FINANCIAL STATEMENTS 2016

OTHER INFORMATION

1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

(EUR x 1,000)		2016	2015
(5.26)	Revenue	1,775,874	2,362,986
(5.30)	Third party costs	(678,757)	(918,396)
	Net revenue own services (revenue less third party costs)	1,097,117	1,444,590
(5.31)	Other income	30,403	16,119
(5.32)	Personnel expenses	(694,436)	(809,130)
(5.38)	Depreciation	(172,366)	(212,486)
(5.39)	Amortisation	(8,562)	(27,382)
(5.33)	Impairments	(192,716)	(363,318)
(5.34)	Other expenses	(278,118)	(298,321)
	Results from operating activities (EBIT)	(218,678)	(249,928)
	Finance income	8,880	17,636
	Finance expenses	(79,810)	(64,570)
(5.35)	Net finance income/(expenses)	(70,930)	(46,934)
(5.40)	Share of profit/(loss) of equity-accounted investees (net of income tax)	(2,223)	7,810
	Profit/(loss) before income tax	(291,831)	(289,052)
(5.36)	Income tax gain/(expense)	(9,152)	(69,637)
	Profit/(loss) for the period	(300,983)	(358,689)
	Attributable to:		
	Owners of the company (net result)	(308,934)	(372,522)
(5.49)	Non-controlling interests	7,951	13,833
	Profit/(loss) for the period	(300,983)	(358,689)
	Earnings per share from operations (attributable to owners of the company during the period)		
(5.48)	Basic and diluted earnings per share	(3.82)	(4.60)

The notes on pages 108 to 179 are an integral part of these consolidated financial statements.

1 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December

(EUR x 1,000)		2016	2015
	Profit/(loss) for the period	(300,983)	(358,689)
	Other comprehensive income		
	Items that will not be reclassified to profit or loss		
(5.51)	Defined benefit plan actuarial gains/(losses)	(14,145)	9,008
	Total items that will not be reclassified to profit or loss	(14,145)	9,008
	Items that may be reclassified subsequently to profit or loss		
(5.35)	Foreign currency translation differences of foreign operations	26,935	118,736
(5.35)	Foreign currency translation differences of equity-accounted investees	(1,425)	4,212
(5.35)	Net change in fair value of hedge of net investment in foreign operations	5,079	(81,385)
(5.35)	Net change in fair value of cash flow hedges transferred to profit or loss	288	477
(5.35)	Net change in fair value of available-for-sale financial assets	34	37
(5.35)	Net change in translation reserve transferred to profit or loss due to disposal	–	(8,286)
	Total items that may be reclassified subsequently to profit or loss	30,911	33,791
	Total other comprehensive income for the period (net of tax)	16,766	42,799
	Total comprehensive income/(loss) for the period	(284,217)	(315,890)
	Attributable to:		
	Owners of the company	(295,447)	(329,397)
	Non-controlling interests	11,230	13,507
	Total comprehensive income/(loss) for the period	(284,217)	(315,890)

The notes on pages 108 to 179 are an integral part of these consolidated financial statements.

2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	(EUR x 1,000)	2016	2015
	Assets		
(5.38)	Property, plant and equipment	805,992	986,585
(5.39)	Intangible assets	393,497	466,627
(5.40)	Investments in equity-accounted investees	20,068	29,577
(5.41)	Other investments	33,750	98,424
(5.42)	Deferred tax assets	80,602	88,386
	Total non-current assets	1,333,909	1,669,599
(5.43)	Inventories	22,102	29,557
(5.44)	Trade and other receivables	546,226	755,902
(5.37)	Current tax assets	22,743	20,101
(5.45)	Cash and cash equivalents	248,488	304,993
(5.46)	Assets classified as held for sale	981	61,032
	Total current assets	840,540	1,171,585
	Total assets	2,174,449	2,841,184

The notes on pages 108 to 179 are an integral part of these consolidated financial statements.

2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December

	(EUR x 1,000)	2016	2015
	Equity		
	Share capital	4,228	4,228
	Share premium	431,227	431,227
	Other Reserves	(349,060)	(402,372)
	Retained earnings	1,157,398	1,537,094
	Unappropriated result	(308,934)	(372,522)
(5.47)	**Total equity attributable to owners of the company**	934,859	1,197,655
(5.49)	Non-controlling interests	55,250	36,702
(5.47)	**Total equity**	990,109	1,234,357
	Liabilities		
(5.50)	Loans and borrowings	573,503	728,082
(5.51)	Employee benefits	95,477	91,402
(5.52)	Provisions for other liabilities and charges	26,845	61,827
(5.42)	Deferred tax liabilities	1,650	5,751
	Total non-current liabilities	697,475	887,062
(5.45)	Bank overdraft	4,043	21,908
(5.50)	Loans and borrowings	22,006	89,722
(5.53)	Trade and other payables	375,377	503,213
(5.52)	Provisions for other liabilities and charges	14,810	14,903
	Other taxes and social security charges	36,710	42,843
(5.37)	Current tax liabilities	33,919	47,176
	Total current liabilities	486,865	719,765
	Total liabilities	1,184,340	1,606,827
	Total equity and liabilities	2,174,449	2,841,184

The notes on pages 108 to 179 are an integral part of these consolidated financial statements.

3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR x 1,000) 2016

		Share capital	Share premium	Translation reserve	Hedging reserve	Reserve for own shares	Equity component of convertible bonds	Retained earnings	Unappropriated result	Total	Non-controlling interest	Total equity
	Balance at 1 January 2016	4,228	431,227	(48,023)	(391)	(353,958)	–	1,537,094	(372,522)	1,197,655	36,702	1,234,357
	Total comprehensive income for the period:											
	Profit or (loss)								(308,934)	(308,934)	7,951	(300,983)
	Other comprehensive income											
(5.35)	Foreign currency translation differences of foreign operations			23,654						23,654	3,281	26,935
(5.35)	Foreign currency translation differences of equity-accounted investees			(1,425)						(1,425)		(1,425)
(5.35)	Net change in fair value of hedge of net investment in foreign operations			5,079						5,079		5,079
(5.51)	Defined benefit plan actuarial gains/(losses)							(14,143)		(14,143)	(2)	(14,145)
(5.35)	Net change in fair value of cash flow hedges transferred to profit or loss				288					288		288
(5.35)	Net change in fair value of available-for-sale financial assets							34		34		34
	Total other comprehensive income/(loss), (net of tax)			27,308	288			(14,109)		13,487	3,279	16,766
	Total comprehensive income/(loss) for the period			27,308	288			(14,109)		(295,447)	11,230	(284,217)
	Transactions with owners recognised directly in equity											
(5.32)	Share-based payments							6,935		6,935		6,935
(5.47)	Issuance of subordinated unsecured convertible bonds, net of tax						25,716			25,716		25,716
	Share options exercised											
	Addition to/(reduction of) reserves							(372,522)	372,522	–		–
(5.50)	Contributions by shareholders										17,290	17,290
(5.49)	Dividends to shareholders										(9,972)	(9,972)
	Total contributions by and distribution to owners						25,716	(365,587)	372,522	32,651	7,318	39,969
	Balance at 31 December 2016	4,228	431,227	(20,715)	(103)	(353,958)	25,716	1,157,398	(308,934)	934,859	55,250	990,109

The notes on pages 108 to 179 are an integral part of these consolidated financial statements.

3 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

(EUR x 1,000) 2015

		Share capital	Share premium	Translation reserve	Hedging reserve	Reserve for own shares	Retained earnings	Unappro-priated result	Total	Non-controlling interest	Total equity
	Balance at 1 January 2015	4,228	431,227	(81,638)	(868)	(353,958)	1,977,645	(458,870)	1,517,766	(5,348)	1,512,418
	Total comprehensive income for the period:										
	Profit or (loss)							(372,522)	(372,522)	13,833	(358,689)
	Other comprehensive income										
(5.35)	Foreign currency translation differences of foreign operations			119,074					119,074	(338)	118,736
(5.35)	Foreign currency translation differences of equity-accounted investees			4,212					4,212		4,212
(5.35)	Net change in fair value of hedge of net investment in foreign operations			(81,385)					(81,385)		(81,385)
(5.51)	Defined benefit plan actuarial gains/ (losses)						8,996		8,996	12	9,008
(5.35)	Net change in fair value of cash flow hedges transferred to profit or loss				477				477		477
(5.35)	Net change in fair value of available-for-sale financial assets						37		37		37
(5.35)	Net change in translation reserve transferred to profit or loss due to disposal			(8,286)					(8,286)		(8,286)
	Total other comprehensive income/(loss), (net of tax)			33,615	477		9,033		43,125	(326)	42,799
	Total comprehensive income/(loss) for the period			33,615	477		9,033	(372,522)	(329,397)	13,507	(315,890)
	Transactions with owners recognised directly in equity										
(5.32)	Share-based payments						9,286		9,286		9,286
	Share options exercised										
	Addition to/(reduction of) reserves						(458,870)	458,870	–		–
(5.50)	Contributions by shareholders									37,481	37,481
(5.49)	Dividends to shareholders									(8,938)	(8,938)
	Total contributions by and distribution to owners						(449,584)	458,870	9,286	28,543	37,829
	Balance at 31 December 2015	4,228	431,227	(48,023)	(391)	(353,958)	1,537,094	(372,522)	1,197,655	36,702	1,234,357

The notes on pages 108 to 179 are an integral part of these consolidated financial statements.

4 CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

	(EUR x 1,000)	2016	2015
	Cash flows from operating activities		
	Profit/(loss) for the period	(300,983)	(358,689)
	Adjustments for:		
(5.38/5.39)	Depreciation and amortisation	180,928	239,868
(5.33)	Impairments	192,716	363,318
(5.41)	Write-off long-term receivables	12,042	–
(5.40)	Share of (profit)/loss of equity-accounted investees (net of income tax)	2,223	(7,810)
(5.31/5.34)	Gain on sale of property, plant and equipment	(5,061)	(7,527)
(5.32)	Equity-settled share-based payments	6,935	9,286
	Net change in translation reserve transferred to profit or loss due to disposal	–	(8,286)
	Change in provisions for other liabilities and charges and employee benefits	(35,497)	(68,317)
(5.36)	Income tax expense/(gain)	9,152	69,637
	Income tax paid	(30,646)	(29,978)
(5.35)	Finance income and expense	70,930	46,934
	Interest paid	(74,044)	(66,225)
	Operating cash flows before changes in working capital	28,695	182,211
	Change in inventories	7,606	5,635
	Change in trade and other receivables	195,121	216,700
	Change in trade and other payables	(100,662)	(79,616)
	Changes in working capital	102,065	142,719
	Net cash generated from operating activities	130,760	324,930
	Cash flows from investing activities		
(5.41)	Proceeds from sale of interests in business, net of cash disposed of	62,510	–
	Proceeds from sale of multi-client data libraries, net of cash disposed of	–	103,569
(5.29)	Net proceeds from sale & leaseback transaction of property, plant and equipment	48,631	48,631
(5.39)	Acquisition of intangible assets	(6,052)	(10,408)
(5.39)	Internally developed intangible assets	(5,060)	(23,567)
(5.38)	Capital expenditures on property, plant and equipment	(68,643)	(160,472)
	Proceeds from sale of property, plant and equipment	7,224	20,443
	Acquisition of businesses, net of cash acquired	–	(9,889)
(5.35)	Interest received	11,126	11,001
(5.40/5.41)	Dividends received	5,582	10,481
	Net cash (used in) / from investing activities	55,318	(10,211)
	Cash flows from operating activities after investing activities	186,078	314,719

The notes on pages 108 to 179 are an integral part of these consolidated financial statements.

4 CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December

(EUR x 1,000)		2016	2015
	Cash flows from financing activities		
	Proceeds from issue of long-term loans	59,986	76,237
	Proceeds from issue of subordinated unsecured convertible bonds	190,000	–
(5.50)	Transaction costs relating to loans and borrowings	(21,490)	(12,713)
(5.50)	Repayment of borrowings	(439,671)	(250,748)
(5.49)	Dividends paid	(9,972)	(8,938)
	Payments of finance lease liability	(6,802)	–
	Net cash from / (used in) financing activities	(227,949)	(196,162)
	Change in cash flows from operations	(41,871)	118,557
	Net increase in cash and cash equivalents	(41,871)	118,557
	Cash and cash equivalents at 1 January	283,085	153,078
	Effect of exchange rate fluctuations on cash held	3,231	11,450
	Cash and cash equivalents at 31 December	244,445	283,085
	Presentation in the statement of financial position		
(5.45)	Cash and cash equivalents	248,488	304,993
(5.45)	Bank overdraft	(4,043)	(21,908)
		244,445	283,085

The notes on pages 108 to 179 are an integral part of these consolidated financial statements.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.1 General

Fugro N.V., hereinafter to be referred to as 'Fugro' or 'the company', has its corporate seat in The Netherlands. The address of the company's principal office is Veurse Achterweg 10, 2264 SG, Leidschendam, the Netherlands. The consolidated financial statements of Fugro as at and for the year ended 31 December 2016 include Fugro and its subsidiaries (together referred to as the 'Group') and the Group's interests in equity-accounted investees. An overview of the main subsidiaries is included in chapter 6.

5.2 Statement of compliance

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

On 23 February 2017 the Board of Management and Supervisory Board authorised the financial statements for issue. Publication will take place on 3 March 2017.

The financial statements will be submitted for adoption to the Annual General Meeting on 2 May 2017. The official language for the financial statements is the English language as approved by the Annual General Meeting on 10 May 2011.

5.3 Basis of preparation

5.3.1 Functional and presentation currency

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

5.3.2 Basis of measurement

The financial statements have been prepared on the basis of historical cost, except for that the following assets and liabilities are stated at their fair value: derivative financial instruments, available-for-sale financial assets and plan assets associated with defined benefit plans.

5.3.3 Change in accounting policies resulting from changes in IFRS

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The company accounts for any change in accounting principle retrospectively. There are no new standards, amendments and/or interpretations that are required to be adopted as from 1 January 2016, which have a material impact on the Group.

5.3.4 Use of estimates and judgements

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

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

Key sources of estimation uncertainty and references to the notes which include information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in note 5.64.

5.3.5 New standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods and have not been early adopted by the Group. The impact of these new standards have been assessed and set out in the table below. There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Nature of change	Impact	Mandatory application date
IFRS 9 Financial Instruments		
IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.	IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. For impairment of financial and contract assets IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. The impact of this change is expected not to be significant. The Group applies hedge accounting only in limited number of circumstances. At this stage, based on initial assessment the Group does not expect the impact of the adoption of IFRS 9 on it consolidated financial statement to be significant.	Must be applied for financial years commencing on or after 1 January 2018 (endorsed by EU).
IFRS 15 Revenue from Contracts with Customers		
The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 January 2018), ie without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.	Management is currently assessing the effects of applying the new standard on the group's financial statements and has identified the following areas that are likely to be affected. At this stage, the Group expects limited impact from the new requirement. As revenue is currently recognised in profit or loss in proportion to the percentage of completion of the transaction at the reporting date. Based on the outcome of initial assessment performed, it is expected that this treatment can be continued. Fugro expects no significant impact on its consolidated financial statements from the adoption of IFRS 15.	Mandatory for financial years commencing on or after 1 January 2018 (endorsed by EU).
IFRS 16 Leasing		
The IASB has issued a new standard for the leasing. This will replace IAS 17 which covers leasing. The new standard require companies to bring leases onto the balance sheet.	This new standard will highly impact all leases of the Group that are currently accounted for as operational leases. These leases are currently incurred as expenses in the P&L. The new standard will result in the Group having to account for (off-balance) operational leases on-balance by recognising liabilities and assets related to the leased properties. In addition, the nature of the expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a deprecation charge for right-of-use assets and interest expense on lease liabilities. Also refer to note 5.60.	Mandatory for financial years commencing on or after 1 January 2019 (subject to EU endorsement).

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

5.4 Basis of consolidation

5.4.1 Accounting for business combinations

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

5.4.2 Subsidiaries

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

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

5.4.3 Equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in joint ventures. 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. Refer to note 5.10 or the accounting policy for equity-accounted investees.

5.4.4 Other investments

Other investments are those entities in whose activities the Group holds a non-controlling interest and has no control or significant influence. Refer to note 5.11 for the accounting policy for other investments.

5.4.5 Transactions eliminated on consolidation

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

5.5 Foreign currency

5.5.1 Foreign currency transactions and translation

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

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

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

	USD at year-end	USD average	GBP at year-end	GBP average	NOK at year-end	NOK average	AUD at year-end	AUD average
2016	0.950	0.910	1.160	1.220	0.110	0.108	0.690	0.670
2015	0.920	0.910	1.360	1.380	0.104	0.111	0.670	0.680

5.5.2 Foreign operations

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

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

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

5.5.3 Hedge of a net investment in foreign operations

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

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

5.6 Determination of fair values

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

5.6.1 Equity and debt securities

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

5.6.2 Trade and other receivables

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

5.6.3 Forward exchange contracts and interest rate swaps

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

5.6.4 Other non-derivative financial liabilities

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

5.6.5 Share-based payment transactions

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

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

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

5.7 Financial instruments

5.7.1 Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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 legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets. Reference is made to accounting policy (5.11) and note (5.41).

Loans and receivables comprise cash and cash equivalents and trade and other receivables. Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

5.7.2 Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial liabilities and assets are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Other financial liabilities are initially recognised at fair value net off any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

The fair value of the liability portion of a convertible bond is initially determined using a market interest rate for an equivalent non-convertible bond at the issue date.
This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects and is not subsequently remeasured.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables. Reference is made to note (5.45) Cash and cash equivalents and note (5.53) Trade and other payables.

5.7.3 Derivative financial instruments, including hedge accounting

5.7.3.1 Other derivative financial instruments

The Group holds derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational and financing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80-125%.

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

5.7.3.2 *Net investment hedges*

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

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

5.7.3.3 *Other non-trading derivatives*

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

5.8 Property, plant and equipment

5.8.1 Owned assets

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (refer to accounting policy (5.16)).
The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the costs of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

5.8.2 Leased assets

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership and are not recognised in the Group's statement of financial position. Lease payments are accounted for as described in accounting policy 5.23.2. If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is established at fair value, any profit or loss is recognised immediately.

5.8.3 Subsequent cost

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

5.8.4 Depreciation

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

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

5.9 Intangible assets

5.9.1 Goodwill

Goodwill that arises upon the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but is tested for impairment annually and when there is an indication for impairment (refer to accounting policy (5.4.1)). In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

5.9.2 Multi-client data libraries

The multi-client data libraries relate to the to a profit sharing agreement with Finder Exploration Pty Ltd (Finder).

The Finder asset is accounted for at cost and is not amortised but assessed for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. Refer to note 5.33 Impairments.

5.9.3 Research and development

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

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The capitalised expenditure includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognised in profit or loss as incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses (refer to accounting policy (5.16)).

5.9.4 Software and other intangible assets

Software and other intangible assets acquired or developed by the Group and that have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses (refer to accounting policy (5.16)).

5.9.5 Subsequent expenditure

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

5.9.6 Amortisation

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite life are annually tested for impairment or when there is an indication for impairment (refer to accounting policy (5.16)). Other intangible assets and software are amortised from the date they are available for their intended use. The estimated useful life of software and other capitalised development costs is, in general, five years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

5.10 Investments in equity-accounted investees

The Group's interests in equity-investees comprise interests in joint ventures. Investments in equity-accounted investees are accounted for using the equity method and are recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses (refer to accounting policy (5.16)).
The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds the carrying amount of the equity-accounted investee, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or has made payments on behalf of the investee.

5.11 Other investments

5.11.1 Other investments in equity instruments

Other investments in equity instruments do not have a quoted market price in an active market and are stated at cost. Dividends received are accounted for in profit or loss when these become due.

