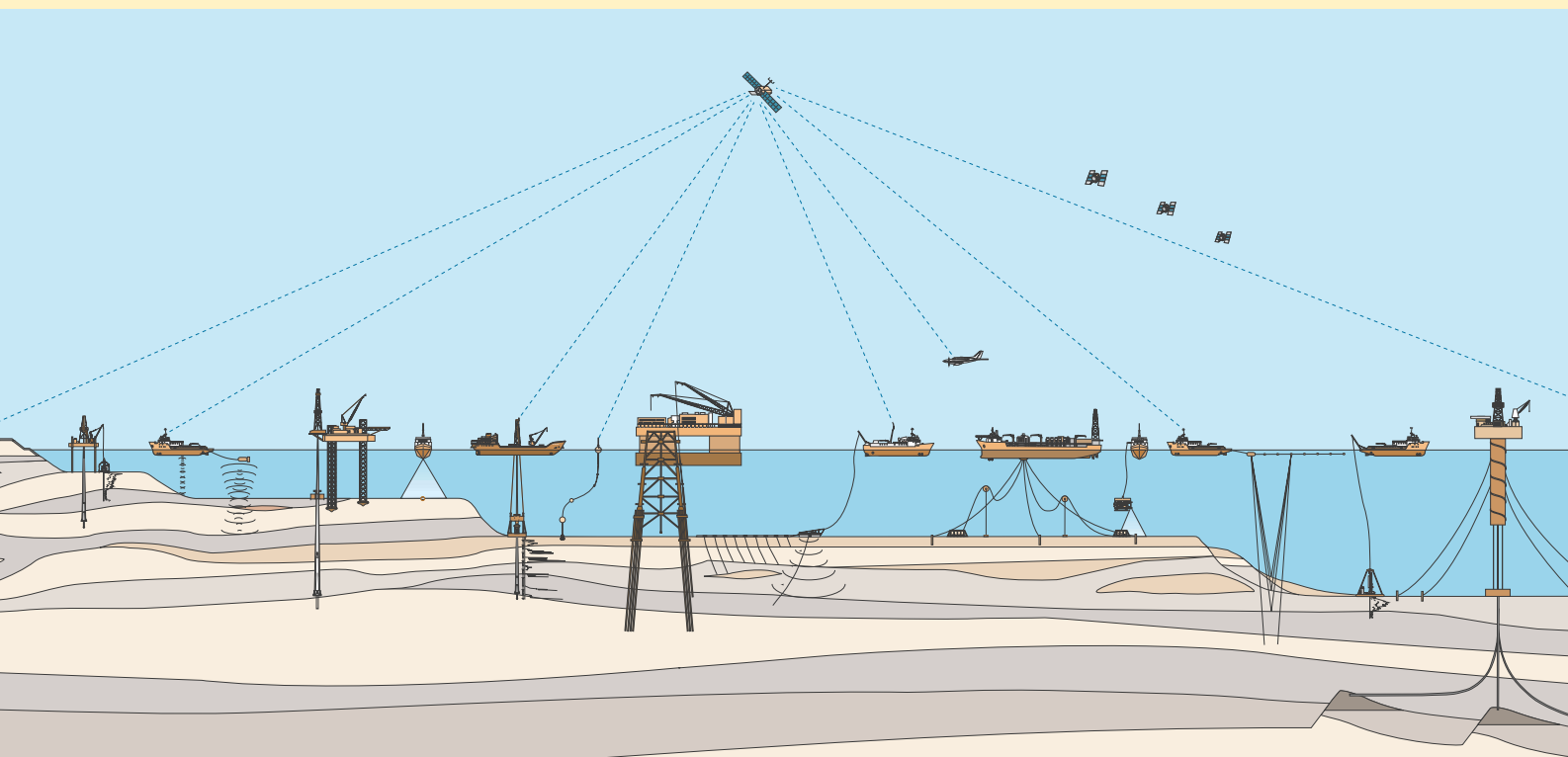




**FUGRO N.V.**

Summary  
Annual Report 2005



## Contents

This publication is a summarised translation of the official Annual Report in Dutch.

The complete Annual Report 2005 is available in both Dutch and English on our website [www.fugro.com](http://www.fugro.com). A hard copy can be ordered via +31 (0)70 3111422 or via e-mail: [holding@fugro.com](mailto:holding@fugro.com).

<b>Major developments in 2005</b>	1
<b>Management</b>	2
<b>Preface from the President and Chief Executive Officer</b>	3
<b>Profile</b>	4
<b>Fugro's activities and markets</b>	5
<b>Key figures</b>	6
<b>Report of the Board of Management</b>	8
<b>Geotechnical services</b>	14
<b>Survey services</b>	16
<b>Geoscience services</b>	19
<b>Mission, financial targets, strategy and policy</b>	22
<b>Information for shareholders</b>	25
<b>Fugro: active throughout the lifecycle of an oil or gas field</b>	29
<b>Fugro takes the prize</b>	40
<b>Consolidated income statement</b>	41
<b>Consolidated balance sheet</b>	42
<b>Tables and graphs</b>	43

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## Major developments in 2005

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- In the year under review turnover rose by 15.1% to EUR 1,160.6 million (2004: EUR 1,008.0 million). Organic growth was 12.0%, while acquisitions and disposals on balance increased turnover by 0.3%. Turnover rose by 2.8% due to currency effects other than those related to the USD.
- The net result improved by 102% and rose to EUR 99.4 million (2004: EUR 49.3 million).
- The net profit margin based on the IFRS principles of valuation which are now applicable rose to 8.6% (2004: 4.9%).
- Earnings per share rose by 82% to EUR 1.51 (2004: EUR 0.83, taking into account the four for one share split of 20 June 2005). Cash flow per share was 26% higher at EUR 2.67 (2004: EUR 2.12).
- All three divisions contributed towards the much improved net result. The contribution towards profit made by the offshore activities in the Survey division showed a considerable improvement compared with 2004.
- In 2005 Fugro made several strategic acquisitions in China, India and New Zealand. A new company called Fugro-OceansatPEG was established in Brazil.
- As announced in several external publications, investments by the oil and gas industry (in dollars) in 2005 were around 20% higher than in 2004. These investments are now leading to a visible increase in demand for services from suppliers to the oil and gas industry.
- In March 2005, about 95% of the 4.75% convertible subordinated bond of EUR 100 million issued in 2000 was converted into shares. The remainder was redeemed. Due to the conversion the number of issued shares has risen by 9.5% (68,825,192 shares per 31 December 2005).
- In April 2005 a five year senior unsecured convertible bond of EUR 125 million was issued at 2.375%. The conversion price is EUR 24.25.
- To finance further growth, in April 2005 Fugro also arranged a five-year revolving credit line of EUR 100 million at an interest rate of Euribor plus 35 base points.
- On 20 June 2005 a share split was implemented (four for one). The number of issued shares on 31 December 2005 was 68,825,192 (31 December 2004: converted 62,191,556).
- It is proposed that the dividend in cash or (certificates of) shares (whichever the shareholder prefers) be increased to EUR 0.60, (2004: converted EUR 0.48).
- Mr. K.S. Wester (1946), who joined Fugro in 1981 and has been a Director of Fugro N.V. since 1996, was appointed President and Chief Executive Officer as of 1 October 2005. He succeeded Mr. G-J. Kramer (1942) who retired on 31 December 2005 after nearly 23 years with Fugro.
- Fugro now has annual IFRS accounting figures covering the past three years. Fugro's financial reporting for 2004 and 2005 complied fully with the IFRS reporting regulations. These IFRS reports are accompanied by an unqualified audit opinion.

## Management



*President*

*Chief Financial Officer*

K.S. Wester

A. Jonkman

### **Supervisory Board**

F.H. Schreve (1942), Chairman

J.A. Colligan (1942)

P.J. Crawford (1951)

F.J.G.M. Cremers (1952)

Th. Smith (1942)

P. Winsemius (1942)

### **Audit Committee**

P.J. Crawford

F.J.G.M. Cremers, Chairman

P. Winsemius

### **Remuneration and Nomination Committee**

F.H. Schreve, Chairman

J.A. Colligan

Th. Smith

### **Secretary to the Supervisory Board**

Ms. J.M.E. Feije

### **Board of Management**

As of 1 January 2006, the Board of Management of Fugro N.V. comprises two people:

K.S. Wester (1946), President and Chief Executive Officer

A. Jonkman (1954), Chief Financial Officer

### **Other members Executive Committee**

O.M. Goodman (1956)

Director Positioning and Onshore Survey

J.E. Kasperek (1942)

Director North & South America

P. van Riel (1956)

Director Development & Production

J. Ruegg (1944)

Director Offshore Survey

A. Steenbakker (1957)

Director Onshore Geotechnical

F.E. Toolan (1944)

Director Offshore Geotechnical and Airborne Survey

Ms. J.M.E. Feije (1964)

General Counsel & Company Secretary

## Preface from the President and Chief Executive Officer

### ***Dear shareholders and other stakeholders,***

As the new President and Chief Executive Officer of Fugro I am delighted to be able to present to you the best year in Fugro's history up till now. At the same time a special word of thanks to my predecessor Mr. G-J. Kramer is called for. He stepped down as President and Chief Executive Officer on 1 October 2005 after having led Fugro in an excellent manner since 1983. I consider that it is my job to continue to follow the successful course on which the company has been set. We make our strategy transparent for all our stakeholders, the organisation is well equipped on every front and the market conditions for the coming period appear to be good.

The results for 2005 were good. Turnover rose to a record level of EUR 1,161 million. Most of this growth was organic. The net result (EUR 99 million) rose, comparatively speaking, even more. The positive development of the result meant that the net profit margin rose to 8.6% (2004: 4.9%). The way we see things at the moment we believe that under the current market conditions a target margin of 8% – 8.5% under IFRS regulations is feasible.

There are a number of factors that instil us with confidence for the future. Since mid 2004, a major portion of the global increase in investments by the oil and gas industry has benefited suppliers such as Fugro. Much of the investment has been made to compensate for the depletion of existing fields. It is generally believed, provided that the oil price remains above USD 30 – USD 40, this type of investment is expected to continue in the coming years. In addition to the depletion effect there is also an increasing demand from up-and-coming economies such as China and India.

To a certain extent the same development also applies for Fugro's other core activities in mining and infrastructure. With economies picking up the need for raw materials remains strong, which means a structural increase in the demand for minerals. Fugro plays an active role in the process of locating raw materials and minerals, but is also involved in the search for, the increasingly scarce, underground fresh water reserves. The market for complex infrastructure projects, a market in which Fugro is involved on a very regular basis, is still regionally-oriented. There is a structural growth in the world's population. The transport of goods and people is increasing and the protection of living and working environments from natural forces requires continuous and increasing attention. This is leading to construction activities both on land and in coastal waters.



Fugro offers a wide range of services with as the common denominator the collection and interpretation of data related to the earth's surface and the soils and rocks beneath. A clear synergy effect is created within Fugro because expertise and experience gained by one business unit is developed further or used by other services and activities. Our investments and strategic acquisitions also contribute towards this goal. These elements remain components of our policy, which means that in the coming years there will be substantial investments, including investment in new seismic equipment.

The number of employees will also rise. The confidence our employees place in Fugro is expressed by the low staff turnover. We express the confidence to our shareholders through the dividend that is increasing in-line with the company's development. It is proposed that for 2005 the dividend is increased with 25% to EUR 0.60 (2004: converted EUR 0.48).

Fugro's foundations are firm, the markets in which we operate are picking up all over the world and our order portfolio is healthy. We remain focussed on a healthy autonomous growth supplemented by growth through acquisitions. Possible acquisition candidates are always evaluated extremely carefully and acquisitions only take place if they fit within Fugro's culture and global activity portfolio. To summarise, we have confidence in the future.

Yours faithfully,  
Fugro N.V.

K.S. Wester  
President and Chief Executive Officer

## Profile

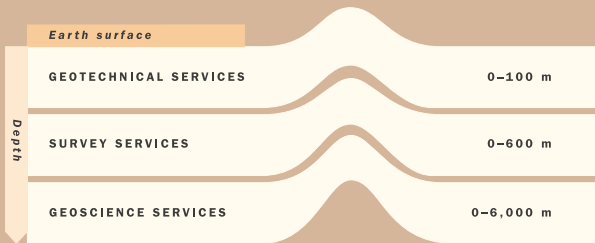


Fugro collects and interprets data related to the earth's surface and the soil and rocks beneath. On the basis of this the Company provides advice, generally for purposes related to the oil and gas industry, the mining industry and the construction industry, including infrastructure projects.

Fugro operates around the world at sea, on land and from the air, using professional, highly specialised staff supported by advanced technologies and systems, many of which have been developed in-house. The equipment Fugro uses to carry out its work includes over thirty vessels, several hundred CPT (Cone Penetration Test) and drilling units and approximately forty aeroplanes and helicopters as well as some sixty ROVs (Remotely Operated Vehicles).

Fugro's objective is to hold a leading market position due to its technological developments and quality. This requires a strong international or regional market presence.

Fugro was founded in 1962, has been listed on Euronext N.V. in Amsterdam since 1992 and has been included in the Amsterdam Midkap Index since March 2002. Fugro has approximately 8,500 staff permanently stationed in over 50 countries.



*Organisationally Fugro comprises three divisions: Geotechnical, Survey and Geoscience.*

### FUGRO GROUP

#### Geotechnical division

Investigation of and advice regarding the physical characteristics of the soil, foundation design and construction materials.

#### Survey division

Precise positioning services, geological advice, topographic, hydrographic and geological mapping and support services for offshore and onshore construction projects, as well as data management.

#### Geoscience division

Acquisition, processing and interpretation of seismic and geological data, reservoir modeling and estimation of oil, gas, mineral and water resources and the optimisation of their exploration, development and production.

# Fugro's activities and markets

<i>Geotechnical</i>	Major clients	Market	Market position
Onshore	Government, industry and construction contractors	Local/regional markets	Strong regional position, varying by country/region
Offshore	Oil and gas companies, contractors	Global market	Strong leading position
<i>Survey</i>			
Offshore	Oil and gas companies	Global market	Leading position
Onshore	Government, industry and construction contractors	Local/regional markets	Strong regional position, varying by country/region
Positioning	Agriculture, mining and survey services	Global market	Strong position in niche markets
<i>Geoscience</i>			
Development & Production	Oil and gas companies	Global market	Leading position in niches
Airborne Survey	Mining and oil and gas companies	Global market	Leading position

Fugro has no competitors offering the same scale of cohesive activities world wide.

The offshore Geotechnical, offshore Survey, Development & Production, Airborne Survey and Positioning business units operate in a global market. Fugro holds a leading position in almost all of these markets. The competition varies per activity and geographical region. The oil and gas industry is the major client in these markets.

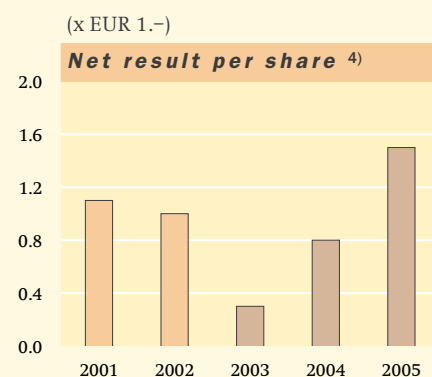
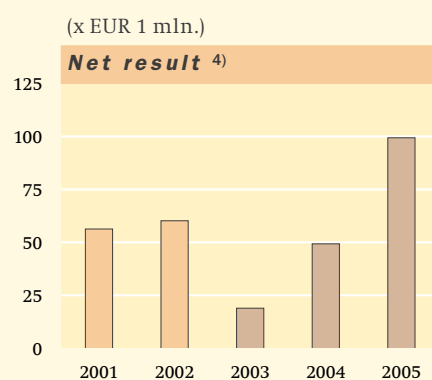
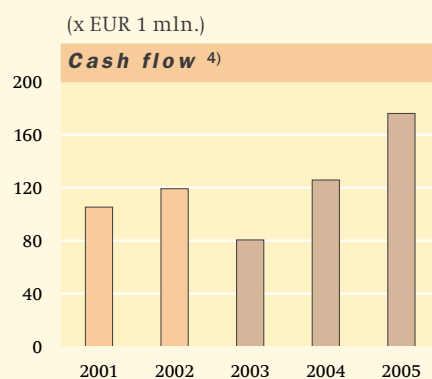
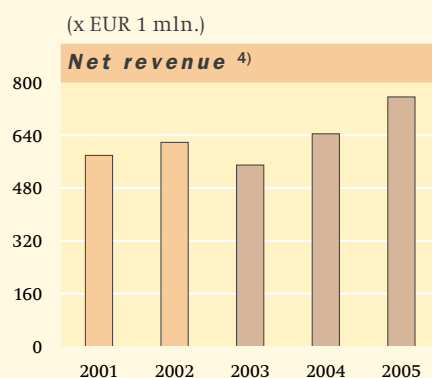
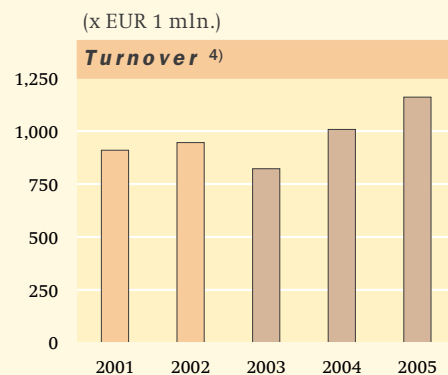
The onshore activities revolve around local or regional markets. Fugro operates in many countries and its market positions vary per region. Most orders are carried out within a hundred kilometres of the relevant office.

