Leidschendam, the Netherlands, 4 August 2016

Fugro HY 2016: Ongoing decline oil & gas market continues to impact results

Relentless focus on positive cash flow and strengthening market leading positions

- Year-on-year revenue decline of 26.9% or 24.5% on a currency comparable basis in line with the market.
- EBIT margin (excluding exceptional items) decreased to 0.2% due to steep decline in activity and strong pricing pressure.
- Agreement reached to divest the Asia Pacific subsea services business, in line with strategy to focus on core activities.
- Additional measures implemented to reduce third party and personnel costs in line with lower volumes.
- Deteriorated market conditions led to non-cash impairments and other exceptional items of EUR 151.7 million.
- Cash flow from operating activities after investments of EUR 67 million, including proceeds from the sale and lease back of a geotechnical vessel and the sale of the CGG term loan.
- Net debt to EBITDA of 1.8 compared to covenant requirement of below 3.0.
- Outlook 2016: positive cash flow from operating activities after investments, further reduction of cost base and negative low single digit EBIT margin (excluding exceptional items) expected for the full year.

Key figures (x EUR million)	**HY 2016**	**HY 2015**
Revenue	904.9	1,237.7
currency comparable growth	*(24.5%)*	*(7.3%)*
EBITDA[1] excluding exceptional items [2]	98.9	197.7
EBIT excluding exceptional items[2]	1.4	70.4
EBIT margin excluding exceptional items (%)[2]	0.2%	5.7%
Net result	(202.1)	(9.9)
Backlog next 12 months	1,065.2	1,506.8
currency comparable growth	*(26.3%)*	*(23.9%)*
Cash flow from operating activities after investments	66.8	121.8
Net debt/ EBITDA[3]	1.8	2.0

The information in this report is unaudited

1 EBITDA is EBIT before depreciation, amortisation (including amortisation on multi-client library) and impairments related to goodwill, other intangible assets, property, plant and equipment
2 Impairments, onerous contract charges and restructuring costs of EUR 151.7 million in HY2016 compared to EUR 26.0 million in HY2015
3 Refer to Annual report 2015 for definition EBITDA for covenant purposes

Paul van Riel, CEO: "*In the first half of this year, budgets of our oil & gas clients again declined significantly, with new projects being deferred or cancelled and strong price pressure as a result of overcapacity. We are continuing to adjust our cost base and capacity to market reality. This enables us to largely counter the lower volumes; the strong rate reductions, however, result in severe margin pressure. The building, infrastructure and power markets continue to provide good opportunities except in the countries that are hit hard by low oil and gas and other commodity prices.*

I am pleased that we reached an agreement on the divestment of our Asia Pacific subsea business. That fits in our strategy to focus on our core business while the minority stake we obtain in the acquiring entity allows us to participate in the benefits once the market recovers.

Our key priorities remain generating positive cash flow to delever the balance sheet and a further strengthening of our market leading positions. The price reductions and efficiency gains throughout the supply chain are significantly lowering the oil price required to justify investments. In combination with increasing evidence that a balance between oil supply and demand will be achieved in the course of next *year, this is expected to spur project approvals, also in a lower oil price environment. It is, however, still uncertain when this will have positive impact on our business."*

Cost reduction measures and performance improvement

Fugro continues to align the organisation to lower activity levels and to counter price pressure by further adjusting its cost and resource base. Key measures taken in the first half year are:

- Personnel was reduced by 585. Ongoing restructuring is expected to result in a total headcount reduction of at least 1,000 in 2016. Including last year's reduction of 1,577, personnel has by now been reduced by more than 15% in total and by around 35% in the businesses most exposed to the oil and gas market.
- Third party expenses (excluding exceptional items) related to vessel charters, subcontractors and other operational costs were reduced by 27.5% or 25.0% on a currency comparable basis, in line with the revenue decline.
- Year-to-date, the active fleet was further reduced by 5 vessels. For the remainder of the year, more reductions will be made as needed.
- Compared to year-end 2015, days of revenue outstanding was marginally lowered to 99 days. However, pressure from clients to extend payment terms continues.
- In order to realise further efficiency gains, Seabed Geosolutions is investing in its proprietary, innovative Manta 'nodes on a rope' technology to have a crew operational in the first half of 2017.

Strategy

In combination with the ongoing restructuring, we are executing on our 'Building on Strength' strategy. Highlights for the first half year are:

- Today, Fugro has signed an agreement to divest its Asia Pacific subsea services business. This is consistent with its strategy to focus on its core geotechnical and survey activities. With this transaction the company largely exits the marine construction and installation market.
- The previously announced integration of Fugro's geophysical survey and offshore geotechnical activities into one integrated site characterisation proposition is well underway. The main purpose of this new business proposition is to better serve clients, whilst also becoming more efficient.
- To further enhance internal cooperation and realise additional cost efficiencies, Fugro is implementing shared service centres and continues to reduce the number of legal entities.

Operational review

Revenue per division (x EUR million)	**HY 2016**	**HY 2015**	**reported growth**	**currency comparable growth[1]**
Geotechnical	314.6	382.2	(17.7%)	(15.9%)
Survey	333.2	419.5	(20.6%)	(17.7%)
Subsea Services	153.7	239.0	(35.7%)	(31.4%)
Geoscience	103.4	197.0	(47.5%)	(47.5%)
of which Seabed Geosolutions	*103.4*	*177.7*	*(41.8%)*	*(41.8%)*
of which other[1]	-	*19.3*	-	-
Total	**904.9**	**1,237.7**	**(26.9%)**	**(24.5%)**

[1] including multi-client data library, which was sold per 30 June 2015

Total revenue decreased by 24.5% at constant currencies. Geotechnical revenue decreased due to continuing decline in demand for site characterisation services in the oil & gas sector. The revenue for the Survey division was well below last year mainly due to a reduction in seasonal positioning services and construction support activity and lower rates for geophysical work. In the second quarter, the vessel utilisation for site characterisation services in both divisions was good, reflecting Fugro's strong market position.

The decline in revenue in Seabed Geosolutions was mainly driven by the reduced workload. Revenue in Subsea Services deteriorated as a result of weakness in the European (North Sea) and Asia Pacific regions.

EBIT per division (x EUR million)	**HY 2016**				**HY 2015**			
	reported		**excluding exceptional items**		**reported**		**excluding exceptional items**	
	EUR	**margin**	**EUR**	**margin**	**EUR**	**margin**	**EUR**	**margin**
Geotechnical	(66.4)	(21.1%)	5.0	1.6%	10.1	2.6%	13.8	3.6%
Survey	3.9	1.2%	6.6	2.0%	49.1	11.7%	52.3	12.5%
Subsea Services	(59.8)	(38.9%)	(31.0)	(20.2%)	(1.4)	(0.6%)	(9.4)	(3.9%)
Geoscience	(28.0)	(27.1%)	20.8	20.1%	(13.4)	(6.8%)	13.7	7.0%
of which Seabed Geosolutions	*(7.8)*	*(7.5%)*	*21.0*	*20.3%*	*27.1*	*15.3%*	*14.5*	*8.2%*
of which other[1]	*(20.2)*	*-*	*(0.2)*	*-*	*(40.5)*	*(209.8%)*	*(0.8)*	*(4.1%)*
Total	**(150.3)**	**(16.6%)**	**1.4**	**0.2%**	**44.4**	**3.6%**	**70.4**	**5.7%**

[1] including multi-client data library, which was sold per 30 June 2015

EBIT excluding exceptional items decreased from EUR 70.4 million in the first half-year of 2015 to EUR 1.4 million in the first half of 2016. Except for Seabed Geosolutions, all divisions reported a decrease in EBIT and margin, as ongoing reduction in activity levels and pricing cannot be fully offset by cost reductions. Survey EBIT margin (excluding exceptional items) decreased significantly, especially due to clients' strong pressure on rates.
At Subsea Services, the revenue decline, in combination with high operating leverage, was the main cause of the strong drop in margin. Despite the current low level of activity, Seabed Geosolutions reported an EBIT of EUR 21.0 million due to a solid operational performance and the positive one-off operational effect of EUR 11.3 million as a result of the release of a provision related to the purchase of the vessel Hugin Explorer.