5.11.2 Long-term loans and other long-term receivables

Long-term loans and other long-term receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method; less any impairment losses (refer to accounting policy (5.16)).

5.11.3 Available-for-sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments (refer to accounting policy (5.16)), are recognised in other comprehensive income and presented in the other reserves in equity. When an investment is derecognised, the cumulative gain or loss accumulated in equity is reclassified to profit or loss. Available-for-sale financial assets comprise equity securities and debt securities.

5.12 Inventories

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

5.13 Trade and other receivables

Trade and other receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method less, any impairment losses (refer to accounting policy 5.16). Unbilled revenue on (completed) projects represents the gross amount expected to be collected from customers for contract work performed to date. It is measured at costs incurred plus profits recognised to date less progress billings and recognised losses. Advances received from customers are presented as advance instalments to work in progress.

5.14 Cash and cash equivalents

Cash and cash equivalents, comprising cash balances and call deposits, are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method less, any impairment losses (refer to accounting policy (5.16)). 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.

5.15 Assets of disposal groups classified as held for sale

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

5.16 Impairment

5.16.1 Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics. In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in other comprehensive income, and presented in equity, to profit or loss. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss.

Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

5.16.2 Non-financial assets

The carrying amounts of the Group's non-financial assets other than inventories, assets arising from employee benefits and deferred tax assets (refer to accounting policy (5.24)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.
An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (or group of cash-generating units) on a pro rata basis.

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

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

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

5.17 Equity

5.17.1 Share capital

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

5.17.2 Repurchase and sale of shares

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

5.17.3 Dividends

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

5.18 Loans and borrowings

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

5.19 Employee benefits

5.19.1 Defined contribution plans

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

5.19.2 Defined benefit plans

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

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

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

5.19.3 Other long-term employee benefits

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

5.19.4 Share-based payments

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

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

5.20 Provisions for other liabilities and charges

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

5.20.1 Onerous contracts

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

5.20.2 Restructuring cost

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

5.21 Trade and other payables

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 method.

5.22 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when persuasive evidence exists, usually in the form of an executed sales agreement, the amount of revenue can be measured reliably, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from sales of goods of seismic data, software licences and subscription income do not qualify as a significant category of revenue as referred to in IAS 18.35 (b); however for completeness sake the relating revenue recognition policies are set out in accounting policies 5.22.2 and 5.22.3.

5.22.1 Services rendered

Revenue from services rendered to third parties relate to fixed price contracts and 'cost plus' contracts (mainly daily rates or rates per (square) kilometre). This revenue is recognised in profit or loss in proportion to the percentage of completion of the transaction at the reporting date. The percentage of completion is based on the input measure and is determined as a percentage of the contract costs incurred in relation to the total estimated contract costs (as this method is most appropriate for the majority of the services provided by the Group) and are only recognised to the extent of costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

5.22.2 Sales of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs of goods can be estimated reliably, and there is no continuing management involvement with the goods.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs. An expected loss on a contract is recognised immediately in profit or loss.

5.22.3 Software licences and subscription income
Software licences and subscription income are recognised in the period during which the underlying services have been provided, using a straight line basis over the term of the contract.

5.22.4 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 employment of resources (in addition to the resources deployed by the Group) and other third party cost such as charter-lease costs and other cost required for the execution of various projects.

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

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

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

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

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

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

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

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

5.23.3 Net finance income and expenses
Net finance income and expenses consist of finance expenses, finance income and foreign currency gains and losses. Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, losses on disposal of available-for-sale financial assets, 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 (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, gains on the re-measurement to fair value of any pre-existing interest in an acquiree, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in profit or loss on the date the Group's right to receive payment is established, which in the case of quoted shares is normally the ex-dividend date.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

5.24 Income tax

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

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

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

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

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

5.25 Statement of cash flows

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

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5.26 Segment reporting

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

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

5.26.1 Operating segments

As an engineering firm with operations throughout the world, the Group delivers its services to clients located all over the globe and collects and interprets data related to the earth's surface and the soil and rock beneath. On the basis of this data the Group provides geo-intelligence and asset integrity solutions, generally for the oil and gas, the building and infrastructure, and the power and mining markets.
The Group has four reportable segments, being the Group's divisions. The divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the divisions, the Board of Management reviews internal management reports on a monthly basis.

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

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

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

Geotechnical
The Geotechnical division investigates the engineering properties and geological characteristics of near-surface soils and rocks using (in-house developed) proprietary technologies, advises on foundation design, provides construction materials testing, pavement assessment and installation support services. Geoconsulting services provide integrated geophysical, engineering geology and engineering analysis to solve engineering problems or to provide solutions for our clients and their projects. These services support clients' projects worldwide in the onshore, near shore and offshore environments, including deep water. Typical projects include support of infrastructure development and maintenance, large construction projects, flood protection and support of the design and installation of oil and gas facilities and wind farms.

Survey
The Survey division provides a range of services in support of the oil and gas industry, power, commercial and civil industries, as well as governments and other organisations. It encompasses numerous offshore activities as well as on shore geospatial activities. It also manages global positioning systems that support these and other Group activities. Offshore services include geophysical investigations for geohazards, pipeline and cable routes, inspection and construction support services, hydrographic charting and meteorological and oceanographic studies. Geospatial services concentrate on land survey and aerial and satellite mapping services for a wide range of clients. Fugro's global positioning system is used for the foregoing services, but is also provided on a subscription basis to clients in the oil and gas and shipping industries.

Subsea Services
The Subsea Services division provides underwater support services to the oil and gas, marine construction and renewable energy industries. It operates a modern fleet of remotely operated vehicles (ROVs) ranging from light inspection to heavy work class units, as well as ROV support vessels and dive support vessels providing services in water depths to over 3,000 metres. These activities are provided throughout the life of oil and gas fields and range from ROV support during exploration drilling, to field development, installation and construction support, long-term inspection repair and maintenance (IRM) of subsea services assets during production and through to assistance in the final decommissioning of those assets. The division also provides tooling and engineering services to enable the design and build of purpose-built tools and interfaces for ROV-based activities. ROV inspection services are augmented by air- and saturation-diving capabilities.

Geoscience
The Geoscience division provides services and products to acquire geophysical data that are used for the appraisal, development and production of offshore natural resources. The data sets are collected on or close to the seabed from shallow to ultra deep water. Multi-component seismic and time-lapse seismic methods are supported. These activities are carried out by Seabed Geosolutions B.V. (Seabed). Fugro has a 60% (controlling) stake in Seabed and therefore its financial information is fully consolidated. The remaining shares of Seabed are held by CGG. Clients of Seabed are predominantly oil and gas companies. In addition, the Geoscience division participates in a profit sharing agreement with Finder. Up to 30 June 2015, the Geoscience division owned and sold data from a large, geographically diverse 2D and 3D marine streamer seismic multi-client data library.

Operating segments

(EUR x 1,000)	Geotechnical		Survey		Subsea Services		Geoscience		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Segment revenue	713,412	803,963	726,393	975,191	380,229	465,098	172,983	363,233	1,993,017	2,607,485
Of which inter-segment revenue	72,833	63,623	87,603	139,404	56,707	41,472	–	–	217,143	244,499
Revenue	640,579	740,340	638,790	835,787	323,522	423,626	172,983	363,233	1,775,874	2,362,986
Segment result	47,522	79,076	56,456	153,890	(4,949)	16,867	55,937	103,425	154,966	353,258
Depreciation	(38,029)	(50,216)	(52,804)	(67,940)	(43,117)	(51,333)	(38,416)	(42,997)	(172,366)	(212,486)
Amortisation	(2,133)	(2,455)	(2,956)	(3,200)	(460)	(435)	(3,013)	(21,292)	(8,562)	(27,382)
Impairments	(97,465)	(60,373)	(3,516)	(3,749)	(39,574)	(254,755)	(52,161)	(44,441)	(192,716)	(363,318)
Result from operating activities (EBIT)	(90,105)	(33,968)	(2,820)	79,001	(88,100)	(289,656)	(37,653)	(5,305)	(218,678)	(249,928)
EBIT in % of revenue	(14.1)	(4.6)	(0.4)	9.5	(27.2)	(68.4)	(21.8)	(1.5)	(12.3)	(10.6)
Finance income	5,655	10,730	7,444	15,218	3,474	5,410	3,826	1,986	20,399	33,344
Finance expense	(24,725)	(22,739)	(37,022)	(20,770)	(18,343)	(16,546)	(11,239)	(20,223)	(91,329)	(80,278)
Share of profit/(loss) of equity-accounted investees	(22)	8	2,431	5,730	(4,632)	2,072	–	–	(2,223)	7,810
Reportable segment profit/(loss) before income tax	(109,197)	(45,969)	(29,967)	79,179	(107,601)	(298,720)	(45,066)	(23,542)	(291,831)	(289,052)
Income tax	(13,633)	(12,709)	(6,825)	(41,555)	(441)	(5,900)	11,747	(9,473)	(9,152)	(69,637)
Profit/(loss) for the period	(122,830)	(58,678)	(36,792)	37,624	(108,042)	(304,620)	(33,319)	(33,015)	(300,983)	(358,689)
Capital employed	433,496	626,551	518,293	590,113	253,367	298,169	136,018	174,856	1,341,174	1,689,689
Reportable segment assets*	648,005	904,832	919,161	1,025,825	335,394	423,110	271,889	487,417	2,174,449	2,841,184
Reportable segment liabilities	306,307	491,238	434,262	506,755	312,200	303,569	131,571	305,265	1,184,340	1,606,827
Capital expenditure, property, plant and equipment	18,390	46,725	19,866	51,278	21,841	31,248	32,396	31,221	92,493	160,472
Capital expenditure software and other intangible assets	1,755	2,744	86	846	4	130	4,207	6,688	6,052	10,408
Additions multi-client data libraries (Finder)	–	–	–	–	–	–	5,060	22,835	5,060	22,835
Movement in other investments*	9,774	6,159	7,088	2,906	3,715	2,278	(78,253)	(4,344)	(57,676)	6,999

* In 2016, the CGG senior secured term loan was fully allocated to the Geoscience division. Previously, this loan was qualified as a corporate asset. The comparative numbers have been adjusted for comparison purposes. As per 31 December 2015, the reportable segment assets amounted to EUR 932,221 thousand, EUR 1,056,767 thousand, EUR 438,784 thousand and EUR 413,412 thousand for the Geotechnical, Survey, Subsea Services and Geoscience operating segment respectively. The movement in other investments amounted to EUR 5,551 thousand, EUR 2,219 thousand, EUR 1,930 thousand and EUR (2,701) thousand for the Geotechnical, Survey, Subsea Services and Geoscience operating segment respectively as at 31 December 2015.

Geographical areas

(EUR x 1,000)	Europe		Africa		Middle East & India		Asia Pacific		Americas		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue from external customers	629,045	779,608	89,743	117,523	299,176	299,128	384,822	520,372	373,088	646,355	1,775,874	2,362,986
Non-current assets	656,464	935,829	34,802	38,843	74,105	90,739	258,909	234,594	309,629	369,594	1,333,909	1,669,599

Other material items 2016 in respect of elements of profit or loss

(EUR x 1,000)	Reportable segment totals	Adjustments and other unallocated amounts	Consolidated totals
Finance income	20,399	(11,519)	8,880
Finance expense	(91,329)	11,519	(79,810)

Other material items 2015 in respect of elements of profit or loss

(EUR x 1,000)	Reportable segment totals	Adjustments and other unallocated amounts	Consolidated totals
Finance income	33,344	(15,708)	17,636
Finance expense	(80,278)	15,708	(64,570)

5.28 Government grants

The company has not been awarded any significant government grants in 2016.

5.29 Sale and lease back arrangement

On 8 January 2016, Fugro completed the sale and operating leaseback of the Fugro Voyager vessel upon delivery of the vessel. This vessel was classified as an asset as held for sale as at 31 December 2015. The net proceeds amounted to EUR 48.6 million. Last year, Fugro entered into a sale and leaseback arrangement for the Fugro Scout and Fugro Voyager vessels.

The lease term is twelve years from the date of delivery unless cancelled earlier. The lessor has the right to cancel the lease on the fifth anniversary of the lease and on each anniversary thereafter provided that no termination event has occurred and Fugro has not exercised its purchase option. Fugro has the right to purchase the vessels beginning on the third anniversary of the lease term commencement and as of each anniversary date thereafter until the eleventh anniversary. The contract contains certain termination events, which events are considered to be mainly within the control of Fugro. If applicable, the lessor will have the right to sell the vessels to Fugro, to terminate the lease and/or sell the vessels to another third party. In case of a change of control of Fugro, the contract contains certain purchase and repurchases options in respect of the vessels. In case these are not exercised, Fugro has to remit a penalty equal to the net present value of the remaining charter hire payments outstanding and redeliver the vessels to the lessor.

5.30 Third party costs

(EUR x 1,000)	2016	2015
Cost of suppliers	477,403	624,708
Operational lease expense*	91,760	99,470
Other rentals	49,832	149,818
Onerous contracts	(6,087)	(19,270)
Other costs	65,849	63,670
	678,757	918,396

* The operational lease expense includes an amount of EUR 31.7 million (2015: EUR 35.1 million) relating to maintenance and repair. Refer to note 5.50.6.

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

For the provisions relating to the onerous contracts, reference is made to (5.52).

5.31 Other income

(EUR x 1,000)	2016	2015
Settlements claims	726	3,143
Government grants	2,971	1,865
Net gain on sale of property, plant and equipment	5,364	7,527
Gain/ (loss) on sale of the multi-client data libraries	–	(1,119)
Reversal of the asset retirement obligation*	14,056	–
Sundry income	7,286	4,703
	30,403	16,119

* The reversal of the asset retirement obligation relates to the purchase of the underlying chartered vessel (Hugin Explorer) in 2016. Refer to note 5.50.4.

5.32 Personnel expenses

(EUR x 1,000)	2016	2015
Wages and salaries	597,490	710,309
Compulsory social security contributions	52,091	66,269
Equity-settled share-based payments	6,938	9,286
Contributions to defined contribution plans	23,794	21,169
Expense related to defined benefit plans	13,809	1,572
Increase in liability for long-service leave	314	525
	694,436	809,130

5.32.1 Share-based payments

The share-based payment plans of Fugro N.V. can be divided in a long-term incentive plan (LTIP) and a share option scheme.

Long-term incentive plan

To further strengthen the alignment with shareholder's interests, the long-term incentive plan for members of the Board of Management, and other selected senior employees, effective as from 1 January 2014, consists of performance shares and performance options. Vesting is subject to continuous employment and performance measurement after three years.

The performance targets and their relative weights for the performance awards are as follows:

- ROCE (weight 50%) is defined as net operating profit after tax (NOPAT) as percentage of average total equity plus net interest bearing debt, in the last year of the three-year period, excluding multi-client business.
- TSR (weight 50%) 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 of the underlying instruments.

The performance incentive zones for the ROCE performance target is shown in the table below.

ROCE (weight 50%)	Below Threshold	Threshold	Target	Maximum
Pay-out as % of target	0%	25%	100%	175%

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

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

In general, the participants have to be employed by the Group twelve months prior to the grant date to become entitled to performance options and performance shares (together 'performance awards'). The performance period is three years starting at the first of January of the year following the grant date. The costs of the performance awards are recognised in profit or loss over the total service period of four years.

The Board of Management and the Supervisory Board decide annually on the granting of performance awards. As at 31 December 2016, Fugro N.V. granted 257,200 (2015: 219,200) performance options and awarded 128,600 (2015: 109,600) performance shares (100% at target). The average remaining term of the performance options outstanding is 5.2 years as at 31 December 2016 (31 December 2015: 5.6 years).

As at 31 December the following performance options were outstanding:

Year of issue	Duration	Number of participants	Granted	Outstanding at 01-01-2016	Forfeited in 2016	Exercised in 2016	Outstanding at 31-12-2016	Exercisable at 31-12-2016	Exercise price (EUR)
2014	6 years	22	158,500	153,500	611	–	152,889	–	17.26
2015	6 years	39	219,200	219,200	5,700	–	213,500	–	15.06
2016	6 years	43	257,200	–	–	–	257,200	–	14.55
			634,900	372,700	6,311	–	623,589	–	

As at 31 December the following performance shares were outstanding:

Year of issue	Duration	Number of participants	Granted	Outstanding at 01-01-2016	Forfeited in 2016	Vested in 2016	Outstanding at 31-12-2016
2014	3 years	22	79,250	76,750	306	–	76,444
2015	3 years	39	109,600	109,600	2,850	–	106,750
2016	3 years	43	128,600	–	–	–	128,600
			317,450	186,350	3,156	–	311,794

The grant date fair value of the 50% portion with a TSR performance condition has been derived using a Monte Carlo Simulation model. The fair value of the portion with a ROCE performance condition (50%) has been determined using the Black & Scholes option pricing formula.

The weighted average grant date fair value amounts to € 14.33 (2015: € 14.91) for the performance shares and € 8.94 (2015: € 8.51) for the performance options. The significant inputs into the valuation models were:

	2016	2015
	Performance Shares/ Options	Performance Shares/ Options
Share price (in €)	14.55	15.06
Exercise price options	14.55	15.06
Volatility (%)	62.8%	54.1%
TSR correlation	41.5%	36.1%
Dividend yield (%)	0.0%	0.0%
Vesting period (in years)	3	3
Risk-free interest rate (%)	(0.74%)	(0.26%)
Expected term shares/options (in years)	3/6	3/6

	2016	2015
	Performance Shares/ Options	Performance Shares/ Options
Costs of granted performance shares and performance options at the end of 2014 in EUR	236,047	255,123
Costs of granted performance shares and performance options at the end of 2015 in EUR	443,342	451,343
Costs of granted performance shares and performance options at the end of 2016 in EUR	518,923	–

The expected volatility is based on the annualised historical volatility prior to the date of grant, and the dividend yield is estimated based on the historic dividend yield on Fugro shares at the date of grant.

The total costs allocated to 2016 for the performance awards granted in 2014, 2015 and 2016 amount to EUR 1,198,312 (2015: EUR 706,466).

Share option scheme

Fugro's share option scheme allows some assigned Group employees, who do not participate in the new long-term incentive plan, to acquire shares in Fugro. A share option entitles the employee to purchase ordinary shares in Fugro. The granting of options is dependent on the achievement of the targets of the Group as a whole and of the individual operating companies as well as on the contribution of the relevant employee to the long-term development of the company. In order to become entitled to options, the employee has to be employed by the Group twelve months prior to the granting of the options. In addition to the services provided in the twelve months prior to the granting of the options, services also must be provided in the future. The vesting period for the granted options is three years starting at the first of January of the year following the grant date. The option period is six years. The options granted are not subject to any further conditions of exercise, except that the option holder is still employed by Fugro or one of its operating companies. Standard exceptions apply to the latter rule about retirement, long-term disability and death.

The Board of Management and the Supervisory Board decide annually on the granting of options. Options are granted annually on 31 December and the option exercise price is equal to the closing price of the share certificates traded on Euronext Amsterdam on the last trading day of the calendar year. The costs of the options are recognised in profit or loss over the related period of employment (four years).

In 2016, Fugro N.V. granted 571,850 options to 695 employees. These options have an exercise price of EUR 14.55 (2015: 534,470 options were granted to 659 employees with an exercise price of EUR 15.06). In 2016, no options have been exercised.