## Key figures <sup>4)</sup>

<b>Result</b> (x EUR mln.)	<b>IFRS 2005</b>	<b>Change in %</b>	<b>IFRS 2004</b>	<b>IFRS 2003</b>
Turnover	1,160.6	15.1	1,008.0	822.4
Turnover from own services	754.9	17.3	643.4	549.0
Operating result	144.1	38.3	104.2	63.3
Cash flow	176.1	40.0	125.8	80.5
Net result before amortisation of goodwill				
Net margin before amortisation of goodwill (%)				
Net result	99.4	101.6	49.3	18.9
Net margin (%)	8.6	75.5	4.9	2.3
Interest cover (factor)	7.2	94.6	3.7	2.2
<b>Capital</b> (x EUR mln.)				
Total assets	1,138.7	15.8	983.4	1,056.0
Group equity <sup>1) 2)</sup>	470.8	106.3	228.2	213.7
Solvency (%) <sup>1) 2)</sup>	40.9	79.4	22.8	20.0
Solvency (%) <sup>1) 2) 3)</sup>	51.0	55.0	32.9	29.1
Return on shareholders' equity (%) <sup>1) 2)</sup>	30.4	17.4	25.9	10.9
Return on invested capital (%) <sup>1) 2)</sup>	20.8	43.4	14.5	7.5
<b>Assets</b> (x EUR mln.)				
Tangible fixed assets	262.8	12.8	233.0	268.8
Investments (including acquisitions)	90.4	27.3	71.0	124.0
Depreciation of tangible fixed assets	69.4	5.0	66.1	54.0
<b>Data per share</b> (x EUR 1.-) <sup>5)</sup>				
Capital and reserves <sup>1) 2)</sup>	6.76	87.8	3.60	3.48
Operating result	2.18	23.9	1.76	1.09
Cash flow	2.67	25.9	2.12	1.39
Net result before amortisation of goodwill				
Net result	1.51	81.9	0.83	0.33
Dividend	0.48	-	0.48	0.46
Share price: year-end	27.13	76.7	15.35	10.20
Share price: highest	27.40	67.0	16.41	12.86
Share price: lowest	15.14	50.6	10.05	6.13
Average price/earnings ratio	14.1	(11.3)	15.9	29.1
Average dividend yield (%)	2.2	(38.9)	3.6	4.9
<b>Issue of nominal shares</b> (in thousands) <sup>5)</sup>				
At year-end	68,825		62,192	60,664
Entitled to dividend	67,886		60,548	58,308
Average	65,976		59,360	57,856
<b>Number of employees</b>				
At year-end	8,534		7,615	8,472

Dutch GAAP 2002	Dutch GAAP 2001
945.9	909.8
617.5	578.1
111.9	98.5
119.2	105.3
72.2	61.7
7.6	6.8
60.2	56.3
6.4	6.2
6.1	7.8
<hr/>	
793.2	814.8
274.3	247.6
34.3	30.0
46.9	42.3
27.4	35.7
15.4	19.1
<hr/>	
192.3	163.3
100.0	89.4
46.9	43.6
<hr/>	
4.57	4.17
1.95	1.86
2.07	1.98
1.26	1.16
1.05	1.06
0.46	0.40
10.78	12.53
16.50	18.91
9.88	10.75
12.6	14.0
3.5	2.7
<hr/>	
59,448	58,680
57,580	57,024
57,436	53,104
<hr/>	
6,923	6,953

- 1) After providing for a cash dividend of 50% in 2001.
- 2) Since 2002, no accrual for dividend has been included.
- 3) Convertible bond treated as Group equity.
- 4) Based on IFRS from 2003 onwards.
- 5) Figures 2001 through 2004 adjusted for share split.



## Report of the Board of Management

### GENERAL BUSINESS DEVELOPMENT

For Fugro 2005 was the best year in Fugro's history up till now. Not only did both turnover and net result reach record highs, target margin was also exceeded. Furthermore 2005 was a year in which the effect of acquisitions and currency exchange rates on the turnover was relatively small. The success in 2005 was due to a number of structural factors, which will continue into the future:

- In the last decade Fugro's structure, composition and market positions have been enhanced to the point that the company's portfolio of activities is now well balanced. This limits the cyclical effect on the Company and enables high capacity utilisation to be achieved continuously.
- In the second half of 2004 and 2005 investments by the oil and gas industry increased significantly all over the world. This has led to more demand for services from suppliers. The postponement of investments in the past, the depletion of existing fields, and the steadily increasing global demand for energy are the main reasons.
- The substantial increase in seismic activities, which in 2005 constituted around 13% of Fugro's turnover. This includes also good sales of Fugro's multi-client data, which generally mark the beginning of the oil and gas field development cycle. Fugro is involved in the entire oil and gas field cycle (see page 29) and the radical increase in investments has had a positive effect on Fugro in a number of phases.
- Fugro's involvement with the infrastructure project and mining industry markets, both of which began picking up in 2005.
- The policy related to continuous investment in (new) technological equipment and the unceasing focus on innovative research has had a positive effect on Fugro's business development. The same is true for the constant emphasis on staff training and development.
- The successful integration of Thales GeoSolutions into the Offshore Survey division in 2004 contributed towards the good results achieved in 2005. The Remotely Operated Vehicles (ROVs) that came with this acquisition were well used.

In financial terms, Fugro's business development in 2005 can be summarised as follows:

- Fugro's overall turnover rose by 15.1% to EUR 1,160.6 million of which 12.0% was achieved through organic growth;
- net result rose by 101,6% to EUR 99.4 million (2004: EUR 49.3 million);
- the net profit margin rose to 8.6% (2004: 4.9%);
- all three divisions contributed towards the substantially improved result;
- it is proposed that the dividend for 2005 is increased to EUR 0.60 per (certificate of) ordinary share (2004: EUR 0.48).

During the year under review Fugro completed several smaller but strategically important acquisitions:

- the acquisition of the business activities of BTW Hydrographic in New Zealand, this company provides survey services to the oil and gas industry;
- the acquisition of a 100% interest in Comprehensive Geotechnical Investigation in Zhejiang, China. This company is licensed to carry out onshore geotechnical activities throughout China;
- the acquisition of Elcome Surveys in Mumbai, India, a major supplier of survey, geotechnical and oceanographic services in India and the Middle East.

In addition, the market position in California, the USA, was strengthened by the acquisition of geotechnical engineering bureau España Geotechnical Consulting (EGC) based in Roseville, Sacramento Valley.

Furthermore Fugro acquired Beardall, Parry and Associates in Wales. This company is specialised in the evaluation of oil and gas prospects and fields.

The organisation was also reinforced through the establishment of the new company Fugro-OceansatPEG in Brazil. The company will carry out offshore survey, positioning, oceanographic, metocean, ROV and diving activities primarily for the oil and gas industry. Fugro holds a 62% interest in this company.

The seismic market has undergone robust growth and Fugro's goal is to improve its already strong position in the offshore seismic market and its global services offering. For this purpose Fugro wants to operate with a fleet of around eight vessels, some owned by Fugro, some chartered. At the end of 2005 Fugro took the first steps towards this with the signing of a long-term charter agreement from May 2006 for the 'Geo Atlantic', as well as a multi-year charter for the 'Geo Celtic' – a 3-D seismic new-build vessel that will be launched in mid 2007.



Airborne survey at  
Cullaton Lake,  
Nunuvut, Canada

At the beginning of 2006 a three-year charter agreement was signed for the seismic vessel 'Geo Barents' that will be launched in November 2006. Fugro will obtain ownership in November 2009. This expansion brings about a further modernisation of the fleet and means Fugro has six seismic vessels at its disposal for a number of years. In addition, to maintain flexibility on a project and/or short-term basis, two or three additional vessels will be chartered to bring the fleet of vessels working in the seismic market up to around eight.

In 2005 several divestments of a limited size took place:

- the sale of the 40% interest in Chartco, in the UK, active in the field of nautical information for shipping;
- the sale of the standard diving activities in Mexico;
- the sale of two laboratory activities in Wales, the UK (including environmental analyses).

The turnover from these activities amounted to EUR 15 million per annum. These activities do not fit in Fugro's strategy for the future.

In 2005 Fugro was awarded and completed a number of major assignments, including:

- a large project for Brass LNG in Nigeria. A geophysical and geotechnical survey was carried out (both onshore and in coastal waters) for LNG/LPG facilities;
- the measurement, using the FLI-MAP system, of approximately 700 km of dams for the Hoogheemraadschap (polder authority) Delfland;
- a marine geotechnical survey offshore Brazil. The 'Fugro Explorer' was used to collect data on the seabed soils in water depths of up to 2,100 metres that the client will use for the design and construction of platforms, underwater installations and pipelines;
- hydrographic and geophysical investigation of the western Nile delta (Egypt) for BP Exploration using Fugro's newest AUV (Autonomous Underwater Vehicle);
- a geophysical, geotechnical and environmental survey in the United Arab Emirates for Fluor Mideast;
- the mapping, using FLI-MAP of the damage caused to levees around New Orleans by hurricane Katrina. Fugro is also active in assisting to repair the damage to offshore constructions caused by the two hurricanes in the USA.

In the year under review Fugro also acquired orders that will be carried out or started in 2006, including:

- a geophysical airborne survey of various regions in the Republic of Ghana;
- a five-year contract from the National Oceanic and Atmospheric Administration (NOAA-NOS), part of the US Department of Commerce, for hydrographic surveys and related services in USA waters;
- various three-dimensional (3D) seismic surveys along the coast of Norway for the Norwegian oil company Statoil;
- a three-dimensional seismic survey off the coast of Morocco: the collection of data over around 2,200 square kilometres of sea-bed;
- an airborne geophysical survey of areas of Papua New Guinea that was started in July 2005 and will take four years to complete.

In January 2006, the new company Fugro-OceansatPEG SA, which was set-up in 2005 and in which Fugro holds a 62% interest, received an order (contract value USD 25.4 million) from the Brazilian oil company Petrobras for inspection services and the management of construction activities in Brazilian waters. The contract was signed for two years with an option of extension for a further two years.

## **ORGANISATION AND PERSONNEL**

### **Organisational structure**

Fugro is organised in three divisions: Geotechnical, Survey and Geoscience. The Board of Management is responsible for Group policy, strategy, acquisitions, investments, risk management, financing and internal coordination. The Holding Company also handles matters which, for reasons of efficiency, (high-value) specialisation or financing are best handled centrally. Fugro's philosophy is that the divisions' operating companies should be able to operate as autonomously as possible within the framework of the Group's policy, business principles and internal risk management systems. This enhances the quality of the operating companies' management. Delegation is firmly interwoven into the Company's culture. Where appropriate for the client, cooperative links are forged between or within the divisions. This results in synergy developing naturally, particularly when complex and integrated projects are involved, and increases profitability. It also increases the creativity and



FLI-MAP-project in Schwandorf, Germany

involvement of the organisation as a whole, as well as the staff's opportunities for professional challenges and self-development.

## **SUSTAINABLE BUSINESS**

### **General**

Fugro sets great store by sustainability and, therefore, on Corporate Social Responsibility (CSR). Fugro, along with 21 other large Dutch companies, participated in a Stichting Nationaal Initiatief Duurzame Ontwikkeling (National Initiative for Sustainable Development) project based on the OECD (Organisation for Economic Cooperation and Development) guidelines for multinational companies. A survey of the internal compliance with these OECD guidelines in the field of Corporate Social Responsibility showed that Fugro has high standards and makes good provision for its employees. It was also concluded that Fugro:

- Due to its global presence and highly decentralised structure, can be confronted with conflict between (the lack of) local legislation and regulations and the high standards for which Fugro strives;
- Operates with relatively few expatriates. Local managements can interpret the policy within the corporate rules from their own perspective and respecting local cultures;
- Does not wish to play a political role regarding the desirability of developing, or not developing, projects. Fugro provides services when this is agreed with the client and when so doing would not conflict with local legislation and regulations or Fugro's business principles.

Fugro's CSR policy comprises clear codes of behaviour and regulations related to:

- health, safety and the environment (HSE);
- quality management;
- the recruitment of employees and their opportunities for development;
- confusion of interests;
- honest competition and good purchasing;
- social responsibility;
- upholding or enhancing Fugro's good reputation.

Fugro's CSR policy is implemented pragmatically and thus does not include explicitly every component of the OECD guidelines. This is partly due to the fact that Fugro is a company that is oriented around professional staff

and that is not involved with mass production (in low wage countries) and therefore does not cause any environmental pollution through industrial emissions. In addition, a number of ethical standards are intrinsic to the culture of integrity that has always been present within Fugro.

### **Health, Safety and the Environment (HSE)**

Fugro is active in over 50 countries and complies with the various laws and regulations related to Health, Safety and the Environment. Every operating company is responsible for implementing a HSE management system. The principle is that the operating company should not only comply with the specifically relevant legislation and regulations but should also adopt a pro-active and preventative stance. In general this means that, if possible and applicable, higher standards than those demanded by the relevant legislation should be set. Health and safety in the workplace and while carrying out projects is a priority and safeguarding health and safety is an important component of Fugro's policy, especially when Fugro's activities are carried out in a potentially hazardous environment. Fugro also works towards influencing wider industry standards, for example, Fugro is striving to make its stringent safety standards for the Airborne Survey activities the norm within the industry.

In general Fugro's activities have little effect on the environment. Even so, Fugro pays due attention to the environment and is careful to protect it. Preventing or reducing environmental damage is a fundamental policy component. Through its work within its own disciplines Fugro has gained extensive knowledge of environmental problems and contributes towards their solution. A high proportion of Fugro's activities is carried out on behalf of the oil and gas industry and, when involved in these activities, Fugro complies with the stringent demands the industry places on contractors.

### **Quality management**

Fugro pays a great deal of attention to quality. The trustworthiness of the data or advice provided is a high priority. By developing the right systems, such as those for use in deepwater, Fugro remains abreast of its clients' changing needs. A programme for monitoring client satisfaction has been in operation for many years and the conclusions have, where desirable or useful, been



Cone Penetration Test for the foundation of a bridge near Roßla, Germany.

implemented. In Fugro's view, quality should not only apply to the service provided to clients, it should also apply to general standards and values, a people-friendly working environment and mutual respect. To this end, (recognised) quality management systems are applied within operating companies.

### **Corporate Social Responsibility**

Fugro is part of society and involvement in the community is, therefore, an important aspect of its operations. This is why Fugro supports a large number of social initiatives. Sometimes this support is in the form of a financial contribution, sometimes Fugro contributes expertise and experience or some other form of active support. Fugro focuses on general social goals by supporting institutions such as universities and other education establishments and industry branch organisations which may promote our interests. Fugro also provides support in specific social fields, such as music, art, culture and sport. Operating company managers are encouraged to become actively involved in their local community and to support charitable and cultural events.

### **Upholding or enhancing Fugro's good reputation**

Although each operating company is, in fact, a separate enterprise, each one contributes towards the reputation of the Group. Because Fugro's good reputation is priceless when it comes to maintaining and expanding our client base, upholding and protecting our reputation has the highest priority.

### **INFORMATION AND COMMUNICATION TECHNOLOGY**

ICT systems play an important role in Fugro's global activities. This is driven not only by the need to improve communications and efficiency, but also by the need to generate a competitive advantage.

Fugro pays a great deal of attention to the security aspects of the ICT infrastructure. Fugro's ICT security team comprises a global security officer, who reports directly to the Executive Board, and four regional security officers. Fugro's ICT security team is responsible for maintaining and supervising the e-security aspects of the ICT infrastructure used by the operating companies to access the Intranet and for Extranet and Internet applications.

Fugro interfaces with the outside world via a number of well-protected Internet access gateways. The ICT security systems on these gateways and the Virtual Private Network (VPN) infrastructure via which the operating companies are connected to these gateways are maintained and monitored by a leading Managed Security Service Provider (MSSP) 24 hours a day, seven days a week.

The operating companies are responsible for the security of their own data and ICT systems within their Local Area Network (LAN) under guidelines and policy set centrally.

Fugro's ICT security team also plays a role in the training of local ICT staff regarding such aspects as security and the best way to make optimum use of Fugro ICT facilities. In 2005 'security audits' were carried out at a number of operating companies to evaluate the effectiveness of their security measures, the extent to which they complied with the Group's ICT security policy and to highlight, in good time, any system problems.

### **RESEARCH**

During 2005 Fugro once again made considerable progress with regard to regular (product) development. Technological research plays a key role for Fugro as the Company's market position and services rely, in part, on state-of-the-art equipment and software that enables information to be acquired more and more precisely and complex data to be interpreted more and more accurately. (Product) developments often take place in close cooperation with the client as the client is interested in solving a specific problem. The most important technological (product) developments of 2005 are listed below:

- the further improvement and expansion of the inertial navigation system that was introduced successfully in 2004. This development is aimed primarily at sub-sea positioning in deep water. Development will continue in 2006;
- the development of extremely accurate time measurement systems with which measurements can be compared and correlated with millisecond precision. This is primarily needed to compensate for vessel movement when using Dynamic Positioning systems.
- the improvement of satellite navigation systems to achieve measurements with a (vertical) accuracy of 5 centimetres;



Artist's impression of the seismic vessel 'Geo Celtic', that will be ready for launch mid 2007.

