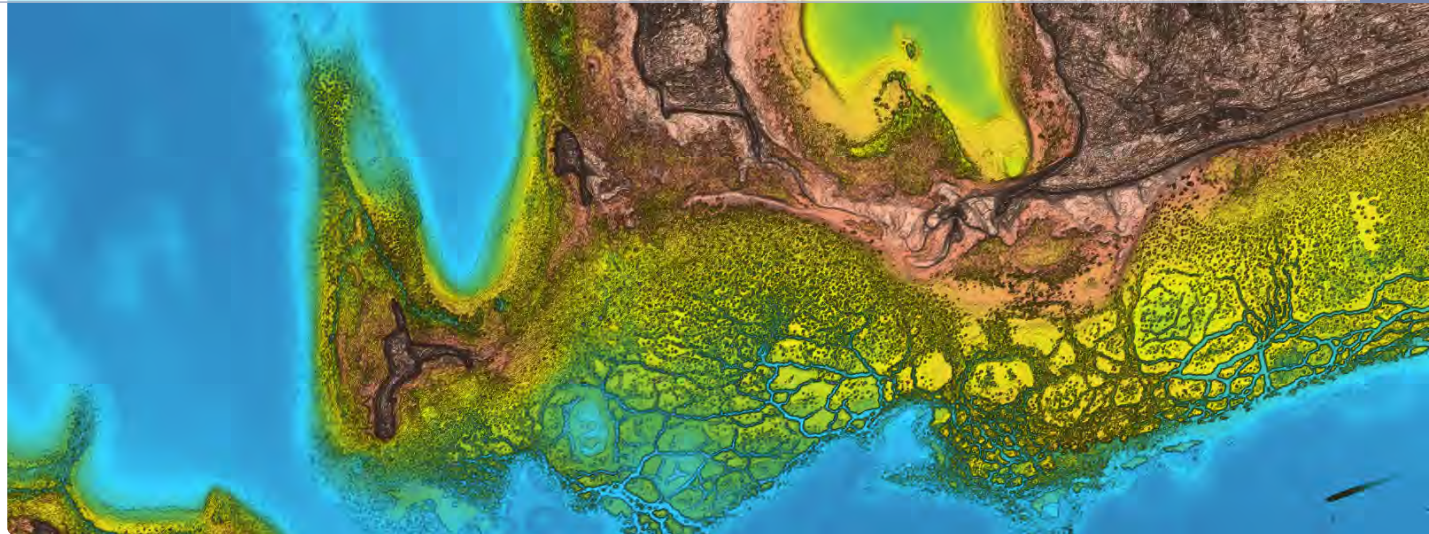
From the potential risk and opportunity categories as identified by TCFD, Fugro assessed in detail those categories considered relevant given Fugro’s business characteristics (e.g., sectors, clients, suppliers, and location of operations). For each opportunity and risk category, we identified actual, concrete risks and opportunities. These were assessed with the Executive Leadership Team and other senior key stakeholders in the company on potential impact and likelihood. The resulting assessment supports our strategy which, while managing the specific risks, rightly focusses on significant opportunities related to climate change, climate change adaptation and the transition to a lower carbon economy. As the world’s leading Geo-data specialist, we are increasingly involved in projects that map and mitigate the impact of climate change. New clients and markets such as offshore wind and other renewable energy sources, coastal protection, ocean science, flood control and urbanisation provide significant opportunities to expand our existing solutions offering.

In addition to opportunities to help our clients, we also identify opportunities for our own operations. Fugro is for example moving more to remotely operated vessels, which implies that we work with a smaller number of staff offshore, increasingly working from one of our eight remote operations centres onshore instead of fully crewed large vessels.

The climate-related risks we identified as relevant for Fugro relate mainly to the potential consequences if we would not act upon climate-related transitions fast enough. This could result in a suboptimal position in the competitive playing field or failure to meet regulatory requirements. Currently we are embedding the climate-related risk and opportunity management into our existing governance structure to ensure systematic inclusion of these topics. The most relevant risks will be included in our overall enterprise risk management. The most relevant opportunities will be included and where needed re-enforced in our strategic sales and marketing plans and effort.

Fugro values engagement with its stakeholders, supports them with extensive information on performance and progress, and actively seeks their opinions and ideas through regular discussions and consultation. Fugro continuously engages with key clients, shareholders, works councils, governments, local communities, industry contacts and research and development partners.

We are committed to conducting our business safely, using innovation for continuous improvement, and to minimising the impact on the environment, reducing CO₂ emissions while remaining compliant with relevant rules and regulations. The ESG topics with the highest priority for our stakeholders and with the largest business impact, are at the centre of our sustainability approach. The GRI standards have been used as guidance. In addition, Fugro endorses the OECD Guidelines for Multinational Enterprises.



Material topics

In 2019, Fugro undertook a comprehensive materiality assessment to ensure alignment of our material topics with evolving global trends and our strategy. The assessment was focused on those topics that are most relevant or impactful for both the company and its stakeholders. These topics support Fugro’s business objectives, purpose, and contribution to five of the UN Sustainable Development Goals. They are integrated into our decision making and reporting.

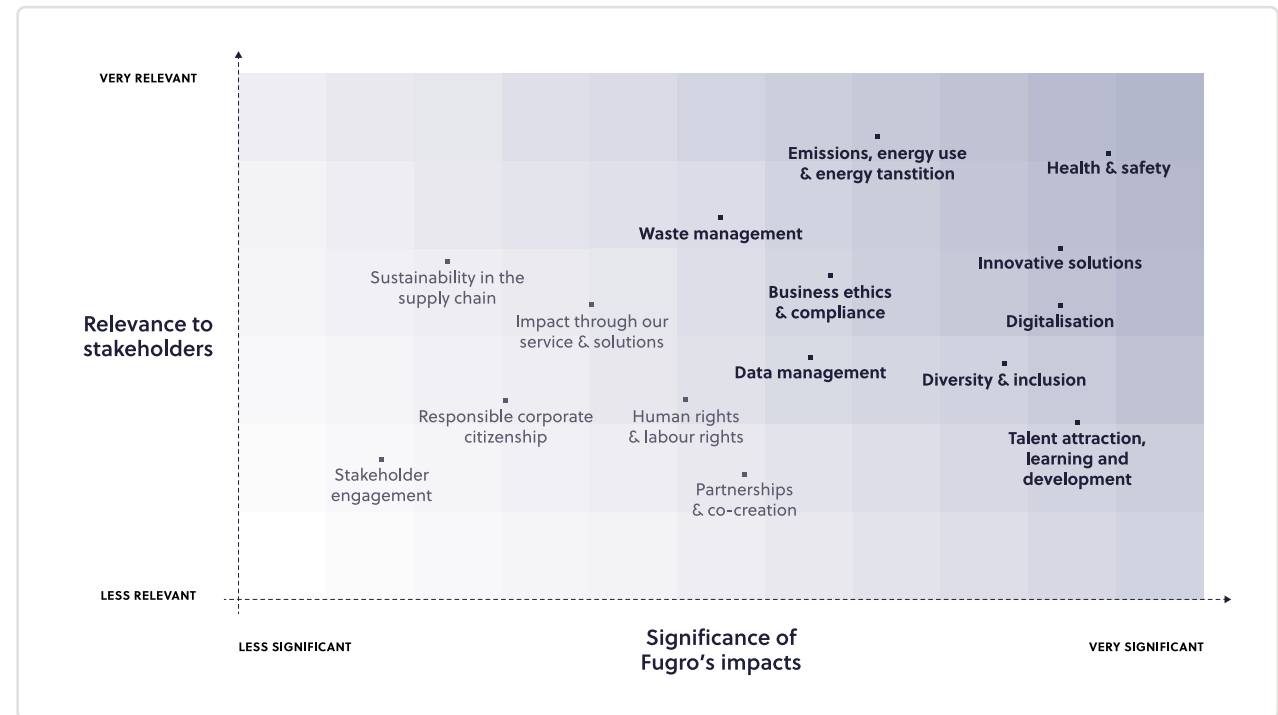
In 2020, progress on our material topics was centred around a number of key topics, partly driven by the pandemic. Throughout the year, maintaining the health and safety of our employees on projects and vessels was obviously key, as was supporting our employees with all the challenges of remote working. From an engagement perspective, we frequently engaged with our employees through internal webpages and Yammer, workshops, and webinars.

Environment

Driven by our objective to reduce our impact on the environment and meet global climate change related CO₂ reduction objectives, our focus on the energy transition relates to both the solutions that we provide, and the way in which we operate.

Our ambition is to support the transition towards carbon neutrality, sustainable infrastructure and climate resilience. For Fugro’s own operations, our ambition is to be carbon neutral by 2035, covering all direct and indirect emissions from our operations (scope 1 and scope 2 emissions). Dedicated programs are underway to reduce the CO₂ footprint of our vessels and other larger assets, amongst others by increasingly using lightly crewed vessels and remote services, as well as

Fugro’s materiality matrix



electrified and hybrid assets in the land site characterisation business line. In 2020, Fugro has continued to make progress on a series of environmental mid-term targets set in 2019 with the Board of Management and Executive Leadership Team; see 'Group performance - environmental' for details.

One of Fugro’s key strengths is the translation of technological innovations into integrated digital solutions. We deploy information technology to improve the quality, availability and accessibility of Geo-data and other Fugro services, while using safe and secure IT

and data-management services, internally as well as for our clients. We dedicate ample financial and non-financial resources to identifying and creating these new processes, ideas and solutions.

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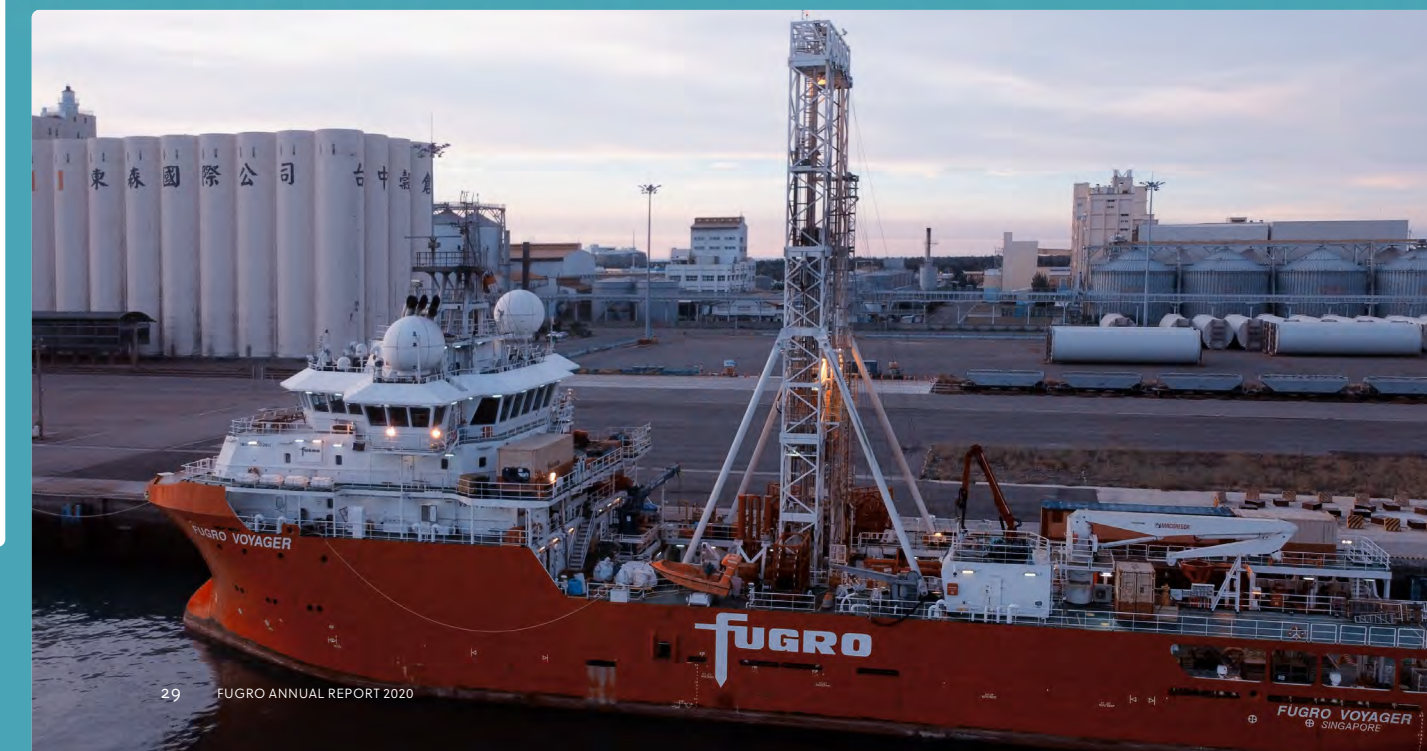
ENERGY TRANSITION

Fugro's expertise supports the nascent Asian offshore wind industry

In 2020, Fugro generated 21% of its revenues from renewables, mostly through its site characterisation and asset integrity services for the development and construction of offshore wind parks. Initially a mostly European market, these are by now being developed all over the world, among others in North America and Asia.

On the back of two earlier data acquisition campaigns, in September 2020 Fugro IOVTEC, a recently established local joint venture, completed the data acquisition phase for the third geotechnical site investigation project for Hai Long 2 and Hai Long 3 developments in Taiwan.

The work scope consisted of Geo-data acquisition at 14 wind turbine locations or 27 boreholes. The project was successfully completed by the Fugro Voyager, with the largest seismic cone penetration test scope completed to-date for single project in Asia Pacific followed by a comprehensive laboratory testing programme. ■



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

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Social

Fugro is as good as the people it employs. They are Fugro's strength and future, an engaged and skilled workforce is crucial to the success of Fugro. Learning and development continues to be an area of strong focus for Fugro, aiding in attracting, developing and retaining skilled staff in a competitive labour market.

Safety is key to all our operations. Fugro is committed to providing a safe working place to its employees, contractors and clients, and a strong focus on health and safety is an integral part of Fugro's operational management. Fugro firmly believes that incidents can be prevented. Management is accountable for training of employees and a proactive approach, embedding appropriate standards and practices in operations and workforce behaviours.

This firm commitment drives our approach to managing the pandemic. This has led to a focussed and pragmatic risk-based approach to operations, which also ensures the best outcome from a business continuity point of view. While there have been individual infections in

some parts of the business, serious vessel, project or office outbreaks have been prevented through rigorous management and response plans and clear crew-change protocols for vessel and remote project locations.

Fugro is an equal opportunity employer that values and promotes diversity and treats everyone with integrity and respect, irrespective of race, colour, religion, disability, national origin, genetic information, sex, age, sexual orientation, gender (including gender identity and expression), marital status, protected veterans status, union affiliation, citizenship status or any other characteristic protected by applicable law.

Governance

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, and by our business partners.

For details on the corporate governance structure of the company, refer to 'Corporate Governance'.

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. After a 2019 assessment of all sub targets of the SDGs, Fugro has decided to focus on 5 of the 17 SDGs where we consider our contribution most meaningful. Going forward we plan to report on our impact on these SDGs.



ESG organisation and reporting

Fugro's policies, performance and ambitions regarding its material topics are addressed in the chapter 'Group performance'.

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

Many ESG 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 related performance data have mainly been obtained from Fugro's global consolidation and management reporting systems. Seabed Geosolutions is not included in the sustainability performance data, as this is an asset held for sale. In 2020, further steps have been taken to improve the maturity of our non-financial key performance indicators, which will continue to grow further over time.

Seabed 2030 and Ocean Decade programs

Despite offering considerable energy, food, and medicine potential, the world lacks a comprehensive observation system of all oceans. To date, only 19% of the ocean floor has been mapped. Additionally, human activity has contributed to a decline in ocean health, and climate change is exacerbating disaster risks worldwide. Two closely related initiatives are helping address this issue. The United Nations Decade of Ocean Science for Sustainable Development (2021-2030) is a multifaced initiative to develop a common framework for ocean science. The Nippon Foundation-GEBCO Seabed 2030 Project is a collaborative project targeting a complete, freely available map of the world's oceans by 2030.

Fugro is a partner of both initiatives, and supports them amongst others with technology development and knowledge and data-sharing. In 2020, approximately 350,000 km² of in-transit bathymetry data was collected for Seabed 2030, bringing Fugro's total contribution to around 1,445,000 km² since the start of the project in

2017. Fugro is developing similar strategies around ocean observations to benefit the Decade, participating in numerous planning meetings and contributing to the development of the implementation plan. Fugro was featured in a case study in a joint publication of UNESCO's intergovernmental Oceanographic Commission and United Nations Global Compact, aimed at stimulating private sector participation.

To further promote the private sector's role in ocean stewardship, Fugro supported the United Nations Global Compact's Ocean Stewardship 2030 report. Related to this, in September 2020, Fugro CEO Mark Heine joined a group of global business leaders and United Nations and government decision makers in the first Ocean Stewardship Annual review meeting, which was convened online by the UN Global Compact and organised to coincide with the UN General Assembly. Fugro continues to actively promote the role of the private sector in numerous virtual meetings, panel discussions, symposiums and relevant publications.

Fugro contributes to five United Nations sustainable development goals



Ensure access to affordable, reliable, sustainable and modern energy for all.

Fugro provides site characterisation services for the development of a variety of clean energy resources, most notably for offshore wind farms. And although the energy transition is gathering pace, fossil fuels will remain an important part of the energy mix for years to come. Our sustainable and innovative solutions enable clients to develop vital fossil resources in a safe and responsible way, reducing their CO₂ footprint and mitigating risks. In addition, Fugro focuses on reducing its own carbon footprint, most notably from its vessels, through a variety of innovations and programmes.



Build resilient infrastructure, promote sustainable industrialisation and foster innovation.

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

Our monitoring solutions for railroads, roads and other critical assets provide our clients with guidance on the prioritisation of maintenance, improved safety, extended lifespans and lower cost of ownership. This is increasingly relevant as aging infrastructure tends to be used beyond its original lifespan and design criteria. Sustainability in infrastructure is about life-time extension, repair and replacement of existing aging infrastructure in the face of climate change impacts. Fugro actively partners with governments, industry, research and development institutes globally and participates in standard setting organisations.



Make cities inclusive, safe, resilient and sustainable.



Conserve and sustainably use the oceans, seas and marine resources.

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



Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss.

Fugro is involved in minimising the impact on terrestrial ecosystems and land degradation through combatting drought, flooding, through sustainable levee designs as well as our water management consultancy. The need for sustainable management of forests and combatting desertification and halting biodiversity loss requires urgent attention to help minimise further global warming. Fugro's digital asset management solutions drive grid maintenance modernisation and resilience, and help prevent bushfires. Fugro assists in sustainable management of forests and helps to prevent biodiversity loss using our extensive know-how in area imagery.

Various organisations are including Fugro in their ESG rating systems and benchmarks. These aim to equip stakeholders with the insight they need to manage ESG related risks and better address their social and environmental impacts. Investors and clients increasingly use these ratings as part of their investment or commercial decision making processes. Fugro actively engages with those benchmarks that are most relevant to our stakeholders, and uses the learnings to enhance transparency and achieve continuous improvement in these scores going forward.



Scorings in various ESG benchmarks

	2020	2019	Rating scale From good to bad	Brief description
CDP	C	D	A-D	CDP runs the global disclosure system for mainly investors and companies to manage and understand their environmental impacts
Sustainalytics	19.4 (low risk)	28.0	0 - 40+	Sustainalytics' ESG Risk Ratings assesses financially material ESG data and issues that affect the long-term performance of the rated companies
MSCI	AA	AA	AAA– CCC	MSCI ESG Rating measures a company's resilience to long-term, industry material environmental, social and governance risks
Vigeo Eiris	N.A.	40	100–0	Vigeo Eiris sustainability ratings combine a range of environmental, social and governance data points to assess how companies are responding to the various sustainability challenges they face
VBDO Tax Transparency Benchmark	17; ranking 39 out of 77 companies	18	35-0	Dutch Association of Investors for Sustainable Development's annual survey into good tax governance



SUSTAINABLE INFRASTRUCTURE

Efficient routing of sub-sea fibre-optic cables to improve digital communication



Over the coming decades, population growth, economic development and urbanisation will result in increasing demand for energy, water, food, minerals, metals, housing, industrial plants and infrastructure. Fugro contributes to building and maintaining modern infrastructure such as the safe and efficient routing of telecoms cables.

Since the first quarter of 2020, Fugro is supporting Alcatel Submarine Networks with a number of geophysical and geotechnical surveys for the 2Africa subsea fibre-optic cable project. Once installed, this system will connect 23 countries in Africa, the Middle East and Europe and deliver more than the total combined capacity of all subsea data cables serving Africa today. Working towards a completion date in

2023/early 2024, the system will be over 37,000 km long, supporting the growth of 4G, 5G and fixed broadband access for hundreds of millions of people and businesses and will be a major driver for further economic development.

Fugro is supporting the project with offshore and onshore survey expertise and consultancy. Activities comprise a geophysical route survey and geotechnical testing in order to optimise the engineering, manufacturing and routing of the cable. The work was complicated by the Covid-19 pandemic and the associated protocols and travel restrictions, but Fugro's rigorous project management and the strategic partnership with ASN allowed for execution of the project as planned. ■

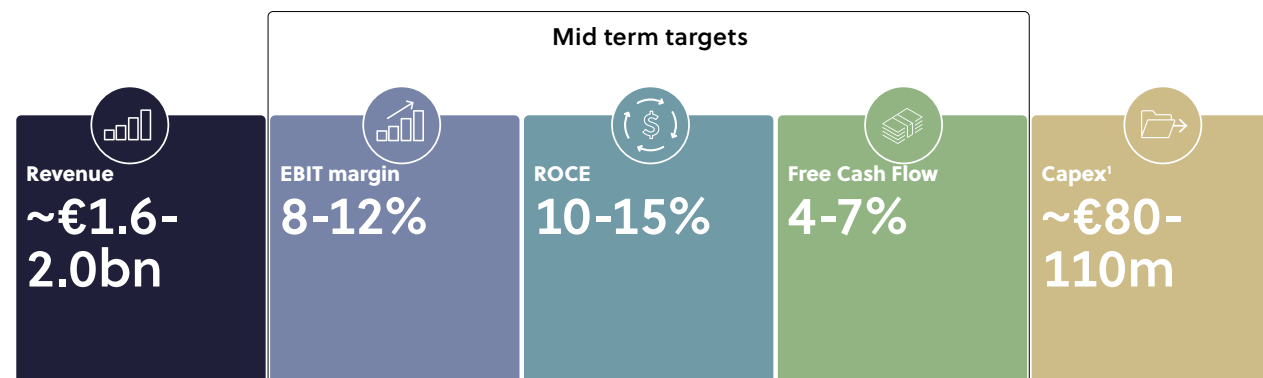
Mid-term financial guidance

For the mid-term, Fugro targets an EBIT margin of 8–12%, return on capital employed of 10–15% and a free cash flow of 4–7% of revenue, on expected revenues of EUR 1.6–2.0 billion.

Drivers for the targeted improvement in profitability are mid-term revenue growth on the back of further diversification through strong growth in renewables, disciplined management of costs, working capital and liquidity, value-based pricing, digital transformation to increase efficiency and reorganisations.

In light of Fugro's current asset base and less capital intensive business model going forward, Fugro expects average annual capital expenditure of around EUR 80 to 110 million to support profitable organic growth (excluding Seabed Geosolutions; EUR 100 to 130 million including Seabed).

Fugro intends to maintain a conservative financial policy. As a result of gradual improvement in profitability in combination with disciplined capital allocation, including selective technology differentiating acquisitions and divestment of non-core assets, Fugro targets an annual positive free cash flow resulting in a reduction of net debt, deleveraging of the balance sheet, and consequently a net leverage ratio below 1.5 times. The company will only resume dividend payments once leverage structurally allows.



Financials are excluding Seabed, unless stated otherwise. The use of 'mid-term' should not be read as an indication of any particular financial year, guidance assuming no material impact from additional Covid-19 developments.

¹ EUR 100 – 130 mln incl. Seabed.

Group performance

FINANCIAL

Key figures

from continuing operations unless otherwise indicated

(x EUR million)	2020	2019
Revenue	1,386.3	1,631.3
<i>comparable growth</i> ¹	(12.4%)	2.7%
Adjusted EBITDA ²	162.0	184.9
Adjusted EBIT ²	48.2	68.0
Adjusted EBIT margin ²	3.5%	4.2%
EBIT	19.8	25.6
Net result ³	(74.0)	(39.6)
Net result incl. discontinued operations ³	(173.8)	(108.5)
Backlog next 12 months	866.2	1,011.1
<i>comparable growth</i> ¹	(8.0%)	9.9%
Cash flow operating activities after investing	105.4	58.3
Cash flow operating activities after investing incl. discontinued operations	88.4	22.8
Net leverage ⁴	2.1	4.0

¹ Corrected for currency effect.

² Adjusted for specific items: onerous contract provisions, restructuring cost, impairment losses, and certain advisor/ other costs.

³ Attributable to the owners of the company.

⁴ Total debt (incl. subordinated debt) minus cash on balance sheet divided by last 12 months adjusted consolidated EBITDA for covenant purposes, including IFRS 16; 2019 numbers provided for information only as the definition was changed after the Q4 2020 refinancing.

Currency comparable revenue declined by 12.4% to EUR 1,386.3 million, as a result of the operational challenges caused by the pandemic and the related reduced spending by oil and gas clients. With 19.3%, revenue decline was the strongest in the second quarter and had reduced to 12.8% in the fourth quarter. The full year decline in oil and gas revenue of 23% was partly offset by 28% growth in offshore wind.

In March 2020, Fugro immediately started with the implementation of a comprehensive cost reduction programme to deal with the impact of the pandemic. This included a workforce reduction by around 10%, a reduction of overhead costs, a cut on executive pay and minimised usage of short-term charters. The implementation is on track and is expected to achieve annualised savings of around EUR 130 million, EUR 10 million in excess of the initial target of EUR 120 million; to date savings of around EUR 95 million have been realised.

Adjusted EBITDA was higher than expected at EUR 162.0 million (2019: EUR 184.9 million). Adjusted EBIT amounted to EUR 48.2 million (2019: EUR 68.0 million), resulting in an adjusted EBIT margin of 3.5%, only slightly down from 4.2% in 2019. The margin improved to 6.5% in the second half-year compared to 5.4% in the second half of 2019, and 0.6% in the first half-year. In the second half-year, the margin of the Marine business was still lower compared to the second half of 2019, but this was offset by the Land business where restructuring contributed to an improved margin.



REVIEW BY BUSINESS

Marine

Key figures, adjusted¹

(x EUR million)	2020	2019
Revenue	963.1	1,171.6
<i>comparable growth²</i>	<i>(15.2%)</i>	<i>5.7%</i>
EBITDA	125.3	160.0
EBIT	33.8	66.5
EBIT margin	3.5%	5.7%
Backlog next 12 months	597.2	704.0
<i>comparable growth²</i>	<i>(9.1%)</i>	<i>11.6%</i>
Capital employed	701.8	878.5

¹ EBIT(DA) adjusted for specific items.

² Corrected for currency effect.

- Revenue decline in the second half-year of 20% was similar to the decline in the second quarter when the pandemic and downturn in oil and gas started to impact the business. Both site characterisation and asset integrity were impacted, although site characterisation to a lesser extent thanks to a 28% increase in offshore wind revenue. Overall vessel utilisation was 66% compared to 71% in 2019.
- The impact of the revenue decline was to a large extent offset by cost reductions. The decline in EBIT is mostly related to asset integrity in Europe-Africa and site characterisation in Middle-East & India, both significantly exposed to the oil and gas market.
- Site characterisation backlog increased slightly, benefitting from the strong growth in offshore wind activities. Asset integrity backlog declined strongly in all regions except the Americas. Furthermore, backlog was impacted by selective tendering, following actions to rationalise the portfolio and improve profitability.

EBIT was impacted by EUR 28.4 million specific items. This included EUR 17.6 million of restructuring costs and EUR 5.9 million impairment losses. Net result includes specific items, including non-cash impairments (mainly deferred tax assets), restructuring costs and currency revaluation losses.

Fugro's 12-month backlog at year-end was solid at EUR 866.2 million, which represents an 8.0% decrease compared to a growing pre-Covid backlog at the end of 2019. The marine site characterisation and land asset integrity backlogs were up, offset by a decrease in the other two business lines.

Cash flow from operating activities after investing was strong at EUR 105.4 million, as a result of solid EBITDA performance, exceptionally good working capital management and proceeds from the sale of Global Marine (EUR 49.9 million). Working capital as a percentage of 12-months rolling revenue was 8.1% at the end of December, in part related to deferred tax payments (of around EUR 20 million), compared to an

already low level of 9.5% a year ago. Days of revenue outstanding decreased to 83 days compared to 88 last year. Cash flow from operating activities after investing for discontinued operations was negative EUR 17.0 million.

The equity raise and the positive cash flow resulted in a significant reduction in net debt to EUR 295.8 million (including Seabed Geosolutions) as per 31 December 2020, from EUR 593.1 million at half-year 2020 and EUR 666.3 million at year-end 2019. Excluding the impact of IFRS 16 lease accounting, net debt decreased to EUR 163.1 million from EUR 503.3 million.

Net leverage based on the new covenant definition (including total net debt and the impact of IFRS 16) was 2.1 at year-end, versus a comparable net leverage of 4.0 a year ago. Excluding IFRS 16, net leverage decreased to 1.6 compared to 3.9 a year ago. Liquidity at year-end 2020 is solid with over EUR 400 million in cash and available facilities. Solvency at year-end amounted to 41.3%; at year-end 2019 the comparable number was 29.1%.

Land

Key figures, adjusted¹

(x EUR million)	2020	2019
Revenue	423.2	459.7
<i>comparable growth²</i>	(5.4%)	(3.8%)
EBITDA	36.7	24.9
EBIT	14.4	1.5
EBIT margin	3.4%	0.3%
Backlog next 12 months	269.0	307.1
<i>comparable growth²</i>	(5.4%)	6.3%
Capital employed	173.0	231.9

¹ EBIT(DA) adjusted for specific items.

² Corrected for currency effect.

- After a 11.2% decline in the first half-year due to the pandemic, revenue was slightly up in the second half. For the full year, site characterisation decreased slightly; asset integrity showed a double-digit decline. The decline was particularly large in the Americas due to operational complexities and project delays caused by Covid-19. Europe-Africa showed a decline as well, but much less.
- The EBIT margin was 7.6% in the second half-year, up from a marginal loss in the first half-year. On a full year basis, the margin also improved, partly as the result of the ongoing turnaround programme. In addition, in the second half of 2020, EBIT benefitted from a transaction result on a property sale in China. In various countries, negative Covid-19 impacts were mitigated by government support. The margin of asset integrity was still negative, due to the strong revenue decline and continued investment to scale the business.
- Asset integrity backlog was up while site characterisation backlog was down compared to a strong pre-Covid-19 backlog at the end of 2019.

Held for sale: Seabed Geosolutions

Fugro's stake in Seabed Geosolutions is classified as 'held for sale' as per half year 2019 and therefore no longer part of Fugro's continuing operations. Fugro considers it highly probable that Seabed's business will be sold in the first half of 2021.

Key figures, adjusted¹

(x EUR million)	2020	2019
Revenue	62.8	135.6
<i>comparable growth²</i>	(52.7%)	31.7%
EBITDA	3.6	(10.9)
EBIT	3.6	(20.5)
EBIT margin	5.7%	(15.1%)
Backlog next 12 months	67.1	110.1
<i>comparable growth²</i>	(33.1%)	(22.7%)
Capital employed	0.4	86.1

¹ EBIT(DA) (margin) adjusted for specific items.

² Corrected for currency effect.

- After operating up to three crews early in the year, activities came to a halt after the outbreak of the pandemic. The S-79 project in the Middle East was suddenly terminated and a planned project in Brazil was postponed. No crews have been active since May 2020. Operations restarted towards the end of the year with the mobilisation of the previously postponed Brazil survey. With an expected start of the Petrobras Sapinhoa project immediately thereafter, the crew on these projects is firmly booked until the end of the third quarter.
- Immediately following the outbreak of the pandemic, a major restructuring was implemented, resulting in a total FTE reduction of around 60% as compared to the start of 2020.
- EUR 98.9 million of specific items have been recognised, consisting of non-cash impairments of

assets (EUR 70.0 million), one-off project charges and onerous contract provisions due to early termination of the S-79 project (EUR 24.8 million) and restructuring charges (EUR 4.1 million).

- The 12-month backlog increased in the fourth quarter as a result of the award of two surveys in Brazil in October. Year-on-year, the 12-month backlog decrease reflects the current market dynamics and company restructuring. Nevertheless, tendering activity continues in certain core markets, especially the US Gulf of Mexico and Brazil.

Outlook

In the longer term, population growth, urbanisation and climate change are driving the growth of the energy, infrastructure and nautical markets. This is leading to increased spending on renewable energy, power and electricity networks, subsea telecom cables, coastal defence, hydrography and freshwater development projects. This will create ample opportunities for Fugro. Energy transition, sustainable infrastructure, digitalisation and climate change adaptation are key trends in our markets. For 2021, offshore wind, in which Fugro has a strong position and reputation, is anticipated to show continued growth. Growth in the infrastructure markets is expected to resume as of 2021, driven by governmental investments to fuel the economy. The oil and gas market is expected to remain volatile in 2021.

The Covid-19 pandemic is expected to continue to impact societies and thus economic activity in the coming quarters, although Fugro anticipates a return to more normal market conditions in the second half of the year. The company continues to focus on managing costs and cash flow, and operational and commercial excellence, with the aim of improving the margins. Capex for continuing operations will be around EUR 80-90 million.

HIGHLIGHTS INCOME STATEMENT – CONTINUING OPERATIONS

Result

(x EUR million)	2020	2019
Adjusted EBITDA¹	162.0	184.9
Depreciation	(111.9)	(113.9)
Amortisation	(1.9)	(3.0)
Adjusted EBIT¹	48.2	68.0
Specific items on EBIT	(28.4)	(42.4)
EBIT	19.8	25.6
Net finance income/(costs)	(74.0)	(57.8)
Share of profit/(loss) in equity accounted investees	7.4	9.2
Income tax gain/(expense)	(25.2)	(13.8)
(Gain)/loss on non-controlling interests from continuing operations	(2.1)	(2.8)
Net result from continuing operations	(74.0)	(39.6)
Result from discontinued operations	(99.8)	(85.6)
(Gain)/loss on non-controlling interests from discontinued operations	–	16.7
Net result including discontinued operations	(173.8)	(108.5)

¹ EBIT(DA) adjusted for specific items.

Specific items

Specific items relate to restructuring costs (EUR 17.6 million), various asset impairments (EUR 5.9 million) and certain other costs (EUR 4.9 million).

Net finance costs

Finance income/(costs)

(x EUR million)	2020	2019
Finance income	2.2	3.9
Interest expenses	(46.0)	(52.1)
Exchange rate variances	(30.2)	(9.6)
Finance expenses	(76.2)	(61.7)
Net finance costs from continuing operations	(74.0)	(57.8)
Net finance costs from discontinued operations	(3.1)	(1.1)

Finance income decreased by EUR 1.7 million to EUR 2.2 million primarily as a result of lower interest income on outstanding bank balances. Finance expenses increased by EUR 14.5 million to EUR 76.2 million as a result of increased losses on exchange rate variances related, among others, to the devaluation of US dollar, the Singaporean dollar and the Angolan kwanza against the Euro. This was partly offset by lower interest expenses resulting from lower loans and borrowings.

Share of profit of equity accounted investees

The share of profit of equity-accounted investees was EUR 7.4 million compared to EUR 9.2 million in 2019. It mainly comprises the results of joint ventures, including the joint venture with China Oilfield Services Limited, and Fugro's remaining interest in Global Marine Holdings.

Income tax expense

The income tax expense increase of EUR 11.4 million was mainly the result of the write down of deferred tax assets primarily related to the USA, partly offset by changes in geographical composition of taxable income and the recognition of deferred tax assets related to certain previously unrecognised tax losses.

Gain on non-controlling interests from continuing operations

The EUR 2.1 million gain was attributable to non-controlling interest mainly consists of the profit of a subsidiary in the Middle East.

Result from discontinued operations

Net result from discontinued operations amounted to a loss of EUR 99.8 million. The sudden and early termination of the S-79 contract resulted in one-off project charges and onerous contract provisions amounting to EUR 24.8 million. In addition, result was affected by a EUR 70.0 million non-cash impairment and EUR 4.1 million restructuring charges.

The impairment of EUR 70.0 million relates to goodwill (EUR 12.5 million) and other non-current assets including operational equipment and vessel related assets.



HIGHLIGHTS BALANCE SHEET AND CASH FLOW – FROM CONTINUING OPERATIONS

Working capital

Working capital

(x EUR million)	2020	2019
Working capital from continuing operations	111.7	154.1
Working capital as % of last 12 months revenue	8.1%	9.5%
Inventories	27.6	29.7
Trade and other receivables	406.3	485.7
Trade and other payables	322.2	(361.3)
Days revenue outstanding	83	88
Working capital from discontinued operations	(6.6)	(0.7)

Working capital as a percentage of 12-months rolling revenue was 8.1% at the end of 2020 compared to 9.5% a year ago, reflecting very good collections but also EUR 19.6 million of deferred tax payments granted to mitigate the impact of the Covid-19 pandemic. Days of revenue outstanding was 83 days, compared to 88 last year.

Capital expenditure

(x EUR million)	2020	2019
Maintenance capex	47.6	41.3
Other capex (including fixed assets under construction)	33.6	41.8
Capex from continuing operations	81.2	83.1
Capex from discontinued operations	5.8	23.1

7 AFFORDABLE AND
CLEAN ENERGY

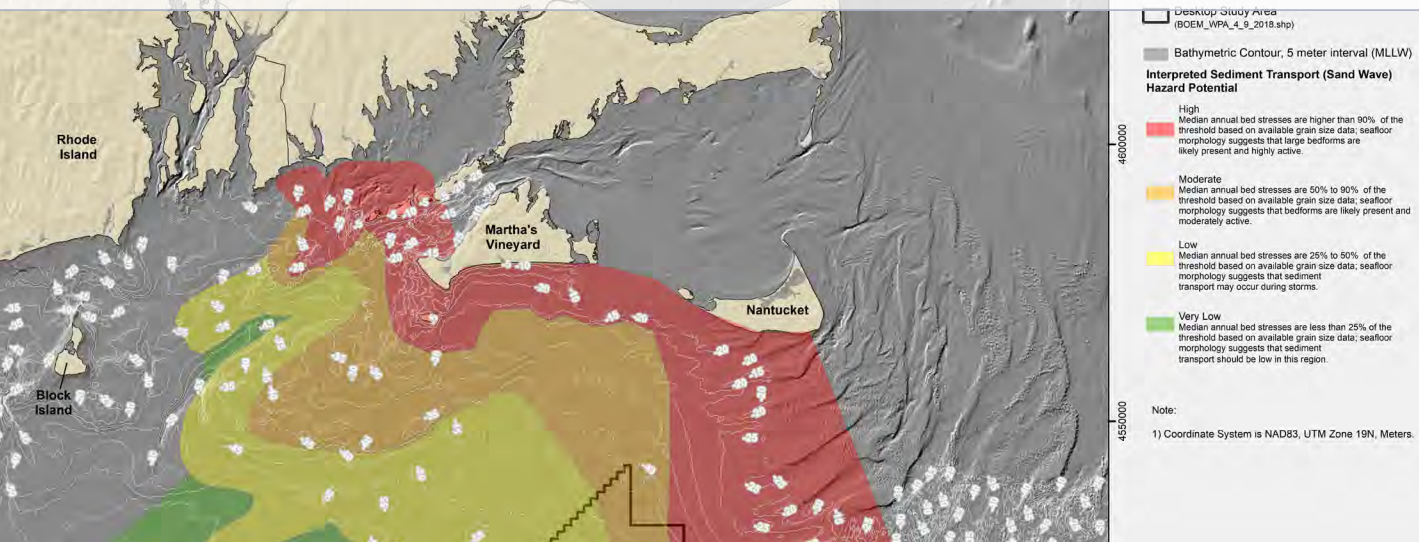
ENERGY TRANSITION

Remote operations capabilities save inspection programme during pandemic

Although the energy transition is clearly gathering pace, there is a large discrepancy between governments' ambitious carbon reduction targets and current reality: fossil fuels will remain an important part of the energy mix for years to come. Fugro's sustainable and innovative solutions enable clients to develop vital fossil resources in a safe and responsible way, resulting in less people offshore, benefiting safety and significantly reducing CO₂ footprint.

If anything, the year 2020 has demonstrated the value of advanced remote and automated solutions, assisting clients in their critical operations. A case in point is

an inspection programme on Repsol's Auk A platform, based 155 miles south east of Aberdeen. When one of the offshore crew members was tested positive for Covid-19, Fugro quickly solved the problem by executing parts of the work remotely from its remote operations centre in Aberdeen. This way, Fugro was able to carry out the operation with one inspection engineer offshore on nightshift, and an onshore based engineer on dayshift. Fugro's response highlighted its leading position in digital solutions, and the project was carried out successfully with no issues and minimal latency ensuring the project came in on time and budget. ■



Cash flow from financing activities reflects a net repayment of debt that was possible as a result of the issue of new equity and positive free cash flow.

Cash flow from discontinued operations

Cash flow

(x EUR million)	2020	2019
Cash flow from operating activities	(18.3)	(16.4)
Cash flow from investing activities	1.3	(19.1)
Cash flow from operating activities after investing	(17.0)	(35.5)
Cash flow from financing activities	14.0	66.9
Net cash movement	(3.0)	31.4

The cash flow from operating activities after investing amounted to negative EUR 17.0 million as a result of low profitability, lower capex including divestment proceeds from the sale of shallow water cable assets.

Return on capital employed

Capital employed¹

(x EUR million)	2020	2019
Capital employed	874.8	1,110.4
Return on capital employed, ROCE (%) ²	4.6%	3.2%

¹ Total equity plus loans and borrowings and bank overdrafts, minus cash and cash equivalents. Includes the relevant balances classified as held for sale.

² Calculated using NOPAT of the last 12 months, which includes discontinued operations, divided by 3 points average adjusted capital employed for impairments of PP&E, right-of-use assets, goodwill and intangibles in the current year.

See reconciliation on non-IFRS performance measures in "Additional information" for more detail.

Total capital employed decreased by EUR 235.6 million to EUR 874.8 million, primarily due to the reduction in net assets held for sale of EUR 69.1 million due to impairments, reduced level of working capital reflecting timely billing and good collection of receivables, and the sale of Global Marine.

Cash flow from continuing operations

Cash flow

(x EUR million)	2020	2019
Cash flow from operating activities	139.8	128.0
Cash flow from investing activities	(34.4)	(69.7)
Cash flow from operating activities after investing	105.4	58.3
Cash flow from financing activities	(97.9)	(114.9)
Net cash movement	7.5	(56.6)

Cash flow from operating activities improved as a result of very good working capital management, partly offset by lower profitability. The decrease in cash flow used in investing activities was primarily related to the proceeds from the sale of Global Marine (EUR 49.9 million). Capex was stable year on year.

SOCIAL

HEALTH & SAFETY

Fugro is committed to providing a safe working place to its employees, contractors and clients, and focusing on health and safety is an integral part of Fugro's operational management. Fugro firmly believes that incidents can be prevented.

Fugro recognises the importance of implementing standards and practices that eliminate risk exposure or control it to an acceptable level across all its activities. To address these risks, Fugro has a common approach to managing health, safety, security and environmental (HSSE) aspects of its operations that requires all entities to meet the same standards of practice. Centrally developed policies, strategies, standards, performance indicators and targets help manage risk and achieve the highest levels of HSSE performance.

Fugro expects its business partners to conform to comparable HSSE management standards and to stay informed of Fugro's principles, policies and standards. Fugro works with its partners to support adoption of practices that are aligned with Fugro's practices.

Active and reactive monitoring are critical elements of the HSSE management control loop. Fugro continuously reviews potential areas of improvement and ensures thorough evaluation of every incident; all lost time incidents and high potential incidents undergo a review process with a member of the Executive Leadership Team.

Fugro promotes visible leadership and a sense of responsibility throughout the organisation. Senior managers set and implement the required relevant

Fugro's HSSE management system



Other key activities in 2020 included:

- An updated global HSSE management system standard was published that references Fugro's existing overall structure, policies, standards, rules, responsibilities and performance improvement requirements for managing HSSE and for assisting management, clients and contractors in understanding Fugro's HSSE objectives
- In January 2020, Fugro transitioned from its 'Golden Rules of HSSE' towards nine 'Life-Saving Rules'. This was the result of Fugro's 2019 announcement to join an industry-wide initiative to standardise HSSE rules. The introduction campaign was supported by extensive engagement with staff and mandatory Fugro Academy training for all employees
- A number of new corporate HSSE standards were published covering work equipment, ground disturbance, hazardous substances and small boat operations. Furthermore, in view of the increased use of aerial drones, a drone minimum requirement standard was launched.

In 2020, with a lost time injury frequency of 0.67 per million staff hours, Fugro's incident rates were comparable to 2019. Despite the significant operational challenges in relation to the pandemic and the loss of expertise as a result of necessary staff reductions, the company has demonstrated the strength of its operational and project management systems and was able to maintain its high levels of HSSE performance. Fugro's objective is to achieve safety performance at least in line with the benchmark for the energy industry, which target for the lost time injury frequency indicator is below 0.3 per million staff hours worked. For Fugro, this is a high bar, as a large number of its personnel work in general onshore civil construction, where safety standards are often lower than in the renewables and oil and gas industries.

Fugro's operations are performed in accordance with ISO 9001 (Quality Management), ISO 45001/OHSAS 18001 (Occupational Health and Safety), ISO 14001 (Environmental Management) and ISM codes (International Management Code for the Safe Operation of Ships), or equivalent certifications.

To continuously improve safety performance also leading metrics are monitored. As a direct result of the Covid-19 related travel restrictions, the number of senior management site visits declined compared to 2019. In-person visits were, where possible, replaced by virtual visits where senior management engaged with staff on projects and vessels through video calls.

The Health and Safety Leadership Excellence course is designed to equip senior management with the latest thinking and research in health & safety leadership as well as to provide participants with the opportunity to share own experiences, reflect on their capabilities, consider ways in which they can drive a leadership strategy forward and learn from peers and HSE experts. Due to the pandemic, the six courses planned for 2020 have been deferred to 2021.

Following the global introduction of the IOSH Managing Safely course in 2014, by now over 1,400 managers and supervisors have successfully completed the three day program, although the tutor led courses had to be delayed to 2021 due to the pandemic. In 2020, the Managing Safely 5-yearly refresher online e-learning course was introduced.

Safety performance

Leading indicators				Lagging indicators	
	Lost time injury frequency (x million hours)	Total recordable case frequency (x million hours)	Total lost work days	Senior management project and site visits	Completed 'Managing safely in Fugro' courses
2017	0.66	1.68	502	552	274
2018	0.46	1.56	362	808	393
2019	0.68	1.58	691	987	1,010
2020	0.67	1.62	444	675	*

* The 2020 tutor led courses had to be delayed to 2021 due to pandemic restrictions.

Fugro’s commitment to health and safety and Fugro’s performance continues to be recognised by external organisations, as evidenced by the following examples of the various awards and client recognitions that Fugro and its employees received in 2020:

- In the United Arab Emirates, Fugro received recognition from ADNOC for safely completing their projects, with solid Covid-19 mitigation measures in place
- Total E&P UK has presented Fugro with their ‘Partnership of the Year 2019’ award at their annual HSE award ceremony after completing 122 days of successful inspection, repair and maintenance operations across their offshore facilities
- Total and CCSJV in Mozambique appreciated Fugro for 123 days of zero incidents or injuries
- Fugro’s land activities in Hong Kong were awarded the site safety and environmental recognition award by the Airport Authority-Hong Kong Third Runway Division in recognition of excellent site safety management and performance and environmental commitment
- Fugro India received a certificate of appreciation from Transkor Global for outstanding performance on the Magnetic Tomography Method subsea project.

TALENT ATTRACTION, LEARNING AND DEVELOPMENT

Fugro is as good as the people it employs. An engaged and skilled workforce is crucial to the success of Fugro. Learning and development continues to be an area of strong focus for Fugro, aiding in attracting, developing and retaining skilled staff in a competitive labour market. Throughout the year, Fugro continued to provide a broad offering of training courses and

programmes that have been established over the years, covering the range of technical, safety, professional and interpersonal skills that Fugro staff need for their work and professional development.

Fugro aspires to be an employer of choice and is committed to employing talented staff and keeping turnover limited. In 2020, 8% of Fugro’s employees left the company out of their own initiative.

Voluntary staff turnover

2017	8%
2018	8%
2019	10%
2020	8%

To guide us in fulfilling Fugro’s purpose, in 2020 new company values were formulated: we are determined to deliver, we do what’s right, we prepare for tomorrow, we build trust. This set of values was based on hundreds of conversations and workshops with colleagues throughout the organisation. A groupwide activation campaign will start in 2021, after a kick-off in the May senior management meeting.

In 2020, Fugro’s Personal Leadership Expectations were integrated in Fugro’s performance appraisal cycle. This set of corporate behaviours encourages and inspires everyone to bring their best self to the organisation, drive performance and personal development whilst playing an important role in building on the company’s aspirations. In 2021, self-assessments based on these expectations followed by learning paths are planned, particularly for those in leadership roles.

During 2020, the use of virtual and online training was further stimulated by the pandemic related restrictions, which affected many of Fugro’s training programmes. New ways of delivering the content were used to ensure that training and development opportunities remained available to all via Fugro’s cloud-based human resources system Workday and LinkedIn Learning. A notable growth in employee participation was driven by various initiatives, including an extensive and monthly campaign focused on personal development topics. Specific trainings supported managers to help them lead their teams during these extraordinary circumstances.

Fugro Academy statistics

	Number of enrolments	Number of completed courses
2017	77,136	75,766
2018	82,511	81,021
2019	50,832	39,596
2020	139,551	101,193

Fugro’s international talent programme, which aims to attract and support the onboarding of highly talented university graduates, is ongoing. Talent management was further expanded in 2020 with the launch ‘U.Gro’, targeting a wider group of talented young people. From 2021 onwards, all new Fugro employees with a bachelor’s degree or higher and less than two years of work experience will automatically join the programme. In addition, Fugro’s Business Challenge was launched to engage young talent with real business case scenarios, offering opportunities to work in teams and present solutions to senior management. In 2021, this programme will be further rolled out within the regions.

Also technical trainings, often developed in-house by Fugro Academy where solutions to overcome travel restrictions needed to be found, were moved from classroom to virtual instructor led formats. Fugro’s remote trainer solution allows staff to receive developmental or project-specific training using team-based software. Business focused training programmes, most notably the commercial excellence and project management programmes, were also organised via online resources.

As part of Fugro’s commitment to local knowledge development, Fugro has a relationship with the Marine Technology Centre of Excellence at the King Abdullah University of Science and Technology (KAUST) in Saudi Arabia through the remotely operated vehicle training programme for research staff and students. In the year under review, also here activities were hampered by to the travel restrictions and lockdowns.

Fugro’s Applied Hydrographic Survey Programme Category B, accredited by the International Board of Standards and Competence (IBSC) of hydrographic surveying, continued early 2020, with delegates from Nigeria, Ghana, Papua New Guinea, Australia and the UK, but had to be cut short. The programme will be resumed when travel permits. Fugro’s new Technical Competence Management System was further rolled out during 2020; this will continue in 2021. This global tool has been designed to meet, and in some cases exceed, the requirements of industry standards for competence, ensuring Fugro’s technical staff work safely and effectively on project assignments.

Several corporate mandatory training initiatives took place. This included the European launch of Fugro’s new Data Privacy Compliance programme; this will be rolled out across the organisation early 2021.

DIVERSITY AND INCLUSION

Fugro is committed to creating a healthy working environment in which everyone uses their full capabilities and achieves their personal and professional aspirations. To this end, Fugro provides fair terms and conditions of employment and equal opportunity for all, in an environment where everybody feels valued. Recruitment, evaluation, promotion, development, and compensation decisions are based on qualifications, merit, and performance or business considerations.

Fugro strongly believes that when people feel accepted, included and valued, they are more engaged in their roles, work more collaboratively with colleagues, and deliver better outcomes for Fugro and its clients. Fugro’s human rights policy formalises its responsibility under the Universal Declaration of Human Rights to respect the rights of those 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. Fugro does not discriminate in employment opportunities or practices on the basis of race, colour, religion, disability, national origin, genetic information, sex (including pregnancy), age, sexual orientation, gender (including gender identity and expression), marital status, protected veterans status, union affiliation, citizenship status or any other characteristic protected by applicable law. Fugro’s approach of non-discrimination in employment relations applies amongst others to recruitment, compensation and benefits, training, promotions, and layoffs.

The company expects similar standards from third parties that work for or on behalf of Fugro, in line with its supplier and partner code of business principles.

Together with leading industry partners, Fugro is committed to the ‘Building Responsibly Worker Welfare’ principles. In addition, Fugro endorses the ILO international labour conventions and the OECD Guidelines for Multinational Enterprises.

Collective or individual labour relations are ruled by local applicable law, collective agreements, Fugro’s Code of Conduct and underlying policies. Various collective bargaining agreements are in force within several of Fugro’s entities. The agreements cover topics such as remuneration, working conditions, health and safety, equal opportunity and training. As per local labour laws, Fugro’s entities in the Netherlands, Belgium, France, Germany, Norway, Brazil, and Australia have works councils, union or employee representatives and/or formal health and safety committees.

During 2020, to mitigate the effects of the pandemic, Fugro announced a groupwide restructuring, resulting in a 10% personnel reduction. All entities impacted have consulted their representatives and informed their employees, in accordance with the local legislation. Information on this restructuring was where possible disseminated transparently through CEO video messages, local staff townhall meetings, and employee consultations. The most commonly used restructuring scheme was a financial compensation package, followed by personalised employee follow-up such as internal transfers and training outplacement services. No labour disputes have arisen.

In September 2020, Fugro launched a compulsory unconscious bias e-learning. To date, 75% of Fugro’s workforce has followed this training. Related programmes will be developed in 2021, focussed on topics such as multicultural skills and inclusive communication.

Fugro understands that one of the biggest challenges for the industry is to increase the representation of women at all levels and therefore its diversity roadmap currently largely focusses on gender diversity. Fugro aims to attract, retain and promote women throughout the organisation. Fugro ensures job descriptions are gender-neutral and promotes the use of CVs that do not include any personal details which refer to the applicant's gender, age or ethnicity. In 2020, a pilot was started, targeting potential unconscious bias during the recruitment process. External recruitment agencies are specifically instructed to identify and submit capable female candidates for senior management positions. Going forward Fugro plans to expand its roadmap by also addressing other diversity aspects.

