

Leidschendam, the Netherlands, 30 October 2015

## Fugro Q3 2015 trading update: Improved EBIT margin under continuing challenging market conditions

### Focus on cost reduction and cash flow maintained

- Mid-single digit EBIT margin (excluding exceptional items) improved compared to the third quarter of 2014 mainly due to continued strong performance of Seabed Geosolutions.
- Year-on-year revenue decline of 13.2% or 21.5% on a currency comparable basis, in line with oil and gas market developments.
- Cost reduction and performance improvement measures stepped up and progressing ahead of schedule.
- Due to deteriorated market outlook, non-cash impairments expected in the range of EUR 250 - 300 million, mainly related to Subsea Services division.
- Key terms agreed for sale & lease back of 2 geotechnical vessels with expected net cash proceeds of around EUR 100 million in the fourth quarter.
- Planned portfolio changes will be selectively pursued, given the current market circumstances.
- Agreement reached with lenders on key conditions for refinancing of current revolving credit facility into a new EUR 500 million 5-year facility, including alignment with USPP noteholders and additional headroom under fixed charge cover covenant.
- Backlog for the next 12 months down by 21.8% on currency comparable basis compared to a year ago and by 8.1% compared to the end of the second quarter, confirming tough trading conditions.
- EBIT margin in the seasonally weak fourth quarter, compounded by the adverse market conditions, is expected to be negative (excluding exceptional items) and could result in a full year margin slightly better than last year.

Key figures (x EUR million) unaudited	Q3 2015	Q3 2014	reported growth	currency comparable growth
Revenue	610.9	703.7	(13.2%)	(21.5%)
Backlog remainder of the year	500.9	623.8	(19.7%)	(23.2%)
Backlog next 12 months	1,341.7	1,651.7	(18.8%)	(21.8%)
Net debt/ EBITDA	2.0	2.9		

#### Paul van Riel, CEO:

*"We have made good progress with the implementation of our management agenda: focus on profitability, cash flow and strengthening of the balance sheet. The implementation of the cost reduction and performance improvement measures is progressing ahead of schedule.*

*With our clients further reducing their E&P spend, visibility is low. We expect the coming quarters to be difficult with pressure both on activity levels and pricing, and we will continue to manage through the downturn by adjusting our resources and costs in line with activity levels.*

*I am pleased that we reached an agreement on the sale & lease back of some of our assets and on the refinancing of the company for the next five years, which allows us to adjust our business and to benefit from our strong market positions once the market starts to improve. Due to the current market conditions no agreement on a divestment of our non-core assets could be reached at a fair valuation. We continue*

*to focus on our core businesses by pursuing divestment opportunities, but more selectively and phased in time.”*

### Operational review

The oil and gas market (78% of Fugro’s business) continued to be challenging during the period under review. The strong decline in backlog during the past quarters has translated into both lower activity and pricing pressure and as a consequence lower revenues. The infrastructure market is holding up in most areas of the world.

Fugro realised a mid-single digit EBIT margin (excluding exceptional items), which represents an improvement compared to the third quarter of 2014. The main driver was the improved operational performance of Seabed Geosolutions. While the offshore geotechnical margin was higher, the expected improvement in the onshore geotechnical margin is not yet materializing, as we are in the process of right sizing our activities to the slower than anticipated African market. At Subsea Services, the steep revenue decline, in combination with high operating leverage, has resulted in a loss. The Survey margin was lower due to lower activity and pricing pressure.

### Cost reduction and performance improvement measures

The cost reduction and performance improvement measures have been stepped up and are progressing ahead of schedule. Highlights are:

- The headcount reduction program is ahead of schedule, with a net reduction year-to-date of 1,050 employees, compared to the earlier announced reduction of 950 for the full year. We target an additional reduction of around 500 employees in the coming quarters.
- The vessel fleet reduction is progressing ahead of plan. Year-to-date, the geotechnical fleet has been reduced from 11 to 7 vessels. In the Survey division, the target of a fleet reduction by 10-15% in 2015 was achieved this quarter. The division can still retire several older vessels at short notice, if required. The Subsea Services division has reduced its fleet by 2 long-term charters, of which 1 was an early termination.
- Capital expenditure year-to-date was limited to EUR 114.3 million compared to EUR 187.6 million last year.
- The working capital reduction initiative launched last year resulted in a reduction in days revenue outstanding to 106 from 110 in the same period last year.
- The operational turnaround at Seabed Geosolutions since the end of 2014 has strongly contributed to the improved results.