- the optimisation and visualisation of multi-beam data processing with which the sea bed can be measured extremely accurately and the measurements displayed graphically;
- putting the digital video into operation on the Remotely Operated Vehicles (ROVs). Digital video and storage provides considerable improvements in both the reporting of and access to the information;
- various software developments related to improving the processing and interpretation of (geophysical) data and for reservoir modelling;
- the first, and successful, employment of the Autonomous Underwater Vehicle (AUV), the 'Hugin', for a large project in Egypt. The 'Hugin', one of the three AUVs of this type in the world, operates in deep water where it collects extremely high-quality data very efficiently. The Hugin's following 'assignments' will be in Indonesia, Brazil and Nigeria;
- the further improvement of the 'Georanger I' (Unmanned Airborne Vehicle) to optimise airborne measuring by flying a remotely controlled airborne vehicle along a pre-programmed route. The UAV, which is equipped with various sensors, was used regularly during 2005.

In addition to the regular (innovative) research activities directly related to its core activities, Fugro was also involved in a number of complementary activities and initiatives including:

- wind energy, where Fugro provides the Chairman of the IRO wind group, because this form of energy generation generally also involves (offshore) infrastructure-related activities;
- the Eurogia-cluster. This is an initiative for sustainable and safe energy provision in the context of a cleaner and safer future;
- Fugro's participation in two investigations related to gas hydrates (frozen gas crystals) in deep water. These are potential energy sources and, in addition, this knowledge could also be used when giving advice regarding drilling for oil and gas sources in deep water.

#### **BACKLOG**

At the beginning of 2006 the backlog amounted to EUR 814.1 million – an increase of EUR 224.9 million compared with a year earlier (2005: EUR 589.2 million). The backlog calculation is based on end of year exchange rates. Partly due to the increase in the dollar rate from

EUR 0.73 to EUR 0.85 for one USD, the backlog in EUR was 38% higher compared with 2005. Had the dollar rate remained the same the increase would have been 29%.

#### **POST BALANCE SHEET DATE EVENTS**

In January Fugro's Supervisory Board decided to propose to the Annual General Meeting of Shareholders on 10 May 2006 that Messrs. P. van Riel and A. Steenbakker be appointed to the Board of Management as of that date.

In January the Board of Management announced that Mr. F.E. Toolan, member of the Executive Committee and COO of offshore Geotechnical Services and Airborne Survey, would retire per 1 July 2006. As of the same date Mr. W.S. Rainey will be appointed COO of Geotechnical Services and Mr. S.J. Thomson will be appointed COO of Airborne Survey. Both Mr. Rainey and Mr. Thomson have been working a long time for Fugro.

In January 2006 Fugro signed a three-year charter contract with the Norwegian shipyard Uksnoy & CO A/S for the seismic vessel 'Geo Barents'. The vessel will be ready for launching in November 2006 and Fugro will obtain ownership in November 2009.

During January 2006 Fugro Holdings Ltd. in the UK acquired a 100% interest in Surrey Geotechnical Consultants Ltd. for an amount of EUR 0.6 million.

#### **PROSPECTS**

The prospects for suppliers to the oil and gas industry are positive. Fugro is well equipped to fulfil the needs of clients in this sector efficiently all over the world.

As indicated in external reports, in 2006 investments by the oil and gas industry are expected to increase (in dollar terms) around 15% compared to 2005. A significant portion of this will be spent with providers of services such as seismic surveys. Other survey activities will also reap the benefits of this increased investment. Good developments are expected for deep water projects, especially in the Gulf of Mexico, West Africa and Brazil. Good capacity utilisation is also foreseen in the Middle East, the Caspian Sea and Asia.



Palaeo plate reconstruction.

Fugro will also harvest the rewards of its focus on improving the production of (existing) oil and gas sources through its Development & Production activities. In addition to traditional markets, such as the mining industry, the Airborne Survey activities are enjoying more and more interest as a result of the developments in the oil and gas industry and the demand for the identification of fresh water reserves. In 2006 there will still be a need for assistance with the repair and inspection of oil and gas installations and infrastructure in the USA damaged by hurricanes Katrina and Rita in 2005. Fugro is also in a good position to increase its share of large infrastructure projects in 2006.

Organisationally the Company is structured efficiently and effectively with a good strategic foundation and a sound financial framework. This means that Fugro is in a good starting position in all the various markets in which it operates all over the world. At the same time, economic conditions are improving steadily, a view supported by the size of the order backlog at the beginning of 2006.

Investments, including investments in new seismic and underwater measuring equipment, are essential for Fugro, we expect that investments in 2006 will be around EUR 100 million higher than normal. We will also continue recruiting and training new staff in order to be able to meet the demand. Due to the short-term nature of a part of our projects we only can, like in previous years, give a forecast for the full year at the presentation of the half-yearly report 2006 in August.

Leidschendam, 9 March 2006

K.S. Wester, President and Chief Executive Officer  
A. Jonkman, Chief Financial Officer

***Prospects summarised:***

- good prospects for suppliers to the oil and gas industry;
- according to external reports the investments by oil and gas companies expected to increase by 15% in 2006;
- high demand for offshore seismic survey;
- continuous demand for minerals (mining industry);
- due to the growth in the world's population further expansion of transportation systems (for which large infrastructural projects are necessary, such as roads, harbours and airports);
- positive developments, both offshore and onshore, in many regions;
- leading market positions in which investments will continue.

## Geotechnical services



A. Steenbakker  
(as of 1 September 2005)



F.E. Toolan

### Onshore

- probing, drilling and measuring;
- quality testing of construction materials;
- laboratory and environmental testing;
- advisory and design assignments related to foundations for buildings and land reclamation.

### Offshore

- seabed soil investigations;
- advising on foundations for offshore structures, tunnels, bridges and harbour construction;
- collecting data for a variety of purposes including the laying of underwater pipelines and cables;
- monitoring large structures such as offshore platforms, bridges and tunnels.

### Goals and strategy

The Geotechnical services division investigates and advises on the physical characteristics of soils and rocks, both onshore and offshore. It also investigates and advises on materials used in construction.

The onshore geotechnical services are oriented primarily towards infrastructure projects, land reclamation and construction activities. Fugro is active in many countries and generally occupies strong local positions. To a great extent the Division's results are dependent on developments in the local economies. In addition to its regular work the business unit concentrates primarily on larger and technically challenging projects with better margins.

The offshore activities focus mainly on the oil and gas industry but also on larger projects in coastal waters. The size of the oil and gas companies' investment budgets influences the results. Due to its strong leading position and scale advantages, Fugro can maintain its

technological lead and focus on new markets, or niche markets such as deepwater projects.

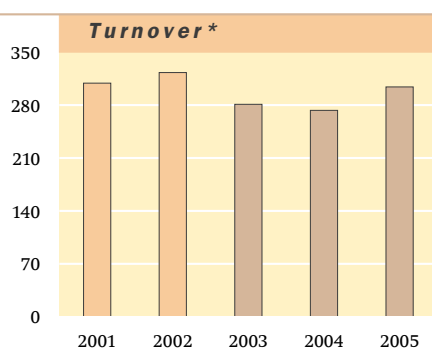
The Division's longer-term target is an improvement of the result through higher margins on an increasing turnover. Where it is worthwhile the geographical spread will be broadened.

### General business development

Although, as expected, onshore Geotechnical Services' turnover and result rose slightly, there is still room for a further improvement of the results. Offshore Geotechnical Services showed an improvement, especially where work was related to the development of new oil and gas fields.

On balance turnover rose by 11% to EUR 304 million (2004: EUR 273 million). The operating result rose by 15% to EUR 46 million (2004: EUR 40 million). This equates to a margin on turnover of 15% (2004: 15%). Expressed as a percentage of the invested capital the operating result was 26% (2004: 21%).

(x EUR 1 mln.)



\* As of 2003 based on IFRS.

### Onshore Geotechnical services

The onshore activities are characterised by local or regional markets and competition. Fugro has a presence in many countries and its market position varies per region or country. In most countries there are many competitors who do not have the expertise and global support enjoyed by the Fugro offices. The Company's size puts Fugro in a strong market position when it comes to large infrastructure projects.

(amounts x EUR 1 mln.)

<b>Key figures Geotechnical</b>	<b>IFRS 2005</b>	<b>IFRS 2004</b>	<b>IFRS 2003</b>	<b>Dutch GAAP 2002</b>	<b>Dutch GAAP 2001</b>
Revenue	304	273	282	323	309
Operating result (EBIT)	46	40	42	35*	26*
Invested capital	175	188	201	153	109
Depreciation of tangible fixed assets	10	10	13	11	10
Investments	12	21	10	63	14
<b>Operating result (EBIT)</b>					
as a % of turnover	15	15	15	11	8
as a % of invested capital	26	21	21	23	24
* Before amortisation of goodwill					

In 2005 the European activities recovered from the hesitant development of past years. In the Netherlands the market improved steadily and in Germany a positive result was achieved. A healthy growth of the activities was again visible in the United Kingdom. In France there is still room for improvement of the results.

In the United States, business developed well in Texas. Although the hurricanes resulted in some stagnation of the onshore activities they could also, in time, lead to additional work. In California Fugro had a reasonable year with good prospects. There was, however, some stagnation of the activities due to the start of follow-on orders for LNG-projects being delayed while the clients decided on plant locations.

The activity level was high in all the Middle East countries in which Fugro is active. A large number of onshore and coastal infrastructure projects were developed, partly thanks to the flow of income from the oil and gas sector. This resulted in a very good volume of work in Qatar, Oman, the United Arab Emirates and Saudi Arabia.

In the Far East the situation stabilised in Hong Kong. In recent years the capacity in Hong Kong has been adjusted in-line with the volume of work. Hong Kong also serves as a base for the further expansion of the activities in China where Fugro now has four offices for geotechnical services.

#### **Offshore Geotechnical services**

Fugro occupies a leading position in the offshore Geotechnical Services niche market in part thanks to its worldwide presence and specialist equipment. The combination of this position and Fugro's recognised

expertise is often the deciding factor for the acquisition of orders, including deep water surveys. Most of the competitors are smaller players active in regional markets.

Offshore Geotechnical Services continued to make good progress in 2005. There was a marked trend towards more and larger deep water projects related to the development of new oil and gas fields. The geographical spread of the activities also increased with deep water projects being carried out off Brazil, West Africa, India, Malaysia and Australia. The 'Fugro Explorer' spend eight months off Brazil carrying out a series of assignments for various clients. At the start of the financial year Fugro acquired a large order for investigations related to LNG/LPG shipping facilities in the Brass River region of Nigeria. The Offshore Geotechnical Services, Onshore Geotechnical Services and Offshore Survey business units worked together on the project, which was completed in 2005. Fugro also worked on several large LNG-projects in Australia.

In 2005 Fugro reaped the benefits of earlier initiatives taken in response to the changes in the activities in the North Sea. Fugro's services here are increasingly focused on the larger independent companies and are related to oil fields in the final phase of their life-cycle.

In the year under review selective investment was made in technology and equipment and our vessels are now better equipped for deep water projects. Fugro also took part in two surveys related to gas hydrates in deep water. These are not only potential sources of energy but the knowledge gained can also be useful when offering advice concerning drilling for oil in deep water.

## Survey services



J. Ruegg

### Offshore

- geophysical and site surveys related to the positioning of drilling rigs;
- route surveys for pipelines and underwater cables;
- positioning services above water (Starfix and Skyfix) and underwater;
- deepwater surveys using AUVs (Autonomous Underwater Vehicles);
- survey support for construction projects at sea, generally using DP (dynamically positioned) vessels and ROVs (Remotely Operated Vehicles);
- (annual) inspections of pipelines;
- oceanography.



O.M. Goodman

### Onshore

- advanced land survey activities;
- data management, conversion and mapping;
- LiDAR and photographic mapping;
- geographic registration and asset management.
- specialist services such as geomonitoring and dimensional control.

### Positioning

- development and operation of extremely accurate positioning services such as OmniSTAR, Starfix, SkyFix and SeaSTAR-DP;
- support of professional end-users on land, at sea and in the air;
- tracking services for vessels, vehicles, etc.

### Goals and strategy

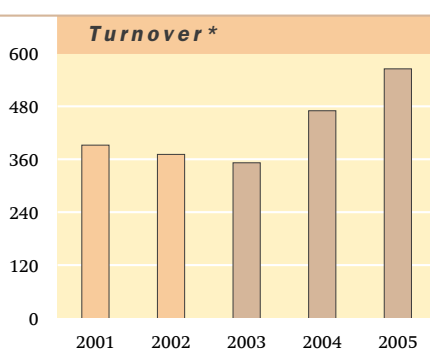
The Survey services division concentrates on mapping the topography and geological composition of the earth's surface, both on land and at sea, the registration of data regarding the earth's surface and precise positioning.

Most of the offshore services are carried out on behalf of the oil and gas industry and are offered all over the world. Fugro's technological lead provides opportunities to capture a large share of the growing market for the development of deepwater fields. The results of this business unit are closely linked to the level of investment by the oil companies.

The onshore services focus on local/regional markets in the government, utility, industry and construction sectors. In addition to traditional land surveys, Fugro focuses on technologically advanced solutions and new applications. This opens up possibilities for further growth for this business unit.

The positioning business unit offers precise satellite positioning services throughout the world to onshore markets such as agriculture and mining and to specific offshore niche markets. Given the availability of free public DGPS services, Fugro differentiates its satellite positioning services through technical performance (accuracy, reliability and coverage) and customer support.

(x EUR 1 mln.)



\* As of 2003 based on IFRS.

### General business development

In the year under review the Survey division achieved a turnover of EUR 565 million (2004: EUR 470 million) – an increase of 20%. The operating result rose by 37% to EUR 97 million (2004: EUR 71 million). This equates to 17% of the turnover (2004: 15%). Expressed as a percentage of the invested capital the operating result amounted to 44% (2004: 40%).

(amounts x EUR 1 mln.)

<b>Key figures Survey*</b>	<b>IFRS 2005</b>	<b>IFRS 2004</b>	<b>IFRS 2003</b>	<b>Dutch GAAP 2002</b>	<b>Dutch GAAP 2001</b>
Revenue	565	470	354	371	392
Operating result (EBIT)	97	71	31**	50***	65***
Invested capital	222	179	267	111	110
Depreciation of tangible fixed assets	25	29	23	22	22
Investments	41	32	26	19	50
<b>Operating result (EBIT)</b>					
as a % of turnover	17	15	9	13	17
as a % of invested capital	44	40	12	45	59
* Offshore Survey's historical figures have been recalculated in line with the structure introduced in 2002.					
** Including circa EUR 4.5 million negative from Fugro-TGS.					
*** Before amortisation of goodwill					

### **Offshore survey**

Fugro occupies a leading position in the global market for offshore survey services and aims to further extend this position. The international oil and gas industry seeks service providers who can provide a wide range of services worldwide. A great many smaller players are active in this market at a local level.

After the successful integration of Thales GeoSolutions in 2004, the focus in 2005 concentrated again on the regular business activities. The survey activities had an excellent year thanks to the substantial increase in investment by the oil companies and also due to increased activities in the gas sector. The underwater cable market showed a slight improvement.

The activity level was high for all the business lines and in all regions and profited from better than expected business development. In the Gulf of Mexico progress was as anticipated in the early part of the year, but towards the end of the year activity levels rose due to the considerable amount of repair and inspection work required for offshore installations as a result of hurricanes. Activity levels were also high in the Middle East and the Caspian Sea; and Europe, Africa and Latin America also showed improvement. Large development projects in the gas sector meant a high activity level in Australia.

In 2005 the preceding year's investments in the Autonomous Underwater Vehicle (AUV) began to bear fruit. The AUV was used for surveys in very deep water and, because of the superior (measuring) results that were achieved, the demand for this technology is growing. Where possible, Fugro will use the AUVs to further optimise the service provision. In 2005 Fugro also carried out airborne surveys using a new LiDAR system which takes laser-assisted measurements from the air that are then used to prepare hydrographic maps. Fugro's approximately 60 Remotely Operated Vehicles (ROVs), were kept very busy due to the increase of the underwater construction activities. In 2006 the number of ROV's will be increased by at least eight.

The currently strong market in which Fugro operates means more capacity is required. This creates the possibility for further sustainable growth. For this reason Fugro is carrying out, with success, a worldwide campaign aimed at attracting highly-qualified professional staff from, among other places, the new Eastern European EU member states.

### **Onshore survey**

The onshore survey activities take place in a market, and against competition, that is often locally or regionally oriented. Fugro offers onshore survey services in a number of countries. Fugro focuses on the provision of special measurement and interpretation services using the latest technology.



Soil investigation  
offshore Doha, Qatar.

During 2005 the onshore survey activities developed well. Although there is room for improvement the results were clearly better than 2004 right across the board.

In Australia results improved partly thanks to the cost reductions implemented in 2004. Here too a LiDAR mapping system was introduced, which opened new markets.

The Dutch infrastructure related activities still faced weak market circumstances, but the organisation has now been matched to the volume of work and is in a position to benefit from the positive market trend that appears to have settled in.

The onshore survey activities for the oil and gas industry once again developed positively in the Middle East, the United States and Canada.