In 2020, the company was successful in attracting women for a couple of key management positions, both at corporate and regional level. In 2020, 20% of management positions were held by women. Fugro targets an increase to 25% by 2025. To that end, the company pays specific attention to women in its management development programmes. In 2021, a female leadership programme will be implemented throughout the company.

Gender diversity

	Overall		In management	
	Female	Male	Female	Male
2017	19%	81%	19%	81%
2018	20%	80%	19%	81%
2019	21%	79%	20%	80%
2020	21%	79%	20%	80%

Fugro promotes equal pay for equal jobs. In 2020, a gender pay gap analysis was performed on two levels:

- Gender pay gap: difference between overall average pay across all levels of the organisation
- Equal pay gap: difference between the average pay within the same profiles.

The analysis showed that disparities can be mainly explained by the under-representation of women in management positions. There is no significant pay gap within the various job profiles throughout the group. In 2021, the newly established global career framework will further facilitate evaluation of pay gaps, in order to ensure fairness in Fugro's compensation and promotion policies and processes.

In addition to equal pay for men and women, Fugro is committed to living wages for all its employees and subcontractors. Living wage is a wage that provides

employees with the necessary income to maintain an acceptable decent standard of living, for themselves and their dependants, based on geographical location and cost of living. Fugro respects local national statutory minimum wages. Following an initial living wage assessment in 2018, an annual review is included in Fugro's standard (human resource) management processes; comparing the data in Fugro's global human resource systems with benchmark data provided by 'WageIndicator' and 'Asia Floor Wage'. For countries where these benchmarks do not yet provide living wage data, where possible, an assessment was made using other available data and assessments by local human resources departments. Also in 2020, overall, fair remuneration was applied and living wage minimums were respected. Management will correct situations where an increase salary at an individual level is justified because of living wage standards.



ENVIRONMENTAL

INNOVATIVE SOLUTIONS

One of Fugro's key strengths is the translation of technological innovations into integrated digital solutions with a reduced CO₂ footprint. By leveraging technology developments in the fields of visualisation, robotics, connectivity, and advanced analytics, Fugro can offer safer, faster, more efficient and higher quality services, all in a more sustainable way. During 2020, the focus has been put on accelerated digitalisation and on priority solutions targeting the energy transition, climate change adaptation and sustainable infrastructure.

Fugro strongly contributed to operational continuity during the pandemic with its remote operations centres enabling operations when key personnel could not travel to the vessel, allowing project to continue and results to be delivered on time.

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

Fugro is a leader in the operation of advanced, multi-purpose uncrewed surface vehicles (USVs). In 2020, Fugro accumulated operational project experience with its newly delivered 9 metre Fugro Blue Shadow designed for medium- to large-scale hydrographic survey applications. USVs are more cost-effective to

build and are safer and more efficient to operate. The deployment of these USVs to acquire data shortens project durations and reduces HSSE exposure because the vehicle operation and data analysis is done without offshore personnel.

Fugro has established a strategic partnership with SEA-KIT International for the development of a fleet of next generation USVs, capable of deploying AUVs (autonomous underwater vehicles) and ROVs (remotely operated vehicles). Two of these 12-metre Fugro Blue Essence vessels will become operational in 2021; the first was delivered recently. Over the coming years, Fugro will further expand its fleet of USVs with a 24-metre inspection and intervention vessel. USVs consume up to 95% less fuel than traditional vessels, supporting Fugro's aim to become carbon neutral by 2035. In 2020, Fugro introduced the first fully electric ROV (Blue Volta). This inspection class ROV will be installed on and operated from the Blue Essence. This development is a key milestone in the development of a fleet of autonomous, sustainable vehicles capable of performing surface and sub-surface data acquisition, inspection and intervention. Smart ROVs, equipped with smart edge-device cameras, will be introduced in the second half of 2021.

In addition to investing in USVs and ROVs, Fugro has built a global network of eight remote operations centres to deliver fast, safe and efficient inspection and positioning services. In 2020, Fugro has logged close to 100,000 project hours. The objective is to reach 250,000 hours during 2021.

Other innovations such as mobile laser mapping systems and electric cone penetration testing operations will further reduce Fugro's carbon footprint. The focus on robotics and automation will improve the

speed and reliability of core processes, reduce the risk of human error and take people out of harm's way.

Fugro's portfolio of innovations is managed through a global network of research and development (R&D) centres, where over 350 scientists, experts and technicians develop innovations. In 2020, Fugro spent 2.6% (2019: 2.5%) of its revenue on R&D and technology innovation.

A significant part of Fugro's technology is developed in close cooperation with its clients, and joint research and development activities are carried out with local universities and institutes throughout the countries in which Fugro operates. Fugro maintains relationships with over 30 universities and other knowledge institutes across the globe. Examples include the University of California at Berkeley, Davis, Los Angeles and San Diego, Massachusetts Institute of Technology, University of Texas Austin and Texas A&M University, Louisiana State University, Catholic University of Chile, University of Oxford, Imperial College in London, University of Montpellier (France), Delft University of Technology (Netherlands), Université catholique de Louvain (Belgium), King Abdullah University of Science and Technology (Saudi Arabia), University of Western Australia, Queensland University of Technology, Griffith University (Australia) the Hong Kong University of Science and Technology, the University of Hong Kong, Eidgenoessische Technische Hochschule Zürich (Switzerland), Politecnico di Torino (Italy), University of Limerick (Ireland), Heriot-Watt University Edinburgh/ OrcaHub (Scotland) and University of Twente (Netherlands).

Fugro supports a Chair in Geotechnics at the Centre for Offshore Foundation Systems at the University of Western Australia, whose research team performs world

leading research in offshore geotechnical engineering. Fugro is engaged in many projects from investigating suction bucket performance for offshore renewable energy foundations, through site investigation statistics, to the performance of free-spanning offshore pipelines. In addition, Fugro provides funding for three PhD scholarships to support high-quality graduates in offshore geotechnics and engineering. Selected PhD students are offered the opportunity to work for Fugro where suitable opportunities exist. Together with partners, Fugro Australia has also created a Research Hub for Transforming Energy Infrastructure through Digital Engineering to drive the sustainability of offshore energy through modelling, optimisation and prediction.

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

Fugro is building a strong and valuable patent portfolio. The robust patent policies and procedures established by Fugro's IP team are coming to fruition, with 2020 seeing a record number of 69 patents filed (2019: 48) and 35 granted (2019: 10).

Patent fillings

	Priority patent filling	National/regional patent fillings	Granted patents
2017	17	67	9
2018	11	42	7
2019	9	39	62
2020	7	62	35

DIGITALISATION AND DATA MANAGEMENT

Digitalisation is a strategic priority for Fugro's clients and they rely on Fugro's Geo-data solutions to build digital 'twins' of their assets and to design, build and operate their assets in a safe and sustainable way. Fugro's digitalisation efforts are focused on improving the availability and timeliness of services by applying state-of-art capabilities within robotics, remote operations and data analytics. In order to accelerate delivery of these critical capabilities, Fugro has implemented their digital implementation strategy which focuses on building sustainable value in four areas:

- Mobile, autonomous robots and sensors
- Remote operations and support services
- Analytics and cloud automation services
- Solutions and applications.

The ongoing digitalisation effort is aligned with Fugro's and its clients' objectives to reduce the CO₂ footprint of business operations in both the marine and land environments, from reducing the size of vessels and number of people offshore to electrification of land based site investigation equipment.

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

Safe, secure and effective data management is also critical for further development of Fugro's Geo-data digital twin environment: an interactive, 3D web environment enabling exchange of data between industry partners and planning and simulation. This enables clients to consider several what-if scenarios and selecting the one with the best economic impact. This type of analytics and advice model will become a standard for all Fugro services within the next two years.

Furthermore, the development of this digital environment allows for simplification of planning and maintenance, and optimisation of operating costs through targeted interventions, thus reducing the environmental impact of for instance maintenance operations, both in offshore and onshore environments.

EMISSIONS, ENERGY USE AND ENERGY TRANSITION

The need for greenhouse gas (GHG) and specifically carbon dioxide (CO₂) emission reductions to avoid further global warming becomes more and more apparent every day, with many people around the globe already affected by climate change related events. Companies play an important role in the required reduction of CO₂ emission and emission footprint. Fugro also plays an important role in helping its clients with sustainable solutions during the energy transition.

Fugro works as a service provider and consultant, and in that role assists clients with solutions to develop, build and operate their projects sustainably. The impact of Fugro's own operations is limited to the assets used for data acquisition, laboratories, transport and office environments. As Fugro does not own or operate any industrial assets or production facilities, its own

operations have a relatively low impact on the environment. Fugro's carbon footprint principally comes from carbon dioxide emissions from its vessels, either owned or chartered, followed by road and air transport, and thereafter the running of office and laboratory environments.

Fugro has strict group-wide guidelines for risk management, and incident prevention investigation and reporting. Fugro operates according to environmental standards; the requirements of ISO 14001 or similar have been integrated into Fugro's operational activities, providing objectives and practical tools to manage the company's environmental responsibilities. Compliance audits are carried out both internally and by external certification bodies and clients. Due to the pandemic related travel restrictions in 2020, a number of these audits were postponed or where possible executed remotely.

For Fugro's own operations, its ambition is to be climate neutral by 2035 covering all direct and indirect emissions from its operations (scope 1 and scope 2 emissions). To that end, in 2019, Fugro defined several short to mid-term targets to reduce its CO₂ emissions, as well as initiatives towards transitioning to green energy in its office facilities worldwide. For its vessel emissions, Fugro targets a 20% reduction of emissions/ total operational days by 2025. This is in line with the International Maritime Organisation (IMO) target of reducing GHG emissions from international shipping by at least 50% in 2050 (compared to 2008). Fugro continued its programmes to achieve this target. These focus on several solutions such as the use of uncrewed surface vessels, remote operations and its ship energy efficiency management plan. This incorporates optimisation tools for fuel-efficient operations ranging from relatively simple solutions such as more efficient



deck paints and, LED-lighting to using the Fugro Metocean Planner™ and economic speed model. In addition, following successful trials in 2020, Fugro is offering its clients biofuel as a short-term solution to reduce emissions and is actively developing hybrid propulsion solutions for some of its vessels. During the year, Fugro conducted detailed studies into the use of alternative low emission fuels such as hydrogen or methanol for both existing and potential new vessels.

In its 'IMO 2020' regulation, the IMO has lowered the sulphur limits for the fuel oil used by ships, Fugro's vessels were already using 'clean fuel' technology long before these regulations came into force, and all fuel consumed during the year was within the reduced emission requirements.

For 2025, Fugro targets at least 80% renewable energy consumption for its offices and other facilities worldwide. This will be achieved through transition to renewable energy suppliers and by seeking alternatives in those countries where green energy is not yet readily

available. Per year-end 2019, close to 25% of Fugro's total office energy use was from renewable sources. During 2020, many offices transferred to renewable energy contracts and by the end of the year, over 40% was sourced from renewable sources. This has been realised partly by renewable energy available through the local electricity grids and partly by dedicated local solutions. For example, for the offices in Navi Mumbai in India a solar power installation was erected on the roofs which will account for one third of total energy use. Facilities in Houston (US) and all facilities in the Netherlands, United Kingdom, Austria, Norway and Malaysia have transferred to 100% renewable energy.

Total vessel emissions (kilotonnes CO₂)

in kilotonnes	Owned vessels	Chartered vessels	Total
		not available	not available
2017	123	72	219
2018	147	80	219
2019	139	69	180
2020	111		

Vessel emissions (tonnes CO₂/operational day)

in tonnes	Owned vessels	Chartered vessels	Total
		not available	not available
2017	15.1	14.5	16.8
2018	18.1	14.4	16.7
2019	15.5	16.9	16.0
2020			

Overall, in 2020 the total vessel related CO₂ emissions declined by 18% to 180 kilotonnes CO₂. This was mainly the effect of lower vessel activity due to the pandemic, supported by the effects of emission reduction initiatives. The latter resulted in a significant reduction (15%) in the emissions of Fugro’s owned vessels per operational day. In the second half of 2020, Fugro’s third party vessel selection and vetting process was reinforced, including more stringent requirements with regard to energy efficiency and CO₂ emissions. This is anticipated to result in lower emissions per chartered vessel in the short to medium term.

For overall emissions reporting, Fugro follows the Greenhouse Gas Protocol reporting standard,



specifying scope 1, 2 and 3 emissions. In 2020, Fugro standardised the collection and monitoring of CO₂ emissions of Fugro operations for scope 1 and 2 reporting through CDP. In 2021, Fugro will further explore reporting on Scope 3 emissions. Fugro has disclosed through CDP, the global environmental disclosure platform since 2019 and for 2020 completed CDP’s climate change questionnaire. By doing so, Fugro is demonstrating the transparency and accountability vital to tracking progress toward a sustainable future, while working with clients and other stakeholders to better understand CO₂ emissions.

WASTE MANAGEMENT

The risks that Fugro’s activities pose to the environment are largely related to potential small spills during data collection activities, on land or at sea. Land data collection equipment, such as drill rigs and cone penetration trucks, are hydraulically powered and could

pose a risk of spillage. Fugro’s equipment is managed under appropriate proactive maintenance programmes and is subject to periodic inspections, including daily pre-start checks. Operational teams are provided with spill kits and have been trained to capture, contain and clean any potential spillage during operations.

Fugro has programmes under its ISO14001 management systems focused on waste management and reduction, and the adoption of other environmental initiatives. The vessel food waste reduction programme progressed further in all regions with over 75% of Fugro’s vessels now included in the programme. Despite the pandemic restrictions, 94% of the cooks completed an intensive training of 10 days in stock management and food preparation.

In 2019, in response to the global action for a future free from single-use plastic, Fugro has established two global targets to achieve considerable reductions by 2025:

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

To achieve these targets, a dedicated programme and toolkit was rolled out to replicate local successes around the world. Despite a slow-down of the implementation due to the pandemic, we have been able to make good progress. In many of Fugro’s locations the use of plastic water bottles and disposable cups was stopped with the introduction of water dispensers re-usable drinking cups. Furthermore, other parties in the supply chain are encouraged to reduce the use of plastics in their packaging.

COMPLIANCE

BUSINESS ETHICS & COMPLIANCE

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

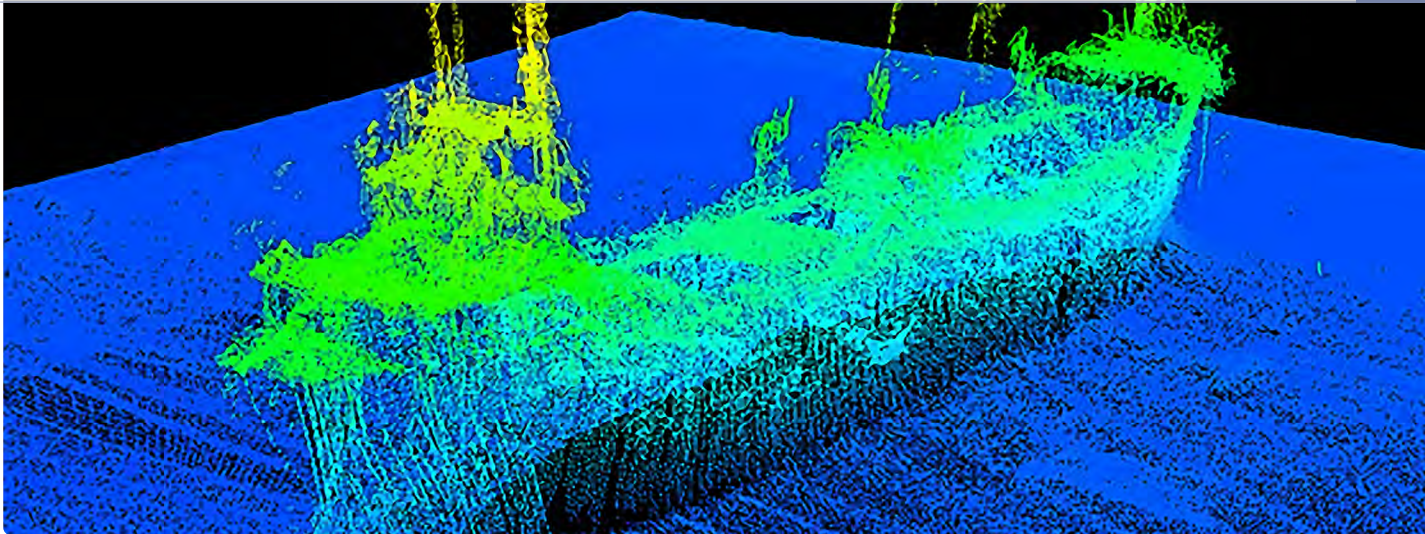
The Code of Conduct addresses topics including non-discrimination, health and safety, drugs and alcohol, anti-corruption, conflict of interest, political

involvement, and fair competition. It applies to all Fugro employees, contractors and third parties Fugro works with such as suppliers and partners. Underlying policies provide further guidance on several topics. These policies include Policy on Human Rights (outlining among others freedom of association and collective bargaining, fair working hours and fair wages), Policy on Sponsoring and Charity, Policy on Gifts and Entertainment, Policy on Anti-Corruption (with practical examples and Q&A on how to prevent bribery) and policy on Fair Competition. Continuous efforts are made to convey the importance of the Code of Conduct and adherence with its contents and the underlying policies.

Fugro’s speak-up (‘whistleblower’) procedure forms an essential part of the company’s compliance programme and is available not only to employees and contract staff, but also to third parties with whom Fugro has a business relationship, such as customers, suppliers and agents. The procedure offers multiple channels for reporting a suspected violation of the Code of Conduct and/or of its underlying policies and outlines the

subsequent internal investigation process which is supervised by Fugro’s Corporate Integrity Committee.

One of the channels for reporting a suspected violation is the Convercent reporting line: a web-based application which also offers users the opportunity to report violations in their local language. Convercent is available 24/7 in over 30 languages. It also provides the opportunity to report anonymously, if users prefer. The procedure clearly stipulates that any party reporting in good faith is protected from any kind of retaliation. Webinars and guidance material on the procedure are available to support managers and other staff in promoting Fugro’s values and a culture of transparency and respect. To ensure that the Code of Conduct, its underlying policies and the speak-up procedure are easily accessible to all employees, the documents were translated in the company’s most relevant working languages and made available via the internal website. All new hires are required to follow the Code of Conduct training as part of their induction process.



Fugro’s Corporate Integrity Committee consists of the chief human resources officer, head internal audit, chief compliance officer/general counsel and senior compliance officer, and reports to the CEO and CFO. This committee investigates any concerns or allegations regarding a breach of the Code of Conduct and/or its underlying policies, including suspected violations registered via the Convercent reporting line. If a violation is determined, the committee advises on the appropriate action, including the options of contract termination or dismissal. The committee monitors adherence to Fugro’s no retaliation policy for any person making a good faith allegation. In 2020, Fugro received 34 reports of a suspected violation of Fugro’s Code of Conduct or its underlying policies compared to 20 in 2019. Reports pertain to incidents on vessels, small thefts, instances of (perceived) harassment, bullying or unfair treatment, (perceived) misconduct of suppliers or other business partners. All 34 reports received were thoroughly investigated by the Corporate Integrity Committee and, where necessary, appropriate organisational and/or disciplinary measures were taken.

In 2020, Fugro updated its supplier and partner code of business principles governing the obligations and relationship between Fugro operating companies and the third parties they work with. This updated policy explicitly refers to the Policy on Human Rights, which includes fair working hours, wages and income. Fugro emphasises the use of this supplier and partner code as means to actively engage with Fugro’s suppliers and partners to ensure they work with similar values as Fugro.

In certain limited instances Fugro works with commercial agents. There is a specific procedure in place for commercial agents, resellers and distributors of services and similar third-party arrangements.

All commercial agents are screened by an independent specialist third party at least every 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. At year-end 2020, Fugro had reduced the number of commercial agents to 9 (2019: 17).

For the purpose of carrying out its activities in the different regions, over the years Fugro has entered into various joint ventures arrangement and other third party cooperation or partnership agreements. In 2020, additional risk-based due diligence and monitoring procedures were introduced for these partnerships.

Fugro is committed to adhering to the applicable laws and regulations in all countries where business is conducted. This commitment is embedded in all parts of the business through policies and training. To ensure compliance with EU- and US-imposed sanction programmes, the company has a strict procedure in place for certain areas in the world to obtain the Board of Management and/or 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 2020, 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 internal audit also plays an integral part in any investigation led by Fugro’s Corporate Integrity Committee.

Building on its commitment to maintaining a high level of privacy standards around the globe, Fugro has a global privacy compliance programme in place, including global privacy and data protection principles. These set the global standard for Fugro with respect to the processing of personal data. They apply in all countries in which Fugro conducts its business and to all use of personal data. After implementation of the programme in Europe in 2019, the programme was rolled in Americas in 2020, with preparatory work being undertaken for implementation in Asia Pacific, Middle East & India and Africa in 2021.

TAXATION

Fugro’s global presence exposes the company to various complex tax jurisdictions and tax systems. These systems are constantly under development following initiatives from individual countries and organisations such as the OECD and the EU. Other developments arise from the economic environment; as tax is a crucial component of the financial budget of national jurisdictions, economic developments have a direct impact on the way fiscal regulations are designed and upheld. In particular, the severe impact of the pandemic on all economies and local budgets is expected to be addressed by changes in tax collections across the world.

Fugro believes a responsible approach to tax is an integral part of sustainable business and that it is both a



in an open and transparent manner on material tax topics. This cooperation is not formalised under an agreement. Another example is the United Kingdom, where Fugro cooperates with the tax office under the UK applicable Business Risk Review process, with a variety of information exchanges between tax authorities and taxpayer.

Fugro's approach to tax is guided by its values and is embedded in the Code of Conduct. Issues related to elements of the Code of Conduct can be addressed through Fugro's speak up ('whistleblower') procedure, including taxation related issues.

cost of doing business and a contribution to the countries in which it operates. Tax effects are one of the components in the commercial process but ultimately only legitimate business considerations drive decisions. Fugro does not undertake artificial tax planning, including the use of tax havens, contrary to legislative intentions.

Fugro's tax strategy and underlying tax principles, which illustrate good corporate practice in the areas of tax management and transparency, are both available on the company's website. They support 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. External support is provided by a reputable global network of external tax advisers that strictly follow their professional standards.

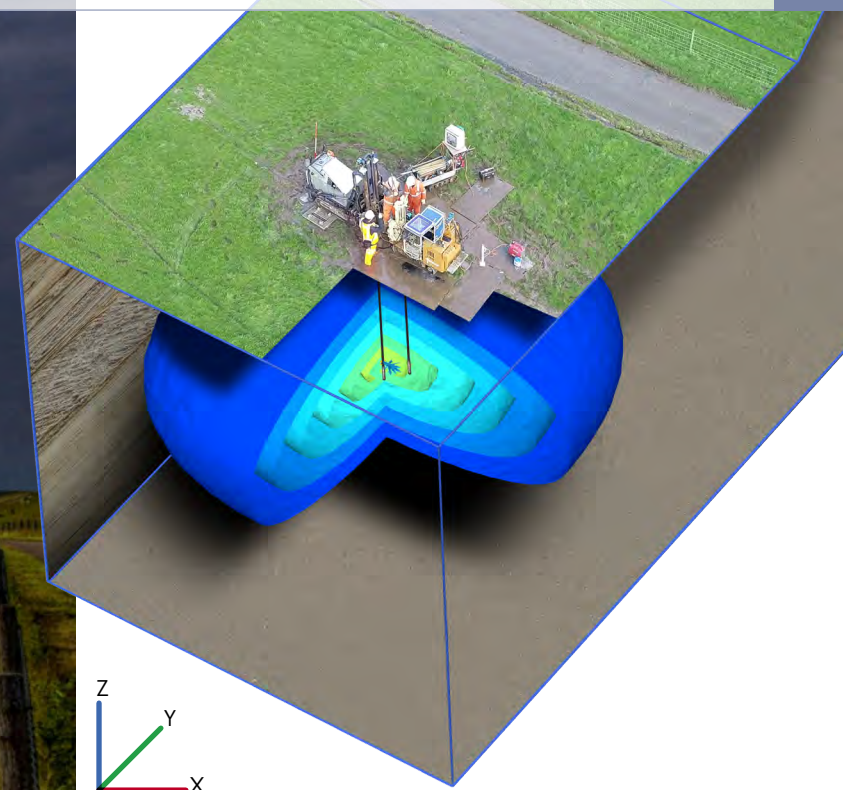
Fugro's audit committee reviews, at least once a year, the tax strategy including financial impact, valuation of deferred tax assets, compliance and tax implications of any acquisition or divestment. Based on its risk-based audit plan, the internal audit department monitors tax compliance and controls.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

Fugro has good working relationships with tax authorities in various jurisdictions, mitigating future disputes and uncertainty with potential financial, business and reputational effects. In The Netherlands for example, Fugro cooperates with the Dutch tax office



CLIMATE CHANGE ADAPTATION

Contributing to the Dutch Flood Protection Programme



Over the coming decades, climate change is expected to lead to significant challenges for the environment as a result of extreme weather, flooding and water scarcity. Therefore, the sustainable development and operation of infrastructure, industrial plants, buildings and natural resources are becoming prominent concerns.

In cooperation with Friesland Water Authority (Wetterskip Fryslân) and Dutch institute for applied research Deltares, Fugro investigated the internal erosion (piping) of tidal sand in protective sea-dikes along the Wadden Sea coast. Water seeping below the dike has the potential to develop channels (piping) that wash

sand away and could cause the dike to fail. This research aims to identify conditions that influence this mode of dike failure, particularly during periods of high water, contributing significantly to the Dutch Flood Protection Programme.

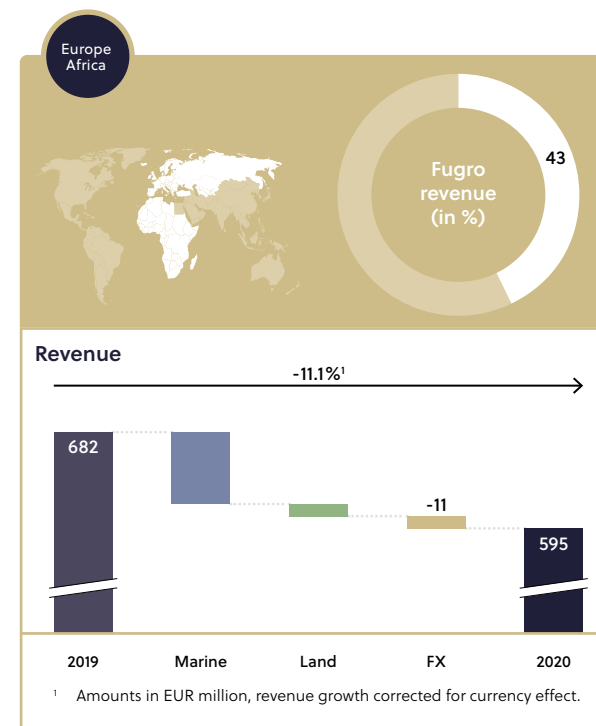
The initial results are very positive and the resulting knowledge will allow the Dutch Water Authorities to reduce flood risk by strengthening 1,300 km of dikes before 2050 and by maintaining these safely while benefitting from costs savings and a lower environmental impact. ■

Regional performance

EUROPE-AFRICA



- Revenue declined across all business lines, but particularly in marine asset integrity which is most exposed to the oil and gas market.
- EBIT margin for the full year declined most strongly in marine asset integrity caused by the steep revenue decline. In the second half-year, the margin improved to 12.8% from 2.6% in the first half of 2020 and 10.4% in the second half of 2019, thanks to strong performance of the marine site characterisation business, supported by growth in offshore wind, and the positive impact of the cost reduction measures.
- Backlog increased slightly due to good order intake in marine site characterisation and land asset integrity.



Key figures, adjusted¹

(x EUR million)	2020	2019
Revenue	595.4	682.2
comparable growth ²	(11.1%)	4.9%
EBIT	46.8	71.4
EBIT margin	7.9%	10.5%
Backlog next 12 months	383.2	386.3
comparable growth ²	2.7%	27.2%

¹ EBIT (margin) adjusted for specific items.

² Corrected for currency effect.

ILLUSTRATIVE PROJECT

Consulting services for upgrade of A9 highway in the Netherlands

- Three-year contract for geotechnical and subsequent design work for all civil structures
- Geo-data integrated into geographic information system through analytics and cloud automation
- Creation of 3D ground model, facilitating efficient scenario analysis to mitigate ground risk in the design



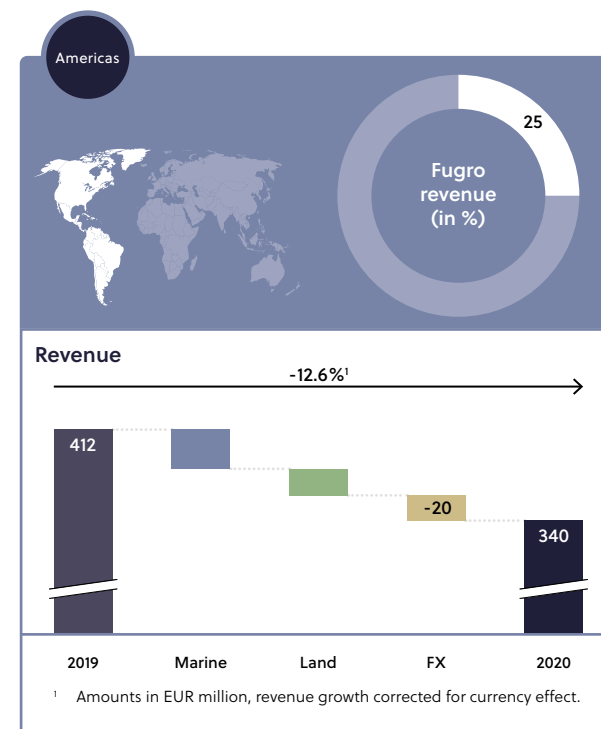
IMPORTANT CONTRACT AWARDS 2020

- Fugro supports Xtera with its fibre-optic cable installation between Norway and the UK. Fugro's data will advise on final route selection and specifying the required burial conditions to minimise risk of cable damage from anchoring and trawling.
- 250 km east of Scotland, Fugro has delivered the first fully remote inspection of an oil and gas platform in UK waters. When only one offshore inspection engineer was able to mobilise due to the Covid-19 pandemic, engineers based at the remote operations centre in Aberdeen stepped in and delivered the jacket inspection remotely.
- Fugro has been awarded three geotechnical investigations for IJmuiden Ver, the largest wind farm to be developed in the Dutch part of the North Sea. These are the most extensive the Netherlands Enterprise Agency (RVO) has organised to date and the resulting zone will generate a total of 4 GW of renewable energy. The contracts include seabed investigation, an extensive laboratory testing programme, and development of an integrated ground model.
- Fugro was awarded a large multidisciplinary site investigation contract for ScottishPower Renewables' East Anglia Hub project over an area of more than 800 km². The results from Fugro's site characterisation will feed into SPR's ground models and support seabed mobility assessment, foundation design and cable-route engineering. East Anglia Hub will eventually consist of 263 wind turbine generators capable of powering up to 2.7 million homes.
- Network Rail has contracted Fugro for a survey of a major part of its western route network. The project will involve collection of nearly 1000 route miles of data, providing asset and track position information. The RILA survey technology helps reduce the amount of time needed to work on the track, reducing delays for passengers and freight, while also improving the safety of the railway, as engineers spend less time on the track carrying out survey work.
- Fugro has been awarded a combined geotechnical and environmental survey for the Agogo field developments in Block 15/06. The client, Eni Angola, needs to understand the mechanical and physical characteristics of the soil for their subsea facilities. Fugro will also gather water and sediment samples for environmental baseline assessments.
- Italy's national grid company Terna SpA has contracted Fugro for a multidisciplinary survey in relation to the construction of the Tyrrhenian Link power cable connection between the Italian peninsula and Sicily.

AMERICAS



- Revenue decreased due to the pandemic and resulting downturn in the oil and gas market. Numerous projects were postponed and some cancelled. The decline in marine site characterisation was limited by an ongoing strong offshore wind market.
- EBIT improved from a 5.9% loss in the first half-year to a marginally positive margin in the second half-year, driven by marine site characterisation and the land business. In particular in the first half-year, results were impacted by Covid-19 related cancellations and delays. Land performance improved as a result of cost measures and simplification of the organisation.
- Backlog declined due to Covid-19 related prolonged and delayed tender processes, a situation which is expected to normalise in the upcoming period. Site characterisation business lines were down, whereas asset integrity was up.



Key figures, adjusted¹

(x EUR million)	2020	2019
Revenue	340.2	411.6
comparable growth ²	(12.6%)	17.9%
EBIT	(9.4)	(11.4)
EBIT margin	(2.8%)	(2.8%)
Backlog next 12 months	214.1	272.0
comparable growth ²	(9.8%)	(6.4%)

¹ EBIT (margin) adjusted for specific items.

² Corrected for currency effect.

ILLUSTRATIVE PROJECT

Atlantic Shores offshore wind, US

- Extensive site characterisation programme, involving collection of high resolution geophysical and geotechnical data within the designated area and along two proposed export cable routes
- In support of safe design, permitting and installation of monopiles, targeting the generation of up to 2.5 GW of energy for residents along the mid-Atlantic
- Demonstrates Fugro's ability to evolve alongside long-time client Shell to serve new energy markets



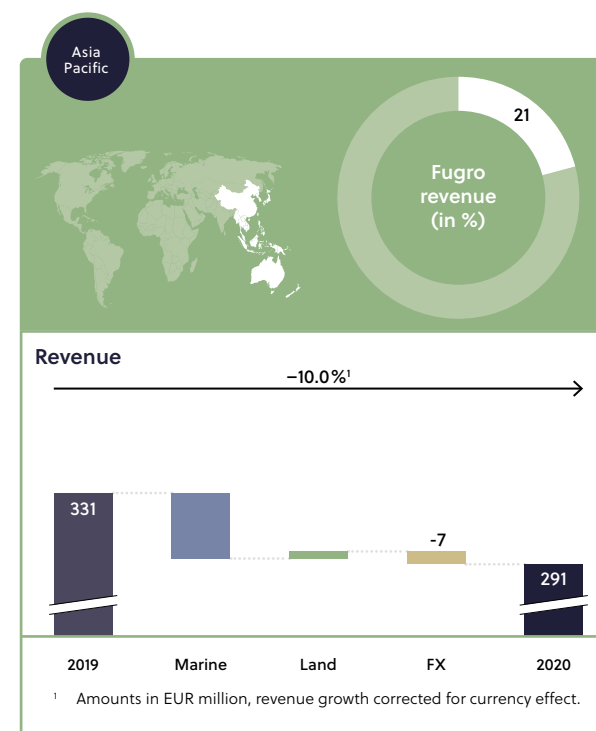
IMPORTANT CONTRACT AWARDS 2020

- Canadian Hydrographic Service has contracted Fugro for the agency's ongoing nautical charting updates over Lake Huron. Fugro used its recently released airborne lidar system RAMMS to enable efficient data acquisition, despite multiple site-related challenges, including extensive areas of shallow water and complex coastlines.
- Fugro has been contracted for additional site characterisation works for Sunrise Wind, off the coast of New York. In 2020, activities included the acquisition and analysis of integrated geotechnical and geophysical data to support cable corridor selection and turbine foundation design and installation. To ensure efficiencies and lower carbon emissions by reducing the time required offshore, Fugro utilised several proprietary technologies, enabling the remote transfer of large datasets from offshore vessels to onshore processing facilities.
- Fugro has used integrated augmented-reality solutions to support Jan De Nul Group's installation of monopiles for the first wind turbine foundations in US federal waters, at the Coastal Virginia Offshore Wind project. Several cutting-edge proprietary technologies were deployed, including monitoring the heading and verticality in near real time, applying Fugro's solutions QuickVision and InclinoCam.
- PETRONAS Suriname E&P has awarded Fugro a 2-year contract for positioning services in Block 52. The contract involves Fugro's Starfix® precise positioning solution to help ensure safe and efficient transit and anchoring for the programme's semi-submersible rig and support vessels.
- In partnership with Solstad and Oceanpact, Fugro has been awarded three long term contracts by Petrobras to provide remotely operated vehicle services for a variety of subsea activities. Fugro will provide a total of five work class ROVs, each outfitted with tooling and survey spread and will be operational in water depths of up to 3000 m.
- The California Department of Transportation has awarded Fugro a multi-year contract by for automated pavement condition surveys across the state. For one of the nation's largest road networks, the contract will require more than 50,000 lane miles of surveying annually to support efficient road maintenance.
- Fugro has been awarded a five-year contract by the City of Dallas Department of Aviation to provide quality assurance testing services for upcoming airport construction projects. For two runway rehabilitations at Dallas Love Field Airport, Fugro will perform construction materials testing to ensure compliance with engineering specifications. Activities will be coordinated using a web-based digital data management system, reducing reporting turnaround times.

ASIA-PACIFIC



- Marine site characterisation revenue decreased significantly due to Covid-19 delays and the deferral of several awarded projects including the Abadi LNG survey for INPEX which was originally planned for 2020. Revenues of the other three business lines were up.
- EBIT improved mainly because of better performance in the land site characterisation business line, stringent cost measures and a positive transaction result on a property sale in China. Losses due to Covid-19 were mitigated by government support. In the second half-year, the margin improved to 5.5% from minus 1.1% in the first half of 2020 and 4.3% in the second half of 2019.
- The lower backlog is the result of both the Covid-19 challenges in the land business and the decision to rationalise the marine business by focusing on smaller sized assets (autonomous vessels) and remote operations opportunities with increased margin potential.



Key figures, adjusted¹

(x EUR million)	2020	2019
Revenue	291.2	331.3
comparable growth ²	(10.0%)	(11.4%)
EBIT	6.3	1.4
EBIT margin	2.2%	0.4%
Backlog next 12 months	161.5	219.5
comparable growth ²	(22.3%)	(0.3%)

¹ EBIT (margin) adjusted for specific items.

² Corrected for currency effect.

ILLUSTRATIVE PROJECT

Pohokura remote operations in New Zealand

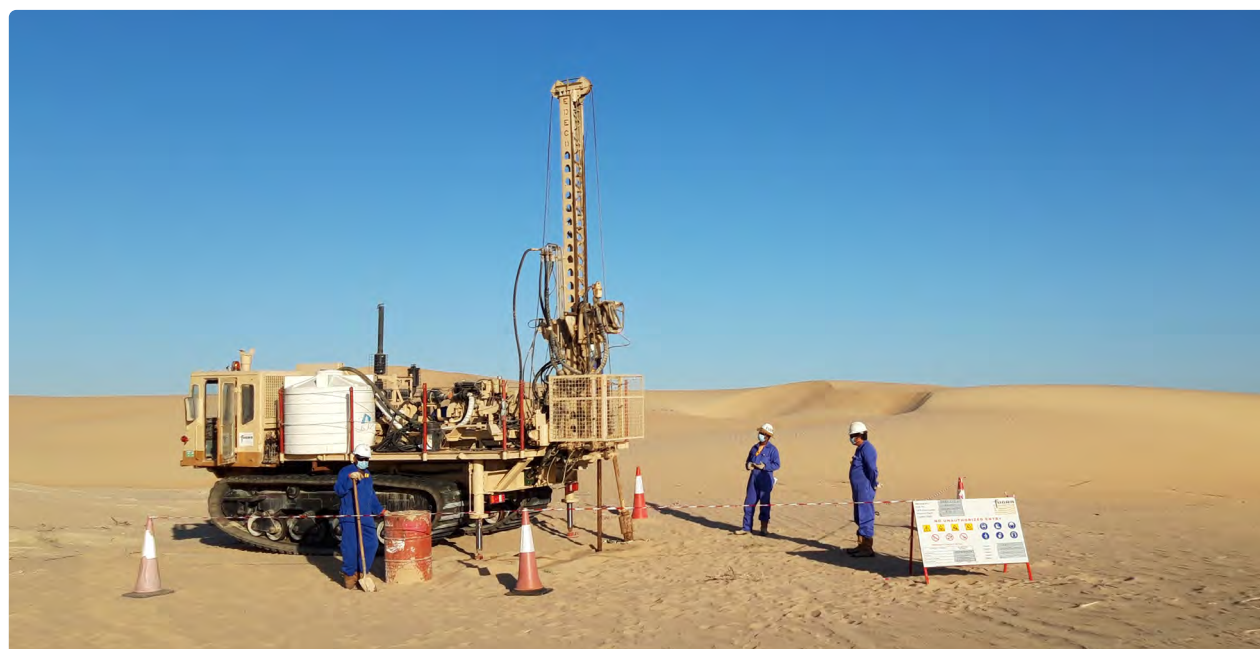
- Inspection, maintenance and repair activities on the Pohokura pipeline, developing into a complete intervention and asset rescue campaign during the Covid-19 pandemic
- Real-time interaction between on site and onshore teams through live streaming of remotely operated vehicle and diver interactions
- Each phase executed on time, allowing the client OMV to continue delivery of power to New Zealand



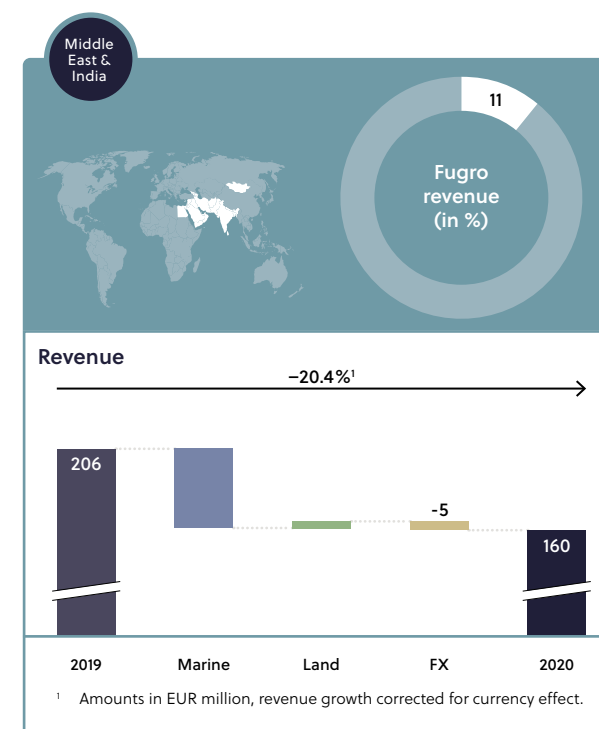
IMPORTANT CONTRACT AWARDS 2020

- Fugro was awarded a 2-year contract for geophysical site investigations for the first proposed offshore wind farm in Australia: Star of the South. The project will include detailed studies and data collection within a 496 km² area, in the Bass Strait. The first stage was successfully completed in March 2020. The second stage, which is scheduled to commence in 2022, will include include grab sample, vibrocore and shallow cone penetration data acquisition to provide a full data set for the design of the turbine locations (up to 400) and detailed assessment for the cable routes.
- Fugro IOVTEC, established to support the emerging offshore wind market in Taiwan, secured its third geotechnical site investigation project for the Hai Long 2 and Hai Long 3 developments.
- Fugro was awarded marine site characterisation work as part of the Australian Government's HydroScheme Industry Partnership Program for charting the waters of South Australia's Gulf St Vincent and Investigator Strait. Fugro is deploying its Blue Shadow uncrewed surface vessel, local remote operations centre and Back2Base™ data transfers, to achieve significant environmental, safety and efficiency gains.
- Following Fugro's successful completion of the Super Typhoon phase 1 project in 2017, CLP Power Hong Kong Limited has awarded a sizeable contract for phase 2. This project involves uprating and reinforcing the circuit lines of CLP's 400 kV transmission overhead network in Hong Kong and Shenzhen. Fugro will apply a range of consultancy solutions, including a wind speed study of regional super typhoons, design of ground investigation programmes, and a stability review of pylons structures, foundations and the surrounding slopes.

MIDDLE EAST & INDIA



- Revenue decline came from Marine and was caused by the large exposure to the oil and gas market. Revenue was further affected by Covid-19 delays and the rationalisation of the loss making diving services. Land site characterisation grew particularly in the UAE, slightly offset by a reduction in testing services in Saudi Arabia. Land asset integrity revenue was impacted by ongoing restructuring and discontinuation of activities in Oman and UAE.
- In marine site characterisation, EBIT went down due to the revenue decline. In marine asset integrity, full year EBIT improved amongst others thanks to restructuring measures including discontinuation of the diving services; the margin however turned negative in the second half-year due to the very significant revenue decline. Land site characterisation improved driven by revenue growth and the effect of restructuring.
- The backlog decreased mainly as a result of the challenging oil and gas market.



Key figures, adjusted¹

(x EUR million)	2020	2019
Revenue	159.5	206.1
comparable growth ²	(20.4%)	(3.5%)
EBIT	4.5	6.6
EBIT margin	2.8%	3.2%
Backlog next 12 months	107.4	133.3
comparable growth ²	(11.2%)	27.2%

¹ EBIT (margin) adjusted for specific items.

² Corrected for currency effect.

ILLUSTRATIVE PROJECT

Site characterisation for Maldives bridge

- Multidisciplinary project for Greater Male' connectivity bridge in the Maldives in midst of Covid-19 pandemic and local lockdown
- Acquisition of Geo-data in challenging metocean conditions
- Data delivery platform enabling the client and engineer to monitor in real-time



IMPORTANT CONTRACT AWARDS 2020

- The National Authority for Tunnels has awarded Fugro a geophysical and geotechnical investigation contract for the second phase of the Cairo Monorail project. Drawing on their unique expertise and capabilities in land site investigation, Fugro will to deploy up to 15 geotechnical drilling rigs along the 43 km line that will connect 6th of October City to Giza via 12 new stations.
- For the fourth consecutive time, India's Oil and Natural Gas Corporation Limited has awarded Fugro a 3-year contract to provide integrated survey services. The services include pipeline route engineering and rig site surveys using multibeam bathymetric, shallow seismic profiling, magnetometry and 2D UHR, along with rig positioning, current profile measurements and wellhead searches. Geo-data from the engineering surveys will provide ONGC with the insights they need to develop key offshore infrastructure.
- Fugro has won a 3-year contract with Seamec Limited to support their asset management project for ONGC off the west coast of India. Fugro will provide Seamec with remotely operated vehicle services for the inspection, repair and maintenance of offshore assets.
- In response to increasing demand for remote offshore services, Fugro has completed the Middle East's first fully autonomous geophysical shallow-water route survey. Controlled from the remote operations centre in Abu Dhabi, an uncrewed surface vessel captured a full range of geophysical data to support the client's critical project. The results of the fully autonomous geophysical shallow-water route survey comprised conductivity, temperature, depth and salinity profiles, bathymetry data, seabed imaging, sub-bottom profiles, and ferrous object detection such as pipes.
- Fugro has completed the first phase of their multidisciplinary offshore site investigation for Qatargas' North Field production sustainability's compression phase. The final deliverables – comprising a bathymetric and geophysical survey and geotechnical appraisal of the soils encountered – will be used to optimise jacket platform pile foundation design and pipeline and cable-route engineering, in the largest non-associated gas field in the world.



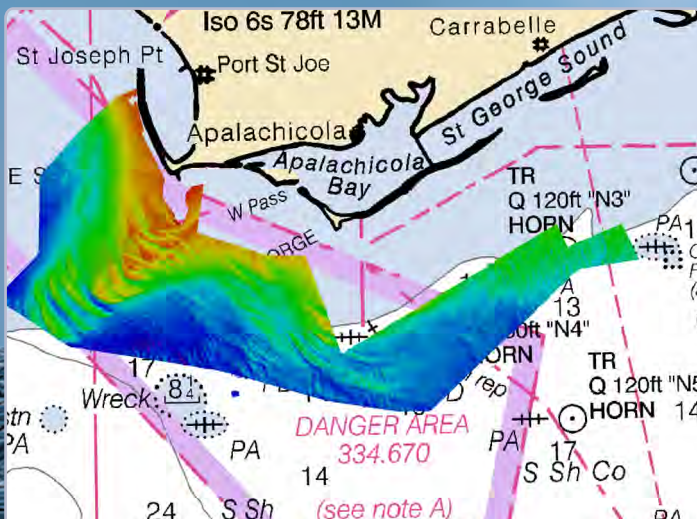
CLIMATE CHANGE ADAPTATION

Accurate seabed mapping for coastal protection and management

Governments around the world are investing in coastal zone management, taking into account the potential impacts of climate change and rising sea-levels.

As part of its multi-year contract with the US National Oceanic and Atmospheric Administration (NOAA), Fugro executed its third hydrography project in Florida. The 2020 project included surveys in the heavily trafficked port area of Apalachicola. NOAA uses the data to update their nautical charts, define US territorial limits, support coastal management activities and perform inundation modelling.

Four vessels were used in the data collection effort, including the new uncrewed surface vessel Fugro Blue Shadow, completing the work during operating constraints in relation to the Covid-19 pandemic. All field operations, completed to date, have been without incident or any safety issue. Fugro has recognised great success with this multi-vessel approach, enabling mapping of the seabed ahead of schedule and under budget. ■



Governance

BOARD OF MANAGEMENT

Mark R.F. Heine (1973) Chief Executive Officer

Nationality Dutch

Employed by Fugro Since 2000. Joined Fugro's former Executive Committee in 2013 and appointed to the Board of Management in April 2015. Appointed CEO in October 2018

Current term Until AGM 2023

Background Mark Heine joined Fugro in 2000 and served in various positions, including amongst others, geodesist on various onshore and offshore survey projects, managing director Africa, regional manager Europe-Africa, Director of the Survey division, Executive Committee member and division director. He holds a MSc in Geodetic Engineering from Delft University of Technology. Mark is member of the board of directors and vice-chair of marine contractors association IRO.

Paul A.H. Verhagen (1966) Chief Financial Officer

Nationality Dutch

Employed by Fugro Since 2014. Appointed to Board of Management in January 2014, appointed Chief Financial Officer per May 2014

Current term Paul Verhagen will step down after AGM in 2021; he will be nominated to become CFO and member of the Management Board at ASM International NV as per June 2021

Background Paul Verhagen worked for Philips for 23 years in various financial management positions in the Netherlands, Hong Kong, US, China and Taiwan. He was 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 Tilburg University and a post graduate chartered controlling degree from the University in Maastricht.

Company secretary Harriet Defesche (1964)



Mark Heine

Paul Verhagen

EXECUTIVE LEADERSHIP TEAM

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

**Edward Saade
(1955)**
Group Director
Americas
American nationality

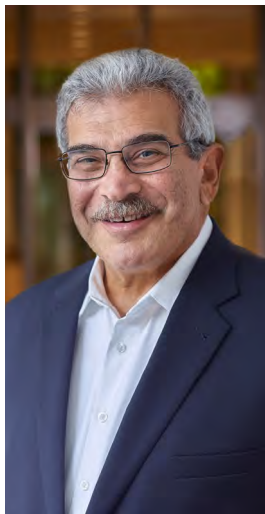
**Amar Umap
(1972)**
Group Director
Asia Pacific
Indian nationality

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

**Erwin Hoogeveen
(1968)**
Group Director
Human Resources
Dutch nationality

**Annabelle Vos
(1978)**
General Counsel
Dutch nationality

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



The Executive Leadership Team includes the CEO and CFO.



CLIMATE CHANGE ADAPTATION

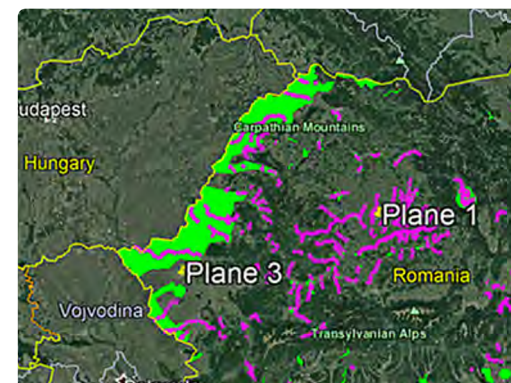
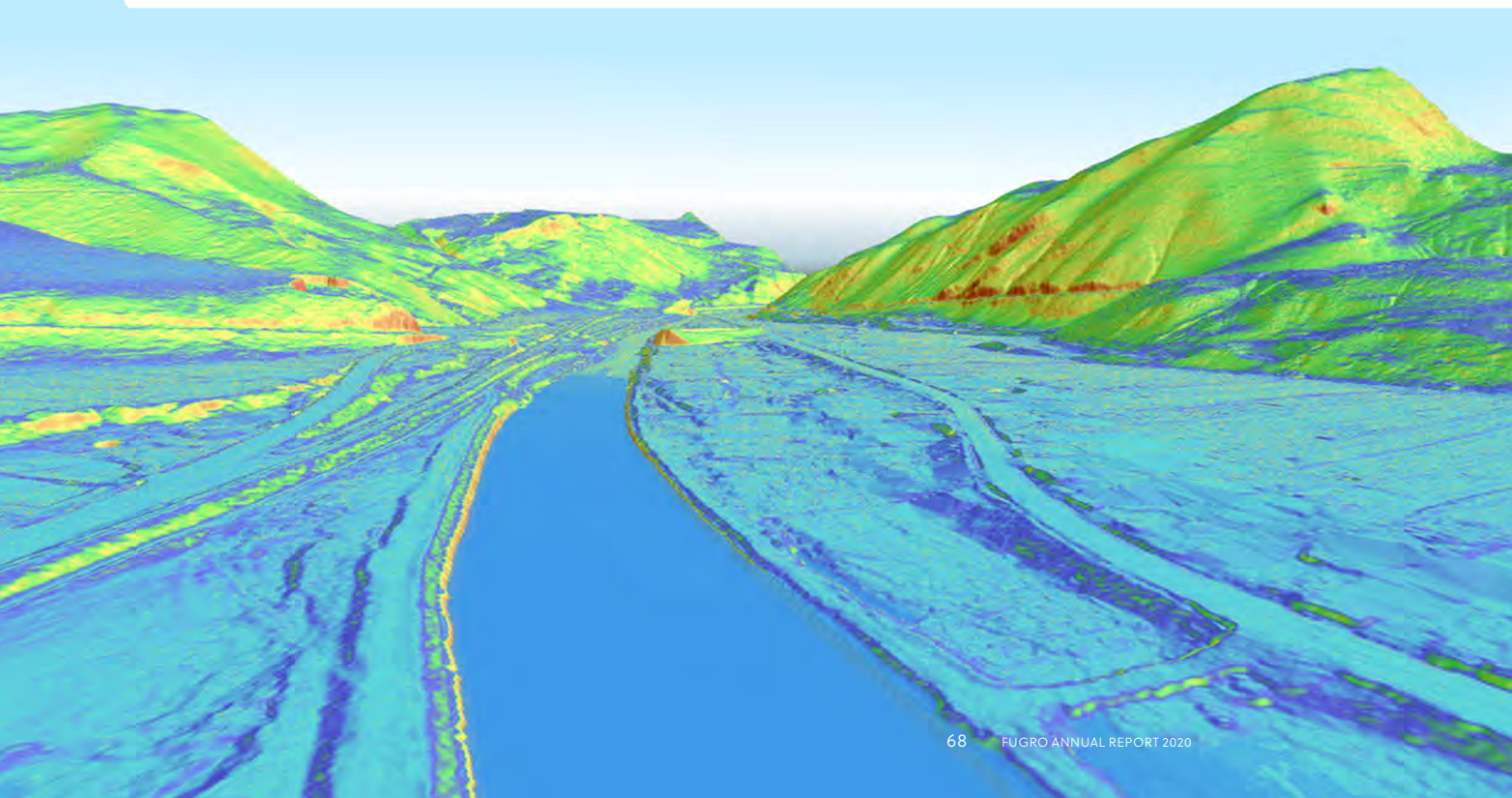
Fugro supports Romania in preparing flood risk maps and management plans

Climate change will have a major impact on the availability of water resources and is expected to lead to an increase in frequency and magnitude of extreme events, like floods but also droughts. Romania is one of the European countries most at risk of floods, with an estimated cost of EUR 140 million per year to its economy.