As at 31 December the following options were outstanding:

Year of issue	Duration	Number of participants	Granted	Outstanding at 01-01-2016	Forfeited in 2016	Exercised in 2016	Outstanding at 31-12-2016	Exercisable at 31-12-2016	Exercise price (EUR)
2010	6 years	663	1,107,350	869,850	869,850	–	–		61.500
2011	6 years	684	1,161,100	908,700	63,550	–	845,150	845,150	44.895
2012	6 years	674	1,093,300	885,000	60,850	–	824,150	824,150	44.520
2013	6 years	621	956,925	891,285	51,855	–	839,430	839,430	43.315
2014	6 years	654	770,638	745,597	55,477	–	690,120	–	17.260
2015	6 years	654	534,470	534,470	23,500	–	510,970	–	15.060
2016	6 years	695	571,850	–	–	–	571,850	–	14.550
			6,195,633	4,834,902	1,125,082	–	4,281,670	2,508,730	

The outstanding options as at 31 December 2016 have an exercise price ranging from EUR 14.55 to EUR 44.90. The average remaining term of the options is 3.2 years (2015: 3.3 years). The movement during the year of options and the average exercise price is as follows:

	2016		2015	
	Weighted average exercise price (EUR)	Number of options	Weighted average exercise price (EUR)	Number of options
Options outstanding at 1 January	39.95	4,834,902	42.69	5,501,963
Forfeited during the period	55.65	1,125,082	41.35	(1,201,531)
Options granted during the period	14.55	571,850	15.06	534,470
Options exercised during the period	–	–	–	–
Options outstanding at 31 December	32.45	4,281,670	39.95	4,834,902
Exercisable at 31 December		2,508,730		2,663,550

The fair value of the share options with only service conditions is determined by using a binomial model. Concerning the estimate for early departure (forfeitures), different percentages for different categories of staff are used: Board of Management 0% (only performance shares and performance options as from 2014) and other management/employees 3% per annum. The expected behaviour for exercising the options is estimated 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 grant date of the share options are the following:

	2016	2015
Average fair value of the granted options during the year in EUR	6.60	6.32
Exercise price (and fair value of shares at grant date) in EUR	14.55	15.06
Expected volatility	50%	45%
Option term	6 years	6 years
Expected dividends	0.00%	0.00%
Risk-free interest rate (based on government bonds)	(0.31%)	0.18%
Costs of granted options at the end of 2012 in EUR	–	2,932,352
Costs of granted options at the end of 2013 in EUR	2,873,577	3,828,884
Costs of granted options at the end of 2014 in EUR	967,486	903,490
Costs of granted options at the end of 2015 in EUR	820,648	697,137
Costs of granted options at the end of 2016 in EUR	858,633	–
Total	5,520,344	8,361,863

5.32.2 Number of employees as at 31 December

	2016			2015		
	Netherlands	Foreign	Total	Netherlands	Foreign	Total
Technical staff	641	7,068	7,709	649	8,086	8,735
Management and administrative staff	202	2,018	2,220	200	2,273	2,473
Temporary and contract staff	93	508	601	96	656	752
	936	9,594	10,530	945	11,015	11,960
Average number of employees during the year	940	10,305	11,245	978	11,771	12,749

5.33 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. For 2016, the following impairments have been reported:

(EUR x 1,000)	2016
Goodwill Seabed Geosolutions	20,505
Goodwill Subsea Services	17,650
Goodwill Onshore Geotechnical Europe/Africa	12,933
Subtotal	51,088
Property, plant and equipment (PP&E)	117,480
Finder	16,633
Other intangible assets (and other non-financial fixed assets)	7,515
Total	192,716

Goodwill

An impairment loss on goodwill of EUR 20.5 million has been recognised for Seabed Geosolutions as a certain award of a sizeable contract did not materialise and due to low tendering activity in the seabed market. This has resulted in a downward impact on the projected future cash flows. The impairment loss relates to the Seabed Geosolutions cash generating unit and forms part of the Geoscience operating segment. Refer to note 5.39. In 2016, Fugro fully impaired the remaining goodwill of Subsea Services for the amount of EUR 17.7 million as a result of further market deterioration, which will last in 2017.
The impairment loss relates to the cash generating unit of Subsea Services and is included in the operating segment Subsea Services. Furthermore, Fugro fully impaired the remaining goodwill of EUR 12.9 million of the onshore Geotechnical Europe/Africa CGU due to significantly deteriorated market conditions. This CGU forms part of the Geotechnical operating segment.

Property, plant and equipment

An impairment loss on certain vessels was recorded of EUR 74.9 million due to poor market conditions, of which EUR 53.4 million and EUR 21.5 million relate to the Geotechnical and Subsea Services operating segments respectively. The recoverable amounts are determined based on the higher of fair value less costs of disposal (determined by using external broker quotes) and value in use calculations using discounted cash flows models. Pre-tax discount rates in these calculations vary from 8% to 11%. An amount of EUR 22.4 million has been impaired relating to several offshore geotechnical assets as a result of poor market circumstances and limited backlog opportunities. Furthermore, Fugro recognised an impairment of EUR 15.0 million on certain ocean bottom cable assets of Seabed Geosolutions (Geoscience operating segment) caused by significant reduced backlog in 2016 and beyond for these assets. Furthermore, total impairment of EUR 117.5 million includes an amount of EUR 5.2 million relating to other items within PP&E such as buildings and other equipment.

Finder

Fugro recognised an impairment loss of EUR 16.6 million on the profit sharing agreement with Finder as future projected cash flows were reduced on certain projects.

Other intangible assets (and other non-financial fixed assets)
The impairment charge in 2016 of other intangible assets (and other non-financial fixed assets) mainly relate to an impairment loss of a software application within the Geotechnical operating segment of EUR 7.5 million following further review of capital expenditure and the decision to cease further development of certain functionalities.

In 2015, the following impairments were identified:

(EUR x 1,000)	2015
Goodwill Subsea Services	171,731
Goodwill Onshore Geotechnical Europe/Africa	31,544
Goodwill Geoscience other	3,797
Subtotal	207,072
Property, plant and equipment	115,732
Multi-client data libraries	37,670
Other intangible assets (and other non-financial fixed assets)	2,844
Total	363,318

5.34 Other expenses

(EUR x 1,000)	2016	2015
Maintenance and operational supplies	44,818	51,384
Indirect operating expenses	56,618	62,675
Occupancy costs	22,330	21,354
Property lease expense	24,328	27,576
Communication and office equipment	31,469	35,425
Write-off receivables	27,744	6,010
Restructuring costs	22,035	12,757
Research costs	(260)	3,653
Loss on disposal of property, plant and equipment	303	–
Marketing and advertising costs	5,115	6,094
Other	43,618	71,393
Total	278,118	298,321

Other expenses include amongst others professional services, training costs, audit fees, miscellaneous charges and sundry costs. Certain adviser and other costs amounting to EUR 6.0 million (2015: EUR 13.3 million), included in other, are considered as exceptional item under the covenant requirement. Refer to note 5.50.6. Write-off receivables of EUR 27,744 thousand include an amount of EUR 12,041 thousand in respect of sale of the CGG senior secured term loan (refer to note 5.41.2). Audit fees, as charged by EY, are disclosed in note 9.18.

5.35 Net finance (income)/expenses

(EUR x 1,000)	2016	2015
Interest income on loans and receivables	(8,878)	(6,577)
Dividend income on available-for-sale financial assets and other investments in equity instruments	(2)	(873)
Net foreign exchange variance	–	(10,186)
Finance income	(8,880)	(17,636)
Interest expense on financial liabilities measured at amortised cost	64,993	62,017
Net change in fair value of financial assets at fair value through profit or loss	317	2,474
Net change in fair value of derivatives	–	79
Net foreign exchange variance	14,500	–
Finance expense	79,810	64,570
Net finance (income)/expenses recognised in profit or loss	70,930	46,934

The table set below summarises the net finance cost recognised in other comprehensive income and how they are catagorised in the statement of changes in equity.

(EUR x 1,000)	2016	2015
Recognised in other comprehensive income		
Net change in fair value of hedge of net investment in foreign operations	5,079	(81,385)
Foreign currency translation differences of foreign operations	26,935	118,736
Foreign currency translation differences of equity-accounted investees	(1,425)	4,212
Net change in translation reserve transferred to profit or loss due to disposal	–	(8,286)
	30,589	33,277
Net change in fair value of cash flow hedges transferred to profit or loss	288	477
Net change in fair value of available-for-sale financial assets	34	37
Total	30,911	33,791
Recognised in:		
Hedging reserve	288	477
Translation reserve	27,308	33,615
Retained earnings	34	37
Non-controlling interests	3,281	(338)
Total	30,911	33,791

5.36 Income tax expense/(gain)

Recognised in profit or loss

(EUR x 1,000)	2016	2015
Current income tax expense/(gain)		
Current year	25,552	36,795
Adjustments for prior years	(11,902)	11,546
	13,650	48,341
Deferred income tax expense/(gain)		
Origination and reversal of temporary differences	(5,419)	10,614
Change in tax rate	2,240	1,606
Recognition of previously unrecognised tax losses and temporary differences	(22,738)	(13,988)
Write down of deferred tax asset	27,820	27,046
Liability for undistributed foreign earnings (deferred)	(1,190)	–
Adjustments for prior years	(5,211)	(3,982)
	(4,498)	21,296
Total income tax expense/(gain)	9,152	69,637

Reconciliation of effective tax rate

(EUR x 1,000)	2016 %	2016	2015 %	2015
Profit/(loss) for the period from continuing operations		(300,983)		(358,689)
Income tax expense/(gain)		9,152		69,637
Profit/(loss) before income tax		(291,831)		(289,052)
Income tax using the weighted domestic average tax rates	30.8	(89,962)	19.9	(57,552)
Change in tax rate	(0.8)	2,240	(0.6)	1,606
Recognition of previously unrecognised tax losses and temporary differences	7.8	(22,738)	4.9	(13,988)
Current year tax losses and tax credits not recognised	(25.6)	74,692	(14.8)	42,698
Write down of deferred tax asset	(9.5)	27,820	(9.4)	27,046
Non-deductible expenses	(12.7)	37,119	(23.4)	67,634
Tax exempt income	1.5	(4,356)	3.7	(10,713)
Liability for undistributed foreign earnings (deferred)	0.4	(1,190)	–	–
Adjustments for prior years (deferred)	1.8	(5,211)	1.4	(3,982)
Adjustments for prior years (current)	4.1	(11,902)	(4.0)	11,546
Dividend and other income taxes	(0.9)	2,640	(1.8)	5,342
	(3.1)	9,152	(24.1)	69,637

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

Income tax recognised in other comprehensive income and in equity

(EUR x 1,000)		2016			2015	
	Before tax	Tax (expense)/ benefit	Net of tax	Before tax	Tax (expense)/ benefit	Net of tax
Defined benefit plan actuarial gains (losses)	(14,758)	613	(14,145)	12,781	(3,773)	9,008
Net change in fair value of cash flow hedges transferred to profit or loss	288	–	288	477	–	477
Net change in fair value of hedge of net investment in foreign operations	5,079	–	5,079	(81,385)	–	(81,385)
Share-based payment transactions	6,935	–	6,935	9,286	–	9,286
Net change in fair value of available-for-sale financial assets	34	–	34	37	–	37
Net change in translation reserves transferred to profit or loss	–	–	–	(8,286)	–	(8,286)
Subordinated unsecured convertible bonds	34,538	(8,822)	25,716	–	–	–
Foreign currency translation differences of foreign operations and equity-accounted investees	26,010	(500)	25,510	122,659	289	122,948
	58,126	(8,709)	49,417	55,569	(3,484)	52,085

Reference is also made to note 5.42.

5.37 Current tax assets and liabilities

The net current tax liability of EUR 11,176 thousand (2015: EUR 27,075 thousand liability) represents the balance of current tax assets and liabilities in respect of current and prior periods less advance tax payments.

5.38 Property, plant and equipment

(EUR x 1,000) 2016

	Land and buildings	Plant and equipment	Vessels	Fixed assets under construction	Other	Total
Cost						
Balance at 1 January 2016	213,625	1,267,914	948,416	38,865	235,716	2,704,536
Investments in assets under construction	–	–	–	10,285	–	10,285
Other additions	2,124	34,751	40,906	–	4,427	82,208
Capitalised fixed assets under construction	440	5,646	145	(7,777)	1,546	–
Disposals	(2,615)	(51,889)	(70,860)	–	(21,426)	(146,790)
Effects of movement in foreign exchange rates	(1,592)	1,872	35,397	(516)	928	36,089
Balance at 31 December 2016	211,982	1,258,294	954,004	40,857	221,191	2,686,328
Depreciation and impairment losses						
Balance at 1 January 2016	81,429	977,174	458,337	–	201,011	1,717,951
Depreciation	6,806	108,901	39,964	–	16,695	172,366
Impairment loss (note 5.33)	2,193	36,153	78,714	–	420	117,480
Disposals	(2,305)	(50,617)	(70,854)	–	(20,855)	(144,631)
Effects of movement in foreign exchange rates	(53)	982	15,879	–	362	17,170
Balance at 31 December 2016	88,070	1,072,593	522,040	–	197,633	1,880,336
Carrying amount						
At 1 January 2016	132,196	290,740	490,079	38,865	34,705	986,585
At 31 December 2016	123,912	185,701	431,964	40,857	23,558	805,992

(EUR x 1,000)						2015
	Land and buildings	Plant and equipment	Vessels	Fixed assets under construction	Other	Total
Cost						
Balance at 1 January 2015	214,643	1,168,465	825,294	178,664	219,168	2,606,234
Acquisitions through business combinations	–	8,751	–	8,337	–	17,088
Investments in assets under construction	–	–	–	43,062	–	43,062
Other additions	1,995	74,493	27,757	–	13,165	117,410
Capitalised fixed assets under construction	2,351	13,777	171,495	(195,058)	7,435	–
Disposals	(9,049)	(45,384)	(84,364)	–	(21,085)	(159,882)
Effect of movements in foreign exchange rates	9,331	47,812	70,237	3,860	17,033	148,273
Transfers to assets classified as held for sale (note 5.46)	(5,646)	–	(62,003)	–	–	(67,649)
Balance at 31 December 2015	213,625	1,267,914	948,416	38,865	235,716	2,704,536
Depreciation and impairment losses						
Balance at 1 January 2015	73,992	829,362	327,491	2,269	175,096	1,408,210
Depreciation	7,792	140,656	40,982	(2,269)	25,325	212,486
Impairment loss (note 5.33)	307	19,507	91,534	–	4,384	115,732
Disposals	(2,517)	(43,648)	(22,612)	–	(18,883)	(87,660)
Effect of movements in foreign exchange rates	4,487	31,297	24,927	–	15,089	75,800
Transfers to assets classified as held for sale (note 5.46)	(2,632)	–	(3,985)	–	–	(6,617)
Balance at 31 December 2015	81,429	977,174	458,337	–	201,011	1,717,951
Carrying amount						
At 1 January 2015	140,651	339,103	497,803	176,395	44,072	1,198,024
At 31 December 2015	132,196	290,740	490,079	38,865	34,705	986,585

5.38.1 Impairment loss and subsequent reversal

The Group has assessed whether any impairment triggers exist for its property, plant and equipment. Reference is made to note 5.33 Impairments. The Group has not reversed any material impairment losses.

5.38.2 Fixed assets under construction

This involves mainly a vessel under construction. At 31 December 2016, capitalised borrowing costs related to the construction of vessels amounted to EUR 1.8 million (2015: EUR 2.0 million), with an interest rate of 4.5% (2015: 4.6%).

5.38.3 Leased fixed assets

In 2016, Fugro entered into a finance lease arrangement for a certain vessel (Hugin Explorer). This non-cash transaction amounting to EUR 23.9 million has been reported in above movement schedule of property, plant and equipment as part of other additions. Reference is made to note 5.50.4.

5.39 Intangible assets

(EUR x 1,000)					2016
	Goodwill	Multi-client data libraries	Software	Other	Total
Cost					
Balance at 1 January 2016	851,005	32,469	33,766	80,662	997,902
Purchase of intangible assets	–	–	1,910	4,142	6,052
Internally developed intangible assets (including Finder)	–	5,060	–	–	5,060
Disposals	–	–	(8,099)	(125)	(8,224)
Effect of movements in foreign exchange rates	2,032	1,142	400	2,223	5,797
Balance at 31 December 2016	853,037	38,671	27,977	86,902	1,006,587
Amortisation and impairment losses					
Balance at 1 January 2016	454,426	823	19,798	56,228	531,275
Amortisation	–	–	3,847	4,715	8,562
Impairment loss (note 5.33)	51,088	16,633	7,515	–	75,236
Disposals	–	–	(8,091)	(125)	(8,216)
Effect of movements in foreign exchange rates	3,602	668	543	1,420	6,233
Balance at 31 December 2016	509,116	18,124	23,612	62,238	613,090
Carrying amount					
At 1 January 2016	396,579	31,646	13,968	24,434	466,627
At 31 December 2016	343,921	20,547	4,365	24,664	393,497

(EUR x 1,000)					2015
	Goodwill	Multi-client data libraries	Software	Other	Total
Cost					
Balance at 1 January 2015	805,319	999,158	29,423	68,110	1,902,010
Acquisitions through business combinations	2,709	–	–	–	2,709
Purchase of intangible assets	–	–	3,984	6,424	10,408
Transfer	–	2,577	–	(2,577)	–
Internally developed intangible assets (including Finder)	–	22,835	732	–	23,567
Disposals	–	(1,042,198)	–	–	(1,042,198)
Effect of movements in foreign exchange rates	42,977	50,097	(373)	8,705	101,406
Balance at 31 December 2015	851,005	32,469	33,766	80,662	997,902
Amortisation and impairment losses					
Balance at 1 January 2015	229,828	851,707	19,691	38,350	1,139,576
Amortisation	–	17,590	4,331	5,461	27,382
Impairment loss (note 5.33)	207,072	37,670	279	2,565	247,586
Disposals	–	(953,516)	–	–	(953,516)
Effect of movements in foreign exchange rates	17,526	47,372	(4,503)	9,852	70,247
Balance at 31 December 2015	454,426	823	19,798	56,228	531,275
Carrying amount					
At 1 January 2015	575,491	147,451	9,732	29,760	762,434
At 31 December 2015	396,579	31,646	13,968	24,434	466,627

5.39.1 Impairment loss and subsequent reversal

For the impairment loss in 2016 reference is made to note 5.33. The Group has not reversed any material impairment losses.

5.39.2 Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to cash-generating units which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. This is not higher than the Group's operating segments as reported in note 5.26.

The following CGU's have significant goodwill allocated as at 31 December 2016:

(EUR x 1,000)	Growth rate first year	Growth rate long-term	Pre-tax discount rate	Division	Goodwill 2016
Offshore Survey	(2.4%)	2.0%	10.1%	Survey	119,646
Geospatial Services	(3.5%)	2.0%	10.1%	Survey	17,793
Offshore Geotechnical	(10.3%)	2.0%	10.1%	Geotechnical	63,919
Onshore Geotechnical Middle East & India/Asia Pacific	5.6%	2.0%	10.1%	Geotechnical	30,884
Onshore Geotechnical Americas	(2.4%)	2.0%	10.1%	Geotechnical	42,664
Seabed Geosolutions	8.6%	2.0%	12.8%	Geoscience	69,015
Total					343,921

The capitalised goodwill was allocated to the following CGU's as at 31 December 2015:

(EUR x 1,000)	Growth rate first year	Growth rate long-term	Pre-tax discount rate	Division	Goodwill 2015
Subsea Services	(18%)	2.0%	10.0%	Subsea Services	16,977
Offshore Survey	(14%)	2.0%	10.0%	Survey	123,278
Geospatial Services	(6%)	2.0%	10.0%	Survey	17,918
Offshore Geotechnical	(13%)	2.0%	10.0%	Geotechnical	63,339
Onshore Geotechnical Europe/Africa	11%	2.0%	10.0%	Geotechnical	12,933
Onshore Geotechnical Middle East & India/Asia Pacific	(7%)	2.0%	10.0%	Geotechnical	33,172
Onshore Geotechnical Americas	(20%)	2.0%	10.0%	Geotechnical	41,166
Seabed Geosolutions	(25%)	2.0%	15.0%	Geoscience	87,796
Total					396,579

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 CGU's.
The calculation of the value in use was based on the following key assumptions:

- The period for the discounted cash flow calculations is indefinite. About 66% of the Group's activities relate to the oil and gas industry. The services are in principle of such a nature that our clients use us to help them to explore and extract hydrocarbon and mineral resources in addition to provide services related to development, production decommission of the infrastructure. Industry experts believe that these resources will continue to be available for many decades and their reports indicate periods between fifty and hundred years.
- Cash flows in the first year of the forecast are based on management's approved financial budget. For all CGU's, the 2017 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.
  For further considerations on revenue and cash flow projections for Seabed Geosolutions see below.
  Cash flows for the CGU's beyond one year are extrapolated using an estimated growth rate based on expected market developments, taking into account strategic plans of the company.
- Cash flows for the CGU's beyond five years are extrapolated using an estimated long-term growth rate of 2.0% (2015: 2.0%). For individual significant CGU's the growth rates are based on an analysis of the long-term market price trends in the oil and gas industry adjusted for actual experience.