In the year under review Fugro invested in FLI-MAP 400 and, with this new generation of systems, expects to achieve a technological lead in the market. FLI-MAP 400 is an ultra-modern measuring system for pipeline, highways, utilities and railway routes. In the aftermath of hurricane Katrina Fugro used the FLI-MAP laser system to map the damage to the levees surrounding New Orleans.

The outsourcing of data management and conversion projects to lower cost countries is continuing. As the focus of this service is also on more and more added-value, use is being made of the combined (international) Group activities.

### **Positioning**

Although there are other companies active around the world in the market for positioning services, in recent years Fugro has built-up a leading market position in the high-accuracy (sub-decimetre) sector.

In 2005 Fugro's positioning activities once again achieved a further improvement in turnover and result.

The increase in sales of OmniSTAR-HP system signal subscriptions in the United States, Australia and Europe, was mainly due to the fact that compatible hardware (from third parties) became available at a reasonable price. OmniSTAR-HP/XP is used primarily for applications in the agriculture sector. Furthermore there has been no slow-down in the growth of the offshore Dynamic Positioning (DP) activities. This shows there is a clear need for the high accuracy and reliability that Fugro's systems can provide.

In the market for high-precision positioning Fugro has established itself as a leading player on land, at sea and in the air. Fugro concentrates on the professional user who needs high-performance services. Thanks to its development of innovative products and systems, often in cooperation with strategic business partners, Fugro can offer measuring systems that are far more accurate (sub-decimetre) than those offered by the competing commercial service providers and 'free services'.

Fugro is keeping a close watch on developments related to the European Galileo satellite system and anticipates being able to augment this system. This system may offer greater accuracy than GPS, but will probably not become operational during this decade.

## Geoscience services



P. van Riel

### **Development & Production**

- seismic and gravity data acquisition;
- seismic and gravity data processing and interpolation
- geological interpretation and modelling;
- 3D integrated seismic reservoir characterisation;
- reservoir engineering;
- data management;
- non-exclusive data sales.



F.E. Toolan

### **Airborne Survey**

- collection, processing and interpretation of geophysical data for industries including mining and oil and gas;
- mineral and water stocks location and saline layer detection;
- geological mapping;
- environmental and engineering studies for a wide range of purposes;
- non-exclusive data sales.

### **Goals and strategy**

The Geoscience division concentrates on the gathering and interpretation of geophysical and geological data and the evaluation of resources including oil, gas and minerals plus the optimisation of their production. The Geoscience division comprises two business units: Development & Production and Airborne Survey.

Development & Production concentrates on the gathering and interpretation of data and on reducing the costs of and improving the efficiency of oil field exploitation, development and production. This is achieved by, amongst other things, the application of advanced data interpretation and modelling technology developed in-house. To a great extent these services are funded out of the less cyclical production budgets. Development & Production is active worldwide and occupies a strong position in the field of seismic surveys at sea and as a supplier of non-exclusive data and high-value services in the field of integrated geophysical and geological data processing and interpretation aimed at improving knowledge regarding reservoirs. The upstream oil and gas industry is the major client for these services and Fugro clearly targets the oil and gas companies in the sector.

Airborne Survey collects geophysical data around the world for the mining industry and for oil and gas companies. One result of Fugro's stringent safety demands and state-of-the-art technology is that the oil and gas industry has rediscovered these services for the regional geological mapping. There are also growth opportunities in other markets and with aid organisations such as the World Bank.

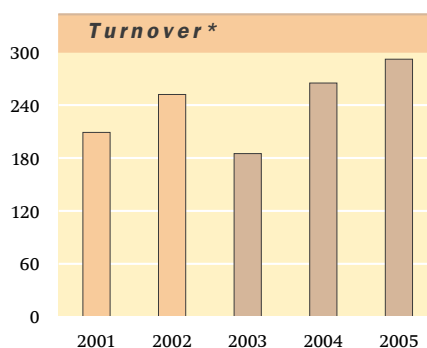
### **General business development**

The Geoscience division achieved a 10% higher turnover of EUR 292 million (2004: EUR 265 million). The operating result rose by 19% to EUR 44 million (2004: EUR 37 million). This equates to a margin on turnover of 15% (2004: 14%). Expressed as a percentage of the invested capital the operating result amounted to 24% (2004: 23%).

### **Development & Production**

Development & Production offers a broad spectrum of related services worldwide. The seismic market comprises a number of segments in which different players are active. Fugro concentrates on specialist 2D work and medium-sized 3D surveys. In this segment there are four major competitors. The 3D market in particular showed a strong recovery during 2005.

(x EUR 1 mln.)



\* As of 2003 based on IFRS.

(amounts x EUR 1 mln.)

<b>Key figures Geoscience*</b>	<b>IFRS 2005</b>	<b>IFRS 2004</b>	<b>IFRS 2003</b>	<b>Dutch GAAP 2002</b>	<b>Dutch GAAP 2001</b>
Revenue	292	265	186	252	209
Operating result (EBIT)	44	37	4	27**	7**
Invested capital	180	159	105	251	250
Depreciation of tangible fixed assets	18	16	13	14	8
Investments	18	13	13	18	25
<b>Operating result (EBIT)</b>					
as a % of turnover	15	14	2	11	3
as a % of invested capital	24	23	4	11	3
* The historical figures have been recalculated in line with the structure introduced in 2002.					
** Before amortisation of goodwill.					

In 2005 the Development & Production activities continued to develop. Better contract conditions were obtained, especially in the seismic market. The focus continues to be aimed at the further improvement of turnover and margins. Expectations in this respect are positive due to the considerable effort put into optimising project management in 2005. After several large acquisitions in preceding years the streamlining of the business unit is now virtually complete. The activities that were acquired as part of past acquisitions but that did not fit in with Fugro's strategy, such as environmental laboratories, have now been divested. The current structure and clustering of activities is enabling more and more benefits to be reaped from cooperation and synergy between the various companies. This improves the decisiveness and position in this very promising market.

There was an increase in willingness to invest within the oil and gas industry which started in the second half of 2004 and continued throughout 2005. This led to a high demand for and robust growth of our exploration activities. The continuing decline in production from existing oil fields (depletion effect), the increasing demand for oil and gas and the persisting high oil and gas prices mean this trend is expected to continue. This resulted in far more seismic activities including sales of Fugro's geological and seismic multi-client data, such as in the Gulf of Mexico.

In August Fugro placed a bid for the Norwegian company Exploration Resources in order to acquire a number of the company's seismic vessels. These vessels were already being used by Fugro in a cooperative undertaking relationship. Fugro decided not to raise its bid as a result of a higher bid from another bidder.

As the cooperation will come to an end during 2006, Fugro has obtained the required capacity in another way. In October 2005 Fugro took the first steps with the signing of a long-term charter agreement for the 'Geo Atlantic'. This vessel, which was built in 2000, will be converted for the collection of seismic data with state-of-the-art technology. Fugro also placed orders for two 3D seismic streamer installations one of which is destined for the 'Geo Atlantic'. In November Fugro signed a long-term charter agreement for a new 3D seismic vessel (Geo Celtic) that will be ready for launch in mid 2007. Vessels' deck construction has been developed in accordance with Fugro's specification so it can be fitted with the newest seismic equipment. This seismic equipment will incorporate the latest developments, including 4D capability. All the seismic equipment on the Geo Celtic will be owned by Fugro. At the beginning of 2006, a three-year charter agreement was signed for the 3D 'Geo Barents' seismic vessel. The Geo Barents will be ready for launch in November 2006 and its ownership will be transferred to Fugro in November 2009.

The expansions mentioned above will bring about the further modernisation of the fleet and will, by mid 2007, put six seismic vessels at Fugro's disposal. In addition, to retain flexibility, two or three vessels will be chartered on



Geo-environmental measurements of Antwerp harbour, Belgium.

a project and/or short-term basis. This will enable Fugro to operate in the seismic market with the desired fleet size of around eight vessels.

In 2005, the seismic data processing activity showed a healthy growth, partly through further international expansion. The growth of this business unit is a consequence not only of the increased amount of data collected, but also as a result of the growing reservoir characterisation activities. The results in the field of reservoir modelling were satisfactory, but could be better. In this sector Fugro plays a leading role worldwide, in terms of both technology and expertise, which means considerable added-value for the client. Towards the end of 2005 the streamlining of this business unit was completed, which also improved the geographical focus. In the coming years this Fugro core activity will be further developed with new technologies and services.

In 2005, the activities related to Data Solutions (data management, storage and processing) – a fast-growing market for oil and gas companies – also developed positively. Further (international) expansion took place as a result of new contracts in Norway and the Netherlands. The goal for the geological service activities is international and growing organically. Good steps in this direction were taken with the acquisition of large contracts in Mexico and Pakistan and the opening of a service centre in Dubai. In the area of non-exclusive data and studies good growth was achieved in a healthy market.

### ***Airborne Survey***

Fugro has a worldwide presence with its Airborne Survey activities and, partly because of this, a leading market position in the regions in which it is active. The (local) competitors in these regional markets are also active in niche markets for specific applications.

In 2005 the Airborne Survey activities continued to make excellent progress in Canada, South America, Africa and Australia. Thanks to this a higher turnover and a good result was achieved. The oil and gas industry's interest in regional geological mapping using airborne survey is increasing worldwide. The global demand for minerals remains high, which means the mining activities continued to develop energetically.

In Canada there was a high demand for surveys from the mining industry, partly as a result of the continuing global demand for minerals and raw materials.

In 2005 there was an improvement in business development in South America due to increased activities for the mining and oil and gas industries in Brazil.

In Africa orders were received from, among others, the World Bank and the EU (including in Niger and Ghana). In addition, projects started in 2004 were continued in various countries including Nigeria, Angola and Madagascar.

In Asia a significant order, which will take four years to complete, was granted by the Ministry of Mining in Papua New Guinea.

Australia continued to develop robustly as a result of activities in the mining industry (uranium, diamonds and base metals) and in the oil and gas industry.

In 2005 investments in both technological developments and safety aspects related to Airborne Survey were once again high. There were further improvements to the 'Georanger I' (Unmanned Airborne Vehicle) whereby airborne measuring is optimised by flying a remotely controlled aircraft along a pre-programmed route. The UAV, which is equipped with various sensors, went into commercial operation in 2005. In addition several older piston engined aircraft were replaced with modern twin turbine aircraft. New electromagnetic measuring equipment was fitted in both helicopters and aircraft.

Fugro occupies a leading position in this global market. Traditionally the most important market segment for the Airborne activities is the mining industry: the search for water (particularly in the Middle East) and surveys for specific oil companies are new markets. Fugro can carry out soil and rock surveys from the air for far lower costs and in places where it would be difficult to do so from the ground. This business unit, along with other Fugro companies, utilises the growth opportunities offered by synergy and (technological) cooperation within and outside the Geoscience division.

## Mission, financial targets, strategy and policy

### **Mission**

Fugro's mission is to be the world's leading company in the offshore, onshore and airborne collection and interpretation of data related to the earth's surface and the soils and rocks beneath, primarily aimed at providing advice to the:

- oil and gas industry;
- mining industry and
- construction industry.

This mission is achieved through:

- providing a high-quality service;
- professional, highly-specialised staff and
- advanced, generally state-of-the-art, unique technologies and systems.

### **Financial targets**

Fugro's target is to achieve a structural increase in earnings per share for its shareholders. Fugro's long-term policy is aimed at generating a steady growth in net profit by both improving the net margin and increasing turnover. To achieve this a clear and consistently implemented strategy for all stakeholders is vital.

Fugro is aiming for a net profit margin of around 8% of turnover.

Other important financial targets are:

- maintaining a healthy balance sheet and solvency (30 – 35%);
- a strong cash flow with an average annual growth per share of 10%;
- a healthy interest cover of more than 5 (EBIT/Interest) and
- a growth in earnings per share averaging 10% per annum.

Fugro's financing strategy is aimed at the utilisation and/or optimisation of:

- the ratio between risk and return of the various business activities;
- the relationship between shareholders' equity and short-term / long-term loans;
- the use of both public and private capital markets;
- the duration and phasing of the different financing components.

The transition to IFRS has not had any influence on Fugro's (financing)strategy, operational development and cash flow and does not materially alter the historic picture of Fugro.

### **Strategy**

#### **Long-term (3 – 5 years)**

In the long-term Fugro aims at achieving equilibrium between its various activities in order to achieve its targets. This is an essential component of its strategy. Fugro strives for a good balance between services related to exploration and production activities for the oil and gas industry and those related to other markets, such as mining and infrastructure. This also results in a certain balance between offshore and onshore activities. This diverse range of cohesive activities reduces Fugro's vulnerability to market fluctuations in one particular sector and the broad spread of its activities, in terms of both products and geography, ensures good control of business risks. In the most important sector – oil and gas – the spread of Fugro's services across both the exploration and exploitation phases is a key factor. Avoiding dependence on one market or single group of clients is an essential component of the Company's strategy. The result is a company that is less cyclical than it would be if Fugro did not operate globally and for more than one group of clients.

Profit margins vary per activity depending on the specific market circumstances. On average, the target profit margin is higher for the more risky and capital intensive offshore and airborne activities than for the onshore activities.

The aim is to achieve robust but controlled profit growth through:

- a broad but cohesive activity portfolio;
- the manner in which Fugro is financed;
- the organisational structure;
- management based more on net result than on turnover growth.

One way a higher margin can be achieved is by having substantial market shares for Fugro's core activities and in niche markets. The target margin can be achieved through:

- increasing operational scale;
- strong market positions;
- considerable and continuous research;
- being selective about the projects that are taken on and
- the acquisition of companies with a high added-value.

Concluding, Fugro's combination of professional and specialised staff, technologies (mostly developed in-house) and related high-value services enables Fugro to offer clients more and more added-value.

**Short-term (1 – 2 years)**

Fugro's short-term aim is to maintain a target margin of at least 8% of turnover. The focus is also on achieving at least the historical average annual organic turnover growth of over 5%. Possible acquisitions will be evaluated as and when they present themselves rather than being planned systematically beforehand.

In the ICT area Fugro has developed an ICT security policy that is in-line with the ISO 17799 and BS 7799 standards. A major portion of the operating companies are ISO quality certified. Fugro aims to achieve ISO quality certification for all relevant operating companies within two years.

The organisational structure of the Development & Production business unit was optimised in 2005. The attention for this business unit will be continued during the coming period, to further improve the decisiveness and position in this promising market. Fugro's position in the offshore seismic market will be strengthened further in 2006 to make operating on a global basis more efficient. The balance between contract and multi-client work will depend on the opportunities that are available in the market, but both types of work will continue to be components of Fugro's strategy for the seismic activities. Fugro will also invest in the further expansion and modernisation of equipment, in particular underwater measuring equipment.

**Policy**

Sustainability, transparency and reliability have been core policy themes for Fugro for a very long time.

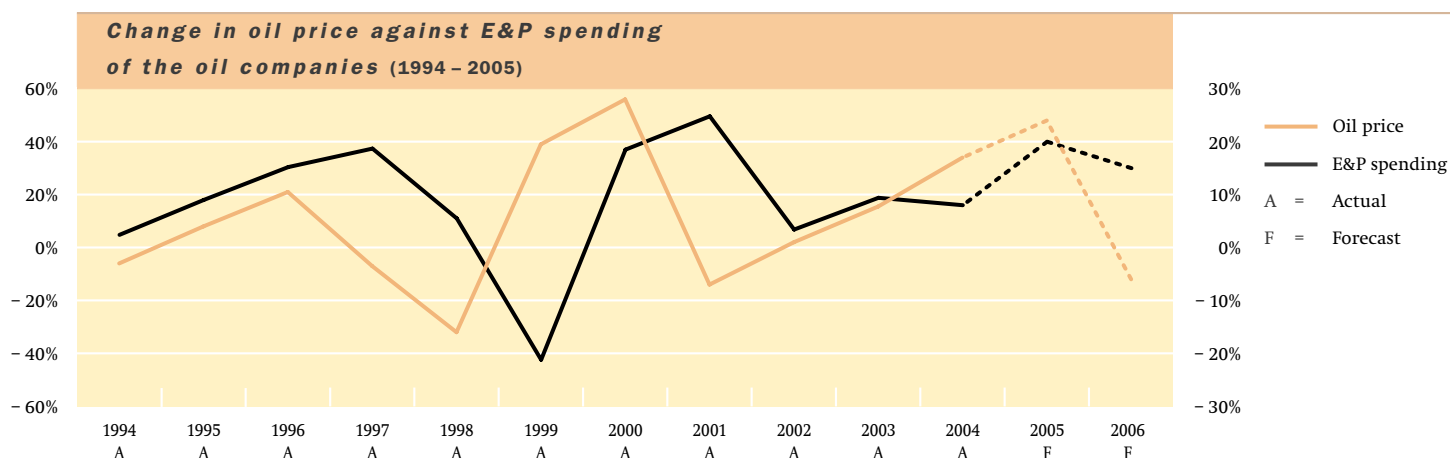
Fugro's (financial) targets and the implementation of its strategy will be achieved on the basis of:

- market positions and acquisitions;
- research, and
- cooperation and scale advantages.

**Market positions and acquisitions**

Fugro's policy is based primarily on rooting and, wherever possible, expanding its existing strong market positions. Complementing and broadening its package of closely related services is a primary objective. Growth in other sectors, by reacting positively and flexibly to developments in new growth markets, is an equally

Brent Blend in percentage, scale left.  
E&P spending in percentage, scale right.



important policy component. To broaden its base and ensure continued sustainable growth Fugro generally completes several acquisitions each year, usually to strengthen or acquire good market positions or to obtain valuable technologies. Because acquisitions always involve a measure of risk, in general an extremely thorough and extensive due diligence is carried out before the decision to acquire a company is taken. This limits the risks considerably. Acquisition evaluation is based not only on financial criteria but also on:

- added-value for Fugro;
- cohesion with Fugro’s activities and culture;
- growth potential;
- a leading position in a niche market or region;
- technical and management qualities;
- risk profile.