Due to deteriorated market circumstances, additional impairments and other exceptional items have been taken for a total amount of EUR 151.7 million.

- Onerous contracts: predominantly a reversal of a provision due to better project performance at Seabed Geosolutions.
- Restructuring costs: related to companywide headcount reductions.
- Other: mainly the transaction loss of EUR 12.0 million on the sale of the CGG term loan.
- Non-cash impairments:
  - Equipment: the well-intervention and geotechnical vessel Fugro Synergy, the seafloor drills, a subsea construction support vessel and the ocean bottom cables (Seabed Geosolutions).
  - Goodwill: Seabed Geosolutions, remaining goodwill of Subsea Services and of the onshore geotechnical Africa region.
  - Intangible assets: the impairment loss on the profit sharing agreement with Finder (geoscience other) and on a geotechnical software application.

As a result of these impairments, headroom for certain business and assets is limited.

Exceptional items (x EUR million), first half of 2016							
Gain/ (loss)	**Geotechnical**	**Survey**	**Subsea**	**Geoscience**	*Of which Seabed Geosolutions*	*Of which other*[1]	**Total**
Onerous contract provision	(0.2)	(0.5)	0.6	8.3	*8.3*	-	**8.2**
Restructuring costs	(3.6)	(2.2)	(1.2)	(1.5)	*(1.5)*	-	**(8.5)**
Other	(2.7)	-	-	(12.0)	-	*(12.0)*	**(14.7)**
EBITDA impact HY 2016	**(6.5)**	**(2.7)**	**(0.6)**	**(5.2)**	***6.8***	***(12.0)***	**(15.0)**
Impairment losses	(64.9)	-	(28.2)	(43.6)	*(35.6)*	*(8.0)*	**(136.7)**
EBIT impact HY 2016	**(71.4)**	**(2.7)**	**(28.8)**	**(48.8)**	***(28.8)***	***(20.0)***	**(151.7)**
EBITDA impact HY 2015	(2.8)	(1.1)	8.6	11.1	*12.6*	*(1.5)*	**15.8**
EBIT impact HY 2015	(3.7)	(3.2)	8.0	(27.1)	*12.6*	*(39.7)*	**(26.0)**

[1] including multi-client data library, which was sold per 30 June 2015

Financial position

Cash flow from operating activities after investments was EUR 66.8 million, including EUR 48.6 million proceeds from the sale and lease back of a geotechnical vessel and EUR 62.5 million from the sale of the CGG term loan.

Net debt was reduced from EUR 534.7 million at the end of 2015 to EUR 466.9 million per the end of June 2016 mainly as a result of positive cash flow from operating activities after investments. In first half-year 2016, EBITDA was lower than in the comparable period last year and as a result, net debt/EBITDA was 1.8 at the end of the quarter compared to 1.6 at the end of 2015 and a covenant requirement of below 3.0. The fixed charge cover was 2.5 compared to 3.1 at the end of 2015 and a requirement of above 1.8.

Outlook

The timing of the recovery of the oil services market remains uncertain. During the past months, clients' budgets again declined significantly, putting further pressure on activity. The effects of the cuts in exploration and production spending are now clearly visible in falling oil production. With demand remaining strong, it is anticipated that the supply-demand balance will be restored in the course of next year. The price reductions and efficiency gains being achieved throughout the supply chain are significantly lowering the oil price required to justify investments. This is expected to spur project approvals, also in a lower oil price environment. It is still uncertain when this will positively impact our business.

In the building, infrastructure and power markets, Fugro sees good opportunities except in the countries that are hit hard by low oil and gas and other commodity prices.

Backlog for the next 12 months at constant currencies is down, in line with the market, by 26.3% compared to a year ago and by 9.5% compared to the previous quarter, in particular at Seabed Geosolutions.

Our key focus areas are unchanged: cash flow generation, deleveraging of the balance sheet, and strengthening our market leading positions. For 2016, we expect a positive cash flow from operating activities after investments. Capital expenditure will be curtailed around EUR 100 million. We continue to implement measures to further reduce our cost base and to adjust the organisation to realise further efficiencies. However, the overcapacity in the market and the resulting strong price pressure lead to ongoing year-on-year double-digit revenue decline, which cannot be fully offset by the implemented cost reductions.

This is expected to result in a negative low single digit EBIT margin (excluding exceptional items) for the full year.

Operational review per division

Geotechnical division

Key figures (amounts x EUR million)	HY 2016	HY 2015
Revenue	314.6	382.2
reported growth (%)	*(17.7%)*	*4.5%*
currency comparable growth (%)	*(15.9%)*	*(7.8%)*
EBITDA excluding exceptional items	26.8	38.5
EBIT excluding exceptional items	5.0	13.8
EBIT margin excluding exceptional items (%)	1.6%	3.6%
EBIT	(66.4)	10.1
EBIT margin (%)	(21.1%)	2.6%
Capital employed	498.0	789.4
Backlog remainder of the year	278.8	348.7
Backlog next 12 months	384.2	455.6

- Revenue for the half-year decreased by 15.9% at constant currencies to EUR 314.6 million. The EBIT margin (excluding exceptional items) turned positive after a loss in the first quarter but was lower compared to the same period last year due to continuing decline in demand for site characterisation services for oil and gas clients.
- Onshore revenue declined by 12.3% at constant currencies to EUR 208.8 million, caused by revenue declines in particular in the Middle-East, Americas and Africa, mainly related to the oil and gas market. The low single digit margin was in line with the comparable period last year. Whilst the first quarter margin was marginally lower year-on-year, the second quarter margin was well ahead of the second quarter of last year. With a 20% personnel reduction since the start of the year, the reorganisation in Africa is progressing.
- Offshore revenue dropped by 22.1% at constant currencies to EUR 105.8 million. However, Fugro's market share further increased. The EBIT margin (excluding exceptional items) was negative low single digit and below last year. The second quarter was better than the first quarter, driven by improved vessel utilisation.
- The EBIT as reported was negatively impacted by EUR 71.4 million of exceptional items mainly related to impairments on the well-intervention and geotechnical vessel Fugro Synergy, seafloor drills, and the remaining goodwill of onshore Africa.
- Progress of cost reduction measures in the first half-year:
  - Fugro Synergy is warm-stacked until industry conditions improve.
  - Headcount has been reduced by 279 since the beginning of the year.
  - Third party costs have been reduced by 26.6%.
- The division was awarded a USD 26 million contract by ONGC. The site characterisation activities, on the East Coast of India, are expected to start at the end of the third quarter. Other significant contracts awarded in recent months include a geotechnical site investigation at Hollandse Kust (Zuid) Wind Farm Zone in the Netherlands, and a geotechnical and geophysical program for an energy company offshore West Africa. In the onshore market, project wins include site investigation work for the Hong Kong airport third runway.
- Backlog for the next 12 months is down 12.8% on a currency comparable basis. The onshore backlog decreased by 5.7% mainly in Americas and Africa while backlog in Europe and the Middle-East improved. Offshore backlog decreased by 28.0%, mainly in the Gulf of Mexico and for deep water projects in general.