Fugro has been awarded a Geo-data acquisition contract from the World Bank in their efforts to support the Government of Romania in preparing flood hazard and risk maps, and related management plans. Fugro will provide digital terrain models,

surface models and ortho-imagery and will survey around 13,300 cross sections plus 3,500 bridges and hydrotechnical infrastructures.

Between September 2020 to March 2021, Fugro will carry out the acquisition, processing and interpretation of various geospatial data in order to create a digital terrain model. The preparation and implementation of these plans and improved methodologies will increase Romania's capacity for flood risk management and support the country in taking a secure development path for its people, economy and environment. ■



RISK MANAGEMENT

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

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

Risk appetite and key risks

Risk category	Key risks	Key risk appetite	Page	Fugro's approach
Strategic	▪ Market exposure	▪ High	73	For strategic risks, acceptable risk levels vary depending on the subject at hand, where expected rewards have to justify the risk. Generally the risk appetite is between average to high. However, all risks related to employees are subject to a low risk appetite
	▪ Innovation	▪ High	73	
	▪ Employees	▪ Low	74	
Operational	▪ Project management	▪ Moderate	74	Operational risks are handled with a moderate risk appetite. However, all risks related to QHSSE and information security are subject to a low risk appetite as Fugro strives for the highest level of QHSSE performance.
	▪ QHSSE management	▪ Low	75	
	▪ Information security	▪ Low	75	
Financial	▪ Financial strength	▪ Low	76	Financial risk appetite is low, with the intent to limit financial risks and maintain long-term solvency and secure long-term financing.
	▪ Credit risk	▪ Low	76	
	▪ Currency exchange rate	▪ Low	77	
Compliance	▪ Legal & regulatory compliance	▪ Low	77	Compliance is subject to a low risk appetite as Fugro strives for the highest level of compliance with legal and regulatory requirements.

RISK APPETITE AND SENSITIVITY

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

management aims to identify, assess and manage risks in accordance with its risk appetite in the different categories.

In 2020, the Covid-19 virus took hold around the world. Fugro's revenue was impacted by both the pandemic and the related decline in the oil price and contraction of the world wide economy. This led to reduced activity levels and client spending, which was only partly offset

by a very strong growth of the offshore wind business. We have adapted our processes and work procedures quickly to the operational challenges and turbulent market conditions caused by the pandemic. Despite the operational complexities and in close cooperation with clients, the company has been able to continue working on the majority of its projects, while maintaining health and safety as a first priority. To protect profitability and liquidity, Fugro acted decisively by promptly implementing a comprehensive cost and capex reduction programme.

In addition to the key risks mentioned above, other risks which can potentially impact Fugro's market or financial position, as well as reputation, are closely monitored and managed. Considered risks include: climate change, the geopolitical environment (in particular the impact of Brexit and the global macro-economic situation), corruption and fraud. These risks influence Fugro's work environment and could impact the successful achievement of Fugro's strategy Path to Profitable Growth.

Fugro recognises that companies are playing a critical role in delivering the ambitions of the UN Sustainable Developments Goals and the Paris Agreement. Environmental, social and governance related topics feature prominently in discussions with clients, investors and other stakeholders. These topics have been embedded in Fugro's strategy and assessed top risks mentioned in the table above. For more information, see Group performance – The impact of the climate change on Fugro.

Fugro actively manages the risks and opportunities related to climate change for its own business operations and recognises its responsibility in climate change mitigation and adaptation. Fugro aims to

further increase the transparency regarding climate-related risks and opportunities. In 2020, the company has taken a new step by starting with the implementation of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Guided by the framework, a qualitative assessment of the impact of climate change on Fugro's strategy and business model was conducted. At this stage Fugro has not yet included a detailed climate change scenario analysis or a quantitative assessment of the financial impact of climate change. These elements of the TCFD framework will be included in future analysis and reporting.

The climate-related risks identified as relevant for Fugro relate mainly to Fugro not acting fast enough in response to changing market circumstances and requirements of a lower carbon economy. This could cause a decline in market share and reputation or failure to meet regulatory requirements. Climate related opportunities mostly concern Fugro's core services and expertise in the field of climate change adaptation; refer

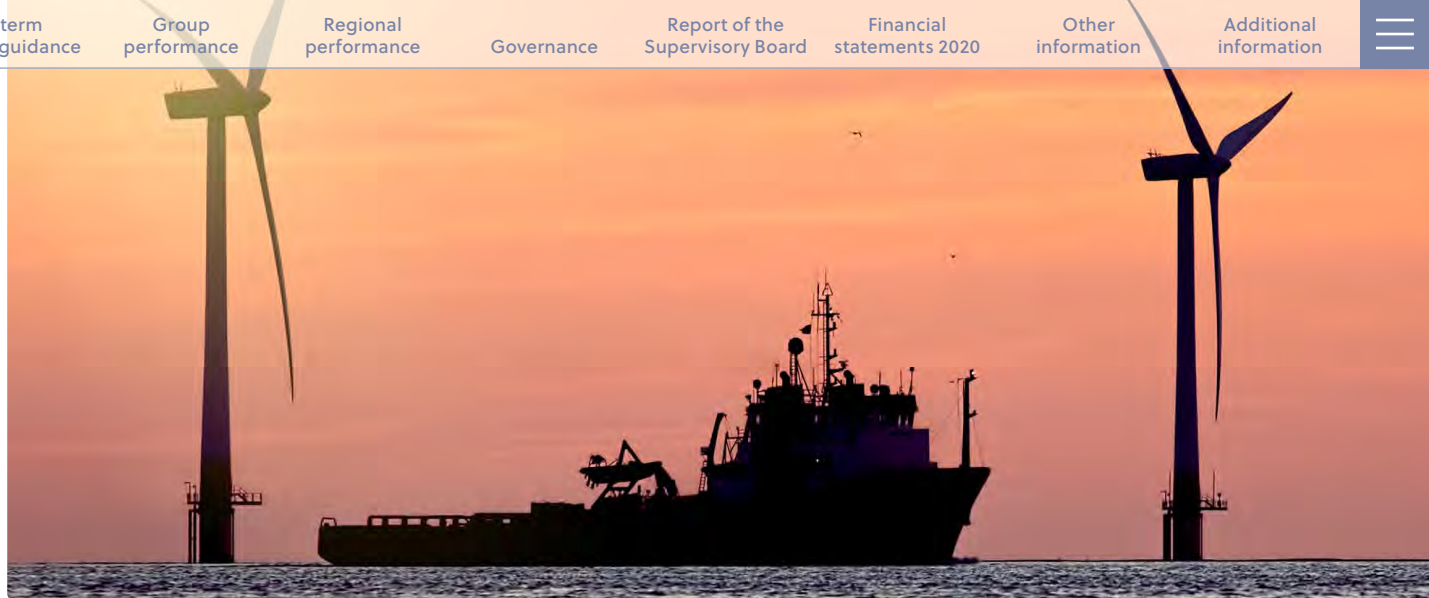
to 'Strategy – environment, social and governance'. In 2021, Fugro will continue to manage the consequences of the Covid-19 pandemic, prioritising health and safety while ensuring business continuity. In addition, the company's risk management will further include the impact of climate change and the geopolitical environment, assessing different scenarios to better understand the resilience of the organisation.

RISK MANAGEMENT FRAMEWORK

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

Control environment

The first level of the control environment consists of Fugro's employees who perform the day to day activities in the business operations, and their management. This includes people who work in shared service centres, for among others finance, human resources and IT.



Sensitivity analysis

	Change	Impact	On	Assumption (based on 2020 adjusted financials)
Revenue (volume)	+ 1%	EUR 9 million	EBITDA	Flat net revenue own services
Revenue (price)	+ 1%	EUR 14 million	EBITDA	No change to cost base
Operating expenses	+ 1%	EUR (13) million	EBITDA	No change to revenue
Vessel utilisation	+ 1%	EUR 4 million	EBITDA	Equal contract terms
Days of revenue outstanding	+ 1%	EUR 3 million	Working capital	All other conditions remaining equal
Euro versus US dollar	+ 10%	EUR 8 million	Net profit	Stable revenue and margin in USD
Euro versus British pound	+ 10%	EUR 0 million	Net profit	Stable revenue and margin in GBP
Interest rate	+ 100 bp	EUR 0 million	Net profit	Net debt year-end 2020
Net debt	+ 100 million	EUR (5) million	Net profit	Stable interest rates

They undertake these activities in accordance with the applicable authorisation matrix, which is updated regularly by the Board of Management in consultation with the Executive Leadership Team. They have the obligation to obtain an appropriate level of understanding regarding their roles and responsibilities and carry them out correctly and completely. Every employee is expected to comply with internal procedures and guidance, and applicable laws and regulations.

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

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

During 2020, internal control and risk management procedures have been further embedded and structured within the organisation. No significant changes have occurred in these processes. The effectiveness of the system, based on repercussions in various reports, demonstrated that adequate actions have been initiated and implemented. No material shortcomings regarding internal control and risk management have been reported.

Responsibilities

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

Emphasis is furthermore placed on project risk assessments and management thereof, which is the primary responsibility of the respective entities that manage the project. This process is supported by global functions (in particular operational excellence), quarterly corporate reviews of large projects, and independently reviewed by the internal audit department.

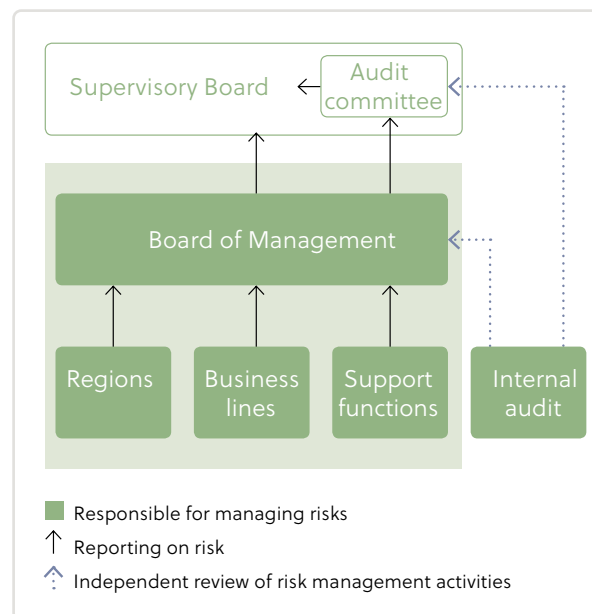
RISK GOVERNANCE

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

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

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

Risk governance



Strategic risk

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

Market exposure

Risk appetite	Description	Risk direction	Mitigation
High	A significant proportion of Fugro's activities is related to the oil and gas industry with the consequently significant exposure to oil price volatility and related impact on oil companies' investment and operational budgets due to the Covid-19 pandemic and the transition to a lower carbon economy.	Even though Fugro's dependency on the oil and gas market has decreased, this industry is an increasingly challenged market. In 2020, the pandemic has resulted in a significant decline in the oil price and contraction of the world wide economy, leading to clients' reduced activity levels and spending. Although market watchers expect an increase in oil and gas demand from the current depressed levels, this market continues to be subject to volatility. In the long-term this is related to the increasing commitment by countries, companies and citizens to the energy transition in order to reduce carbon emissions to limit climate change. This poses a serious risk to service providers within the oil and gas industries.	Over the past couple of years, Fugro has been diversifying, towards an increased exposure to non-oil and gas markets such as renewables (mostly offshore wind), sustainable infrastructure, and new climate change adaptation growth markets such as coastal and flood protection. The renewables, infrastructure and nautical markets are expected to have a higher mid-term growth rate than oil and gas, further increasing Fugro's relative exposure and opportunities to those markets. In addition, Fugro focuses on the sustainability of its own operations. Fugro's next generation vehicles, robots and smart sensors enable the company's and its clients to work more effectively, safely and with a lower carbon footprint.

Innovation

Risk appetite	Description	Risk direction	Mitigation
High	Focus on value-driven innovation and developing new technologies enables Fugro to provide differentiating integrated solutions in growth and sustainable markets, including in response to the energy transition. As such, it decreases the company's market exposure, and also project execution risk. Innovation is a key enabler of Fugro's strategic priorities, especially in these rapidly changing and demanding markets. There is a risk that investments relating to research and development will not deliver new sustainable technologies and market opportunities or that, it will not be delivered timely, or irrespective of Fugro's efforts to protect its intellectual property, competitors develop similar or better solutions, thereby negatively impacting Fugro's competitive edge.	It is expected that this risk will further increase. There is an increasing need for innovation in order to remain competitive. With the ever-increasing pace of technological advancement and digitalisation, the lifespan of innovative competitive advantages is decreasing.	By continuing to invest in innovative integrated and sustainable solutions, Fugro is able to effectively invest in resources and solutions 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. In several countries Fugro receives government subsidies to support the development of innovative new solutions. 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 with a significantly lower carbon footprint.



Employees

Risk appetite	Description	Risk direction	Mitigation
Low	Not being able to recruit or retain qualified personnel is a risk that can impact both current and future operations and results. Especially given the personnel reductions in 2020 as a consequence of the Covid-19 pandemic, it might be challenging to get or retain the required employees.	It is expected that this risk will increase. As Fugro is evolving towards providing more high-end services as part of its strategy, with its people as a key enabler, the shortage of employees with the right capabilities continues to grow.	Fugro acknowledges the value of its employees and considers them the key enabler for the execution of its strategy. This is demonstrated by providing opportunities to its employees, through its diversity and inclusion agenda, training, leadership and expertise development, career opportunities, and by focusing on attracting young people and healthy retention levels through Fugro's appeal as a leading sustainable company. In 2020, employee training has been stepped up (partly remote due to the pandemic) and additional focus has been given to offer better career opportunities to our employees.

Operational risk

Being a project organisation, the main operational risks are related to projects. Apart from the regular key operational risks presented below, Fugro recognises operational risks related to the Covid-19 pandemic and Brexit. All these risks are mitigated with proportionate measures and monitored on different levels within the company.

Project management

Risk appetite	Description	Risk direction	Mitigation
Moderate	Good project management is essential for satisfactory execution. Downtime related to adverse weather, vessel or equipment breakdown, logistical complexities or availability of assets can significantly impact the project performance. Lack of management or control, due to time, knowledge or resource constraints, can cause unnecessary delays and serious damage to projects and Fugro's reputation, and may result in (financial) penalties.	It is expected that this risk will increase. There is a trend showing increasing project complexity and size and because of rapidly changing demands and increased logistical complexities as a result of Covid-19 and the potential impact of Brexit. A growing risk of a lack of resources and expertise to manage the projects is present.	All projects and contracts require approval in accordance with the applicable authorisation matrix which is set by the Board of Management. Projects and contracts above a certain threshold, risk or high project complexity must be approved by the Board of Management. Proper risk assessment also ensures that sufficiently qualified managers are selected to manage these projects, reducing the risk of unnecessary costs. Fugro is strongly focused on further improving its efficiency, amongst others by a relentless focus on delivery excellence, for example by further implementing a global equipment pool, 'lessons learned' assessments and process standardisation by centralising project management development. Monitoring and required support is provided by regional management, as well as global support functions, in particular the global operational excellence team, and through quarterly corporate reviews of large projects.

QHSSE management

Risk appetite	Description	Risk direction	Mitigation
Low	Fugro is subject to a variety of quality, health, safety, security and environment risks, given the geographic range, operational diversity and technical complexity of its operations. Fugro furthermore recognises the exposure and pressure on the health and wellbeing of employees due to the Covid-19 pandemic.	It is expected that this risk will slightly increase due to the current dynamic world-wide environment and potential impact of the pandemic. At the same time, increased remote operations reduce the overall risk exposure.	A strong focus on health, safety, security and the environment is an integral part of Fugro's operational management. Fugro has a common approach to managing HSSE that requires all its activities to meet the same standards of practice. Centrally developed policies, strategies, standards, performance indicators and targets help manage risk and achieve the highest levels of HSSE performance This is driven by the belief that all incidents are preventable and a clear focus on protection of the environment. All activities are executed under ISO9001, OHSAS18001, ISO 45001 or similar certified management systems. Employees receive regular inductions and safety training and Fugro is continuously reviewing potential areas of improvement, and ensuring thorough evaluations of all incidents and sharing resulting improvements and best practices. Fugro expects its business partners to conform to comparable HSSE management standards and are informed of our principles, policies and standards and Fugro works with its partners to support adoption of consistent practices. Fugro supports its employees and their families through a fully independent and confidential Global Employee Assistance Program.

Information security

Risk appetite	Description	Risk direction	Mitigation
Low	Fugro relies on a range of IT systems (hardware, software and network connections) to manage its business, support operations and deliver many of its advanced technological solutions. The reliance on IT systems increased due to Fugro's strategic shift towards more autonomous and remote operations, and remote working enforced as a result of the pandemic. Fugro develops proprietary hardware and software to support its specialist services. Consequently, malfunctioning or unavailability of Fugro's IT systems, due to a cyber-attack (e.g. phishing, malware), non-delivering suppliers or internal system instabilities. This may result in a delay of projects resulting in (financial) penalties or a negative impact on Fugro's reputation.	It is expected that this risk will increase, due to the increased IT dependency (amongst others) in response to more autonomous and remote operations, and Covid-19.	Fugro has a dedicated global IT security team and a solid security IT infrastructure which consists of advanced spam and internet filters, firewalls, policy-based access to the internet and tooling to monitor network and cloud usage. Fugro's IT systems are constantly monitored and controlled for contamination by viruses, malware or malicious content or behaviour. The team operates independently from IT staff in the regions. In 2020, Fugro has taken several actions to further improve information security resilience, among others by increasing the level of awareness of information security and by providing training on cyber security and phishing.

Financial risk

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

Financial strength

Risk appetite	Description	Risk direction	Mitigation
Low	Access to capital markets to fund the company or to refinance the company can temporarily be restricted resulting in potential refinancing issues and delays which can in turn result in breach of covenants and/or not meeting debt maturities This can expose the company to significant funding and liquidity risk.	This risk has declined after the 2020 refinancing, resulting in a stronger equity position and extended debt maturities. This will however remain a key risk for Fugro, requiring continuing mitigation.	Fugro continues to focus on the financial strength of the company to ensure that sufficient positive free cash flow is generated to service debt. This is closely monitored by the Board of Management in consultation with the Executive Leadership Team and under supervision of the Supervisory Board.

Credit risk

Risk appetite	Description	Risk direction	Mitigation
Low	Fugro has a credit exposure in the trade receivable and work in progress position. A default by counterparties can have a material adverse effect on operating results. Furthermore, aging debtors have a negative impact on the available working capital, exposing Fugro to the risk of increased cost of capital.	It is expected that this risk will remain, amongst others due to the ongoing impact of the pandemic.	Fugro continues to focus on timely collections of outstanding trade receivables. Furthermore customer creditworthiness checks are performed regularly. Relevant staff is trained and continuously informed about the importance and impact of this topic.

Currency risk

Risk appetite	Description	Risk direction	Mitigation
Low	Given its global presence 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. 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. This relates in particular to the Angolan Kwanza, of which per year-end 2020 an equivalent amount of EUR 9.3 million was outstanding, and the Nigerian Naira, of which per year-end 2020 an equivalent amount of EUR 6.7 million was outstanding.	It is expected that this risk will remain the same. Given the global presence of Fugro and potential impacts of the Covid-19 pandemic and Brexit, currency exposure is inevitable. A higher level of awareness, less projects in specific currencies of specific countries and more emphasis on this topic, will help decrease the risk.	As most of the company's revenue in local currencies is used for local payments, the effect of currency movements on operational activities is reduced. The global treasury department focuses on improving transparency regarding the various currency exposures and provides advice on how to mitigate these. Based on the complexity of projects, treasury is involved during project tendering to highlight and monitor specific currency risks, within the boundaries set by the Board of Management. Through standardised and centralised treasury management systems Fugro is able to monitor and mitigate its transactional currency risks. The group treasurer is monitoring all foreign exchange contracts and, together with group control, assesses the impact on assets, liabilities, and the financial situation and results. The usage of forward exchange contracts is limited because revenues and costs in the various currencies are reasonably well balanced (natural hedge).

Compliance risk

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

Legal & regulatory compliance

Risk appetite	Description	Risk direction	Mitigation
Low	Fugro's global presence exposes the company to regional and local law and regulation, and related changes or new laws and regulations, for example in relation to GDPR, international sanctions. Fugro is also exposed to changing and challenging political and economic environments and environmental laws and regulations. This can impact the realisation of business opportunities. Other risks may include non-compliance with Fugro's Code of Conduct.	It is expected that this risk will increase. There is a global drive to implement increasingly detailed and more complex regulations and regulatory standards covering an ever broader scope of the company's activities. Furthermore countries are adopting climate neutrality objectives that will be driven through compliance with new rules and legislation.	The Code of Conduct directs Fugro's employees, subcontractors and business partners to conduct business ethically, comply with the law and regulations, and maintains Fugro's reputation. Continuous efforts are made to inform employees, suppliers and business partners about the Code of Conduct. In addition, in 2020 dilemma workshops were organised and agents and joint venture partners were actively monitored. To increase the level of awareness with regard to ethical behaviour conform the Fugro's Code of Conduct, trainings have been provided to address diversity and inclusion. Fugro is acutely aware of and firmly responsive to address climate change.

FINANCIAL REPORTING

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

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

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

Internal audit

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

In 2020, internal audit performed a broad range of services, including (financial) project, organisational and process reviews. In total 32 reviews took place during the year; due to the pandemic remote audits were performed as a substitute of the regular onsite audits. The internal audit department is independently accountable to the audit committee of the Supervisory Board and participates and reports in each audit committee meeting (5 times per year). Additionally, the Director Internal Audit has direct access to the chair of the audit committee and CEO. The Director Internal Audit meets one on one with both the chair of the audit committee and the CEO at least quarterly.

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

External audit

The financial statements of Fugro are audited annually by external auditors, who are not part of the internal controls of the company, but do contribute to the internal control framework. The audit is performed in accordance with Dutch law. As a matter of principle, the external auditor does not act in an advisory capacity. The performance of the external auditor is evaluated annually by the audit committee, assisted by the Board of Management. The audit committee advises the

Supervisory Board on their proposal to the annual general meeting regarding (re)appointment of the external auditor. For specific information regarding the external audit, refer to the independent auditor's report on [page 203](#).

Audit committee

The audit committee, one of the committees within the Supervisory Board ensures an independent monitoring of the risk management process from the perspective of its supervisory role, based on the risk appetite of the company. 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.



ENERGY TRANSITION

Fugro's triple A approach supports Germany's renewable energy targets



Increasing power generation from renewables is placing new requirements on power distribution networks.

Germany has set itself a very ambitious objective: at least 80% of the power supply should come from renewable energies by 2050. Since industrial consumers in Southern Germany have no direct access to the wind energy generated in the North Sea, the power grids have to be upgraded in order to guarantee safe and competitive power supplies in the future. Approximately 700 km long and due to be completed by 2028, the new Suedlink powerline is the country's largest energy infrastructure project and will effectively transport electricity generated by offshore wind in the

north of Germany to meet demand in the south. This is a key project for the 'Energiewende' and one of the largest energy infrastructure projects in Europe.

Vössing Engineers have awarded Fugro a geotechnical and water consulting contract to support the route planning, permitting and installation of 106 km of underground power cables on Section 2 of powerline. Fugro's multidisciplinary consultancy services include site investigation supervision, hydrogeological expertise and environmental support. Vössing Engineers will use Fugro's comprehensive Geo-data acquisition, and ground and environmental risk mitigation advice, to optimise the cable route layout. Fugro has furthermore been appointed as safety coordinator for the entire planning and construction phase. ■

CORPORATE GOVERNANCE

ORGANISATIONAL STRUCTURE

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

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

Board of Management

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

The members of the Board of Management are appointed (and, if necessary, dismissed) by the general meeting for a maximum period of four years. The Supervisory Board determines the number of members of the Board of Management after consultation with the Board of Management. Board of

Management members may be reappointed. The Supervisory Board appoints one of the members of the Board of Management as chairman (CEO) and determines, in consultation with the Board of Management, the division of tasks.

On 12 January 2021, the Supervisory Board announced that Chief Financial Officer Paul Verhagen has decided to leave the company after the annual meeting of shareholders on 22 April 2021. The Supervisory Board has initiated the process for the succession of Paul Verhagen.

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

The general meeting can dismiss or suspend members of the Board of Management. Such a decision, other than proposed by the Supervisory Board, requires at

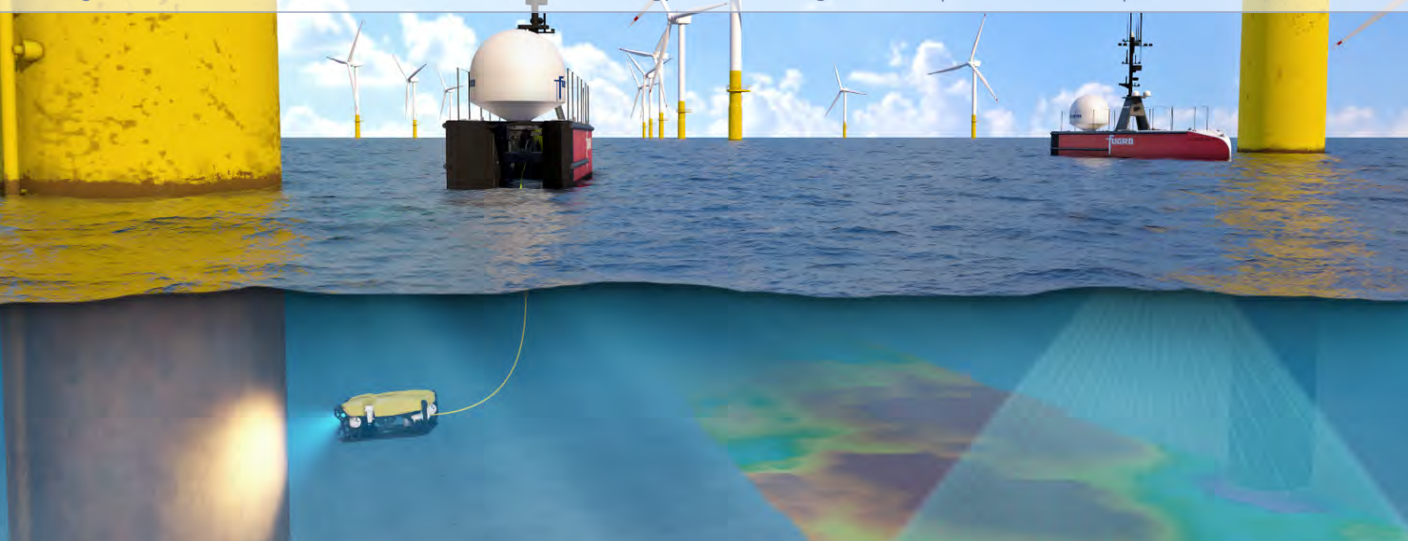
least two-third of the votes, representing at least half of the issued share capital. With regard to the overruling of the binding nature of decisions to suspend or dismiss members of the Board of Management or Supervisory Board, convening a second meeting pursuant to section 2:120, subsection 3, Dutch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

During 2020, the members of the Board of Management have not been involved in transactions involving conflicts of interest for Board of Management which were of material significance to Fugro and/or to members of the Board of Management.

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

Executive Leadership Team

The Executive Leadership Team (ELT) consists of the two members of the Board of Management (CEO and CFO) and seven senior managers with clear accountability to deliver on all elements of the strategic plan. The four regional Group Directors each focus on their own region. Key functional focus areas are covered by three other members: development and digital transformation, human resources, and legal and compliance. CEO Mark Heine is chairman of both the Board of Management and the ELT.



and at least annually, evaluates the performance of each ELT member, other than the members of the Board of Management. The CEO informs the Supervisory Board on the outcome of the evaluation.

Supervisory Board

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

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

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

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

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

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

During 2020, the ELT held over 40 meetings, with an increased frequency during the early months of the Covid-19 pandemic. Except for one multi-day meeting in person at the beginning of the year, all meetings were held via video-conference due to the pandemic. Information about the members of the ELT is provided on [page 67](#) of this report.

At least annually, the ELT evaluates its own performance. The Board of Management regularly,

absolute majority of the votes cast is in favour of the resolution to cancel the binding nature of the nomination, a new meeting may be convened at which the resolution may be passed by an absolute majority of votes, irrespective of the part of the capital represented at such meeting. On a non-binding nomination, the general meeting decides on the appointment with an absolute majority of votes.

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

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

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

During 2020, the members of the Supervisory Board have not been involved in transactions involving conflicts of interest for Supervisory Board members, which were of material significance to Fugro and/or to members of the Supervisory Board.

The Supervisory Board regularly, and at least annually, evaluates the performance of the Board of

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

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

Diversity Board of Management, ELT and Supervisory Board

Fugro values diversity and inclusion in all areas of its organisation. 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 (which also applies to the ELT) 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.

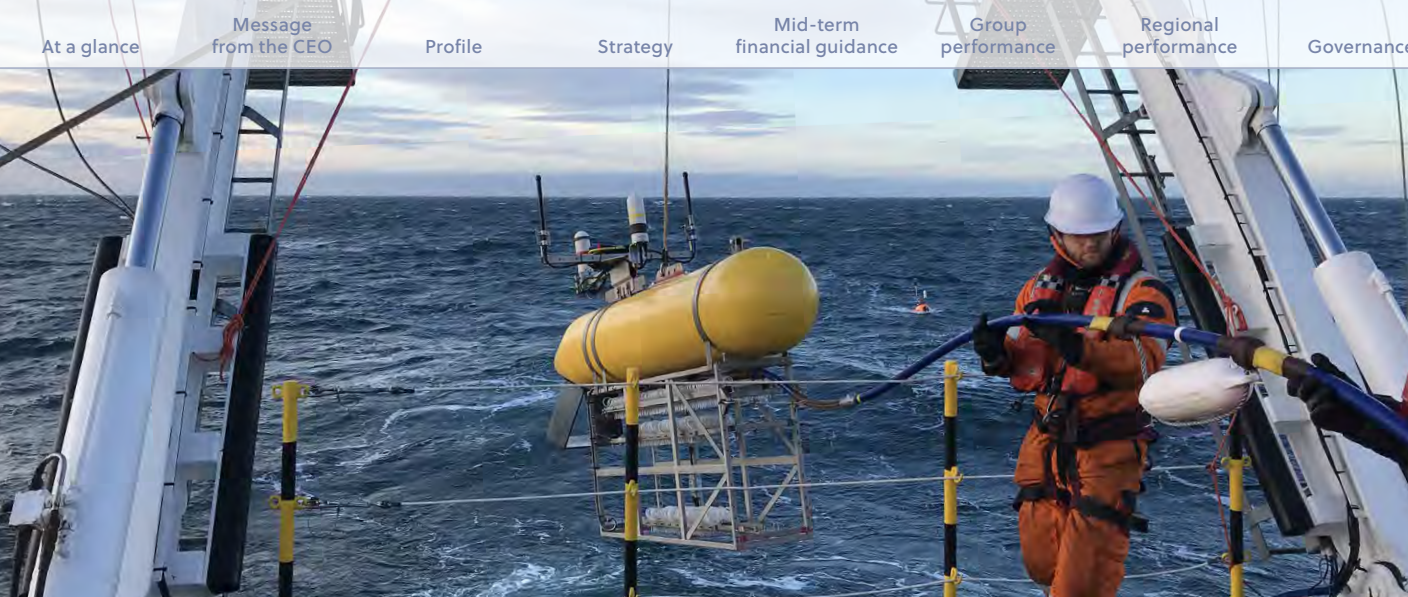
Increased diversity will lead to a wider range of skills for better oversight and governance. It will also better reflect the diversity of Fugro's employees and client base. In these policies, and based on the nature and complexity of the business, the markets in which Fugro operates, and the diversity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

The Supervisory Board has set a gender diversity target for the boards of at least 30% female and at least 30% male members.

For the better part of 2020, the Supervisory Board comprised of 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, background, diversity and desired independence of the members. On 30 November 2020, as part of the succession planning of the Supervisory Board, and in anticipation of Doug Wall stepping down in 2021, Sjoerd Vollebregt was appointed to the board. This has resulted in a temporary decline in the percentage of female members to below the targeted range.

The Board of Management consists of two members. As both are male, the diversity target regarding gender has not been met. On 12 January 2021, the Supervisory Board announced that Chief Financial Officer Paul Verhagen has decided to leave the company after the annual meeting of shareholders on 22 April 2021. The Supervisory Board has initiated the process for his succession, with a preference for a female successor.

In the ELT, which consists of seven members outside of the Board of Management, one member is female. 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 66 and 99](#) for the personal details of the members of the Board of Management and the Supervisory Board.

General meeting of shareholders

General meetings of shareholders 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 annual general meeting (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 necessary.

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

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

CORPORATE INFORMATION

Capital structure

At 31 December 2020, the authorised capital of Fugro amounted to EUR 30,000,000 and was divided into:

- 210,000,000 ordinary shares, with a nominal value of EUR 0.10
- 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 2020, the issued capital amounted to EUR 10,319,036.60 divided into 103,190,366 ordinary shares. No preference shares have been issued. On 31 December 2020, all ordinary shares have equal voting rights (one share, two votes). There are no restrictions on the voting rights of the company's ordinary shares and preference shares (if issued).

As per 9 February 2021, the nominal value of the issued ordinary shares was reduced to EUR 0.05 per ordinary share through an amendment of the company's articles of association, which reduced the total issued capital to EUR 5,159,518.30. As a consequence of this amendment of the articles of association (as approved by the extraordinary meeting of shareholders on 30 November 2020), all ordinary shares have again one vote for one share. The authorised capital has also been reduced by this amendment of the articles of association.

As per 9 February 2021, the authorised capital 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.

As of 31 December 2020, almost all of issued ordinary shares (102,649,614 or 99.5%) were exchanged for certificates of shares. See 'Foundation Trust Office' on [pages 85-86](#) for more information.

Restrictions to the 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
- 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, until 14 December 2020, there was an additional protective measure in place – 'Foundation Continuity Fugro' below.

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

The protective measures shall be put up, especially in a takeover situation, when this is in the interest of Fugro to protect its independent service delivery 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.

On 19 October 2020, in the context of the refinancing process, Fugro announced an amendment of its corporate governance structure which will result in key changes to its protective measures, in order to bring Fugro's protective measures in line with Dutch market practice. On 14 December 2020, the call option agreements with the Foundation Continuity Fugro have been terminated as per the completion of the rights issue. In addition, Fugro is engaged in the process of terminating the certification of its shares. This requires certain approvals and a resolution of Fugro's general meeting of shareholders in 2021. Fugro aims to complete this process in the first half of 2021. The consequence of the decertification will be that instead of Fugro certificates, ordinary shares of Fugro will be listed and traded on Euronext stock exchange and the below mentioned rights of the Foundation Trust Office will no longer be applicable. The third protective measure of Fugro, the ability to issue preference shares to the Foundation Preference Shares, will remain in place. Once the process of decertification has been finalised, Fugro will be fully compliant with the principles of the Dutch corporate governance code.

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 2020 and for the composition of the Board see [page 213](#).

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.

As described above, Fugro is in the process of terminating the certification of its shares. This requires certain approvals and a resolution of Fugro's general meeting of shareholders in 2021. Fugro aims to

complete this process in the first half of 2021.

The consequence of the decertification will be that instead of Fugro certificates, ordinary shares of Fugro will be listed and traded on Euronext stock exchange and the above mentioned rights of the Foundation Trust Office and any restrictions mentioned with respect to holders of certificates will no longer be applicable.

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 213](#).

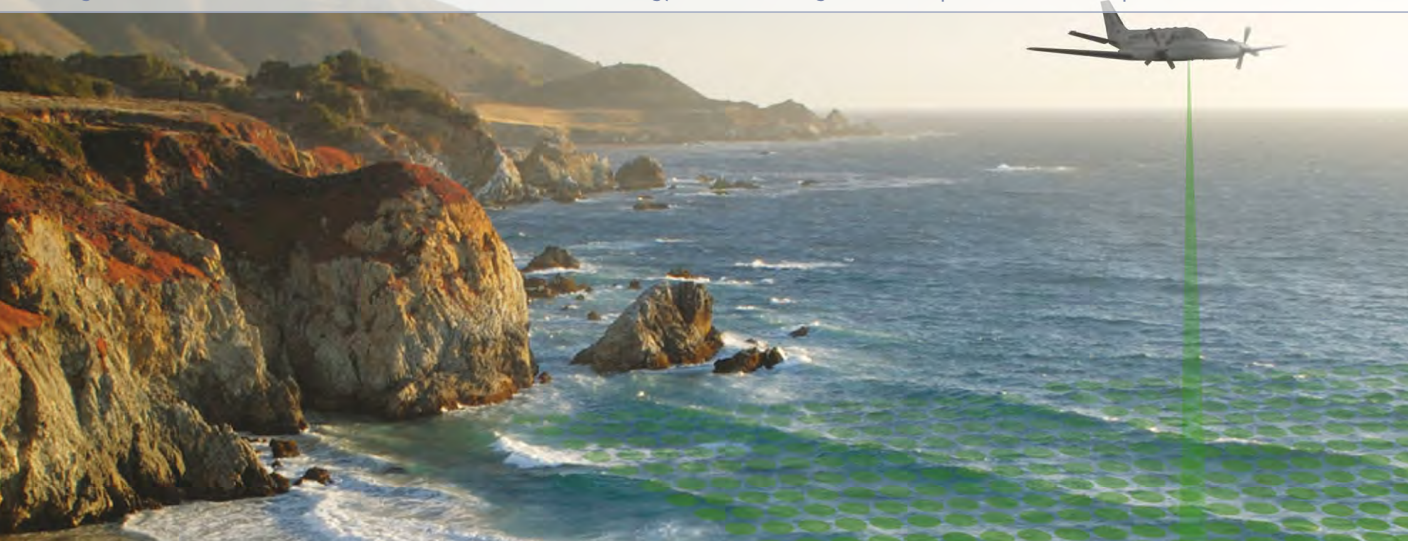
Foundation Continuity Fugro

The call option agreements of the Foundation Continuity Fugro have been terminated as per 14 December 2020 and this Foundation no longer functions as a protective measure.

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 latest articles of association are posted on the website.



issue in connection with or on the occasion of a merger, takeover or strategic partnership.

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

Long-term incentive plans

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

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

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

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

With effect from 2017, unconditional options and conditional performance shares are no longer granted at the end of the calendar year but the grant date has been shifted to the open period immediately following

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 30 April 2020, the AGM authorised the Board of Management for a period of 18 months as from 30 April 2020 until 30 November 2021, 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, only in connection with the issuance of 10% for general purposes.

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 for general purposes and, in addition, a maximum of 10% of the issued capital of Fugro at the time of the

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.

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. On 31 December 2020, the unconditional options granted December 2014 expired.

The vesting conditions of the performance options (last grant in 2016) and shares, which vested partially in March 2020 are not only subject to continuous employment of the holder by Fugro or one of its subsidiaries, but also to performance testing. Vested performance shares have a holding (lock-up) period of two years and may be partly sold only to meet tax requirements at vesting ('sell to cover'). The usual terms and conditions are applicable including exceptions in connection with redundancy, termination of employment without cause, prorated vesting, retirement, long-term disability, death and change of control.

Options and performance shares are granted in such a way that at any moment the maximum number of outstanding options and performance shares will not exceed the mandate of 7.5% of the issued ordinary share capital (including treasury shares but excluding the

conversion rights under the outstanding convertible bonds). It is Fugro's policy to repurchase own shares to cover the options and performance shares granted in order avoiding the issue of new shares when options are exercised and performance shares vest.

See [note 13](#) of the financial statements for further information on option and share plans.

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

Unconditional options	Exercise price * (EUR)	Vesting date**	Expiration date**
Series 31/12/2015	30.12	31/12/2018	31/12/2021
Series 31/12/2016	29.10	31/12/2019	31/12/2022
Series 01/03/2018	14.40	26/02/2021	26/02/2024
Series 04/03/2019	19.98	01/03/2022	01/03/2025
Series 26/02/2020	13.12	26/02/2023	26/02/2026

Performance options	Exercise price * (EUR)	Vesting date**	Expiration date**
		partially vested	
Series 31/12/2016	29.10	26/02/2020	01/03/2023

Performance shares	Exercise price (EUR)	Vesting date**	End of lock-up**
Series 31/12/2015	n/a	not vested	n/a
Series 31/12/2016	n/a	partially vested	01/03/2022
		partially vested	
Series 01/03/2018	n/a	01/03/2021	28/02/2023
Series 04/03/2019	n/a	03/2022	03/2024
Series 26/02/2020	n/a	03/2023	03/2025

* On 18 December 2020 after market close, a 2:1 share consolidation was implemented. As a consequence, the exercise prices have been doubled and the number of options granted halved.

** Based on anticipated publication dates of annual results in 2021 and onwards.

Key agreements containing change of control provisions

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

- Fugro, directly and indirectly, has entered into a syndicate revolving credit facility (RCF), as well as a Term Loan. See for further details [note 29.2/29.3](#) of the financial statements. The RCF and Term Loan agreements stipulate that in the event of a change of control of Fugro, the loans/amounts outstanding under these arrangements may become 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 29.4](#) 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
- Some joint venture agreements Fugro and Fugro subsidiaries have entered into 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.

COMPLIANCE WITH DUTCH CORPORATE GOVERNANCE CODE IN 2020

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 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 2020 is posted on Fugro's website, as are the rules governing the internal proceedings of the Board of Management and Executive Leadership Team and of the Supervisory Board (including its three committees).

Fugro is engaged in the process of terminating the certification of its shares -see 'Corporate governance - protective measures'. Once the process of decertification has been finalised, the deviations as described below will no longer be applicable, and Fugro will be fully compliant with the Code.

Principle 4.4

Maintaining its role as independent service provider is crucial for Fugro (see 'Protective measures' on [page 85](#) for further explanation). One of the ways to safeguard this independence is share certification. Although the Code provides that the certification structure is not meant as a protective measure, Fugro has chosen, in the interest of its clients to also view the certification structure as part of its protective measures. When carrying out assignments Fugro often receives or can have access to extremely confidential information. Fugro can only perform its assignments if it can safeguard the confidential nature of such information towards its clients. Furthermore, it is strategically extremely important for Fugro that it is able to maintain

its position as an independent service provider and to deter influences in conflict with these interests which might affect the independent position or the continuity and identity of Fugro and its group companies.

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

Best practice provision 4.4.1

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

Best practice provision 4.4.2

According to this provision the meeting of holders of certificates may make recommendations to the Board of the Foundation Trust Office for the appointment of a member to the Board. It depends on whether or not a meeting of holders of certificates is held in which the holders of certificates can make such recommendations. The Board has decided that holders of certificates representing at least 15% of the issued share capital in the form of certificates of shares may request that a

meeting of holders of certificates is convened in order to make recommendations concerning persons to be appointed as a member of the Board of the Foundation Trust Office. At this moment, Fugro does not intend to change this.

Best practice provision 4.4.5

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

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

Best practice provision 4.4.8

Based on the provisions of section 2:118a Dutch Civil Code and article 18.2 of the administration terms and conditions, the Foundation Trust Office will provide a proxy to any holder of certificates of shares who so requests, to exercise the voting rights on the (underlying) shares corresponding to the certificates held by the holder in a shareholders' meeting of Fugro. Holders of certificates of shares can (also) choose to have themselves represented in the shareholders' meeting by a written proxy, whether or not including a voting instruction. In specific situations the Foundation Trust Office may solely limit, exclude or revoke a proxy. See [page 214](#) for more details. This is necessary – summarised – when Fugro's continuity, independence, identity or development is at stake. Therefore the deviation of this provision of the Code relates to the fact that proxies to vote are not issued without any limitation and in all circumstances. This deviation is of course the consequence of the fact that the structure of share certification is also meant as a protective measure.

CORPORATE GOVERNANCE STATEMENT

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

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



CLIMATE CHANGE ADAPTATION

Hydrographic survey in Australia with lower CO₂ footprint



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

In 2020, Fugro was awarded two projects in Gulf St. Vincent and in Torres Strait under the Australian Hydrographic Office Hydroscheme Industry Partnership Program to improve understanding of the gulf's oceanography and support the development of an accurate tide model for future vessel traffic. Fugro's approach to these projects was to introduce new technologies to the Australian Government, including the Fugro Blue Shadow unmanned surface vessel and the most recent version of the Fugro designed airborne lidar bathymetric sensor, LADS HD+.

Both sensors acquire data that meets the requirement, while greatly reducing the impact to the environment through the reduction of carbon emissions. The USV utilises approximately 90% less fuel than a traditional survey vessel. At the same time, an area of 540 square kilometres of airborne data was acquired in 25 hours, which would traditionally take 45 days of vessel time. ■



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. Analyst presentations are accessible via webcast.

After the publication of the full year and half-year results, Fugro hosts meetings with shareholders and other investors. These roadshows usually cover the UK, the Netherlands, other European and the North American markets. Due to the Covid-19 pandemic, in 2020 almost all meetings took place via calls and webinars. In combination with further calls with investors throughout the year this resulted in a total of 173 contacts with investors via one-on-one and group meetings/calls. Fugro is currently covered by eight financial analysts.

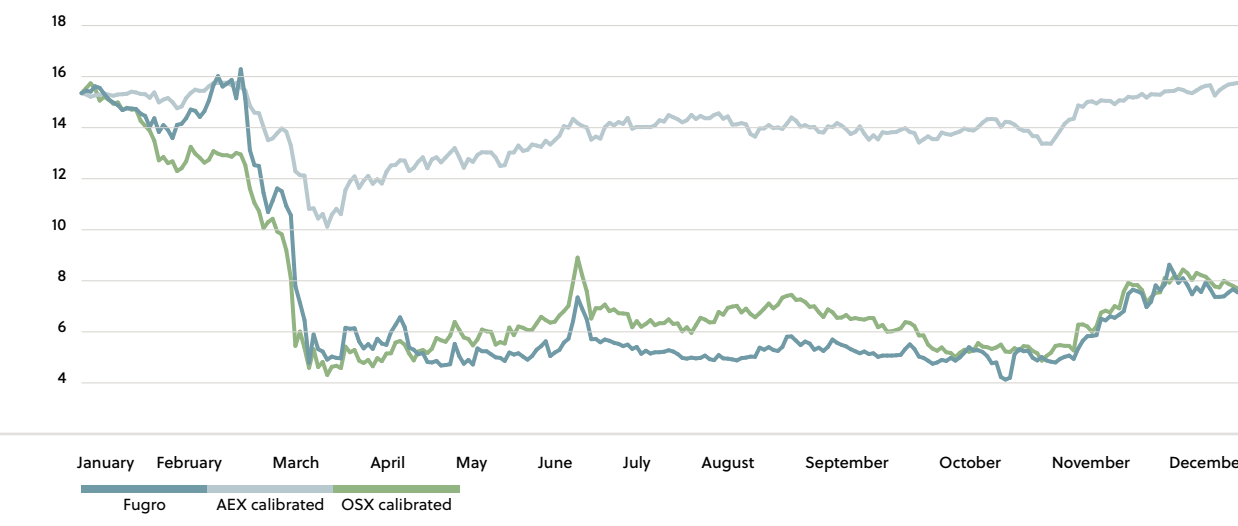
These activities are carried out in strict accordance with the requirements of Euronext and the Dutch Authority for the Financial Markets. Fugro has a policy on bilateral contacts in place, detailing how information is provided to investors, analysts, financial institutions, the press and other stakeholders.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

Trading information*

	2020	2019	2018	2017	2016
Shares outstanding (at year-end)	103,190,366	84,572,525	84,572,525	84,572,525	84,572,525
Year-end closing share price on Euronext	7.60	9.98	7.55	12.99	14.55
Market capitalisation (x EUR 1 million, year-end)	784	844	639	1,099	1,231
Average daily trading on Euronext (shares)	1,374,116	941,676	935,089	786,522	750,484

* 2016-2019 numbers have not been adjusted for the rights issue and 2:1 share consolidation, which both took place in December 2020.

Development share price 2020 (x EUR)



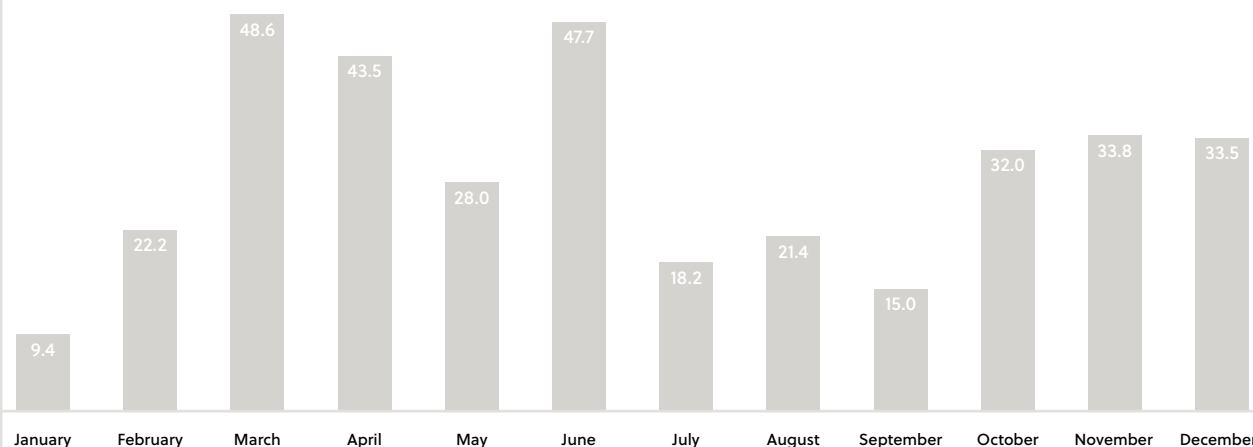
Share price of Fugro has been adjusted retrospectively for the rights issue (to account for the value of the rights, which traded on 2 through to 9 December 2020) and 2:1 share consolidation per 18 December 2020. AEX (Dutch large cap index) and OSX (US oil services index composed of amongst others Halliburton, Oceaneering, Schlumberger, Transocean) calibrated to Fugro share price on 2 January 2020.

Development share price 2016 – 2020 (x EUR)



Share price of Fugro has been adjusted retrospectively for the rights issue (to account for the value of the rights, which traded 2-9 December 2020) and 2:1 share consolidation per 18 December 2020. AEX (Dutch large cap index) and OSX (US oil services index composed of amongst others Halliburton, Oceaneering, Schlumberger, Transocean) calibrated to Fugro share price on 4 January 2016.

Monthly trading volumes on Euronext Amsterdam 2020 (x million shares)



Listing on the stock exchange

Fugro is listed on Euronext Amsterdam since 1992 (symbol: FUR/ISIN code: NL00150004A7). Options on Fugro shares are traded on the European Option Exchange in Amsterdam (Euronext Life).

On 31 December 2020, Fugro had 103,190,366 shares outstanding. Not the shares themselves, but certificates of the 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 2020, the Foundation Trust Office administered 102,649,614 or 99.5% of the issued underlying shares. In connection to its 2020 refinancing, Fugro has communicated its intention to terminate the certification of its shares. This is subject to, amongst others, a resolution of Fugro's general meeting at the 2021 annual general meeting. Fugro aims to complete this process in the first half of 2021. For more information on the certification of shares, see Corporate governance – on [pages 80-91](#).

Refinancing and share consolidation

Towards the end of the year, Fugro completed a comprehensive refinancing. This refinancing was undertaken to address the upcoming maturity of the revolving credit facility and the convertible bonds maturing in 2021, to strengthen the balance sheet and improve leverage in light of the challenging market environment.

Initially, Fugro launched its refinancing on 19 February 2020. After a successful raise of EUR 82 million through a sub-10 equity issue, the pandemic broke out. Due to the sudden and sharp deterioration in financial markets, the plan to issue senior secured notes had to be withdrawn and Fugro could not complete the refinancing at that point in time.

After a recovery in the financial markets and a thorough reassessment of refinancing alternatives, in the fourth quarter of 2020, Fugro raised EUR 250 million in new equity. In addition, the existing EUR 575 million revolving credit facility, maturing in 2021, was replaced with a new EUR 250 million revolving credit facility and a EUR 200 million term loan, both maturing in December 2023. (see ‘Fugro on the capital markets - loans’ for more details).

The new equity was raised through a private placement with a number of top-tier investors of EUR 53.3 million in total, and a EUR 197.1 million rights issue. Take-up of the rights was very strong at 91.9%. The remaining rights were sold by way of private placements to eligible institutional and professional investors. During this process, the number of outstanding shares increased to 206,380,732.

Following the completion of the refinancing, on 18 December 2020 after market close, a 2:1 share consolidation was implemented. This resulted in a halving of the number of outstanding (certificates of) shares to 103,190,366, and a corresponding doubling of the share price and nominal value per share. For technical reasons, approximately 2 months after completion of the rights issue, the nominal value of the shares will be reduced again to ensure that all shares in the capital of Fugro will have the same nominal value of EUR 0.05.

Share price and trading volumes

In 2020, Fugro’s share price was strongly impacted by the dual challenge of the Covid-19 pandemic and the related declining oil price. Where stock markets worldwide were hit significantly during the end of February and the start of March, certain sectors were particularly impacted. This included oil and gas related stocks, as a result of significantly lower oil demand due to lockdown measures. Towards the end of the year, a recovery in the oil price supported energy stocks. In addition, the completion of the refinancing provided support for the share price.

Shareholders

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

Holdings of 3% or more per 31 December 2020

	Position	Date notification
NN Group N.V.	16.74%	30 November 2020
ASR Nederland N.V.	7.63%	30 November 2020
H.M. van Heijst	3.91%	18 December 2020
Citadel Advisors LLC	3.02%	23 December 2020

On 31 December 2020, Fugro owned 1,777,873 of its own shares (‘treasury shares’) which can be (partly) used to cover the employee option and share plans and (partial) conversion of the outstanding subordinated convertible bonds. Treasury shares are not entitled to dividend and there are no voting rights attached to these shares. See ‘Corporate governance – corporate information – long-term incentive plans’ and [note 13](#) of the financial statements for more information on Fugro’s option and share plans.