**Research**

Research is of strategic importance for Fugro. The search for ways to expand and improve its service to clients is unceasing and cooperation with its clients plays an important role in this. Many new ideas are generated through joint development projects. Specific measuring equipment and analytical models play an important role in this. Each year Fugro invests an estimated minimum of 4% of turnover on research. Some of this investment takes place during the execution of projects.

**Cooperation and scale advantages**

Effective cooperation between the various business units and critical mass are key factors for the successful execution of large assignments. Capacity utilisation can be optimised by the exchange of equipment and employees between the various activities and by broadening staff training. Fugro stimulates cooperative technological renewal, both within and outside the Group, by clustering the available knowledge and increasing its investment footprint. The integration of information systems and the utilisation of scale advantages enhance the service provided to clients.

<p><b>Strengths</b></p>	<p><b>Weaknesses</b></p>
<ul style="list-style-type: none"> <li>• Excellent strategic basis</li> <li>• Good market positions in many niche markets</li> <li>• High-quality technology and services</li> <li>• Sound financial and risk management systems</li> </ul>	<ul style="list-style-type: none"> <li>• Vulnerability to rapid, strong changes in the dollar rate</li> </ul>
<p><b>Opportunities</b></p>	<p><b>Threats</b></p>
<ul style="list-style-type: none"> <li>• Increased investment by the oil and gas industry</li> <li>• Growing demand for oil and gas</li> <li>• Optimisation of existing oil and gas fields</li> <li>• More and larger infrastructure projects</li> <li>• Increased mining activities</li> </ul>	<ul style="list-style-type: none"> <li>• Global negative economical developments</li> <li>• Collapse of the demand for oil, gas and/or mining industry products</li> <li>• Technical staff training not keeping pace with market demand</li> </ul>

## Information for shareholders

<b>Important dates</b>	
10 March 2006	Publication of the 2005 Annual Report, press conference with webcast, analysts' meeting with conference call facility and webcast
10 May 2006, 14.00 hrs	Annual General Meeting of Shareholders in Leidschendam, Green Park Hotel, dual language webcast (Dutch and English)
12 May 2006	Ex-dividend date
26 May 2006	Latest date for notification of dividend preference
31 May 2006 (after trading hours)	Determination and publication of the optional dividend in (certificates of) shares, based on the average share price at the close of business on the stock exchange on 29, 30 and 31 May
2 June 2006	Payment of the 2005 dividend
23 June 2006	Press release regarding developments in the first half of 2006
11 August 2006	Publication of 2006 half-yearly result and announcement of profit forecast for 2006, press conference with webcast, analysts' meeting with conference call facility and webcast
24 November 2006	Press release regarding developments in the second half of 2006
9 March 2007	Publication of the 2006 annual results, press conference with webcast, analysts' meeting with conference call facility and webcast

### **Listing on the stock exchange**

Fugro share certificates (depository receipts of shares) are listed on Euronext N.V. in Amsterdam. Since 4 March 2002 Fugro has been included in Euronext's Amsterdam Midkap-index (AMX), with an estimated weighting factor on 1 March 2006 of approximately 6% of the index.

The market capitalisation of the Company at the end of February 2006 amounts to over EUR 2 billion. Since 8 July 2002, Fugro share (certificate) options have also been traded on Euronext Amsterdam Derivative Markets. Since May 2005 the convertible debenture bond, which expires on 27 April 2010, has been traded on the stock exchange. In 2005 trading in Fugro share certificates was stimulated by four liquidity providers.

As far as is known, 76% of the certificates are held by foreign investors, mainly from the United Kingdom and the United States.

### **Dividend policy**

Fugro strives for a pay-out ratio of 35 to 55% of the net result under the IFRS regulations. The shareholder may choose between a dividend entirely in cash or entirely in (certificates of) shares charged to the reserves. In 2005 around 51% of the shareholders opted to receive the dividend for 2004 in (certificates of) shares (in 2004: 65%). 735,740 shares have been issued for this purpose.

### **Agenda shareholders meeting**

The Agenda of the shareholders meeting will be published as a pdf-document on our website [www.fugro.com](http://www.fugro.com).

Hard copies of the agenda can be ordered by telephone (+31 70 311 14 22) or by e-mail ([holding@fugro.com](mailto:holding@fugro.com)).

<b>Change in issued share</b>	<b>2005</b>	<b>2004</b>
Issued on 1/1	62,191,556	60,663,648
Optional dividend	735,740	1,527,908
Conversion of subordinated convertible bond	5,897,896	–
Issued on 31/12	68,825,192	62,191,556
Purchased for option plan at 31/12	938,696	1,641,604
Entitled to dividend as of 31/12	67,886,496	60,549,952
Average number of outstanding shares	65,976,492	59,358,920
Maximum issue through convertible loan	5,154,640	6,229,560

<b>Movements to shares purchased for option plan</b>	<b>2005</b>	<b>2004</b>
Situation on 1/1	1,641,604	2,355,448
Purchased	92	60,876
Exercised	(703,000)	(774,720)
Situation on 31/12	938,696	1,641,604
Granted, not exercised options as of 31/12	5,351,200	4,962,400

<b>Attendance at AGMs</b>	<b>Shares (incl. SAF)</b>	<b>Certificates</b>	<b>% of subscribed capital</b>
AGM 19 May 2005*	16,572,975	4,007,242	99.4%
AGM 15 May 2004*	14,506,664	1,882,628	99.4%
AGM 15 May 2003*	13,749,493	439,486	99.6%
AGM 17 May 2002	13,836,939	191,814	96.8%
AGM 10 May 2001	12,020,618	5,546	95.0%
AGM 10 May 2000	11,757,075	35,190	93.2%
AGM 12 May 1999	11,892,593	711,959	92.6%

\* Certificates with voting authorisation.

### Share/certificate holdings of more than 5%

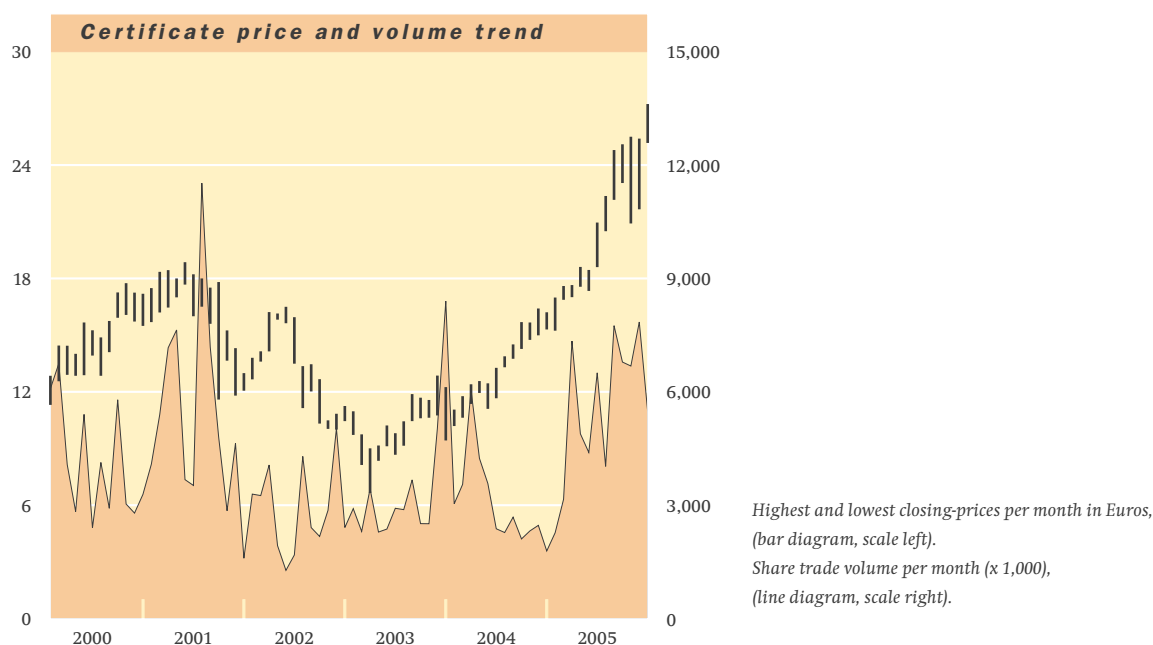
In February 2006 the following share/certificate holders with a holding of 5% or more were known to Fugro:

ING Verzekeringen N.V. (incl. certificates)	9.50%
Woestduin Holding N.V. (shares)	6.23%
Stichting Administratiekantoor Fugro (shares)	87.27%

### Remote voting by proxy not possible

Within the limits specified in the Articles of Association, Fugro allows proxy voting for shareholders and certificate holders during an Annual General Meeting of Shareholders. As soon as the relevant legislation comes into force Fugro will consider whether it will make use of the available options regarding remote voting and electronic voting.

(January 2000 – December 2005)



Source: Datastream

(x EUR 1.-)

<b>Data per share</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
Cash flow	2.67	2.12	1.39	2.08	1.98
Net result before amortisation of goodwill				1.26	1.16
Net result	1.51	0.83	0.33	1.05	1.06
Dividend	0.48	0.48	0.46	0.46	0.40
Dividend/net result before amortisation of goodwill (%)				37	34
Dividend/net result (%)	31	54	83	44	38

### **Safeguarding Fugro's independence**

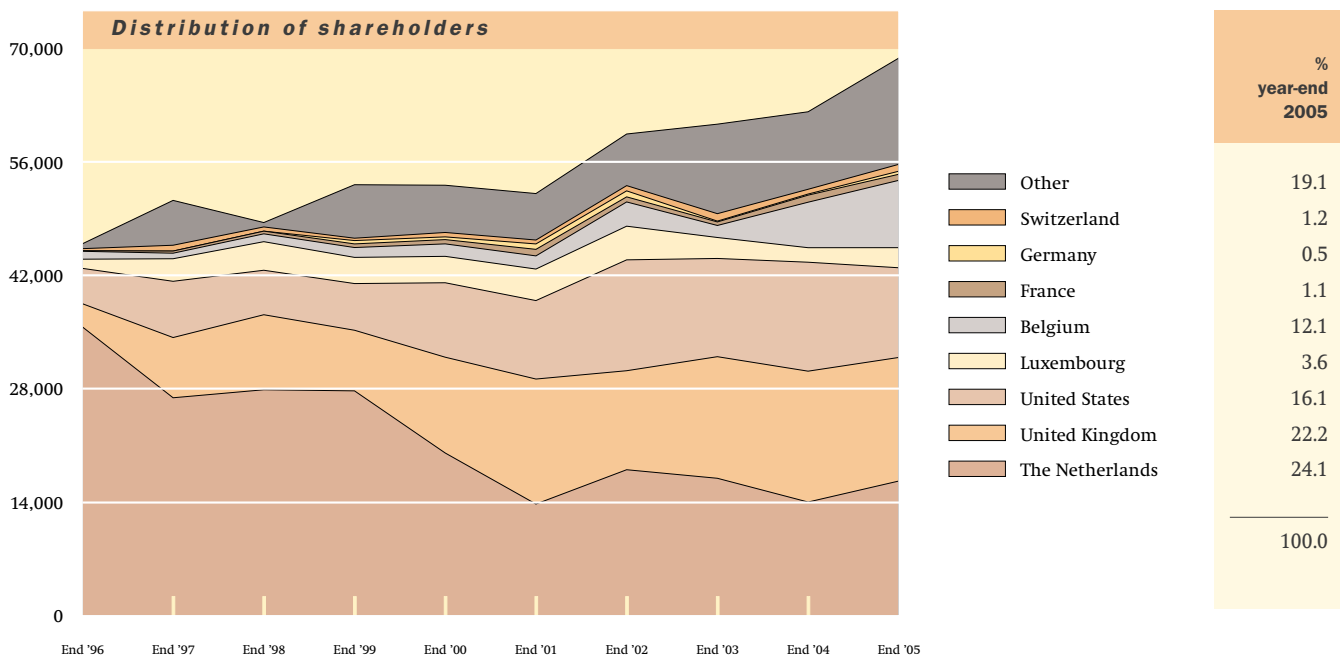
When carrying out assignments Fugro may have access to clients' extremely confidential information. This means Fugro can only carry out its activities whilst its independence can be guaranteed. For this reason, the shareholders have, in the past, approved several safeguards.

### **Participations and options**

As far as is known, on 31 December 2005 around 8% of Fugro's shareholders' equity (and an unknown number of certificates) were held by directors and staff as well as 5,351,200 options.

Of all the options issued from 1999 to 2005, on 31 December 2005 80% were still outstanding. These options give rights to 5,351,200 (certificates of) shares. On 31 December 2005 1,155,000 new options (exercise price EUR 27.13 commencing date 1 January 2006) were granted to a total of 521 people. Of these options 28% were granted to the Board of Management of Fugro.

(x 1,000)



Option rights are granted to an extensive group of employees. The granting of option rights is dependent on the achievement of the targets of the Group in total and of the individual operating companies. The individual performance of the relevant employee is also taken into consideration when deciding the number of option rights to be granted.

Staff options are granted for an exercise price that is equal to the stock exchange value of the certificates at the end of the year. Since 2000 the annually issued options have had an exercise period of six years. The exercise of options within the first three years is financially very unattractive for residents of the Netherlands and not permitted for foreign option holders.

In 2005, the number of share certificates re-purchased by Fugro was 92 at an average price of EUR 17.31. At 31 december 2005 Fugro held 938,696 shares for the purpose of the option scheme and are not entitled to dividend. The exercise of options outstanding at the end of 2005, including the options granted in December, could – after using the re-purchased shares – lead to the issued share capital being increased, in phases, by a maximum of 6.4%. Since the beginning of 2006 83,800 options have been exercised.

### **Investor Relations**

In addition to the dates listed in the agenda, presentations for analysts and investors are given every year, particularly during the months of March/April and August/September. During these presentations Fugro's strategy and activities are explained in detail by members of the Board. In 2005 investors in many financial centres around the world were visited. Individual and collective personal contact with investors and analysts is also maintained via one-on-one meetings (in 2005 over 300), presentations and telephone conferences. Fugro also

offers information via its website: [www.fugro.com](http://www.fugro.com).

On 3 November 2005, Fugro's 2004 Annual Report was awarded the Henri Sijthoff Prize for Mid and Smallkap funds. Fugro had been nominated for this prize in each of the three preceding years. The Henri Sijthoff Prize is awarded annually to companies that stand out positively through their public information and financial reporting.

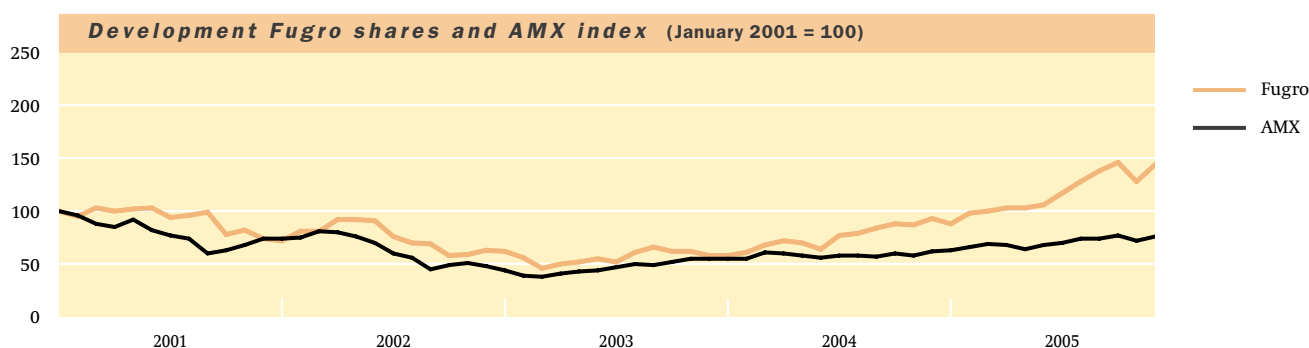
### **Prevention of misuse of insider information**

Fugro considers the prevention of misuse of insider information when trading in its stock to be essential to its relationship with the outside world. Regulations to prevent the misuse of inside information, in accordance with the Supervision of Stock Transactions Act, are in force within Fugro. Fugro has appointed a Compliance Officer for many years.

### **Other information**

An interactive version of the Annual Report is available on the website [www.fugro.com](http://www.fugro.com). This version includes extensive search functions.

More information about Fugro shares is available on the website [www.fugro.com](http://www.fugro.com). Fugro can be contacted via e-mail: [ir@fugro.com](mailto:ir@fugro.com) and by telephone (+ 31 70 311 14 22).