- The pre-tax discount rate used to discount the pre-tax cash flows for impairment testing purposes is determined through an iterative calculation using the projected post-tax cash flows, expected tax rate for the respective cash generating units and a post-tax discount rate for the group. The pre-tax discount rate used to discount the pre-tax cash flows for impairment testing purposes ranges for the CGU's from 10.1% to 12.8% (2015: 10.0%-15.0%).

The recoverable amounts for offshore survey, geospatial services, onshore geotechnical (Middle East & India/Asia Pacific and Americas) and offshore geotechnical exceed the carrying amounts of the CGU's with significant headroom.

The Seabed business mainly focuses on the development and production cycle of oil and gas fields. This business is considered as more volatile and less predictable than the other Fugro businesses because of its lumpy nature and related large projects.
In this respect, significant changes in the assumptions applied in the value in use calculation for Seabed Geosolutions, reflecting changed circumstances, are reasonably possible and could result in an impairment.
For half-year Fugro Group reporting purposes, Seabed tested its goodwill for impairment, which outcome revealed an impairment of EUR 20.5 million as the CGU's recoverable amount was below the carrying amount (refer to note 5.33). As at 31 December 2016, an impairment test for Seabed was performed as well and the recoverable amount exceeds the carrying amount of the CGU with sufficient headroom. This is highly related to higher expected project opportunities from the ocean bottom seismic technology. It is therefore also reasonably assumed that as from 2019 onward, Seabed would get back to more standard and normalized asset utilization level. As a result, the assumptions for the impairment test at year-end 2016, contain significant forecasted revenue and cash flow growth for 2019 and after (based on EBITDAs) with a post-tax discount rate of 10.9% (pre-tax rate of 12.8%). If and when these underlying assumptions would give raise to changes in future, this might have significant impact on Seabed's recoverable amount following the outcome of value in use calculation. If the post-tax discount rate would be 11.9%, assuming all other assumptions used remain the same, the recoverable amount would be equal to the carrying amount.

5.40 Investments in equity-accounted investees

The carrying amount of the equity-accounted investees which consist mainly of joint ventures amounts to EUR 20,068 thousand as at 31 December 2016 (31 December 2015: EUR 29,577 thousand).The Group's share in realised profit (or loss) in joint ventures amounted to a net loss of EUR 2,223 thousand in 2016 (2015: EUR 7,810 thousand gain). In 2016, the Group received dividends of EUR 5,580 thousand (2015: EUR 9,608 thousand) from its investments in equity-accounted investees. None of the group's equity-accounted investees are publicly listed entities and consequently they do not have published price quotations.

The following information is disclosed in aggregate as the joint ventures are not considered as individually material. Not adjusted for the percentage ownership held by the Group, the equity accounted investees have assets of EUR 86 million (2015: EUR 110 million), liabilities of EUR 46 million (2015: EUR 51 million), revenues of EUR 51 million (2015: EUR 91 million) and a net loss of EUR 4 million (2015: EUR 16 million gain). The total comprehensive result generated by the joint ventures is similar to the net loss.

The group has no significant commitments to its joint ventures.

5.41 Other investments

The Group holds the following other investments:

(EUR x 1,000)	2016	2015
Other investments in equity instruments	1,095	1,095
Long-term loans	9,180	83,922
Deposits	11,971	4,836
Advance lease payment	9,074	5,514
Available-for-sale financial assets	372	328
Other long-term receivables	2,058	2,729
	33,750	98,424

In 2016, the Group received dividends of EUR 2 thousand (2015: EUR 873 thousand) from its other investments.

5.41.1 Other investments in equity instruments

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

Name of the company Cash generating unit	Country	Ownership	Assets	Liabilities	Equity	Revenue	Profit/(loss)
La Coste & Romberg-Scintrex	USA	11%	17,289	6,333	10,956	10,743	(1,426)

The Group's other investments in equity instruments are not listed.

5.41.2 Long-term loans

In May 2016, Fugro sold its CGG senior secured term loan of USD 90 million. The proceeds amounted to around EUR 63 million (USD 71 million) have been fully applied to debt reduction and have been reported in the consolidated statement of cash flows as 'Proceeds from sale of interests in business, net of cash disposed of'. As a result, a transaction loss for the amount of EUR 12 million is included in other expenses as write-off receivables in the consolidated statement of comprehensive income.
The transaction loss forms part of the reportable segment loss of the Geoscience division.

Fugro has a loan due from Wavewalker B.V. for the principal amount of EUR 8.3 million (31 December 2015: EUR 8.3 million). The loan bears annual interest of 5%. The loan has to be repaid, including interest, before 30 April 2027.

5.41.3 Available-for-sale financial assets

The fair value of the available for sale financial assets is based on quoted prices of these companies on the Australian Securities Exchange (ASX).

5.42 Deferred tax assets and liabilities

5.42.1 Recognised deferred tax assets and liabilities

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

(EUR x 1,000)	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Property, plant and equipment	26,107	18,994	(136)	(12,205)	25,971	6,789
Intangible assets	2,951	2,949	(1,272)	(12,854)	1,679	(9,905)
Loans and borrowings	–	–	(997)	(4,288)	(997)	(4,288)
Subordinated unsecured convertible bonds	–	–	(8,503)	–	(8,503)	–
Employee benefits	15,415	18,638	–	–	15,415	18,638
Provisions for other liabilities and charges	3,752	5,017	(139)	(37)	3,613	4,980
Tax loss carry-forwards	39,222	60,876	–	–	39,222	60,876
Other items	7,744	9,531	(5,192)	(3,986)	2,552	5,545
Deferred tax assets/(liabilities)	95,191	116,005	(16,239)	(33,370)	78,952	82,635
Set off of tax components	(14,589)	(27,619)	14,589	27,619	–	–
Net deferred tax asset/(liability)	80,602	88,386	(1,650)	(5,751)	78,952	82,635

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) 2016

	Balance 1 January 2016	Recognised in profit or loss	Recognised in other comprehensive income	Recognised directly in equity	Balance 31 December 2016
Property, plant and equipment	6,789	19,182	–	–	25,971
Intangible assets	(9,905)	11,584	–	–	1,679
Loans and borrowings	(4,288)	1,832	1,459	–	(997)
Subordinated unsecured convertible bonds	–	319	–	(8,822)	(8,503)
Employee benefits	18,638	(3,836)	613	–	15,415
Provisions for other liabilities and charges	4,980	(1,367)	–	–	3,613
Tax loss carry-forward	60,876	(21,654)	–	–	39,222
Exchange differences	–	1,431	(1,431)	–	–
Other items	5,545	(2,993)	–	–	2,552
Total	82,635	4,498	641	(8,822)	78,952

(EUR x 1,000) 2015

	Balance 1 January 2015	Acquired in business combinations	Recognised in profit or loss	Recognised in other comprehensive income	Balance 31 December 2015
Property, plant and equipment	(4,103)	6	10,886	–	6,789
Intangible assets	5,667	6,244	(21,816)	–	(9,905)
Loans and borrowings	(193)	–	(1,531)	(2,564)	(4,288)
Employee benefits	26,556	–	(4,145)	(3,773)	18,638
Provisions for other liabilities and charges	11,100	(954)	(5,166)	–	4,980
Tax loss carry-forward	56,852	–	4,024	–	60,876
Exchange differences	454	2	(3,364)	2,908	–
Other items	5,039	690	(184)	–	5,545
Total	101,372	5,988	(21,296)	(3,429)	82,635

5.42.2 Unrecognised deferred tax assets and liabilities

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

Unrecognised deferred tax assets

(EUR x 1,000)	2016	2015
Tax credits	2,170	1,414
Deductible temporary differences	28,823	26,396
Tax losses	176,010	108,480
Total	207,003	136,290

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)	2016	2015
As of 1 January	136,290	78,677
Movements during the period:		
Additional unrecognised losses and temporary differences	102,512	69,744
Recognition of previously unrecognised tax losses and temporary differences (profit or loss)	(22,738)	(13,988)
Recognition of previously unrecognised tax losses and temporary differences (equity)	465	–
Effect of change in tax rates	(316)	–
Exchange rate differences	9,775	(144)
Change from reassessment	(18,985)	5,542
Acquired from business acquisitions	–	(3,541)
As of 31 December	207,003	136,290

Of the total recognised and unrecognised deferred tax assets in respect of tax losses carried forward an amount of EUR 14,554 thousand expires in periods varying from two to five years. An amount of EUR 10,194 thousand expires between five and ten years, an amount of EUR 74,384 thousand expires between ten and twenty years and an amount of EUR 116,100 thousand can be offset indefinitely. Based on forecasted results per tax jurisdiction, management considered it probable that sufficient future taxable profit will be generated to utilise recognised deferred tax assets depending on taxable profits in excess of the profits arising from the reversal of existing temporary differences.

Unrecognised deferred tax liabilities

At 31 December 2016, no deferred tax liabilities relating to investments in subsidiaries have been recognised (2015: EUR nil), because Fugro controls whether the liability will be incurred and it is satisfied that it will not be incurred in the foreseeable future due to permanent reinvestments.
The aggregate amount of temporary differences for which these deferred tax liabilities have not been recognised is EUR nil (2015: EUR nil).

In some of the countries where the Group operates, local tax laws provide that gains on disposal of certain assets are tax exempt, provided that the gains are not distributed. The company does not intend to distribute such gains; therefore no tax liabilities are recognised in this respect.

5.43 Inventories

In 2016 EUR 48,275 thousand (2015: EUR 67,102 thousand) of other inventories was recognised as an expense and EUR 96 thousand (2015: EUR 168 thousand) was written down. The write down is included in third party costs.

5.44 Trade and other receivables

(EUR x 1,000)	2016	2015
Unbilled revenue on (completed) projects	151,991	286,928
Trade receivables	308,810	338,823
Non-trade receivables	85,425	124,769
Current portion vendor loan	–	5,382
	546,226	755,902

Unbilled revenue on (completed) projects represents the gross amount expected to be collected from customers for contract work performed to date. It is measured at costs incurred plus profits recognised to date less progress billings and recognised losses. 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. At 31 December 2016, trade receivables include retentions of EUR 13.5 million (2015: EUR 22.2 million) relating to completed projects.

Trade receivables are shown net of impairment losses amounting to EUR 39.5 million (2015: EUR 29.2 million) arising from identified doubtful receivables from customers. Trade receivables were impaired taking into account the financial position of the debtors, the days outstanding and expected outcome of negotiations and legal proceedings against debtors. Unbilled revenue on (completed) projects does not include impairment losses (2015: EUR nil).

Non-trade receivables include VAT receivables, prepayments for insurance and claims, deposits, current portion of long term receivables and sundry receivables.

5.45 Cash and cash equivalents

(EUR x 1,000)	2016	2015
Cash and cash equivalents	248,488	304,993
Bank overdraft	(4,043)	(21,908)
Cash and cash equivalents in the consolidated statement of cash flows	244,445	283,085

5.46 Assets classified as held for sale

The assets held for sale relate to a building which sale is going take place in 2017. Last year, it was already classified as held for sale as the sale was expected to occur in 2016. As at 31 December 2015, the assets classified as held for sale also included a vessel, which delivery took place early 2016.

5.47 Total equity

5.47.1 Share capital

(In thousands of shares)	Ordinary shares	
	2016	2015
On issue and fully paid at 1 January	84,572	84,572
Repurchased for option programme at year-end	(3,628)	(3,628)
On issue and fully paid at 31 December – entitled to dividend	80,944	80,944

On 31 December 2016, the authorised share capital amounts to EUR 16 million (2015: EUR 16 million) divided into 96 million ordinary shares (2015: 96 million), each of EUR 0.05 nominal value and 224 million (2015: 224 million) various types of preference shares, each of EUR 0.05 nominal value.

On 31 December 2016, the issued share capital amounted to EUR 4,228,626.25. As of this date, 81% of the ordinary shares (84,572,525 shares) were issued. No preference shares have been issued. In 2016, no certificates of shares were issued by the Foundation Trust Office (2015: nil). The holders of ordinary shares are entitled to dividends as approved by the Annual General Meeting from time to time. Furthermore, they are entitled to one vote per share in Fugro's shareholders meeting. The holders of certificates of shares are entitled to the same dividend but they are not entitled to voting rights. Under certain conditions the holder of certificates can exchange his/her certificates into ordinary shares and vice versa.

No dividend is (to be) paid for 2016 (2015: EUR nil).

5.47.2 Share premium

The share premium can be considered as paid in capital.

5.47.3 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the company's net investment in a foreign subsidiary.

5.47.4 Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

5.47.5 Reserve for own shares

Fugro purchases and sells own shares in relation to the share option scheme. The cost of these shares held by the Group is recorded as a reserve within shareholder's equity. Fugro has purchased no certificates of own shares to cover its option scheme in 2016 (2015: nil). No shares were sold in 2016 (2015: nil). As per 31 December 2016, Fugro holds 3,628,347 own certificates of shares (2015: 3,628,347) with respect to the option scheme. This was 4.3% of the issued capital (2015: 4.3%).

5.47.6 Subordinated unsecured convertible bonds- equity component

The equity component of the Bonds as presented in the consolidated statement of financial position can be summarised as follows:

(EUR x 1,000)	2016
Subordinated unsecured convertible bonds- equity component	35,286
Tax on subordinated unsecured convertible bonds	(8,822)
Initial direct cost attributable to equity component	(748)
Issuance of subordinated unsecured convertible bonds, net of tax	25,716

Reference is made to 5.50.3.

5.47.7 Unappropriated result

No dividend is proposed to be paid-out for 2016.

5.48 Basic and diluted earnings per share

The basic and diluted earnings per share for 2016 amount to EUR 3.82 negative (2015: EUR 4.60 negative).
The calculation of basic earnings per share at 31 December 2016, is based on the loss from operations attributable to owners of the company consisting of a loss of EUR 300,983 thousand (2015: EUR 358,689 thousand loss) that is adjusted for the gain of the non-controlling interest of EUR 7,951 thousand (2015: EUR 13,833 thousand loss), and the weighted average number of shares outstanding at 31 December 2016 of 80,944 thousand (2015: 80,944 thousand). The weighted average number of shares amounts to 80,944 thousand as at 31 December 2016 (31 December 2015: 80,944 thousand). The share options on issue and the subordinated unsecured convertible bonds could have an impact on the weighted average number of (diluted) ordinary shares. However, their conversion to (certificates of) ordinary shares would not decrease earnings per share or increase loss per share and as such they have not been treated as dilutive.

5.49 Non-controlling interest

5.49.1 Subsidiaries with non-controlling interest

The total non-controlling interest for the period is EUR 55,250 thousand (surplus), of which EUR 41,187 thousand (surplus) is for Seabed Geosolutions B.V. and EUR 13,107 thousand (surplus) is attributable to Fugro-Suhaimi Ltd. The individual non-controlling interest of other subsidiaries is considered as insignificant.

5.49.2 Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for the subsidiaries Seabed Geosolutions B.V. (Seabed) and Fugro-Suhaimi Ltd (Suhaimi) that have material non-controlling interests to the Group. The non-controlling interest in Seabed and Fugro-Suhaimi is 40% and 50% respectively, which also represent 40% respectively 50% of the companies' voting rights in the general meeting of shareholders.

Fugro controls the operations and management of Seabed and Suhaimi as it directs the relevant revenue generating activities of both companies. Fugro also determines the strategy, policies and day-to-day business of these activities; therefore both subsidiaries, with a significant non-controlling interest, are fully incorporated into these consolidated financial statements. The shareholders of these companies have certain customary rights on certain key decisions, such as decisions on the declaration and payment of dividend and any significant change to the scope of the business, which rights are considered as protective in nature and normally go beyond the normal scope of business.
Such decisions must be taken by a majority of 75% of the votes cast in both entities, but do not affect Fugro's ability to control the activities of both companies.

Summarised balance sheet

(EUR x 1,000)	Seabed		Suhaimi	
	As at 31 December		As at 31 December	
	2016	2015	2016	2015
Current				
Assets	90,709	197,294	33,286	36,753
Liabilities	(70,479)	(145,416)	(17,322)	(17,696)
Total current net assets	20,230	51,878	15,964	19,057
Non-current				
Assets	94,123	114,330	15,380	16,055
Liabilities	(11,386)	(114,293)	(5,131)	(4,368)
Total non-current net assets	82,737	37	10,249	11,687
Net assets	102,967	51,915	26,213	30,744
NCI percentage	40%	40%	50%	50%
Carrying amount of NCI	41,187	20,766	13,107	15,372

Summarised income statement

(EUR x 1,000)	Seabed		Suhaimi	
	For period ended 31 December		For period ended 31 December	
	2016	2015	2016	2015
Revenue	172,978	343,815	30,435	39,772
Profit/(loss) before income tax	693	28,303	12,482	15,812
Income tax (expense)/income	3,883	(11,641)	–	–
Post-tax profit/(loss) from continuing operations	4,576	16,662	12,482	15,812
Post-tax profit from discontinued operations	–	–	–	–
Total comprehensive income/(loss)	4,576	16,662	12,482	15,812
Total comprehensive income/(loss) allocated to non-controlling interests	1,830	6,665	6,241	7,906
Dividends paid to non-controlling interests	–	–	9,972	8,868

Summarised cash flows

(EUR x 1,000)	Seabed		Suhaimi	
	For period ended 31 December		For period ended 31 December	
	2016	2015	2016	2015
Net cash generated from operating activities	63,727	(17,317)	14,594	30,540*
Net cash used in investing activities	(12,526)	(37,002)	(901)	(2,047)
Net cash used in financing activities	(48,937)	80,298	(18,061)	(16,898)*
Net increase in cash and cash equivalents and bank overdrafts	2,264	25,979	(4,368)	11,595
Cash, cash equivalents and bank overdrafts at beginning of year	46,263	17,902	15,174	3,281
Exchange gains/(losses) on cash and cash equivalents	1,546	2,382	450	298
Cash and cash equivalents and bank overdrafts at end of year	50,073	46,263	11,256	15,174

* An amount of EUR 8.4 million (negative) has been reclassified from net cash generated from operating activities to net cash used in financing activities. Last year, the net cash generated from operating activities and net cash used in financing activities amounted to EUR 22,091 thousand and EUR (8,449) thousand respectively.

The information above are the amounts before intercompany eliminations.

5.50 Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to liquidity risk, currency risk and interest rate risk and, refer to note 5.56, 5.57 and 5.58.