During 2020, 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. Through the gradual improvement in profitability and disciplined asset management, the company targets an annual positive free cash flow resulting in a reduction of net debt, deleveraging of the balance sheet, and consequently a net leverage below 1.5 times. The company will only resume dividend payments once leverage structurally allows.

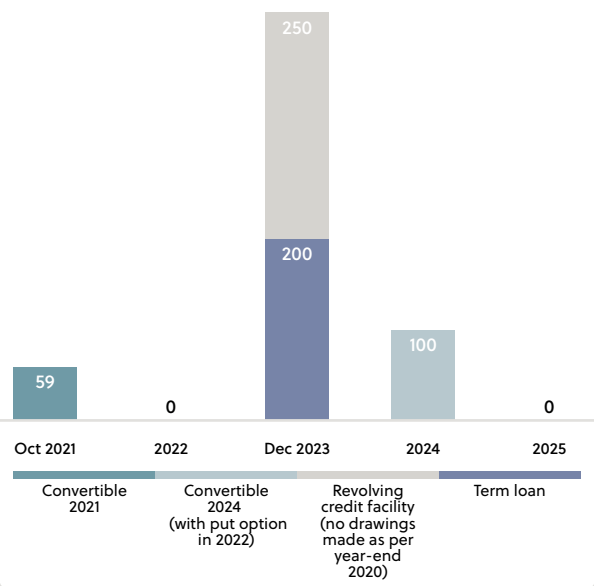
Under the new revolving credit facility and term loan, dividend payments are restricted. Until mid-2022, no dividends will be paid. After that date, dividends may only be paid if net leverage is equal to or less than 2.0 times and expected to remain below 2.0 for the next quarters.

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

As part of the refinancing, the previous EUR 575 million revolving credit facility, maturing in 2021, was replaced with a new EUR 250 million revolving credit facility and a

Debt maturity profile per 31 December 2020
(in millions, euro equivalents)



EUR 200 million term loan. Both facilities, maturing in December 2023 (plus a 1 year extension option for the revolving credit facility), have been arranged by ING, Rabobank, ABN AMRO, HSBC, Barclays, Credit Suisse and BNP Paribas.

The revolving credit facility has an initial coupon of EURIBOR+4.25% and depending on leverage can vary between EURIBOR+2.75% and EURIBOR+5.50%. The term loan has an initial coupon of EURIBOR+5.50% and will gradually increase in bi-annual steps in the second and third year towards EURIBOR+8.00%. Both loans are backed by a comprehensive security package. Covenants apply on solvency ratio ($\geq 33.33\%$), net leverage (equal to or less than 3.25:1) and interest coverage (at least 2.50:1)

As per year-end 2020, no drawings have been made under the revolving credit facility.

Fugro also has two subordinated convertible bonds outstanding. The bonds are trading on the Open Market (Freiverkehr) segment of the Frankfurt Stock Exchange (symbol: ISIN: XS1508771216 respectively XS1711989928).

Throughout the year, especially after the completion of the refinancing in December 2020, Fugro bought back a substantial part of the 2021 convertible, with a nominal amount of EUR 59 million outstanding per the end of the year. From time to time Fugro may seek to retire or repurchase the remaining outstanding bonds through cash purchases, in open market purchases, privately negotiated transactions or otherwise, before its maturity date.

The October 2021 bonds have a coupon of 4.0% and the November 2024 bonds have a coupon of 4.5%. As a result of the refinancing and share consolidation, the conversion prices were adjusted, to EUR 25.5674 for the October 2021 bonds and to EUR 19.6490 for November 2024 bonds.

Financial calendar

22 April 2021	Publication trading update first quarter 2021 (7 CET)
22 April 2021	Annual general meeting
29 July 2021	Publication half-year results 2021 (7 CET)
30 October 2020	Publication trading update third quarter 2021 (7 CET)
18 February 2022	Publication 2021 annual results (7 CET)
21 April 2022	Annual general meeting

Contact

For further information contact:

Catrien van Buttingha Wichers

Director Investor Relations

+31(0)70 3115335

c.vanbuttingha@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.

The Board of Management considered the external auditor's management letter and reporting provided at half-year and full year 2020. The management letter noted areas for further improvement, such as the risk and control framework (substantiation of internal controls and follow-up of internal audit findings) and information technology (IT landscape and cyber security risk management). The Board of Management initiated action plans. Management letter follow-up is reported to the audit committee periodically.

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 69 to 78](#). For a summary of risk factors, see [page 69](#).

The purpose of Fugro's internal risk management and control systems is to adequately and effectively manage the significant risks to which it is exposed. Such systems can never provide absolute assurance as to the realisation of operational and strategic business objectives, nor can they prevent all misstatements, inaccuracies, errors, fraud and non-compliances with legislation, rules and regulations. These systems do not provide certainty that Fugro 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 of 8 December 2016, that, according to the current state of affairs to the best of its knowledge:

- the internal risk management and control systems of Fugro provide reasonable assurance that the company's financial reporting does not contain any material inaccuracies

- there have been no material failings in the effectiveness of the internal risk management and control systems of Fugro
- there are no material risks or uncertainties that could reasonably be expected to have a material adverse effect on the continuity of Fugro's operations in the coming twelve months
- it is appropriate that the financial reporting is prepared on a going concern basis, as supported by Fugro's budget process and latest forecasts.

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

- the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Fugro and of group companies included jointly in the consolidation
- the board report ([pages 7 to 96](#)) provides a fair review of the position at the balance sheet date, the development and performance of the business during the financial year of Fugro and of the group companies for which the financial information is recognised in its financial statements
- the board report describes the principal risks and uncertainties that Fugro faces.

Leidschendam, 18 February 2021

M.R.F. Heine, Chief Executive Officer
P.A.H. Verhagen, Chief Financial Officer



CLIMATE CHANGE ADAPTION

Helping Sint Maarten to understand disaster risk and improve climate resilience

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

Sea level rise is expected to significantly damage to the Caribbean island of Sint Maarten by coastal erosion, inundations and storm floods. As part of its Emergency Recovery project objectives for understanding disaster risk and improving climate resilience, the Government of Sint Maarten commissioned Fugro to deliver terrain and bathymetric models to enhance understanding of the hydrological processes and complex coastal risks throughout of the island.

Fugro has deployed its cutting-edge airborne mapping capabilities, with the lowest industry carbon emissions, to collect high resolution topographic and bathymetric data. Local communities will be informed on risks and spatial vulnerability of their territory thanks for instance to improved floodplain maps, used to determine how far water will go inland. As a result, Sint Maarten will be equipped with tools and knowledge to develop disaster recovery strategies, strengthen adaptation capacities and help preserve people's health and quality of life. ■



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 2022

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 Board Foundation Trust Office TKH Group



Name Petri H.M. Hofsté (1961)

Committee Vice-chair Supervisory Board, chair audit committee

Nationality Dutch

First appointed 2015

Current term Until AGM 2023

Previous positions Senior financial management positions at various organisations; partner at KPMG, group controller and deputy chief financial officer of ABN AMRO Bank, division director of the Dutch Central Bank and chief financial and risk officer of APG Group
Other functions Member Supervisory Board of Rabobank, Achmea B.V. and Achmea Investment management, Pon Holdings B.V. and chair of the Board of Nyenrode Foundation



Name Antonio J. Campo (1957)

Committee Member remuneration committee; member nomination committee

Nationality Colombian

First appointed 2014

Current term Until AGM 2022

Previous positions Multitude of senior management positions at Schlumberger, President and CEO of the Integra group of companies
Other functions Vice-chairman Board Basin Holdings, lead director of National Energy Services Reunited Corporation



Name Ron Mobed (1959)

Committee Member audit committee

Nationality British

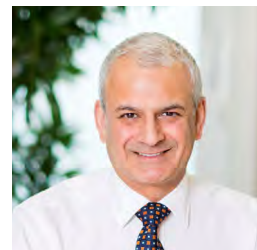
First appointed 2020

Current term Until AGM 2024

Previous positions CEO of Elsevier (part of RELX Group), president of the Energy division of HIS Markit Ltd., various senior management positions at Schlumberger

Other functions

Non-executive director at AVEVA Plc, board member of Ordnance Survey Limited, non-executive director and as per January 2021 chair of Robert Walters Plc



Name Anja H. Montijn (1962)

Committee Chair remuneration committee; member nomination committee

Nationality Dutch

First appointed 2015

Current term Until AGM 2023

Previous positions Various national and international leadership positions at Accenture, amongst others managing partner Resources practice in France and Benelux, Country Managing Director Accenture the Netherlands, Global Managing Director Management Consulting Resources, member Supervisory Board Royal VolkerWessels NV

Other functions

Non-executive director at OCI N.V.



Name Douglas J. Wall (1953)

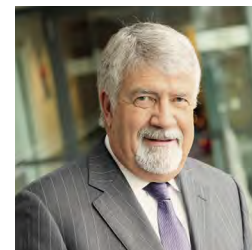
Committee Member audit committee

Nationality American/Canadian

First appointed 2014

Current term Mr. Wall will retire at the AGM 2021

Previous positions President and CEO of Patterson-UTI Energy, Group President of completions and production at Baker Hughes, variety of executive positions with other oilfield services companies in Canada and US
Other functions Member Board of Directors of Select Energy Services, LLC



Name Sjoerd S. Vollebregt (1954)

Committee Member audit committee

Nationality Dutch

First appointed 2020

Current term Until AGM 2024

Previous positions CEO Stork N.V., senior management roles at various companies in the field of logistics, member of the Supervisory Board of TNT Express B.V. and non-executive board director of Mylan N.V.

Other functions Chairman of the Supervisory Board of Heijmans N.V. and chairman of the Supervisory Board of Joulz B.V.



Company secretary Harriet Defesche (1964)

7 AFFORDABLE AND
CLEAN ENERGY

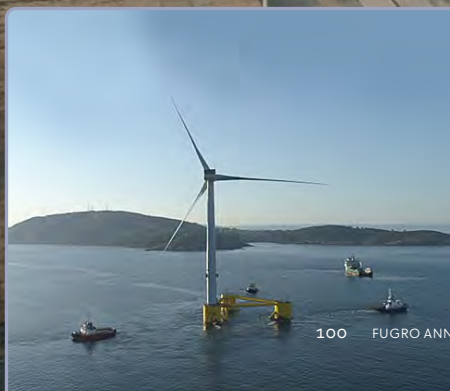
ENERGY TRANSITION

Supporting the construction of floating wind farm

Fugro fulfils an important role in the ongoing energy transition. This includes solutions for floating wind, opening up previously inaccessible deep sea areas where the wind is more powerful than shallow coastal waters. As these turbines require solid anchoring to the seabed, Fugro's services are crucial for these developments.

Recently, Fugro provided positioning support services to Bourbon Subsea Services on the installation of the world's first semi-submersible floating wind farm, WindFloat Atlantic. Located 20 km from Viana do Castelo on the west coast of Portugal, this cutting-edge development comprises three 8.4 MW floating turbines with a total installed capacity of 25 MW, generating enough energy to supply the equivalent of 60,000 users per year, saving almost 1.1 million tons of CO₂.

With its extensive experience with rig moves, and its expertise in precise satellite positioning, Fugro assisted Bourbon's towing and exact positioning of the turbines. Fugro's customised remote positioning system was powered by a combination of solar and wind, with a real-time connection to the remotely operated vehicle and support vessel. Also, Fugro supported Bourbon's installation of the inter-array cables by performing touchdown monitoring and by consulting on video and positioning data acquired via Bourbon's ROV and vessel spread. ■





SUPERVISORY BOARD REPORT

It has been an exceptional year for Fugro and everybody involved. And that is an understatement. At the beginning of 2020 – after eight quarters of continued revenue growth and margin improvement – the prospects for the year looked promising with an annual plan focused on profitable growth. But this outlook changed considerably due to the outbreak of the Covid-19 pandemic at the end of February. A perfect example of a ‘Black Swan’: a totally unexpected event with an enormous, worldwide impact, on public health, the way people interact, freedom of movement and of course, also on the business environment.

For Fugro, the impact of the pandemic was compounded by a sharp decline in the oil price, resulting in oil and gas clients significantly reducing their spending. When it became clear that Fugro’s business would be seriously impacted, we had regular meetings with management to discuss different scenarios. We fully supported the priorities set by management: preserving the health and wellbeing of Fugro’s people and other stakeholders, ensuring business continuity and reducing costs and capex to protect liquidity and profitability.

The strong decline in oil and gas activities due to the pandemic, was partly offset by very strong growth in offshore wind, a market in which Fugro, thanks to its technical capabilities and excellent reputation, has a market leading position. Despite increased operational complexities caused by the rules to contain the virus, Fugro has been able to adapt its work processes quickly

to the new reality and continue its operations effectively. In addition, as of March, management has taken immediate and decisive action by implementing a programme to significantly reduce costs and capital expenditure.

The measures clearly payed off. Although revenue declined significantly, the adjusted EBIT margin held up quite well. In our view, this is an excellent achievement under unprecedented circumstances. It shows that Fugro has the flexibility and agility to adjust its cost base and the deployment of its assets to changing market conditions. The new management structure, implemented as of May 2019, including a regional model and the establishment of an Executive Leadership Team (ELT), has proven to be very effective in dealing with the crisis.

REFINANCING

Already in 2019, the refinancing of the company was high on our agenda. We had established a sounding board, consisting of Mr. Noy and Mrs. Hofsté, to follow the refinancing process more closely, with regular reporting to the full Supervisory Board. We extensively discussed possible scenarios in order to be able to make use of a favourable window on the capital markets. Such window seemed to be available in early 2020. We agreed with management’s proposal to do a sub-10 equity issue in combination with the placement of a senior secured note, to be announced following the

press release regarding the 2019 annual results. The new equity, which we considered important for strengthening the balance sheet, was successfully issued. As immediately thereafter the outbreak of the pandemic led to a sudden and sharp deterioration of capital markets, the plan to issue senior secured notes had to be withdrawn.

Due to the effect of the pandemic on the economic outlook, the refinancing became more challenging and a new plan needed to be developed. Given the potentially impactful decisions to be taken, we decided to appoint an independent financial advisor to our board. During the many discussions, involving management, banks, advisors, sounding board and our full board, it became clear that under the changed economic conditions, further strengthening of the balance sheet and reduction of the leverage ratio was absolutely necessary to provide Fugro with sufficient financial breathing space to implement its strategy. We were pleased that a number of reputable cornerstone investors were willing to support the equity issue, showing their commitment and belief in Fugro. By mid-October we agreed on the refinancing plan, including bank loans and a EUR 250 million equity issue, partly through a private placement with the cornerstone investors, partly through a rights issue. We also agreed on the necessary changes of the articles of association, the share consolidation and the use of the proceeds. At an extraordinary shareholders meeting on 30 November 2020, the shareholders gave the required approvals and by mid-December the refinancing could be successfully concluded.



2020 FINANCIAL STATEMENTS AND DIVIDEND

This annual report includes the 2020 financial statements, which are accompanied by an unqualified independent auditor's report of Ernst & Young Accountants LLP (see the independent auditor's report starting on [page 203](#)). These financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and section 9 of Book 2 of the Dutch Civil Code.

On 17 February 2021, the audit committee discussed the draft financial statements with the CFO and the auditors, including the financial analysis and critical (valuation) issues, such as the valuation of goodwill and the classification and valuation of Seabed Geosolutions. The audit committee also discussed the management letter and the long form auditor's report, the quality of internal risk management and control systems and had a discussion with the auditor without Fugro's management being present.

On 18 February 2021, we discussed the annual report, including the 2020 financial statements, with the Board of Management in the presence of the auditor. Furthermore, we took note of the reporting from the audit committee and reviewed the independent auditor's report and the quality of internal risk management and control systems. We concluded that we agree with the 2020 financial statements.

We recommend that the AGM, to be held on 22 April 2021, adopts the 2020 financial statements. In addition, we request that the AGM grants discharge to the members of the Board of Management in office in the 2020 financial year for their management of the company and its affairs during 2020, and to the

The refinancing has again put Fugro in a position of strength, with a sustainable capital structure, enabling the company to execute on its strategy. Per ultimo 2020, solvency has increased to 41% while the leverage ratio has been reduced to 2.1 (1.6 pre IFRS 16). The refinancing process has shown that too much debt on the balance sheet can be a real burden. We therefore fully support management's goal for a leverage ratio below 1.5.

GOVERNANCE

During the meetings of management with potential investors in the context of the refinancing, also Fugro's protective measures were addressed. We discussed this with management and agreed with the conclusion that two of the three protective measures could be terminated, conditional upon successful completion of the refinancing.

In the meantime, the call option of the Foundation Continuity ('Stichting Continuïteit Fugro') has been

terminated and we expect the Foundation to be liquidated in due course. The Board of the Foundation Trust Office ('Stichting Administratiekantoor Fugro') has agreed to cooperate with the decertification of the Fugro shares. The required changes to Fugro's articles of association will be put on the agenda of the upcoming annual general meeting of shareholders (AGM). The goal is to complete the decertification process in the first half of 2021.

We fully agree with the Board of Management that the protection through the Foundation Protective Preference Shares ('Stichting Beschermingspreferente Aandelen Fugro') should remain in place. This is important to ensure the interests of Fugro and its stakeholders and that Fugro continues to be able to provide its services independently. After the aforementioned changes, Fugro will be fully compliant with the principles and best practice provisions of the Dutch corporate governance code.

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 dividend will be paid for 2020.

HEALTH, SAFETY AND SUSTAINABILITY

We consider health and safety of critical importance for Fugro and its people. In 2020, sadly one Fugro employee died as a consequence of a road traffic incident in Saudi Arabia while returning from a project. We discussed this incident with management and concluded that the safe driving programme is an important tool to prevent such incidents.

Especially in this exceptional year with the Covid-19 pandemic, health and safety was a key priority for Fugro. Management explained how Fugro is continuing safe operations from home, in the field and especially from the vessels that Fugro operates. We were also informed on Fugro’s Employee Assistance Program which provides full (mental) health support for all employees.

Each regular meeting with the Board of Management starts with a discussion on safety, based on an analysis of statistics, usually in the presence of Fugro’s Global Director Safety & Sustainability. We noted that in 2020 – despite operational challenges caused by the pandemic – the safety indicators were more or less stable. To get further improvements, safety needs continuous attention, driven by strong commitment of the ELT. The Supervisory Board members participated in the training for the newly introduced “Life Saving Rules”, which is an industry-wide initiative to standardise HSSE rules.

Sustainability is closely linked to Fugro’s purpose of creating a safe and liveable world. It is becoming increasingly important, also from a strategic perspective, as it is a driver for long-term value creation. We discussed the roadmap aimed at reducing the environmental impact of Fugro’s own operations (carbon footprint, energy consumption and waste and recycling). As Fugro’s carbon footprint is mostly related to its vessels, the remote and autonomous solutions that have been developed will improve sustainability performance, not only of Fugro, but also of the customers that use these solutions.

STRATEGY

In November 2018, Fugro launched its strategy ‘Path to Profitable Growth’, including financial objectives for the period 2021 – 2023. We discussed with management whether there is a reason to amend this strategy in light of the current economic conditions, following the outbreak of the Covid-19 crisis, and concluded that the strategy is still a good guideline for Fugro’s future development.

We agree with management that the key challenge of Fugro’s strategy is transforming the company towards the world’s leading Geo-data specialist that supports clients with data acquisition, analysis and advice in different end markets, both offshore and onshore. This includes in our view:

- Further diversification of the portfolio through strong growth in offshore wind, major infrastructure projects and new growth markets such as flood protection and water supply
- Maintaining and expanding market leading positions by digital solutions, more client focus and technical innovations

- Improving profitability, resulting in net profits and positive cash flow, by further strengthening of commercial capabilities and operational excellence.

The diversification of Fugro’s portfolio is well underway. While in 2014 still almost 80% of revenues came from oil and gas, in 2020 55% of revenues was from non-oil and gas. The pandemic could speed up the energy transition towards carbon neutral resources such as offshore wind and investments in climate change adaptation. We support management’s intent to evaluate the strategy, with a focus on accelerating implementation. The evaluation should also include positioning Fugro with respect to ESG (environmental, social and governance) which is considered increasingly important by investors and society in general.

RISK MANAGEMENT

We consider adequate risk management key to achieving long-term sustainable results. In the past years, Fugro has worked on various programmes to centralise, standardise and strengthen its internal control framework. The Fugro Internal Control Framework (ICF) presents the requirements on internal control and determines the minimum set of internal controls to mitigate (key) risks for processes that contribute to the preparation and processing of accounting and financial information.

Internal control is strengthened by the implementation of shared service centres, continued closure or merger of (legal) entities and harmonisation of the IT landscape. By further centralising the approach to internal control within shared service centres, formalising the documentation of control activities and

standardised business processes, further improvements to internal control will be achieved.

The audit committee reviewed the effectiveness of Fugro's internal risk management and control systems. This was reported to and discussed in the full Supervisory Board. We also discussed the risk management action plan. Based upon the advice of the audit committee, we approved the audit plan of the internal audit department and the external auditor. We also took note of the reports from internal audit and discussed the report of the external auditor provided at half year and full year as well as the management letter from the external auditor.

Taking into account the reports and advice from the audit committee, we concur with management that the internal risk management and control systems of Fugro are sufficiently adequate and robust.

INVESTOR RELATIONS AND SHAREHOLDER MEETINGS

We are of the opinion that an open and regular dialogue with shareholders and investors is important to explain the company's strategy and performance and to receive feedback. On a regular basis, we were informed on investor relations including feedback from roadshows and analyst contacts, share price developments and the composition of the shareholder base. We also took note of analyst reports. Occasionally, the chairman had contact with major shareholders on specific items.

Together with the Board of Management, we prepared for the 2020 AGM, which was held under very different circumstances than usual and without any shareholders



or Supervisory Board members, other than the chairman, being present in person. The AGM was accessible via webcast and shareholders were given the opportunity to send in their questions in advance with a possibility for follow up questions during the meeting. All proposals on the agenda were adopted by the AGM.

On 30 November 2020, an extraordinary general meeting was held to discuss the refinancing and especially the equity issue to strengthen the balance sheet and to ask for the required shareholder approvals. The set-up of the meeting was similar to that of the AGM. All proposals on the agenda were approved.

OTHER ACTIVITIES AND MEETINGS

Due to the Covid-19 pandemic, travel restrictions and the refinancing process, 2020 was also for the Supervisory Board an exceptional year. We had 20 meetings with the Board of Management, of which 6 regular scheduled meetings. The 14 extra meetings

were predominantly related to the situation around the pandemic, the impact on Fugro's business and the measures to mitigate this, updates on monthly results and updates on the refinancing process.

Except for one meeting in February 2020, all meetings were held virtually. Sometimes, the Dutch members could participate in person, maintaining social distancing and convening in properly ventilated rooms, while the non-Dutch members participated by video conference.

None of the Supervisory Board members was absent at the regular scheduled meetings. Including the extra meetings, the attendance to the Supervisory Board meetings was 96.7%. When members are unable to attend meetings, they provide their input beforehand and receive an update afterwards. In light of the multiple challenges in 2020, the chairman has been in frequent contact with his colleagues, the CEO, the CFO, the company secretary and external advisors.

During most of our regular meetings, one of the ELT members (not being a Board of Management member) joined the meeting and was invited to participate in the discussions and give a presentation on his or her area of responsibility.

Supervisory Board attendance record

	SB	AC	RC	NC
Harrie Noy	20/20	–	4/4	4/4
Maarten Schönfeld until 30 april 2020	6/8	2/2	–	–
Antonio Campo	20/20	–	4/4	4/4
Petri Hofsté	19/20	5/5	–	–
Anja Montijn	19/20	–	4/4	4/4
Douglas Wall	20/20	5/5	–	–
Ron Mobed ¹ as of 30 April 2020	12/12	3/3		
Sjoerd Vollebregt ² as of 30 November 2020	1/1	1/1		

¹ Mr. Mobed attended SB and AC meetings as a guest as of March 2020.

² Mr. Vollebregt attended SB and AC meetings as a guest as of September 2020.

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 the meeting documents and the minutes 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, internal audit and presentations and

discussions with members of the ELT, corporate directors and regional management and staff in meetings and during site visits. The Supervisory Board receives monthly flash reports on financial performance. Information is also provided outside meetings, in bilateral contacts or whenever a Supervisory Board member feels the need to be informed on a specific topic.

In 2020, the sounding board that we established from our midst to follow the refinancing process more closely had 17 conference calls with the Board of Management and its project support staff. The external financial advisor of the Supervisory Board also attended these calls, as did the legal and financial advisors of the company.

In the regular scheduled meetings, the recurring items on the agenda were, among others, quarterly results, market developments, financial performance and forecasts, performance per region and business line, developments in the regions, the quarterly results press release, organisational developments, HSSE, strategy updates and (updates on) key projects including divestments. The CEO also gave a presentation every meeting with an update on priorities of the Board of Management, new key hires and other highlights or specifics developments. The meeting reports of the audit committee, the nomination committee and the remuneration committee were also discussed.

Throughout the year, Fugro's financial position, the refinancing process and the pandemic and mitigating measures were high on our agenda. Topics such as working capital, capital expenditures, cash flow and financial headroom under the covenants were frequently discussed.

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

- Large tender reviews which require Supervisory Board approval
- Improvement plan for the Land business.
The performance of this business has been lagging and we discussed the restructuring plan to restore profitability. We were regularly updated on progress and first signs of recovery are visible
- The divestment of Seabed Geosolutions. This entity, which is considered non-core, has been held for sale since mid-2019. Although the sales process has been delayed due to the pandemic, we noted that discussions are ongoing with a seriously interested party while also otherwise serious interest seems to exist
- In April, we decided to reduce our remuneration by 10% as of the second quarter until year-end, herewith following the Board of Management and ELT in their decision to voluntarily reduce remuneration by 10% for the remainder of the year
- For September, we had initially scheduled a multi-day off-site visit to the Americas and the Houston office. Due to the pandemic, we instead held a three-day 'off-site' meeting in the offices of Fugro in Nootdorp and partly in Leidschendam, with the Dutch Supervisory Board members attending in person. One day was fully dedicated to development and digital transformation, led by Wim Herijgers, Group Director D&DT and member of the ELT. Members of his team presented the innovation strategy, the strategy for the different business lines and the programmes for operational excellence and strategic sales and marketing. During a tour at the premises in Nootdorp we got demonstrations of various new innovative products and solutions.

We had lively discussions and were impressed by the people we met and the plans they presented

- As a follow-up to the presentations on innovations we discussed two investment cases to see how projects are being evaluated on return on capital invested
- As we could not visit the Americas, we had a virtual meeting with the management team of the Americas. We were updated on the situation in the United States and Brazil and on the impact of the Covid-19 pandemic. We discussed the recovery plan that was presented and will continue to monitor execution
- In November we gave feedback on the preliminary budget for 2021. In December, after a discussion on the capex programme and the plans and initiatives for 2021, we approved the annual budget/operational plan for 2021
- We were updated on the talent review analysis for the level below the ELT and concluded that good progress has been made on this subject
- In February 2021 we discussed and followed the advice of the audit committee to propose to the AGM to reappoint Ernst & Young accountants LLP as auditor for the financial year 2022
- In an internal meeting in February 2021, we discussed and approved the proposals of the remuneration committee regarding bonuses and long-term incentives and we took note of the remuneration report as part of the annual report 2020. Based on advice of the remuneration committee, we also agreed with the new long-term incentive programme for key employees.

SUPERVISORY BOARD COMMITTEES

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

Audit committee

The members of the audit committee are Mrs. Petri Hofsté, who succeeded Mr. Maarten Schöfeld as chair as of 30 April 2020, Mr. Douglas Wall and Mr. Ron Mobed as of 30 April 2020. Mr. Sjoerd Vollebregt joined the committee as of 30 November 2020. Collectively the members possess the required experience and financial expertise. Mrs. Hofsté has specific expertise in financial reporting, risk management and audit.

In 2020, the committee met five times. All meetings were attended by the CFO, the Group Controller, the Director Internal Audit and the external auditor. In the meeting in which the annual results were discussed, the CEO was also present. The chairman of the audit committee had regular contact with the CFO to discuss financial performance, risks and other matters.

Recurring items on the agenda were the quarterly results and the half-year report, risk management and internal control, the internal audit plan and internal audit reports, audit plan and reports of the external auditor, processes and controls with respect to projects and project accounting, impairment testing, tax compliance and the valuation of tax positions,

treasury, provisions for claims and disputes, compliance with laws and regulations (including GDPR), follow-up of the management letter, cyber security and the annual budget. Many of these topics were presented by the responsible managers. Throughout the year, the refinancing was discussed at each meeting. The committee also reviewed the interim financial statements that were published in the context of the refinancing as announced on 19 October.

In April, the key audit matters for 2020 as identified by the external auditor were discussed. In December, after the successful refinancing, the external auditor updated the areas of audit emphasis.

In its February 2021 meeting, the audit committee reviewed amongst others the 2020 financial statements and annual report. The committee discussed, amongst others, the use of the going concern assumption, supported by the refinancing completed in December 2020, the compliance with covenants and the analysis of the profit plan 2021. The accounting and the presentation and disclosure of the refinancing were evaluated. The committee discussed the status and probability of the divestment of Seabed and confirmed management's conclusions regarding the accounting for Seabed as held for sale and discontinued operations. The valuation of goodwill, vessels and right-of-use assets were discussed on the basis of impairment tests and sensitivity analysis performed. The quality of the financial closing and analysis process was reviewed as was the adequacy of the disclosures in general and specifically those with respect to segment reporting in the annual report.

Furthermore, the compliance and due diligence processes regarding agents and the process of project reviews were discussed, as were ESG reporting and

Fugro’s approach to the TCFD guidelines (Taskforce on Climate-related Financial Disclosures). Considerable time was spent on performance in relation to bank covenants, (possible) impairments, other one-offs, and on capital expenditure.

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

The committee also had a closed meeting with the Director Internal Audit. Among others, the performance and independence of internal audit and its members were discussed. The committee also evaluated the performance of the internal audit function, without the Director Internal Audit being present, on the basis of input provided by management and its own observations. Conclusions were positive. During the year, there were regular one on one contacts between the chair of the committee and the Director Internal Audit.

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.

At the AGM on 30 April 2020, Ernst & Young Accountants LLP (EY) was reappointed as auditor to audit the financial statements for 2021. As the five-year term of the current partner expires after auditing the 2020 financial statements, the audit committee agreed with the change of the signing partner from EY as of the 2021 financial statements.

In its February 2021 meeting, the audit committee evaluated the performance of EY. Input was an assessment based on a questionnaire and interviews with relevant management. Based on the evaluation, the audit committee advised the Supervisory Board to propose at the upcoming AGM on 22 April 2021, to reappoint EY to audit the financial statements for 2022.

Nomination committee

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

In 2020, the committee met four times, mostly with the CEO and the Group Director Human Resources being present. The topics that were discussed included, among others, global human resources management, talent development and succession planning, initiatives to increase diversity at senior management level, annual assessment of the Board of Management and its individual members and the process for self-assessment of the Supervisory Board.

The committee also discussed the composition of the Supervisory Board, developed profiles for vacancies, involved a search agency to look for candidates, ran the selection process and prepared proposals for the succession in the Supervisory Board.

Remuneration committee

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

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 2020, the committee met four times, mostly with the CEO, the Group Director Human Resources and the manager compensation & benefits being present. Discussed were, among others, the impact of the Shareholders’ Rights Directive on the remuneration policies for the Board of Management and Supervisory Board, the restructuring plan to reduce the number of staff and a new long-term incentive plan for key employees. The committee agreed with the proposal to replace the current option plan for these employees into a plan consisting of restricted share units (RSU’s). It was concluded that on average over the years the cost level is expected to be similar compared to the option programme.

In February 2021, the committee discussed the annual bonus 2020 for the members of the Board of Management and the ELT, the bonus targets for 2021, the vesting of the performance shares that were granted in 2018 and the granting of performance shares to the members of the Board of Management and the ELT for the period 2021 – 2023. The committee also discussed and advised on the granting of RSUs under the new long-term incentive programme for key employees and discussed and agreed on the remuneration report to be included in the annual report 2020.

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. This profile is published on Fugro's website. The Supervisory Board has set the number of members that it aims for at six.

In the AGM of 30 April 2020, Mr. Maarten Schönfeld, who had been on the board since 2013, stepped down. We thank him for his large contribution as vice-chairman and chair of the audit committee. In that latter capacity, he was succeeded by Mrs. Petri Hofsté. To fill the vacancy, Mr. Ron Mobed was appointed for a four-year term, a former senior executive with extensive experience in digital transformation. Mr. Harrie Noy was reappointed for a two-year term, after his second four-year term had expired. Mr. Douglas Wall announced his intention to retire at the upcoming AGM in April 2021. Anticipating that vacancy, in the extraordinary meeting of shareholders on 30 November 2020, Mr. Sjoerd Vollebregt was appointed for a term, ending at the AGM of 2024. He is a former senior executive with extensive experience as supervisory director and a background in technology driven businesses.

After these changes, the composition of the Supervisory Board will again comply with the requirement of at least 30% of each gender. The mix of knowledge, skills, experience and expertise of its members is such that it fits the profile and strategy of the company and its diversity policy (see for further information on composition and diversity, [page 99](#) of this annual report).

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

The Supervisory Board undertakes a self-evaluation on an annual basis, in principle, every three years with the help of an external consultant. Although this was last done in February 2017, we decided that under the present circumstances this would be less effective. Therefore, we conducted the self-evaluation this year again on the basis of a questionnaire, which was completed by each member and discussed with the full board in an internal meeting. Attention was paid to the composition and functioning of the board and its three committees and the interaction with the Board of Management and the ELT.

The overall conclusion from this process was that the Supervisory Board – despite the limitations caused by the pandemic – is operating well and that discussions are open and constructive. The face to face meetings were clearly missed as were the dinner meetings on the evenings prior to the regular board meetings. Although the video calls that were frequently held are much better than the traditional conference calls, teambuilding and informal contacts are hampered when meeting in person is not possible. Key areas of supervision such as strategy, business performance and

financial reporting are well covered. It was concluded that the refinancing process went well with proper involvement of the Supervisory Board. Several suggestions were made for items which need further attention: enterprise risk management in relation to the strategy, scenario planning, longer term strategic challenges, developments in the competitive landscape and talent management and succession planning.

COMPOSITION AND FUNCTIONING OF THE BOARD OF MANAGEMENT

During the year 2020, the Board of Management consisted of Mark Heine (CEO), Paul Verhagen (CFO) and until 30 April 2020 Brice Bouffard (Chief Development Officer). As the Supervisory Board had decided to reduce the Board of Management, Mr. Bouffard was not nominated for reappointment at the AGM on 30 April 2020.

On 12 January 2021, we announced that after 7 years as CFO, Paul Verhagen has decided to leave the company at the AGM on 22 April 2021. We are very grateful for what he has achieved and especially the key role he played in the recently completed refinancing of the company. The Supervisory Board has initiated the search for a successor.

With input from all Supervisory Board members, the nomination committee evaluated the performance of the Board of Management and its members and gave feedback on personal performance to each of the members. Also, the personal targets for 2020 were evaluated and the functioning of the Board of Management as a team was discussed.

The size and composition as well as the combined experience and expertise of the ELT and the Board of Management fit the profile and strategy of the company. The current composition meets the company’s diversity criteria regarding age, nationality and background, but not yet regarding gender. When vacancies arise in the Board of Management and/or the ELT, we will ensure that the company looks for female candidates that fit the profile. The search for the replacement of Paul Verhagen as CFO indicates a strong preference for a female candidate. We further refer to Corporate governance – Diversity Board of Management, Executive Leadership Team and Supervisory Board.

For the current composition of the Board of Management and the ELT and information about its members, please refer to [pages 66 and 67](#) of this report.

FINAL COMMENTS

It has been an exceptional year for everybody in Fugro. Unfortunately, due to the pandemic and its economic impact, a considerable number of people had to leave the company. This was unavoidable given the situation that Fugro was in, with refinancing required to ensure continuity. Pressure has been high for everyone, with turbulent market conditions and personal challenges caused by working from home or being away from home for longer due to all restrictions. We want to thank management and staff for their professional behaviour, dedication and flexibility which has been key to achieving our goals. With the refinancing behind us and restored financial stability, we can look forward to the future of Fugro with confidence.

Leidschendam, 18 February 2021

Harrie Noy, chairman
 Petri Hofsté, vice-chair
 Antonio Campo
 Ron Mobed
 Anja Montijn
 Sjoerd Vollebregt
 Douglas Wall

REMUNERATION REPORT 2020

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

This remuneration report contains:

- Current remuneration policy for the Board of Management
- Remuneration of the Board of Management in 2020
- Internal pay ratio and 5-year analysis
- Terms of appointment of the members of the Board of Management
- Remuneration Board of Management per 2021
- Remuneration of the Supervisory Board.

Further information on the remuneration and on option and share ownership of members of the Board of Management and members of the Supervisory Board is available in [note 40](#) of the financial statements in this annual report. The remuneration policy and the remuneration charter, which is included in the Supervisory Board rules, are posted on Fugro's website.

This report takes into account the Shareholders' Rights Directive which was implemented into Dutch law per

1 December 2019. The current remuneration policy was first adopted by the AGM in 2014 and adjusted by the AGM in 2017, primarily to change the long-term incentive plan to performance shares only with the addition of a longer-term strategic target. Early 2020, the remuneration committee evaluated the remuneration policy, taking into account the Shareholders' Rights Directive, an updated benchmark analysis of the labour market reference group and feedback from stakeholders, including shareholders and their representatives. Based on that evaluation, the Supervisory Board decided not to adjust the remuneration policy, other than required by the Shareholder Rights' Directive. These adjustments included the addition of a derogation clause and increased transparency on target setting and achievements of the short-term incentive plan.

At the AGM in April 2020, both the remuneration report 2019 and the remuneration policy were on the agenda. Regarding these agenda items, only the VEB, the Dutch association representing retail investors, had several (combined) remarks. The VEB was of the opinion that any variable remuneration should only be awarded in case Fugro over a longer period of time generated economic value. In addition, the VEB argued that the long-term incentive should vest after five instead of after three years as a longer period of time would be needed to conclude whether the strategy pays off. In response to these remarks, the chair of the remuneration committee mentioned that over the past years, the Supervisory Board has been very prudent in

awarding short-term incentives to the Board of Management by applying discounts or awarding shares instead of cash. Regarding the long-term incentive, it was explained that vesting of performance shares takes place after three years based on clearly defined performance criteria, with a lock-up period of two years, implying that the long-term incentive has a five year period before it can be transferred into cash. The advisory vote on the remuneration report had 99% of the votes in favour while the remuneration policy was adopted by the AGM with 98% of the votes in favour.

In line with the Shareholders' Rights Directive, the remuneration policy will be submitted for adoption to the AGM at least every four years, so ultimately at the AGM in 2024.

REMUNERATION POLICY FOR THE BOARD OF MANAGEMENT

The main objective of Fugro's remuneration policy is to attract, motivate and retain qualified management that is needed for a global company of the size and complexity of Fugro. The policy targets 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, to which it contributes by including both financial and non-financial targets.

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. The labour market reference group consists of 14 Dutch listed companies of comparable scope with international/ global business activities.

These are currently Aalberts Industries, Accell Group, AMG, Aperam, Arcadis, ASM International, BAM Group, Boskalis, Brunel, Corbion, SBM Offshore, TKH Group, TomTom and Vopak. In addition, an international group has been used to assess market competitiveness within the sector, especially regarding short- and long-term incentive levels.

The remuneration committee periodically evaluates the composition of this group, amongst others in light of corporate events and overall fit. Companies removed from the reference group will be replaced by other listed companies of comparable scope with international/ global business activities with the objective to position Fugro around the midpoint in terms of the average of the scope parameters revenues, market capitalisation, assets and employees.

Analyses

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

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

Furthermore, Fugro considers sustainable development an important driver to help create a safe and liveable world. This requires balancing the short- and long-term interests of stakeholders and taking into account social, environmental and governance (ESG) aspects of Fugro's business and operations, as included in the strategic agenda.

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

Remuneration elements

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

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

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

Fixed base salary

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

Short-term incentive

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

At target level, the financial targets count for 75% of the bonus payment and the non-financial targets count for 25%. To ensure continued alignment of the STI with Fugro's strategy and to enable adequate responses to the challenges the company is facing, flexibility with respect to the STI targets is important. Therefore, at the beginning of each financial year, the Supervisory Board will set the targets, based on the budget and taking into account the strategic goals of the company.

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

- Threshold performance below which no pay-out is made
- Target performance at which 100% pay-out is made
- Excellent performance at which the maximum pay-out is made.

Between these levels, pay-out is based on linear interpolation. Overall, maximum pay-out is 1.5 times pay-out at target performance. As there is no overshoot possibility for the non-financial targets, maximum pay-out for the financial targets is 1.67 times pay-out at target performance. The Supervisory Board ensures that the targets are challenging, realistic and consistent with Fugro's strategic goals.



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

As per 2020, the metrics that will be used for the financial targets and their relative weight are disclosed at the beginning of the financial year, in the remuneration report regarding the previous year. The incentive zones qualify as sensitive information and will not be disclosed. After the end of the financial year, the performance on each of the metrics will be disclosed in relation to the incentive zones that had been applied.

Long-term incentive

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

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

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

In 2018, the number of granted performance shares was set for the granting in 2018, 2019 and 2020. A new three year period started with the granting on 1 March 2021.

Conditional grants under the LTI are made each year in the open period immediately following the publication of the annual results. The performance period is from 1 January of the year of granting to 31 December three years later. The maximum number of shares that can vest after three years equals 175% of the conditionally granted number of shares (only in the case that

excellent performance is achieved on all criteria). As of the granting in 2018, the criteria used for vesting and their relative weight are as follows:

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

TSR is defined as the share price increase, including reinvested dividends. TSR is measured over a three-year (calendar year) period based on a three-month average of the last three months of the year before grant and before vesting date. The relative position within the peer group determines the award level.

The composition of the peer group is evaluated on a yearly basis, amongst others, in light of corporate events, and comprises Arcadis, Boskalis, Core Laboratories, Fluor, John Wood Group, Oceaneering International, Schlumberger, Subsea 7, TechnipFMC, Transocean and WorleyParsons.

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

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

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

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

Achievement of the performance targets is determined by the Supervisory Board in the first quarter of the year following the three-year performance period. The vesting period starts at the first day following the grant date. Vested shares have a holding (lock-up) period of 2 years and may be partly sold only to meet tax requirements at vesting. The holders of performance

shares are not entitled to shareholders’ rights, including the right to dividends, during the period between granting and vesting.

Pension and other benefits

The pension contribution for the members of the Board of Management is in line with market practice. In accordance with Dutch law, tax deductible pension accruals are only possible for the part of salary up to EUR 110,111 (2020). Members of the Board of Management are compensated by a non-tax deductible, age dependent pension contribution, which allows building up pension out of net salary, resulting in pension costs for Fugro at a similar level as before the legislative changes per 1 January 2015.

In 2019, Fugro transferred all employees in the Netherlands to a new defined contribution plan up through the legal maximum pensionable salary. The Board of Management also participates in this plan up through the legal maximum.

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

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

Claw back and value adjustment

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

Derogation clause

In exceptional circumstances the Supervisory Board may decide to temporarily deviate from its remuneration policy based on a proposal of its remuneration committee, when this is necessary to serve the long-term interests and sustainability of the company as a whole or to assure its viability. The derogations can concern the objective setting and pay-out of the short-term and long-term incentive plans.

Share ownership guidelines

The Supervisory Board encourages the Board of Management to hold shares in Fugro to emphasise their confidence in the company 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

Vesting percentage for ROCE (weight 37.5%) and strategic target (weight 25%)

	Below threshold	Threshold	At target	Excellent
Performance				
Vesting as % of conditional grant ¹	0%	25%	100%	175%

¹ Vesting in between performance levels as from threshold is based on linear interpolation.

Management this amounts to 125%. 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 programme.

Ratio between fixed and variable pay

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

REMUNERATION BOARD OF MANAGEMENT IN 2020

Fixed base salary

In 2020, the fixed base salaries of the members of the Board of Management have not changed. Due to the exceptional circumstances caused by the Covid-19 pandemic and the resulting reorganisation, the Executive Leadership Team, which includes the members of the Board of Management, decided to take a 10% base salary cut from May 2020 up to and including December 2020.

Short-term incentive

The remuneration committee evaluated the performance of the Board of Management in 2020 in relation to the targets that had been set for the year. The financial metrics for the STI in 2020 were: adjusted EBIT margin, working capital, business cash flow and

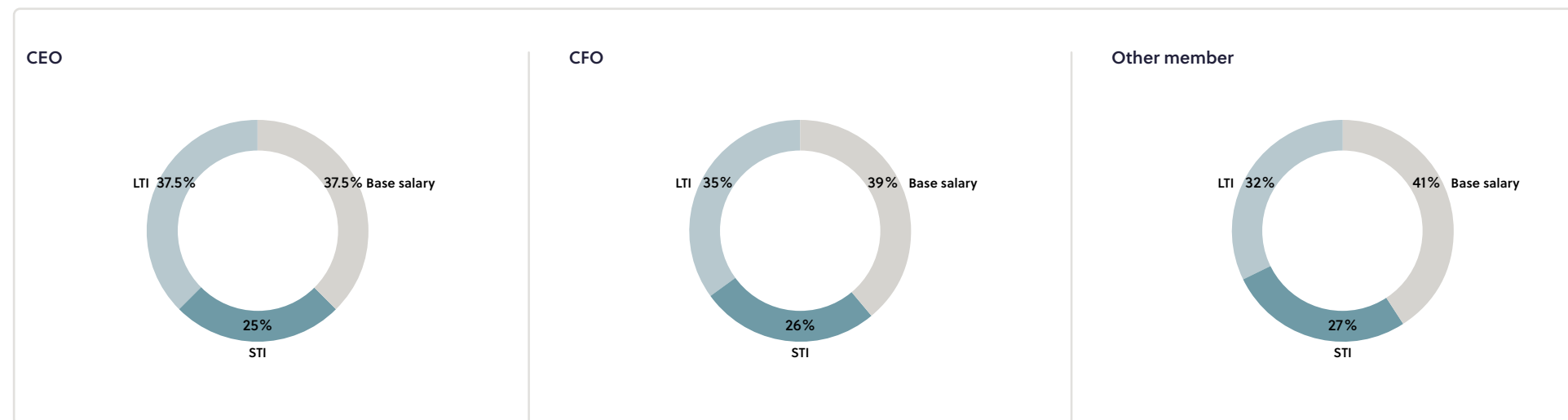
adjusted net profit. The actual 2020 performance in relation to the performance zones that had been set for each of the financial targets, would result in a bonus of 33.3% of fixed base salary.

The personal targets were related to:

- for CEO: refinancing, divestment of Seabed Geosolutions, restructuring of the Land business
- for CFO: refinancing, divestment of Seabed Geosolutions, improvement of financial forecasting

In evaluating performance on these personal targets, the remuneration committee concluded that the successful completion of the refinancing would lead to the maximum pay-out on the personal targets being 16.7% of fixed base salary. The total of financial and personal targets would result in a bonus of 50% of fixed base salary.

Ratio between fixed and variable pay



In April 2020, when it became clear that the pandemic had a strong impact on Fugro and a considerable staff reduction became unavoidable, the Executive Leadership Team, including the Board of Management, concluded to be willing to refrain from a short-term incentive regarding 2020. The Supervisory Board highly appreciated this gesture. However, in evaluating what has been achieved in 2020, the remuneration committee concluded that a bonus payment for 2020 was fully justified for two reasons: the decent financial results that have been achieved under exceptionally challenging circumstances and the successful completion of the refinancing which was critical for Fugro's future. Therefore, the remuneration committee proposed to pay a bonus to the members of the Board

of Management, based on the criteria that had been set at the beginning of the year, which would result in a bonus of 50% of fixed base salary.

As earnings per share were still negative in 2020, the remuneration committee, in consultation with the CEO, proposed to reduce the bonuses to 75% of the calculated amounts, in line with what was applied to other senior staff in Fugro. This resulted in a bonus for the members of the Board of Management of 37.5% of fixed base salary (without the 10% cut as of 1 May 2020). On 18 February 2021, the Supervisory Board discussed this proposal and agreed with it.

Long-term incentive

Until 2014, the long-term incentive (LTI) for the members of the Board of Management and other senior management consisted of unconditional options with a vesting period of three years and a lifetime of six years. At 31 December 2019 all outstanding conditional options expired.

As of 2014, the long-term incentive (LTI) scheme consists of 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 vesting date of the performance shares and performance options granted as per 31 December 2016 was 26 February 2020. The remuneration committee evaluated performance regarding TSR and ROCE, both with a weight of 50%. Performance on TSR ranked 6th in the peer group, resulting in a 25% vesting, while ROCE performance met the threshold, resulting in a 12.5% vesting. The total vesting over the period 2017 – 2019 therefore amounted to 37.5%. On 18 February 2020, the Supervisory Board confirmed its agreement with the conclusions of the remuneration committee.

Performance Board of Management on short-term incentive targets 2020

	Weight	Performance zones			Result 2020	Bonus as % of base salary
		Threshold	At target	Excellent		
Adjusted EBIT margin	35%	4%	6%	7.5%	3.5%	0%
Working capital % of 4 times Q4 revenue	15%	13%	11%	9%	8.9%	16.7%
Business cash flow in EUR million	15%	30	60	80	93	16.7%
Adjusted net profit in EUR million	10%	0	10	20	(74)	0%
Personal targets	25%	On individual basis				16.7%
Total						50%

Long term incentives

	M.R.F. Heine	P.A.H. Verhagen	B.M.R. Bouffard
Performance shares			
Outstanding on 31 December 2019	101,250	91,250	75,250
Not Vested on February 26 2020 as a result of partly achieving the targets	(7,031)	(7,031)	(7,031)
Vested on February 26 2020 as a result of partly achieving the targets, locked for 2 years	(4,219)	(4,219)	(4,219)
Granted on 26 February 2020	58,000	40,000	0
Outstanding on 31 December 2020	148,000	120,000	64,000
Outstanding on 31 December 2020 after consolidation per 18 December 2020	74,000	60,000	32,000
Performance options			
Outstanding on 31 December 2019	22,500	22,500	22,500
Not vested on February 26, 2020 as a result of partly achieving the targets	(14,062)	(14,062)	(14,062)
Vested on 26 February 2020 as a result of partly achieving the targets	(8,438)	(8,438)	
Lapsed due to end of appointment per 1 May 2020			(8,438)
Outstanding on 31 December 2020	0	0	0

Shares and options held by Board of Management

The following table shows an overview of shares and options held by the members of the Board of Management. These include for each member 3,125 restricted shares with a vesting period of 3 years as of 1 March 2018 and thereafter a lock-up period of 2 years. These restricted shares were granted per 1 March 2018 as bonus for the 2017 performance (approved by the AGM in 2018).

	M.R.F. Heine	P.A.H. Verhagen	B.M.R. Bouffard ¹
Number of shares			
31 December 2019	22,359	28,730	15,750
31 December 2020 after 2:1 share consolidation per 18 December 2020	26,684	32,378	NA
Number of options			
31 December 2020 after 2:1 share consolidation per 18 December 2020	4,219	4,219	NA

¹ End of service per 30 April 2020.

Vesting of 2018 performance shares

On 1 March 2021, the performance shares which were granted on 1 March 2018 to the Board of Management and other senior management, will vest. On TSR, Fugro ended at the 6th position in the ranking of the peer

group, resulting in 50% vesting. ROCE came out above the threshold, which resulted in 47.5% vesting. The strategic target was related to the extent that revenue growth in non-oil and gas in the period 2018 – 2020 exceeded GDP growth, which resulted in

130.5% vesting. Taking into account the relative weight of the three criteria, the total vesting over the period 2018–2020 amounted to 69.2%, which was rounded to 70%.

2018 Performance shares¹

	M.R.F. Heine	P.A.H. Verhagen	B.M.R. Bouffard
Grant 1 March 2018	16,000	20,000	16,000
Vested per 1 March 2021	11,200	14,000	8,712 ²

¹ Numbers after 2:1 share consolidation per 18 December 2020.

² Pro rated due to end of service per 30 April 2020.

Total remuneration Board of Management in 2019–2020

The table below gives an overview of the remuneration of the Board of Management in 2019 and 2020. In this

table, the LTI incentive refers to the IFRS 2 expense as included in the financial statements, and does not reflect the value of the shares at the vesting/release date.

Remuneration Board of Management 2019 - 2020

% of total in 2020			M.R.F. Heine		% of total in 2020		P.A.H. Verhagen		B.M.R. Bouffard ³	
		2020	2019			2020	2019		2020	2019
Fixed base salary ¹	46%	616,000	660,000	44%	466,670	500,000	150,000		450,000	
Short-term incentive ²	18%	247,500	320,000	18%	187,500	242,500	0		188,000	
Pension costs including disability insurance and related costs	3%	34,800	33,935	3%	37,073	36,207	11,880		33,935	
Pension compensation	5%	63,844	62,345	8%	80,270	78,638	22,955		68,090	
Severance										450,000
Sub total		962,144	1,076,280		771,513	857,345	184,835		1,190,025	
Long-term incentive ⁴	28%	381,593	382,541	27%	286,141	366,799	66,006		299,853	
Total	100%	1,343,737	1,458,821	100%	1,057,654	1,224,144	250,841		1,489,878	

¹ In 2020 the Executive Leadership Team took a 10% salary cut from 1 May 2020 through 31 December 2020.

² STI 2020 is related to 2020 performance, paid in 2021; STI 2019 is related to 2019 performance, paid in 2020.

³ End of service per April 30, 2020. Mr Bouffard's LTI were valued at H1 2020. The contractual severance payments was agreed in 2019 and paid in 2020.

⁴ The LTI incentive refers to the IFRS 2 expense as included in the financial statements, and does not reflect the value of the shares at the vesting/release date.

Other benefits

The additional benefits, i.e. company car and health and accident insurance, remained unchanged in 2020.

INTERNAL PAY RATIO AND 5-YEAR ANALYSIS

Pay ratios

In designing the remuneration policy, the pay ratios within Fugro are taken into consideration. An external consultant assisted in developing an approach to review pay ratios and, more specifically, the pay ratio between the CEO and the average of the employees for the relevant year. Based on the value of the actual long-term incentive awarded to the CEO in 2020 and the STI pay-out for 2020, the ratio amounted to 21 (2019: 20), implying that the CEO pay was 21 times the average pay within the organisation. The average pay takes into account all employee costs, i.e. salaries, variable pay, pensions and other benefits. Based on the expected value of the CEO's long-term incentive at target vesting, the pay ratio would have been 25 (2019: 29).