### Operational review per division

#### Geotechnical division

(x EUR million)	Q3 2015	Q3 2014	reported growth	currency comparable growth
Revenue	204.1	204.1	0.0%	(10.1%)
Backlog remainder of the year	162.4	178.3	(8.9%)	(13.8%)
Backlog next 12 months	385.0	463.4	(16.9%)	(20.8%)

- Revenue decreased by 10.1% at constant currencies. The overall margin (before exceptional items) for the division was high mid-single digit, in line with last year.
- Onshore revenue declined by 3.3% at constant currencies to EUR 120.2 million, with most regions showing a decline except the Americas and Asia Pacific. The onshore margin was lower than last year as the oil and gas exposed part of the onshore activities is under pressure. In addition, the



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margin was influenced by continuing underperformance in Africa. It is taking longer than anticipated to right size our activities in this region, where the expected market growth is not yet materializing. Results in Asia Pacific and the Americas were good and comparable to last year.

- Offshore revenue dropped 18.2% at constant currencies to EUR 83.9 million related to the overall lack of deepwater projects. Nevertheless, the margin was significantly higher compared to the same period last year owing to improved project performance, vessel utilisation on wind farms and scientific drilling projects, and a three months well services campaign in Gulf of Mexico.
- Since the start of the year, offshore personnel was reduced by 16% with a further significant reduction planned by the end of the year. The number of onshore employees was also reduced, in spite of selective investments in specific growth areas, such as the Middle East.
- Ahead of schedule, the offshore fleet was reduced in the quarter from 10 to 7 owned vessels. This reduction was realised by terminating 2 long term charters, and by retiring 1 owned vessel.
- The following key contracts were awarded in the quarter: a contract extension for a geophysical and geotechnical campaign for Pemex in the Gulf of Mexico and a geotechnical investigation for the Dutch Enterprise Agency at the Borssele windfarm area.
- Backlog for the next 12 months is 20.8% below last year on a currency comparable basis. The onshore backlog is down 7.9% to EUR 269.9 million while the offshore backlog decreased by 40.1% to EUR 115.1 million, resulting from lower visibility in both the oil and gas and offshore renewables sectors.

### Survey division

(x EUR million)	Q3 2015	Q3 2014	reported growth	currency comparable growth
Revenue	215.0	228.7	(6.0%)	(12.8%)
Backlog remainder of the year	185.2	215.4	(14.0%)	(15.6%)
Backlog next 12 months	494.1	645.2	(23.4%)	(25.1%)

- Revenue decreased by 12.8% at constant currencies in a challenging oil and gas market. The oil and gas downturn resulted in significantly lower geophysical revenue, in particular in Europe. The decline in the oil and gas market was partly offset by a higher workload in the non-oil and gas hydrography and cable route survey market. Lower spend by oil companies also led to slightly lower construction support and metocean revenue. The positioning and geospatial businesses performed well.
- Compared to last year, the margin (excluding exceptional items) decreased to the low teens as result of an earlier than normal start of the typical year-end slowdown in Europe and general pricing pressure. Performance was slightly better in the Americas, Middle East and Africa.
- The performance improvement measures and personnel reductions, with 7% year-to-date, are on track. The target of a fleet reduction by 10-15% in 2015 was achieved this quarter. The division can still retire several older vessels at short notice, if required.
- New contract awards for the division include a three year fleet arrangement with PGS for positioning signals. Fugro has contracted several other seep studies (the identification of hydrocarbon potential based on the sampling and analysis of natural oil and gas leakage from the seabed), including a large survey from the seismic company TGS in Mexico, covering an area of approximately 600,000 square kilometers. The division was also awarded two contracts in the UK for its innovative Roames asset inspection and modelling solution for power utility networks.
- On a currency comparable basis, the backlog for the coming 12 months is down by 25.1%, reflecting the reduction of the oil and gas market, and in part related to the near-completion of a major hydrographic survey project in the Middle East region.