# FUGRO: active throughout the lifecycle of an oil or gas field

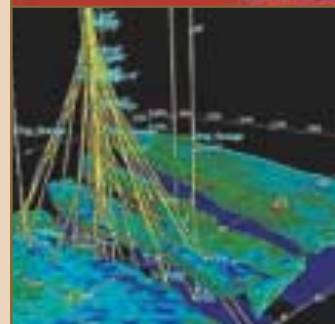
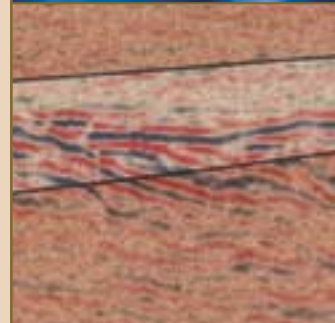
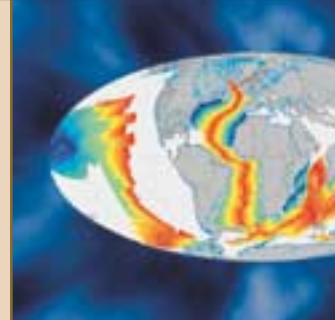
**Our planet** contains many natural resources, such as water, minerals, oil and gas. Efficient exploration of these resources starts with identification of their possible locations. Fugro supports this exploration by collecting and interpreting information about the earth's surface, seabed and subsurface. In oil and gas, Fugro provides this global industry with specialist services at every phase of an oil or gas field's life-cycle: from exploration and development to the production and transportation of oil and gas. Fugro is also involved when an installation is removed.

**Oil, gas and coal** are fossil fuels formed in the earth's crust from the remains of plants and animals that lived millions of years ago. Oil, produced primarily from the remains of tiny organisms (plankton) that lived in warm seas, is a liquid and seeps through the rocks until it collects under an impermeable layer in a subterranean reservoir. Natural gas is formed in the same way as oil and is also found in such reservoirs. This means that when searching for oil or gas the focus is on locating areas with source rock and where the structure of the earth's crust indicates that oil or gas could have collected.

**Large oil and gas reserves** have been found all over the world. Sometimes they are far from the users' markets in inhospitable areas: in the polar regions, Alaska for example, tropical rain forests in Nigeria and Indonesia, or under stormy seas, such as the North Sea. The exploration for and sustainable production of oil and gas and its transportation, via pipelines or vessels, are expensive but very important for human welfare. Today, natural gas meets around a quarter of the world's energy requirements and its importance is growing. Natural gas is a clean fuel and can be piped to end users in a very simple way.

**Research into the history** of tectonic plates (continental drift), and the ancient earth's flora and climate conditions has given us a good idea of the places where oil and gas may be found. Fugro has advanced analysis techniques to assist in this. Drilling, laboratory research and airborne and seismic surveys help towards defining the geological structure. This increases the chance of success in locating extractable quantities of oil and gas.

**The enormous investments** that go hand-in-hand with the exploration for and development of viable new fields means efficient exploitation of oil and gas is extremely important. It was the shallow, easy to find onshore fields that were developed first; on the shores of the Caspian Sea, in the USA (Pennsylvania, Oklahoma, California, Texas, et cetera) and throughout the Middle and Far East. Subsequently, oil and gas were discovered offshore continental shelf areas around the world. The steep global rise in the demand for energy and the depletion of existing fields mean, however, that the oil and gas fields in areas that are more difficult to explore and develop, particularly those in deep water, are becoming economically interesting. This is now possible thanks to the dramatic improvements in the technologies needed to map these fields and make their exploitation both economically viable and sustainable.

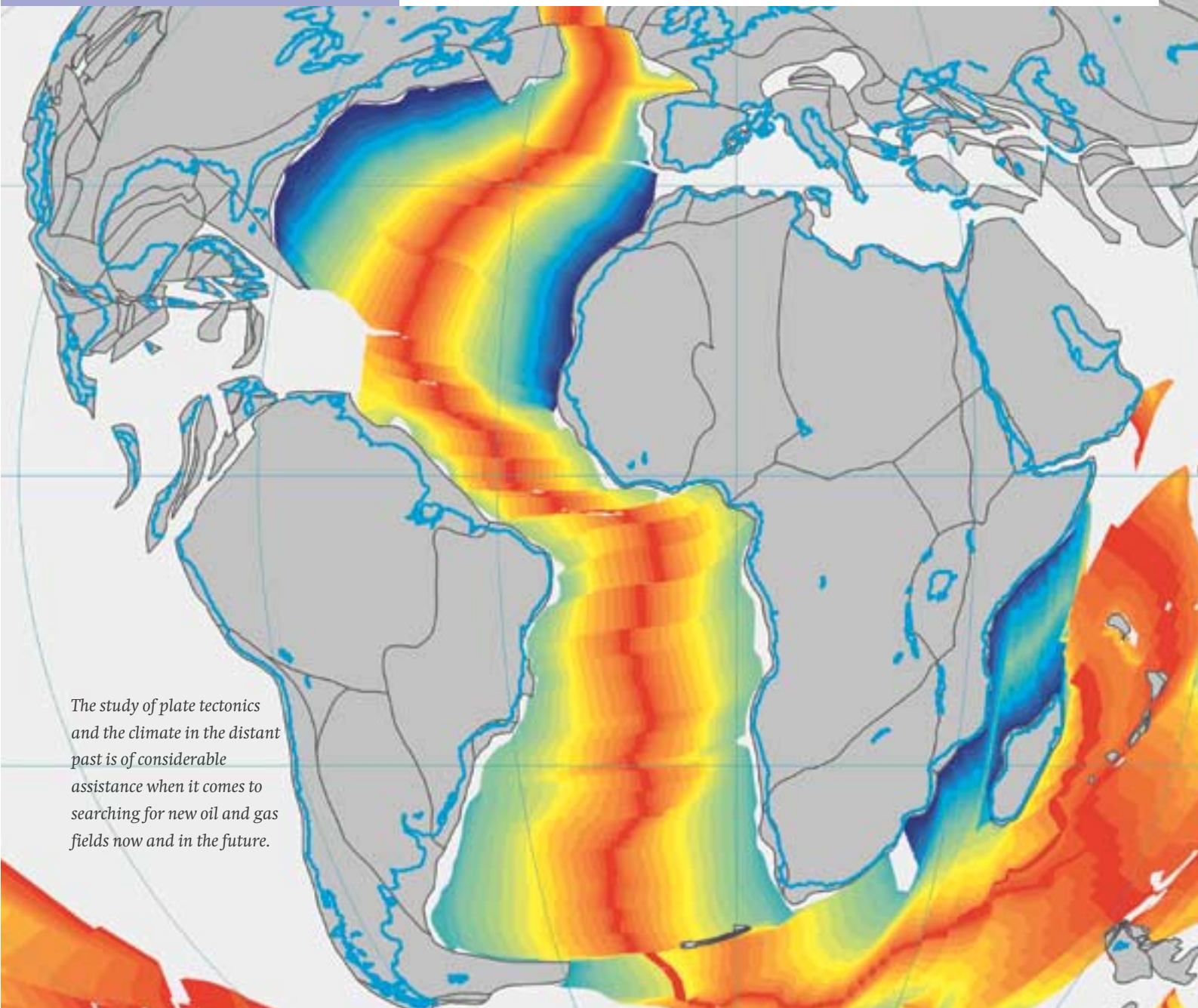


# INTRODUCTION



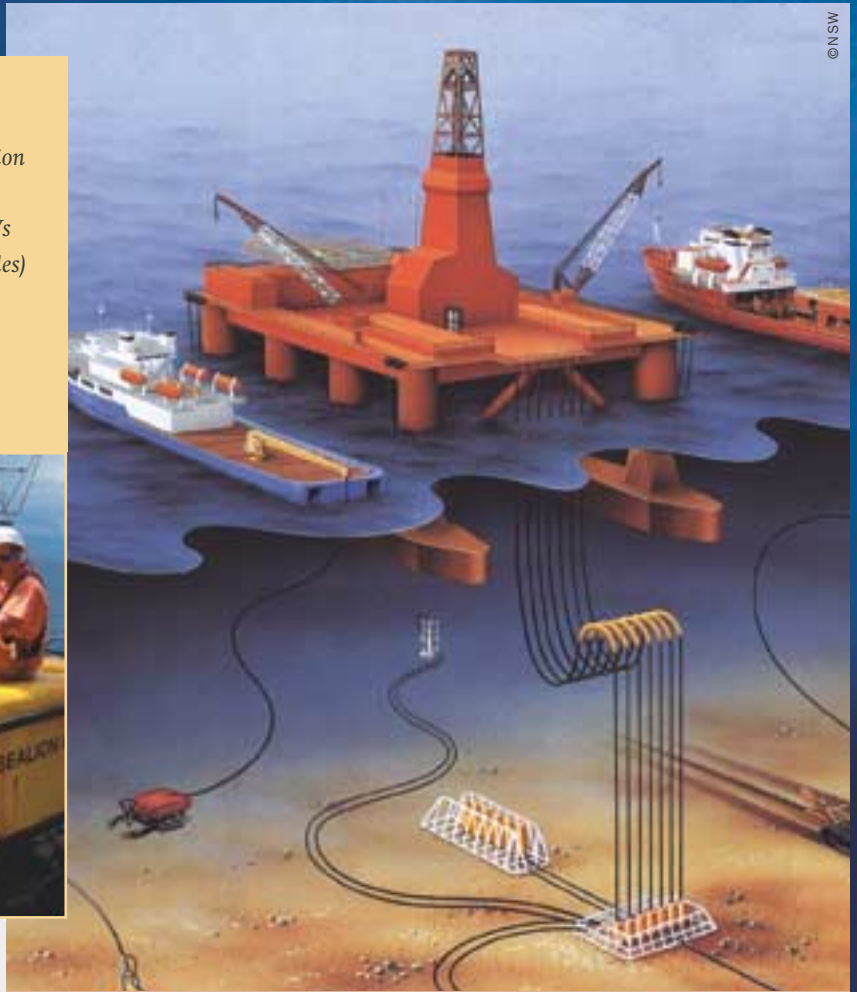
There are many thousands of oil and gas structures sited in seas and oceans all over the globe. There are over 8,000 in the Gulf of Mexico alone. Fugro is involved at various stages of the development of many oil and gas fields.

*Fugro is involved in virtually the entire life cycle of oil and gas fields. It starts with research into the formation of the continents and seas of our planet and climate studies to seek out conditions which facilitate the development of oil and gas. In a next stage Fugro is involved with activities related to oil and gas field exploration and development as well as production and transportation. The broad spectrum of clients in the oil and gas sector for which Fugro carries out these activities includes the oil companies, but also the construction companies that design, build and install the structures.*



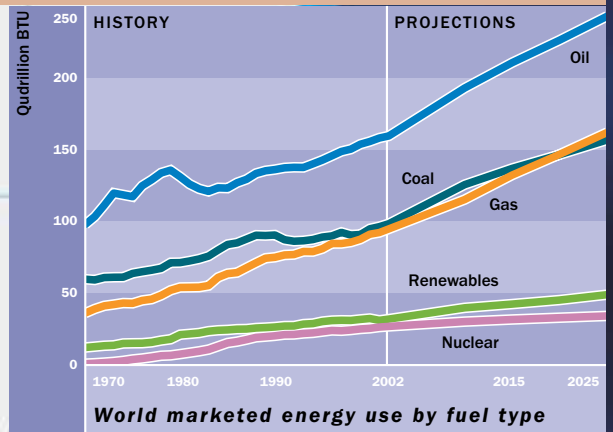
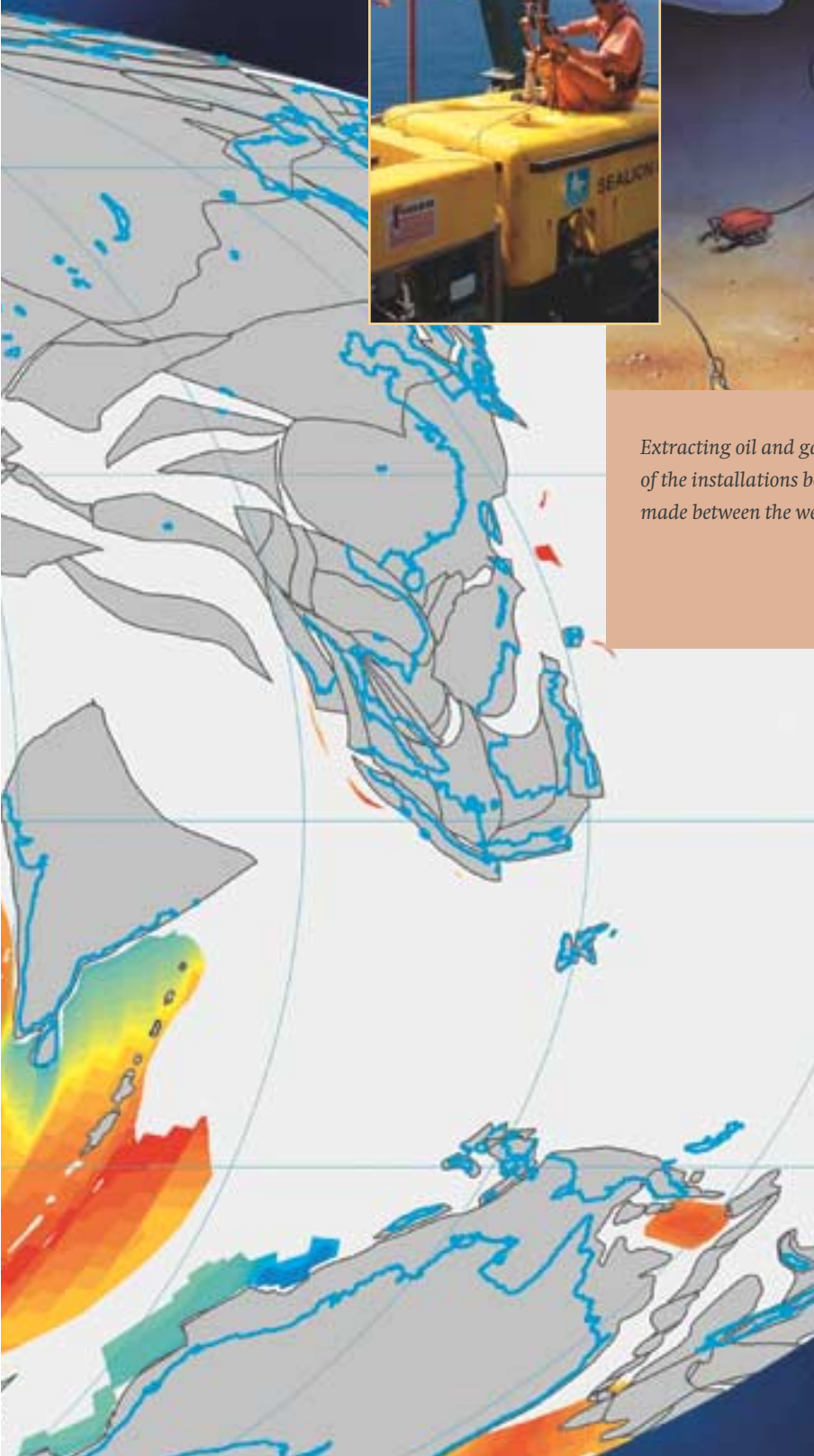
The study of plate tectonics and the climate in the distant past is of considerable assistance when it comes to searching for new oil and gas fields now and in the future.

Fugro checks the placement and connection of underwater installations using ROVs (un-manned submersibles) equipped with underwater cameras.



© NSW

Extracting oil and gas in deeper and deeper water increases the complexity of the installations because additional underwater connections have to be made between the wells, pipelines and floating platforms.