The remuneration committee considers these pay ratios acceptable, also in view of market practices for companies comparable to Fugro.

5-year analysis

Due to Fugro's business environment and results, salary increases for all employees from 2015 through 2017 were limited. In 2018, Fugro adjusted salaries at slightly below of market movement and in 2019 had a regular salary review. The base salary of the Board of Management was unchanged during their four year appointment and changed only as a result of the re-appointment in 2018 of Paul Verhagen and the appointment of Mark Heine as CEO in 2018. Due to the exceptional circumstances in relation to the Covid-19 pandemic, Fugro decided to freeze salaries as from April 2020. Limited number of increases required by legislation or at promotions did take place. The Executive Leadership Team (including the members of the Board of Management) took a voluntary 10% pay-cut as from 1 May up to and including December 2020. The table below shows the overall remuneration for five years compared to personnel expenses and company performance. For a better comparison, it was decided not to include the IFRS value of the LTI programme. For 2019 and 2020, these can be found in the table on the bottom of [page 117](#).

TERMS OF APPOINTMENT OF THE MEMBERS OF THE BOARD OF MANAGEMENT

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

For termination of contract, a three months' notice period is applicable for both Fugro and the members of the Board of Management. The current appointment of Mark Heine (CEO) expires at the AGM 2023.

In December 2019, the Supervisory Board decided to reduce Fugro's Board of Management to the CEO and CFO positions only. Therefore, Brice Bouffard was not nominated for re-election and stepped down at the 2020 AGM. The Supervisory Board announced in January 2021 that Paul Verhagen (CFO) had decided to leave the company. Verhagen will step down after the

Five year remuneration Board of Management compared to company performance¹

		2020	2019	2018	2017	2016
M.R.F. Heine ²	Remuneration	962,144	1,076,280	760,011	628,123	633,530
	% change	(11%)	42%	21%	(1%)	(8%)
P.A.H. Verhagen ³	Remuneration	771,514	857,345	765,067	659,968	665,720
	% change	(10%)	12%	16%	(1%)	6%
B.M.R Bouffard ⁴	Remuneration	184,836	740,025	678,608	633,993	487,673
	% change	(75%)	9%	7%	30%	
Adjusted EBITDA	Actual	162	184.9	120.4	100.8	189.5
Personnel expenses per FTE ⁵	Actual	64,820	66,342	60,961	62,681	65,948
	% change	(2%)	9%	(3%)	(5%)	(3%)

¹ Remuneration includes base salary, short term incentive, pension and pension contribution. LTI costs are reflected in the table on [page 117](#). In 2020 the 2016 performance shares and options vested. In the years 2019-2016 all performance shares and options vested at 0.

² Appointed CEO in October 2018.

³ Reappointed CFO at AGM 2018.

⁴ Appointed to the Board of Management at AGM 2016; end of service per 30 April 2020.

⁵ Personnel expenses include all salary costs, bonus, LTI plans, social security and retirement contributions.

AGM on 22 April 2021. The Supervisory Board initiated the process for the succession of Paul Verhagen.

Severance pay

Severance payment for members of the Board of Management is limited to one year's fixed base salary and is in principle applicable in the event of termination or annulment of the management services agreement, unless this is for cause. No severance payment will apply if the agreement is terminated at the initiative of the member of the Board of Management. Severance payment is also applicable when the termination is justified by such change of circumstances that the members of the Board of Management cannot reasonably be expected to continue the performance of their function/ services as a statutory director of Fugro. This may be the case, for example, if Fugro is liquidated, is merged with or taken over by a third party, is subject to an important reorganisation or to a major change of policy.

In 2020, no severance payments were committed to (former) members of the Board of Management. In 2019, Fugro committed on a contractual severance payment for Mr. Bouffard, which was paid in 2020.

REMUNERATION BOARD OF MANAGEMENT PER 2021

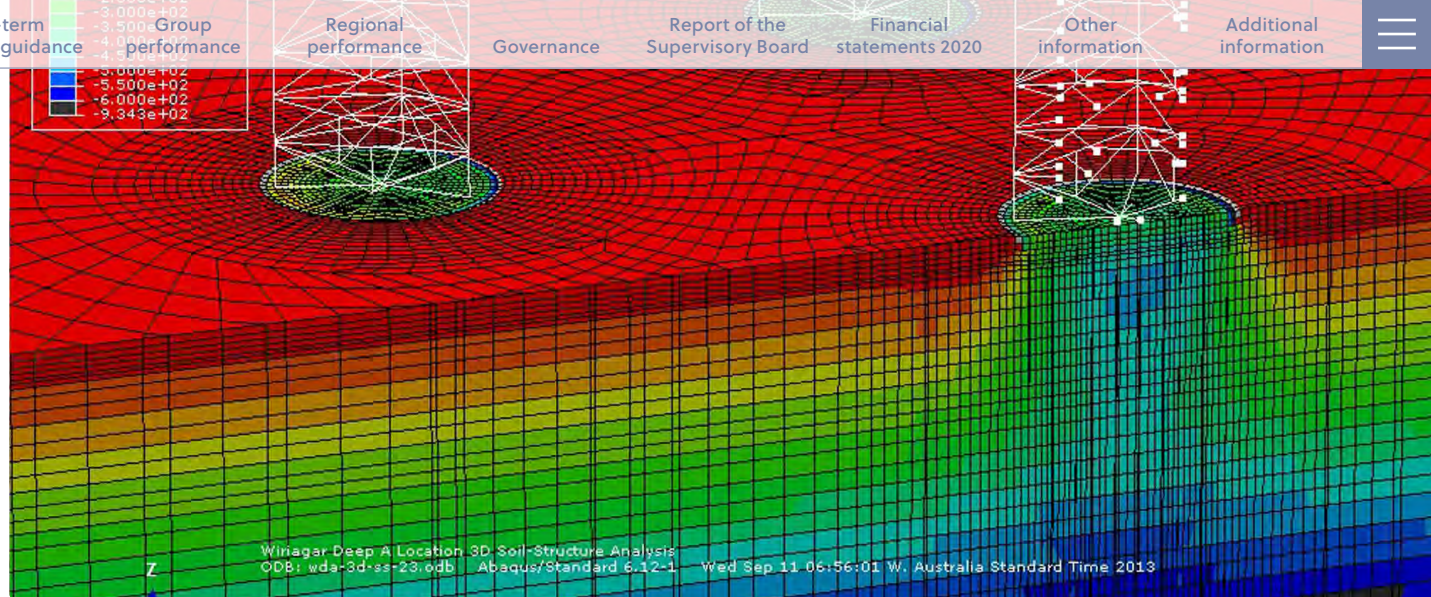
The remuneration policy was evaluated by the remuneration committee at the beginning of 2020 and adjusted based on the Shareholders' Rights Directive which was implemented into Dutch law per 1 December 2019. The remuneration committee concluded that the policy still supports Fugro's strategy and company objectives. It is also considered to be well aligned with the external environment in which the company operates as well as with all applicable rules, regulations

and best practices. The committee is aware of the public debate surrounding the topic of remuneration, including the debate on ESG performance, internal pay differentials, and strives for broad stakeholder support.

In line with the Shareholders' Rights Directive, the remuneration policy for the Board of Management, was submitted for shareholder approval on 30 April 2020 and adopted accordingly. The remuneration committee will regularly evaluate remuneration of the Board of Management to check on market conformity. The remuneration of the Board of Management in 2021 will be based on the remuneration policy as adopted by the AGM in 2020.

The metrics that will be used for the financial targets and their relative weight for the short-term incentive plan 2021 are as follows:

- Adjusted EBIT margin, weight 35%
- Net working capital as % of revenue, weight 15%
- Business cash flow, weight 15%
- Net profit (excluding Impairments), weight 10%.



REMUNERATION SUPERVISORY BOARD

Remuneration policy for the Supervisory Board

On the basis of the revised Shareholders' Rights Directive, the remuneration policy for the Supervisory Board was adopted by the AGM of 2020. The Supervisory Board draws up the Supervisory Board remuneration policy based on advice from its remuneration committee. The remuneration policy will be evaluated regularly and will be put forward for adoption by the AGM at least every four years.

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

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

- a fixed remuneration and a committee fee, which varies for the chair, vice-chair and members, to reflect the time spent and the responsibilities of the role
- an attendance allowance per meeting held outside the country of residence, to compensate for additional time spent to attend meetings
- a reimbursement for actual costs in the performance of the duties for Fugro.

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

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

Remuneration Supervisory Board

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

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

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

Remuneration Supervisory Board 2020

(x EUR)	Fixed fee	Membership committee	Attendance allowance	Total
H.L.J. Noy (chairman)	64,750	9,250		74,000
P.H.M. Hofsté (vice-chair per 1 May 2020)	49,625	8,750		58,375
J.C.M. Schönfeld (vice-chair)				
<i>Resigned per 30 April 2020</i>	17,875	3,250		21,125
A.J. Campo	46,250	7,400	5,000	58,650
R. Mobed	30,000	4,800		34,800
A.H. Montijn	46,250	9,250		55,500
Sj.S. Vollebregt	3,750	600		4,350
D.J. Wall	46,250	7,400	5,000	58,650

Remuneration of the Supervisory Board in 2020

The following table provides an overview of the remuneration awarded to the members of the Supervisory Board in 2020. For the past 5 years the remuneration level did not change. In line with the Executive Leadership Team, the Supervisory Board took a 10% pay-cut as from April 1, 2020 through year end.

Members of the Supervisory Board acquired shares and participated in the December 2020 right issue and hold the following number of Fugro shares as per December 2020.

H.L.J. Noy	18,000
R. Mobed	6,245
Sj.S. Vollebregt	20,000

Leidschendam, 18 February 2021

On behalf of the remuneration committee
Anja Montijn
Chair



CLIMATE CHANGE ADAPTATION

Fugro supports Biocomp's contribution to waste management and sustainable agriculture



In a community investment initiative, Fugro provides support to the largest waste recycler in Nepal. Globally, Nepal is ranked fourth in terms of vulnerability to climate change, causing excessive rainfall in the monsoon and long periods of droughts in the summer. Most of the agricultural lands are on the slopes of the hills and mountains and are therefore prone to erosion and landslides. This vulnerability is further increased by the excessive use of chemical fertilisers, affecting the structure of the soil and reducing its capacity to hold water.

Biocomp helps Nepal to improve agricultural practices and reduce the risk of erosion and landslides. To this end, Biocomp collects organic waste from local fruit and vegetable markets and composts this in an anaerobic process to reduce greenhouse gas emissions. Alternatively, this waste would be dumped and rot away, polluting the direct environment and producing large amounts of methane, a greenhouse gas much more potent than CO₂. The compost is used for sustainable farming practices, reducing the risk of erosion and landslides. Going forward, Biocomp plans to expand into the collection and recycling of plastics. ■



SUSTAINABLE INFRASTRUCTURE

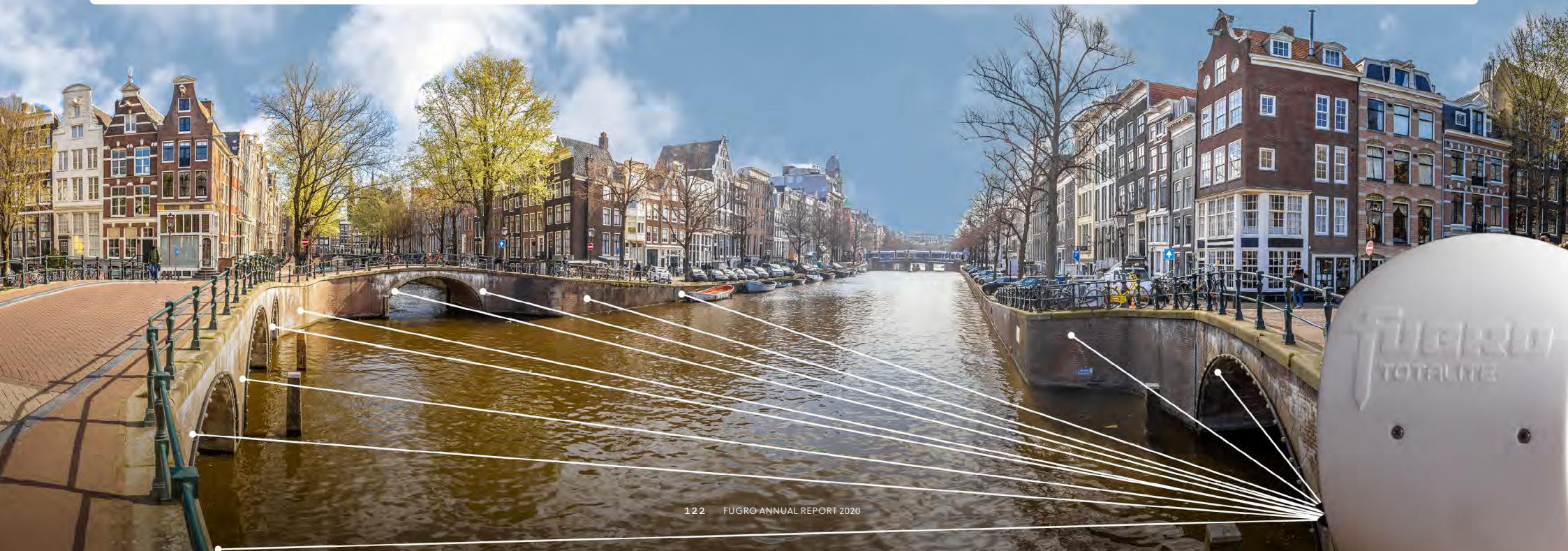
Innovative monitoring of Amsterdam's bridges and quay walls

Fugro contributes to maintaining future proof infrastructure. Hundreds of bridges and kilometres of quay walls in Amsterdam, for example, have reached the end of their structural lifespan and are often in a poor state of repair. The City of Amsterdam launched their 'Bridges and Quay Walls' programme to investigate, monitor and repair 829 bridges and 205 km of quay walls.

Fugro has been involved from the outset, using traditional survey measurement techniques based on tachymetry and levelling. However, the size of the programme requires more efficient monitoring techniques. Mid-December 2020, Fugro began testing its innovative Totalite and mobile laser scanning solutions. Totalite analyses

images taken from permanently fixed compact cameras to measure deformation and the mobile lasers scan bridges and quays from the water. Any deformations are accurately determined and the resulting Geo-data is immediately available for analysis via Fugro's online platform, enabling optimal repair and maintenance planning of the bridges and quay walls.

Fugro's new technologies will make an important contribution to the programme and achieve faster, more accurate and more cost-effective monitoring to improve the safety of the city's inhabitants. ■



FINANCIAL STATEMENTS 2020

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

Notes	(EUR x 1,000)	2020	2019
Continuing operations			
6, 8	Revenue	1,386,303	1,631,328
9	Third party costs	(520,607)	(654,230)
	Net revenue own services ¹	865,696	977,098
10	Other income	27,485	12,175
11	Personnel expenses	(585,011)	(640,291)
18, 19	Depreciation	(111,850)	(113,928)
20	Amortisation	(1,898)	(2,973)
14	Impairments	(5,858)	(3,286)
15	Other expenses	(168,792)	(203,235)
	Results from operating activities (EBIT)	19,772	25,560
	Finance income	2,207	3,968
	Finance expenses	(76,188)	(61,732)
16	Net finance income/(expenses)	(73,981)	(57,764)
21	Share of profit/(loss) of equity-accounted investees (net of income tax)	7,448	9,236
	Profit/(loss) before income tax	(46,761)	(22,968)
17	Income tax gain/(expense)	(25,189)	(13,792)
	Profit/(loss) for the period from continuing operations	(71,950)	(36,760)
7	Profit/(loss) for the period from discontinued operations	(99,790)	(85,653)
	Profit/(loss) for the period	(171,740)	(122,413)
Attributable to:			
	Owners of the company (net result)	(173,824)	(108,492)
28	Non-controlling interests	2,084	(13,921)
Earnings per share (euro)			
27	Basic and diluted earnings per share	(2.85)	(2.01)
27	Basic and diluted earnings per share from continuing operations	(1.21)	(0.42)

¹ Non-IFRS performance measure. Reference is made to the reconciliation of non-IFRS performance measures and glossary.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December

Notes	(EUR x 1,000)	2020	2019
	Profit/(loss) for the period	(171,740)	(122,413)
30, 17	Defined benefit plan actuarial gains/(losses)	(8,240)	(16,877)
	Total of items that will not be reclassified to profit or loss	(8,240)	(16,877)
16	Foreign currency translation differences of foreign operations	(45,817)	23,421
16	Foreign currency translation differences of equity-accounted investees	4,352	(868)
16	Net change in fair value of hedge of net investment in foreign operations	5,361	(3,983)
	Total of items that will be reclassified subsequently to profit or loss	(36,104)	18,570
	Other comprehensive income (loss) for the period	(44,344)	1,693
	Total comprehensive income/(loss) for the period	(216,084)	(120,720)
	Attributable to:		
	Owners of the company	(217,325)	(108,982)
	Non-controlling interests	1,241	(11,738)
	Total comprehensive income attributable to owners of the company arises from:		
	Continuing operations	(122,690)	(26,535)
	Discontinued operations	(94,635)	(82,447)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

		2019	
Notes (EUR x 1,000)		2020	restated ¹
ASSETS			
<u>18</u>	Property, plant and equipment	523,043	564,291
<u>19</u>	Right-of-use assets	135,007	160,479
<u>20</u>	Intangible assets including goodwill	277,291	288,631
<u>21</u>	Investments in equity-accounted investees	36,214	76,868
<u>22</u>	Other investments	47,417	30,942
<u>17</u>	Deferred tax assets	35,618	50,474
Total non-current assets		1,054,590	1,171,685
<u>23</u>	Inventories	27,615	29,681
<u>24</u>	Trade and other receivables	406,331	485,687
<u>17</u>	Current tax assets	11,542	14,757
<u>25</u>	Cash and cash equivalents	183,462	201,147
		628,950	731,272
<u>7</u>	Assets classified as held for sale	17,504	153,347
Total current assets		646,454	884,619
Total assets		1,701,044	2,056,304

¹ Reference is made to [note 19](#).

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December

Notes	(EUR x 1,000)	2020	2019 restated ¹
EQUITY			
	Total equity attributable to owners of the company	702,070	597,257
28	Non-controlling interests	9,580	10,630
26	Total equity	711,650	607,887
LIABILITIES			
29	Loans and borrowings	286,221	687,478
19	Lease liabilities	106,566	126,956
30	Employee benefits	72,498	72,243
31	Provisions	14,876	17,836
17	Deferred tax liabilities	3,517	1,834
	Total non-current liabilities	483,678	906,347
25	Bank overdraft	2,336	2,635
29	Loans and borrowings	58,021	20
19	Lease liabilities	26,126	30,703
32	Trade and other payables	322,247	361,301
31	Provisions	10,418	3,366
17	Current tax liabilities	26,440	26,112
	Other taxes and social security charges	46,642	37,728
		492,230	461,865
7	Liabilities classified as held for sale	13,486	80,205
	Total current liabilities	505,716	542,070
	Total liabilities	989,394	1,448,417
	Total equity and liabilities	1,701,044	2,056,304

¹ Reference is made to [note 19](#).

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Notes (EUR x 1,000)

	Share capital	Share premium	Translation reserve	Reserve for own shares	Equity component of convertible bonds	Retained earnings	Unappropriated result	Total	Non-controlling interest	Total equity
Balance at 1 January 2020	4,228	431,227	(101,233)	(160,732)	38,022	494,237	(108,492)	597,257	10,630	607,887
Profit or (loss)							(173,824)	(173,824)	2,084	(171,740)
Other comprehensive income			(35,261)			(8,240)		(43,501)	(843)	(44,344)
Total comprehensive income/(loss) for the period	–	–	(35,261)	–	–	(8,240)	(173,824)	(217,325)	1,241	(216,084)
5, 26 Issue of ordinary shares	6,091	326,109				(13,237)		318,963		318,963
13 Share-based payments						4,369		4,369		4,369
Share options exercised				2,236		(2,236)		–		–
26.4 Repurchase convertible bonds					(718)			(718)		(718)
Change in tax rate					(476)			(476)		(476)
26.4 Transfer of equity component of convertible bonds to retained earnings upon repurchase bonds					(17,026)	17,026		–		–
Addition to/(reduction of) reserves						(108,492)	108,492	–		–
28 Transactions with non-controlling interests								–	736	736
28 Dividends to shareholders								–	(3,027)	(3,027)
Total contributions by and distributions to owners	6,091	326,109	–	2,236	(18,220)	(102,570)	108,492	322,138	(2,291)	319,847
Balance at 31 December 2020	10,319	757,336	(136,494)	(158,496)	19,802	383,427	(173,824)	702,070	9,580	711,650

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Notes (EUR x 1,000)

	Share capital	Share premium	Translation reserve	Reserve for own shares	Equity component of convertible bonds	Retained earnings	Unappropriated result	Total	Non-controlling interest	Total equity
Balance at 1 January 2019 as previously reported	4,228	431,227	(117,620)	(353,958)	38,424	720,223	(51,064)	671,460	33,722	705,182
26.4 Reclassification adjustment reserve for own shares	–	–	–	193,050	–	(193,050)	–	–	–	–
Restated balance at 1 January 2019	4,228	431,227	(117,620)	(160,908)	38,424	527,173	(51,064)	671,460	33,722	705,182
Profit or (loss)							(108,492)	(108,492)	(13,921)	(122,413)
Other comprehensive income			16,387			(16,877)		(490)	2,183	1,693
Total comprehensive income/(loss) for the period	–	–	16,387	–	–	(16,877)	(108,492)	(108,982)	(11,738)	(120,720)
13 Share-based payments						5,972		5,972		5,972
Share options exercised				176		(176)		–		–
17 Change in tax rate						(402)		(402)		(402)
Addition to/(reduction of) reserves						(51,064)	51,064	–		–
28 Transactions with non-controlling interests						29,209		29,209	(8,210)	20,999
28 Dividends to shareholders								–	(3,144)	(3,144)
Total contributions by and distributions to owners	–	–	–	176	(402)	(16,059)	51,064	34,779	(11,354)	23,425
Restated balance at 31 December 2019	4,228	431,227	(101,233)	(160,732)	38,022	494,237	(108,492)	597,257	10,630	607,887

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

Notes	(EUR x 1,000)	2020	2019
Continuing operations			
Cash flows from operating activities			
	Profit/(loss) for the period	(71,950)	(36,760)
	Adjustments for:		
<u>18, 19, 20</u>	Depreciation and amortisation	113,748	116,901
<u>14</u>	Impairments	5,858	3,286
<u>21</u>	Share of (profit)/loss of equity-accounted investees (net of income tax)	(7,448)	(9,236)
	Net gain on sale of property, plant and equipment	(5,949)	(3,093)
	Gain on termination of lease	–	(864)
<u>13</u>	Equity-settled share-based payments	4,369	5,972
	Change in provisions and employee benefits	(6,802)	(2,907)
<u>17</u>	Income tax expense/(gain)	25,189	13,792
	Income tax paid	(10,812)	(26,795)
<u>16</u>	Finance income and expense	73,981	57,764
	Interest paid	(33,877)	(37,271)
	Operating cash flows before changes in working capital¹	86,307	80,789
	Decrease (increase) in working capital:	53,483	47,174
	▪ Decrease (increase) in inventories	935	(1,150)
	▪ Decrease (increase) in trade and other receivables	37,789	9,238
	▪ Decrease (increase) in trade and other payables	14,759	39,086
	Net cash generated from operating activities	139,790	127,963

¹ Non-IFRS performance measure. Reference is made to the reconciliation of non-IFRS performance measures and glossary.

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December

Notes	(EUR x 1,000)	2020	2019
Cash flows from investing activities			
18	Capital expenditures on property, plant and equipment	(81,211)	(82,502)
20	Acquisition of and other additions to intangible assets	(932)	(2,817)
18	Proceeds from sale of property, plant and equipment	12,886	7,350
	Disposal of intangible assets	71	4,449
21	Dividends received	55,882	3,825
	Acquisitions, net of cash acquired	(4,403)	–
	Repayment of long-term loans	–	43
5, 22	Additions to other investments	(16,686)	–
	Net cash (used in)/from investing activities	(34,393)	(69,652)
Cash flows from operating activities after investing activities ¹			
		105,397	58,311
Cash flows from financing activities			
5, 26	Proceeds from the issue of ordinary shares	332,200	–
5, 26	Transaction costs on issue of ordinary shares	(13,237)	–
5, 29	Transaction costs on long-term loans	(13,433)	–
5, 29	Repayment of borrowings	(376,804)	(87,294)
28	Dividends paid	(3,027)	(3,144)
	Transactions with non-controlling interests	–	(9)
19	Payments of lease liability	(23,560)	(24,476)
	Net cash from/(used in) financing activities	(97,861)	(114,923)
	Net cash provided by (used for) continuing operations	7,536	(56,612)

¹ Non-IFRS performance measure. Reference is made to the reconciliation of non-IFRS performance measures and glossary.

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December

Notes	(EUR x 1,000)	2020	2019
Discontinued operations			
	Cash flows from operating activities	(18,294)	(16,404)
	Cash flows from investing activities	1,295	(19,090)
	Cash flows from financing activities	14,036	66,875
<u>7</u>	Net cash provided by (used for) discontinued operations	(2,963)	31,381
Total net cash provided by (used for) operations			
		4,573	(25,231)
	Effect of exchange rate fluctuations on cash held	(25,214)	1,080
	Cash and cash equivalents at 1 January	201,767	225,918
	Cash and cash equivalents at 31 December	181,126	201,767
Presentation in the statement of financial position			
<u>25</u>	Cash and cash equivalents	183,462	201,147
<u>25</u>	Bank overdraft	(2,336)	(2,635)
<u>7</u>	Cash and cash equivalents (classified as held for sale)	–	3,255

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Fugro N.V., hereinafter to be referred to as 'Fugro' or 'the company', has its corporate seat in The Netherlands. The address of the company's principal office is Veurse Achterweg 10, 2264 SG, Leidschendam, the Netherlands. The consolidated financial statements of Fugro as at and for the year ended 31 December 2020 include Fugro and its subsidiaries (together referred to as the 'Group') and the Group's interests in equity-accounted investees. The financial statements are presented in EUR x 1,000, unless stated otherwise. The Euro is the presentation currency of the company.

2 BASIS OF PREPARATION

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

On 18 February 2021, the Board of Management and Supervisory Board authorised the financial statements for issue. Publication will take place on 26 February 2021. The financial statements will be submitted for adoption to the annual general meeting which takes place on 22 April 2021.

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

Estimates, judgements and uncertainties

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

Estimates, judgements and uncertainties with respect to

Note

Impairment of non-financial assets (property, plant and equipment, right-of-use assets and intangible assets including goodwill)	14 , 18 , 19 , 20
Impairment financial assets (trade receivables, unbilled revenue on (completed) projects, and other receivables)	24 , 33
The Covid-19 pandemic and implications for the financial statements	7 , 10 , 20 and 33
Leases	19
Deferred tax	17
Employee benefits	30
Provisions	31

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies have been included in the relevant notes to the consolidated financial statements.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. The impact of these new standards and interpretations are either not expected to be material for Fugro or not applicable to Fugro.

4 OTHER ACCOUNTING POLICIES

Statement of cash flows

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

Basis of consolidation

Accounting for business combinations

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

Subsidiaries

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

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

Transactions eliminated on consolidation

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

Foreign currency

Foreign currency transactions and translation

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

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the respective functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between

amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at foreign exchange rates effective at the date the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity-accounted investees, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges (insofar applicable), which are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

Foreign operations

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

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

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

Net investment hedge of foreign operations

Up to the refinancing (refer to the paragraph below), the Group hedged the foreign currency exposure in USD for net investment in foreign operations in the United States with the USD part of the incumbent revolving credit facility as hedging instruments. Up to the refinancing, foreign currency differences arising on the (re-)translation of a financial liability designated as a hedge of a net investment in a foreign operation were recognised in other comprehensive income to the extent that the hedge was effective, and was presented and accumulated within equity in the translation reserve. To the extent that the hedge was ineffective, such differences were recognised in profit or loss.

After the refinancing in December 2020, the incumbent USD revolving credit facility has been redeemed. At that time, Fugro discontinued hedge accounting for the net investment in foreign operations. Fugro ceased to recognise any foreign currency differences on the designated hedging instruments in other comprehensive income as part of the foreign currency translation reserve from the date of discontinuation. The cumulative foreign currency differences on the hedging instrument relating to the effective portion of the hedge that has been accumulated in the foreign currency translation reserve in other comprehensive income remains there, until the hedged net investment is disposed of. Upon disposal, the translation reserve is transferred to profit or loss.

Derivative financial instruments and hedge accounting

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss. The Group does not engage in material hedging transactions with derivatives. Accordingly, consistent with prior year, there are no qualifying fair value hedge or cash flow hedge relationships as of 31 December 2020. The Group does not have separately accounted embedded derivative financial liabilities. The Group does not have derivatives embedded within a hybrid contract containing a financial asset host.

5 REFINANCING

On 19 February 2020, Fugro completed a EUR 81.8 million equity raise through an accelerated bookbuild offering. Transaction costs amounted to EUR 0.8 million. Immediately thereafter the Covid-19 pandemic broke out, resulting in a sudden and sharp deterioration in financial markets, preventing Fugro from completing its comprehensive refinancing at that point in time. After a recovery of the financial markets and a thorough reassessment of refinancing alternatives, on 19 October 2020, Fugro announced a comprehensive refinancing of its debt and equity structure, which was approved by the shareholders on 30 November 2020. The events and transactions are summarised as follows.

On 30 November 2020, the company raised EUR 53.3 million in a private placement with a number of cornerstone investors. On 14 December 2020, the company raised EUR 197.1 million in a rights issue. The rights issue consisted of an issuance of certificates and ordinary shares subscribed for in the rights offering and a share subscription offering, respectively, including EUR 59.8 million from the participation of cornerstone investors and EUR 137.3 million from others who subscribed in the offering and those who subscribed for rump certificates in a rump offering by a consortium of banks. The net proceeds of the EUR 250.4 million equity raise amounted to EUR 238.0 million (net of transaction costs). Transaction costs amounted to EUR 12.4 million. The proceeds from the equity raise were recognised in equity in the statement of financial position (net of transaction costs) and presented in the statement of cash flows under financing activities. On 18 December 2020, Fugro completed the consolidation of every two existing shares in Fugro with EUR 0.05 nominal value into one share with EUR 0.10 nominal value. This share consolidation did not impact total equity. Reference is made to [note 26](#) total equity for further details.

On 14 December 2020, the incumbent EUR 575 million revolving credit facility (RCF) agreement expiring on 1 September 2021 was replaced by a new EUR 200 million super senior term loan and a new EUR 250 million super senior RCF, together called the Senior Facility Agreement (SFA). On 14 December 2020, Fugro repaid EUR 213.4 million of the EUR 413.4 million liability outstanding of the incumbent RCF, using proceeds from the equity raise together with available cash at bank. Up to 30 September 2020, the company repurchased EUR 39.1 million (on a nominal basis) of its subordinated convertible bonds due 26 October 2021 at a discount. During the remainder of 2020 (in December 2020), Fugro repurchased EUR 92 million of the subordinated unsecured convertible bonds due

26 October 2021. An amount of EUR 58.9 million (on a nominal basis including interest) remains outstanding as of 31 December 2020 of the convertible bonds due 2021. The convertible bonds maturing in 2024 are envisaged to remain outstanding. The new SFA replaced the incumbent outstanding draw-downs of the incumbent RCF at the initial starting date of the new SFA (i.e. 14 December 2020). The outstanding draw-downs of the incumbent RCF were maturing in December 2020 to January 2021. The new RCF was negotiated as part of a larger refinancing initiative, and it replaced the then outstanding draw-downs of the incumbent RCF within weeks from their maturity dates. Fugro deems renegotiations within three months of the maturity date of the old financial instruments a clear indication of entering into a new financial instrument, and not a modification of an old agreement. The refinancing qualifies as an extinguishment of the incumbent RCF expiring 1 September 2021 and subordinated convertible bonds due 26 October 2021. Accordingly, the abovementioned portions of the incumbent RCF and subordinated convertible bonds were derecognised. The net result on extinguishment (EUR 0.8 million) and unamortised transaction costs (EUR 6.7 million) were recognised in profit and loss. The repayment consideration with respect to the convertible bonds was allocated to the debt and equity component upon repurchase/redemption. The new super senior term loan and new super senior RCF were recognised initially at fair value. Subsequent accounting is at amortised cost in accordance with the effective interest rate method. The utilisation request to draw under the new super senior term loan was used to net settle outstanding amounts under the incumbent RCF to zero. The repayment consideration of the incumbent RCF and convertible bonds were presented in the statement of cash flows under financing activities. The transaction costs paid were presented in the statement of cash flows under financing activities. Reference is further made to [note 29](#) financial liabilities for more details.

On 30 November 2020, Fugro agreed with the Senior Lenders to provide a USD 15 million loan (deposit) to the owners of two leased geotechnical vessels. The cash outflow of USD 15 million (EUR 12.3 million) occurred on 11 December 2020 and was presented in the statement of cash flows under investing activities. The loan amount is fully refundable by the end of both leases and presented as deposit in the statement of financial position. Reference is further made to [note 22](#) Other investments for more details.

6 SEGMENT REPORTING

Fugro has four integrated regions: Europe-Africa (E-A), Americas (AM), Asia Pacific (APAC) and Middle East & India (MEI). The organisational and reporting structure consists of

these four regions plus Geoscience. Within the regions, the following business line structure exists: Marine Site Characterisation (MSC), Marine Asset Integrity (MAI), Land Site Characterisation (LSC) and Land Asset Integrity (LAI).

The operating results of the four regions plus Geoscience are directly reported to and reviewed by the Board of Management, being the Chief Operating Decision Maker. These five operating segments are therefore also reportable segments. In presenting information on the basis of geographical areas, segment revenue is based on the geographical location of operating companies. The allocation of segment assets is based on the geographical location of the operating company using the assets ('region of origin'). Information regarding the results of each reportable segment is included below. Performance is measured based on reported result from operating activities before interest and taxation (EBIT) as included in the internal management reports that are reviewed by the Board of Management. Segment profit or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Fugro allocates all other corporate expenses and finance income to the reportable segment profit (or loss) before income tax of the respective operating segments pro-rata based on net revenue. Assets that are used by more than one operating segment and liabilities that relate to more operating segments are pro-rata allocated based on net revenues to the respective reporting segments as well. Inter-segment pricing is determined on an arm's length basis. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

The E-A, AM, APAC, MEI operating segments generate revenues from:

- Marine environment: The determination of soil composition via cone penetration testing or the acquisition of soil samples and related laboratory testing; and the mapping of seabed and geological features and hazards below using non-invasive techniques including the related interpretation and visualisation. Its services also include geo-consulting, general purpose navigation charts and environmental, meteorological & oceanographic measurement services. In addition, the activities consist of positioning signals and services, construction support, monitoring and

forecasting services, remote systems technology, and inspection, repair and maintenance services (IRM).

- Land environment: The determination of soil characteristics via cone penetration testing and/or the acquisition of soil samples and related laboratory testing. These services are offered both onshore and in near shore environments. In addition, the activities consist of material testing and geo-consulting services as well as asset

integrity solutions (monitoring, analysis, modelling) for clients in the electrical power business, railroads, roads and oil & gas infrastructure.

The Geoscience segment consists solely of the disposal group Seabed Geosolutions. Since 30 June 2019, Seabed Geosolutions is classified as a disposal group held for sale and as a discontinued operation. Reference is further made to [note 7](#).

Operating segments

(EUR x 1,000)

	E-A		AM		APAC		MEI		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Segment revenue	647,745	767,578	358,852	437,034	320,390	362,214	168,529	222,679	1,495,516	1,789,505
Of which inter-segment revenue	52,352	85,375	18,630	25,397	29,219	30,866	9,012	16,539	109,213	158,177
Revenue from external customers	595,393	682,203	340,222	411,637	291,171	331,348	159,517	206,140	1,386,303	1,631,328
Segment result	89,699	120,746	12,299	9,377	22,433	(3,154)	14,947	18,778	139,378	145,747
Depreciation	(53,527)	(50,300)	(23,412)	(23,171)	(22,977)	(27,481)	(11,934)	(12,976)	(111,850)	(113,928)
Amortisation	(554)	(769)	(856)	(1,430)	(373)	(569)	(115)	(205)	(1,898)	(2,973)
Impairments	(361)	(2,520)	(985)	(363)	(2,608)	(321)	(1,904)	(82)	(5,858)	(3,286)
Result from operating activities (EBIT)	35,257	67,157	(12,954)	(15,587)	(3,525)	(31,525)	994	5,515	19,772	25,560
EBIT in % of revenue	5.9%	9.8%	(3.8%)	(3.8%)	(1.2%)	(9.5%)	0.6%	2.7%	1.4%	1.6%
Finance income	11,571	14,612	6,157	5,855	6,604	7,425	3,353	3,398	27,685	31,290
Finance expense	(52,837)	(46,374)	(15,455)	(11,681)	(27,269)	(22,393)	(6,105)	(8,606)	(101,666)	(89,054)
Share of profit/(loss) of equity-accounted investees	(4,367)	(1,563)	–	–	10,480	7,685	1,335	3,114	7,448	9,236
Reportable segment profit/(loss) before income tax	(10,376)	33,832	(22,252)	(21,413)	(13,710)	(38,808)	(423)	3,421	(46,761)	(22,968)
Income tax	(2,673)	(8,638)	(19,956)	1,010	1,043	(989)	(3,603)	(5,175)	(25,189)	(13,792)
Profit/(loss) for the period from continuing operations	(13,049)	25,194	(42,208)	(20,403)	(12,667)	(39,797)	(4,026)	(1,754)	(71,950)	(36,760)
Capital employed	403,985	524,340	198,658	272,070	155,128	153,802	116,995	160,223	874,766	1,110,435
Non-current assets	556,924	616,630	173,840	213,068	205,789	204,508	118,037	137,479	1,054,590	1,171,685
Capital expenditure, property, plant and equipment	36,506	38,559	18,724	20,154	19,046	16,631	6,935	7,735	81,211	83,079
Capital expenditure E&E, software, other intangible assets	720	2,447	156	278	5	88	51	4	932	2,817

Other material items 2020 in respect of elements of profit or loss

(EUR x 1,000)	Reportable segment totals	Adjustments and other unallocated amounts	Consolidated totals
Finance income	27,685	(25,478)	2,207
Finance expense	(101,666)	25,478	(76,188)

Other material items 2019 in respect of elements of profit or loss

(EUR x 1,000)	Reportable segment totals	Adjustments and other unallocated amounts	Consolidated totals
Finance income	31,290	(27,322)	3,968
Finance expense	(89,054)	27,322	(61,732)

7 DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

Seabed Geosolutions has been presented as a disposal group held for sale and a discontinued operation since 30 June 2019. The unanticipated delay in the planned divestment was caused by circumstances beyond the control of the company (i.e. Covid-19 and the related deteriorated oil and gas market). As part of Fugro's Path to Profitable Growth strategy, Fugro took action to respond to the change in circumstances and continues to pursue divestment of its stake in Seabed Geosolutions, which is still being actively marketed at a price that is reasonable given the change in circumstances. Fugro has continued its efforts to divest Seabed's business. Fugro closely monitors the progress

on this planned divestment and still considers it is highly probable that substantially all Seabed's business will be sold within the first half of 2021.

The assets and liabilities of the disposal group are classified as held for sale in the consolidated statement of financial position as of 31 December 2020 and as of 31 December 2019. The net results for the twelve months of 2020, and comparative 2019 figures, of the discontinued operation have been presented on a separate line in the consolidated statement of comprehensive income. The consolidated statement of cash flows for 2020 and 2019 include separate cash flows and cash balances of the discontinued operation.

Upon the classification as held for sale in 2019, an impairment loss of EUR 61.4 million (in the caption 'loss from discontinued operations') was recognised on the Seabed Geosolutions disposal group. This impairment was fully allocated to goodwill. Upon remeasurement of the disposal group to fair value less cost of disposal, further impairment losses were recognised in 2020. The cumulative impairment loss for 2020 amounts to EUR 74.7 million. This impairment was allocated to intangible assets (EUR 12.5 million) and property, plant and equipment (EUR 57.6 million). This valuation could be subject to further adjustment if the outlook would further deteriorate or improve in future periods. Finally, an additional impairment of EUR 4.6 million (cumulative and for the twelve months of 2020) was recognised with respect to the right-of-use assets.

The consolidated statement of comprehensive income below presents the discontinued operations on a stand-alone basis:

	Twelve months ended 31 December 2020	Twelve months ended 31 December 2019
(EUR x 1,000)		
From discontinued operations		
Revenue	62,774	135,583
Third party costs	(50,796)	(103,172)
Other income	6,083	9,869
Personnel expenses	(18,754)	(28,237)
Depreciation and amortisation	–	(9,504)
(Impairment)/Reversal of impairment	(74,713)	(76,182)
Other expenses	(19,885)	(13,384)
Results from operating activities (EBIT)	(95,291)	(85,027)
Finance expenses	(3,140)	(1,103)
Share of profit/(loss) of equity-accounted investees (net of income tax)	72	–
Income tax gain/(expense)	(1,431)	477
Profit/(loss) for the period from discontinued operations	(99,790)	(85,653)
Basic and diluted earnings per share from discontinued operations (euro)	(1.64)	(1.59)

The cumulative amount recognised in other comprehensive income for foreign currency translation differences in respect of discontinued operations amounts to a gain of EUR 5,155 thousand for the year 2020 (2019: EUR 1,445 thousand).

At 31 December, the assets and liabilities comprising the disposal group classified as held for sale are as follows:

	31 December 2020	31 December 2019
(EUR x 1,000)		
Assets classified as held for sale		
Property, plant and equipment	9,996	73,330
Right-of-use assets	–	7,382
Intangible assets	2,483	14,101
Investments in equity-accounted investees	218	–
Financial assets	–	26
Inventories	542	1,848
Trade and other receivables	3,938	51,218
Current tax assets	327	2,187
Cash and cash equivalents	–	3,255
Total assets classified as held for sale	17,504	153,347
Liabilities classified as held for sale		
Loans and borrowings	–	16,836
Provisions	793	–
Employee benefits	1,206	1,086
Lease liabilities	–	6,104
Trade and other payables	11,062	53,731
Other taxes and social security charges	36	504
Current tax liabilities	389	1,944
Total liabilities classified as held for sale	13,486	80,205

The goodwill included in intangible assets relating to the disposal group was fully impaired during 2019. During the last quarter of 2020, it became clear there was less interest to acquire the entire business. There was less interest to acquire the Hugin Explorer vessel, office leases and other non-current assets. These circumstances led to the decision to change the plan of sale and remove these non-current assets from the disposal group held for sale in the 31 December 2020 statement of financial position. Likewise, some current assets and liabilities were also removed from the disposal group

held for sale as at 31 December 2020. There is no impact on the 31 December 2019 comparative statement of financial position. The non-current assets that ceased to be classified in the disposal group held for sale were remeasured as follows. The remeasured amount was determined as the lower of (a) the carrying amount before the asset was classified as held for sale adjusted for depreciation that would have been recognised had the asset not been classified in the disposal group held for sale and (b) the recoverable amount at the date of the subsequent decision not to sell. As such, an adjustment to depreciation was made in the 2020 result from continuing operations for an amount of EUR 765 thousand.

The cash flows associated with discontinued operations are as follows:

(EUR x 1,000)	Twelve months ended 31 December	Twelve months ended 31 December
	2020	2019
Cash flows from discontinued operations		
Net cash (used in) / from operating activities	(18,294)	(16,404)
Net cash (used in) / from investing activities	1,295	(19,090)
Net cash (used in) / from financing activities	14,036	66,875
Net increase in cash and cash equivalents from discontinued operations	(2,963)	31,381

8 REVENUE

Revenue is recognised when control of the promised goods or services is transferred to the Group's customers, in an amount that reflects the consideration the Group expects to be entitled to in exchange for those goods or services. Fugro primarily generates revenue from services which are based on geo-intelligence derived by acquiring bespoke data and providing analysis and advisory. Revenue from sales of goods, software licences and subscription income are not a significant category of revenue. Sales within the Group are eliminated and not included in revenue shown.

Revenue is measured based on the consideration contractually agreed with the customer. Common considerations are fixed price, daily rates or rates per (square) kilometre. The transaction price excludes amounts collected on behalf of third parties, such as value-added taxes. It is common for the Group's contracts with customers to include liquidated damages, weather standby fees or discounts that can either increase or decrease the transaction price, leading to the consideration to be variable. Variable considerations are generally constrained and recognised as revenue only to the extent that it is highly probable that the amount will not be subject to significant reversal when the uncertainty is resolved. The Group estimates variable consideration using either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group's services are typically sold in a bundled package of services which together form a single performance obligation. Control of the single performance obligations is generally transferred to the customer over time. The transfer of control over time is supported mostly by one of the following conditions being met:

- Clauses in the contract that allow the customer to terminate the contract, pay for costs incurred plus a reasonable profit margin and take control of any work in progress. The Group does not create an asset alternative use to the Group
- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

In limited cases, the Group may also create or enhance an asset that the customer controls as the asset is created or enhanced.

For performance obligations that are satisfied over time, revenue and cost are recognised based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgement and is based on the nature of the services to be provided. The Group generally determines progress towards completion by measuring the proportion of actual cost incurred for work performed to date, compared to total estimated cost to completion. In the Group's view this best depicts the Group's performance in transferring control of services promised to its customers.

When it becomes probable that the total estimated cost to completion (i.e. incremental costs and an allocation of costs directly related to contract activities) exceed the total consideration for a certain contract, the Group recognises a provision for the lower of the net expected cost of performing under the contract and cost of terminating the contract.

Payment terms for service contracts are usually based on several instalments over the duration of the contract based on pre-set contract milestones. Significant financing components are not prevalent nor material within the Group. When applicable, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it is expected, at contract inception, that the period between when the entity transfers a promised good or service and when the customer pays for the good or service is one year or less.

Generally, the Group does not incur costs to obtain a contract. Up-front fees and pre-production costs are not prevalent in the Group's business.

Contract balances

When revenue recognised to date exceeds the progress billings to the customer, the surplus is accounted for as a contract asset and presented as unbilled revenue. Unbilled revenue is accounted net of any impairment losses. When progress billings exceed the revenue, measured as costs incurred plus profits recognised to date, the balance is accounted for as a contract liability, which is presented as advance instalments to work in progress.

8.1 Disaggregation of revenue from contracts with customers

Revenue is disaggregated by businesses and market segment as follows.

Revenue by businesses and market segment

	2020			2019		
(EUR x 1,000)	Marine	Land	Total	Marine	Land	Total
Oil and gas	573,003	44,219	617,222	808,837	41,535	850,372
Infrastructure	15,031	304,062	319,093	27,279	344,692	371,971
Renewables	263,808	31,357	295,165	214,423	19,260	233,683
Nautical	106,301	2,283	108,584	108,461	–	108,461
Other	4,950	41,289	46,239	12,595	54,246	66,841
Total	963,093	423,210	1,386,303	1,171,595	459,733	1,631,328

Of which:

Site characterisation	569,242	333,874	903,116	649,585	357,516	1,007,101
Asset integrity	393,851	89,336	483,187	522,010	102,217	624,227

8.2 Performance obligations

The table below presents the transaction price allocated to performance obligations that are (partially) unsatisfied as at 31 December. Certain amounts of variable consideration are not included in the amounts presented below as these are considered to be constrained. The Group applies the practical expedient allowing not to disclose information about remaining performance obligations that have an original expected duration of one year or less. The amounts therefore differ from the backlog.

(EUR x 1,000)	2020	2019
Within one year	91,548	54,089
More than one year	42,411	53,647
Total	133,959	107,736

8.3 Contract balances

The Group has recognised the following assets and liabilities related to contracts with customers:

(EUR x 1,000)	Note	2020	2019
Unbilled revenue on (completed) projects	24	133,743	156,743
Trade receivables	24	203,217	268,394
Other receivables	24	69,371	60,550
Advance instalments to work in progress	32	(43,986)	(38,732)

9 THIRD PARTY COSTS

(EUR x 1,000)	2020	2019
Cost of suppliers	442,212	531,917
Lease expenses	63,703	82,990
Onerous contracts	–	2,044
Other costs	14,692	37,279
Total	520,607	654,230

Cost of suppliers comprises costs of short-term third party hire, lease of low-value assets, fuel, demobilisation and mobilisation, consumables and third party personnel. Lease expenses relate to short-term vessel leases and variable lease payments not included in the measurement of vessel lease liabilities. Cost of suppliers includes costs of maintenance and operational supplies amounting to EUR 24.5 million (2019: EUR 27.2 million) directly related to projects. Other costs mainly relate to subcontracted cost at request of the client which can be recharged to the client directly.

10 OTHER INCOME

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

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.

(EUR x 1,000)	2020	2019
Government grants	17,664	2,244
Gain on sale of property, plant and equipment	6,061	3,772
Sundry income	3,760	6,159
Total	27,485	12,175

Sundry income includes research and developments tax credits received. During the financial year 2020, Fugro has applied for Covid-19 related government support in various countries, resulting in approximately EUR 14.9 million other income during 2020. The gain on sale of property, plant and equipment is mainly affected by the sale of the Hangzhou office building.

11 PERSONNEL EXPENSES

(EUR x 1,000)	2020	2019
Wages and salaries	503,902	550,971
Compulsory social security contributions	46,305	51,273
Equity-settled share-based payments	4,368	5,972
Expense related to defined contribution plans	29,116	29,268
Expense/(gain) related to defined benefit plans	(63)	843
Increase/(decrease) in liability for long- service leave	1,383	1,964
Total	585,011	640,291

12 EMPLOYEES

The total number of full-time equivalent (FTE) employees as at 31 December and average number for the year is as follows:

	2020			2019		
	Nether-lands	Other countries	Total	Nether-lands	Other countries	Total
Technical staff	768	6,467	7,235	671	6,829	7,500
Management and administrative staff	214	1,275	1,489	284	1,868	2,152
Temporary and contract staff	139	286	425	182	243	425
Total number of employees at 31 December	1,121	8,028	9,149	1,137	8,940	10,077
Average number of employees during the year	1,129	8,484	9,613	1,114	9,057	10,171

The above numbers include the employees of the disposal group Seabed Geosolutions.

13 SHARE-BASED PAYMENTS

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

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made. Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the company's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

If awards do not vest, due to non-market conditions and/or service conditions not being met, no expense is recognised. Awards that include a market condition are treated as vested irrespective of whether the market condition is satisfied, provided that all other (non-market) performance conditions and/or service conditions are satisfied.

The grant-date fair value of equity-settled share-based payment awards granted to employees is recognised as personnel expense, with a corresponding increase in equity, over the vesting period of the award. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the company's best estimate of the number of equity shares that will ultimately vest. The expense or credit in the consolidated statement of comprehensive income for a period represents the movement in cumulative expense recognised as at respectively the beginning and end of that period.

13.1 Long-term incentive plan

Under the long-term incentive plan, the company grants performance shares (and performance options prior to an amendment in 2017) to members of the Board of Management and other selected senior employees. 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 case maximum performance is achieved on all criteria). The performance targets and their relative weights for the grants made under the plan are as follows:

Performance targets	2017-2020	2014-2016
ROCE	37.5%	50.0%
TSR	37.5%	50.0%
Strategic targets	25.0%	–

- Return on capital employed (ROCE) is calculated as net operating profit after tax (NOPAT) over the last twelve months as a percentage of a three points average adjusted capital employed.
- Total shareholder return (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.

On 30 November 2020, the company's extraordinary general meeting of shareholders adopted a resolution to amend the articles of association in order to consolidate the ordinary shares in the capital of the company (the share consolidation). As a result of this share consolidation, 2 certificates representing ordinary shares were consolidated into 1 certificate representing an ordinary share, for which trading started on 21 December 2020. The numbers of outstanding awards under Fugro's share-based payment plans have also been adjusted in December 2020 to reflect the share consolidation. In accordance with IFRS, the share numbers and fair values in the tables in this disclosure note have been adjusted retrospectively, unless stated otherwise. As such, the original award numbers have been adjusted 2:1 and the fair values (and exercise prices for options) have been adjusted 1:2. This amendment was value neutral for the participants under Fugro's equity-settled share-based payment plans.

A summary of performance shares movements and outstanding balance as at 31 December (adjusted to reflect the share consolidation) is presented below.

	2020		2019	
	Number of shares	Weighted average grant date fair value	Number of shares	Weighted average grant date fair value
Performance shares outstanding at 1 January	414,588	22.36	262,465	26.56
Granted during the period	192,752	10.07	200,251	18.46
Forfeited during the period	58,485	19.89	48,128	29.00
Vested during the period	17,926	28.66	–	–
Performance shares outstanding at 31 December	530,929	17.96	414,588	22.36

The grant date fair value of the portion with a TSR market performance condition, a market performance condition, has been derived using a Monte Carlo simulation model. The fair value of the portion with a ROCE or a strategic performance condition is equal to the share price at date of grant adjusted for expected dividends during the vesting period.

The significant inputs into the valuation model are (including the actual historical share prices at the date of grant, on a pre-share consolidation basis):

	2020	2019
	Performance Shares	Performance Shares
Share price (in EUR)	3.86 – 8.41	9.25 – 10.16
Volatility (%)	40.5% – 53.6%	37.2% – 37.4%
Dividend yield (%)	0.0%	0.0%
Vesting period (in years)	2.90 – 3.00	2.93 – 3.00
Risk-free interest rate (%)	(0.65)% – (0.71)%	(0.47)% – (0.58)%
Remaining performance period (in years)	2.75 – 2.84	2.75 – 2.83

The expected volatility is based on the annualised historical volatility for a prior to the date of grant corresponding with the remaining performance period, and the dividend yield is estimated based on the historic dividend yield on Fugro shares at the date of grant.

The last time that performance options were granted in connection with the long-term incentive plan was in 2016. As at 31 December, the following performance options (all granted prior to 2017) were outstanding (adjusted to reflect the share consolidation):

	2020		2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Performance options outstanding at 1 January	97,177	29.10	186,433	29.58
Forfeited during the period	66,665	29.10	89,256	30.10
Exercised during the period	–		–	
Performance options outstanding at 31 December	30,512	29.10	97,177	29.10
Performance options exercisable at 31 December	30,512	29.10	–	–

The average remaining term of the performance options outstanding as at 31 December 2020 is 2.2 years (31 December 2019: 3.1 years).

The total expense recognised in 2020 related to performance shares and performance options amounted to EUR 1,860,510 (2019: EUR 2,744,318).