Survey division

Key figures (amounts x EUR million)	HY 2016	HY 2015
Revenue	333.2	419.5
reported growth (%)	*(20.6%)*	*(1.1%)*
currency comparable growth (%)	*(17.7%)*	*(11.9%)*
EBITDA excluding exceptional items	36.0	88.3
EBIT excluding exceptional items	6.6	52.3
EBIT margin excluding exceptional items (%)	2.0%	12.5%
EBIT	3.9	49.1
EBIT margin (%)	1.2%	11.7%
Capital employed	560.3	697.1
Backlog remainder of the year	253.3	375.0
Backlog next 12 months	405.7	566.4

- Revenue for the half-year decreased by 17.7% at constant currencies to EUR 333.2 million and reflects the continuing deterioration of the global oil & gas services sector. The Americas and Europe have been affected the most, while the Middle East has held up well.
- With reduced capacity, the vessel utilisation for geophysical work is good and even higher than in the same period last year. Fugro's market share for survey activities is growing. However, rates are down significantly as a consequence of oversupply in the market.
- Positioning services related to rig moves have declined steeply due to the stacking of rigs and very low activity levels in the North Sea and Gulf of Mexico. Construction support activity also strongly reduced compared to same period last year as less field development work is currently executed. Metocean services held up relatively well.
- The EBIT margin (excluding exceptional items) came down to low single digit, especially due to strong pressure on rates resulting from overcapacity.
- Progress cost reduction measures in the first half-year:
  - Headcount was reduced by another 285 largely in the Americas.
  - Capacity was reduced further by stacking two vessels and retiring one vessel.
  - Third party costs were reduced by 10.8%.
- The division was awarded a major metocean contract in Brazil for QGEP (Queiroz Galvão Exploration & Production). In West Africa, site characterisation work was secured for Kosmos (in Mauritania and Senegal) and the construction support contract for Total in Angola was extended for another three years. In the North Sea, a number of contracts for windfarm developments and oil & gas production fields were secured. The Norwegian Public Roads Administration awarded Fugro a contract for environmental measurements in connection with the planned Coastal Highway Route E39. The agreement will run over a period of 12 years at 12 sites.
- Backlog for the next 12 months is down 25.8% on a currency comparable basis, partly caused by the completion of the major Red Sea project and the finalisation of the MH370 search program (expected around the end of the third quarter of 2016) and as a result of the price erosion and reduced investments from our clients.

Subsea Services division

Key figures (amounts x EUR million)	HY 2016	HY 2015
Revenue	153.7	239.0
reported growth (%)	*(35.7%)*	*(9.7%)*
currency comparable growth (%)	*(31.4%)*	*(21.4%)*
EBITDA excluding exceptional items	(9.1)	16.9
EBIT excluding exceptional items	(31.0)	(9.4)
EBIT margin excluding exceptional items (%)	(20.2%)	(3.9%)
EBIT	(59.8)	(1.4)
EBIT margin (%)	(38.9%)	(0.6%)
Capital employed	279.5	597.8
Backlog remainder of the year	148.1	179.9
Backlog next 12 months	221.3	276.3

- Fugro has reached an agreement under which Shelf Subsea Services will acquire the Fugro Subsea Services business in Asia Pacific for a cash consideration of AUD 20 million (around EUR 14 million) and an equity share of around 25% in Shelf Subsea Services. The business includes 3 vessel charter contracts, 1 owned vessel and 18 remotely operated vehicles. As at 30 June 2016, the Asia Pacific subsea business had a net book value of EUR 22 million. The expectation is that the transaction will be closed within three months.
- Revenue for the half-year decreased by EUR 75.0 million at constant currencies. The decline was mainly driven by the deterioration of the North Sea and Asia Pacific markets.
- The revenue decline, in combination with high operating leverage, resulted in a steep loss. Brazil generated a positive EBIT reflecting enhanced fleet operations and the start of the Fugro Aquarius contract.
- EBIT was negatively impacted by EUR 28.8 million exceptional items, mainly caused by non-cash impairments of the remaining goodwill and EUR 10.6 million related to a vessel as part of the divestment of the Asia Pacific subsea services business.
- Progress cost reduction measures in the first half-year:
  - In the first quarter, the fleet was reduced by one long-term chartered vessel.
  - Third party costs were reduced by 22.7%.
- The Middle East region has received two recent project awards, from Saipem and McDermott for providing ROVs to support construction and pipelay operations. Fugro has also been awarded a three-year contract for integrity management support and intervention works for Det Norske in the Norwegian sector of the North Sea. In June, three new trenching contracts for oil and gas clients in the North Sea were secured.
- Backlog for the next 12 months is 13.3% lower on a currency comparable basis.

Geoscience division

The Geoscience division almost fully consists of Fugro's 60% stake in Seabed Geosolutions (fully consolidated). The multi-client data libraries were sold per 30 June 2015. The indirect interests in Australian exploration projects, via Finder Exploration, have been retained.

Seabed Geosolutions

Key figures (amounts x EUR million)	**HY 2016**	**HY 2015**
Revenue	103.4	177.7
reported growth (%)	*(41.8%)*	*82.6%*
currency comparable growth (%)	*(41.8%)*	*66.3%*
EBITDA excluding exceptional items	45.3	36.7
EBIT excluding exceptional items	21.0	14.5
EBIT margin excluding exceptional items (%)	20.3%	8.2%
EBIT	(7.8)	27.1
EBIT margin (%)	(7.5%)	15.3%
Capital employed	138.5	144.2
Backlog remainder of the year	54.0	140.3
Backlog next 12 months	54.0	208.5

- Revenue declined by 41.8% on a currency comparable basis driven by idleness of the two ocean bottom cable crews.
- Seabed Geosolutions operated two crews throughout the quarter, with the shallow water crew continuing its operations in the Middle East while the ocean bottom node crew successfully completed a large survey in Australia and moved to a two-month project in the North Sea where operations started late June.
- Over the next 12 months, Seabed Geosolutions will implement an innovative solution to significantly improve the efficiency of the ocean bottom node crew, by leveraging Fugro's latest ROV technologies to maximise node deployment rates in mid to deep water. The first results delivered on the current North Sea project are encouraging.
- EBIT (excluding exceptional items) increased due to a solid operational performance on ongoing projects and a positive one-off operational benefit of EUR 11.3 million. This one-off is the result of the conversion of the charter agreement for the Hugin Explorer vessel into a lease and purchase agreement[1]. The total cash out under the lease and purchase agreement is similar to the previous operational lease agreement, whilst Seabed Geosolutions will now become the owner of this efficient vessel.
- Seabed Geosolutions is restructuring to adapt the company structure to its current level of activity.
- EBIT was negatively impacted by EUR 28.8 million exceptional items, mainly driven by impairments on goodwill and equipment, partially compensated by the reversal of an onerous contract provision.
- Backlog for the next 12 months decreased by 74.4% at constant currencies. Several key opportunities have been identified and Seabed Geosolutions is well positioned to win them, but tenders tend to be postponed and some competitors are exhibiting unsustainable pricing strategies.
- Mid-term, the Seabed market holds significant potential, as it supports oil and gas production and optimal field development. Seabed Geosolutions intends to maintain its leadership position on this market and will therefore invest in its proprietary Manta 'nodes on a rope' technology with the objective to have a crew operational in the first half of 2017. It is anticipated that these nodes will deliver clear efficiency gains.