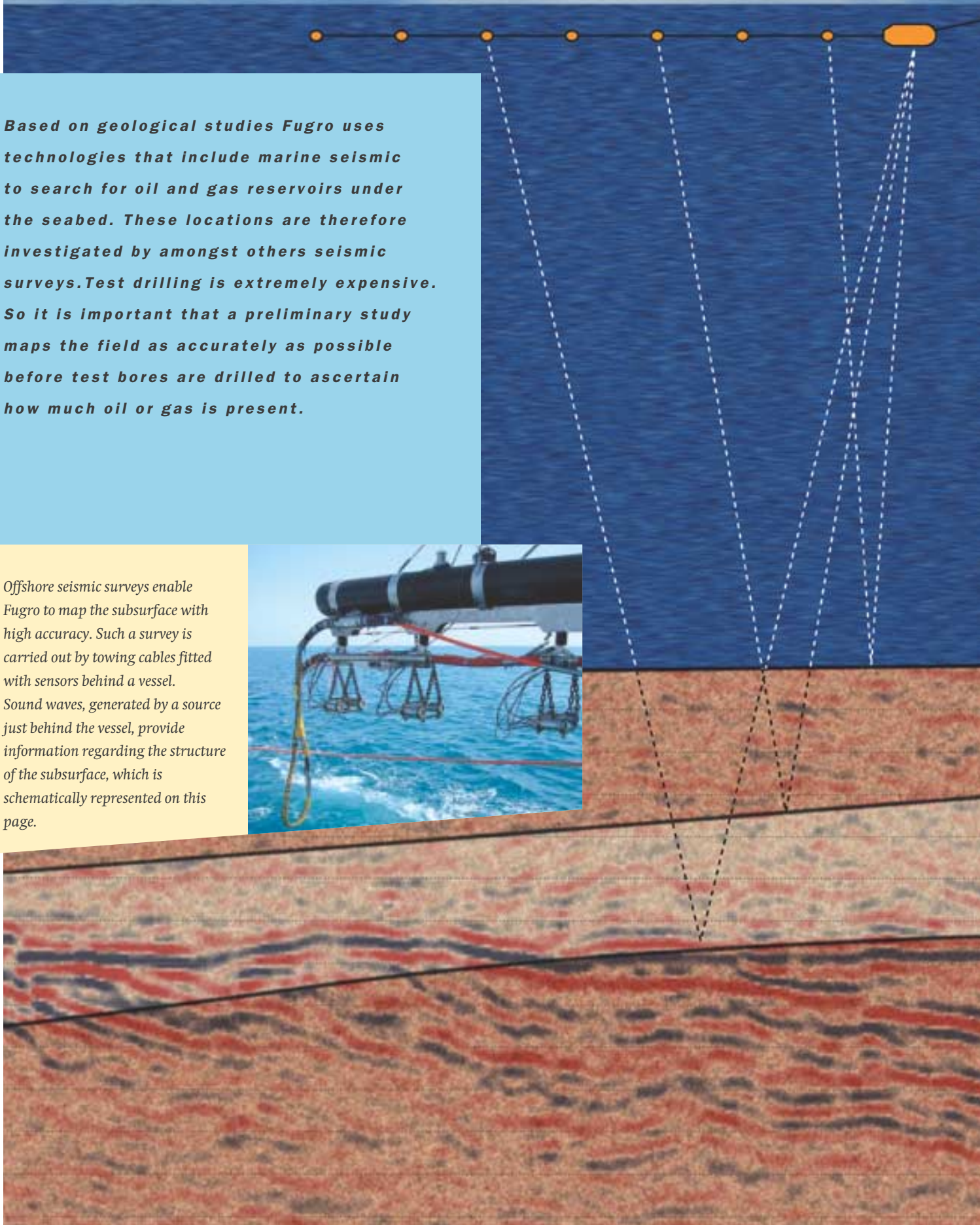


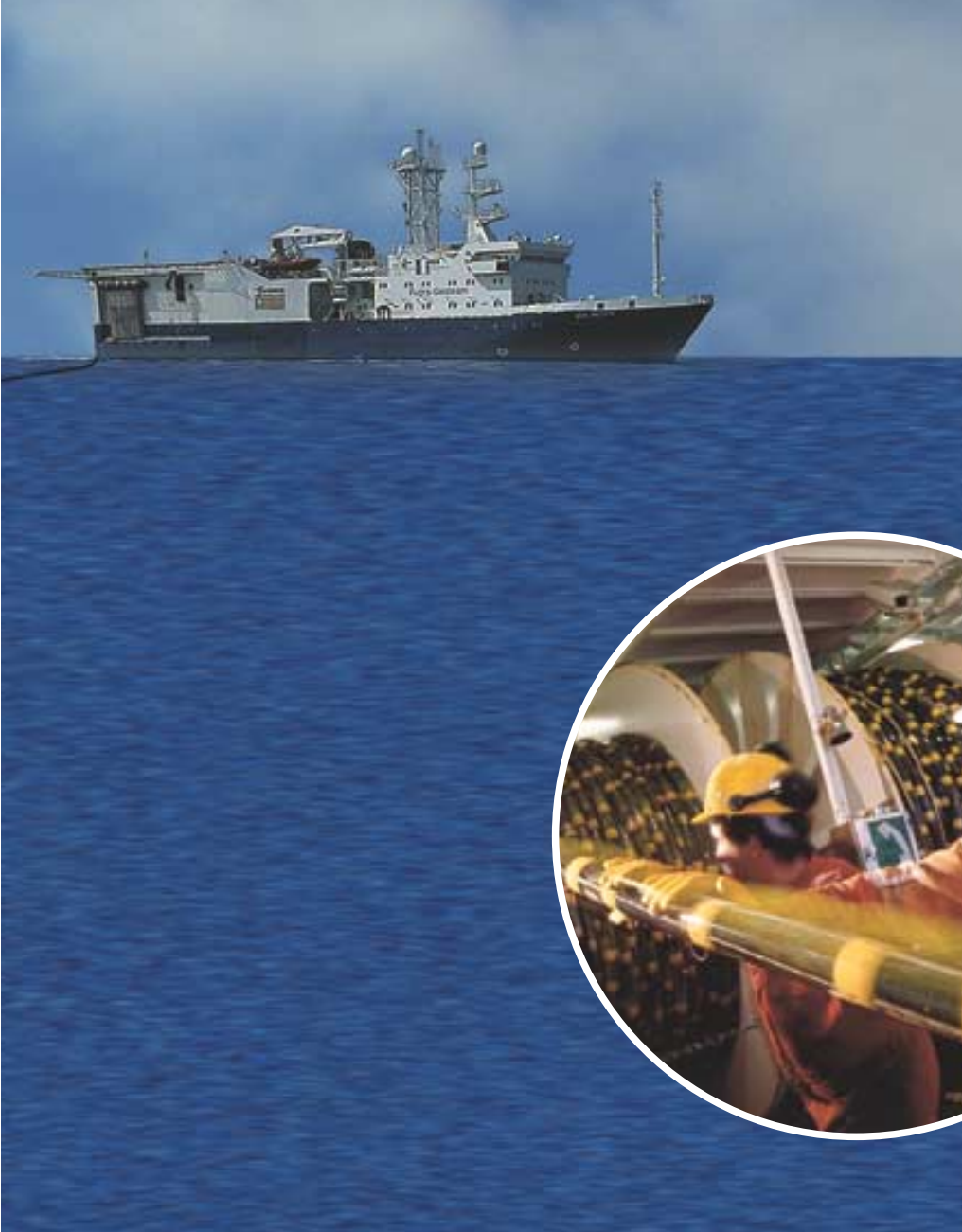
Although alternative energy sources can eventually replace oil and gas, for many years ahead oil and gas will remain the primary energy source. The development of gas is of major importance because in the medium term it can provide relatively clean energy and in the longer term it could serve as basis for the production of hydrogen gas.

# EXPLORATION

*Based on geological studies Fugro uses technologies that include marine seismic to search for oil and gas reservoirs under the seabed. These locations are therefore investigated by amongst others seismic surveys. Test drilling is extremely expensive. So it is important that a preliminary study maps the field as accurately as possible before test bores are drilled to ascertain how much oil or gas is present.*

Offshore seismic surveys enable Fugro to map the subsurface with high accuracy. Such a survey is carried out by towing cables fitted with sensors behind a vessel. Sound waves, generated by a source just behind the vessel, provide information regarding the structure of the subsurface, which is schematically represented on this page.

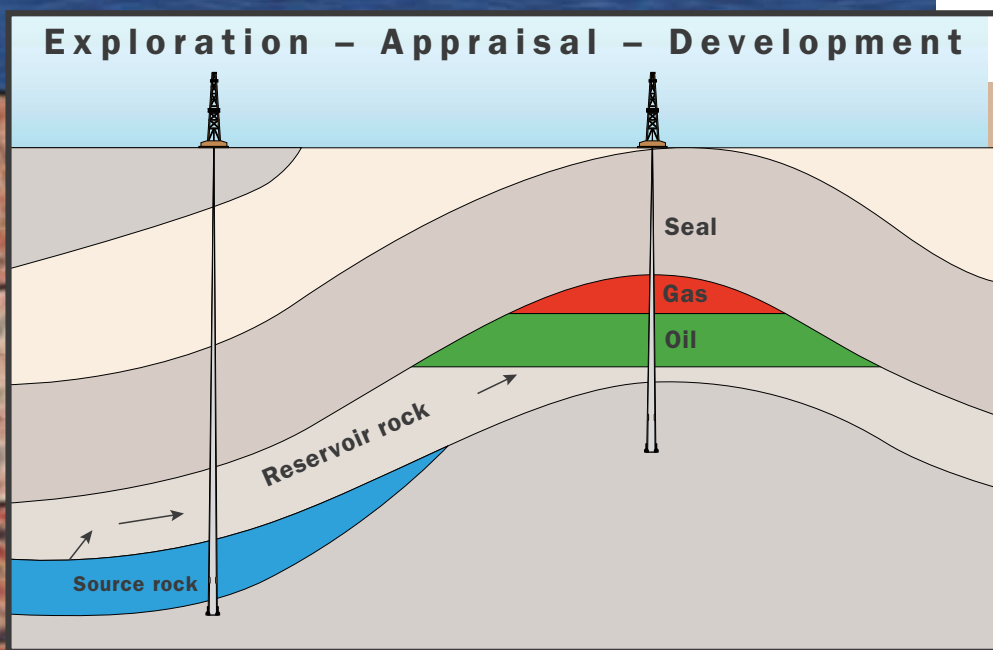




Increasingly Fugro is using low above land flying aircrafts when searching for oil and gas. These are fitted with sensors that detect changes in the magnetic and gravity fields due to the rocks below. As with a seismic survey the information collected about the subsurface is used to map the earth's structure.



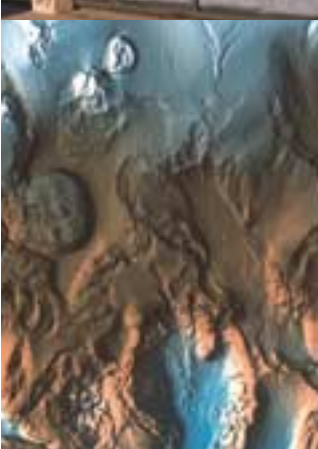
Offshore seismic surveys are carried out using cables up to twelve kilometres long that are fitted with sensors and towed behind a vessel. The cables are deployed from the quarter-deck of the vessel.



Fugro's experts can, with the help of geological information and seismic surveys, assess which geological formations are conducive to holding oil and gas.



*A thorough investigation of the seabed is vital to ensure that underwater installations are securely supported or anchored. To this end Fugro collects sea-bed samples and brings them to the surface in their original condition.*



*The profile of the sea-bed often resembles a mountainous landscape. In regions such as the Gulf of Mexico, where a great many oil and gas installations are sited, the accurate charting of the sea-bed is essential for the design of these structures and for pipeline routing.*

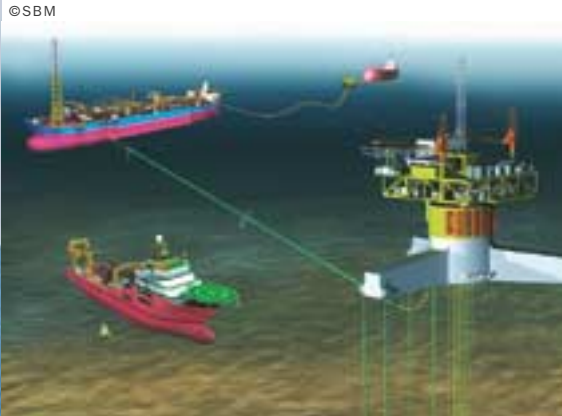
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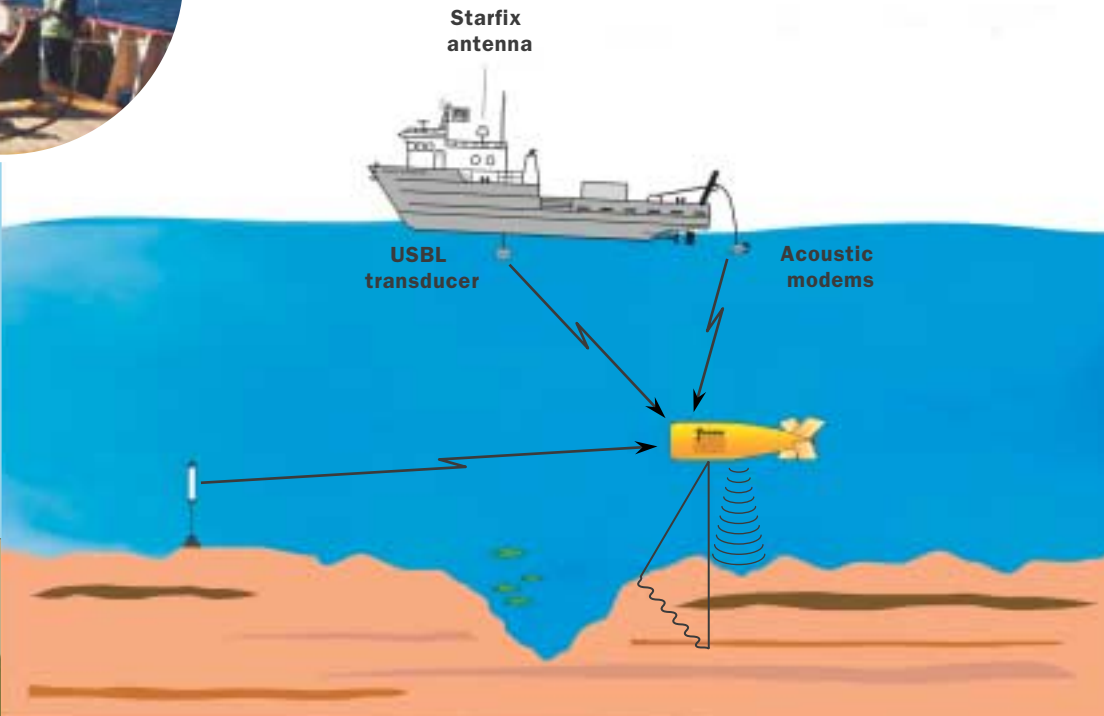
# DEVELOPMENT

*Thorough research is vital for the design and safe placement of installations related to the production of oil and gas from off-shore fields. Fugro is actively involved in the charting of the composition of the sea-bed, currents, water depths, et cetera.*

Generally the installations are built in a dock or a shipyard and then towed to their predefined location. Precise positioning and secure anchoring at the site are essential.



Autonomous Underwater Vehicles are ideally suited for surveys in very deep water (up to over 3,000 metres), as the use of towed equipment has some limitations, e.g., due to ocean currents and less accurate positioning.



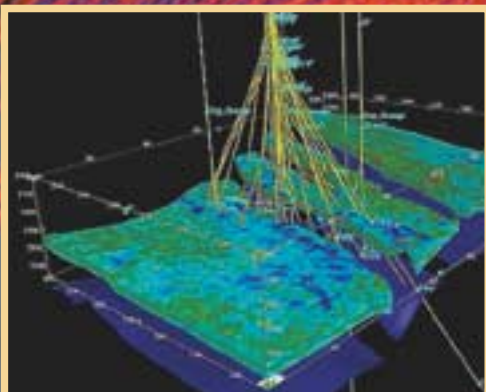
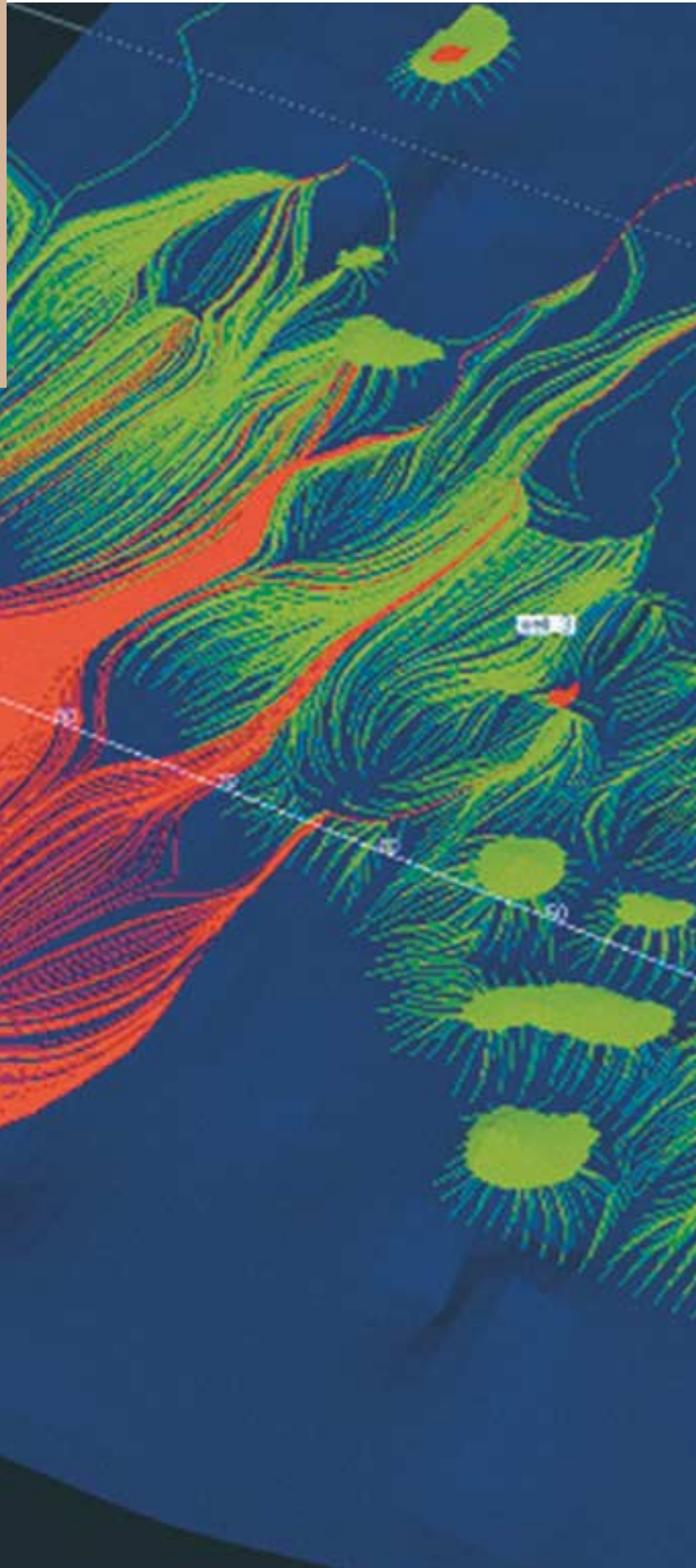
# PRODUCTION

*In the oil and gas fields that are already producing, only a portion of the available oil and gas is brought to the surface.*

*To optimise this process more and more use is being made of 3D computer modelling of the subsurface formations.*

*Bringing all the available information together in a computer model enables Fugro to analyse the oil and gas reservoirs so that the entire field can be developed as efficiently as possible.*

The stratification and permeability of the subsurface have a major effect on the degree to which oil and gas can flow towards the collection point. This type of flow can be charted using modern computer analysis.