(EUR x 1,000)	2016	2015
Bank loans	243,537	183,337
Private placement loans 2011 in USD	133,058	478,651
Private placement loans 2011 in EUR	17,171	23,290
Private placement loans 2011 in GBP	14,108	66,235
Private placement loans 2002 in USD	14,862	29,980
Subordinated unsecured convertible bonds in EUR	153,900	–
Finance lease liabilities	18,336	–
Revolving credit facilities CGG	–	34,960
Other loans and long-term borrowings	537	1,351
Subtotal	595,509	817,804
Less: current portion of loans and borrowings	22,006	89,722
	573,503	728,082

The bank loans and private placement loans contain covenants. The Group is in compliance with these covenants as at 31 December 2016. Reference is made to 5.50.6.

As at 31 December 2016, Fugro has drawn a total amount of EUR 245 million under the committed multicurrency revolving facilities (31 December 2015: EUR 185 million).

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

(EUR x 1,000)	Currency	Nominal interest rate	Year of maturity	2016 Face value	2016 Carrying value	2015 Face value	2015 Carrying value
Bank loans	EUR	EURIBOR + 140 bps	2020	245,000	243,537	185,000	183,337
Private placement loans:							
320 million USD bonds 2011	USD	5.05%	2018	53,411	52,193	201,533	196,260
330 million USD bonds 2011	USD	5.78%	2021	56,381	53,998	214,746	209,282
100 million USD bonds 2011	USD	5.88%	2023	28,204	26,867	74,841	73,109
27.5 million GBP bonds 2011	GBP	5.06%	2018	5,521	5,380	25,557	24,889
40 million GBP bonds 2011	GBP	5.82%	2021	9,170	8,728	42,451	41,346
35 million EUR bonds 2011	EUR	5.81%	2021	18,212	17,171	23,917	23,290
37 million USD bonds 2002	USD	8.10%	2017	14,987	14,862	30,605	29,980
190 million EUR Subordinated unsecured convertible bonds 2016	EUR	4.00%	2021	190,000	153,900	–	–
Finance lease liabilities	USD	5.55%	2019	19,784	18,336	–	–
Revolving credit facilities CGG	USD	LIBOR + 500 bps		–	–	34,960	34,960
Mortgage and other loans and long-term borrowings	Variable	1.0% – 11.5%	2017–2024	537	537	1,351	1,351
				641,207	595,509	834,961	817,804

5.50.1 Bank loans

On 3 December 2015, Fugro has reached agreement with seven banks for the refinancing of its multicurrency revolving credit facility. The 5-year multicurrency revolving credit facility of EUR 500 million has replaced the previous loan facility of EUR 775 million. Rabobank and ING Bank N.V. provided EUR 127.5 million each, HSBC Bank Plc. provided EUR 75 million, Barclays Bank plc and ABN AMRO Bank N.V. provided EUR 50 million each, Credit Suisse provided EUR 40 million and BNP Paribas S.A./N.V. provided EUR 30 million. The interest is LIBOR, or in relation to any loan in EUR, EURIBOR plus a margin based on the consolidated net debt/adjusted EBITDA at each period of twelve months ending on the last day of the company's financial quarters. At 31 December 2016, a total amount of EUR 245 million of the multicurrency revolving credit facility was in use and was denominated in euro (31 December 2015: EUR 185 million).

The total transaction costs amounts to EUR 0.2 million (31 December 2015: EUR 5.0 million) of which EUR 0.1 million relate to the drawn part of the bank loans. These are included in the carrying amount of the bank loans for the drawn facility and recorded as other current assets for the undrawn portion and are amortised over the term.
An amount of EUR 0.2 million was paid in 2016.

5.50.2 Private placement loans

In May 2002 long-term loans were concluded with twenty American and two British institutional investors.
As per 8 May 2007, the Group terminated a cross currency swap (foreign exchange contract related to the US Dollar exposure of the loans). The cumulative exchange differences as per termination date have been added to equity (Hedging reserve) and are being charged to profit or loss during the remaining term of the loan. This resulted during 2016 in an interest expense of EUR 288 thousand (2015: EUR 477 thousand).

In August 2011, long-term loans were concluded with twenty-five American and two British institutional investors for a total amount equivalent to USD 909 million, with maturities of 7, 10 and 12 years and fixed interest rates.

At reporting date all the private placement loans are valued at the closing rate. The currency exchange difference on the loans between the initial exchange rate and the exchange rate at the reporting date is accounted for in the translation reserve. For the year under review the currency exchange differences on the private placement loans amount to EUR 5,079 thousand gain (2015: EUR 81,385 thousand loss).

In 2016, a total amount of EUR 422 million has been repaid on the private placement loans following the sale of two Geotechnical vessels, the sale of senior secured term loan and the net proceeds of the issuance of the unsecured subordinated convertible bonds. The repayments are considered as non-substantial modifications to the (existing) loans and did not give raise to a change in accounting treatment on the loans accordingly. Transaction costs have been charged following the refinancing and temporary adjustment of the covenant and the related definitions last year. The transaction costs amount to EUR 17.5 million (31 December 2015: EUR 12.4 million) and has been paid in 2016. These transactions costs are included in the carrying amount of the private placement loans and are amortised over the remaining terms.

5.50.3 Subordinated unsecured convertible bonds

On 26 October 2016, Fugro has issued 1,900 subordinated unsecured convertible bonds (the Bonds) at a par value of EUR 190 million, which are publicly traded on Frankfurt Stock Exchange. The Bonds were issued at 100% par value. A coupon of 4.0% per annum will be paid semi-annually in arrear in equal instalments on 26 April and 26 October in each year. Unless previously redeemed, converted or purchased and cancelled, the Bonds will be redeemed at their principal amount on or around 26 October 2021.

Upon exercise of their conversion rights, the Bonds will be convertible into certificates (certificaten van aandelen) at a conversion rate of 5,144 for each bond held, representing ordinary shares in the capital of Fugro (the “certificates”). The certificates underlying the Bonds correspond to approximately 12% of the company’s issued share capital. Fugro will have the option to convert all but not some of the outstanding Bonds into certificates at the then prevailing conversion price at any time from 18 November 2019, if the value of the certificates underlying a Bond exceeds EUR 150 thousand for a specified period of time.

The Bonds are presented in the consolidated statement of financial position and consolidated statement of comprehensive income as follows:

(EUR x 1,000)	2016
Face value of bonds issued on 26 October 2016	190,000
Subordinated unsecured convertible bonds- equity component	35,286
Liability component	154,714
Initial direct cost attributable to liability component	(3,283)
Interest expense*	2,469
Interest paid	–
Non-current liability	153,900

* Interest expense is calculated by applying the effective interest rate of 9.2% to the liability component.

The initial fair value of the liability portion of the subordinated unsecured convertible bonds was determined using a market interest rate for an equivalent non-convertible bond at the issue date. The liability is subsequently recognised 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 and recognised in shareholders’ equity, net of income tax, and not subsequently remeasured. The total transaction costs attributable to the issuance of the subordinated unsecured convertible bonds amounted to EUR 4,031 thousand of which EUR 748 thousand has been allocated to the equity component of the subordinated unsecured convertible bonds.

5.50.4 Finance lease liabilities

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. On 1 July 2016, Fugro entered into a finance lease arrangement in connection with the purchase of a chartered vessel with a lease term of three years for the amount of EUR 23,850 thousand. At expiry of the charter period, Fugro will acquire and ownership will be transferred to Fugro by payment of the remaining purchase price.

Commitments in relation to finance leases and the present value of these liabilities are as follows:

(EUR x 1,000)	2016
Gross finance lease liabilities- minimum lease payments	
No later than one year	7,108
Later than one year and no later than 3 years	12,676
	19,784
Future finance charges on finance lease liabilities	1,366
Present value of finance lease liabilities	18,336
Of which:	
Non-current *	11,228
Current	7,108

* Are due later than 1 years and no later than three years.

5.50.5 Revolving credit facilities

In 2016, the revolving credit facilities that were granted by CGG to Seabed Geosolutions B.V. have been partially repaid for an amount of approximately EUR 17 million (USD 19 million). These facilities formed part of four separate facilities in which Seabed has entered into with Fugro and CGG on a 60/40 percent basis. On 31 August 2016, CGG made a capital contribution on the shares of Seabed for an amount of USD 19 million by converting part of the revolving credit facilities to share premium, resulting in a closing balance of nil (31 December 2016: EUR 35 million). The facility carried an interest of LIBOR plus 500 bps.

5.50.6 Covenant requirements

The multicurrency revolving credit facility as well as the US private placement loans contain certain covenant requirements.

Last year, Fugro has reached agreement with its lenders on the refinancing of the multicurrency revolving credit facility, and has aligned the terms and conditions of the private placement loans with new multicurrency revolving credit facility. Upon the refinancing, the margin fixed charge coverage (fixed charge cover) has been adjusted as shown in the table below:

Relevant period ended or ending	Net leverage	Fixed charge cover	
	Covenant	Original covenant	Adjusted covenant
March 2016	< 3.00x	> 2.25x	> 1.80x
June 2016 onwards	< 3.00x	> 2.50x	> 1.80x
December 2017	< 3.00x	> 2.50x	> 1.80x
March, June, September and December 2018	< 3.00x	> 2.50x	> 2.00x
March 2019 onwards	< 3.00x	> 2.50x	> 2.50x

The covenant requirements consist of the following:

- Equity > EUR 200 million (only applicable to private placement loans 2002).
- Net leverage (EBITDA coverage): Net financial indebtedness (loans and borrowings less net cash) plus outstanding guarantees in excess of EUR 250 million / Adjusted consolidated EBITDA.
- Margin fixed charge cover(age): Adjusted consolidated EBITDA plus operating lease expense / net interest expense plus operating lease expense.
- Solvency: Consolidated net worth / Balance sheet total > 1.0: 3.0.
- Consolidated financial indebtedness of the subsidiaries < 10% for the private placement loans of the consolidated balance sheet total.
- Consolidated financial indebtedness of the subsidiaries, excluding Seabed, < EUR 55 million for the bank loans.
- Declared dividend < 60% of the profit of the group for such financial year (dividend payment in 2017 (over the year 2016) is conditional on covenant compliance at original levels).

The covenant requirements are applicable at each period of twelve months ending on the last day of the company's financial quarters.

The Adjusted consolidated EBITDA for purpose of the covenant calculations comprises the income (or loss) from operations before interest expense, depreciation, amortisation and taxes, but not including any exceptional items as listed below, and are further adjusted by:

- Including pre-acquisition income or (loss) from businesses acquired.
- Excluding the income or (loss) from businesses disposed of, for the period for which they formed part of the Group.

Exceptional items comprise:

- Onerous contract charges (note 5.30).
- Restructuring costs (note 5.34).
- Write-off receivables (note 5.34).
- Certain adviser and other fees (to the extent not capitalised as transaction costs on loans and borrowings (note 5.34).
- Excluding the income or (loss) on disposal of property, plant and equipment (note 5.31 and 5.34).

For purpose of the calculation of the net interest expense, any amortised transaction costs directly attributable to covenant amendments (advisor and other fees) as well as interest expenses related to the subordinated unsecured convertible bonds are not included. For purpose of the calculation of the net financial indebtedness, the amount of the subordinated unsecured convertible bonds is not included.

The operating lease expense comprises operational lease expense under third party costs as well as the property lease expense under other expenses. For covenant requirements (a) part of the operational lease expense is excluded for amounts that relate to maintenance, repairs, taxes, insurance, assessments or other similar charges, and additional rentals (in excess of fixed minimums) based on gross receipts. Amounts required to be paid pursuant to (i) any lease or agreement with a term of less than one year or (ii) any project-based lease or agreement with a term that begins at the start of a specific project and ends upon completion of such project are reported as costs of other rentals under third party costs, are not included for covenant requirements to an amount equal or less than EUR 175 million as from 2015. Total operational lease expense relating to (a) amounts to EUR 31,672 thousand (2015: EUR 35,133 thousand) and is therefore excluded from operating lease expense. The property lease expense for the amount of EUR 24,328 thousand (2015: EUR 27,576 thousand) is therefore included in the operating lease expense as from 2016. Total operating lease expense for covenant requirements therefore amounts to EUR 84,416 thousand in 2016 (2015: EUR 91,913 thousand).

As from 31 December 2016, an aggregate maximum amount of EUR 35 million is applied in respect of exceptional items excluded from Adjusted consolidated EBITDA, excluding any gains from exceptional items unless such gains represent an adjustment or reversal relating to a loss previously counted as an exceptional item. Some of the covenant requirements such as the margin fixed charge cover(age), solvency and net leverage (EBITDA coverage) are incorporated in certain sale and lease back arrangements.

As can be concluded from the table below, Fugro complies with all (adjusted) covenant requirements and also complied with all covenant requirements during 2016. In case Fugro would not comply with the (adjusted) covenant requirements, both the private placement loans and multicurrency revolving credit facility will become immediately due.

	(EUR x 1,000)	2016
	Adjusted consolidated EBITDA	184,605
(5.30)	Operating lease expense	84,416
(5.35)	Net interest expense	29,390
	Margin fixed charge coverage > 1.8	2.36
	Net consolidated financial indebtedness (loans and borrowings less net cash)	198,386
	Bank guarantees exceeding cap of EUR 250 million	–
	Total	198,386
	EBITDA coverage < 3.0	1.07
	Consolidated net worth	934,859
	Balance sheet total	2,174,449
	Solvency > 33.33%	43.0%
	Margin Indebtedness subsidiaries < 10%	2.4%
	Financial indebtedness < EUR 55 million	23,361
	Dividend < 60% of the profit	–

The table below summarises the covenant requirements of 2015:

	(EUR x 1,000)	2015
	Adjusted consolidated EBITDA	339,733
(5.30)	Operating lease expense	91,913
(5.35)	Net interest expense	47,963
	Margin fixed charge coverage > 1.8	3.09
	Net consolidated financial indebtedness (loans and borrowings less net cash)	534,893
	Bank guarantees exceeding cap of EUR 250 million	–
	Total	534,893
	EBITDA coverage < 3.0	1.57
	Consolidated net worth	1,197,655
	Balance sheet total	2,841,184
	Solvency > 33.33%	42.2%
	Margin Indebtedness subsidiaries < 10%	2.8%
	Financial indebtedness < EUR 55 million	23,259
	Dividend < 60% of the profit	–

In October 2016, following the issuing of the subordinated unsecured convertible bonds, two covenant requirements have been introduced comprising total net debt (that includes the subordinated unsecured convertible bonds) is at all times less than or equal to EUR 475 million and the consolidated EBITDA for each relevant period is not less than or equal to EUR 105 million.

5.50.7 Mortgage and other loans and long-term borrowings

The interest rate on mortgage loans and other loans and long-term borrowings over one year amounts to 1.0%-11.5% (2015: 1.3%-13.6%).

5.50.8 Change of control provisions

A change of control of Fugro could result in early repayment of the bank loans (note 5.50.1), the private placement loans (note 5.50.2) and the unsecured subordinated convertible bond (note 5.50.3). An amount of EUR 245 million was drawn from the bank facilities as at 31 December 2016 (31 December 2015: EUR 185 million). The sale and lease back arrangement contains certain change of control clauses. Reference is made to note 5.29.

5.51 Employee benefits

(EUR x 1,000)	2016	2015
Present value of funded obligations	441,449	431,190
Fair value of plan assets	(359,565)	(354,001)
Recognised net liability for defined benefit obligations	81,884	77,189
Liability for long-service leave	13,593	14,213
Total employee benefit liabilities	95,477	91,402

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 provides a pension plan based on average salary. This plan qualifies as a defined benefit scheme. The pension entitlements from this plan are insured with an insurance company that guarantees the accrued pension entitlements. The group pays additional amounts to fund (part of) the indexation for active participants. For the deferred pensioners, the scheme includes a (conditional) indexation of pension benefits as far as the return on the separated investments exceeds the unwinding of interest.
- In the United Kingdom (UK) the Group operates two defined benefit pension schemes. For Fugro Holdings, the company operates a final salary defined benefit pension scheme. The scheme is an HMRC registered pension schemes and is subject to standard UK pensions and tax law. The Robertson Research International Group Pension Scheme is a funded, defined benefit pension plan. The pension schemes have been closed in previous years for new participants, but include the on-going obligations to their members (both former and present employees). The pension schemes assets are held in separate Trustee-administered funds. The schemes includes indexation in line with RPI.

- In the United States of America the Group operates a 401K plan for its employees. The Group contributes towards the deposits of its employees in accordance with agreed rules and taking into account the regulations of the IRS, the US tax authority. This plan qualifies as a defined contribution plan.

Plan assets consist of the following:

(EUR x 1,000)	2016	2015
Equity securities	72,405	105,223
Government bonds	4,628	158,053
Corporate bonds	39,785	41,925
Investment funds	20,553	18,874
Insurance policies	190,264	–
Real estate	19,959	23,508
Cash	11,971	6,418
	359,565	354,001

Movements in the present value of the funded obligations

(EUR x 1,000)	2016	2015
Present value of the funded obligation at 1 January	431,190	454,345
Current service costs (see below)	7,482	12,053
Interest expenses	12,047	13,263
	19,529	25,316
Remeasurements:		
(Gain)/loss from change in demographic assumptions	(1,726)	(12,806)
(Gain)/loss from change in financial assumptions	38,076	(9,423)
Experience (gains)/losses	(4,222)	(545)
	32,128	(22,774)
Exchange differences	(35,072)	13,164
Paid by plan participants	1,871	2,221
Benefits paid by the plan	(11,665)	(10,623)
Plan amendments and curtailments	3,468	(30,459)
Present value of the funded obligation at 31 December	441,449	431,190

Movement in the fair value of plan assets

(EUR x 1,000)	2016	2015
Fair value of plan assets at 1 January	354,001	352,063
Interest income	9,870	10,035
Remeasurement:		
Return on plan assets, excluding amounts included in interest income	17,370	(9,993)
Exchange differences	(25,198)	9,125
Paid by the employer	14,004	17,932
Contributions paid by plan participants	1,865	2,212
Benefits paid by the plan	(11,665)	(10,623)
Plan amendments	–	(15,850)
Administrative expenses	(682)	(900)
Fair value of plan assets at 31 December	359,565	354,001

Expenses recognised in profit or loss

(EUR x 1,000)	2016	2015
Current service costs	7,482	12,053
Past service costs	3,468	(14,609)
Administrative expenses	682	900
Interest on obligation	12,047	13,263
	23,679	11,607
Interest income	(9,870)	(10,035)
	13,809	1,572

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

(EUR x 1,000)	2016	2015
Personnel expenses	13,809	1,572

Actual return on plan assets

(EUR x 1,000)	2016	2015
Actual return on plan assets	27,240	42

Remeasurements recognised directly in other comprehensive income

(EUR x 1,000)	2016	2015
Cumulative amount at 1 January	(61,151)	(73,895)
Recognised during the year	(14,758)	12,781
Plan amendments	–	2,865
Effect of movement in exchange rates	8,044	(2,902)
Cumulative amount at 31 December	(67,865)	(61,151)

Refer to note 5.36 with respect to the income tax impact on the actuarial gains / (losses) of EUR 14,758 thousand loss (2015: EUR 12,781 thousand gain).

Actuarial assumptions

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

	2016		2015	
	UK	Netherlands	UK	Netherlands
Discount rate at 31 December	2.7%	1.9%	3.8%	2.2%
Future salary increases	0.0%	1.5%	2.8%	1.5%
Medical cost trend rate	n/a	n/a	n/a	n/a
Future pension increases	2.7%	0.0%	2.6%	0.4%

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

Assumptions regarding future mortality are based on published statistics and mortality tables:
Netherlands: AG2016 Generation table for men and women with an age correction according to ES-P2.
United Kingdom: 90% of S2NxA with improvements in line with CMI 2014 and a long-term rate of improvements of 1.5% per annum and SAPS2 CMI 2015 1% long term + 1 year adjustment.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

		Impact on defined benefit obligation	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 10.4%	Increase by 11.4%
Salary growth rate	0.50%	Increase by 0.4%	Decrease by 0.4%
Pension growth rate	0.50%	Increase by 2.6%	Decrease by 2.4%
		Increase by 1 year in assumption	Decrease by 1 year in assumption
Life expectancy		Increase by 0.1%	Decrease by 0.1%

The sensitivity analyses are based on a change in one assumption while holding all other assumptions constant, so that interdependencies between the assumptions are excluded.