13.2 Share option scheme

Fugro's share option scheme allows some assigned Group employees, who do not participate in the long-term incentive plan, to acquire shares in Fugro. A share option entitles the employee to purchase ordinary shares in Fugro. The vesting period for the options granted up to and including 31 December 2016 was three years starting on 1 January of the year following the grant date. The vesting period of the options granted

from 2018 is three years starting at the grant date. The maximum contractual option life is six years. The options granted are not subject to any further conditions of vesting, except that the option holder remains employed by Fugro or one of its subsidiaries. The Board of Management and the Supervisory Board decide annually on the granting of options. The exercise price for the options granted in 2020 has been determined based on the average closing price of 5 days preceding the grant date.

A summary of movements during the year of options and balances outstanding as at 31 December is presented below (adjusted to reflect the share consolidation):

	2020		2019	
	Number of options	Weighted average exercise price (EUR)	Number of options	Weighted average exercise price (EUR)
Options outstanding at 1 January	1,281,232	27.35	1,376,154	44.22
Forfeited during the period	166,799	26.02	68,075	48.30
Expired during the period	249,051	34.52	329,813	86.63
Options granted during the period	295,351	13.12	302,966	19.98
Options outstanding at 31 December	1,160,733	22.38	1,281,232	27.35
Exercisable at 31 December	383,418	29.58	717,967	31.51

The outstanding options have an exercise price ranging from EUR 13.12 to EUR 30.12 as at 31 December 2020. The average remaining term of the options is 3.3 years (2019: 3.2 years).

The fair value of the share options with only service conditions is determined by using a binomial model. The option life is estimated based on the expected behaviour for exercising the options, and the estimate is that the employees will hold the options until the end of the exercise period. Expected volatility is estimated by considering historical share price volatility.

The inputs used in the measurement of the fair values at the grant date of the share options are the following (including actual share prices at the date of grant, on a pre-share consolidation basis):

	2020	2019
Average fair value of the granted options during the year in EUR	1.48	4.00
Share price (in EUR)	3.86	9.25
Exercise price (in EUR)	6.56	9.99
Expected volatility (in %)	57.90	50.10
Option term (years)	6	6
Expected dividends	0.00%	0.00%
Risk-free interest rate (based on government bonds)	(0.55%)	(0.35%)

The total expense recognised in 2020 related to share options amounted to EUR 1,604,819 (2019: EUR 2,295,736).

13.3 Restricted shares

The vesting of the restricted shares is only dependent on continued services during the vesting period. The grant date fair value of the awards is the share price at date of grant adjusted for expected dividends during the vesting period (2020: EUR 9.98, which has been adjusted in the table below to reflect the share consolidation).

A summary of restricted share movements and the outstanding balance as at 31 December (adjusted to reflect the share consolidation) is presented below.

	2020		2019	
	Number of shares	Weighted average grant date fair value	Number of shares	Weighted average grant date fair value
Restricted shares outstanding at 1 January	109,675	24.82	102,675	25.43
Granted during the period	5,134	19.96	10,000	18.76
Forfeited during the period	5,900	25.43	1,200	25.43
Vested during the period	3,575	25.43	1,800	25.43
Restricted shares outstanding at 31 December	105,334	24.53	109,675	24.82

The total expense recognised in 2020 related to restricted shares amounted to EUR 903,140 (2019: EUR 932,323).

14 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 2020, a total impairment loss has been recognised of EUR 5,858 thousand (2019: EUR 3,286 thousand impairment).

15 OTHER EXPENSES

(EUR x 1,000)	2020	2019
Maintenance and operational supplies	10,260	7,478
Indirect operating expenses	28,082	38,953
Occupancy costs	12,640	12,602
Property lease expense	4,410	7,819
Communication and office equipment	37,156	38,143
Impairment of receivables	3,559	4,783
Restructuring costs	17,581	6,968
Research costs	1,214	2,278
Loss on disposal of property, plant and equipment	112	741
Marketing and advertising costs	2,388	2,736
Tax fines and other penalties	338	24,183
Professional service fees	26,782	31,409
Other	24,270	25,142
Total	168,792	203,235

Other expenses include training costs, and miscellaneous charges.

16 NET FINANCE (INCOME)/EXPENSES

Net finance income and expenses consist of finance expenses, finance income and foreign currency gains and losses. Finance expenses comprise interest expense on borrowings and lease liabilities, unwinding of the discount on provisions, losses on disposal of equity securities, fair value losses on financial assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables), and losses on hedging instruments that are recognised in profit or loss.

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of equity securities, fair value gains on financial assets at fair value through profit or loss, gains on the re-measurement to fair value of any pre-existing interest in an acquiree, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in profit or loss on the date the Group's right to receive payment is established, which in the case of quoted shares is normally the ex-dividend date.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(EUR x 1,000)	2020	2019
Interest income on loans and receivables	(2,207)	(3,968)
Finance income	(2,207)	(3,968)
Interest expense on financial liabilities measured at amortised cost	45,827	53,121
Net change in fair value of financial assets at fair value through profit or loss	191	(965)
Net foreign exchange variance	30,170	9,576
Finance expense	76,188	61,732
Net finance (income)/expenses recognised in profit or loss	73,981	57,764

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)	2020	2019
Recognised in other comprehensive income		
Change net investment hedge of foreign operations	5,361	(3,983)
Foreign currency translation differences of foreign operations	(45,817)	23,421
Foreign currency translation differences of equity-accounted investees	4,352	(868)
Total	(36,104)	18,570
Recognised in:		
Translation reserve	(35,261)	16,387
Non-controlling interests	(843)	2,183
Total	(36,104)	18,570

17 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.

17.1 Income tax expense/(gain)

Recognised in profit or loss

(EUR x 1,000)	2020	2019
Current income tax expense/(gain)		
Current year	13,913	18,048
Adjustments for prior years	(679)	(1,647)
	13,234	16,401

Deferred income tax expense/(gain)

Origination and reversal of tax losses and temporary differences	69	6,128
Change in tax rate	(1,810)	(619)
Recognition of previously unrecognised tax losses and temporary differences	(6,341)	(8,891)
Impairment of deferred tax assets	19,805	–
Liability for undistributed foreign earnings (deferred)	736	205
Adjustments for prior years	(504)	568
	11,955	(2,609)

Total income tax expense/(gain)	25,189	13,792
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Reconciliation of effective tax rate

(EUR x 1,000)

	2020 %	2020	2019 %	2019
Profit/(loss) for the period from continuing operations		(71,950)		(36,760)
Income tax expense/(gain)		25,189		13,792
Profit/(loss) before income tax		(46,761)		(22,968)
Income tax using the weighted domestic average tax rates	13.1	(6,134)	(9.5)	2,189
Change in tax rate	3.9	(1,810)	2.7	(619)
Recognition of previously unrecognised tax losses and temporary differences	13.6	(6,341)	38.7	(8,891)
Impairment of deferred tax assets	(42.4)	19,805	–	–
Current year tax losses and tax credits not recognised	(41.8)	19,560	(94.3)	21,653
Non-deductible expenses	(14.6)	6,813	(24.3)	5,588
Tax exempt income	14.5	(6,803)	27.0	(6,199)
Liability for undistributed foreign earnings (deferred)	(1.6)	736	(0.9)	205
Adjustments for prior years (deferred)	1.1	(504)	(2.5)	568
Adjustments for prior years (current)	1.5	(679)	7.2	(1,647)
Dividend and other income taxes	(1.2)	546	(4.1)	945
Total	(53.9)	25,189	(60.0)	13,792

The weighted domestic average tax rate is computed by multiplying the result before tax of each tax group with the applicable local corporate income tax rates that vary from 0% to 35%. The decreased weighted domestic average tax rate when compared to prior year is caused by a significantly different mix of results in the various tax groups. The deferred tax asset impairment during 2020 is explained below.

Income tax recognised in other comprehensive income and in equity

(EUR x 1,000)

	2020			2019		
	Before tax	Tax (expense)/benefit	Net of tax	Before tax	Tax (expense)/benefit	Net of tax
Defined benefit plan						
actuarial gains (losses)	(10,816)	2,576	(8,240)	(19,841)	2,964	(16,877)
Net change in fair value of cash flow hedges transferred to profit or loss	–	–	–	–	–	–
Net change in fair value of hedge of net investment in foreign operations	6,750	(1,389)	5,361	(4,249)	266	(3,983)
Share-based payment transactions	4,369	–	4,369	5,972	–	5,972
Net change in fair value of equity securities	–	–	–	–	–	–
Subordinated unsecured convertible bonds	–	(476)	(476)	–	(402)	(402)
Transactions with non-controlling interests	736	–	736	20,999	–	20,999
Foreign currency translation differences of foreign operations and equity-accounted investees	(38,965)	(2,500)	(41,465)	20,743	1,810	22,553
Total	(37,926)	(1,789)	(39,715)	23,624	4,638	28,262

17.2 Current tax assets and liabilities

The net current tax liability of EUR 14,899 thousand (2019: EUR 11,355 thousand liability) represents the balance of current tax assets and liabilities in respect of current and prior periods less advance tax payments.

17.3 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

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

(EUR x 1,000)	Assets		Liabilities		Net	
	2020	2019	2020	2019	2020	2019
Property, plant and equipment	18,296	9,232	(7,256)	(4,301)	11,040	4,931
Intangible assets	180	232	(1,354)	(1,161)	(1,174)	(929)
Subordinated unsecured convertible bonds	–	–	(3,607)	(5,464)	(3,607)	(5,464)
Right-of-use assets	–	–	(13,760)	(17,777)	(13,760)	(17,777)
Lease liabilities (long term)	10,464	12,394	–	–	10,464	12,394
Lease liabilities (current)	3,483	5,511	–	–	3,483	5,511
Employee benefits	6,870	6,464	(15)	(41)	6,855	6,423
Provisions	5,238	5,043	(2,542)	(1,880)	2,696	3,163
Tax loss carry-forwards	19,970	42,667	–	–	19,970	42,667
Other items	1,325	1,366	(5,191)	(3,645)	(3,866)	(2,279)
Deferred tax assets/(liabilities)	65,826	82,909	(33,725)	(34,269)	32,101	48,640
Set-off of tax components	(30,208)	(32,435)	30,208	32,435	–	–
Net deferred tax asset/(liability)	35,618	50,474	(3,517)	(1,834)	32,101	48,640

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 2020	Acquired in business combinations	Recognised in profit or loss	Recognised in other comprehensive income	Recognised directly in equity	Balance 31 December 2020
Property, plant and equipment	4,931	(501)	6,610	–	–	11,040
Intangible assets	(929)	–	(245)	–	–	(1,174)
Subordinated unsecured convertible bonds	(5,464)	–	2,333	–	(476)	(3,607)
Long term loans	–	–	1,389	(1,389)	–	–
Right-of-use assets	(17,777)	–	4,017	–	–	(13,760)
Lease liabilities (long term)	12,394	–	(1,930)	–	–	10,464
Lease liabilities (current)	5,511	–	(2,028)	–	–	3,483
Employee benefits	6,423	–	(2,144)	2,576	–	6,855
Provisions	3,163	–	(467)	–	–	2,696
Tax loss carry-forward	42,667	–	(22,697)	–	–	19,970
Exchange differences	–	–	2,500	(2,500)	–	–
Other items	(2,279)	–	(1,587)	–	–	(3,866)
Total	48,640	(501)	(14,249)*	(1,313)	(476)	32,101

* Includes EUR 2,294k recognised in profit & loss of discontinued operations.

A deferred tax asset for net operating losses was impaired for an amount of EUR 19.3 million in the Americas region, following adverse actual outcomes against business plan and a history of operating losses. After this impairment, no carrying amount remains. This asset could be subject to further adjustment if the outlook would improve in future periods.

(EUR x 1,000)	Balance 1 January 2019	Recognised in profit or loss	Recognised in other comprehensive income	Recognised directly in equity	Balance 31 December 2019
Property, plant and equipment	10,628	(5,697)	–	–	4,931
Intangible assets	(215)	(714)	–	–	(929)
Subordinated unsecured convertible bonds	(7,388)	2,326	–	(402)	(5,464)
Right-of-use assets	–	(17,777)	–	–	(17,777)
Lease liabilities (long term)	–	12,394	–	–	12,394
Lease liabilities (current)	–	5,511	–	–	5,511
Employee benefits	5,088	(1,629)	2,964	–	6,423
Provisions	1,660	1,503	–	–	3,163
Tax loss carry-forward	32,325	10,342	–	–	42,667
Exchange differences	–	(1,802)	1,802	–	–
Other items	(431)	(1,848)	–	–	(2,279)
Total	41,667	2,609	4,766	(402)	48,640

17.4 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)	2020	2019
Tax credits	10,153	8,915
Deductible temporary differences	30,412	27,205
Tax losses	243,933	210,128
Total	284,498	246,248

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)	2020	2019
As at 1 January	246,248	218,376
Movements during the period:		
Additional unrecognised losses and temporary differences	64,196	29,028
Recognition of previously unrecognised tax losses and temporary differences (profit or loss)	(6,341)	(8,968)
Recognition of previously unrecognised tax losses and temporary differences (equity)	4,073	1,264
Effect of change in tax rates	2,058	610
Exchange rate differences	(22,162)	1,990
Expiration of tax losses	(2,097)	(4,591)
Change from reassessment	(1,477)	8,539
As at 31 December	284,498	246,248

Of the total recognised and unrecognised deferred tax assets in respect of tax losses carried forward an amount of EUR 11,209 thousand expires in periods varying from one to five years. An amount of EUR 779 thousand expires between five and ten years, an amount of EUR 53,423 thousand expires between ten and twenty years and an amount of EUR 197,854 thousand can be offset indefinitely. Based on forecasted results per tax jurisdiction, management considered it probable that sufficient future taxable profit will be generated to utilise recognised deferred tax assets depending on taxable profits in excess of the profits arising from the reversal of existing temporary differences.

Temporary differences relating to investments in subsidiaries

At 31 December 2020 a deferred tax liability of EUR 436 thousand relating to investments in subsidiaries has been recognised (2019: EUR 431 thousand). No deferred tax liability is recognised in case Fugro controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future due to permanent reinvestments. The aggregate amount of temporary differences for which these deferred tax liabilities have been recognised is EUR 8,711 thousand (2019: EUR 8,620 thousand).

In some of the countries where the Group operates, local tax laws provide that gains on disposal of certain assets are tax exempt, provided that the gains are not distributed. The company does not intend to distribute such gains; therefore no tax liabilities are recognised in this respect.

18 PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the costs of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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

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

Category	Years
Land	Infinite
Buildings	20 – 40
Plant and equipment	3 – 10
Vessels	2 – 25
Other	1 – 5

The carrying amounts of the Group's non-financial assets other than assets arising from employee benefits and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (CGU) is the higher of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest

group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit.

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

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

(EUR x 1,000)

2020

	Land and buildings	Plant and equipment	Vessels	Fixed assets under construction	Other	Total
Balance at 1 January 2020						
Cost	194,092	903,631	766,401	30,654	182,940	2,077,718
Accumulated depreciation and impairment	(88,619)	(814,887)	(435,754)	–	(174,167)	(1,513,427)
Carrying amount	105,473	88,744	330,647	30,654	8,773	564,291
Change in carrying amount:						
Investments	2,071	28,853	14,333	32,803	3,151	81,211
Acquisition through business combination	2,117	600	–	–	228	2,945
Transfers from fixed assets under construction	484	18,663	15,078	(34,911)	686	–
Depreciation	(5,242)	(39,720)	(34,312)	–	(4,966)	(84,240)
Impairment (loss)/reversal	(2,490)	(914)	(1,804)	–	–	(5,208)
Disposals	(2,048)	(866)	(149)	(3,379)	(495)	(6,937)
Effects of movement in foreign exchange rates	(5,693)	(2,910)	(22,817)	(2,579)	(636)	(34,635)
Transfer between asset classes	–	(1,376)	–	–	1,376	–
Reclassification adjustment	(933)	–	–	–	–	(933)
Transfers from/(to) assets classified as held for sale	–	(1,611)	8,160	–	–	6,549
Total changes	(11,734)	719	(21,511)	(8,066)	(656)	(41,248)
Balance at 31 December 2020						
Cost	180,613	896,854	761,749	22,588	133,448	1,995,252
Accumulated depreciation and impairment	(86,874)	(807,391)	(452,613)	–	(125,331)	(1,472,209)
Carrying amount	93,739	89,463	309,136	22,588	8,117	523,043

The transfer to assets classified as held for sale in plant and equipment relates to an aircraft in the Asia Pacific (APAC) region. The transfer from assets classified as held for sale relates to the Hugin Explorer vessel which was removed from the disposal group held for sale. See [note 7](#) for more details.

(EUR x 1,000)

2019

	Land and buildings	Plant and equipment	Vessels	Fixed assets under construction	Other	Total
Balance at 1 January 2019						
Cost	184,252	1,055,553	768,277	14,003	193,425	2,215,510
Accumulated depreciation and impairment	(83,232)	(924,991)	(406,045)	–	(181,257)	(1,595,525)
Carrying amount	101,020	130,562	362,232	14,003	12,168	619,985
Change in carrying amount:						
Investments – continuing operations	7,483	31,093	14,165	26,109	4,229	83,079
Investments – discontinuing operations*	–	23,108	–	–	32	23,140
Transfers from fixed assets under construction	1,300	6,940	1,125	(9,734)	369	–
Depreciation – continuing operations	(5,061)	(37,482)	(31,990)	–	(8,797)	(83,330)
Depreciation – discontinuing operations*	–	(5,689)	(1,241)	–	(49)	(6,979)
Impairment (loss)/reversal – continuing operations	–	(218)	(61)	–	(349)	(628)
Impairment (loss)/reversal – discontinuing* operations	–	–	(2,250)	–	–	(2,250)
Disposals	(894)	(1,068)	(2,152)	–	(205)	(4,319)
Effects of movement in foreign exchange rates	1,706	494	4,945	276	1,502	8,923
Transfers from/(to) assets classified as held for sale	(81)	(58,996)	(14,126)	–	(127)	(73,330)
Total changes	4,453	(41,818)	(31,585)	16,651	(3,395)	(55,694)
Balance at 31 December 2019						
Cost	194,092	903,631	766,401	30,654	182,940	2,077,718
Accumulated depreciation and impairment	(88,619)	(814,887)	(435,754)	–	(174,167)	(1,513,427)
Carrying amount	105,473	88,744	330,647	30,654	8,773	564,291

* Changes related to discontinuing operations included separately to reflect the classification of Seabed Geosolutions as a disposal group held for sale and discontinued operation per 30 June 2019.

The investments in property, plant and equipment include no non-cash amount (2019: EUR 577 thousand) that relates to asset retirement obligations. This has been considered as a non-cash item for the purpose of the consolidated statement of cash flows.

19 LEASES

Accounting policies Fugro as lessee

Definition of a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

At inception or on reassessment of a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices. However, for leases of property and equipment, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Recognition and measurement

The Group recognises a right-of-use asset and lease liability at the lease commencement date. The Group applies the short-term lease recognition exemption to its short term leases of vessels, property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). The Group also applies the lease of low-value assets recognition exemption, the impact of which is not material (including the IFRS 16.53d disclosure). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

The right-of-use asset is initially measured at cost. Cost comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at the present value of the lease payments that are not paid at the commencement date. The discount rate is the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index, initially measured using the index as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from a change in an index or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee. In these cases, the lease liability is remeasured by discounting the revised lease payments by using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- the Group changes its assessment of whether it will exercise a purchase, extension or termination option. In this case, the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- a lease contract is modified and the lease modification is not accounted for as a separate lease. In this case, the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

Lease payments are allocated between the liability and finance expenses (interest costs). The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

In a sale and leaseback transaction, the Group first assesses whether the criteria in IFRS 15 for a sale to be recognised have been met. If, under IFRS 15, a sale is to be recognised, then the right-of-use asset leased back is measured as a proportion of the underlying asset's previous carrying amount, based on the liability for lease payments divided by the fair value of the underlying asset (i.e. the right-of-use retained by the Group). This partial gain recognition method has the effect of restricting any profit recognised on disposal of the asset to the rights transferred to the buyer-lessor.

Accounting policies Fugro as lessor

The Group does not act as lessor. Accordingly, no accounting policies for lessors are applicable.

The Group's lease portfolio consists of vessels, property and equipment.

Vessels

The Group leases vessels to perform site characterisation and asset integrity services for clients. Leased vessels generally offer more flexibility than the Group's owned vessels. The non-cancellable periods of these leases vary from 3 to 9 years. The Group has options to extend, terminate or purchase certain vessel leases. These options facilitate the Group's asset portfolio management to market conditions. Periods covered by extension options and termination options are generally not reflected in the lease term, due to the reasonably certain threshold. Purchase options are not reasonably certain to be exercised. The operational and financial effects of such options are therefore not significant. The lease payments generally include a fixed component (e.g. a fixed day rate). In addition, a variable component based on actual vessel utilisation generally applies. These variable lease payments based on the utilisation of vessels are common in the industry. The Group typically guarantees a minimum utilisation rate (e.g. a minimum number of charter days per annum at a predetermined day rate), which is reflected in the lease liability. Following completion of the refinancing (refer to [note 5](#) Refinancing) covenants for the two leased geotechnical vessels have been brought in line with the covenants for the Senior Facility Agreement. As a result, the variable lease payment component consisting of an additional day rate contingent on the Group's net debt/EBITDA ratio is no longer applicable for these two vessels. Residual value guarantees are not prevalent in vessel leases. The sensitivity of reported information to the aforementioned variables (e.g. future variable lease payments) is deemed low.

Property

The Group has more than 200 property leases, which consist of land and buildings (e.g. offices, laboratory facilities, warehouses and housing). The lease terms vary from 2 to 19 years. Land leases have longer durations than buildings. Some leases contain options to extend or terminate certain property leases. Periods covered by extension options and termination options are reflected in the lease term, depending on whether the reasonably certain threshold is satisfied. In making this judgement, the Group considers favourable terms compared to market rates, termination costs (e.g. relocation and negotiation costs), lack of suitable alternatives and other facts and circumstances. Significant leasehold improvements are rare. The reasonably certain threshold for extension and termination options is generally not satisfied. Fixed lease payments are generally subject to periodic adjustment to market rentals by means of a retail price index and/or in-substance fixed

annual rent escalations. The relative magnitude of these adjustments compared to the fixed lease payments is not significant. The potential future lease payments not included in the measurement of lease liabilities and the prevalence of the exercise of options is not significant. Property leases do not include material residual value guarantees. The sensitivity of reported information to the aforementioned variables (e.g. future variable lease payments) is low.

Some leases of office buildings contain extension options exercisable by the Group which provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control. The prevalence of the exercise of options that were not included in the measurement of lease liabilities is low.

Equipment

The Group has more than 450 equipment leases, comprising vehicles, IT equipment (data storage, copiers, printers, scanners, servers etc.), telecom (telecom, radio and satellite devices), aerial vehicles, drilling equipment, compressors, subsea equipment and cranes. The average lease term is 2 years. Although these leases may contain renewal options, the Group has determined that it is not reasonable certain to exercise these options. The lease payments are generally fixed in nature.

Right-of-use assets

(EUR x 1,000)	Vessels	Property	Equipment	Total
Balance at 1 January 2020	77,400	78,653	4,426	160,479
Balance at 31 December 2020	62,637	68,901	3,469	135,007
Balance at 1 January 2019	122,347	90,714	5,063	218,124
Balance at 31 December 2019	77,400	78,653	4,426	160,479

(EUR x 1,000)	Depreciation 2020	Additions 2020	Depreciation 2019	Additions 2019
Vessels	11,060	–	15,603	4,130
Property	14,322	9,128	12,837	6,655
Equipment	2,228	2,039	2,158	1,641
Total	27,610	11,167	30,598	12,426

Lease liabilities

(EUR x 1,000)	2020	2019
Maturity analysis – contractual undiscounted cash flows:		
Less than one year	27,214	31,810
One to five years	81,928	92,116
More than five years	66,015	88,618
Total undiscounted lease liabilities at 31 December	175,157	212,544

(EUR x 1,000)	2020	2019 restated*
Discounted lease liabilities included in the statement of financial position at 31 December:		
Current	26,126	30,703
Non-current	106,566	126,956
Total discounted lease liabilities in the statement of financial position at 31 December	132,692	157,659

* The current and non-current presentation of the lease liabilities in the statement of financial position and in the table above has been restated retrospectively in connection with the correction of an error. In 2019, the Group erroneously used the expected interest payment over 2020 as a proxy for the discount of the current portion of the lease liability. This resulted in a EUR 7,764 thousand understatement of the current portion of the lease liability and a EUR 7,764 thousand overstatement of the non-current portion of the lease liability. There was no impact on profit and loss or on equity. There was no impact on disclosures other than the table above.

Amounts recognised in profit and loss

(EUR x 1,000)	2020	2019
Interest on lease liabilities	9,342	11,312
Variable lease payments not included in the measurement of lease liabilities	65	1,150
Income from sub-leasing right-of-use assets	–	–
Expenses relating to short-term leases	88,130	120,803

The impact of the low-value asset exemption was determined to be immaterial to the Group financial statements (including the IFRS 16.53d disclosure).

Amounts recognised in the statement of cash flows

(EUR x 1,000)	2020	2019
Total cash outflow for leases	32,902	35,197

Fugro does not act as lessor.

20 INTANGIBLE ASSETS INCLUDING GOODWILL

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

Fugro incurs exploration and evaluation (E&E) costs in Australian areas of interest in cooperation with Finder Exploration Pty Ltd (Finder), Theia Energy Pty Ltd (Theia) and Finder related parties. These assets are considered non-core business. Fugro capitalises these costs as E&E assets. E&E assets are classified as intangible assets, as they typically relate to drilling permits. A regular review of each area of interest is undertaken to determine the appropriateness of continuing to carry forward costs in relation to that area. Capitalised costs are only carried forward to the extent that they are expected to

be recovered. Accordingly, E&E assets are not amortised, but assessed for impairment indications.

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

Software and other intangible assets acquired or developed by the Group and that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

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

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

For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (or group of cash-generating units) on a pro rata basis.

Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated, are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes.

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

(EUR x 1,000)

2020

	Goodwill	E&E (Finder/ Theia)	Software	Other	Total
Balance at 1 January 2020					
Cost	588,751	35,102	18,534	31,251	673,638
Accumulated amortisation and impairment	(320,728)	(18,514)	(17,358)	(28,407)	(385,007)
Carrying amount	268,023	16,588	1,176	2,844	288,631
Change in carrying amount:					
Purchase of intangible assets	416	–	62	322	800
Other additions	–	548	–	–	548
Amortisation	–	–	(1,052)	(846)	(1,898)
Impairment	–	–	–	–	–
Disposals	–	–	(22)	(49)	(71)
Effect of movements in foreign exchange rates	(10,790)	18	(11)	(66)	(10,849)
Transfers from/(to) assets classified as held for sale	–	–	124	6	130
Total changes	(10,374)	566	(899)	(633)	(11,340)
Balance at 31 December 2020					
Cost	560,467	35,621	22,514	31,874	650,476
Accumulated amortisation and impairment	(302,818)	(18,467)	(22,237)	(29,663)	(373,185)
Carrying amount	257,649	17,154	277	2,211	277,291

(EUR x 1,000)

2019

	Goodwill	E&E (Finder/ Theia)	Software	Other	Total
Balance at 1 January 2019					
Cost	802,057	36,788	26,392	93,691	958,928
Accumulated amortisation and impairment	(475,711)	(16,294)	(24,239)	(65,726)	(581,970)
Carrying amount	326,346	20,494	2,153	27,965	376,958
Change in carrying amount:					
Purchase of intangible assets – continued	–	–	133	422	555
Purchase of intangible assets – discontinued*	–	–	–	1,412	1,412
Other additions	–	2,262	–	–	2,262
Amortisation – continued	–	–	(937)	(2,036)	(2,973)
Amortisation – discontinued*	–	–	(15)	(2,190)	(2,205)
Impairment – continued	–	(2,212)	–	(446)	(2,658)
Impairment – discontinued*	(65,382)	–	–	(8,550)	(73,932)
Disposals	–	(3,956)	(28)	(465)	(4,449)
Effect of movements in foreign exchange rates	7,059	–	7	696	7,762
Transfers from/(to) assets classified as held for sale	–	–	(137)	(13,964)	(14,101)
Total changes	(58,323)	(3,906)	(977)	(25,121)	(88,327)
Balance at 31 December 2019					
Cost	588,751	35,102	18,534	31,251	673,638
Accumulated amortisation and impairment	(320,728)	(18,514)	(17,358)	(28,407)	(385,007)
Carrying amount	268,023	16,588	1,176	2,844	288,631

* Changes related to discontinuing operations included separately to reflect the classification of Seabed Geosolutions as a disposal group held for sale and discontinued operation per 30 June 2019.

Impairment testing for cash-generating units containing goodwill

For the purpose of goodwill impairment testing, Fugro allocates goodwill to the following four cash-generating units (CGUs): Europe-Africa, Americas, Asia Pacific and Middle East & India. These CGUs represent the lowest level within the Group at which the goodwill is monitored for internal management purposes, they are consistent with the group's operating segments (refer to [note 6](#) Segment reporting).

The recoverable amounts of the cash-generating units have been determined based on value in use calculations. Value in use was determined by discounting the expected future cash flows from the continuing use of the CGUs. The calculation of the value in use was based on the following key assumptions:

- Cash flows in the first year of the forecast are based on management's approved financial budget. For all CGUs, the 2021 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 conditions such as Covid-19 and the related reduced spending by oil and gas clients.
- Cash flows for the CGUs beyond five years are extrapolated using an estimated long-term growth rate of 1.5% (2019: 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 capitalised goodwill was allocated to the following CGUs as at 31 December 2020:

(EUR x 1,000)	Growth rate first year	Growth rate long-term	Pre-tax discount rate	Long-term EBIT margin %	Goodwill 2020
Europe-Africa	0.0%	1.5%	13.3%	8.1%	113,741
Americas	2.2%	1.5%	12.9%	8.4%	66,702
Asia Pacific	0.7%	1.5%	13.3%	6.2%	28,120
Middle East & India	2.7%	1.5%	13.3%	8.7%	49,086
Total					257,649

The capitalised goodwill was allocated to the following CGUs as at 31 December 2019:

(EUR x 1,000)	Growth rate first year	Growth rate long-term	Pre-tax discount rate	Long-term EBIT margin %	Goodwill 2019
Europe-Africa	4.5%	2.0%	11.8%	9.3%	118,321
Americas	5.2%	2.0%	11.4%	9.8%	69,388
Asia Pacific	0.9%	2.0%	11.7%	6.4%	29,252
Middle East & India	3.5%	2.0%	11.8%	9.3%	51,062
Total					268,023

The excess of the recoverable amount over the carrying amount (headroom) of each CGU and the goodwill sensitivity analysis is as follows:

(EUR x 1,000)	Change required in each key assumption for headroom to equal zero				
	Headroom	Growth rate first year	Growth rate long-term	Pre-tax discount rate	Long-term EBIT margin %
Europe-Africa	163,152	(15.8%)	(6.5%)	5.1%	(6.6%)
Americas	51,164	(14.4%)	(2.6%)	2.2%	(2.4%)
Asia Pacific	66,585	(16.4%)	(7.4%)	5.8%	(4.7%)
Middle East & India	22,915	(8.8%)	(2.3%)	2.1%	(3.5%)
Total	303,816				

Total headroom decreased significantly from EUR 550 million as at 31 December 2019 to EUR 304 million as at 31 December 2020. The changes beyond those in the above table to assumptions used in the goodwill impairment test would, in isolation, lead to an impairment loss being recognised.

Exploration and evaluation (E&E)

E&E expenditure results in certain items of expenditure being capitalised for an area of interest where it is considered likely to be recoverable. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established by the parties involved. These estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgement is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the statement of comprehensive income. For the year ended 31 December 2020, this did not result in an impairment charge (2019: EUR 2,212 thousand).

21 INVESTMENTS IN EQUITY-ACCOUNTED INVESTEEES

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

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

The aggregate carrying amount of the equity-accounted investees of EUR 36,214 thousand as at 31 December 2020 (31 December 2019: EUR 76,868 thousand), consists of joint ventures for EUR 31,206 thousand (31 December 2019: EUR 23,654 thousand) and associates for EUR 5,008 thousand (31 December 2019: EUR 53,214 thousand), including Fugro's 23.6% share in Global Marine Group.

On 30 January 2020, HC2 Holdings Inc. announced the sale of Global Marine Group (GMG) excluding GMG's 49% stake in Huawei Marine Networks (HMN). Earlier, on 30 October 2019, HC2 Holdings Inc. had announced the sale by GMG of its 49% stake in HMN. Through its ownership of 23.6% in GMG (an equity accounted associate), Fugro

monetised a substantial part of its non-core interest in GMG. The carrying amount of investments in equity accounted investees was reduced by EUR 50.5 million as a result of payments of dividends from the proceeds of the two divestments during the course of 2020. To date, GMG sold 30% of HMN and retained a 19% interest under a two-year put option agreement. For this reason, Fugro's investment in GMG is not classified as held for sale as at 31 December 2020.

On 13 February 2020, Fugro acquired a 49% interest in Sea-Kit International Limited in exchange for cash consideration and is accounted for as an (individually immaterial) associate. Fugro has a call option to acquire the remaining shares of the company after four years from the date of acquisition. The exercise price is the estimated fair value at that point in time. The seller has a put option to sell the remaining shares to Fugro under substantially the same conditions as the call option.

The Group's share of profit from continuing operations from its joint ventures amounted to EUR 11,380 thousand in 2020 (2019: EUR 10,775 thousand profit). A loss of EUR 1,861 thousand was reported as other comprehensive income from its joint ventures in 2020 relating to foreign currency exchange differences (2019: EUR 223 thousand gain). In 2020, the Group received dividends of EUR 5,376 thousand (2019: 3,825 thousand) from its joint ventures.

The Group's share of profit (or loss) from continuing operations and of other comprehensive income from associates in 2020 amounts to a loss of EUR 3,932 thousand (2019: 1,539 thousand loss) and a gain of EUR 6,232 thousand (2019: 1,092 thousand loss) 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.

22 OTHER INVESTMENTS

Equity securities, long-term loans, deposits and other long-term receivables are financial assets. The Group does not have material derivative financial assets. The aforementioned financial assets are classified at initial recognition, and subsequently measured at amortised cost or fair value through profit and loss.

The advance lease payment is not a financial asset and is measured at nominal value. These measurement categories are specified in the table below. The classification at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Subsequent measurement is at amortised cost using the effective interest method and is subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of comprehensive income. Dividends on equity investments are also recognised as net finance income in the statement of comprehensive income when the right of payment has been established. The Group derecognises a financial asset when the rights to receive cash flows from the asset have expired, or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms (insofar applicable).

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a

12-month ECL). The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements (insofar applicable) held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

(EUR x 1,000)	Measurement category	2020	2019
Equity securities	Fair value through profit and loss	1,414	1,614
Long-term loans	Amortised cost	4,500	4,500
Deposits	Amortised cost	26,924	15,586
Advance lease payment	Nominal value	–	–
Net defined benefit asset	Present value	10,809	8,442
Other long-term receivables	Amortised cost	3,770	800
Balance at 31 December		47,417	30,942

Equity securities are investments in third party entities in whose activities the Group holds a non-controlling interest and has no control, joint control or significant influence. The Group received no dividends from its equity securities in 2020 (2019: nil).

Long-term loans mainly comprise a loan due from Wavewalker B.V. for the carrying amount of EUR 4.5 million (31 December 2019: EUR 4.5 million). The loan has to be fully repaid before 30 April 2027.

Other long-term receivables include prepayments made on two uncrewed surface vessels (USVs) that are under construction and controlled by the supplier.

The net defined benefit asset comprises of a surplus on a UK pension plan as per 31 December 2020 (refer to [note 30](#) Employee Benefits).

Deposits pertain to the lease of two geotechnical vessels.

23 INVENTORIES

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

In 2020, EUR 31,586 thousand (2019: EUR 25,484 thousand) of other inventories was recognised as an expense.

24 TRADE AND OTHER RECEIVABLES

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient when it is expected, at contract inception, that the period between when the Group transfers the promised goods or services and when the customers pays for this good or service is one year or less, are measured at the transaction price determined under IFRS 15. Other receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method less, any impairment losses.

Unbilled revenue on (completed) projects represents the gross amount expected to be collected from customers for contract work performed to date. It is measured at costs incurred plus profits recognised to date less progress billings and any impairment losses.

The Group applies the ECL model. For trade receivables and unbilled revenue on (completed) contracts, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for

forward-looking factors specific to the debtors and the economic environment. The Group does not have material trade receivables or unbilled revenue on (completed) contracts that contain a significant financing component. The Group is not a lessor and does not have lease receivables. A trade receivable is written off when there is no reasonable expectation of recovering the contractual cash flows.

(EUR x 1,000)	2020	2019
Trade receivables	203,217	268,394
Other receivables	69,371	60,550
Unbilled revenue on (completed) projects	133,743	156,743
Balance at 31 December	406,331	485,687

Unbilled revenue on (completed) projects represents the gross amount expected to be collected from customers for contract work performed to date (a contract asset). It is measured at costs incurred plus profits recognised to date less progress billings and recognised losses. Generally, unbilled revenue on (completed) projects is invoiced to customers in the period following the 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 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.

Remaining balance includes prepayments, deposits, VAT, and other receivables. At 31 December 2020, trade receivables include retentions of EUR 8.0 million (2019: EUR 11.2 million) relating to completed projects.

Trade receivables are shown net of impairment losses which amount to EUR 16.8 million (2019: EUR 17.4 million) arising from identified doubtful receivables from customers as well as expected credit losses. Trade receivables were impaired taking into account the financial position of the debtors, the days outstanding, the expected outcome of negotiations and legal proceedings against debtors and probabilities of default. Unbilled revenue on (completed) projects does not include (material) impairment losses which is similar to previous year.

Other receivables include VAT receivables, prepayments for insurance and claims, deposits, current portion of long term receivables and sundry receivables.

25 CASH AND CASH EQUIVALENTS

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

(EUR x 1,000)	2020	2019
Cash and cash equivalents	183,462	201,147
Bank overdraft	(2,336)	(2,635)

Cash and cash equivalents in the consolidated statement of cash flows

181,126 198,512

The cash and cash equivalents disclosed above and in the consolidated statement of cash flows include EUR 9.3 million (31 December 2019: EUR 15.0 million) of Angolan kwanza's and EUR 6.7 million (31 December 2019: EUR 10.6 million) of Nigerian Naira where exchange controls apply (these balances are considered trapped cash in the context of the SFA). These trapped cash balances are therefore not available for general use by the other entities within the group.

26 TOTAL EQUITY

Share capital is classified as equity. The term 'shares' as used in the financial statements pertain to ordinary shares and preference shares of Fugro NV. 'Stichting Administratiekantoor Fugro' (also referred to as 'Fugro Foundation Trust Office' or 'Foundation Trust Office') issues certificates of ordinary shares ('share certificates' or 'depository receipts' for shares). 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.

Fugro purchases and sells own shares in relation to the share option scheme.

Own shares which have been repurchased are held in treasury and are deducted from and presented within equity in a separate 'reserve for own shares' on a cost basis.

Own shares are recorded at cost, representing the market price paid on the acquisition date. When reissued under the share option scheme, shares are removed from the reserve for own shares on a first-in, first-out (FIFO) basis. The difference between the cost and the cash received is recorded in retained earnings.

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

26.1 Share capital and share premium

(Numbers of shares, adjusted for share consolidation)

	Ordinary shares		Preference shares	
	2020	2019	2020	2019
In issue at 1 January	42,286,262	42,286,262	–	–
Issued for cash	60,904,104	–	–	–
Exercise of share options	–	–	–	–
In issue at 31 December – fully paid	103,190,366	42,286,262	–	–
Authorised at 31 December – nominal value ordinary shares EUR 0.10 (adjusted for share consolidation) and nominal value preference shares EUR 0.05 (no change)	210,000,000	70,000,000	180,000,000	180,000,000

Consistent with last year, there are no shares issued but not fully paid. Prior year numbers of shares and nominal value in the table above were adjusted retrospectively for the share consolidation, in accordance with IFRS. Further details are provided below. The total number of shares issued during 2020 on a pre-share consolidation basis is 121,808,207. The post-share consolidation equivalent number of 60,904,104 issued shares is presented in the table above.

On 31 December 2020, the authorised share capital amounts to EUR 30 million (2019: EUR 16 million), consisting of ordinary shares and various types of preference shares. On 31 December 2020, the issued share capital amounted to EUR 10.3 million (2019: EUR 4.2 million).

The extraordinary general meeting of Fugro shareholders held on 30 November 2020 approved a share consolidation and an increase of the company's authorised share capital from EUR 16 million to EUR 30 million. Following this approval, on 14 December 2020 the authorised share capital increased from EUR 16 million represented by 140 million ordinary shares (pre-share consolidation) with nominal value EUR 0.05 to EUR 30 million represented by 420 million ordinary shares (pre-share consolidation) with nominal value EUR 0.05. On 18 December 2020 Fugro completed the consolidation of every two existing shares in Fugro with EUR 0.05 nominal value into one share with EUR 0.10 nominal value. As a result, the authorised share capital changed from EUR 30 million represented by 420 million ordinary shares with nominal value EUR 0.05 to EUR 30 million represented by 210 million ordinary shares with nominal value EUR 0.10. This share consolidation did not impact total equity. There was no change in the issued share capital of Fugro which continues to amount to EUR 10.3 million but the aggregate number of shares issued and fully paid up decreased from 206,380,732 to 103,190,366.

Ordinary shares

Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the company. All rights attached to the company's shares held by the Group are suspended until those shares are transferred to a party outside the Group. The Foundation Trust Office issues certificates of Fugro NV shares. Such certificates do not carry voting rights. Only the non-voting certificates are listed and traded on Euronext Amsterdam.

On 21 February 2020, Fugro raised EUR 81.8 million equity through an accelerated bookbuild offering. The company placed 8,350,000 new ordinary shares (pre-share consolidation) at an issue price of EUR 9.80 (pre-share consolidation). The issue price represents a discount of 3.9% to the last closing price prior to the start of the offering. The net proceeds of the EUR 81.8 million equity raise amounted to EUR 81.0 million. Transaction costs amounted to EUR 0.8 million.

On 30 November 2020, the company raised EUR 53.3 million equity in a private placement with a number of cornerstone investors. The company issued 20,497,488 new shares (pre-share consolidation) at an issue price was EUR 2.60 per share (pre-share consolidation). On 14 December 2020, the company raised EUR 197.1 million in a rights issue. The rights issue consisted of an issuance of certificates and ordinary shares subscribed for in a rights offering and a share subscription offering, respectively, including EUR 59.8 million from the participation of cornerstone investors, and EUR 137.3 million from those others who subscribed in the offering and those who subscribed for rump certificates in a rump offering by a consortium of banks. The net proceeds of the EUR 250.4 million equity raise amounted to EUR 238.0 million. Transaction costs amounted to EUR 12.4 million. The rights issue is summarised as follows. Shareholders were granted transferable subscription rights to subscribe up to 92,960,719 new offer certificates (pre-share consolidation) representing ordinary shares in the capital of Fugro NV. The issue price was EUR 2.12 per offer certificate (pre-share consolidation). The theoretical ex-rights price (TERP) as announced in a press release on 1 December 2020 is EUR 3.51. This TERP is based on the closing price of EUR 4.694 per certificate (pre-share consolidation) on 30 November 2020 and includes the cornerstone investor certificates. This issue price represents a discount of 39.7% to the TERP. 85,184,319 offer certificates (pre-share consolidation) were subscribed for through the exercise of rights in the rights offering. 242,407 offer shares (pre-share consolidation) were subscribed to in the share subscription offering. This represents a take-up of 91.9% in the rights issue. The remaining 7,533,993 certificates (pre-share consolidation) were sold in a rump offering to professional investors for EUR 3.95 per rump certificate (pre-share consolidation). The aggregate proceeds for the rump certificates sold exceeded the aggregate issue price by EUR 1.83 per rump certificate (pre-share consolidation) and the excess proceeds were distributed to the relevant shareholders.

Preference shares

No preference shares have been issued.

Amendment of Fugro's protective measures

The Foundation Continuity Fugro has terminated the call option agreements that provided Foundation Continuity Fugro with a right to exercise a call option on preference shares in relation to Fugro's Curacao based subsidiaries, Fugro Consultants International NV and Fugro Financial International NV in certain specific circumstances. Furthermore, in connection with its refinancing, Fugro announced the intention to terminate the

certification of its shares. Termination of the certification of the shares will be subject to, amongst others, receipt of certain approvals and a resolution of Fugro's general meeting at the 2021 annual general meeting to amend the Fugro articles of association. When approved by the general meeting, Fugro aims to complete this process in the first half of 2021.

26.2 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.

26.3 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 2020 (2019: nil). In 2020, 45,703 shares were used pre-share consolidation (2019: 3,600). As per 31 December 2020, Fugro holds 1,777,872 own certificates of shares post share consolidation (2019: 3,601,447) with respect to the option scheme, subordinated unsecured convertible bonds and performance awards. This was 1.7% of the issued capital (2019: 4.3%).

Up to 31 December 2019, shares reissued under the share option scheme were deducted from the reserve for own shares. However, these deductions were erroneously not made on a FIFO cost basis. The accounting policy on own shares has also been changed and the new policy was disclosed above. There are elements of both an error and a change in accounting policy, which could not be individually quantified. Accordingly, one retrospective reclassification adjustment between the reserve for own shares and retained earnings amounting to EUR 193.1 million was made on 1 January 2019. There is no impact on total equity or result. The information presented in the statement of financial position as of 1 January 2019 remains unchanged and was therefore not re-presented.

26.4 Subordinated unsecured convertible bonds-equity component

The equity component of the subordinated unsecured convertible bonds as presented in the consolidated statement of changes in equity is summarised as follows:

(EUR x 1,000)	Equity component
Total equity component of convertible bonds and 31 December 2018	38,424
Change in tax rate	(402)
Total equity component of convertible bonds as at 31 December 2019	38,022
Allocation of repurchase price of convertible bonds to equity component	(718)
Transfer of remaining equity component of convertible bonds to retained earnings upon repurchase of bonds	(17,026)
Change in tax rate	(476)
Total equity component of convertible bonds as at 31 December 2020	19,802

The portion of the equity component pertaining to the convertible bonds repurchased was transferred to retained earnings. Refer to [note 29.4](#) Subordinated unsecured convertible bonds for further information.

26.5 Unappropriated result

No dividend is proposed to be paid-out for 2020. Refer to [note 33](#) Financial risk management for dividend restrictions.

27 BASIC AND DILUTED EARNINGS PER SHARE

Reference is made to the February 2020 and December 2020 equity raise as described in [note 5](#) Refinancing and [note 26](#) Total equity.

These equity raises include a bonus element increasing the number of ordinary shares outstanding to be used in calculating basic and diluted earnings per share for the period before the equity raises. Accordingly, the table below presents the numerators and a reconciliation of the weighted average common shares outstanding for the purposes of basic and diluted earnings per share for the year ended 31 December 2020 and as retrospectively adjusted for the above mentioned bonus elements for the year ended 31 December 2019.

On 18 December 2020 Fugro completed the consolidation of every two existing shares in Fugro with EUR 0,05 nominal value into one share with EUR 0,10 nominal value. As a result of this share consolidation, the number of outstanding shares for the prior periods have been restated in accordance with IFRS.

Number of shares in this table is presented on a post-consolidated basis

	2020	2019
Net income (loss) attributable to equity holders of the parent (euro)	(173,824,000)	(108,492,000)
Outstanding number of shares for the purposes of basic earnings per share at 1 January	40,485,539	40,485,539
Effects of issued ordinary shares in 2020 (including the retrospective adjustments)	20,461,761	13,570,805
Weighted average number of shares outstanding for the purposes of basic earnings per share (restated) at 31 December	60,947,300	54,056,344
Incremental shares from assumed conversion of convertible bonds and share options on issue	–	–
Weighted average common shares outstanding for the purposes of diluted earnings per share at 31 December	60,947,300	54,056,344
Basic and diluted earnings per share (euro)	(2.85)	(2.01)

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.

28 NON-CONTROLLING INTEREST

The total non-controlling interest as at 31 December 2020 is EUR 9,580 thousand (surplus), of which EUR 8,711 thousand (surplus) is attributable to Fugro-Suhaimi Ltd.

The non-controlling interest of other subsidiaries is insignificant. During the course of the year EUR 3,027 thousand (2019: EUR 3,144 thousand) was paid as dividends to non-controlling interest shareholders, mainly related to the subsidiary Fugro-Suhaimi Ltd (Suhaimi).

Summarised financial information on subsidiaries with material non-controlling interests

Set out below is the summarised financial information for the subsidiary Fugro-Suhaimi Ltd (Suhaimi) that has a material non-controlling interest to the Group.

The non-controlling interest in Fugro-Suhaimi is 50%, which also represent 50% of the companies' voting rights in the general meeting of shareholders.

Fugro controls the operations and management of Suhaimi as it directs the relevant revenue generating activities of this company. Fugro also determines the strategy, policies and day-to-day business of Suhaimi. Therefore this subsidiary, with a significant non-controlling interest, is fully incorporated into these consolidated financial statements. The shareholders of Suhaimi have certain customary rights on certain key decisions, such as decisions on the declaration and payment of dividend and any significant change to the scope of the business, which rights are considered as protective in nature and normally go beyond the normal scope of business. Such decisions do not affect Fugro's ability to control the activities of Suhaimi.

Summarised balance sheet

(EUR x 1,000)

Suhaimi

	As at 31 December	
	2020	2019
Current		
Assets	23,315	29,609
Liabilities	(12,603)	(16,176)
Total current net assets	10,712	13,433
Non-current		
Assets	11,501	12,591
Liabilities	(4,790)	(4,955)
Total non-current net assets	6,711	7,636
Net assets	17,423	21,069
NCI percentage	50%	50%
Carrying amount of NCI	8,712	10,535

Summarised income statement

(EUR x 1,000)

Suhaimi

	For period ended 31 December	
	2020	2019
Revenue	31,699	32,634
Profit/(loss) before income tax	4,049	5,595
Income tax (expense)/income	–	–
Post-tax profit/(loss) from continuing operations	4,049	5,595
Other comprehensive income	–	–
Total comprehensive income/(loss)	4,049	5,595
Total comprehensive income/(loss) allocated to non-controlling interests	2,025	2,798
Dividends paid to non-controlling interests	3,013	3,144

Summarised cash flows

(EUR x 1,000)

Suhaimi

	For period ended 31 December	
	2020	2019
Net cash generated from operating activities	4,756	6,742
Net cash used in investing activities	(1,039)	(906)
Net cash used in financing activities	(6,026)	(6,288)
Net increase in cash and cash equivalents and bank overdrafts	(2,309)	(452)
Cash, cash equivalents and bank overdrafts at beginning of year	5,943	6,377
Exchange gains/(losses) on cash and cash equivalents	(158)	277
Cash and cash equivalents and bank overdrafts at end of year	3,476	6,202

The information above are the amounts before intercompany eliminations.

29 FINANCIAL LIABILITIES

The Group's financial liabilities consist of loans and borrowings, lease liabilities, bank overdrafts, trade and other payables, other taxes and social security contributions. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised. The effective interest rate amortisation is included as finance costs in the statement of comprehensive income. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The fair value of the liability portion of a convertible bond is initially determined using a market interest rate for an equivalent non-convertible bond at the issue date. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity (in a separate category 'equity component of convertible bonds'), net of income tax effects and is not subsequently remeasured. This remaining equity component is transferred to retained earnings upon repurchase or repayment of convertible bonds.

The Group has not designated any financial liability as at fair value through profit or loss.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a currently enforceable legal right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

29.1 Loans and borrowings

(EUR x 1,000)	2020	2019
Super senior revolving credit facility inof EUR 250 million	–	–
Super senior term loan of EUR 200 million	195,137	–
Revolving credit facility of EUR 575 million	–	425,051
Subordinated unsecured convertible bonds of EUR 190,000 (issued in 2016)	56,953	175,278
Subordinated unsecured convertible bonds of EUR 100,000 (issued in 2017)	89,521	87,114
Other loans and long-term borrowings	2,631	55
Subtotal	344,242	687,498
Less: current portion of loans and borrowings	58,021	20
Balance at 31 December	286,221	687,478

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				2020		2019	
	Currency	Nominal interest rate	Year of maturity	Face value	Carrying value	Face value	Carrying value
Super senior RCF of EUR 250 million	EUR	EURIBOR +2.75% – 5.50%	2023	–	–	–	–
Super senior term loan of EUR 200 million	EUR	EURIBOR + 5.50% – 8.00%	2023	200,000	195,137	–	–
Revolving credit facility of EUR 575 million	EUR	EURIBOR/LIBOR + 1.40% – 1.9%	–	–	–	425,150	425,051
Subordinated unsecured convertible bonds of EUR 190 million (issued 2016)	EUR	4.00%	2021	190,000	56,953	190,000	175,278
Subordinated unsecured convertible bonds of EUR 100 million (issued 2017)	EUR	4.50%	2024	100,000	89,521	100,000	87,114
Other long-term loans	Variable	4.00% – 5.51%	2023 – 2024	2,631	2,631	55	55
Balance at 31 December				492,631	344,242	715,205	687,498

Senior Facility Agreement

Reference is made to [note 5](#) Refinancing. The incumbent EUR 575 million revolving credit facility was repaid and replaced by a new super senior RCF and super senior term loan together called the Senior Facility Agreement (SFA). The SFA was arranged by ING, Rabobank, ABN AMRO, HSBC, Barclays, Credit Suisse and BNP Paribas. The super senior RCF and super senior term loan rank pari passu with each other and the sale-and-leaseback facilities for two geotechnical vessels, bilateral guarantee facilities and (if applicable) hedge liabilities. The new super senior RCF and super senior term loan are secured by a comprehensive security package that is shared with lenders of certain sale-and-leaseback facilities, certain bilateral guarantee facility providers and (if applicable) hedge counterparties. The security package is summarised as follows. Fugro N.V. and each of its subsidiaries that is a guarantor under the SFA has guaranteed the obligations of each of the other subsidiaries under the SFA. In addition, certain Dutch and Curacao subsidiaries act as guarantor for the SFA and have provided security over its bank accounts, movable assets, intellectual property rights and all its receivables (including but not limited to insurance receivables and intercompany receivables). One of these Dutch subsidiaries has also granted a mortgage over the owned buildings in Leidschendam and Nootdorp. The total carrying amount of the collateral as of 31 December 2020 is as follows:

Pledged assets (collateral)

(EUR x 1,000)

Carrying amount
31 December 2020

Property, plant and equipment	408,540
Intangible assets	17,825
Investments in equity-accounted investees	33,213
Other investments	41,213
Deferred tax assets	30,517

Non-current assets

531,308

Inventories	23,641
Trade and other receivables	228,006
Current tax assets	–
Cash and cash equivalents	91,505

Current assets

343,152

Guarantees (liens) related to the super senior revolving credit facility and super senior term loan are EUR 200 million (the drawn amount) as of 31 December 2020.