[1] EUR 13.9 million release of the asset retirement obligation provision minus EUR 2.6 million depreciation

Press call and analyst meeting

Today at 9:30 o'clock CET, Fugro will host a media call. At 13:00 o'clock CET, Fugro will host an analyst meeting in Hilton Amsterdam, Apollolaan 138 which can be followed via a video webcast accessible via www.fugro.com.

Financial calendar

31 October 2016	Trading update third quarter 2016 (7:00 CET)
24 February 2017	Publication 2016 annual results (7:00 CET)

Fugro is the world's leading, independent provider of geo-intelligence and asset integrity solutions for large constructions, infrastructure and natural resources. We collect data on topography, soil composition and environmental conditions, both onshore and offshore. We organise the acquired data and add value through processing, interpretation and visualisation. In addition, we provide geo-related design, asset inspection and integrity advice. Our services play a critical role in the entire lifecycle of our clients' construction and infrastructure projects.

Fugro works around the globe, predominantly in energy and infrastructure markets, employing approximately 11,500 employees in around 60 countries. In 2015 Fugro's revenue amounted to around EUR 2.4 billion. Fugro is listed on Euronext Amsterdam.

Regulated information
This press release contains information that qualifies, or may qualify as inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

Cautionary statement regarding forward-looking statements
This press release may contain forward-looking statements. Forward-looking statements are statements that are not historical facts, including (but not limited to) statements expressing or implying Fugro's beliefs, expectations, intentions, forecasts, estimates 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 press release are based on information currently available to Fugro's management. Fugro 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 press release.

HIGHLIGHTS INCOME STATEMENT

Net result

Result (x EUR million)	HY 2016	HY 2015
EBIT	**(150.3)**	**44.4**
Net finance costs	(42.9)	(25.8)
Share of profit/ (loss) of equity accounted investees	(0.3)	6.6
Income tax gain/ (expense)	(0.7)	(25.4)
(Gain)/ loss on non-controlling interests	(7.9)	(9.7)
Net result	**(202.1)**	**(9.9)**

Finance income/ (costs)

Finance income/ (costs) (x EUR million)	HY 2016	HY2015
Interest income	4.5	2.9
Dividend income on financial assets	0.0	0.8
Exchange rate variances	1.3	1.4
Finance income	**5.8**	**5.1**
Interest expenses	(27.1)	(26.0)
Net change in fair value of financial assets	(0.1)	0.3
Exchange rate variances	(21.5)	(5.2)
Finance expenses	**(48.7)**	**(30.9)**
Net finance costs	**(42.9)**	**(25.8)**

Interest expenses were above last-year due to EUR 11.0 million make-whole payments related to part of the early repayments on the private placement notes. Excluding these payments, interest expenses were EUR 10 million lower than last-year due to debt repayments and therefore decreased borrowings. The exchange rate variances reflect the impact from negative currency translation on the monetary assets, mainly due to the devaluation of the Angola Kwanza, British Pound, US Dollar and Nigerian Naira versus the Euro.

Share of profit/(loss) of equity accounted investees

The share of loss in equity accounted investees was EUR 0.3 million (net of tax) and mainly consists of losses in the joint venture Wavewalker and the joint venture in Kazakhstan, in part compensated by profits in the joint venture with China Oilfield Services Limited. The Chinese and the Iraqi joint venture performed below last-year's levels.

Income tax (expense)/ gain

Tax (x EUR million)	HY 2016	HY 2015
Tax excluding exceptional items	(3.3)	(36.3)
Tax on exceptional items	2.6	10.9
Total tax	**(0.7)**	**(25.4)**

The income tax expense was EUR 0.7 million, which is the result of taxable profits in certain jurisdictions in combination with limited recognition of further deferred tax assets for losses incurred in other jurisdictions.

(Gain)/loss on non-controlling interest

The EUR 7.9 million positive result attributable to non-controlling interest mainly consists of the profit of a subsidiary in the Middle-East and profit of Seabed Geosolutions.

HIGHLIGHTS BALANCE SHEET AND CASH FLOW

Balance sheet highlights include the impact of the divestment of the Asia Pacific subsea business, which has been presented as assets and liabilities classified as held for sale in the consolidated statement of financial position. This classification had no material impact on key financials. The book value of the net assets held for sale at the end of June is EUR 22 million.

Goodwill and other intangible assets

Goodwill decreased by EUR 57.7 million to EUR 338.9 million. Of the decrease, EUR 51.1 million is related to impairments and EUR 6.6 million to foreign currency translation differences.

Other intangible assets

Other intangible assets decreased by EUR 14.1 million to EUR 55.9 million. Of this decrease, EUR 15.5 million is related to impairments on the profit sharing agreement with Finder and a geotechnical software application.

Working capital

Working capital (x EUR million)	**HY 2016**	**HY 2015**
Working capital	309.3	401.0
Working capital as a % of last 12 months revenue	15.2%	15.3%
Inventories	*26.8*	*36.6*
Trade and other receivables	*639.3*	*905.6*
Trade and other payables	*(356.8)*	*(541.2)*
Days revenue outstanding (DRO)	99	99

Working capital as a percentage of revenue was in line with prior year. Despite increasing pressure from customers to extend payment terms the company has succeeded to maintain days revenue outstanding at last years' improved level. Pressure from clients is expected to continue in coming quarters.

(Return on) capital employed

(x EUR million)	**HY 2016**	**HY 2015**
Capital employed	1,481.0	2,219.2
Return on capital employed, ROCE (%)[1]	1.5%	1.8%

1 ROCE is before exceptional items; NOPAT last 12 months (applying domestic weighted average tax rate); capital employed the average of last three reporting periods

The decrease in capital employed is mainly related to the non-cash impairments during the prior 12 months for an amount of EUR 445.8 million (after tax), depreciation in excess of capex and the reduction in working capital. The return on capital employed decreased only slightly as the relative profitability decrease was in line with the decrease in capital employed.

Capital expenditure

Capital expenditure (x EUR million)	**HY 2016**	**HY 2015**
Maintenance capex	17.6	33.9
Capex major assets (including assets under construction)	13.1	53.7
Total capex	**30.7**	**87.6**

Capex was curtailed to EUR 30.7 million and was almost entirely spent on mandatory asset maintenance and project related equipment. For the full year, capex will be around EUR 100 million, including investment of Seabed Geosolutions in a new, more efficient ocean bottom node technology and the purchase of the Hugin Explorer vessel in the second half of the year. This vessel was previously chartered and the total cash out under this new lease and purchase agreement is similar to the previous operational lease agreement, whilst Seabed will now become the owner of this efficient vessel. Because of the extended financing arrangement the cash out related to 2016 capex will be well below EUR 100 million.

Cash flow

Cash flow (x EUR million)	**HY 2016**	**HY 2015**
Net cash from operating activities	(22.0)	116.5
Net cash flow from investing activities	88.8	5.3
Cash flow from operating activities after investments	**66.8**	**121.8**
Net cash from financing activities	(97.9)	9.5
Net cash movement	**(31.1)**	**131.3**

Cash flow from operating activities was negative EUR 22.0 million, which was significantly below last year caused by the lower profit, an increase in working capital in the first half of 2016 and EUR 11 million make-whole payment related to part of the early repayments on the private placement loans.

Cash flow from investing activities was positive EUR 88.8 million, including the proceeds from the sale of the CGG term loan and the sale & leaseback of a geotechnical vessel. Last year included the proceeds from the divestment of the multi-client data library. Both capex and investments in intangible assets were well below last year.