Historical information

(EUR x 1,000)	2016	2015	2014	2013	2012
Present value of the defined obligation	441,449	431,190	454,345	352,301	337,999
Fair value of plan assets	359,565	354,001	352,063	268,451	259,454
Deficit in the plan	(81,884)	(77,189)	(102,282)	(83,850)	(78,545)
Experience adjustments arising on plan liabilities	(4,222)	(545)	2,552	(4,403)	1,879
Experience adjustments arising on plan assets	17,370	(9,993)	52,814	(1,814)	12,559

Plan assets are comprised as follows:

(EUR x 1,000)				2016				2015
	Quoted	Unquoted	Total	%	Quoted	Unquoted	Total	%
Equity instruments	72,405	–	72,405	20%	105,223	–	105,223	29%
Debt instruments	64,966	–	64,966	18%	218,852	–	218,852	62%
Government	4,628	–	4,628	1%	158,053	–	158,053	45%
Corporate bonds (Investment grade)	39,785	–	39,785	11%	41,925	–	41,925	12%
Corporate bonds (Non-investment grade)	20,553	–	20,553	6%	18,874	–	18,874	5%
Insurance policies								
Insurance policies	–	190,264	190,264	53%	–	–	–	–
Property	19,959	–	19,959	6%	23,508*	–	23,508	7%
UK	19,959	–	19,959	6%	23,508*	–	23,508	7%
Cash and cash equivalents	11,971	–	11,971	3%	6,418	–	6,418	2%
Total	169,301	190,264	359,565	100%	354,001	–	354,001	100%

* Previously stated as unquoted.

Previously, Fugro had an insured pension plan in the Netherlands based on a separate account including an indexation depot. The termination date of that insurance contract was 31 December 2015. As at 1 January 2016, the insurance contract including the separate account has been closed and has been replaced by a new insurance contract without profit sharing. As a result, the value of plan assets is no longer based on the values of the separate account, but based on the present value of the accrued benefits insured at the insurer and adjusted with the available means in the indexation depot for (deferred) pensioners and active employees; the so called insurance policies.

Through its defined benefit pension plans, the Group is exposed to a number of risks. Most of these risks come with the nature of a defined benefit plan, and are therefore not country specific. The most significant risks are detailed below:

Asset volatility
The plan liabilities are calculated using a discount rate set with reference to AA credit-rated corporate bond yields; if plan assets underperform this yield, the deficits will increase. The UK plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.

Changes in bond yields
A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk
Some of the group pension obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation).
The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy
The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant in the UK plan, where inflationary increases result in higher sensitivity to changes in life expectancy. This risk is limited in the Netherlands where the insurer guarantees the payment of the accrued benefits.

In addition, the Group is exposed to a number of local risks. This is considered to be limited for the Netherlands as in the Netherlands the company has taken out an insurance contract to cover the pension plan. The insurance company guarantees all accrued entitlements. The insurance contract includes a separate account in which 80% of the investments are used to match the liability on a funding basis and 20% of the investments are used to invest in equity. The insurance company ultimately decides on investment policies and governance, as they run the downside risk. Returns over the unwinding interest are used to increase pensions. Fugro pays additional amounts to fund the indexation for active participants, but otherwise is only responsible for the annual cost of pension accrual.
The pension increases for deferred and pensioners are depending on the means available in the investment depot and therefore changes in the value of the investment depot will affect future pension increases as well.

In the UK, the Trustees set the Scheme's investment strategy, in consultation with the employer. The Robertson and UK Holdings plan include return seeking assets and bonds. The Robertson plan also includes matching assets to cover the pensioner liabilities. The employer is ultimately responsible for funding the accrued pensions and the pension increases.

The expected 2017 contributions amount to EUR 16.6 million (2016: EUR 21.7 million).

The weighted average duration of the defined benefit obligation is 22 years (2015: 22 years).

As at 31 December 2016	Netherlands	United Kingdom	Total weighted
Duration of plan	24	19	22

5.52 Provisions for other liabilities and charges

(EUR x 1,000)	2016					2015				
	Onerous contracts	Asset retirement obligations	Procedures	Restructuring	Total	Onerous contracts	Asset retirement obligations	Procedures	Restructuring	Total
Balance at 1 January	37,454	13,900	22,642	2,734	76,730	83,273	11,832	22,820	–	117,925
Provisions made during the year	9,623	–	657	22,702	32,982	20,467	–	4,903	12,757	38,127
Provisions used during the year	(18,848)	–	(1,397)	(17,361)	(37,606)	(31,411)	–	(3,779)	(10,026)	(45,216)
Provisions reversed during the year	(15,710)	(14,056)	(1,292)	(667)	(31,725)	(39,737)	–	(859)	–	(40,596)
Unwinding of discount	–	308	–	–	308	–	618	–	–	618
Effect of movements in foreign exchange rates	498	(152)	563	57	966	4,862	1,450	(443)	3	5,872
Balance at 31 December	13,017	–	21,173	7,465	41,655	37,454	13,900	22,642	2,734	76,730
Non-current	5,682	–	21,163	10	26,845	25,285	13,900	22,642	–	61,827
Current	7,335	–	10	7,455	14,810	12,169	–	–	2,734	14,903

In 2016, the restructuring costs amounted to EUR 22.0 million (2015: EUR 12.8 million), including a reversal of EUR 0.7 million, and EUR 17.4 million has been used (2015: EUR 10.0 million). An amount of EUR 15.7 million in respect of onerous contract provisions was reversed during 2016, mainly due to improved project performance and more firm backlog positions. Further, an amount of EUR 14.0 million has been reversed from the asset retirement obligations following the purchase of the underlying chartered vessel (Hugin Explorer) in 2016. Fugro has accounted for certain tax indemnities and warranties under procedures in respect of the sale of the majority of the Geoscience business to CGG for liabilities arising from tax exposures amounting to EUR 17.9 million as at 31 December 2016 (31 December 2015: EUR 19.0 million).

5.53 Trade and other payables

(EUR x 1,000)	2016	2015
Trade payables	109,232	169,392
Advance instalments to work in progress	47,010	34,954
Non-trade payables	219,135	298,867
Balance at 31 December	375,377	503,213

Non-trade payables include accrued expenses of invoices to be received, employee related accruals, interest payable and considerations payable regarding acquisitions.

5.54 Financial risk management

5.54.1 Overview

The company's risk management policy includes the long-term sustainable management of its business activities and where possible, the mitigation of the associated business risks. Based on the nature and relative significance of the risks related to the Group's wide diversity of markets, clients and regions and its broad portfolio of activities the risks have been quantified to the extent possible.

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

5.54.2 Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's receivables from customers.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each client. However, management also considers the composition of the Group's client base, including the default risk of the industry and country in which clients operate, as these factors may have an influence on credit risk. As the Group operates to a large extent in the oil and gas industry a significant portion of trade and other receivables relates to clients from this industry.

Some of the Group's orders are awarded on the basis of long-term preferred supplier agreements. In the course of a year Fugro often carries out multiple projects for the same client. Fugro typically has no single client that generates more than 5% of its revenue in the year. On occasion one client may generate more than 5%, which can happen in case of exceptionally large contracts where most of the revenue falls in the accounting year. Having a large number of clients and short project time spans mitigates Fugro's credit risk as the individual amounts receivable with the same client are limited.

New customers are analysed individually for creditworthiness before payment and delivery terms and conditions are offered. The Group's review may include external ratings, where available, and in some cases bank references. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis or have to provide a bank guarantee.

The majority of the Group's clients has done business with the Group for many years and significant losses have only occurred incidentally in prior years. However, as a result of the expected negative effects of the current crisis in the oil and gas industry the credit risk has increased significantly. 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 publishes an internal list of clients that need extra attention before a contract is closed.

The Board of Management reviews frequently the outstanding trade receivables. Local management is requested to take additional precaution in working with these clients. The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar receivables in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The Group held cash and cash equivalents of EUR 248.5 million at 31 December 2016 (2015: EUR 305.0 million), which 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.

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 deposited.

5.54.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The global cash pool was introduced in the last quarter of 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.

Although the result of the United Kingdom referendum to leave the EU leads to uncertainties, its impact on Fugro's business will not be fully visible until negotiation between UK and EU are completed.

As at 31 December 2016, Fugro holds cash balances for the amount of EUR 53 million (31 December 2015: EUR 48 million) in Angola where exchange controls apply. Ninety-nine percent of total cash balances is held in Angolan Kwanza's (2015: ninety-seven percent). The company expects that these exchange controls will become less when the oil and gas market conditions are expected to improve and when Angola will have increased inflow of USD in relation to their oil business. In addition, several actions have been explored to further lower this amount in the coming year and thereafter.

The Group monitors cash flow on a regular basis and operates with a global cash pool. Consolidated cash flow information, including a projection for the year, is reported on a monthly basis to the Board of Management, ensuring that the Group has sufficient cash on demand (or available lines of credit) to meet expected near term operational expenditures, including the servicing of financial obligations from lease commitments not included in the statement of financial position. Cash flows exclude the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Group maintains the following lines of credit:

- A total amount of multicurrency revolving credit facility agreements with seven banks totalling EUR 500 million. Rabobank and ING Bank N.V. provided EUR 127.5 million each, HSBC Bank Plc. provided EUR 75 million, Barclays Bank Plc. and ABN AMRO Bank N.V. provided EUR 50 million each, Credit Suisse provided EUR 40 million and BNP Paribas S.A./N.V. provided EUR 30 million. At 31 December 2016, an amount of EUR 245 million has been drawn. These bank facilities have been secured until December 2020.
- A variety of unsecured overdraft facilities in various currencies totalling around EUR 219 million of which EUR 4 million has been drawn at 31 December 2016 (31 December 2015: around EUR 379 million with EUR 22 million drawn).
- US private placement loans totally amount to EUR 614 million. In 2016, an amount of EUR 422 million was repaid following the sale and leaseback transactions, the sale of the CGG senior secured term loan (vendor loan), net proceeds from the issuance of the unsecured subordinated convertible bonds and cash-flows generated from ordinary course of business. The facility needs further to be repaid, in fixed instalments denominated in the several currencies, as follows: in 2017 EUR 16 million, in 2018 EUR 59 million, in 2021 EUR 84 million and in 2023 EUR 28 million. Refer to note 5.50.4 Covenant requirements.

5.54.4 Market risk

Market risk includes changes in market prices, such as foreign exchange rates, interest rates and equity prices which will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. About 66% of the Group's activities relate to the oil and gas industry. The general downturn in the oil and gas market has resulted in pressure on work volume and pricing for oil services companies. Fugro expects the market for oil services to decline in the first half of 2017 and anticipates possible stabilisation thereafter. For the maximum exposure to credit risk for trade receivables and unbilled revenue on (completed) contracts in the oil and gas industry reference is made to note 5.54.2.

Currency risk

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

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

To mitigate the impact of currency exchange rate fluctuations, the Group continually assesses the exposure to currency risks and if deemed necessary a portion of those risks is hedged by using derivative financial instruments. The principal derivative financial instruments used to cover foreign currency exposure are forward foreign currency exchange contracts. An amount of EUR 53 million (31 December 2015: EUR 48 million) is in Angolan Kwanza's which is subject to significant currency risk at year-end 2016.

Interest on borrowings is denominated in the currency of the borrowing. Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily Euro, US dollar and British pound. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances. The Group's investment in its subsidiaries with US dollar as functional currency is partly hedged by means of the US dollar private placement loans, which reduces the currency risk arising from the subsidiary's net assets. The Group's investment in its subsidiaries in the United Kingdom is partly hedged by means of the private placement loans denominated in British pound. The Group's investments in other subsidiaries are not hedged.

The hedge on the investment on foreign operations is fully effective. Consequently all exchange differences relating to this hedge have been accounted for in other comprehensive income. The Group is sensitive to translation differences resulting from translation of its operations in non-Euro currencies to Euros. In 2016, significant exchange differences arose from the US dollar, British pound and Brazilian real.

Interest rate risk

The Group's liabilities bear both fixed and variable interests. The Group's objective is to limit the effect of interest rate changes on the results by matching long term investment with long term (fixed interest) financing as much as possible.

5.54.5 Capital management

The Board of Management's policy is to maintain a strong capital base in order to retain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, retained earnings and non-controlling interests of the Group. The Board of Management monitors the geographic spread of shareholders, the return on capital as well as the level of dividends to ordinary shareholders. The Board strives for a dividend pay-out ratio of 35 to 55% of the net result. No dividend is proposed to be paid-out for 2016.

The targeted solvency is set > 33.33%. The solvency at the end of 2016 was 43.0% (2015: 42.2%). The Group's objective is to achieve a healthy return on shareholders' equity. However, as in previous year(s) the return is significantly affected by the current market conditions and impairments identified in the current and prior years. As a result the return is 28.9% (negative) in 2016 (2015: 27.4% negative).

From time to time Fugro purchases its own certificates of shares. These certificates are used to cover the options and shares granted by Fugro. Purchase and sale decisions are made on a specific transaction basis by the Board of Management. Fugro does not have a defined share buy-back plan.

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

The Group is subject to the externally imposed capital requirements related to covenant requirements as set out in note 5.50.6. As per 31 December 2016 and 31 December 2015 the Group complied with all imposed external capital requirements.

5.55 Credit risk

Exposure to credit risk

(EUR x 1,000)	Carrying amount	
	2016	2015
Other investments in equity instruments	1,095	1,095
Available-for-sale financial assets	372	328
Long-term loans	9,180	83,922
Deposits	11,971	4,836
Other long-term receivables	2,058	2,729
Unbilled revenue on (completed) projects	151,991	286,928
Trade receivables	308,810	338,823
Non-trade receivables	85,425	124,769
Current portion long term loans	–	5,382
Cash and cash equivalents	248,488	304,993
	819,390	1,153,805

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.

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	
	2016	2015
Netherlands	73,965	39,664
Europe other	101,443	131,880
Africa	28,603	40,274
Middle East	87,297	133,512
Asia	58,093	57,863
Australia	11,508	32,532
Americas	99,892	190,026
	460,801	625,751

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

(EUR x 1,000)	Carrying amount	
	2016	2015
Oil and gas	304,128	465,559
Infrastructure	95,846	98,869
Mining	8,294	9,386
Other	52,533	51,937
	460,801	625,751

Impairment losses

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

- As of 31 December 2016, trade receivables and unbilled revenue on (completed) projects of EUR 460,801 thousand (31 December 2015: EUR 625,751 thousand) were fully performing
- As of 31 December 2016, trade receivables of EUR 134,499 thousand (31 December 2015: EUR 171,587 thousand), included in EUR 460,801 thousand (31 December 2015: EUR 625,751 thousand), were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The average credit term for these trade receivables is 30 days
- As of 31 December 2016, trade receivables and unbilled revenue on (completed) projects of EUR 39,482 thousand (31 December 2015: EUR 29,211 thousand) were impaired and provided for.

The individually impaired receivables mainly relate to customers, which are in difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. The ageing of trade receivables and unbilled revenue on (completed) projects is as follows:

(EUR x 1,000)	2016		2015	
	Gross	Impairment	Gross	Impairment
From 0 to 30 days	326,836	535	454,216	52
From 31 to 60 days	47,899	566	53,834	–
From 61 to 90 days	16,916	627	20,528	41
Over 90 days	91,763	37,754	98,776	29,118
Retentions and special items	16,869	–	27,608	–
	500,283	39,482	654,962	29,211

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)	2016	2015
Balance at 1 January	29,211	50,590
Impairment loss recognised	18,590	9,128
Impairment loss reversed	(2,887)	(3,118)
Trade receivables written off	(5,435)	(28,955)
Effect of movements in exchange rates	1	1,566
Balance at 31 December	39,482	29,211

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

The impairment loss recognised is mainly attributable to a limited number of clients for which receipt is doubtful or no longer probable.

Besides the transaction loss on the CGG senior secured term loan (refer to 5.41.2, no impairments related to other financial assets than trade receivables and unbilled revenue on (completed) contracts are recognised. In general, the Group considers credit risk on other receivables and cash and cash equivalents to be limited. Cash and cash equivalents are held with large well known banks with adequate credit ratings only. Refer to 5.54.2.

5.56 Liquidity risk

The following are the contractual maturities of financial liabilities, including interest payments:

(EUR x 1,000) 2016

	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Bank loans	243,537	254,489	1,245	1,191	4,728	247,325	–
Private placement loans:							
320 million USD bonds	52,193	56,558	1,349	1,349	53,860	–	–
330 million USD bonds	53,998	70,300	1,629	1,629	3,259	63,783	–
100 million USD bonds	26,867	38,625	829	829	1,658	6,634	28,675
27.5 million GBP bonds	5,380	6,354	128	140	6,086	–	–
40 million GBP bonds	8,728	12,292	245	267	534	11,246	–
35 million EUR bonds	17,171	23,503	529	529	1,058	21,387	–
37 million USD bonds	14,862	14,937	14,937	–	–	–	–
Subordinated unsecured convertible bonds in EUR	153,900	228,021	3,790	3,810	7,600	212,821	–
Finance lease liabilities	18,336	19,784	3,525	3,584	7,108	5,567	–
Other loans and long-term borrowings	537	585	141	53	66	190	135
Trade and other payables	375,377	375,376	375,376	–	–	–	–
Bank overdraft	4,043	4,043	4,043	–	–	–	–
	974,929	1,104,867	407,766	13,381	85,957	568,953	28,810

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.

(EUR x 1,000) 2015

	Carrying amount	Contractual cash flows	6 months or less	6 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Bank loans	183,337	199,274	1,574	1,424	2,852	193,424	–
Private placement loans:							
320 million USD bonds	196,260	219,563	32,035	4,213	8,426	174,889	–
330 million USD bonds	209,282	268,908	33,642	5,160	10,321	30,962	188,823
100 million USD bonds	73,109	101,665	10,750	1,858	3,717	11,151	74,189
27.5 million GBP bonds	24,889	28,887	4,214	555	1,111	23,007	–
40 million GBP bonds	41,346	55,172	7,057	1,061	2,122	6,365	38,567
35 million EUR bonds	23,290	30,622	3,918	588	1,176	3,528	21,412
37 million USD bonds	29,980	32,927	4,538	1,065	27,324	–	–
Revolving credit facilities CGG	34,960	37,033	908	874	35,251	–	–
Other loans and long-term borrowings	1,351	1,359	1,359	–	–	–	–
Trade and other payables	503,213	503,213	503,213	–	–	–	–
Bank overdraft	21,908	21,908	21,908	–	–	–	–
	1,342,925	1,500,531	625,116	16,798	92,300	443,326	322,991

5.57 Currency risk

The following significant exchange rates applied during the year:

(in EUR)	Average rate	Reporting date mid-spot rate
USD	0.910	0.950
GBP	1.220	1.160
NOK	0.108	0.110
AUD	0.670	0.690

Sensitivity analysis

A 10 percent strengthening of the Euro against the above currencies at 31 December would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis as for 2015. Refer to note 5.54.4 Currency risk.