Under certain circumstances, the lenders may require mandatory prepayment of all amounts outstanding under the super senior RCF and the super senior term loan. Such circumstances include, amongst others, a change of control. In addition, the net proceeds of a sale of substantially all of the assets of the Group, a sale of Seabed Geosolutions or other asset dispositions (less any reasonable expenses and taxes related to such disposals) and insurance proceeds (subject to certain exceptions) shall be applied towards mandatory prepayment of the super senior term loan and super senior RCF. Freely available cash of the Group should be used to prepay amounts outstanding under the super senior RCF or ancillary facilities if it exceeds EUR 75,000,000 at the end of a financial quarter.

Capital expenditures of the Group are restricted until the super senior term loan has been repaid. As long as amounts under the new super senior term loan are outstanding, the capital expenditure of the Group may not exceed an amount equal to the forecasted capital expenditure plus 20% in any financial year.

Dividend payments are restricted. Until mid-2022 no dividends will be paid. After that date, dividends may only be paid if net leverage is equal to or less than 2 times. Covenants apply, amongst others, regarding the solvency ratio, net leverage and interest coverage.

29.2 Revolving credit facility

The carrying amount of the incumbent revolving credit facility as of 31 December 2019 was EUR 425 million. As explained above, the incumbent revolving credit facility was repaid in 2020 and replaced by a new super senior RCF. As at 31 December 2020, no amounts under the new super senior RCF were drawn. The super senior RCF represents a three year facility subject to a one year extension option (all lenders' consent). The company shall apply amounts borrowed under the super senior RCF towards general corporate and working capital purposes. This includes acquisitions permitted under the SFA. In addition, amounts borrowed may be applied to repayment of the remaining amounts outstanding under the subordinated unsecured convertible bonds maturing in 2021 and the amounts outstanding under the subordinated unsecured convertible bonds maturing in 2024 in connection with the 2022 holder put option (see below).

The initial interest is EURIBOR +4.25% and depending on leverage can vary between EURIBOR+2.75% and EURIBOR+5.50% as shown below:

Leverage	Margin
>3.00:1	5.50
≤3.00:1 but >2.50:1	5.00
≤2.50:1 but >2.00:1	4.25
≤2.00:1 but >1.50:1	3.50
≤1.50:1	2.75

The transaction costs of the new super senior RCF (which is undrawn as at 31 December 2020) amount to EUR 6.9 million and are recorded as non-current assets and are amortised over the term. No transaction costs were paid in 2019. The transaction costs for the incumbent RCF had been fully amortised.

29.3 Term loan

As at 31 December 2020, the carrying amount of the new super senior term loan amounts to EUR 195.1 million with an effective interest expense (at 7.49%) of EUR 0.7 million in December 2020. The super senior term loan has a three year term and an initial coupon of EURIBOR+5.50% and will gradually increase in bi-annual steps in the second and third year towards EURIBOR+8.00%. Amounts borrowed under the super senior term loan were applied towards refinancing amounts outstanding under the incumbent RCF on a net basis. The transaction costs amount to EUR 5.6 million and were included in the carrying amount of the super senior term loan.

29.4 Subordinated unsecured convertible bonds

Up to 30 September 2020, the company repurchased EUR 39.1 million (on a nominal basis) of its subordinated convertible bonds due 26 October 2021 at a discount. During the remainder of 2020 (in December 2020), Fugro repaid EUR 92 million of these bonds. The repurchase price was EUR 100,000 per EUR 100,000 in principal amount of such bonds. The consideration paid during the first nine months of 2020 was allocated to the liability in full (there was no residual that was assigned to the equity component). The consideration paid in connection with the repurchase of bonds during the remainder of 2020 was allocated to equity for the amount of EUR 0.7 million. This repurchase resulted in a debt settlement expense of EUR 0.8 million in 2020. The total portion of the equity

component pertaining to the convertible bonds repurchased during 2020 was transferred to retained earnings for an amount of EUR 17 million. An amount of EUR 57 million (on a nominal basis including interest) remains outstanding as of 31 December 2020 of the convertible bonds due 2021. The convertible bonds maturing in 2024 are envisaged to remain outstanding.

As at 31 December 2020, the carrying amount of the EUR 190 million subordinated unsecured convertible bonds due 2021 amounts to EUR 57 million (31 December 2019: EUR 175.3 million) with an effective interest expense (at 9.2%) of EUR 13.3 million in 2020 (2019: EUR 15.4 million). A EUR 7.3 million coupon of 4% has been paid in 2020 (2019: EUR 7.6 million). The conversion price (adjusted for the rights issue and share consolidation) is EUR 25.5674. 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 3,911.2307 (adjusted for the rights issue and share consolidation) for each bond held, representing ordinary shares in the capital of Fugro. The initial conversion price was set at EUR 19.4416. The certificates underlying the bonds corresponded to approximately 11.5% of the company's issued share capital. Fugro has the option to convert all but not some of these outstanding bonds into certificates at the then prevailing conversion price at any time since 18 November 2019, if the value of the certificates underlying a bond exceeds EUR 150 thousand for a specified period of time. Holders of the bonds have the option to force redemption of the principal amount plus interest (in cash) by Fugro in the event of a change in control. Fugro has an early redemption option (clean-up call) if 15% or less of the aggregate principal amount of the bonds remains outstanding. Fugro has an option to redeem all, but not some of the bonds in the event of certain changes in tax law.

As at 31 December 2020, the carrying amount of the EUR 100 million subordinated unsecured convertible bonds due 2024 amounts to EUR 89.521 thousand (31 December 2019: EUR 87,114 thousand) with an effective interest expense (at 8.1%) of EUR 6.9 million in 2020 (2019: EUR 6.7 million). A EUR 4.5 million coupon of 4.5% has been paid in 2020 (2019: 4.5 million). The conversion price (adjusted for the rights issue and share consolidation) is EUR 19.6490. 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 5,089.3175 (adjusted for the rights issue

and share consolidation) for each bond held, representing ordinary shares in the capital of Fugro. The initial conversion price was set at EUR 14.9412. The certificates underlying the bonds corresponded to approximately 7.9% of the company's issued share capital. Fugro has the option to convert all but not some of these outstanding bonds into certificates at the then prevailing conversion price at any time since 23 November 2020, if the value of the certificates underlying a bond exceeds EUR 150 thousand for a specified period of time. Holders of the bonds have the option to force redemption of the principal amount plus interest (in cash) by Fugro on 30 October 2022 or in the event of a change in control. Fugro has an early redemption option (clean-up call) if 15% or less of the aggregate principal amount of the bonds remains outstanding. Fugro has an option to redeem all, but not some of the bonds in the event of certain changes in tax law.

The Group considered each bond as a compound financial instrument containing a debt host (including closely related embedded liability derivatives) and an embedded equity derivative (conversion option). The subordinated convertible bonds are publicly 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.

29.5 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)	Incumbent RCF EUR 575 million	Subordinated unsecured convertible bonds EUR 190,000	Subordinated unsecured convertible bonds EUR 100,000	Super senior RCF	Super senior term loan	Lease Liabilities	Transaction with discontinued operations	Other long-term loans	Total
Balance at 1 January	425,051	175,278	87,114	–	–	157,657	–	55	845,155
Cash flow from financing activities provided by (used for) continued operations	(223,951)	(124,380)	–	–	–	(23,560)	(34,281)	2,448	(403,724)
Cash flow from financing activities provided by (used for) discontinued operations	–	–	–	–	–	–	34,281	–	34,281
Set-off drawn down term loan with incumbent RCF	(194,449)	–	–	–	194,449	–	–	–	–
Effect of movement in foreign exchange rates	(6,812)	–	–	–	–	(5,229)	–	(17)	(12,058)
Other changes*	161	6,055	2,407	–	688	3,824	–	145	13,280
Balance at 31 December	–	56,953	89,521	–	195,137	132,692	–	2,631	476,934

* Other changes include interest payments, accrued interest, amortisation, and modification of leases.

The cash flow from financing activities of EUR 403,724 thousand in 2020 represents the total net cash from financing activities in the consolidated statement of cash flows of EUR 97,860 thousand excluding the proceeds from issuing of ordinary shares net of transaction costs of EUR 318,963 thousand, transaction costs on the super senior RCF of EUR 6,907 thousand which are recorded as non-current asset, dividends paid of EUR 3,027 thousand and the net result on the repurchase of the subordinated convertible bonds due

26 October 2021 of EUR 831 thousand. The increase in other long-term loans of EUR 2,448 thousand represents a non-cash item. The utilisation request to draw under the new super senior term loan was used to net settle outstanding amounts under the incumbent RCF to zero. The cash flow from financing activities used for discontinued operations of EUR 34,281 excludes any other cash flow from financing activities used for discontinued operations, including the repayment of the loan from partner.

Financing cash flows between Fugro and Seabed Geosolutions have been eliminated against continuing operations.

In 2019, the analysis of the changes in liabilities arising from financing activities was as follows:

(EUR x 1,000)	Revolving credit facility EUR 575 million	Subordinated unsecured convertible bonds EUR 190,000	Subordinated unsecured convertible bonds EUR 100,000	Loan from partner	Lease Liabilities	Transaction with discontinued operations	Other long-term loans	Total
Balance at 1 January	458,839	167,506	84,887	13,619	215,793	–	499	941,143
Cash flow from financing activities provided by (used for) continued operations	(37,250)	–	–	–	(24,476)	(49,600)	(444)	(111,770)
Cash flow from financing activities provided by (used for) discontinued operations	–	–	–	2,586	(6,774)	49,600	–	45,412
Effect of movement in foreign exchange rates	4,281	–	–	281	27	–	–	4,589
Other changes	(819)	7,772	2,227	350	(20,809)	–	–	(11,279)
Transfer to liabilities held for sale	–	–	–	(16,836)	(6,104)	–	–	(22,940)
Balance at 31 December	425,051	175,278	87,114	–	157,657	–	55	845,155

29.6 Covenant requirements

The senior facility agreement contains various affirmative and negative covenants and events of default. The super senior RCF, the super senior term loan and lease liability of the two geotechnical vessels shall become immediately due and payable in the event that a third party gains control over Fugro. In the event that the company breaches any of the covenants or an event of default becomes applicable, the lenders may require Fugro to immediately and fully prepay the super senior RCF and super senior term loan. Events of default include non-payment, non-compliance, misrepresentation, cessation of business, cross-default, insolvency events, creditors' process, enforcement of security, illegality, material adverse change – including any event or circumstance which in the majority lenders' reasonable opinion has a material adverse effect on the ability to perform or otherwise comply with the payment obligations under the agreements or on the business, operations, property, condition or prospects of the Group taken as a whole.

2020

Principal covenants	Target	Actual	Headroom
Solvency ratio	$\geq 33.33\%$	41.27%	7.94%
Net leverage	$\leq 3.25:1$	2.08	1.17
Interest coverage	$\geq 2.50:1$	3.22	0.72
Capital expenditure	$\leq \text{Forecasted capex} + 20\%$	N/A	N/A

The covenants are defined as follows (all including the impact of IFRS 16):

- Solvency ratio: shareholders' equity as a percentage of the balance sheet total.
- Net leverage for purpose of covenant calculations: net debt divided by adjusted consolidated EBITDA for purpose of covenant calculations.
- Interest coverage: adjusted consolidated EBITDA for purpose of covenant calculations divided by consolidated interest expense.
- Capital expenditure: as long as amounts under the new super senior term loan are outstanding, the capital expenditure of the Group may not exceed an amount equal to the forecasted capital expenditure plus 20% in any financial year.

In addition, dividend payments are restricted until mid-2022. After that date, dividends may only be paid if net leverage is equal to or less than 2 times. Fugro complied with the covenant requirements in the SFA as of 31 December 2020. The capital expenditure covenant will start to apply at the end of the first quarter of 2021. Fugro does not anticipate a breach of covenants.

29.7 Other long-term loans

The interest rate on mortgage loans and other long-term borrowings over one year amounts to 4.00% - 5.51% (2019: 4.95% - 5.51%).

29.8 Change of control provisions

Upon a change of control, the various financiers may cancel their commitments and require Fugro to repay amounts borrowed under the super senior RCF, the super senior term loan and the unsecured subordinated convertible bonds. An amount of EUR 200 million was drawn from the bank facilities as at 31 December 2020 (31 December 2019: EUR 425 million). The sale and lease back arrangements for two vessels also contain certain change of control clauses.

30 EMPLOYEE BENEFITS

Defined contribution plans

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

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets. The discount rate is the yield at the

reporting date on AA credit-rated (high quality) corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed by qualified independent actuaries using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

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

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

Other long-term employee benefits

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

(EUR x 1,000)	2020	2019
Net defined benefit asset	(10,809)	(8,442)
Total employee benefit asset	(10,809)	(8,442)
Net defined benefit obligation	58,190	57,422
Liability for long-service leave	15,515	15,907
Total employee benefit liabilities*	73,705	73,329

* Includes EUR 1,206 thousand (2019: EUR 1,086 thousand) for the disposal group held for sale. Refer to [note 7](#).

The Group makes contributions to a number of pension plans, both defined benefit plans as well as defined contribution plans, that provide pension benefits for employees upon retirement in a number of countries. The retirement age is in line with the provisions in the different plans. The most important plans relate to plans in the Netherlands, United Kingdom and the United States. Details of these plans are as follows:

- In the Netherlands, the Group provided a pension plan based on average salary. This plan qualified as a defined benefit scheme. The pension entitlements from this plan are insured with an insurance company that guarantees the accrued pension entitlements. In 2018, this pension plan was terminated and has been replaced by a new plan pension plan, qualified as a defined contribution scheme, that is applicable as of 2019. The accrued pension entitlements up to 2018 remained at the insurer and indexation is provided to these accrued pension entitlements for active participants.
- In the United Kingdom (UK) the Group operates two defined benefit pension schemes. For Fugro Holdings (FH), the company operates a final salary defined benefit pension scheme. The scheme is an HMRC registered pension scheme and is subject to standard UK pensions and tax law. The Robertson Research International Group Pension Scheme (RRI) is a funded, defined benefit pension plan. The pension schemes have been closed in previous years for new participants, but include the on-going obligations to their members (both former and present employees). The pension schemes assets are held in separate Trustee-administered funds. The schemes includes indexation in line with RPI. The valuation of the RRI scheme resulted in a net defined benefit asset as per 31 December 2020.

- In the United States of America (USA) the Group operates a 401K plan for its employees. The Group contributes towards the deposits of its employees in accordance with agreed rules and taking into account the regulations of the Internal Revenue Service (IRS), the US tax authority. This plan qualifies as a defined contribution plan.

The defined benefit obligation and fair value of plan assets are specified as follows:

(EUR x 1,000)	2020 RRI plan	2020 Other	2020 Total	2019 RRI plan	2019 Other	2019 Total
Present value of funded obligations	70,942	471,292	542,234	69,397	441,387	510,784
Fair value of plan assets	(81,751)	(413,102)	(494,853)	(77,839)	(383,965)	(461,804)
Net defined benefit obligation (asset)	(10,809)	58,190	47,381	(8,442)	57,422	48,980

Plan assets consist of the following:

(EUR x 1,000)	2020	2019
Equity securities	95,797	95,847
Government bonds	12,035	9,972
Corporate bonds	51,224	49,360
Investment funds	35,612	26,724
Insurance policies	265,415	245,782
Real estate	24,417	27,920
Cash	10,353	6,199
Balance at 31 December	494,853	461,804

The movements in the present value of the funded obligations consist of the following:

(EUR x 1,000)	2020 RRI plan	2020 Other	2020 Total	2019 RRI plan	2019 Other	2019 Total
Present value of the funded obligation at 1 January	69,397	441,387	510,784	61,609	354,764	416,373
Current service costs (see below)	–	–	–	–	–	–
Interest expenses	1,349	6,246	7,595	1,840	8,069	9,909
	1,349	6,246	7,595	1,840	8,069	9,909
Remeasurements:						
(Gain)/loss from change in demographic assumptions	183	(4,277)	(4,094)	(2,042)	10,489	8,447
(Gain)/loss from change in financial assumptions	6,485	58,766	65,251	8,756	67,725	76,481
Experience (gains)/losses	(481)	(13,772)	(14,253)	(2,391)	(238)	(2,629)
	6,187	40,717	46,904	4,323	77,976	82,299
Exchange differences	(3,693)	(9,608)	(13,301)	3,493	8,382	11,875
Paid by plan participants	–	–	–	–	–	–
Benefits paid by the plan	(2,358)	(6,613)	(8,971)	(1,868)	(7,804)	(9,672)
Plan amendments and curtailments	–	(776)	(776)	–	–	–
Present value of the funded obligation at 31 December	70,882	471,353	542,235	69,397	441,387	510,784



The movement in the fair value of plan assets consist of the following:

(EUR x 1,000)	2020 RRI plan	2020 Other	2020 Total	2019 RRI plan	2019 Other	2019 Total
Fair value of plan assets at 1 January	77,839	383,965	461,804	63,297	316,262	379,559
Interest income	1,548	5,332	6,880	1,936	7,130	9,066
Remeasurement:						
Return on plan assets, excluding amounts included in interest income	5,760	29,973	35,733	7,645	54,815	62,460
Exchange differences	(4,123)	(7,166)	(11,289)	3,672	6,291	9,963
Paid by the employer	3,085	7,611	10,696	3,157	7,272	10,429
Contributions paid by plan participants	–	–	–	–	–	–
Benefits paid by the plan	(2,358)	(6,613)	(8,971)	(1,868)	(7,805)	(9,673)
Administrative expenses	–	–	–	–	–	–
Settlements	–	–	–	–	–	–
Fair value of plan assets at 31 December	81,751	413,102	494,853	77,839	383,965	461,804

The following expenses were recognised in profit or loss:

(EUR x 1,000)	2020	2019
Current service costs	–	–
Past service costs	(776)	–
Administrative expenses	–	–
Interest on obligation	7,595	9,909
	6,819	9,909
Interest income	(6,880)	(9,066)
Total	(61)	843

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

(EUR x 1,000)	2020	2019
Personnel expenses	(61)	843
▪ Continuing operations	(61)	843
▪ Discontinued operations	–	–

The actual return on plan assets are the following:

(EUR x 1,000)	2020	2019
Actual return on plan assets	42,613	71,526

The following remeasurements were recognised directly in other comprehensive income:

(EUR x 1,000)	2020	2019
Cumulative amount at 1 January	(61,042)	(38,984)
Recognised during the year	(11,171)	(19,839)
Effect of movement in exchange rates	2,823	(2,219)
Cumulative amount at 31 December	(69,390)	(61,042)

Refer to [note 17](#) with respect to the income tax impact on the actuarial gains/(losses) of EUR 11,171 thousand (2019: EUR 19,839 thousand gain).

Actuarial assumptions

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

	2020		2019	
	UK	Netherlands	UK	Netherlands
Discount rate at 31 December	1.3%	0.5%	2.0%	1.1%
Future salary increases	0.0%	0.0%	0.0%	0.0%
Future pension increases	1.4%	0.0%	1.4%	0.0%

The financial effects of differences between the actuarial assumptions and actuals for the pension liability and plan assets are included in the remeasurements. For the Netherlands, life expectancy assumptions are derived from the Projections Life Table AG2020 from the Royal Dutch Actuarial Association. The mortality table is adjusted to tailor the mortality figures to the insured population by applying the experience factors from the 'Centrum voor Verzekeringstatistiek': the so-called ES-P2 factors. For the United Kingdom, the mortality basis adopted is the standard table S3PxA (Robertson Plan: 92% of S2PxA) with future improvements in line with the Continuous Mortality Investigation's 2018 projection model using an additional initial rate of 0.5% per annum (Robertson Plan: 0% per annum) with a long term improvement rate of 1.25% per annum for all members.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 9.4%	Increase by 10.9%
Salary growth rate	0.50%	Increase by 0.0%	Decrease by 0.0%
Pension growth rate	0.50%	Increase by 3.0%	Decrease by 2.7%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		Increase by 3.5%	Decrease by 3.5%

The sensitivity analyses are based on a change in one assumption while holding all other assumptions constant, so that interdependencies between the assumptions are excluded.

Major categories of plan assets

Plan assets are comprised as follows:

(EUR x 1,000)

	2020				2019			
	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total	%
Equity instruments	95,797	–	95,797	20%	95,847	–	95,847	21%
Debt instruments	98,871	–	98,871	20%	86,056	–	86,056	19%
Government	12,035	–	12,035	2%	9,972	–	9,972	2%
Corporate bonds (Investment grade)	51,224	–	51,224	10%	49,360	–	49,360	11%
Corporate bonds (Non-investment grade)	35,612	–	35,612	7%	26,724	–	26,724	6%
Insurance policies	–	265,415	265,415	53%	–	245,782	245,782	53%
Property	24,417	–	24,417	5%	27,920	–	27,920	6%
UK	24,417	–	24,417	5%	27,920	–	27,920	6%
Cash and cash equivalents	10,353	–	10,353	2%	6,199	–	6,199	1%
Balance at 31 December	229,438	265,415	494,853	100%	216,022	245,782	461,804	100%

Risk exposure

Through its defined benefit pension plans, the Group is exposed to a number of risks. Most of these risks come with the nature of a defined benefit plan and are therefore not country specific. The most significant risks are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to AA credit-rated corporate bond yields. If plan assets underperform this yield, the deficits will increase. The UK plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk

Some of the group pension obligations are linked to inflation, meaning higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant in the UK plan, where inflationary increases result in higher sensitivity to changes in life expectancy. This risk is limited in the Netherlands where the insurer guarantees the payment of the accrued benefits.

In addition, the Group is exposed to a number of local risks. This is considered to be limited for the Netherlands as in the Netherlands the company terminated its defined benefit scheme in 2018 and the accrued pension entitlements were insured, limiting the risk for the Group to the indexation of the accrued entitlements. The insurance company guarantees all accrued entitlements. The insurance contract includes an account in which 80% of the investments are used to match the liability on a funding basis and 20% of the investments are used to invest in equity. The insurance company ultimately decides on investment policies and governance, since they run the downside risk.

In the UK, the Trustees set the Scheme's investment strategy, in consultation with the employer. The Robertson and UK Holdings plan include return seeking assets and bonds. The Robertson plan also includes matching assets to cover the pensioner liabilities. The employer is ultimately responsible for funding the accrued pensions and the pension increases.

The expected 2021 contributions amount to EUR 12.3 million (2020: EUR 11.2 million).

The weighted average duration of the defined benefit obligation is 21 years (2019: 20 years).

As at 31 December 2020	Netherlands	United Kingdom	Total weighted
Duration of plan	23	19	21

31 PROVISIONS

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

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

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

Asset retirement obligations are recognised in connection with lease contracts (vessels and property). These obligations are measured at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the costs of the relevant asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the asset retirement obligation. The unwinding of the discount is expensed as incurred and recognised in the statement of comprehensive income as a finance expense.

(EUR x 1,000)

	2020					2019				
	Onerous contracts	Procedures	Restructuring	Asset retirement obligations	Total	Onerous contracts	Procedures	Restructuring	Asset retirement obligations	Total
Balance at 1 January	300	16,765	1,682	2,455	21,202	490	16,378	1,650	2,549	21,067
Provisions made during the year	–	5,280	17,837	242	23,359	2,123	4,511	7,905	577	15,116
Provisions used during the year	–	(5,485)	(13,522)	(156)	(19,163)	(2,243)	(1,743)	(6,902)	(861)	(11,749)
Provisions reversed during the year	–	(308)	(255)	–	(563)	(81)	(2,360)	(1,019)	–	(3,460)
Unwinding of discount	–	–	–	127	127	–	–	–	86	86
Transfer to continued operations	1,242	–	86	–	1,328	–	–	–	–	–
Effect of movements in foreign exchange rates	(27)	(746)	(118)	(105)	(996)	11	(21)	48	104	142
Balance at 31 December	1,515	15,506	5,710	2,563	25,294	300	16,765	1,682	2,455	21,202
Non-current	–	12,313	–	2,563	14,876	–	15,561	–	2,275	17,836
Current	1,515	3,193	5,710	–	10,418	300	1,204	1,682	180	3,366

Fugro has accounted for certain tax indemnities and warranties in respect of the sale of the majority of the Geoscience business to CGG in 2013 for liabilities arising from tax exposures. This tax indemnity and warranty amounts to EUR 9.8 million as at 31 December 2020 (31 December 2019: EUR 10.2 million).

32 TRADE AND OTHER PAYABLES

Trade and other payables represent liabilities for services and goods provided to the group prior to the end of financial year which are unpaid. Trade and other payables are recognised initially at fair value net of any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method.

The contracts in progress for which progress billing exceeds costs incurred plus profits recognised to date less progress billings and recognised losses are presented as advance instalments to work in progress.

(EUR x 1,000)

	2020	2019
Trade payables	80,759	85,859
Advance instalments to work in progress	43,986	38,732
Other payables	197,502	236,710
Balance at 31 December	322,247	361,301

Other payables include elements such as accrued expenses of invoices to be received and employee related accruals. 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 15,281 thousand has been recognised as revenue from continuing operations that was included in the closing balance as at 31 December 2019 (2019: EUR 30,179 thousand).

33 FINANCIAL RISK MANAGEMENT

Overview

The company's risk management policy includes the long-term sustainable management of its business activities and where possible, the mitigation of the associated business risks. Based on the nature and relative significance of the risks related to the Group's wide diversity of markets, clients and regions and its broad portfolio of activities the risks have been quantified to the extent possible.

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

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. This note presents information on a consolidated basis including both continued and discontinued operations.

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

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

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

Credit risk management practices

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers and unbilled revenue on (completed) contracts.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. The Group applies the low credit risk simplification to long-term loans, deposits and other long-term receivables.

The Board of Management reviews the outstanding trade receivables and unbilled revenue on (completed) contracts on an ongoing basis. Local management is requested to take additional precaution in working with certain clients. The Group uses a provision matrix to calculate ECLs for trade receivables and unbilled revenue on (completed) contracts. Generally, trade receivables are fully impaired if past due more than 1.5 year and are not subject to enforcement activity. The provision rates are based on days past due for customers. The Group considered various customer segments that have similar loss patterns (i.e., by geography, service/product type, industry, customer type and rating, and coverage from credit insurance where applicable). The ageing is based on invoice due date. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information considering current market conditions at the reporting date, such as Covid-19 and the deteriorated oil and gas market. 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 does not provide detailed information on (a) the estimation techniques and inputs used, (b) how the forecast economic conditions have been incorporated in the determination of ECL and (c) changes in estimation techniques and inputs used, because the impact is not significant.



Some of the Group's orders are awarded on the basis of long-term preferred supplier agreements. In the course of a year Fugro often carries out multiple projects for the same client. Fugro typically has no single client that generates more than 5% of its revenue in the year. On occasion one client may generate more than 5%, which can happen in case of exceptionally large contracts where most of the revenue falls in the accounting year. Having a large number of clients and short project time spans mitigates Fugro's credit risk as the individual amounts receivable from the same client are limited.

New customers are analysed individually for creditworthiness before payment and delivery terms and conditions are offered. The Group's review may include external ratings, where available, and in some cases bank references. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis or have to provide a bank guarantee.

The majority of the Group's clients has done business with the Group for many years and significant losses have only occurred incidentally in prior years. Clients that are known to have negative credit characteristics are individually monitored by the group controllers. If clients fail to pay timely the Group re-assesses the creditworthiness and stronger debt collection is started if deemed necessary. The Group closely monitors certain clients that need extra attention before a contract is closed.

The Group's carrying amount of cash and cash equivalents represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which have 'investment grade' credit ratings.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The global cash pool was introduced in 2015, which made it possible for the company to use the cash surplus within the group to reduce the overdrafts at its main uncommitted facilities.

As at 31 December 2020, Fugro holds cash balances in Angolan Kwanza's and Nigerian Naira for the amount of EUR 9.3 million (31 December 2019: EUR 15.0 million in Angola and EUR 6.7 million (31 December 2019: EUR 10.6 million) in Nigeria 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 and Nigeria will have increased inflow of USD in relation to their oil business. In addition, several actions have been explored to further lower this amount.

The Group monitors cash flow on a regular basis and operates with a global cash pool. Consolidated cash flow information, including a projection for the year, is reported on a monthly basis to the Board of Management, ensuring that the Group has sufficient cash on demand (or available lines of credit) to meet expected near term operational expenditures. Cash flow projections exclude the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Subsequent to the refinancing performed (refer to [note 5 Refinancing](#)) the Group maintains the following lines of credit:

- A super senior RCF totalling EUR 250 million. At 31 December 2020, no has been drawn. These bank facilities have been secured until December 2023.
- A super senior term loan facility totalling EUR 200 million. At 31 December 2020, the facility has been drawn in full. These bank facilities have been secured until December 2023.
- A variety of unsecured overdraft facilities in various currencies totalling around EUR 111 million of which EUR 2.3 million has been drawn at 31 December 2020 (31 December 2019: EUR 139 million with EUR 2.6 million drawn). The amount of such facilities, to the extent not otherwise permitted under the SFA, that the Group may have outstanding is limited to EUR 15,000,000 in aggregate together with any other financial indebtedness of the Group that is not otherwise permitted under the SFA.

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 47% (45% for continuing operations) of the Group's activities relate to the oil and gas industry.

Currency risk

The global nature of the business of the Group exposes the operations and reported financial results and cash flows to the risks arising from fluctuations in exchange rates. The Group's business is exposed to currency risk whenever it has revenues in a currency that is different from the currency in which it incurs the costs of generating those revenues.

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

To mitigate the impact of currency exchange rate fluctuations, the Group continually assesses the exposure to currency risks and if deemed necessary a portion of those risks is hedged by using derivative financial instruments. The principal derivative financial instruments used to cover foreign currency exposure are forward foreign currency exchange contracts. As of 31 December 2020, there are no material forward foreign currency exchange contracts outstanding (consistent with prior year).

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 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 or variable interest) financing as much as possible.

Capital management

The Board of Management's policy is to maintain a strong capital base in order to retain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, retained earnings and non-controlling interests of the Group. Important key performance indicators for the Board of Management are free cash flow, the return on capital as well as the level of dividends. The Board strives for a dividend pay-out ratio of 35 to 55% of net result. Subsequent to the refinancing (refer to [note 5](#) Refinancing) dividend payments are restricted. Until 2022 no dividends will be paid. After that date, dividends may only be paid if net leverage is equal to or less than 2 times (refer to 29.6 for the covenant requirements).

Subsequent to the refinancing the new targeted solvency is set at, at least 33.3%. The targeted solvency includes the impact of IFRS 16. The solvency at the end of 2020 was 41.3% (2019: 29.1% as per the new solvency definition). The Group's objective is to achieve a healthy return on shareholders' equity. The result for the year was negatively impacted as a result of operational challenges caused by the Covid-19 pandemic and the related reduced spending by oil and gas clients. Additionally the result for the year was impacted by impairments on assets related to the disposal group Seabed Geosolutions. As a result, the return, calculated as profit (loss) for the period attributable to owners of the company, divided by the total equity attributable to owners of the company for the year, is 24.8% (negative) in 2020 (2019: 17.1% 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.

34 CREDIT RISK

Credit risk exposure

(EUR x 1,000)

	Carrying amount	
	2020	2019
Equity securities	1,414	1,614
Long-term loans	4,500	4,500
Deposits	26,924	15,586
Other long-term receivables	3,770	825
Unbilled revenue on (completed) projects	133,743	160,052
Trade receivables	203,511	299,185
Other receivables (excluding prepayments)	44,944	56,645
Cash and cash equivalents	183,462	204,402
Balance at 31 December	602,268	742,809

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

	2020	2019
Netherlands	28,925	25,527
Europe other	109,432	116,287
Africa	12,756	20,842
Middle East	42,341	84,017
Asia	30,257	37,874
Australia	26,136	27,754
Americas	87,407	146,936
Balance at 31 December	337,254	459,237

Impairment losses

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

- As of 31 December 2020, trade receivables and unbilled revenue on (completed) projects of EUR 264,274 thousand (31 December 2019: EUR 331,332 thousand) were fully performing.
- As of 31 December 2020, trade receivables of EUR 72,980 thousand (31 December 2019: EUR 127,905 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 2020, trade receivables and unbilled revenue on (completed) projects of EUR 16,835 thousand (31 December 2019: EUR 17,398 thousand) were impaired and provided for.

The ageing of trade receivables and unbilled revenue on (completed) projects is as follows:

(EUR x 1,000) **2020**

	Estimated total gross carrying amount at default	Expected credit loss	Expected credit loss rate %
From 0 to 30 days	264,661	387	0.15
From 31 to 60 days	31,838	539	1.69
From 61 to 90 days	9,359	187	2.00
Over 90 days	39,948	15,722	39.36
Retentions and special items	8,283	–	0.00
Balance at 31 December	354,089	16,835	

(EUR x 1,000) **2019**

	Estimated total gross carrying amount at default	Expected credit loss	Expected credit loss rate %
From 0 to 30 days	331,332	–	0.00
From 31 to 60 days	52,246	50	0.10
From 61 to 90 days	25,170	166	0.66
Over 90 days	56,691	17,182	30.31
Retentions and special items	11,196	–	0.00
Balance at 31 December	476,635	17,398	

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) **2020** **2019**

Balance at 1 January	17,398	16,384
Acquisitions through business combinations	17	–
Impairment loss recognised	5,169	9,417
Impairment loss reversed	(1,983)	(4,634)
Write-off	(2,366)	(3,627)
Effect of movements in exchange rates	(1,400)	(142)
Balance at 31 December	16,835	17,398

The allowance account with respect to trade receivables and unbilled revenue on (completed) contracts are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point the amount considered irrecoverable is written off directly against the allowance. The changes in the aforementioned balances contributed to changes in the loss allowance. Consistent with prior year, there are no trade receivables which were written off during 2020 and which are still subject to enforcement activity.

The loss allowance and movement for other financial assets such as long-term loans, deposits, and other long-term receivables are not material. Accordingly, no reconciliation of opening and closing balance of the respective loss allowance is provided. There have been no modifications of contractual cash flows on financial assets that have not resulted in derecognition.

Cash and cash equivalents are held with large well known banks with adequate credit ratings only.

35 LIQUIDITY RISK

The following are the contractual maturities of financial liabilities, including interest payments:

(EUR x 1,000)

2020

	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Super senior revolving credit facility in EUR 250 million	–	–	–	–	–	–	–
Super senior term loan EUR 200 million	195,137	239,292	5,560	5,593	228,139	–	–
Subordinated unsecured convertible bonds in EUR 190,000	56,953	60,830	1,168	59,662	–	–	–
Subordinated unsecured convertible bonds in EUR 100,000	89,521	118,000	2,250	2,250	9,000	104,500	–
Lease liabilities	132,692	175,157	14,565	12,649	23,273	58,655	66,015
Other loans and long-term borrowings	2,631	2,713	1,140	99	1,109	173	192
Trade and other payables	333,309	333,309	333,309	–	–	–	–
Bank overdraft	2,336	2,336	2,336	–	–	–	–
Balance at 31 December	812,579	931,637	360,328	80,253	261,521	163,328	66,207

(EUR x 1,000)

2019

	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Revolving credit facility in EUR 575 million	425,051	438,828	5,237	5,069	428,522	–	–
Subordinated unsecured convertible bonds in EUR 190,000	175,278	205,200	3,790	3,810	197,600	–	–
Subordinated unsecured convertible bonds in EUR 100,000	87,114	122,500	2,250	2,250	4,500	113,500	–
Loan from partner	16,836	18,418	–	–	18,418	–	–
Lease liabilities	163,763	219,184	18,806	15,986	28,306	66,955	89,131
Other loans and long-term borrowings	55	56	7	7	19	23	–
Trade and other payables	415,032	415,032	415,032	–	–	–	–
Bank overdraft	2,635	2,635	2,635	–	–	–	–
Balance at 31 December	1,285,764	1,421,853	447,757	27,122	677,365	180,478	89,131

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.

36 CURRENCY RISK

Sensitivity analysis

A 10 percent strengthening of the Euro against the mentioned currencies at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

Effect in EUR x 1,000	Equity	Profit or (loss) after tax
31 December 2020		
USD	3,038	18,026
GBP	(12,817)	85
AUD	(5,174)	1,243
NOK	(4,481)	(1,091)
HKD	(11,323)	(1,091)
31 December 2019		
USD	(6,612)	17,823
GBP	(21,962)	(2,528)
AUD	(1,282)	897
NOK	(4,597)	(1,501)
HKD	(11,251)	(413)

A 10 percent weakening of the Euro against the above currencies at 31 December would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant. The total effect for 2020 in the table above on profit or loss is positive, since losses incurred in foreign currencies, most notably in USD, would reduce in Euro in case of a strengthening of the Euro against these currencies.

37 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	
	2020	2019
Fixed rate instruments		
Financial assets	4,500	4,500
Financial liabilities	(281,705)	(420,106)
Variable rate instruments		
Financial assets	183,462	204,402
Financial liabilities	(197,545)	(427,686)
Balance at 31 December	(291,288)	(638,890)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. At 31 December 2020, 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)

Equity and profit or loss

	100 bp increase	100 bp decrease
31 December 2020		
Variable rate instruments	(141)	141
Cash flow sensitivity (net)	(141)	141
31 December 2019		
Variable rate instruments	(2,333)	2,333
Cash flow sensitivity (net)	(2,333)	2,333

38 FAIR VALUES

Determination of fair values

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

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

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

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date, taking into consideration the Group's own non-performance risk.

Financial assets and liabilities

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

(EUR x 1,000)

2020

2019

	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Trade receivables and other receivables*	406,331	406,331	485,687	485,687
Cash and cash equivalents	183,462	183,462	201,147	201,147
Deposits	26,924	26,924	15,586	15,586
Long-term loans	4,500	4,500	4,500	4,500
Other long-term receivables	3,770	3,770	800	800
Equity securities	1,414	1,414	1,614	1,614

Financial liabilities measured at amortised cost

Super senior revolving credit facility in EUR 250 million	–	–	–	–
Super senior term loan EUR 200 million	(195,137)	(195,137)	–	–
Revolving credit facility in EUR 575 million	–	–	(425,051)	(425,051)
Other long-term loans	(2,631)	(2,631)	(55)	(55)
Subordinated unsecured convertible bonds EUR 190,000	(56,953)	(56,339)	(175,278)	(179,866)
Subordinated unsecured convertible bonds EUR 100,000	(89,521)	(83,833)	(87,114)	(85,472)
Bank overdraft	(2,336)	(2,336)	(2,635)	(2,635)
Trade and other payables	(333,309)	(333,309)	(415,032)	(415,032)
Total	(53,486)	(47,184)	(395,831)	(398,777)

Unrecognised gains/(losses) (6,302) (2,946)

* 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)	2020	2019
Loans and borrowings	1.9% – 8.5%	1.9% – 8.0%
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 1,414 thousand as at 31 December 2020 (31 December 2019: 1,614 thousand), which are categorised within level 1.

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.

39 COMMITMENTS NOT INCLUDED IN THE STATEMENT OF FINANCIAL POSITION

Bank guarantees

Per 31 December 2020, Fugro's banks have issued bank guarantees to clients for an amount of EUR 89 million (2019: EUR 113 million).

Capital commitments

At 31 December 2020, the Group has no material contractual obligations to purchase property, plant and equipment (2019: nil).

Contingencies

Some Group companies are, as a result of their normal business activities, involved either as plaintiffs or defendants in claims. Based on information presently available and management's best estimate, it is not probable that the financial position of the Group will be significantly influenced by any of these matters. Should the actual outcome differ from the assumptions and estimates, the financial position of the Group would be impacted. Fugro N.V. and its Dutch operating companies form a fiscal unity for corporate tax. Each of the operating companies is severally liable for corporate tax to be paid by the fiscal unity.

Parent company guarantees

In principle Fugro does not provide parent company guarantees to its subsidiaries, unless commercial reasons exist. Fugro has filed declarations of joint and several liabilities for a number of subsidiaries at the Chambers of Commerce. Fugro has filed a list with the Chamber of Commerce which includes all financial interests of Fugro as well as a reference to each subsidiary for which such a declaration of liability has been provided.

40 RELATED PARTIES

The Group has a related party relationship with its subsidiaries, equity-accounted investees and key management personnel. Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Transactions with key management personnel

Fugro's key management personnel (as defined in IAS 24) consists of the people in the Board of Management, Executive Leadership Team and Supervisory Board. The Executive Leadership Team consists of the two members of Board of Management and seven senior managers. The Board of Management controls the Executive Leadership Team. The key management compensation, based on amounts recognised in the statement of comprehensive income, is as follows:

(in EUR)	Short-term employee benefits	Post-employment benefits	Severance	Share-based payment ¹	Total 2020 ²
Board of Management	1,861,420	57,072	–	733,740	2,652,232
Senior managers	2,491,494	142,305	–	441,010	3,074,809
Executive Leadership Team (subtotal)	4,352,914	199,377	–	1,174,750	5,727,041
Supervisory Board	365,450	–	–	–	365,450
Total	4,718,364	199,377	–	1,174,750	6,092,491

¹ Costs of share-based compensation are based on accounting standards (IFRS) and do not reflect the value of the shares at the vesting/release date.

² The seven senior managers were part of the Executive Leadership Team during the twelve months of 2020. Accordingly, their compensation for the entire twelve month period was included in the table above.

(in EUR)	Short-term employee benefits	Post-employment benefits	Severance	Share-based payment ³	Total 2019 ⁴
Board of Management	2,360,500	313,150	450,000	1,049,192	4,172,842
Senior managers	1,433,113	119,111	–	444,876	1,997,100
Executive Leadership Team (subtotal)	3,793,613	432,261	450,000	1,494,068	6,169,942
Supervisory Board	439,000	–	–	–	439,000
Total	4,232,613	432,261	450,000	1,494,068	6,608,942

³ Costs of share-based compensation are based on accounting standards (IFRS) and do not reflect the value of the shares at the vesting/release date.

⁴ The six senior managers became part of Fugro's key management personnel as of 1 May 2019, i.e. the date the Executive Leadership Team became effective. The senior managers therefore became a related party in the context of IAS 24.19f as of that date. Since the senior managers were not a related party in the period 1 January 2019 to 30 April 2019, their compensation for this period was excluded from the table above. The Board of Management and Supervisory Board are a related party and part of the key management personnel in the context of IAS 24 for the twelve month period ended 31 December 2019. Accordingly, their compensation for the twelve month period 2019 was included in the table above.

The Dutch Civil Code disclosures with respect to remuneration of individual members of the Board of Management and Supervisory Board are included in the Remuneration report.

Other transactions with key management personnel

The Board of Management, certain senior managers and certain Supervisory Board members participated in the rights issue privately and on an arm's length basis. These transactions are not compensation and as such no expense was recorded during the period. The amount of the transactions during 2020 and the outstanding balances as of 31 December 2020 are as follows:

(in EUR)	Number of shares acquired during 2020	Issue price paid in 2020	Number of shares disposed of during 2020	Number of shares held at 31 December 2020
Board of Management	33,522	EUR 1.64 – EUR 4.69	–	59,062
Senior managers	2,189	EUR 2.12	–	2,338
Executive Leadership Team (subtotal)	35,711			61,400
Supervisory Board	44,245	EUR 1.69 – EUR 4.82	–	44,245
Total	79,956		–	105,645

The individual shareholdings are less than 5%.

Other related parties

The Group has not entered into any material transaction with other related parties.

41 SUBSEQUENT EVENTS

On 9 February 2021, the articles of association of Fugro (as approved by the EGM on 30 November 2020) were amended, consisting of the reduction of the nominal value of the issued ordinary shares from EUR 0,10 to EUR 0,05. This reduced the total issued share capital from EUR 10,319,036.60 to EUR 5,159,518.30. As a result of this reduction of issued share capital, the amount of EUR 5,159,518.30 was added to the share premium reserve. Consequently, the shares have again one vote for one share. The authorised share capital has also been reduced by this amendment from EUR 30,000,000 to EUR 16,000,000.

42 SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD OF FUGRO N.V.

Unless stated otherwise, the direct or indirect interest of Fugro in the subsidiaries listed below is 100%. Insignificant, but consolidated, subsidiaries have not been included. For entities where the direct or indirect interest of Fugro is less than 50%, the Group consolidates financial information of such entities based on the definition of control.

The subsidiaries listed below have been fully incorporated into the consolidated financial statements of Fugro, unless indicated otherwise.

The information as required by sections 2:379 and 2:414 of the Dutch Civil Code has been filed at the trade registry of the Chamber of Commerce in The Hague.

Company	%	Office, Country
Fugro Albania sh.p.k.		Tirana, Albania
Fugro Angola Limitada	49%	Luanda, Angola
Fugro ROAMES Pty Ltd		Brisbane, Australia
Fugro TSM Finance Pty Ltd		Perth, Australia
Fugro Exploration Pty Ltd		Perth, Australia
Fugro Survey Pty Ltd.		Balcatta, Australia
Fugro LADS Corporation Pty Ltd		Kidman Park, Australia
Fugro Holdings (Australia) Pty Ltd		Perth, Australia
Fugro Australia Land Pty Ltd		Perth, Australia
Fugro Australia Marine Pty Ltd		Perth, Australia
Fugro Satellite Positioning Pty Ltd		Balcatta, Australia
Fugro AG Pty Ltd		Perth, Australia
Fugro Austria GmbH		Bruck an der Mur, Austria
SOCAR-Fugro LLC	49%*	Baku, Azerbaijan
Fugro Belgium SRL		Brussels, Belgium
Fugro In Situ Geotecnia Ltda.		Pinhais, Brazil
Fugro Brasil Levantamentos Ltda.		Rio de Janeiro, Brazil
Sudeste Serviços Ltda.		Rio de Janeiro, Brazil
Fugro Sendirian Berhad		Bandar Seri, Brunei Darussalam
Fugro Marine (B) Sdn Bhd	70%	Kuala Belait, Brunei Darussalam

Company	%	Office, Country
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 Holding France S.A.S.		Nanterre, 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
Fugro International (Hong Kong) Ltd.		Wanchai, Hong Kong
Fugro Satellite Positioning (Hong Kong) Ltd.		Wanchai, Hong Kong
MateriaLab Consultants Ltd.		Kwai Fong, Hong Kong
Fugro Consult Kft		Budapest, Hungary

Company	%	Office, Country
Fugro Geotech (India) Private Limited		Navi Mumbai, India
Fugro Survey (India) Private Limited		Navi Mumbai, India
PT Fugro Indonesia		Jakarta Selatan, Indonesia
PT Fugro Geosolutions Indonesia		Jakarta, Indonesia
Fugro-ETW LLC	50%*	Basra, Iraq
FAZ Technology Ltd.		Dublin, Ireland
FAZ Research Ltd.		Dublin, Ireland
Fugro Italy S.p.A.		Rome, Italy
Fugro Japan Co., Ltd.		Tokyo, Japan
MAPS SARL		Beirut, Lebanon
Fugro Eco Consult GmbH		Munsbach, Luxembourg
Fugro Technical Services (Macau) Ltd.		Macau, Macau
Fugro Malaysia Marine Sdn Bhd	30%	Kuala Lumpur, Malaysia
Fugro Geosciences (Malaysia) Sdn Bhd	30%	Kuala Lumpur, Malaysia
Fugro Malaysia Land Sdn Bhd		Puchong, Malaysia
Fugro TSM Labuan Pty Ltd		Federal Territory of Labuan, Malaysia
Geofoor 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

Company	%	Office, Country
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.		Leidschendam, The Netherlands
Agung Shipping B.V.		Leidschendam, The Netherlands
Alutan Shipping B.V.		Leidschendam, The Netherlands
Arjuna Shipping B.V.		Leidschendam, The Netherlands
Erebus Shipping B.V.		Leidschendam, The Netherlands
FNV IP B.V.		Leidschendam, The Netherlands
Foster Shipping B.V.		Leidschendam, The Netherlands
Fugro Middle East B.V.		Leidschendam, The Netherlands
Katla Shipping B.V.		Leidschendam, The Netherlands
Mayon Shipping B.V.		Leidschendam, The Netherlands
Scenery Shipping B.V.		Leidschendam, The Netherlands
Semeru Shipping B.V.		Leidschendam, The Netherlands
Stromboli Shipping B.V.		Leidschendam, The Netherlands
Taranaki Shipping B.V.		Leidschendam, The Netherlands
Tongariro Shipping B.V.		Leidschendam, The Netherlands
Ngauruhoe Administration B.V.		Leidschendam, The Netherlands
Wavewalker B.V.	50%*	Leidschendam, The Netherlands
Fugro New Zealand Ltd.		New Plymouth, New Zealand
Fugro Survey (Nigeria) Ltd.		Port Harcourt, Nigeria
Fugro Nigeria Ltd.		Port Harcourt, Nigeria
Fugro Norway AS		Oslo, Norway
Fugro Middle East & Partners LLC	70%	Muscat, Oman
Fugro Symphony Inc.		Panama City, Panama
Fugro Peru S.A.		Lima, Peru
Fugro Peninsular Services Co. W.L.L.	49%	Doha, Qatar
GEOINGSERVICE LLP		Moscow, Russia
Geofoor Sao Tome Ltda.		Sao Tome City, Sao Tome
Fugro-Suhaimi Ltd.	50%	Dammam, Saudi Arabia
Decca Survey Saudi Arabia Ltd.	40%	Dammam, Saudi Arabia



Company	%	Office, Country
Fugro Saudi Arabia Ltd.	83%	Dammam, Saudi Arabia
Fugro Satellite Positioning Pte Ltd		Singapore, Singapore
Fugro Subsea Technologies Pte Ltd		Singapore, Singapore
Fugro Singapore Marine Pte Ltd		Singapore, Singapore
Eastern Equator Pte Ltd.		Singapore, Singapore
Eastern Mariner Pte Ltd.		Singapore, Singapore
Fugro Holding (Singapore) Pte Ltd.		Singapore, Singapore
Fugro Marine Personnel Pte Ltd.		Singapore, Singapore
Southern Evolution Pte Ltd.		Singapore, Singapore
Fugro Survey Africa (Pty) Ltd.		Cape Town, South Africa
Fugro Maps South Africa (Pty) Ltd.		Cape Town, South Africa
Fugro South Africa Land (Pty) Ltd.		Johannesburg, South Africa
Fugro Geodetic AG		Zug, Switzerland
Fugro South America GmbH		Zug, Switzerland
Fugro Sial Ltd.		Ankara, Turkey
Fugro Subsea LLC	49%	Abu Dhabi, United Arab Emirates
Fugro GB (North) Marine Limited		Aberdeen, United Kingdom
Fugro Subsea Services Limited		Aberdeen, United Kingdom

Company	%	Office, Country
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
Fugro Philippines Inc.		Manila, Philippines
Fugro Advance Pty Ltd.		Perth, Australia
Hush Craft Ltd	49%	Suffolk, United Kingdom
Fugro IOVTEC Co. Ltd.	49%	Taipei City, Taiwan
Orex S.C.		Wavre, Belgium
Labomosan S.A.	66.5%	Floreffe, Belgium

* Joint arrangements classified as joint ventures or associates that are equity-accounted.

COMPANY BALANCE SHEET

As at 31 December, before result appropriation

Notes	(EUR x 1,000)	2020	2019
ASSETS			
44	Financial fixed assets	788,115	930,583
	Deferred tax assets	3,201	161
	Total non-current assets	791,316	930,744
45	Trade and other receivables	83,701	15,046
	Cash and cash equivalents	1,021	800
	Total current assets	84,722	15,846
	Total assets	876,038	946,590
EQUITY			
	Share capital	10,319	4,228
	Share premium	757,336	431,227
	Translation reserve	(136,494)	(101,233)
	Other reserves	(138,694)	(315,936)
	Retained earnings	383,427	687,463
	Unappropriated result	(173,824)	(108,492)
46	Total equity	702,070	597,257
Provisions			
47	Provisions	11,024	11,727
LIABILITIES			
48	Loans and borrowings	89,521	262,392
	Total non-current liabilities	100,545	274,119
48	Loans and borrowings	56,953	–
49	Trade and other payables	14,296	74,313
	Other taxes and social security charges	2,174	901
	Total current liabilities	73,423	75,214
	Total liabilities	173,968	349,333
	Total equity and liabilities	876,038	946,590

COMPANY INCOME STATEMENT

For the year ended 31 December

Notes	(EUR x 1,000)	2020	2019
<u>50</u>	Revenue	37,509	44,710
	Other income	–	9,800
<u>51</u>	Personnel expenses	(30,507)	(27,075)
	Amortisation	–	–
<u>52</u>	Other expenses	(25,419)	(26,818)
	Results from operating activities (EBIT)	(18,417)	617
	Finance income	3,448	1,819
	Finance expenses	(21,202)	(24,367)
<u>53</u>	Net finance income/(expenses)	(17,754)	(22,548)
	Profit/(loss) before income tax	(36,171)	(21,931)
<u>54</u>	Income tax gain/(expense)	12,131	7,575
	Share in results from participating interests, after taxation	(149,784)	(94,136)
	Profit/(loss) for the period	(173,824)	(108,492)

NOTES TO THE COMPANY FINANCIAL STATEMENTS

43 BASIS OF PREPARATION

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, Fugro makes use of the option provided in Clause 8 Section 2:362 of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements of Fugro N.V. are the same as those applied for the consolidated IFRS-EU financial statements. Investments in subsidiaries are accounted for at net asset value which comprises the cost, excluding goodwill, of Fugro's share in the net assets of the subsidiaries. Participating interests, over which significant influence is exercised, are stated on the basis of the equity method. Reference is made to the significant accounting policies in the notes to the consolidated financial statements.

The share in the result of participating interests consists of the share of Fugro in the result of these participating interests. Results on transactions, where the transfer of assets and liabilities between Fugro and its participating interests, and mutually between participating interests themselves, are not incorporated as far as they can be deemed to be unrealised. Fugro N.V. is neither lessee nor lessor.

44 FINANCIAL FIXED ASSETS

Subsidiaries

(EUR x 1,000)	2020	2019
Balance at 1 January	930,583	996,227
Share in result of participating interests	(149,784)	(94,136)
Capital increase/(decrease)	49,604	18,000
Dividends	(3,048)	(3,144)
Currency exchange differences	(33,586)	16,387
Other	(5,654)	(2,751)
Balance at 31 December	788,115	930,583

45 TRADE AND OTHER RECEIVABLES

(EUR x 1,000)	2020	2019
Receivables from Group companies	75,090	14,122
Other receivables	8,611	924
Balance at 31 December	83,701	15,046

The Receivable from Group companies mainly relate to the cash-pool of Fugro N.V. The interest is calculated on the total balance of the cash pool. Reference is made to the financial risk management note in the consolidated financial statements.