RISK MANAGEMENT

In its annual report 2015, Fugro extensively describes risk categories and risk factors that could adversely affect its business and financial performance. Approximately 75% of Fugro's business is exposed to the oil and gas market and the company is acting on the prolonged and harsh market downturn by executing strong measures to support profitability, improve cash flow and strengthen the balance sheet. Fugro is further focused to grow its business in non-oil and gas markets. One significant fact during the first half of 2016 worth mentioning is the UK vote to leave the European Union, which is expected to have limited direct impact on Fugro. Additionally, Fugro has not identified any other risk categories or risk factors, which might result in pressure on revenues and income. Additional risks not known to the company, or currently believed not to be material, may occur and could later turn out to have material impact on its business, financial objectives or capital resources.

BOARD OF MANAGEMENT DECLARATION

Pursuant to section 5:25d, paragraph 2 sub c of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht)

The Board of Management hereby declares that, to the best of their knowledge:

- the consolidated interim financial statements in this half-year report 2016 have been prepared in accordance with IAS 34 'Interim Financial Reporting' and give a true and fair view of the assets, liabilities, financial position and the result of Fugro N.V. and its consolidated companies included in the consolidation as a whole the interim management report in this half-year report 2016 gives a fair review of the information required pursuant to section 5:25d, subsections 8 and 9 of the Dutch Financial Markets Supervision Act.

Leidschendam, 3 August 2016
P. van Riel, Chairman Board of Management/Chief Executive Officer
P.A.H. Verhagen, Chief Financial Officer
M.R.F. Heine, Director Survey division offshore Geotechnical activities
S.J. Thomson, Director Subsea Services/Geoscience divisions
B.M. Bouffard, Director onshore Geotechnical activities

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS 2016

Consolidated statement of comprehensive income

(EUR x million) Unaudited	Six months ended 30 June	
	2016	2015
Revenue	**904.9**	**1,237.7**
Third party costs	(341.4)	(458.5)
Net revenue own services (revenue less third party costs)	563.5	779.2
Other income	24.2	8.6
Personnel expenses	(358.8)	(420.9)
Depreciation	(92.9)	(105.0)
Amortisation	(4.6)	(22.3)
Impairments	(136.7)	(41.8)
Other expenses	(145.0)	(153.4)
Results from operating activities (EBIT)	**(150.3)**	**44.4**
Finance income	5.8	5.1
Finance expenses	(48.7)	(30.9)
Net finance income/(expenses)	(42.9)	(25.8)
Share of profit/(loss) of equity-accounted investees, net of income tax	(0.3)	6.6
Profit before income tax	**(193.5)**	**25.2**
Income tax gain/(expenses)	(0.7)	(25.4)
Profit/(loss) for the period from operations, net of income tax	(194.2)	(0.2)
Profit/(loss) for the period	**(194.2)**	**(0.2)**
Attributable to owners of the company (net result)	(202.1)	(9.9)
Attributable to non-controlling interests	7.9	9.7
Basic earnings per share	**(2.50)**	**(0.12)**
Attributable to owners of the company from operations (EUR)	(2.50)	(0.12)
Diluted earnings per share	**(2.49)**	**(0.12)**
Attributable to owners of the company from operations (EUR)	(2.49)	(0.12)
Profit/(loss) for the period	(194.2)	(0.2)
Other comprehensive income		
Defined benefit plan actuarial gains/(losses)	(21.7)	3.2
Total items that will not be reclassified to profit or loss	**(21.7)**	**3.2**
Foreign currency translation differences of foreign operations	(17.1)	128.8
Foreign currency translation differences of equity-accounted investees	(1.2)	4.6
Net change in fair value of hedge of net investment in foreign operations	15.7	(63.8)
Net change in fair value of cash flow hedges transferred to profit or loss	0.2	0.2
Net changes in translation reserve transferred to profit or loss due to disposal	-	(8.3)
Total items that may be reclassified subsequently to profit or loss	**(2.4)**	**61.5**
Total other comprehensive income (net of income tax)	**(24.1)**	**64.7**
Total comprehensive income /(loss) for the period	**(218.3)**	**64.5**
Attributable to owners of the company	(226.6)	52.3
Attributable to non-controlling interests	8.3	12.2

The notes on pages 19 to 26 are an integral part of these condensed consolidated interim financial statements.

Consolidated statement of financial position

(EUR x million) Unaudited	30 June 2016	31 December 2015
Assets		
Property, plant and equipment	817.5	986.6
Intangible assets	394.8	466.6
Investments in equity-accounted investees	23.5	29.6
Other investments	32.6	98.4
Deferred tax assets	90.9	88.4
Total non-current assets	**1,359.3**	**1,669.6**
Inventories	26.8	29.6
Trade and other receivables	639.3	755.9
Current tax assets	21.4	20.1
Cash and cash equivalents	250.3	305.0
Assets classified as held for sale	61.2	61.0
Total current assets	**999.0**	**1,171.6**
Total assets	**2,358.3**	**2,841.2**
Equity		
Share capital	4.2	4.2
Share premium	431.2	431.2
Other reserves	(405.1)	(402.3)
Retained earnings	1,146.5	1,537.1
Unappropriated result	(202.1)	(372.5)
Total equity attributable to owners of the company	**974.7**	**1,197.7**
Non-controlling interests	39.5	36.7
Total equity	**1,014.2**	**1,234.4**
Liabilities		
Loans and borrowings	645.3	728.1
Employee benefits	110.6	91.4
Provisions for other liabilities and charges	31.2	61.8
Deferred tax liabilities	2.1	5.8
Total non-current liabilities	**789.2**	**887.1**
Bank overdraft	5.5	21.9
Loans and borrowings	66.4	89.7
Trade and other payables	356.8	503.2
Provisions for other liabilities and charges	7.8	14.9
Other taxes and social security charges	34.6	42.8
Current tax liabilities	44.2	47.2
Liabilities classified as held for sale	39.6	-
Total current liabilities	**554.9**	**719.7**
Total liabilities	**1,344.1**	**1.606.8**
Total equity and liabilities	**2,358.3**	**2,841.2**

The notes on pages 19 to 26 are an integral part of these condensed consolidated interim financial statements.

Consolidated statement of changes in equity

(EUR x million)										
Unaudited	**Share capital**	**Share premium**	**Translation reserve**	**Hedging reserve**	**Reserve for own shares**	**Retained earnings**	**Unappro-priated result**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2016	4.2	431.2	(48.0)	(0.4)	(353.9)	1,537.1	(372.5)	1,197.7	36.7	1,234.4
Total comprehensive income for the period: profit/(loss)							(202.1)	(202.1)	7.9	(194.2)
Other comprehensive income										
Foreign currency translation differences of foreign operations			(17.5)					(17.5)	0.4	(17.1)
Foreign currency translation differences of equity-accounted investees			(1.2)					(1.2)		(1.2)
Net change in fair value of hedge of net investment in foreign operations			15.7					15.7		15.7
Defined benefit plan actuarial gains/(losses)						(21.7)		(21.7)		(21.7)
Net change in fair value of cash flow hedges transferred to profit or loss				0.2				0.2		0.2
Net change in fair value of available-for-sale financial assets										
Total other comprehensive income (net of income tax)			**(3.0)**	**0.2**		**(21.7)**		**(24.5)**	**0.4**	**(24.1)**
Total comprehensive income for the period			**(3.0)**	**0.2**		**(21.7)**	**(202.1)**	**(226.6)**	**8.3**	**(218.3)**
Transactions with owners of the company, recognised directly in equity										
Contributions by and distribution to owners:										
Share-based payments						3.6		3.6		3.6
Addition to/ (reduction of) reserves						(372.5)	372.5	–		–
Contributions by shareholders									–	–
Dividends to shareholders									(5.5)	(5.5)
Total contributions by and distribution to owners of the company						**(368.9)**	**372.5**	**3.6**	**(5.5)**	**(1.9)**
Balance at 30 June 2016	**4.2**	**431.2**	**(51.0)**	**(0.2)**	**(353.9)**	**1,146.5**	**(202.1)**	**974.7**	**39.5**	**1,014.2**
Balance at 1 January 2015	4.2	431.2	(81.6)	(0.9)	(353.9)	1,977.7	(458.9)	1,517.8	(5.4)	1,512.4
Total comprehensive income for the period: profit/(loss)							(9.9)	(9.9)	9.7	(0.2)
Other comprehensive income										
Foreign currency translation differences of foreign operations			126.3					126.3	2.5	128.8
Foreign currency translation differences of equity-accounted investees			4.6					4.6		4.6
Net change in fair value of hedge of net investment in foreign operations			(63.8)					(63.8)		(63.8)
Defined benefit plan actuarial gains/(losses)						3.2		3.2		3.2
Net change in fair value of cash flow hedges transferred to profit or loss				0.2				0.2		0.2
Net change in fair value of available-for-sale financial assets										
Net changes in translation reserve transferred to profit or loss due to disposal			(8.3)					(8.3)		(8.3)
Total other comprehensive income (net of income tax)			**58.8**	**0.2**		**3.2**		**62.2**	**2.5**	**64.7**
Total comprehensive income for the period			**58.8**	**0.2**		**3.2**	**(9.9)**	**52.3**	**12.2**	**64.5**