Effect in EUR x 1,000	Equity	Profit or loss
31 December 2016		
USD	(47,265)	13,881
GBP	(16,090)	2,506
NOK	(8,749)	(61)
AUD	(8,518)	3,785
31 December 2015		
USD	(33,807)	7,819
GBP	(23,231)	6,314
NOK	(10,496)	1,405
AUD	(12,561)	8,699

A 10 percent weakening of the euro against the above currencies at 31 December would have had the equal but opposite effect on the amounts shown above, on the basis that all other variables remain constant. The effect for 2016 in the table above on profit or loss is positive as the losses reduce if the euro would increase against the other currencies.

5.58 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 2016	Carrying amount 2015
Fixed rate instruments		
Financial assets	9,180	9,917
Financial liabilities	(351,972)	(599,507)
Variable rate instruments		
Financial assets	248,488	378,998
Financial liabilities	(247,580)	(240,205)
	(341,884)	(450,797)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis as in 2015.

(EUR x 1,000)	Profit or loss		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2016				
Variable rate instruments	9	(9)	–	–
Cash flow sensitivity (net)	9	(9)	–	–
31 December 2015				
Variable rate instruments	1,388	(1,388)	–	–
Cash flow sensitivity (net)	1,388	(1,388)	–	–

At 31 December 2016, it is estimated that a general increase of 100 basis points in interest rates would decrease the Group's profit before income tax by approximately EUR 9 thousand (2015: EUR 1,388 thousand negative).

5.59 Fair values

5.59.1 Financial assets and liabilities

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

(EUR x 1,000)	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables				
Trade receivables and other receivables*	546,226	546,226	755,902	755,902
Cash and cash equivalents	248,488	248,488	304,993	304,993
Deposits	11,971	11,971	4,836	4,836
Long-term loans	9,180	9,180	83,922	83,922
Other long-term receivables	2,058	2,058	2,729	2,729
Available-for-sale financial assets				
Other investments in equity instruments**	1,095	1,095	1,095	1,095
Available-for-sale financial assets	372	372	328	328
Financial liabilities measured at amortised cost				
Bank loans	(243,537)	(243,537)	(183,337)	(183,337)
Mortgage and other loans and long-term borrowings	(537)	(537)	(1,351)	(1,351)
Private placement loans in USD	(147,920)	(170,664)	(508,631)	(530,213)
Private placement loans in GBP	(14,108)	(17,168)	(66,235)	(69,149)
Private placement loans in EUR	(17,171)	(23,212)	(23,290)	(24,343)
Subordinated unsecured convertible bonds	(153,900)	(157,102)	–	–
Finance lease liabilities	(18,336)	(18,336)	–	–
Revolving credit facilities CGG	–	–	(34,960)	(34,960)
Bank overdraft	(4,043)	(4,043)	(21,908)	(21,908)
Trade and other payables	(375,377)	(375,377)	(503,213)	(503,213)
Total	(155,539)	(190,586)	(189,120)	(214,669)
Unrecognised gains/(losses)		(35,047)		(25,549)

* 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 other investments in equity instruments do not have a quoted market price in an active market and are stated at cost.

The private placement loans carried for which fair value is disclosed are categorised within level 2 of the fair value hierarchy. 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.

The fair value for several Fugro vessels and other assets were based on bids received, broker quotes and value-in-use calculations. Management considers the value to be within level 3 of the fair value hierarchy. Refer to note 5.33.

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)	2016	2015
Loans and borrowings*	1.0% – 11.5%	1.3% – 13.6%
Long term receivables	5.0%	5.0% – 6.5%

* The majority of the loans and borrowing bears interest rates varying from 1.6% to 8.1% as at 31 December 2016. Refer to note 5.50.

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 available-for-sale financial assets of EUR 372 thousand as at 31 December 2016 (31 December 2015: EUR 328 thousand), which are categorised within level 1. As in last year, there are no assets or liabilities categorised within level 2 or 3.

5.59.2 Fugro's valuation processes

The group's finance department performs the valuations of financial assets required for financial reporting purposes, including Level 3 fair values. The valuations are directly reported to the Chief Financial Officer.

Changes in Level 2 and Level 3 values are analysed at each reporting date.

5.59.3 Offsetting financial assets and liabilities

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

Financial assets

(EUR x 1,000)	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position
As at 31 December 2016			
Cash and cash equivalents	248,488	–	248,488
As at 31 December 2015			
Cash and cash equivalents	305,492	(499)	304,993

Financial liabilities

(EUR x 1,000)	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the statement of financial position	Net amounts of financial liabilities presented in the statement of financial position
As at 31 December 2016			
Bank overdraft	(4,043)	–	(4,043)
As at 31 December 2015			
Bank overdraft	(77,879)	55,971	(21,908)

5.60 Commitments not included in the statement of financial position

5.60.1 Operating leases as lessee

Non-cancellable operating lease rentals are payable as follows:

(EUR x 1,000)	2016	2015
Less than one year	84,268	142,800
Between one and five years	192,963	240,109
More than five years	77,471	116,543
	354,702	499,452

The Group leases a number of offices and warehouse/laboratory facilities and vessels under operating leases. The leases typically run for an initial period of between three and ten years, with in most cases an option to renew the lease after that date. Lease payments are adjusted annually to reflect market rentals. None of the leases include contingent rentals. During the year an amount of EUR 166 million was recognised as an expense in profit or loss in respect of operating leases and other rentals (2015: EUR 277 million).

5.60.2 Bank guarantees

Per 31 December 2016, Fugro's bank has issued bank guarantees to clients for an amount of EUR 96 million (2015: EUR 85 million).

5.60.3 Capital commitments

At 31 December 2016, the Group has contractual obligations to purchase property, plant and equipment for EUR 6.8 million (2015: EUR 6.9 million).

5.60.4 Contingencies

Some Group companies are, as a result of their normal business activities, involved either as plaintiffs or defendants in claims. Based on information presently available and management's best estimate, it is not probable that the financial position of the Group will be significantly influenced by any of these matters. Should the actual outcome differ from the assumptions and estimates, the financial position of the Group would be impacted. Fugro N.V. and its Dutch operating companies form a fiscal unity for corporate tax. Each of the operating companies is severally liable for corporate tax to be paid by the fiscal unity.

5.61 Subsequent events

No significant subsequent events to be noted.

5.62 Related parties

5.62.1 Identity of related parties

The Group has a related party relationship with its subsidiaries, its equity-accounted investees and other investments, its Directors and its Supervisory Board.

5.62.2 Transactions with the Board of Management

Members of the Board of Management of Fugro hold 0.3% (2015: 0.3%) of the outstanding voting shares and certificates of shares in Fugro. Members of the Board of Management also participate in Fugro's share option scheme (refer note 5.32). In April 2016, Mr. B.M.R. Bouffard has been appointed as member of the Board of Management.

The remuneration of the Board of Management for 2016 and 2015 is as follows:

(in EUR)	P. van Riel		P.A.H. Verhagen		M.R.F. Heine	
	2016	2015	2016	2015	2016	2015
Fixed base salary	600,000	600,000	450,000	450,000	450,000	412,500
Compensation pension contribution	95,135	95,550	75,708	69,930	58,545	215,238
Bonus	130,200	–	97,650	67,500	97,650	60,000
Pension costs (including disability insurance)	41,315	36,129	42,362	39,367	27,335	1,274
	866,650	731,679	665,720	626,797	633,530	689,012
Long-term incentive plan (see note 5.32.1)	63,570	63,900	47,678	47,925	47,678	47,925
Total	930,220	795,579	713,398	674,722	681,208	736,937

(in EUR)	B.M.R. Bouffard		S.J. Thomson		W.S. Rainey	
	2016	2015	2016	2015	2016	2015
Fixed base salary	339,312	–	450,000	450,000	–	350,000
Compensation pension contribution	40,674	–	89,908	87,885	–	–
Bonus	73,630	–	52,650*	45,000	–	15,000
Pension costs (including disability insurance)	34,057	–	34,268	11,249	–	275,000
	487,673	–	626,826	594,134	–	640,000
Long-term incentive plan (see note 5.32.1)	34,675	–	47,678	47,925	–	–
Total	522,348	–	674,504	642,059	–	640,000

* S.J. Thomson decided in 2016 to reject his bonus of EUR 45,000 which was granted over 2015. The bonus granted over 2016 amounts to EUR 97,650.

There are no guarantees or obligations towards or on behalf of the Board of Management.

The current remuneration policy was adopted by the AGM in 2014 and took effect retroactively as of 1 January 2014. The policy was slightly amended by the AGM in 2015. Within the framework of the policy, the remuneration for the Board of Management is determined by the Supervisory Board on the advice of the remuneration committee. The remuneration policy will be reviewed once every three years to verify its market conformity, potentially leading to adjustments. This remuneration policy is available on Fugro's website: www.fugro.com.

Annual Bonus

Each member of the Board of Management is eligible for an annual bonus. The bonus may vary from 0% to 100% of fixed base salary, with 66.7% being applicable when targets are achieved.

Targets are set yearly by the Supervisory Board, based on the budget and taking into account the strategy aspirations. Financial targets determine 75% of the bonus, non-financial or personal targets determine the remaining 25%. For each of the financial targets, a performance zone is set, with no bonus below the threshold level and the maximum bonus when performance exceeds the upper end of the performance zone. There will be no overshoot possibility for personal targets. The maximum multiplier for financial targets is therefore 1.67. The Supervisory Board ensures that the targets are challenging, realistic and consistent with Fugro's strategy.

The measures used and their relative weight are as follows:

Financial targets:	Earnings Per Share (EPS)	35%
	EBIT margin	20%
	Working capital	20%
Non-financial (personal) targets		25%

The non-financial targets give the possibility to include health and safety, corporate social responsibility, personal development goals, etc. as targets into the bonus programme.

Based on input from the remuneration committee, the Supervisory Board discussed the granting of bonuses to the members of the Board of Management. The Supervisory Board concluded, also based on advice of the Board of Management, that rewarding bonuses based on the performance of the company in relation to the financial criteria set for the year, would result in bonuses that would not be justifiable, given the negative earnings per share and the still difficult market circumstances that the company is experiencing. In view of what has been achieved in 2016 despite these difficult circumstances, the Supervisory Board decided to grant a bonus based on achievement of 100% of the personal targets, leading to a bonus of 16.7% of base salary. In addition, 5% of base salary was added to reward the strong performance in working capital, resulting in a total bonus pay-out of 21.7% of fixed base salary.

As at 31 December the following performance options for the Board of Management under the long-term incentive plan were outstanding:

Year of issue	Duration	Number of participants	Granted	Outstanding at 01-01-2016	Forfeited in 2016	Exercised in 2016	Outstanding at 31-12-2016	Exercisable at 31-12-2016	Exercise price (EUR)
2014	6 years	4	97,500	97,500	–	–	97,500	–	17.26
2015	6 years	4	97,500	97,500	–	–	97,500	–	15.06
2016	6 years	5	120,000	–	–	–	120,000	–	14.55
			315,000	195,000	–	–	315,000	–	

The chairman of the Board of Management received 30,000 performance options in 2016 (2015: 30,000). The other board members received each 22,500 performance options in 2016 (2015: 22,500). Refer to note 5.32.1.

As at 31 December the following performance shares for the Board of Management under the long-term incentive plan were outstanding:

Year of issue	Duration	Number of participants	Granted	Outstanding at 01-01-2016	Forfeited in 2016	Vested in 2016	Outstanding at 31-12-2016
2014	3 years	4	48,750	48,750	–	–	48,750
2015	3 years	4	48,750	48,750	–	–	48,750
2016	3 years	5	60,000	–	–	–	60,000
			157,500	97,500	–	–	157,500

The chairman of the Board of Management received 15,000 performance shares in 2016 (2015: 15,000). The other board members received each 11,250 performance shares in 2016 (2015: 11,250). Refer to note 5.32.1.

The table below provides an overview of the outstanding number of options for the board of management in respect of the share option scheme:

Board of Management

		Number of options						In EUR	Number of months	
	Year	Number at 01-01-16	Granted in 2016	Exercised in 2016	Forfeited in 2016	Number at 31-12-16	Exercise price	Share price at exercise day	Expiring date	Bonus
P. van Riel	2010	52,900	-	-	52,900	-	61.50		31–12–2016	10
	2011	53,000	-	-	-	53,000	44.895		31–12–2017	9
	2012	60,000	-	-	-	60,000	44.52		31–12–2018	8
	2013	55,000	-	-	-	55,000	43.315		31–12–2019	8
Total		220,900	-	-	52,900	168,000				
P.A.H. Verhagen	2013-2014	30,000	-	-	-	30,000	43.315		31–12–2019	
Total		30,000	-	-	-	30,000				
W.S. Rainey	2009-2010	31,700	-	-	31,700	-	50.35*		31–12–2016	-
	2011	53,000	-	-	-	53,000	44.895		31–12–2017	9
	2012	53,000	-	-	-	53,000	44.52		31–12–2018	8
	2013	47,000	-	-	-	47,000	43.315		31–12–2019	8
Total		184,700	-	-	31,700	153,000				
S.J. Thomson	2009-2012	95,700	-	-	31,700	64,000	41.864*		31–12–2018	-
	2013	47,000	-	-	-	47,000	43.315		31–12–2019	5
Total		142,700	-	-	31,700	111,000				
J. Rüegg	2010	52,900	-	-	52,900	-	61.50		31–12–2016	10
	2011	53,000	-	-	-	53,000	44.895		31–12–2017	9
	2012	53,000	-	-	-	53,000	44.52		31–12–2018	9
Total		158,900	-	-	52,900	106,000				
A. Jonkman	2010	52,900	-	-	52,900	-	61.50		31–12–2016	10
	2011	53,000	-	-	-	53,000	44.895		31–12–2017	9
	2012	53,000	-	-	-	53,000	44.52		31–12–2018	8
	2013	47,000	-	-	-	47,000	43,315		31–12–2019	8
Total		205,900	-	-	52,900	153,000				

		Number of options					In EUR		Number of months	
	Year	Number at 01-01-16	Granted in 2016	Exercised in 2016	Forfeited in 2016	Number at 31-12-16	Exercise price	Share price at exercise day	Expiring date	Bonus
K.S. Wester	2010	79,400	-	-	79,400	-	61.50		31–12–2016	10
	2011	80,000	-	-	-	80,000	44.895		31–12–2017	9
Total		159,400			79,400	80,000				
Total		1,102,500			301,500	801,000				

* Weighted average.

5.62.3 The Board of Management

The Group also provides non-cash benefits to the Board of Management and contributes to their post-retirement plan. The members of the Board of Management also participate in Fugro's long-term incentive plan. The compensation comprises:

	2016	2015
Fixed salary	2,289,312	2,262,500
Compensation pension contribution	359,970	468,603
Bonus	451,780	187,500
Pension costs (including disability insurance)	179,337	363,019
Long-term incentive plan	241,279	207,675
	3,521,678	3,489,297

5.62.4 Supervisory Board

The remuneration of the Supervisory Board is as follows:

	2016	2015
H.L.J. Noy, Chairman	80,000	80,000
J.C.M. Schönfeld, Vice-Chairman	65,000	65,000
A.J. Campo	88,000	88,000
P.H.M. Hofsté	58,000	38,666
A.H. Montijn	58,000	38,666
D.J. Wall	88,000	88,000
J.A. Colligan	–	19,333
	437,000	417,665

There are no loans outstanding to the members of the Supervisory Board and no guarantees given on behalf of members of the Supervisory Board.

5.62.5 Other related party transactions

5.62.5.1 *Joint ventures*

The Group has not entered into any significant joint ventures in 2016.

5.63 Subsidiaries

5.63.1 Significant subsidiaries

For an overview of (significant) subsidiaries we refer to chapter 6.

5.64 Estimates and management judgements

Management discussed with the audit committee the development in and choice of critical accounting principles and estimates and the application of such principles and estimates.

Key sources of estimation uncertainty

The preparation of financial statements in conformity with EU-IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Impairments: Impairment analyses, amongst other relating to vessels, are performed whenever a triggering event has occurred to determine whether the carrying amount exceeds the recoverable amount. Goodwill is at least tested for impairment annually. Impairment tests are based on estimates of future cash flows. The accounting policies regarding impairments are included in accounting policy 5.16. Note 5.39.2 contains information about the key assumptions used to determine the recoverable amount of the various cash generating units. Specific information on credit risk is disclosed in notes 5.54.2 and 5.55. These notes contain information about the assumptions used relating to impairment of trade receivables, unbilled revenue on (completed) projects and other receivables and appropriate sensitivity analysis.
- Deferred tax: The assumptions used in recognition and measurement of deferred taxes are disclosed in note 5.42.
- Assets and liabilities from employee benefits: Actuarial assumptions are established to anticipate future events and are used in calculating pension and other post-retirement benefit and liabilities. These factors include assumptions with respect to interest rates, expected investment returns on plan assets, rates of future compensation increases, turnover rates and life expectancy. Note 5.51 contains information about the (actuarial) assumptions related to employee benefits. Actuarial gains and losses related to defined benefit plans are accounted for in other comprehensive income.
- Other provisions, tax and other contingencies: Information on the assumptions used in estimating the effect of legal claims, asset retirement obligations and onerous contract provisions are included in accounting policy 5.20 and note 5.52. The provisions in respect of onerous contracts are based on the obligation that the Group has with counterparties involved and represent the best estimate of the obligation.

6 SUBSIDIARIES AND INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD OF FUGRO N.V.

(including statutory seat and percentage of interest)

Unless stated otherwise, the direct or indirect interest of Fugro in the subsidiaries listed below is 100%. Insignificant, but consolidated, subsidiaries in terms of third party recompense for goods and services supplied and balance sheet totals have not been included. For entities where the direct or indirect interest of Fugro is less than 50%, the Group consolidates financial information of such entities based on the definition of control.

The subsidiaries listed below have been fully incorporated into the consolidated financial statements of Fugro, unless indicated otherwise.

The information as required by sections 2:379 and 2:414 of the Dutch Civil Code has been filed at the trade registry of the Chamber of Commerce in The Hague.