46 EQUITY

Reference is made to the equity movement schedule included in the consolidated financial statements and the corresponding disclosure note. The translation reserve qualifies as legal reserves (Dutch: 'wettelijke reserve') in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

47 PROVISIONS

Reference is made to the provisions note in the consolidated financial statements. Fugro has accounted for certain tax indemnities and warranties under procedures in respect of the sale of the majority of the Geoscience business to CGG in 2013, for liabilities arising from tax exposures amounting to EUR 9.8 million as at 31 December 2020 (31 December 2019: EUR 10.1 million). An amount of EUR 0.1 million (31 December 2019: EUR 0.5 million) and EUR 1.1 million (31 December 2019: EUR 1.1 million) relate to a restructuring provision respectively employee benefit obligations. An amount of EUR 0.1 million is expected to be settled within one year.

48 LOANS AND BORROWINGS

(EUR x 1,000)	2020	2019
Subordinated unsecured convertible bonds EUR 190,000	56,953	175,278
Subordinated unsecured convertible bonds EUR 100,000	89,521	87,114
Balance at 31 December	146,474	262,392

Reference is made to the financial liabilities note in the consolidated financial statements. The average interest on loans and borrowings amounts to 4.2% per annum (2019: 4.2%).

49 TRADE AND OTHER PAYABLES

(EUR x 1,000)	2020	2019
Trade payables	2,431	2,329
Payables to Group companies	1,386	65,524
Other payables	10,479	6,460
Balance at 31 December	14,296	74,313

50 REVENUE

Revenue relates to the services provided by Fugro N.V. to subsidiaries in respect of their management activities and responsibilities.

51 PERSONNEL EXPENSES

(EUR x 1,000)	2020	2019
Wages and salaries	27,751	22,253
Compulsory social security contributions	1,027	1,189
Equity-settled share-based payments	1,910	2,506
Contributions to defined contribution plans	(61)	1,112
Expense related to defined benefit plans	(120)	15
Total	30,507	27,075

The Dutch Civil Code disclosures with respect to remuneration of the Board of Management and Supervisory Board is included in the Remuneration report. The average number of employees within Fugro N.V. during the year was 24 (2019: 47), all posted in the Netherlands as in last year.

52 OTHER EXPENSES

(EUR x 1,000)	2020	2019
Indirect operating expenses	939	3,275
Occupancy costs	179	27
Communication and office equipment	1,324	1,875
Restructuring costs	317	450
Marketing and advertising costs	333	491
Release provision tax indemnities	–	(1,947)
Professional services	22,327	22,647
Total	25,419	26,818

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)	2020			2019		
	Ernst & Young Accountants LLP	Other EY network	Total EY	Ernst & Young Accountants LLP	Other EY network	Total EY
Statutory audit of financial statements	1,505	1,746	3,251	1,740	2,012	3,752
Other audit services	–	–	–	–	13	13
Other assurance related services	669	9	678	56	9	65
Tax advisory services	–	25	25	–	20	20
Total	2,174	1,780	3,954	1,796	2,054	3,850

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. Other assurance related services 2020 related to the refinancing.

53 NET FINANCE (INCOME)/EXPENSES

(EUR x 1,000)

	2020	2019
Interest income on loans and receivables from Group companies	(16)	(1,819)
Net foreign exchange variance	(3,432)	–
Finance income	(3,448)	(1,819)
Interest expense on financial liabilities measured at amortised cost	21,202	22,678
Net foreign exchange variance	–	1,689
Finance expense	21,202	24,367
Net finance (income)/expenses recognised in profit or loss	17,754	22,548

54 INCOME TAX

Fugro NV is head of the fiscal unity that exists for Dutch corporate income taxes. The effective tax rate in 2019 deviates compared to the Dutch statutory rate of 25%, mainly due to deferred tax entries.

55 CONTINGENCIES

Fiscal unity

Fugro N.V. and the 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.

Bank guarantees

As per 31 December 2020, Fugro's bank has issued bank guarantees to clients for an amount of EUR 72.3 million (2019: EUR 91 million).

Other guarantees

Fugro has filed declarations of joint and several liabilities for a number of subsidiaries at the Chambers of Commerce. Fugro has filed a list with the Chamber of Commerce, which includes all financial interests of the Group in subsidiaries as well as a reference to each subsidiary for which such a declaration of liability has been deposited.

Other contingencies

Reference is made to the note 'commitments not included in the statement of financial position' of the consolidated financial statements.

56 RELATED PARTIES

Reference is made to the related parties note of the consolidated financial statements, which included the remuneration of the Board of Management and Supervisory Board.

The members of the Supervisory Board have signed the financial statements pursuant to their statutory obligations under Section 2:101 sub 2 Netherlands Civil Code.

The members of the Board of Management have signed the financial statements pursuant to their statutory obligations under Section 2:101 sub 2 Netherlands Civil Code and Section 5:25c sub 2 (c) Financial Markets Supervision Act.

Fugro will not propose to the annual general meeting on 22 April 2021 to declare a dividend for 2020 to shareholders.

Leidschendam, 19 February 2021

Board of Management

M.R.F. Heine, Chairman Board of Management, Chief Executive Officer
P.A.H. Verhagen, Chief Financial Officer

Supervisory Board

H.L.J. Noy, Chairman
A.J. Campo
P.H.M. Hofsté
A.H. Montijn
D.J. Wall
R. Mobed
Sj.S. Vollebregt

OTHER INFORMATION

INDEPENDENT AUDITOR'S REPORT

To: the shareholders and supervisory board of Fugro N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2020 INCLUDED IN THE ANNUAL REPORT

OUR OPINION

We have audited the financial statements 2020 of Fugro N.V., based in Leidschendam, the Netherlands (hereinafter: Fugro or the company). The financial statements comprise the consolidated and 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 2020 and of its result and its cash flows for 2020 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 2020 and of its result for 2020 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 2020
- The following statements for 2020: 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 2020
- The company income statement for 2020
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of Fugro N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OUR AUDIT APPROACH

Our understanding of the business

The Fugro group is structured in components and we tailored our group audit approach accordingly. We paid specific attention in our audit to a number of areas driven by the operations of the group and our risk assessment.

We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



In 2020 we were forced to perform our procedures to a greater extent remotely due to the restrictions required to contain the COVID-19 pandemic. This limits the extent of our observations and increases the risk of missing certain signals. In order to compensate for these limitations we performed alternative procedures to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€10,0 million (2019: €10,0 million)
Benchmark applied	Approximately 0.7% of revenue (2019: approximately 0.6% of revenue)
Explanation	We have applied this benchmark based on our professional judgment and taken into account the users of the financial statements. Earnings based measures are not considered to be appropriate benchmarks, given their volatility over the years.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of €0,5 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Fugro N.V. is at the head of a group of entities.

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. Our group audit mainly focused on group entities that are significant based on their size or their risk relative to the consolidated financial statements. All entities exceeding 1.5% of revenues are included within our group 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 entities without an audit scope.

The procedures performed for entities with an audit scope represent 79% of revenue and 83% of total assets.

Because of the (international) travel restrictions and social distancing requirements due to the COVID-19 pandemic, we have been unable to visit management and/or component auditors. In these extraordinary circumstances we predominantly used communication technology and written information exchange. We intensified communication with our local audit teams and required more detailed reporting.

By performing the procedures mentioned above, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group’s financial information to provide an opinion about the consolidated financial statements.

Teaming and use of specialists

We ensured that the audit teams both at group and at component level included the appropriate skills and competences which are needed for the audit of Fugro. We included in the audit specialists in the areas of IT, forensics, treasury, share based payments, income tax, pensions and business valuations.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

Non-compliance with laws and regulations may result in fines, litigation or other consequences for the company that may have a material effect on the financial statements.

Our audit response related to fraud risks

In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the entity and its environment, including the entity’s internal control relevant to the audit and in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed

the risk of management override of internal control. We do not audit internal control per se for the purpose of expressing an opinion on the effectiveness of the company’s internal control.

We considered available information and made enquiries of the board of directors, other executives (including internal audit, legal, compliance, human resources and regional directors) and the supervisory board. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists.

In our process of identifying fraud risks, we considered whether the COVID-19 pandemic gives rise to specific fraud risk factors resulting from among others pressure to meet certain KPIs necessary to qualify for debt financing or meeting debt covenants and a dilution in the effectiveness of internal controls as a result of remote working, illness and workforce reductions. We evaluated the design and the implementation of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates as disclosed in [note 2](#) to the financial statements. We have also performed procedures to identify and address high-risk journal entries.

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so, we reevaluate our assessment of fraud risk and its resulting impact on our audit procedures.

Our audit procedures to address the assessed fraud risks did not result in a key audit matter. However, we describe the audit procedures responsive to the assessed fraud risk related to management bias and revenue recognition in the description of our audit approach for the key audit matters “Revenue recognition, project accounting and valuation with respect to unbilled revenue on (completed) contracts”.

Our audit response related to risks of non-compliance with laws and regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with management, reading minutes,

inspection of internal audit and compliance report and performing substantive tests of details of account balances and disclosures.

We also inspected lawyers’ letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

Going concern

We performed the following procedures in order to identify and assess the risk of going concern issues and to conclude on the appropriateness of the board of management’s use of the going concern basis of accounting. The board of management made a specific assessment of the company’s ability to continue as a going concern and to continue its operations for at least the next twelve months. We discussed and evaluated the assessment with the board of management exercising professional judgment and maintaining professional skepticism.

We consider based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause a company to cease to continue as a going concern. We make reference to our key audit matter *Availability of financing and compliance with debt covenant requirements for more details*.

General audit procedures

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of management
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

The key audit matter *Changes in internal reporting structure resulting in a change in reporting segments and allocation of goodwill to groups of CGUs* is not considered a key audit matter for this year as this change was completed last year.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Availability of financing and compliance with debt covenant requirements (see notes [5](#), [26](#) and [29](#))

Description	On 19 February 2020, Fugro launched a refinancing plan. The plan consisted of a €81,8 million equity increase through an accelerated bookbuild offering and issue of €500 million senior secured notes. The equity increase was successfully completed, but the issue of notes had to be postponed due to adverse market conditions as a result of the COVID-19 pandemic and the significantly decreased oil price. On 19 October 2020, Fugro announced its updated refinancing plan, consisting of a €250,4 million equity increase and new loan facilities in amount of €450 million. The updated refinancing was successfully completed on 14 December 2020 as further explained in note 5 of the consolidated financial statements As at 31 December 2020 Fugro complied with its debt covenant requirements and the board of management concluded that the liquidity forecast and assessments of the covenant requirements for the next twelve months present sufficient headroom to support the use of the going concern assumption. The board of management's liquidity forecast and assessment of the covenant requirements are complex and require significant management judgment.
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Our audit approach	We analyzed Fugro's current financing arrangements and verified that the accounting for the refinancing, including allocation of transaction costs among equity, the super senior revolving credit facility and the super senior term loan was appropriate. We also verified that debt covenants as of 31 December 2020 were appropriately calculated by management and we evaluated compliance with these requirements. We evaluated the 2021 liquidity and covenant forecast as approved by the board of management, the financial forecast preparation process, the reasonability of the 2021 forecasts at the level of individual entities as well as at corporate level and performed an assessment of the historical accuracy of management's estimates through retrospective review. Our assessment also included an evaluation of available liquidity for the next twelve months, covenant sensitivity analyses and stress-testing. We assessed the adequacy of the disclosures included in notes 5, 26 and 29 of the consolidated financial statements.
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Availability of financing and compliance with debt covenant requirements (see notes 5, 26 and 29)

Key observations	We agree with the covenant calculations as per 31 December 2020 as well as with the board of management's conclusion that use of the going concern assumption is appropriate. We concluded that the disclosures in the consolidated financial statements are appropriate and in accordance with EU-IFRS.
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Accounting for the Group's interest in Seabed Geosolutions (see note 7)

Description	As from 30 June 2019, the board of management concluded a disposal of Seabed Geosolutions was highly probable to occur within a year. Consequently, assets and liabilities of Seabed Geosolutions were classified as held-for-sale and considering the activities represent a separate major line of business, the disposal group was reported as discontinued operation. While delayed due to the COVID-19 pandemic and the deteriorated oil and gas markets, Fugro made progress on the disposal process and is in exclusive negotiations with one interested party. The deteriorated oil and gas market also impacted the activities of Seabed Geosolutions, among others with postponement of one project. These developments also impacted Seabed Geosolutions' recoverable amount, resulting in impairments totaling €74,7 million during 2020. The classification as held-for-sale and discontinued operation and determination of the recoverable amount require significant management judgment.
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Accounting for the Group's interest in Seabed Geosolutions (see note 7)

Our audit approach	We performed enquiries with the Company's internal and external advisors involved in the divestment process and read correspondence between Fugro and potential buyers. We evaluated that the delay in the disposal was caused by events or circumstances beyond the Fugro's control and there is sufficient evidence that the Fugro remains committed to sell the asset. We assessed appropriateness of the assumption that there is a high probability of a successful disposal of Seabed Geosolutions. We also verified that the recoverable amount is appropriately determined and compared to carrying amounts of assets that are expected to disposed.
Key observations	We concur with the classification of Seabed Geosolutions as held-for-sale and discontinued operations as of 31 December 2020 and we concluded the recoverable amount falls within an acceptable range. We concluded the disclosures in the consolidated financial statements being proportionate and in accordance with EU-IFRS.

Sensitivities and estimates with respect to the valuation of goodwill, vessels and right-of-use assets (see notes [18](#), [19](#) and [20](#))

Description At 31 December 2020, goodwill, vessels and right-of-use assets amount to, respectively, €257,6 million, €309,1 million and €135,0 million, together amounting to approximately 41% of total assets.

Management performed the annual impairment tests for goodwill and evaluated vessels and right-of-use assets with individually significant net book values for indicators of impairment.

The annual impairment tests for goodwill carried out by management are complex and require significant management judgment. The recoverable amounts of groups of cash-generating units (CGUs) with allocated goodwill have been determined based on value in use calculations. Value in use was determined by discounting the expected future cash flows from continuing use of the CGU's. Cash flows in the first year of the forecast are based on the board of management's approved 2021 financial forecast. The cash flows for the following four years are made explicit and a long term growth rate is assumed for the remaining period.

The headroom on the carrying amount of CGUs decreased significantly as disclosed in [note 20](#) of the consolidated financial statements. These impairment tests resulted in €1,8 million impairment of a vessel and no impairment of right-of-use assets and goodwill.

Sensitivities and estimates with respect to the valuation of goodwill, vessels and right-of-use assets (see notes [18](#), [19](#) and [20](#))

Our audit approach Our audit procedures included an assessment of management's evaluation of indicators of impairment for vessels and right-of-use assets. We also performed an assessment of the historical accuracy of management's estimates through retrospective review, evaluating and testing the assumptions, methodologies, discount rates and other data used by the company, for example by comparing them to external data. This assessment included support of EY valuation experts.

We evaluated the 2021 financial forecast, the solidity of the financial forecast preparation process and the reasonability of the 2021 forecasts at the level of individual entities as well as at corporate level. Furthermore, we evaluated management's outlook in the explicit period, in particular around forecasted revenues, EBITDAs and capital expenditures, as well as the long term growth rate. Our assessment also included sensitivity analyses.

We assessed the adequacy of the disclosures included in notes [18](#), [19](#) and [20](#) of the consolidated financial statements including those assumptions to which the outcome of the impairment test is most sensitive.

Key observations We concluded the assumptions relating to the impairment models to fall within acceptable ranges and we agree with the board of management's conclusions. Furthermore, we concluded that the disclosures in the consolidated financial statements are proportionate and in accordance with EU-IFRS.

Revenue recognition, project accounting and valuation with respect to unbilled revenue on (completed) contracts (see note 7 and 23)

Description The revenue recognition process, including determining the appropriate cut-off of revenues, involves management estimates. The valuation of unbilled revenue on (completed) contracts is affected by subjective elements including estimated costs to complete and projected revenue, whether impacted by additional/reduced services, project progress or (potential) disputes.

Our audit approach Our audit included evaluation of internal controls with respect to project management, project accounting and the project results estimation process. In addition, we performed substantive audit procedures relating to contractual terms and conditions, revenues and costs incurred, including local representatives' fees, and disputes or potential disputes. For individually significant projects, we performed testing procedures, such as substantiating transactions with underlying documentation, including contracts and third party correspondence, to obtain evidence for the accuracy and recoverability of unbilled revenue on (completed) contracts. We made enquiries with project controllers, inspected contracts and underlying documentation, tested 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 8](#).

Key observations We conclude that Fugro appropriately recognised unbilled revenue on (completed) contracts as at 31 December 2020 and revenue for the year then ended.

We concluded the disclosures in the consolidated financial statements are proportionate and in accordance with EU-IFRS.

Estimates in respect of deferred tax assets (see note 16)

Description The Group's results on operations are subject to income taxes in various jurisdictions. Due to reported losses since 2014, Fugro has significant tax loss carry forwards available. For part of these tax loss carry forwards, deferred tax assets were recognised.

The assessment process of recoverability of deferred tax assets involves a high degree of judgment. During the year, deferred tax assets in amount of €19,8 million were impaired. As at 31 December 2020, recognised deferred tax assets amount to €35,6million.

Our audit approach Our audit procedures included amongst others an assessment of the historical accuracy of management's estimates through retrospective review, analyses of tax positions and the effective tax rate reconciliation. We involved specialists for the audit of the amounts recognised in the statement of comprehensive income and assessment of judgmental (deferred) tax positions.

For tax positions where management's assumptions are used to determine the probability that deferred tax assets recognised in the statement of financial position will be recovered through taxable income in future years and available tax planning strategies, we evaluated the 2021 financial forecast, the solidity of the financial forecast preparation process and the reasonability of the 2021 forecasts at the level of individual jurisdictions. Also, we evaluated the projected developments after 2021 and reasonability of expectations and assumptions.

We also assessed the adequacy of the disclosure in [note 17](#) of the consolidated financial statements.

Key observations We concluded that the board of management's judgments in relation to the recognition and measurement of deferred tax assets are appropriate.

We concluded the disclosures in the consolidated financial statements are proportionate and in accordance with EU-IFRS.



REPORT ON OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The report of the board of management, consisting of At a glance, Profile, Strategy, Mid-term financial outlook, Group performance, Regional performance and Governance
- The supervisory board report
- The remuneration report
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code
- Message from the CEO and Additional information

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 and Sections 2:135b and 2:145 sub section 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 and Section 2:135b sub-Section 7 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The board of 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, other information required by Part 9 of Book 2 of the Dutch Civil Code and the remuneration report in accordance with Sections 2:135b and 2:145 sub section 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 financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

DESCRIPTION OF RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Responsibilities of board of management and the supervisory board for the financial statements

The board of 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, the board of management is responsible for such internal control as it 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, the board of management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the board of management should prepare the financial statements using the going concern basis of accounting unless the board of management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The board of management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Our audit approach section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Communication

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 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 auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 18 February 2021

Ernst & Young Accountants LLP

A.A. van Eimeren

STATUTORY PROVISIONS REGARDING THE APPROPRIATION OF NET RESULT

The provisions regarding the appropriation of profit are contained in article 36 of the Articles of Association of Fugro and, as far as relevant, read as follows:

- 36.2 a. The profit shall, if sufficient, be applied first in payment to the holders of protective preference shares of a percentage as specified below of the compulsory amount paid on these shares as at the commencement of the financial year for which the distribution is made.
- b. The percentage referred to above in subparagraph a. shall be equal to the average of the Euribor interest charged for loans with a term of one year – weighted by the number of days for which this interest was applicable – during the financial year for which the distribution is made, increased by at most four percentage points; this increase shall each time be fixed by the Board of Management for a period of five years, after approval by the Supervisory Board.
- 36.3 a. Next, if possible, a dividend shall be paid on the financing preference shares of each series and on the convertible financing preference shares of each series, equal to a percentage calculated on the amount effectively paid on the financing preference shares of the respective series and the convertible financing preference shares of the respective series, including a share premium, if any, upon the first issue of the series in question, and which percentage shall be related to the average effective return on ‘state loans general with a term of 7 – 8 years’, calculated and determined in the manner as described hereinafter.
- b. The percentage of the dividend for the financing preference shares of each or for the convertible financing preference shares of each series, as the case may be, shall be calculated by taking the arithmetic mean of the average effective return on the aforesaid loans, as published by Bloomberg, or if Bloomberg does not publish this information, by Reuters, for the last five stock market trading days preceding the day of the first issue of financing preference shares of the respective series or the convertible financing preference shares of the respective series, as the case may be, or preceding the day on which the dividend percentage is adjusted, increased or decreased, if applicable, by a mark-up or mark-down set by the Board of Management upon issue and approved by the Supervisory Board of at most two percentage points, depending on the market conditions then obtaining,

which mark-up or mark-down may differ for each series, or, if Reuters does not publish this information or if such state loan and information source that is or are most comparable thereto as to be determined by the board of Management and approved by the Supervisory Board.

- 36.4 If in any financial year the profit is insufficient to make the distributions referred to above in paragraph 3 of this article, then in subsequent financial years the provisions of paragraph 3 shall not apply until the deficit has been made good and until the provisions of paragraph 3 have been applied or until the Board of Management, with the approval of the Supervisory Board, resolves to charge an amount equal to the deficit to the freely distributable reserves, with the exception of the reserves which have been set aside as share premium upon the issue of financing preference shares or convertible financing preference shares.
- 36.5 If the first issue of financing preference shares or convertible financing preference shares of a series takes place during the course of a financial year, the dividend for that financial year on the respective series of financing preference shares or convertible financing preference shares shall be decreased proportionately up to the first day of such issue.
- 36.6 After application of paragraphs 2 to 5 no further distribution of shall be made on the protective preference shares, the financing preference shares or the convertible financing preference shares.
- 36.7 Of any profit remaining after application of the paragraphs 2 to 5 such amount shall be allocated to the reserves by the Board of Management with the approval of the Supervisory Board as the Board of Management shall deem necessary. Insofar as the profit is not allocated to the reserves pursuant to the provisions of the preceding sentence, it shall be at the disposal of the annual general meeting either for allocation in whole or in part to the reserves or for distribution in whole or in part to the holders of ordinary shares pro rata to the aggregate amount of their ordinary shares.

ADDITIONAL INFORMATION

FOUNDATION BOARDS

Stichting Administratiekantoor Fugro ('Foundation Trust Office')

The Board of Foundation Trust Office, Leidschendam, The Netherlands, is composed as follows:

Name	Function	Term
M.C. van Gelder, Chairman	Board member	2023
D.F.M.M. Zaman	Board member	2023
R. Willems	Board member	2022
A.P.M. van der Veer-Vergeer	Board member	2023

The (Board of) Foundation Trust Office operates completely independent of Fugro.

Stichting Beschermingspreferente aandelen Fugro ('Foundation Protective Preference Shares')

The Board of Foundation Protective Preference Shares, Leidschendam, The Netherlands, is composed as follows:

Name	Function	Term
J.C. de Mos, Chairman	Board member	2022
S.C.J.J. Kortmann	Board member	2022
J.J. Nooitgedagt	Board member	2021
C.P. Veerman	Board member	2022
A. Van der Lof	Board member	2023

The (Board of) Foundation Protective Preference Shares operates completely independent of Fugro.

The call option agreements of the Foundation Continuity Fugro have been terminated as per 14 December 2020 and this Foundation no longer functions as a protective measure.

REPORT OF STICHTING ADMINISTRATIEKANTOOR FUGRO ('FOUNDATION TRUST OFFICE')

In accordance with article 19 of the administration terms and conditions of the Foundation Trust Office ('Trust Office' or 'Foundation') 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 2020 reporting year, all the Trust Office's activities were related to the administration of ordinary shares against which certificates have been issued. The refinancing process of Fugro, both at the beginning of the year 2020 and in the second half of the year 2020 required additional attention from the Trust Office with the issuance of new certificates of shares in February 2020, as well as in the last quarter of 2020 with the cornerstone placement and the rights issue of Fugro. Also, Fugro held 2 meetings of shareholders in 2020, which were attended by the chairman of the Foundation (albeit virtually via a videolink during the last extraordinary general meeting of shareholders (EGM) held on 30 November 2020).

During 2020, the Board met eleven times, mostly virtual due to the Covid-19 pandemic. The increase in the number of meetings was predominantly related to the refinancing of Fugro and the position of the Trust Office in that context.

On 19 October 2020, Fugro announced an amendment of its corporate governance structure which will result in an amendment of Fugro's protective measures. As part of this, Fugro has expressed the intention to terminate the certification of its shares. Termination of the certification of the shares will be subject to, amongst others, a resolution from the Board of the Trust Office, the receipt of certain approvals and a resolution of Fugro's general meeting at the 2021 annual general meeting to amend the Fugro articles of association.

The regular Board meeting on 23 March 2020 was for a large part dedicated to the pandemic, the related deterioration of the oil & gas market and the subsequent abortion by Fugro of its initial refinancing plan. Next to these exceptional topics, the meeting discussed the approval of the Foundation's annual accounts 2019 and preparation for the annual general meeting of Fugro on 30 April 2020. The fact that the annual general meeting would have to be held under very different circumstances due to pandemic, with limited presence also from the Board, was another exceptional topic to discuss.

Furthermore, the Board discussed with members of the Board of Management and the Supervisory Board the general activities and performance of Fugro on the basis of the annual report 2019. In accordance with the roster of the Board, Mr R. Willems was re-appointed for a period of two years.

In the regular Board meeting on 22 September 2020, the Board discussed, amongst other things, general business developments, the refinancing of Fugro and the independent and fiduciary position of the Trust Office as a special shareholder on the one hand and as a protective measure on the other hand.

In the following period, up to the EGM on 30 November 2020, the Foundation had six more meetings with the chairman of the Supervisory Board and the CEO of Fugro, but also without representatives of the company being present, to further discuss the proposed refinancing, including the issuance of shares to cornerstone investors and the rights issue. During this period, the Foundation also independently engaged legal advisors. The new anticipated corporate governance structure of Fugro, including the intention to terminate the certification of shares and the termination of the protective measure of the Foundation Continuity Fugro (Curacao) were extensively discussed. It was also discussed whether it would be necessary or useful to convene a meeting of holders of certificates. The Foundation decided that such was not the case.

On 18 December 2020, the Administration Terms and Conditions ("Administratie-voorwaarden") were amended in order to be aligned with the increase of the nominal value of the Fugro shares from EUR 0.05 to EUR 0.10.

All the Trust Office's Board members are independent of Fugro. The Board may offer holders of certificates the opportunity to recommend candidates for appointment to the Board. The voting policy of the Trust Office has been laid down in a document that can be found on the website of the Trust Office: <https://stichtingakfugro.nl/> and also on <https://www.fugro.com/about-fugro/corporate-governance/protective-measures>. The Trust Office is authorised to accept voting instructions from holders of certificates and to cast these votes during a general meeting of Fugro.

Because of the pandemic, only the chairman of the Board attended the annual general meeting of Fugro held on 30 April 2020. In this meeting the Trust Office represented 69.34% 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 29.85% of the votes cast at the annual general meeting.

The EGM of Fugro held on 30 November 2020, was a complete virtual meeting due to the continued pandemic. In the meeting, the Trust Office represented 82.03% 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 17.79% of the votes cast at the general meeting.

At present the Board of the Trust Office comprises:

1. Mr. M.C. van Gelder, Chairman
2. Mr. R. Willems
3. Mr. D.F.M.M. Zaman
4. Mrs. A.P.M. van der Veer-Vergeer

Mr. Van Gelder was amongst others chairman of the Board of Management and Chief Executive Officer of Mediq N.V. He presently serves, amongst others, as supervisory board member of VastNed Retail. Mr. Willems was in a 38 year career with Royal Dutch Shell. He presently serves in the board of the Atlantic committee. Mr. Zaman was notary and partner at Loyens & Loeff from 1987 until 2015. He was professor Notarial Corporate Law at Utrecht University from 2006 until 2016 and is since 2013 professor Notarial Corporate Law at Leiden University. Mrs. Van der Veer was amongst others Executive Board member Achmea Bank Holding and she presently serves, amongst others, as chair of the Supervisory Board of Arcadis NL and is vice chair of the supervisory board of DeGiro. Until 1 March 2020, Mrs. Van der Veer was chair of the Dutch Monitoring Committee Accountancy.

In 2020 the total costs of the Trust Office amounted to EUR 135,940.- including the total remuneration of the members of the Board of 46,000.- (excluding VAT).

On 31 December 2020 (after the share consolidation on 18 December 2020), 102,649,614 ordinary shares with a nominal value of EUR 0.10 were in administration against which 102,649,614 certificates of ordinary shares had been issued. During the financial year, besides the issuance of certificates on 19 February 2020, the cornerstone placement on 30 November 2020 and the settlement of the right issue on 14 December 2020, 41,971 ordinary shares were exchanged into certificates and no certificates were exchanged into ordinary shares. The activities related to the administration of the shares are carried out by the administrator of the Trust Office: IQEQ Financial Services B.V.

The Trust Office's address is: Veurse Achterweg 10, 2264 SG Leidschendam, the Netherlands.

Leidschendam, 18 February 2021
The Board

FIVE-YEAR HISTORICAL REVIEW

Selected financial data

(x EUR 1,000)¹

	2020	2019	2018 ²	2018 ³	2017	2016 ⁴
Revenue	1,386,303	1,631,328	1,552,761	1,649,971	1,497,392	1,775,874
Net revenue own services	865,696	977,098	880,073	910,625	875,456	1,097,117
Results from operating activities (EBIT)*	19,772	25,560	23,784	8,795	(51,722)	(218,678)
Net finance income/(expense)	(73,981)	(57,764)	(51,623)	(52,780)	(70,739)	(70,930)
Net result from continuing operations	(74,034)	(39,558)	(38,946)	(51,064)	(164,971)	(308,934)
Net result (including discontinued operations)	(173,824)	(108,492)	(51,064)	(51,064)	(159,901)	(308,934)
Cash flow operating activities after investing activities*	105,397	58,311	(21,228)	(33,379)	(50,516)	186,078
Cash flow operating activities after investing incl. discontinued operations*	88,398	22,817	(33,379)	(33,379)	(50,516)	186,078
Property, plant and equipment	523,043	564,291	619,985	619,985	643,695	805,992
Capital expenditures	81,211	83,079	61,335	72,711	107,974	92,493
Capital expenditures (including discontinued operations)	86,985	106,219	72,711	72,711	107,974	92,493
Cash and cash equivalents	183,462	201,147	227,147	227,147	213,574	248,488
Total assets	1,701,044	2,056,304	1,944,422	1,944,422	1,898,304	2,174,449
Loans and borrowings ⁵	344,242	687,498	731,369	731,369	641,381	595,509
Equity attributable to owners of the company	702,070	597,257	668,763	668,763	712,054	934,859
Net debt – excluding lease liabilities under IFRS 16*	163,116	502,547	505,451	505,451	430,445	351,064
Capital employed ⁶	874,766	1,110,434	1,207,936	1,207,936	1,184,108	1,341,174

Key ratios (in %)

Results from operating activities (EBIT)/revenue	1.4	1.6	1.5	0.5	(3.5)	(12.3)
Net result from continuing operations/revenue	(5.3)	(1.4)	(2.5)	(3.1)	(11.0)	(17.4)
Return on capital employed ⁶	4.6	3.2	0.2	0.2	(3.3)	(0.7)

Total equity/total assets	41.8	29.6	36.1	36.1	39.7	45.5
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* Non-IFRS performance measure. Reference is made to the reconciliation of non-IFRS performance measures and glossary.

¹ Continuing operations only, unless otherwise stated.

² Continuing operations only, excluding Seabed Geosolutions classified as discontinued operations.

³ Including Seabed Geosolutions.

⁴ Including effect change of presentation multi-client data libraries.

⁵ Total of current and non-current balances.

⁶ 2019 and 2020 numbers calculated based on revised definition. See reconciliation of non-IFRS performance measures and glossary.

Selected non-financial data ¹	2020	2019	2018	2017	2016
People, diversity, talent management					
Number of employees (at year-end)	9,025	9,856	10,045	10,044	10,530
Gender diversity					
▪ Female	21%	21%	20%	19%	NA
▪ Male	79%	79%	80%	81%	NA
Gender diversity management					
▪ Female	20%	20%	19%	19%	NA
▪ Male	80%	80%	81%	81%	NA
Lost time injury frequency (x million hours)	0.67	0.68	0.46	0.66	0.67
Total recordable case frequency (x million hours)	1.62	1.58	1.56	1.68	1.89
Fugro academy statistics					
▪ Number of enrolments	139,551	50,832	82,511	77,136	NA
▪ Number of completed courses	101,193	39,596	81,021	75,766	NA
Innovation					
Granted patents	35	10	7	9	NA
Environmental performance					
Vessel CO ₂ emissions (kilotonnes per operational day)					
▪ Owned vessels	15.5	18.3	18.1	15.1	NA
▪ Chartered vessels	16.9	14.4	14.5	NA	NA
Vessel CO ₂ emissions (kilotonnes)					
▪ Owned vessels	111	139	147	123	NA
▪ Chartered vessels	69	80	72	NA	NA
Total	180	219	219	NA	NA

¹ Continuing operations only, unless otherwise stated.

NA = not available

RECONCILIATION OF NON-IFRS PERFORMANCE MEASURES

Certain parts of this annual report contain non-IFRS financial measures and ratios and non-financial operating data, which are not recognised measures of financial performance or liquidity under IFRS. These are commonly referred to as non-IFRS financial measures. The Group uses items such as, capital employed, working capital, revenue – comparable growth, days of revenue outstanding, net debt, EBIT, Adjusted EBIT, Adjusted EBIT margin, EBITDA, Adjusted EBITDA and free cash flow as internal measures of performance to benchmark and compare against budget, the prior year and its latest internal forecasts.

These measures have not been audited or reviewed by the company's external auditor. Furthermore, these measures may not be indicative of the company's historical operating results, nor are such measures meant to be predictive of the company's future results. The presentation of the non-IFRS measures and non-financial operating data in this report should not be construed as an implication that the Group's future results will be unaffected by exceptional or non-recurring items.

The Group presents non-IFRS financial measures and non-financial operating data in this report because it believes that these measures will assist stakeholders to understand its financial position and results of operations. The Group believes these non-IFRS measures and non-financial operating data are useful and commonly used supplemental measures of financial performance, liquidity or financial position in addition to gross profit, operating profit and other measures under IFRS. By providing additional insight into non-IFRS based measures and non-financial operating data, the Group believes that the users of this information may be better able to understand the operational performance and trend development of the company. However, not all companies calculate non-IFRS financial measures and non-financial operating data in the same manner or on a consistent basis. As a result, these measures and ratios may not be comparable to measures used by other companies under the same or similar names. Accordingly, undue reliance should not be placed on the non-IFRS financial measures and non-financial operating data contained in this Annual Report and they should not be considered in isolation or as a substitute for operating profit, profit for the year, cash flow or other financial measures computed in accordance with IFRS.

Revenue – comparable growth

The Group presents revenue – comparable growth as a supplemental non-IFRS financial measure, as the Group believes that, given the large amount of countries where it is operating, the presentation of revenue - comparable growth is a relevant measure for investors to evaluate the performance of the Group's business activities over time. The Group believes that revenue – comparable growth is a useful non-IFRS financial measure, as it removes the distorting impact of foreign exchange movements and thus gives investors a view of the underlying performance of the Group. The Group defines revenue- comparable growth as revenue growth compared to the comparable period from the prior year, calculated by translating the revenue for the more recent period at the exchange rates of the prior year's comparable period.

	2020			2019		
	Compa- rable growth	Currency effects	Nominal growth	Compa- rable growth	Currency effects	Nominal growth
Europe-Africa	(11.1)%	(1.6)%	(12.7)%	4.9%	0.1%	5.0%
Americas	(12.6)%	(4.7)%	(17.3)%	17.9%	5.1%	23.0%
Asia Pacific	(10.0)%	(2.1)%	(12.1)%	(11.4)%	2.3%	(9.1)%
Middle East & India	(20.4)%	(2.2)%	(22.6)%	(3.5)%	4.5%	1.0%
Total	(12.4)%	(2.6)%	(15.0)%	2.7%	2.4%	5.1%

	2020			2019		
	Compa- rable growth	Currency effects	Nominal growth	Compa- rable growth	Currency effects	Nominal growth
Marine	(15.2)%	(2.6)%	(17.8)%	5.7%	2.2%	7.9%
Land	(5.4)%	(2.5)%	(7.9)%	(3.8)%	2.3%	(1.5)%
Total	(12.4)%	(2.6)%	(15.0)%	2.7%	2.4%	5.1%

EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA

The Group presents EBIT, Adjusted EBIT, EBITDA and Adjusted EBITDA, as supplemental non-IFRS financial measures, as the Group believes these are meaningful measures to evaluate the performance of its business activities over time. The Group understands that these measures are used by analysts, rating agencies and investors in assessing the Group's performance. In the case of EBITDA, the Group believes that it makes the underlying performance of its geographical regions and businesses more visible by factoring out depreciation, amortisation and impairment losses. The Group believes this increases visibility as to performance on a neutral basis, by correcting for the impact of

different tax regimes and capital structures. In the case of Adjusted EBIT and Adjusted EBITDA, the Group believes that these measures make the underlying performance of its geographical regions and businesses more apparent by factoring out onerous contract charges, restructuring costs, certain advisor and other costs or gains and, in the case of Adjusted EBIT, impairment losses. The Group believes adjusting for these items which are not directly related to the operational performance of the Group and its geographical regions and businesses increases comparability and enables the users to better understand the underlying performance of the Group.

(EUR x 1,000)	E-A		AM		APAC		MEI		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Results from operating activities										
before net financial expenses and taxation (EBIT)	35,257	67,157	(12,954)	(15,587)	(3,525)	(31,525)	994	5,515	19,772	25,560
Onerous contract charges ¹	–	–	–	–	–	(2,106)	–	–	–	(2,106)
Restructuring costs ²	(10,961)	(1,685)	(2,595)	(3,893)	(2,452)	(438)	(1,573)	(953)	(17,581)	(6,969)
Certain adviser and other (costs)/gains ³	(308)	–	–	–	(4,719)	(5,934)	–	–	(5,027)	(5,934)
Southern Star arbitration outcome ⁴	–	–	–	–	–	(24,100)	–	–	–	(24,100)
Impairment losses	(361)	(2,520)	(985)	(363)	(2,608)	(321)	(1,904)	(82)	(5,858)	(3,286)
Adjusted EBIT	46,887	71,362	(9,374)	(11,331)	6,254	1,374	4,471	6,550	48,238	67,955
Depreciation	(53,527)	(50,300)	(23,412)	(23,171)	(22,977)	(27,481)	(11,934)	(12,976)	(111,850)	(113,928)
Amortisation	(554)	(769)	(856)	(1,430)	(373)	(569)	(115)	(205)	(1,898)	(2,973)
Adjusted EBITDA	100,968	122,431	14,894	13,270	29,604	29,424	16,520	19,731	161,986	184,856

¹ A provision for onerous contract charges is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the Group's 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. While specific in nature, costs related to onerous contracts may reoccur in the future.

² A provision for restructuring costs is recognised when the Group (i) has a detailed formal plan for the restructuring identifying 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 a valid expectation that the Group will carry out the restructuring, evidenced by having made a start with the implementation of that plan or by having announced its main features to those employees affected by it. While specific in nature, costs related to restructuring may reoccur in the future.

³ Certain adviser and other costs (to the extent not capitalised as transaction costs on loans and borrowings) or gains reflects certain adviser and other costs or gains, which include other large charges or gains that the Group has adjusted for, such as material legal settlement claims, large bad debt write-downs and other large one-off non-recurring items. The costs primarily comprises the legal fees related to the arbitration with Tasik Toba Subsea as regarding the Southern Star vessel.

⁴ The Southern Star arbitration outcome reflects the €24.1 million recorded as a result of the unfavourable outcome in the arbitration with Tasik Toba Subsea AS regarding the Southern Star vessel.

(EUR x 1,000)

	Marine		Land		Total	
	2020	2019	2020	2019	2020	2019
Results from operating activities before net financial expenses and taxation (EBIT)	12,500	27,255	7,272	(1,695)	19,772	25,560
Onerous contract charges ¹	–	(2,106)	–	–	–	(2,106)
Restructuring costs ²	(11,435)	(4,223)	(6,146)	(2,746)	(17,581)	(6,969)
Certain adviser and other (costs)/gains ³	(4,719)	(5,934)	(308)	–	(5,027)	(5,934)
Southern Star arbitration outcome ⁴	–	(24,100)	–	–	–	(24,100)
Impairment losses	(5,177)	(2,920)	(681)	(366)	(5,858)	(3,286)
Adjusted EBIT	33,831	66,538	14,407	1,417	48,238	67,955
Depreciation	(89,970)	(91,586)	(21,880)	(22,342)	(111,850)	(113,928)
Amortisation	(1,459)	(1,918)	(439)	(1,055)	(1,898)	(2,973)
Adjusted EBITDA	125,260	160,042	36,726	24,814	161,986	184,856

¹ A provision for onerous contract charges is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting the Group's 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. While specific in nature, costs related to onerous contracts may reoccur in the future.

² A provision for restructuring costs is recognised when the Group (i) has a detailed formal plan for the restructuring identifying 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 a valid expectation that the Group will carry out the restructuring, evidenced by having made a start with the implementation of that plan or by having announced its main features to those employees affected by it. While specific in nature, costs related to restructuring may reoccur in the future.

³ Certain adviser and other costs (to the extent not capitalised as transaction costs on loans and borrowings) or gains reflects certain adviser and other costs or gains, which include other large charges or gains that the Group has adjusted for, such as material legal settlement claims, large bad debt write-downs and other large one-off non-recurring items. The costs primarily comprises the legal fees related to the arbitration with Tasik Toba Subsea as regarding the Southern Star vessel.

⁴ The Southern Star arbitration outcome reflects the €24.1 million recorded as a result of the unfavourable outcome in the arbitration with Tasik Toba Subsea AS regarding the Southern Star vessel.

Working capital and DRO

The Group presents working capital and working capital as a % of last 12 months revenue as supplemental non-IFRS financial measures, as the Group believes these are meaningful measures to evaluate the Group's ability to maintain a balance between growth, profitability and liquidity. Working capital is broadly analysed and reviewed by analysts and investors in assessing the Group's performance. Both measures serve as a metric for how efficiently the Group is operating and how financially stable it is in the short term. It is an important measure of the Group's ability to pay off short-term expenses and/or debts. The Group further discloses days of revenue outstanding, as it believes it is a meaningful measure of the effectiveness of the Group's credit and collection efforts in allowing credit to customers, as well as its ability to collect from them. The Group defines working capital as the sum of inventories, trade and other receivables

and trade and other payables. And the Group defines days of revenue outstanding as trade receivables plus unbilled revenue on projects minus advances of instalments related to work in progress expressed as a number of days. The number of days is calculated using the exhaust method that is considering revenue recognised from the date of reporting backward until the receivable quantity is exhausted.

(EUR x 1,000)	2020	2019
Working Capital	111,699	154,067
Eliminate liabilities comprised in working capital:		
▪ Trade and other payables	322,247	361,301
Include assets not comprised in working capital:		
▪ Non-current assets	1,054,590	1,171,685
▪ Current tax assets	11,542	14,757
▪ Cash and cash equivalents	183,462	201,147
▪ Assets classified as held for sale	17,504	153,347
Total Assets	1,701,044	2,056,304

(EUR x 1,000)	2020	2019
Revenue	1,386,303	1,631,328
Working capital as % of last 12 month revenue	8.1%	9.4%
Days of revenue outstanding	83	88

Net debt and capital employed

The Group presents net debt and capital employed as it understands that these measures are used by banks, analysts, rating agencies and investors in assessing the Group's performance. These measures are used by the Group's management to evaluate the Group's financial strength and funding requirements. The Group defines capital employed as total equity plus loans and borrowings and bank overdrafts, minus cash and cash equivalents. Capital employed includes held for sale balances and is calculated at the end of the (full or half year) reporting period. The Group defines net debt as the sum of loans and borrowings and bank overdraft minus cash and cash equivalents. For the purpose of calculating capital employed, net debt excludes lease liabilities as accounted for under IFRS 16. From financial year 2020 onwards, the Group changed the definition of capital employed to include balances that are classified as held for sale. The 2019 comparatives were retrospectively adjusted accordingly.

(EUR x 1,000)	2020	2019
Non-current loans and borrowings	286,221	704,314
▪ of which continuing operations	286,221	687,478
▪ of which held for sale	–	16,836
Current loans and borrowings	58,021	–
▪ of which continuing operations	58,021	–
▪ of which held for sale	–	–
Bank overdraft	2,336	2,635
▪ of which continuing operations	2,336	2,635
▪ of which held for sale	–	–
Cash and cash equivalents	(183,462)	(204,402)
▪ of which continuing operations	(183,462)	(201,147)
▪ of which held for sale	–	(3,255)
Lease liabilities	132,692	163,763
▪ of which continuing operations	132,692	157,659
▪ of which held for sale	–	6,104
Net debt	295,808	666,310
Net debt (excluding lease liabilities)	163,116	502,547
Equity	711,650	607,887
Capital employed	874,766	1,110,434

Return on capital employed and NOPAT

The Group presents capital employed as it understands that this measure is used by analysts, rating agencies and investors in assessing the Group's performance, in particular on capital efficiency, by determining the return on capital employed (ROCE). ROCE is used by the Group as a measure of the Group's profitability and capital efficiency. The group defines return on capital employed as NOPAT of the last 12 months as a percentage of a three points average adjusted capital employed. The three points consist of the last three reporting periods.

ROCE, as used by the Group is based on adjusted capital employed. Capital employed is adjusted for non-cash impairment losses (post tax). Adjusted capital employed is calculated at the end of a reporting period (full or half year). The Group believes adjusting for non-cash impairment losses which are not directly related to the operational performance of the Group and its geographical regions and businesses increases comparability and enables the users to better understand the underlying performance of the Group. From financial year 2020 onwards, the Group changed the calculation of adjusted capital employed by no longer adjusting for onerous contract charges, restructuring costs and certain adviser and other costs or gains as well as the theoretical

tax impact of those specific items. The 2019 comparatives were retrospectively adjusted accordingly.

The Group uses NOPAT solely for the purposes of calculating the ROCE, for which the Group believes is the best measure for profitability when measuring capital efficiency. The Group defines NOPAT as the sum of adjusted EBIT, the share of profit/(loss) of equity accounted investees (net of income tax) and the theoretical tax expense, the latter calculated over the total of the first two items applying the domestic weighted average tax rate. NOPAT includes discontinued operations.

	2020				2019			
	December 2019	June 2020	December 2020	Average	December 2018	June 2019	December 2019	Average
Capital employed	1,110,435	991,416	874,766	992,206	1,207,936	1,199,841	1,110,435	1,172,737
Adjustment for impairment losses	–	47,679	80,571	42,750	–	61,632	79,468	47,033
▪ of which continuing operations	–	3,347	5,858	3,068	–	222	3,286	1,169
▪ of which discontinued operations	–	44,332	74,713	39,682	–	61,410	76,182	45,864
Potential tax impact	–	–	–	–	–	–	–	–
Adjusted Capital employed	1,110,435	1,039,095	955,337	1,034,956	1,207,936	1,261,473	1,189,903	1,219,771

	2020	2019
Adjusted EBIT	51,880	49,449
▪ of which continuing operations	48,238	67,955
▪ of which discontinued operations	3,642	(18,506)
Share of profit/(loss) of equity-accounted investees (net of income tax)	7,520	9,236
▪ of which continuing operations	7,448	9,236
▪ of which discontinued operations	72	–
Potential tax impact	(12,282)	(19,467)
NOPAT	47,118	39,218

	2020	2019
Average Adjusted Capital employed	1,034,956	1,219,771
NOPAT	47,118	39,218
ROCE (%)	4.6%	3.2%

GLOSSARY

Business/ technical terms

AUV (autonomous underwater vehicle) Unmanned submersible launched from a 'mother-vessel' but not connected to it via a cable. Propulsion and control are autonomous and use pre-defined mission protocols.

Bathymetry Study of underwater depth of lake or ocean floors. Underwater equivalent of topography.

Brent Major trading classification of sweet light crude oil that serves as a major benchmark price for purchases of oil worldwide.

CPT/ cone penetration test(ing) Pushing a steel cone-tipped probe into the soil, measuring resistance, in order to identify soil composition.

Geochemical The geology and chemistry concerned with the chemical composition of, and chemical reactions taking place within, the Earth's crust.

Geohazard Geological state that may lead to widespread damage or risk e.g., landslides, earthquakes, tsunamis.

Gas hydrates Mixture of semi-solid methane gas and water molecules that are created by water pressure and cold temperatures found deep in the ocean.

Geo-data Information related to the Earth's surface, subsurface and the structures built on it.

Geo-intelligence Acquisition and analysis of data on topography and the subsurface, soil composition, spatial reference, meteorological and environmental conditions, and the related advice.

Geophysical survey Mapping of subterranean soil characteristics using non-invasive techniques such as sound.

Geotechnical investigation Determination of subterranean soil characteristics using invasive techniques such as probing, drilling and sampling.

Geoscience Range of scientific disciplines (geology, geophysics, petroleum engineering, bio stratification, geochemistry, etc.) related to the study of rocks, fossils and fluids.

Geospatial Information on the position of something with respect to the things around it.

Hydrography Science that measures and describes physical features of water and the adjacent land areas.

IOC International oil company.

Jack-up platform Self-elevating platform; capable of raising its hull over the surface of the sea thanks to its movable legs.

(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.

Metoccean Refers to combined wind, wave and climate conditions at a certain location offshore.

Multibeam echosounder Type of sonar that is used to map the seabed. Like other sonar systems, multibeam systems emit sound waves in a fan shape beneath a ship's hull. The amount of time it takes for the sound waves to bounce off the seabed and return to a receiver is used to determine water depth.

NOC National oil company.

Ocean bottom node (OBN) Seismic imaging through individual nodes placed on the seabed.

OHSAS British standard for occupational health and safety management systems. It is widely seen as the world's most recognised occupational health and safety management systems standard.

Remote operations centre Using cloud based solutions, surveyors work onshore, reducing health and safety exposure, and accelerating delivery and insights for the client.

ROV (remotely operated vehicle) Unmanned submersible launched from a vessel and equipped with measuring and manipulation equipment. A cable to the mother-vessel provides power, video and data communication.

USV (uncrewed surface vessel) Uncrewed data acquisition platform, initially used for hydrographic services applications; next generation USVs will also be capable of deploying remotely operated vehicles for inspection activities. USVs are cost-effective to build and safer and more efficient to operate, consuming significantly less fuel than regular, crewed vessels.



Non-IFRS financial measures

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. In calculating the backlog of Seabed Geosolutions, only signed contracts are taken into account.

Backlog – comparable growth Is defined as backlog growth compared to the comparable period from the prior year, calculated by translating the backlog for the more recent period at the exchange rates of the prior year's comparable period.

Capital employed Total equity plus loans and borrowings and bank overdrafts, minus cash and cash equivalents. Capital employed includes the relevant balances that are classified as held for sale and is calculated at the end of the (full or half year) reporting period.

Adjusted capital employed Capital employed adjusted for impairment losses (post-tax) in the current year of property, plant and equipment, right of use assets, goodwill and other intangible assets.

Capital expenditure Capital expenditures on property, plant and equipment.

Cash flows from operating activities after investing activities Cash flows provided by operating activities minus cash flows used for investing activities. Cash flows from operating activities after investing is also referred to as free cash flow.

Consolidated interest expense Interest expense, plus all amortisation of financial indebtedness discount and expense less interest income for the entire group.

Days of revenue outstanding (DRO) Trade receivables plus unbilled revenue on projects minus advances of instalments related to work in progress expressed as a number of days. The number of days is calculated using the exhaust method that is considering revenue recognised from the date of reporting backward until the receivable quantity is exhausted.

Dividend yield Dividend as a percentage of the (average) share price.

EBIT Reported result from operating activities before net financial expenses and taxation.

Adjusted EBIT Reported result from operating activities before net financial expenses and taxation, adjusted for the following items:

- Impairment losses
- Onerous contract charges
- Restructuring costs
- Certain adviser and other costs or gains

Adjusted EBIT margin Adjusted EBIT as a percentage of revenue for the relevant period.

EBITDA Reported result from operating activities before net financial expenses, taxation, depreciation, amortisation, and impairment losses.

Adjusted EBITDA Reported result from operating activities before net financial expenses, taxation, depreciation, amortisation, and impairment losses, adjusted for the following items:

- Onerous contract charges
- Restructuring costs
- Certain adviser and other costs or gains

Adjusted consolidated EBITDA for purpose of covenant calculations EBITDA, adjusted for the following items:

- Exclusion of (i) onerous contract charges, (ii) restructuring costs, (iii) certain adviser and other costs or gains, (iv) impairment charge trade receivables, (v) profit/(loss) on disposal of property, plant and equipment and (vi) profit/(loss) from businesses disposed of for the period for which they formed part of the Group. Following the refinancing completed in 2020, covenants are calculated on a post-IFRS 16 basis.
- Inclusion of (viii) pre-acquisition profit/loss from businesses acquired.
- The aforementioned items are capped at EUR 35 million (from 2021 onwards EUR 15 million).

Free cash flow Also referred to as 'Cash flows from operating activities after investing activities' See definition there.

Interest coverage Adjusted consolidated EBITDA for purpose of covenant calculations divided by Consolidated interest expense.

Net debt The sum of loans and borrowings and bank overdrafts minus cash and cash equivalents. When used for the purpose of calculating capital employed, net debt excludes lease liabilities as accounted for under IFRS 16.

Net interest charges Interest payable on loans and borrowings, less interest income received (net financial expenses).

Net leverage for purpose of covenant calculations Net debt divided by adjusted consolidated EBITDA for purpose of covenant calculations.

Net profit margin Profit as a percentage of revenue.

Net result Profit or loss for the **period**, attributable to the owners of the company.

Net revenue own service (revenue less third party costs) Net revenue own service comprises all revenue minus costs incurred with third parties related to the deployment of resources (in addition to the resources deployed by the Group) and other third party cost such as short-term lease or low-value lease expenses and other expenses required for the execution of various projects.

NOPAT The sum of adjusted EBIT, the share of profit/ (loss) of equity accounted investees (net of income tax) and the theoretical tax expense, the latter calculated over the total of the first two items applying the domestic weighted average tax rate. NOPAT includes discontinued operations.

Operating cash flows before changes in working capital Cash flows provided by operating activities excluding the impact of movements in working capital during the period.

Pay-out ratio Proposed dividend, multiplied by the number of shares entitled to dividend, divided by one thousand, divided by the net result.

Revenue - comparable growth Reported revenue growth compared to the comparable period from the prior year, calculated by translating the revenue from the more recent period at the exchange rates of the prior year's comparable period.

Return on capital employed NOPAT over the last twelve months as a percentage of a three points average adjusted capital employed.

Solvency Shareholders' equity as a percentage of the balance sheet total.

Working capital The sum of inventories, trade and other receivables and trade and other payables.

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