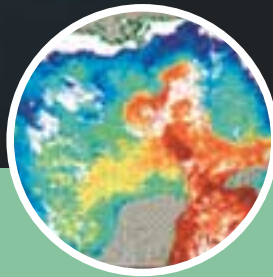


Fugro can produce three-dimensional analyses of an oilfield that show the degree of linkage between oil and gas compartments in a field and whether the wells are correctly positioned for extraction.

Fugro's satellite positioning systems enable offshore installations to be positioned – with decimetre accuracy – anywhere in the ocean.



The exponential increase in computer capacity means that we can now work far more quickly and accurately.



©OCEAN NUMERICS

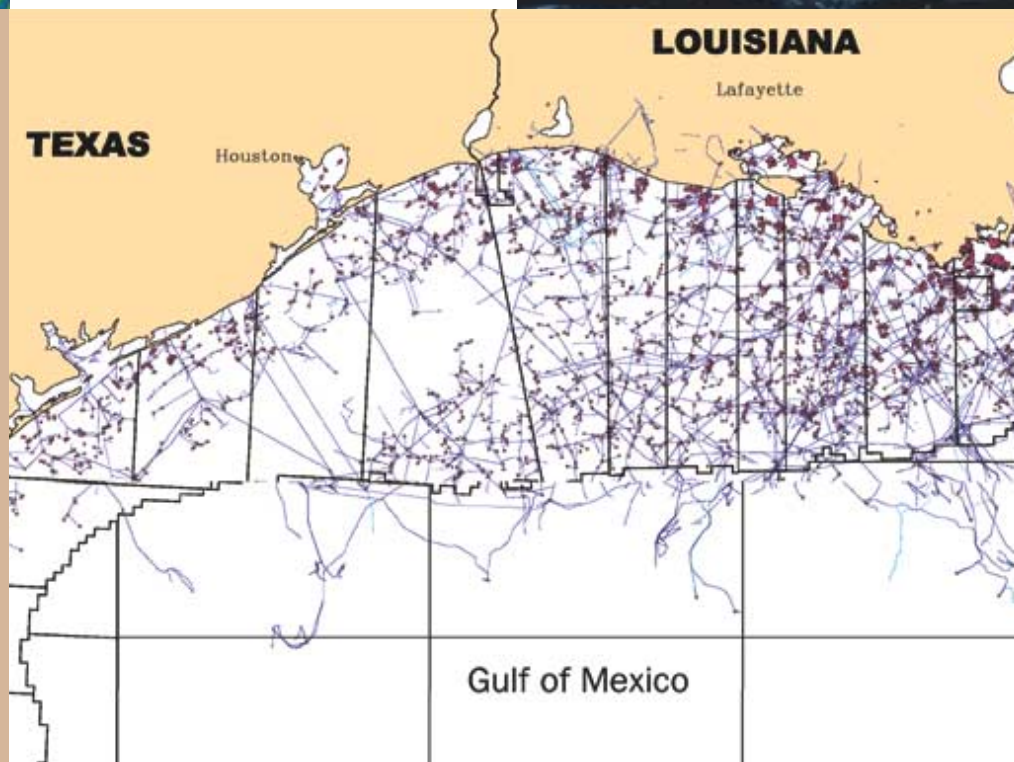
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Infrared satellite photographs enable ocean currents to be charted. The Gulf of Mexico is one of the regions where Fugro has carried out this type of analysis.

Fugro assists in the design of offshore oil and gas installations such that they can withstand the forces of nature.



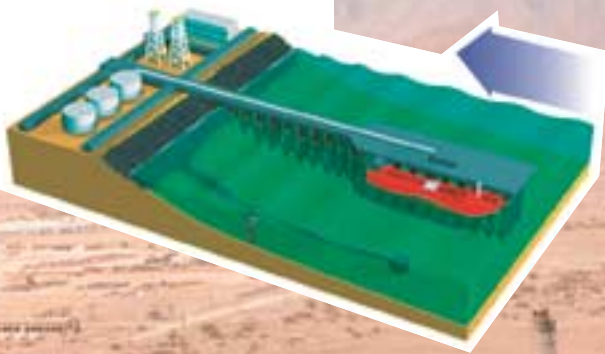
In the Gulf of Mexico there is a vast network of oil and gas pipelines, most of them underwater, and their positions must be accurately recorded. Fugro has a unique database of information collected over decades at its disposal. Just how useful this database is was proven after the Katrina en Rita hurricanes.



# TRANSPORT AND STORAGE

*The sharp increase in oil prices means that gas is becoming an increasingly important global energy source. Extreme cooling is used to liquefy gas (LNG) so it can be transported over long distances in special ships. Special installations that comply with extremely stringent safety demands are necessary for both loading and unloading. Pipelines can be used to transport gas over shorter distances.*

Computer simulation is used to design LNG shipping facilities. Fugro's soil information and current measurements have considerable influence on the final design.



© OMAN LNG.



*In regions where the sea-bed is irregular, selecting the right route for underwater pipelines so that they are not damaged by bending is essential.*



*LNG installations are sometimes sited in remote areas such as this – the ‘Brass River’ LNG-project in the Nigerian rain forest. Fugro’s investigations included determining the load bearing capacity of the soils which was of vital importance for designing the foundations of the installation.*



*The liquid gas (LNG) storage tanks must comply with stringent safety demands. Fugro has a wide range of inspection and monitoring techniques in-house with which to check the condition of these installations.*

*As the demand for gas is increasing so too is the size of the LNG vessels and the docking, mooring and processing facilities. These on the photograph are in the Middle East.*

## Fugro takes the prize

*In 2005 Fugro once again received several awards. The Company sees every award as a recognition of the dedication with which Fugro's staff contribute towards the Company's further development. Among the more notable awards received by Fugro in the past year were:*



*K.S. Wester (in the middle), President and CEO of Fugro, receives the award from Mr W.F. Dutilh, Chairman of the NCCC, and Her Excellency Mrs Colleen Swards, Canada's Ambassador to the Netherlands.*

### **'Business of the year 2005' (Canada)**

During the Annual Lunch of the Dutch-Canadian Chamber of Commerce which took place on Canada Business Day in Rotterdam, Fugro was proclaimed the winner of the Business of the year 2005 award. Fugro earned the honorary title because over the past few years it has successfully established or acquired eleven companies in six Canadian provinces that have developed new technology in Canada.



*G.J. Kramer and Prof. J. Frijns*

### **'Henri Sijthoff-Prijs 2004' (The Netherlands)**

Fugro won the Henri Sijthoff-Prijs for the best financial reporting over 2004 in the 'Mid and Smallcap' category. The Henri-Sijthoff-Prijs is awarded annually by Het Financieele Dagblad (financial daily newspaper) to companies which stand out favourably through the high quality of their public information and financial reporting. Jury member Prof. J. Frijns: 'It is a full and orderly report that provides extensive insight into the Company's goals and strategy and that includes clear, quantified information per division.' The jury was also very appreciative of the quality of the annual accounts and, in particular, the clear way in which the IFRS link was presented.



*Bob Richards, Vice President Alaska Division and Jana Lage, projects and logistics manager of Fugro Pelagos.*

### **'Alaska Survey project of the year' (USA)**

The Alaska Surveying and Mapping Conference Committee honoured Fugro Pelagos, Inc. with the '2005 Alaska Survey Project of the year-award'. This prize is a recognition of the innovative manner in which Fugro has contributed towards the nautical charting of the Sitka region – a complex area of islands and rugged coastlines for which no sea chart was available. The survey was commissioned by the National Oceanic and Atmospheric Administration (NOAA) and carried out using both laser technology and echo-sounding systems.

### **'Anglo-Dutch Award for Enterprise' (United Kingdom)**

Fugro's British operating company, Fugro Survey Limited, was proclaimed the winner of the Anglo-Dutch Award for Enterprise by the NBCC (Netherlands British Chamber of Commerce). This award is given to companies which, in the opinion of the NBCC, have contributed successfully towards British-Dutch trade relationships.

## Consolidated income statement

For the year ended 31 December

(EUR x 1,000)	2005	2004
Revenue	1,160,615	1,008,008
Third party costs	(405,701)	(364,644)
Net revenue own services	754,914	643,364
Other operating income	9,661	16,540
Personnel expenses	(361,002)	(331,623)
Depreciation	(69,445)	(66,139)
Amortisation	(5,318)	(7,078)
Other operating expenses	(184,740)	(150,828)
<b>Operating profit before financing costs (EBIT)</b>	<b>144,070</b>	<b>104,236</b>
Financial income	718	2,391
Financial expenses	(16,953)	(34,237)
Net financing costs	(16,235)	(31,846)
Share of profit of associated subsidiaries	240	139
<b>Profit before tax</b>	<b>128,075</b>	<b>72,529</b>
Income tax expense	(26,745)	(19,944)
<b>Profit for the period</b>	<b>101,330</b>	<b>52,585</b>
<b>Profit for the period attributable to:</b>		
Equity holders of the parent	99,412	49,317
Minority interest	1,918	3,268
<b>Profit for the period</b>	<b>101,330</b>	<b>52,585</b>
Basic earnings per share (EUR)	1.51	0.83
Diluted earnings per share (EUR)	1.40	0.82

## Consolidated balance sheet

As at 31 December

(EUR x 1,000)	2005	2004
<b>Assets</b>		
Property, plant and equipment	262,759	232,956
Intangible assets	310,270	293,991
Financial fixed assets	5,012	9,287
Deferred tax assets	21,512	24,627
<b>Total non-current assets</b>	599,553	560,861
Inventories	61,949	51,802
Trade and other receivables	400,354	336,124
Income tax receivables	1,912	8,233
Cash and cash equivalents	74,892	26,330
<b>Total current assets</b>	539,107	422,489
<b>Total assets</b>	<b>1,138,660</b>	<b>983,350</b>
<b>Equity</b>		
Issued and paid-in capital	3,441	3,110
Share premium	301,539	207,159
Reserves	61,068	(35,673)
Unappropriated result	99,412	49,317
<b>Total equity attributable to equity holders of the parent</b>	465,460	223,913
Minority interests	5,326	4,327
<b>Total equity</b>	470,786	228,240
<b>Liabilities</b>		
Interest-bearing loans and borrowings	300,753	184,268
Employee benefits	47,155	48,208
Provisions	398	1,075
Deferred tax liabilities	2,946	3,722
<b>Total non-current liabilities</b>	351,252	237,273
Bank overdraft	35,430	41,018
Interest-bearing loans and borrowings	1,122	227,887
Trade and other payables	248,096	219,594
Provisions	1,047	963
Other taxes and social security charges	17,951	16,812
Income tax payable	12,976	11,563
<b>Total current liabilities</b>	316,622	517,837
<b>Total liabilities</b>	667,874	755,110
<b>Total equity and liabilities</b>	<b>1,138,660</b>	<b>983,350</b>

## Tables and graphs

(on 31 December, x EUR 1 mln.)

<b>Turnover distribution per division</b>	<b>IFRS 2005</b>	<b>IFRS 2004</b>	<b>IFRS 2003*</b>	<b>Dutch GAAP 2002</b>	<b>Dutch GAAP 2001</b>
Geotechnical	304	273	282	323	309
Survey	565	470	354	371	392
Geoscience	292	265	186	252	209
<b>Total</b>	<b>1,161</b>	<b>1,008</b>	<b>822</b>	<b>946</b>	<b>910</b>
USD average	0.81	0.81	0.88	1.06	1.13

\* The turnover of Fugro-TGS has been consolidated as from its acquisition date (19 November 2003).

The historical figures for offshore Survey and Development & Production have been recalculated in line with the structure introduced in 2002.

(in percentages)

<b>Turnover growth</b>	<b>Organic</b>	<b>Acquisi- tions</b>	<b>Divest- ments</b>	<b>Exchange rate differences</b>	<b>Total</b>
2005 (IFRS)	12.0	1.4	(1.1)	2.8	15.1
2004 (IFRS)	9.7	16.2	(0.6)	(2.7)	22.6
2003 (IFRS)	(8.6)	4.9		(9.4)	(13.1)
2002	3.4	4.0		(3.4)	4.0
2001	18.4	8.6		0.6	27.6
2000	10.9	8.9		10.6	30.4
1999	(9.5)	1.8	(0.6)	2.9	(5.4)
1998	18.5	3.2		(1.7)	20.0
1997	18.5	6.0	(7.4)	10.9	28.0
1996	20.0	3.0		4.0	27.0
Average (1996 - 2005)	9.3	5.8	(1.0)	1.5	15.6

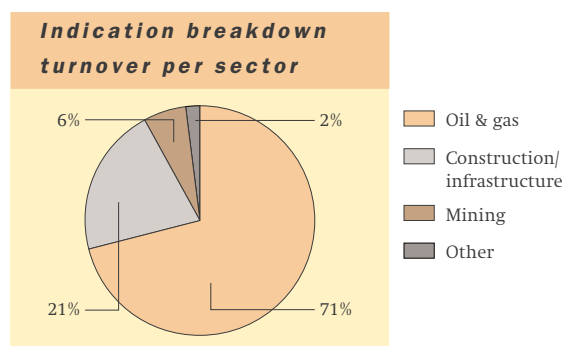
(on 31 December, x EUR 1 mln.)

<b>Geographical distribution of turnover*</b>	<b>IFRS 2005</b>	<b>IFRS 2004</b>	<b>IFRS 2003**</b>	<b>Dutch GAAP 2002</b>	<b>Dutch GAAP 2001</b>
The Netherlands	100	97	102	136	125
Europe other/Africa	489	415	327	326	305
Middle East/Asia/Australia	234	196	167	206	207
North and South America	338	300	226	278	273
<b>Total</b>	<b>1,161</b>	<b>1,008</b>	<b>822</b>	<b>946</b>	<b>910</b>

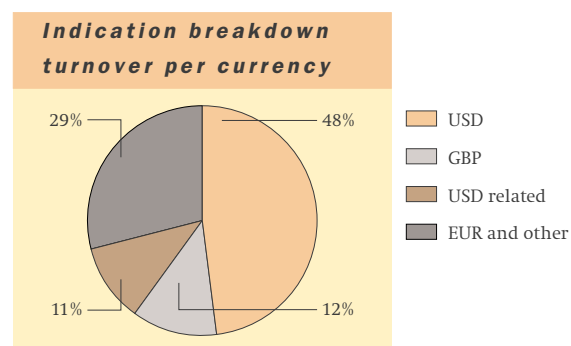
\* Based on the place of business of the subsidiary that executes the project.

\*\* The turnover of Fugro-TGS has been consolidated as from its acquisition date (19 November 2003).

(for the year 2005)



(for the year 2005)



<b>Exchange rates (in EUR)</b>	<b>USD end of period</b>	<b>USD average</b>	<b>GBP end of period</b>	<b>GBP average</b>
31 December 2005	0.85	0.81	1.46	1.46
30 June 2005	0.83	0.78	1.49	1.47
31 December 2004	0.73	0.81	1.42	1.47
30 June 2004	0.82	0.82	1.49	1.49
31 December 2003	0.79	0.88	1.42	1.45
30 June 2003	0.88	0.90	1.45	1.46
31 December 2002	0.95	1.06	1.53	1.59
30 June 2002	1.00	1.11	1.54	1.61
31 December 2001	1.13	1.13	1.64	1.62
30 June 2001	1.18	1.13	1.66	1.62

<b>Personnel data</b>	<b>IFRS 2005</b>	<b>IFRS 2004</b>	<b>IFRS 2003</b>	<b>Dutch GAAP 2002</b>	<b>Dutch GAAP 2001</b>
Average number of employees during the year	8,121	7,864	7,160	7,003	6,523
Turnover per employee (x EUR 1, 000)	142.9	128.2	114.9	135.1	139.5
Turnover own services per employee (x EUR 1, 000)	93.0	81.8	76.7	88.2	88.6
<b>Geographical distribution at year-end</b>					
The Netherlands	839	890	993	1,121	1,164
Europa other/Africa	2,457	2,232	2,707	2,002	1,999
Middle East/Asia/Australia	2,594	2,225	2,439	2,137	2,132
North and South America	2,644	2,268	2,333	1,663	1,658
<b>Total at year-end</b>	<b>8,534</b>	<b>7,615</b>	<b>8,472</b>	<b>6,923</b>	<b>6,953</b>

## **Colophon**

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Photography:  
Fugro N.V.,  
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This annual report is a translation of the official report published in the Dutch language.

The annual report is also available on our website [www.fugro.com](http://www.fugro.com).

***For complete information, see [www.fugro.com](http://www.fugro.com)***

### Cautionary Statement regarding Forward-Looking Statements

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