Company	%	Office, Country
Fugro Albania sh.p.k.		Tirana, Albania
Fugro Angola Limitada	49%	Luanda, Angola
Fugro ROAMES Pty Ltd		Brisbane, Australia
Fugro TSM Finance Pty Ltd		Perth, Australia
Fugro Exploration Pty Ltd		Perth, Australia
Fugro Survey Pty. Ltd.		Balcatta, Australia
Fugro LADS Corporation Pty Ltd		Kidman Park, Australia
Fugro Holdings (Australia) Pty Ltd		Perth, Australia
Fugro Spatial Solutions Pty Ltd		Perth, Australia
Fugro TSM Pty Ltd		Perth, Australia
Fugro Satellite Positioning Pty Ltd		Perth, Australia
Fugro AG Pty Ltd		Perth, Australia
Fugro Austria GmbH		Bruck an der Mur, Austria
SOCAR-Fugro LLC	49%*	Baku, Azerbaijan
Fugro Belgique/België S.A./N.V.		Brussels, Belgium
Fugro In Situ Geotecnia Ltda.		Pinhais, Brazil
Fugro Brasil Levantamentos Ltda.		Rio de Janeiro, Brazil
Sudeste Serviços Ltda.		Rio de Janeiro, Brazil
Fugro Sdn. Bhd. (Brunei)		Bandar Seri Begawan, Brunei Darussalam
Fugro Survey (B) Sdn. Bhd.	70%	Kuala Belait, Brunei Darussalam
Geofor Cameroon SA		Douala, Cameroon
GIE GEOFOR Afrique		Douala, Cameroon
Fugro Canada, Corp.		St. John's, Canada
Fugro Chile S.A.		Santiago, Chile
Fugro Technical Services (Beijing) Ltd.		Beijing, China
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

Company	%	Office, Country
Geofor Congo SA		Pointe Noire, Congo
Fugro Curaçao N.V.		Willemstad, Curaçao
Fugro Consultants International N.V.		Willemstad, Curaçao
Fugro Financial International N.V.		Willemstad, Curaçao
Fugro Survey Caribbean N.V.		Willemstad, Curaçao
Fugro S.A.E.		Cairo, Egypt
Fugro Geoid S.A.S.		Jacou, France
Fugro GeoConsulting S.A.S.		Nanterre, France
Fugro Holding France S.A.S.		Nanterre, France
Fugro Topnav S.A.S.		Palaiseau, France
GEOTER S.A.S.		Clapiers, France
Geofor Gabon SA		Libreville, Gabon
Fugro Gabon SARL		Port Gentil, Gabon
Fugro Consult GmbH		Berlin, Germany
Fugro Holding (Deutschland) GmbH		Berlin, Germany
Fugro-OSAE GmbH		Bremen, Germany
Fugro Ghana Ltd.	90%	Accra, Ghana
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 Survey Management Ltd.		Wanchai, Hong Kong
MateriaLab Consultants Ltd.		Kwai Fong, Hong Kong
Fugro Consult Kft		Budapest, Hungary
Fugro Geotech (India) Private Limited		Navi Mumbai, India
Fugro Survey (India) Private Limited	90%	Navi Mumbai, India
PT Fugro Indonesia	80%	Jakarta Selatan, Indonesia
Fugro-ETW LLC	50%*	Basra, Iraq
FAZ Technology Ltd.	96.5%	Dublin, Ireland
FAZ Research Ltd.	96.5%	Dublin, Ireland
Fugro Oceansismica S.p.A.		Rome, Italy
Fugro Japan Co., Ltd.		Tokyo, Japan
Fugro-KGNT LLP	50%*	Almaty, Kazakhstan Republic
MAPS SARL		Beirut, Lebanon
UAB Fugro Baltic		Vilnius, Lithuania
Fugro Eco Consult S.a.r.l.		Munsbach, Luxembourg
Fugro Technical Services (Macau) Ltd.		Macau, Macau

Company	%	Office, Country
Fugro Geodetic (Malaysia) Sdn Bhd	30%	Kuala Lumpur, Malaysia
Fugro Geosciences (Malaysia) Sdn Bhd	30%	Kuala Lumpur, Malaysia
Fugro Loadtest (Malaysia) Sdn Bhd		Puchong, Malaysia
Fugro TSM Labuan Pty Ltd		Federal Territory of Labuan, Malaysia
Fugro Holding Malta Ltd.		Luqa, Malta
Fugro Malta Ltd.		Luqa, Malta
Geofor International SA		Quatre Bornes, Mauritius
Fugro Mauritius Ltd.		Quatre Bornes, Mauritius
Fugro Mexico S.A. de C.V.		Ciudad Del Carmen, Campeche, Mexico
Geomundo S.A. de C.V.		Ciudad Del Carmen, Campeche, Mexico
Fugro Mozambique Ltda.		Maputo, Mozambique
Fugro CIS B.V.		Leidschendam, The Netherlands
Fugro-Elbocon B.V.		Leidschendam, The Netherlands
Fugro Engineers B.V.		Nootdorp, The Netherlands
Fugro Financial Resources B.V.		Leidschendam, The Netherlands
Fugro GeoServices B.V.		Leidschendam, The Netherlands
Fugro Intersite B.V.		Leidschendam, The Netherlands
Fugro Marine Services B.V.		Leidschendam, The Netherlands
Fugro Nederland B.V.		Leidschendam, The Netherlands
Fugro South America B.V.		Leidschendam, The Netherlands
Fugro Survey B.V.		Leidschendam, The Netherlands
Fugro Vastgoed B.V.		Leidschendam, The Netherlands
Fugro Geospatial B.V.		Leidschendam, The Netherlands
Fugro Satellite Positioning B.V.		Leidschendam, The Netherlands
Seabed Geosolutions B.V.	60%	Leidschendam, The Netherlands
Fugro BTW Ltd.		New Plymouth, New Zealand
Fugro Survey (Nigeria) Ltd.		Port Harcourt, Nigeria
Fugro Nigeria Ltd.		Port Harcourt, Nigeria
Fugro Subsea AS		Oslo, Norway
Fugro Norway AS		Oslo, Norway
Fugro Middle East & Partners LLC	70%	Muscat, Oman
Fugro Panama S.A.		Panama City, Panama
Fugro Symphony Inc.		Panama City, Panama
Fugro TerraLaser S.A.		Lima, Peru
Fugro Peninsular Services	49%	Doha, Qatar
GEOINGSERVICE LLP		Moscow, Russia
Geofor Sao Tome Ltda.		Sao Tome City, Sao Tome
Fugro-Suhaimi Ltd.	50%	Dammam, Saudi Arabia
Decca Survey Saudi Arabia Ltd.	40%	Dammam, Saudi Arabia
Fugro Saudi Arabia Ltd.		Dammam, Saudi Arabia
Fugro Satellite Positioning Pte Ltd		Singapore, Singapore
Fugro Singapore Pte Ltd		Singapore, Singapore
Fugro Survey Pte Ltd		Singapore, Singapore
Fugro TSM Pte Ltd		Singapore, Singapore
Fugro Subsea Technologies Pte Ltd		Singapore, Singapore

Company	%	Office, Country
Fugro Global Environmental and Ocean Sciences Pte Ltd		Singapore, Singapore
Setouchi Services Pte Ltd		Singapore, Singapore
Fugro Survey Africa (Pty) Ltd.		Cape Town, South Africa
Fugro Maps South Africa (Pty) Ltd.		Cape Town, South Africa
Fugro Earth Resources (Pty) Ltd.		Johannesburg, South Africa
Fugro Finance AG		Zug, Switzerland
Fugro Geodetic AG		Zug, Switzerland
Fugro International Holding AG		Zug, Switzerland
Fugro South America GmbH		Zug, Switzerland
Fugro Survey GmbH		Zug, Switzerland
Middle East Investment GmbH		Zug, Switzerland
Fugro Survey Caribbean Inc.		St. Clair, Trinidad and Tobago
Fugro Sial Ltd.		Ankara, Turkey
Fugro Subsea LLC	49%	Abu Dhabi, United Arab Emirates
Fugro Survey Limited		Aberdeen, United Kingdom
Fugro Synergy Limited		Aberdeen, United Kingdom
Fugro-ImpROV Limited		Aberdeen, United Kingdom
Fugro Subsea Services Limited		Aberdeen, United Kingdom
Fugro-BKS Limited		Coleraine, United Kingdom
Fugro GeoServices Limited		Falmouth, United Kingdom
Fugro Alluvial Offshore Limited		Great Yarmouth, United Kingdom
Fugro GB Marine Limited		Wallingford, United Kingdom
Fugro Holdings Limited		Wallingford, United Kingdom
Fugro (USA), Inc.		Houston, United States
Fugro Americas, Inc.		Houston, United States
Fugro Synergy, Inc.		Houston, United States
Fugro Roadware, Inc.		Richmond, United States
Fugro Pelagos, Inc.		San Diego, United States
Fugro Geotechnics Vietnam LLC		Ho Chi Minh City, Vietnam

* Joint arrangements which classify as joint ventures, which are equity-accounted.

7 COMPANY BALANCE SHEET

As at 31 December, before result appropriation

	(EUR x 1,000)	2016	2015
	Assets		
(9.1)	Intangible assets	804	1,430
(9.2)	Tangible fixed assets	3	24
(9.3)	Financial fixed assets	1,634,156	2,098,176
	Total non-current assets	1,634,963	2,099,630
(9.4)	Trade and other receivables	12,365	22,893
	Current tax assets	6,735	–
	Cash and cash equivalents	127	–
	Total current assets	19,227	22,893
	Total assets	1,654,190	2,122,523
	Equity		
	Share capital	4,228	4,228
	Share premium	431,227	431,227
	Translation reserve	(20,715)	(48,023)
	Hedging reserve	(103)	(391)
	Other reserves	(328,242)	(353,958)
	Retained earnings	1,157,398	1,537,094
	Unappropriated result	(308,934)	(372,522)
(9.5)	**Total equity**	934,859	1,197,655
	Provisions		
(9.6)	Provisions for other liabilities and charges	18,694	21,538
	Deferred tax liabilities	682	2,711
	Liabilities		
(9.7)	Loans and borrowings	318,237	508,435
	Total non-current liabilities	337,613	532,684
	Bank overdraft	60	151,097
(9.7)	Loans and borrowings	14,862	89,722
(9.8)	Trade and other payables	365,230	147,447
	Current tax liabilities	–	3,564
	Other taxes and social security charges	1,566	354
	Total current liabilities	381,718	392,184
	Total liabilities	719,331	924,868
	Total equity and liabilities	1,654,190	2,122,523

8 COMPANY INCOME STATEMENT

For the year ended 31 December

	(EUR x 1,000)	2016	2015
(9.9)	Revenue	39,994	54,563
	Other income	67	787
(9.10)	Personnel expenses	(20,928)	(23,607)
	Depreciation	(31)	(116)
	Amortisation	(647)	(496)
(9.11)	Other expenses	(51,713)	(43,345)
	Results from operating activities (EBIT)	(33,258)	(12,214)
	Finance income	30,711	46,212
	Finance expenses	(64,457)	(49,150)
(9.12)	Net finance income/(expenses)	(33,746)	(2,938)
	Profit/(loss) before income tax	(67,004)	(15,152)
	Income tax gain/(expense)	21,006	(4,930)
	Share in results from participating interests, after taxation	(262,936)	(352,440)
	Profit/(loss) for the period	(308,934)	(372,522)

9 NOTES TO THE COMPANY FINANCIAL STATEMENTS

General
The company financial statements form part of the 2016 consolidated financial statements of Fugro.

Accounting policies
For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, Fugro makes use of the option provided in Clause 8 Section 2:362 of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements of Fugro N.V. are the same as those applied for the consolidated EU-IFRS financial statements. Investments in subsidiaries are accounted for at net asset value which comprises the cost, excluding goodwill, of Fugro's share in the net assets of the subsidiaries. Participating interests, over which significant influence is exercised, are stated on the basis of the equity method. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code. Reference is made to pages 108 to 121 for a description of these principles.

The share in the result of participating interests consists of the share of Fugro in the result of these participating interests. Results on transactions, where the transfer of assets and liabilities between Fugro and its participating interests, and mutually between participating interests themselves, are not incorporated as far as they can be deemed to be unrealised.

9.1 Intangible assets

(EUR x 1,000)	2016	2015
Cost		
Balance at 1 January	1,857	1,297
Additions	21	560
Balance at 31 December	1,878	1,857
Amortisation		
Balance at 1 January	427	8
Amortisation of intangible assets	647	496
Disposals	–	(77)
Balance at 31 December	1,074	427
Carrying amount		
At 1 January	1,430	1,289
At 31 December	804	1,430

The intangible assets comprise capitalised software which are amortised over a period of 3 years.

9.2 Tangible fixed assets

(EUR x 1,000)	2016	2015
Cost		
Balance at 1 January	1,242	2,069
Other investments	9	53
Disposals	(433)	(880)
Balance at 31 December	818	1,242
Depreciation		
Balance at 1 January	1,218	1,678
Depreciation	30	116
Disposals	(433)	(576)
Balance at 31 December	815	1,218
Carrying amount		
At 1 January	24	391
At 31 December	3	24

The tangible fixed assets comprise mainly office equipment which is depreciated over a period of 3 to 4 years.

9.3 Financial fixed assets

(EUR x 1,000)	2016	2015
Subsidiaries	1,235,774	1,172,025
Long-term loans to group companies	398,382	926,151
	1,634,156	2,098,176

9.3.1 Subsidiaries

(EUR x 1,000)	2016	2015
Balance at 1 January	1,172,025	1,205,542
Share in result of participating interests	(262,936)	(352,440)
Capital increase	321,650	285,406
Dividends	(9,972)	(10,459)
Currency exchange differences	28,654	29,874
Other	(13,647)	14,102
Balance 31 December	1,235,774	1,172,025

9.3.2 Long-term loans to group companies

(EUR x 1,000)	2016	2015
Balance at 1 January	926,151	1,200,931
Loans issued	235,761	55,525
Write-off receivable*	(12,042)	–
Redemptions	(742,379)	(419,416)
Currency exchange differences	(9,109)	89,111
Balance 31 December	398,382	926,151

* The write-off relates to the sale of the CGG secured term loan in 2016. Refer to note 5.41.2.

This concerns long-term loans due from to subsidiaries at an average interest rate of 3.6% (2015: 3.7%). The long-term loans mature in the years between 2018 and 2023.

9.4 Trade and other receivables

(EUR x 1,000)	2016	2015
Receivables from Group companies	11,022	10,078
Other taxes and social security charges	–	3,916
Other receivables	1,343	8,899
Balance 31 December	12,365	22,893

9.5 Equity

The equity movement schedule is included in chapter 3 of the consolidated financial statements. For the notes to the equity reference is made to note 5.47 of the consolidated financial statements. The translation reserve and hedging reserve qualify as legal reserves (Dutch: 'wettelijke reserve') in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

9.6 Provisions for other liabilities and charges

For the notes on provisions reference is made to note 5.52 of the consolidated financial statements. Fugro has accounted for certain tax indemnities and warranties under procedures in respect of the sale of the majority of the Geoscience business to CGG for liabilities arising from tax exposures amounting to EUR 17.9 million as at 31 December 2016 (31 December 2015: EUR 19.0 million). An amount of EUR 0.5 million (31 December 2015: EUR nil) and EUR 0.3 million (31 December 2015: EUR 2.5 million) relate to a restructuring provision respectively employee benefit obligations. An amount of EUR 0.5 million is expected to be settled within one year.

9.7 Loans and borrowings

(EUR x 1,000)	2016	2015
Private placement loans, non-current portion	164,337	508,435
Subordinated unsecured convertible bonds	153,900	–
Private placement loans, current portion	14,862	89,722
Balance 31 December	333,099	598,157

For the notes on private placement loans reference is made to note 5.50 of the consolidated financial statements.
The average interest on loans and borrowings amounts to 4.9% per annum (2015: 5.6%).

9.8 Trade and other payables

(EUR x 1,000)	2016	2015
Trade payables	3,934	4,081
Payables to Group companies	355,108	127,385
Interest payables*	–	8,505
Non-trade payables and accrued expenses	6,188	7,476
Balance 31 December	365,230	147,447

* Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method and form part of the loans and borrowings. Previously, interest payables were separately reported as part of other payables.

The payables to group companies mainly relate to the cash-pool overdraft of Fugro N.V. The interest is calculated on the total balance of the cash pool. Reference is made to note 5.45 of the consolidated financial statements.

9.9 Revenue

Revenue relates to the services provided by Fugro N.V. to subsidiaries in respect of their management activities and responsibilities.

9.10 Personnel expenses

(EUR x 1,000)	2016	2015
Wages and salaries	16,673	21,073
Compulsory social security contributions	523	1,028
Equity-settled share-based payments	2,195	2,205
Contributions to defined contribution plans	612	(1,526)
Expense related to defined benefit plans	925	827
	20,928	23,607

Refer to note 5.62 of the consolidated financial statements for remuneration of the Board of Management.
The average number of employees within Fugro N.V. during the year was 42 (2015: 43).

9.11 Other expenses

(EUR x 1,000)	2016	2015
Indirect operating expenses	2,750	670
Occupancy costs	91	258
Communication and office equipment	2,084	1,198
Write-off receivables	12,041	–
Restructuring costs	589	–
Marketing and advertising costs	2,302	2,374
Other	31,856	38,845
Total	51,713	43,345

Other expenses include amongst others professional services, training costs, audit fees, miscellaneous charges and sundry costs. Refer to note 5.34 of the consolidated financial statements. Audit fees, as charged by EY are disclosed in note 9.18.

9.12 Net finance (income)/expenses

(EUR x 1,000)	2016	2015
Interest income on loans and receivables from Group companies	(29,136)	(36,387)
Interest income on loans and receivables	(1,575)	(3,284)
Net foreign exchange variance	–	(6,541)
Finance income	(30,711)	(46,212)
Interest expense on financial liabilities measured at amortised cost	54,989	46,684
Net change in fair value of financial assets at fair value through profit or loss (refer to note 5.41.3)	–	2,466
Net foreign exchange variance	9,468	–
Finance expense	64,457	49,150
Net finance (income)/expenses recognised in profit or loss	33,746	2,938

9.13 Commitments not included in the balance sheet

Fiscal unity

Fugro N.V. and the Dutch operating companies form a fiscal unit for corporate tax. Each of the operating companies is severally liable for corporate tax to be paid by the fiscal unity.

9.14 Bank guarantees

Per 31 December 2016, Fugro's bank has issued bank guarantees to clients for an amount of EUR 67 million (2015: EUR 65 million).

9.15 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. On 3 December 2015, Fugro has reached agreement with seven banks for the refinancing of its multicurrency revolving credit facility. Fugro N.V. is borrower and guarantor under this multicurrency revolving credit facility agreement.

In August 2016, Fugro and CCG decided to make a capital contribution of USD 47.5 million on the shares of Seabed by converting part of the revolving credit facilities into share premium on a 60/40 pro rata basis. In this respect, Fugro

N.V. has transferred USD 28.5 million of revolving credit facilities to the Fugro entity which holds the 60 percent of Seabed's voting shares. Subsequently, these facilities were contributed as share premium to Seabed. The remaining amount of USD 28.5 million has been repaid by Seabed resulting in a closing balance of nil as at 31 December 2016 (31 December 2015: EUR 52.4 million or the equivalent of USD 57 million).

9.16 Contingencies

For the notes to contingencies reference is made to note 5.60.4 of the consolidated financial statements.

9.17 Related parties

For the notes to related parties, reference is made to note 5.62 of the consolidated financial statements.
In note 5.62.2 of the consolidated financial statements the remuneration of the Board of Management and Supervisory Board is disclosed.

9.18 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 (2015: KPMG) to the company and its subsidiaries:

(EUR x 1,000)			2016			2015
	Ernst & Young Accountants LLP	Other EY network	Total EY	KPMG Accountants N.V.	Other KPMG network	Total KPMG
Statutory audit of financial statements	1,470	2,215	3,685	1,805	1,232	3,037
Other assurance services	–	86	86	–	31	31
Tax advisory services	–	902	902	–	43	43
Other non-audit services	–	72	72	–	–	–
Total	1,470	3,275	4,745	1,805	1,306	3,111

Tax advisory services primarily consist of tax compliance work. The majority of tax advisory fees incurred in 2016 relate to prior tax years. With the appointment of EY as auditor, the provision of non-assurance services is significantly reduced, in accordance with Fugro's global independence policy. Audit and (non-)audit related fees for the respective years are charged to the income statement on an accrual basis.

The fees paid for the above mentioned services, which are included in profit or loss of the consolidated financial statements in the line other expenses, are evaluated on a regular basis and in line with the market.

The members of the Supervisory Board have signed the financial statements pursuant to their statutory obligations under Section 2:101 sub 2 Netherlands Civil Code.

The members of the Board of Management have signed the financial statements pursuant to their statutory obligations under Section 2:101 sub 2 Netherlands Civil Code and Section 5:25c sub 2 (c) Financial Markets Supervision Act.

Fugro will not propose to the Annual General Meeting on 2 May 2017 to declare a dividend for 2016 to shareholders.

Leidschendam, 23 February 2017

Board of Management

P. van Riel, Chairman Board of Management, Chief Executive Officer
P.A.H. Verhagen, Chief Financial Officer
M.R.F. Heine, Director Marine division
B.M.R. Bouffard, Director Land division
S.J. Thomson, member of the Board of Management

Supervisory Board

H.L.J. Noy, Chairman
J.C.M. Schönfeld, Vice-Chairman
A.J. Campo
P.H.M. Hofsté
A.H. Montijn
D.J. Wall