(EUR x million) Unaudited	Share capital	Share premium	Translation reserve	Hedging reserve	Reserve for own shares	Retained earnings	Unappro-priated result	Total	Non-controlling interests	Total equity
Transactions with owners of the company, recognised directly in equity										
Contributions by and distribution to owners:										
Share-based payments						4.6		4.6		4.6
Addition to/ (reduction of) reserves						(458.9)	458.9	–		–
Contribution by shareholders									0.5	0.5
Dividends to shareholders									(4.3)	(4.3)
Total contributions by and distribution to owners of the company						**(454.3)**	**458.9**	**4.6**	**(3.8)**	**0.8**
Balance at 30 June 2015	**4.2**	**431.2**	**(22.8)**	**(0.7)**	**(353.9)**	**1,526.6**	**(9.9)**	**1,574.7**	**3.0**	**1,577.7**

The notes on pages 19 to 26 are an integral part of these condensed consolidated interim financial statements.

Consolidated statement of cash flows

(EUR x million) Unaudited	Six months ended 30 June	
	2016	2015
Cash flows from operating activities		
Profit/(loss) for the period	(194.2)	(0.2)
Adjustments for:		
Depreciation and amortisation	97.5	127.3
Impairments	136.7	41.8
Write-off long term receivables	12.0	-
Share of (profit)/ loss of equity-accounted investees, net of income tax	0.3	(6.6)
Gain on sale of property, plant and equipment	(4.2)	(5.2)
Equity settled share-based payments	3.6	4.6
Change in provisions for other liabilities and charges and employee benefits	(24.7)	(48.4)
Income tax expense	0.7	25.4
Income tax paid	(12.9)	(25.1)
Net finance (income)/expenses	42.9	25.8
Interest paid	(45.5)	(24.7)
Operating cash flows before changes in working capital	**12.2**	**114.7**
Change in inventories	2.2	(0.6)
Change in trade and other receivables	70.7	70.8
Change in trade and other payables	(107.1)	(68.4)
Changes in working capital	**(34.2)**	**1.8**
Net cash generated from operating activities	**(22.0)**	**116.5**
Cash flows from investing activities		
Proceeds from sale of interests in business, net of cash disposed of	62.5	-
Proceeds from sale of multi-client data libraries, net of cash	-	101.9
Proceeds from sale of property, plant and equipment	5.3	13.4
Proceeds from sale & leaseback transaction of property, plant and equipment	48.6	-
Acquisition of intangible assets	(5.5)	(7.8)
Internally developed intangible assets	(2.7)	(11.4)
Capital expenditures on property, plant and equipment	(30.7)	(87.6)
Acquisition of businesses, net of cash acquired	-	(9.9)
Interest received	6.8	2.9
Dividends received	4.5	3.8
Net cash provided (used in)/ from investing activities	**88.8**	**5.3**
Cash flows before financing activities	**66.8**	**121.8**
Cash flows from financing activities		
Proceeds from the issue of loans and borrowings	-	15.0
Transaction costs relating to loans and borrowings	(0.2)	(3.1)
Repayment of borrowings	(92.2)	(2.4)
Dividends paid	(5.5)	-
Net cash provided from/ (used in) financing activities	**(97.9)**	**9.5**
Change in cash flows from operations	**(31.1)**	**131.3**
Net increase/(decrease) in cash and cash equivalents	(31.1)	131.3
Cash and cash equivalents at 1 January	283.1	153.1
Effect of exchange rate fluctuations on cash held	(6.7)	11.8
Cash and cash equivalents at period-end	**245.3**	**296.2**
Cash and cash equivalents	250.3	443.5
Bank overdraft	(5.5)	(147.3)
Cash and cash equivalents (as held for sale)	1.5	-
Bank overdraft (as held for sale)	(1.0)	-

The notes on pages 19 to 26 are an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

General

Fugro N.V., hereinafter to be referred to as ‘Fugro’ or ‘the company’, has its corporate seat in Leidschendam, the Netherlands. The address of the company’s principal office is Veurse Achterweg 10, 2264 SG Leidschendam, The Netherlands. The condensed consolidated interim financial statements of Fugro as at and for the six months ended 30 June 2016 include Fugro and its subsidiaries (together referred to as the ‘group’) and the group’s interests in equity-accounted investees.

Fugro is the world’s leading, independent provider of geo-intelligence and asset integrity solutions for large constructions, infrastructure and natural resources. We collect data on topography, soil composition and environmental conditions, both onshore and offshore. We organise the acquired data and add value through processing, interpretation and visualisation. In addition, we provide geo-related design, asset inspection and integrity advice. Our services play a critical role in the entire lifecycle of our clients’ construction and infrastructure projects.

Fugro works around the globe, predominantly in energy and infrastructure markets, employing approximately 11,500 employees in around 60 countries. In 2015, Fugro’s revenue amounted to around EUR 2.4 billion. Fugro is listed on Euronext Amsterdam.

Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with IAS 34, ´Interim Financial Reporting´. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of Fugro N.V. as at and for the year ended 31 December 2015, which has been prepared in accordance with IFRS as endorsed by European Union. The Annual Report 2015 (including the consolidated financial statements as at and for the year ended 31 December 2015) of Fugro is available upon request at the Fugro office, Veurse Achterweg 10, Leidschendam and also available at www.fugro.com. The official language for the financial statements is the English language as approved by the Annual General Meeting of Shareholders on 10 May 2011.

On 3 August 2016, the Board of Management authorised the condensed consolidated interim financial statements for issue. Publication is on 4 August 2016. The condensed consolidated interim financial statements have been reviewed, not audited.

Significant accounting policies

The accounting policies applied by the group in these condensed consolidated interim financial statements are the same accounting policies and methods of computation as those applied by the group in its consolidated financial statements as at and for the year ended 31 December 2015.

New standards

There are no other new standards and interpretations published and endorsed in the first half year of 2016 which could be applicable for the group.

Estimates

Preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group’s accounting policies and the key sources of estimating uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2015.

Operating segments

Information about reportable segments for the six months ended 30 June

(EUR x million)	Geotechnical		Survey		Subsea Services		Geoscience		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Segment revenue	348.1	410.9	393.6	455.6	176.1	266.0	103.4	197.0	1,021.2	1,329.5
Of which inter-segment revenue	33.5	28.7	60.4	36.1	22.4	27.0	-	-	116.3	91.8
Revenue	314.6	382.2	333.2	419.5	153.7	239.0	103.4	197.0	904.9	1,237.7
Impairments *	64.9	0.9	-	2.1	28.2	0.6	43.6	38.2	136.7	41.8
Result from operating activities (EBIT)	(66.4)	10.1	3.9	49.1	(59.8)	(1.4)	(28.0)	(13.4)	(150.3)	44.4
Reportable segment profit/(loss) before income tax	(78.2)	5.7	(15.9)	50.1	(66.1)	(4.4)	(33.3)	(26.2)	(193.5)	25.2
Total reportable segment assets										
30 June 2016 and 31 December 2015	738.3	932.2	939.2	1,056.8	391.8	438.8	289.0	413.4	2,358.3	2,841.2
Total reportable segment liabilities										
30 June 2016 and 31 December 2015	395.3	491.2	442.5	506.7	318.3	303.6	188.0	305.3	1,344.1	1,606.8

* impairments form part of the reportable segment profit/(loss) before income tax. Refer to disclosure note Impairments below.
EBIT includes a write-off on receivables of EUR 2.7 million which is attributable to the Geotechnical operating segment.

Seasonality of operations

Fugro’s revenue in the second half is mostly somewhat lower than the revenue generated in the first half of the calendar year.

Sale of senior secured term loan

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

Impairments

Fugro tests its assets for impairment on a yearly basis and whenever there is an indication that the assets might be impaired. For the first six months of 2016, the following impairments have been identified:

(EUR x million)	Six months ended 30 June	
	2016	2015
Goodwill Seabed Geosolutions	20.5	-
Goodwill Subsea Services	17.7	-
Goodwill onshore Geotechnical Europe/Africa	12.9	-
Multi-client data libraries (MCDL) and Finder	8.0	37.7
Property, plant and equipment (PP&E)	70.1	1.1
Other intangibles	7.5	3.0
Total impairments	136.7	41.8

An impairment loss on goodwill of EUR 20.5 million has been recognised for Seabed Geosolutions as an anticipated award of a very sizeable contract did not materialise, in combination with recent low tendering activity in the seabed market in general. This has resulted in a downward impact on the projected future cash flows. The impairment loss relates to the Seabed Geosolutions cash generating unit and forms part of the Geoscience operating segment. The recoverable amount of this CGU amounts to EUR 157.5 million as at 30 June 2016, which is based on a value in use calculation.

In 2016, Fugro fully impaired the remaining goodwill of Subsea Services for the amount of EUR 17.7 million as a result of further market deterioration, which last in 2016. The impairment loss relates to the cash generating unit of Subsea Services and is included in the operating segment Subsea Services. Furthermore, Fugro fully impaired the remaining goodwill of EUR 12.9 million of the onshore Geotechnical Europe/Africa CGU due to significantly deteriorated market conditions. This CGU forms part of the Geotechnical operating segment.

Fugro recognised an impairment loss of EUR 8.0 million on the profit sharing agreement with Finder as future projected cash flows were reduced on certain projects.

An impairment loss on certain vessels was recorded of EUR 40.9 million due to poor market conditions, of which EUR 30.3 million and EUR 10.6 million relate to the Geotechnical and Subsea Services operating segments respectively. The recoverable amounts are determined on the fair value less costs to sell (determined by using external broker quotes) which is considered higher than the value in use calculation. An amount of EUR 14.2 million has been impaired relating to several offshore geotechnical assets as a result of poor market circumstances and limited backlog opportunities. Furthermore, Fugro recognised an impairment of EUR 15.0 million on certain ocean bottom cable assets of Seabed Geosolutions (Geoscience operating segment) caused by significant reduced backlog in 2016 and beyond.

In 2016, Fugro recorded an impairment loss on a software application within the Geotechnical operating segment of EUR 7.5 million following further review of capital expenditure and the decision to cease further development of certain functionalities.

Assets and liabilities classified as held for sale

Fugro and Shelf Subsea Services UK Ltd (hereafter ‘Shelf Subsea Services’) have reached agreement under which Shelf Subsea Services will acquire the Fugro Subsea Services business in Asia Pacific for a cash consideration of AUD 20 million (around EUR 14 million) and an equity share of around 25% in Shelf Subsea Services. This transaction is in line with Fugro’s strategy to focus on core geotechnical and survey activities and to exit the marine and installation market. The business includes three vessel charter contracts, one owned vessel and eighteen remotely operated vehicles (ROVs).

As at 30 June 2016, Fugro classified the assets and liabilities of the Subsea Services business in the Asia Pacific region as held for sale. The assets and liabilities of the disposal group can be summarised as follows:

(x EUR million)	**30 June 2016**
Assets classified as held for sale	
Property, plant and equipment	28.0
Inventories	0.4
Trade and other receivables	31.3
Cash and cash equivalents	1.5
Total assets classified as held for sale	61.2

(x EUR million)	**30 June 2016**
Liabilities classified as held for sale	
Employee benefits	0.6
Provisions for other liabilities and charges	7.1
Bank overdraft	1.0
Trade and other payables	30.7
Current tax liabilities	0.2
Total liabilities classified as held for sale	39.6

Upon classification of the disposal group as held for sale, an impairment for an amount of EUR 10.6 million has been recorded to bring the net carrying amount to its fair value less costs to sell. The transaction is subject to customary closing conditions. The expectation is that the transaction will be closed within this year. Upon closing of the transaction, Fugro expects the transaction result to be limited.

Provisions for other liabilities and charges

In the first six months of 2016, EUR 5.3 million has been added to the onerous contract provision. In the same period an amount of EUR 11.1 million was used from the provision and an amount of EUR 13.5 million was reversed, the latter mainly as result of more firm backlog positions and better project performance. Restructuring costs amounted to EUR 8.5 million and EUR 6.0 million has been paid in first six months of 2016. Further, an amount of EUR 13.9 million has been reversed from the asset retirement obligations following the purchase of the underlying chartered vessel (Hugin Explorer) in July 2016. There are no further significant other movements to be noted. The current portion of the provision for other liabilities and charges amounts to EUR 14.8 million as at 30 June 2016, of which EUR 5.1 million and EUR 9.7 million is related to restructuring and onerous contracts respectively. As at 30 June 2016, provisions for other liabilities and charges relating to onerous contract provision for an amount of EUR 7.1 million have been transferred to liabilities classified as held for sale, of which EUR 7.0 million relate to current portion of the provision.

Taxes

Effective tax rate

Current income tax expense is based on the estimated taxable profit for the interim periods, adjusted for significant non-deductible items in the interim periods. The group's consolidated effective tax rate for the six months ended 30 June 2016 is 0.4% negative (for the six months ended 30 June 2015: 100.8%). The decrease in the effective tax rate is mainly driven by changes in geographical composition of taxable income and losses and certain unrecognised tax losses.
The income tax recognised in other comprehensive income for the defined benefit actuarial gains & losses and foreign currency translation differences amounts to EUR 4.4 million benefit (first six months 2015: EUR 1.3 million expense) and EUR 2.5 million expense (first six months 2015: EUR 0.7 million expense) respectively. No further income tax has been recognised in other comprehensive income.

Property, plant and equipment

Acquisitions, disposals and transfers to assets classified as held for sale

In the first six months of 2016, the group acquired assets (under construction) with a cost value of EUR 30.7 million (first six months of 2015: EUR 87.6 million). Assets with a carrying amount of EUR 1.1 million were disposed of in the first six months of 2016 (first six months of 2014: EUR 8.2 million), resulting in a net gain on disposal of EUR 4.2 million (first six months of 2015: net gain of EUR 5.2 million), which forms part of other income in the consolidated interim statement of comprehensive income. On 8 January 2016, Fugro completed the sale and operating leaseback of the Fugro Voyager vessel. The net proceeds amounted to EUR 48.6 million. As at 30 June 2016, property, plant and equipment with a carrying amount of EUR 28.0 million, mainly consisting of 18 ROVs and a subsea vessel which have been transferred to assets classified as held for sale.

Intangible assets

Goodwill

The goodwill decreased by EUR 57.7 million to EUR 338.9 million as at 30 June 2016 (31 December 2015: EUR 396.6 million) of which EUR 51.1 is related to impairments and EUR 6.6 million relates to foreign currency translation differences. For the purpose of impairment testing, goodwill is allocated to cash-generating units (CGU) which represent the lowest level within the group at which the goodwill is monitored for internal management purposes.

In the first six months of 2016, the goodwill in respect of the Subsea Services CGU and the onshore Geotechnical Europe/Africa CGU were fully impaired. An impairment charge of EUR 20.5 million was recorded in the Seabed Geosolutions CGU (Seabed CGU), resulting in the carrying amount of the CGU written down to its recoverable amount. Reference is made to Impairments disclosure note. The calculation of the value in use for the Seabed CGU was based on the following key assumptions:

- The period for the discounted cash flow calculations is indefinite
- Cash flows in the first year are based on management's approved forecasts. For Seabed, the projections factor in, amongst other, already signed contracts, expected win rates on contracts out for bid, expected crew and vessel utilisation rates and/or industry developments
- Cash flows for Seabed beyond five years are extrapolated using an estimated long-term growth rate of 2% (2015: 2%)
- The pre-tax discount rate used to discount the pre-tax cash flows for impairment testing purposes is 13% (2015: 15%)

If the projected cash flows included in the value in use calculation for the Seabed CGU as at 30 June 2016, had been showing no growth, Fugro would have recognised an additional impairment of EUR 26.5 million. If the estimated cost of capital used in the post-tax discount rate for the Seabed CGU had been 1% higher, Fugro would have recognised an additional impairment of EUR 13.6 million.

Shareholders' equity

At 30 June 2016, the number of outstanding ordinary shares was 84,572 thousand (31 December 2015: 84,572 thousand). No dividend has been paid in 2016 and 2015.

Loans and borrowings

(EUR x million)	30 June 2016	31 December 2015
Bank loans	183.4	183.3
Private placement loans	493.1	598.2
Revolving credit facility CGG	34.2	34.9
Other long term borrowings	1.0	1.4
Subtotal	**711.7**	**817.8**
Less: current portion of loans and borrowings	66.4	89.7
Total	**645.3**	**728.1**

The multicurrency revolving credit facilities as well as the (US) private placement loans contain certain covenant requirements (for a complete overview of the covenants, refer to Annual Report 2015). In December 2015, Fugro has reached agreement with its lenders of the multicurrency revolving credit facility, and has aligned the terms and conditions of the private placement loans with the new multicurrency revolving credit facility (refer to Annual report 2015).

As can be concluded from the table below, at the last four quarters measurement, Fugro complies with all adjusted covenant requirements:

x EUR million)	Six months ended 30 June 2016
Adjusted consolidated EBITDA	259.4
Operating lease expense	92.5
Net interest expense	45.8
Margin fixed charge cover > 1.8	**2.5**
Net consolidated financial indebtedness (loans and borrowings less net cash)	466.6
Bank guarantees exceeding cap of € 250 million	-
Total	466.6
EBITDA coverage < 3.0	**1.8**
Consolidated net worth	974.7
Balance sheet total	2,358.3
Solvency > 33.33%	**41.3%**
Margin indebtedness subsidiaries <10%	3.0%
Financial indebtedness < EUR 55 million	6.8
Dividend < 60% of the profit	**-**

Last year, the table below summarised the covenant requirements based on the following covenants at the last four quarters measurement:

(x EUR million)	**Six months ended 30 June 2015**
Adjusted consolidated EBITDA	367.2
Operating lease expense	149.0
Net interest expense	36.3
Margin fixed charge cover > 2.0	**2.8**
Net consolidated financial indebtedness (loans and borrowings less net cash)	732.4
Bank guarantees exceeding cap of € 100 million	-
Total	732.4
EBITDA coverage < 3.0	**2.0**
Consolidated net worth	1,574.7
Balance sheet total	3,577.3
Solvency > 33.33%	**44.0%**
Margin indebtedness subsidiaries	7.2%
Dividend < 60% of the profit	**-**

Share-based payments

The share-based payments plans of Fugro N.V. can be divided into a long-term incentive plan and a share option scheme. For the first six months of 2016, an expense of EUR 3.6 million (first six months of 2015: EUR 4.6 million) relating to share-based payments has been recognised in the statement of comprehensive income.

Related parties

The Board of Management receives compensation in the form of short-term employee benefits, post-employment benefits and share-based payments (refer to previous note). The Board of Management received total compensation of EUR 2.7 million for the first six months of 2016 (first six months of 2015: EUR 3.8 million).

Capital commitments, contingencies and bank guarantees

By 31 December 2015, the group had entered into contractual obligations to purchase property, plant and equipment for EUR 6.9 million. During the first six months of 2016, EUR 0.7 million of these commitments resulted in additions to property, plant and equipment (including assets under construction). On 30 June 2016, the group has contractual obligations with a total value of EUR 7.2 million to purchase property, plant and equipment. As per 30 June 2016, Fugro has issued bank guarantees to customers for an amount of EUR 100.3 million (31 December 2015: EUR 85.0 million).

Financial risk management and financial instruments

Fugro's valuation processes

The group's finance department performs the valuations of financial assets and liabilities required for financial reporting purposes. The key inputs to the valuations are directly reported to the Chief Financial Officer. Changes in fair values in level 2 are analysed at each reporting date. The carrying amount of the financial assets and liabilities is a reasonable approximation of fair value except for the following as reported in the table below as at 30 June 2016:

(x EUR million)	30 June 2016	
	Carrying amount	Fair value
Private placement loans in USD*	423.5	501.9
Private placement loans in GBP*	50.1	61.1
Private placement loans in EUR*	19.5	26.3
Total	**493.1**	**589.3**
Unrecognised gains/(losses)		96.2

* The private placement loans carried at fair value are categorised within level 2 of the fair value hierarchy.

Share of profit/(loss) of investments in equity-accounted investees

The share of results of investments in equity-accounted investees was EUR 0.3 million loss (first six months of 2015: EUR 6.6 million profit).

Non-controlling interests

The profit attributable to non-controlling interests amounts to EUR 7.9 million (first six months of 2015: EUR 9.7 million).

Subsequent events

Fugro and Shelf Subsea Services UK Ltd have reached agreement under which Shelf Subsea Services will acquire the Fugro Subsea Services business in Asia Pacific. Reference is made to note Assets and liabilities classified as held for sale. No further subsequent events have been identified.

Independent auditor's review report

To: the Supervisory Board and Shareholders of Fugro N.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Fugro N.V., Leidschendam that comprise the consolidated statement of financial position as at 30 June 2016, the consolidated statements of comprehensive income, changes in equity, and cash flows for the six-month period then ended, and the notes, comprising a summary of the significant accounting policies and other explanatory information.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Dutch Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements for the six-month period ended 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

Amsterdam, 3 August 2016

Ernst & Young Accountants LLP

Signed by A.A. van Eimeren