Subsea Services division

(x EUR million)	Q3 2015	Q3 2014	reported growth	currency comparable growth
Revenue	107.1	192.9	(44.5%)	(48.3%)
Backlog remainder of the year	75.5	175.3	(56.9%)	(57.4%)
Backlog next 12 months	249.3	383.7	(35.0%)	(34.2%)

- Revenue decreased by 48.3% at constant currencies in the quarter. The decline was driven by the strong deterioration of the market and the completion early this year of the exceptionally large Great Western Flank project, which generated EUR 40 million revenue in the same quarter last year.
- The revenue decline, in combination with high operating leverage, resulted in a mid-single digit EBIT loss. Activity levels were low, in particular in Europe and Asia-Pacific. In Brazil, results improved as a result of the implementation of targeted performance improvement measures.
- In the first half of the year, 1 long-term charter was terminated early. This quarter, the fleet was reduced by 1 more long-term chartered vessel as per plan, for which the termination is challenged by the owner. In 2016 there will be 1 scheduled charter termination and the majority of the other charters will end in 2017. The ROV fleet is being rationalised to fit market conditions.
- Personnel was reduced by 17%, compared to the start of the year and will be reduced further per the end of the year.
- New contract awards include a two year cable installation and burial project at the E.On Rampion offshore wind farm starting in the summer of 2016, a contract for the 2015 inspection of the Blue Stream pipeline system and a five year air diving IRM support contract in two Qatar ports.
- Backlog for the next 12 months is 34.2% lower on a currency comparable basis compared to last year. This decline is related to the market deterioration and the Great Western Flank project, which was a large contributor to last year's backlog.

Geoscience division

The vast majority of the Geoscience division is related to Fugro's 60% stake in the Seabed Geosolutions joint venture (fully consolidated). The multi-client data libraries were sold per 30 June 2015, but formed part of last year's revenues.

Seabed Geosolutions

(x EUR million)	Q3 2015	Q3 2014	reported growth	currency comparable growth
Revenue	84.9	70.4	20.6%	(0.7%)
Backlog remainder of the year	77.8	54.8	42.0%	26.0%
Backlog next 12 months	213.3	159.4	33.8%	18.8%

- Revenue remained stable at constant currencies with a slight decrease of 0.7%, driven by robust operational performance of the two ocean bottom cable projects (for Pemex and a client in Asia Pacific). This was offset by the start of a transit/remobilisation period of two crews, relating to the new ocean bottom node project in Australia and the transit of the shallow water crew to ADNOCs Ghasha-Butini field in the United Arab Emirates, after the recent completion of the Hail-Shuweihat survey for the same client.
- EBIT margin was in line with the margin during the first half of the year. Compared to a significant EBIT loss last year, this reflects an improved operational performance and the successful restructuring of Seabed Geosolutions since the end of 2014.



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- Personnel was reduced by 20% compared to the start of the year.
- The backlog for the next 12 months increased by 18.8% at constant currencies with good visibility for two of our four crews. Tendering activity remains satisfactory. Seabed's data provide customers with information to optimise field development and production from existing fields. This is in line with the current shift in spending, favouring production optimisation projects over exploration.
- EBIT for the full year 2015 is expected to be positive compared to a severe loss in 2014.

### Financial position

Year-to-date cash flow from operating activities after investments of EUR 110.0 million was driven by the positive cash flow from operating activities and curtailed investment levels, boosted by the proceeds from the sale of the multi-client data library.

Net debt to EBITDA of 2.0 is stable versus the previous quarter and compares to a covenant requirement of below 3.0. The fixed charge cover improved and was 2.9 compared to 2.8 at the end of the second quarter against a requirement of above 2.0. The solvency ratio was 44.6% per the end of September, well in excess of the 33.3% requirement per the lender agreement.

Due to the deteriorated market outlook we expect non-cash impairments in the range of EUR 250 to 300 million in the fourth quarter, mainly related to the Subsea Services division.

Fugro has reached agreement with its main financiers on the key conditions of the refinancing of its current revolving credit facility. It has received commitments from banks for a EUR 500 million 5-year revolving facility. Furthermore the terms and conditions between this new facility and the USPP notes have been aligned. This includes additional headroom under the fixed charge cover covenant. The closing of the agreements is expected before year-end, subject to final documentation.

### Outlook

The oil price, and therefore the market for oil field services, remains under pressure. Oil supply has been strong due to continued high production from the OPEC countries and surprising resilience of supply from shale oil in the USA, which is only now beginning to come down. Regarding oil demand, there are concerns about lower growth caused by China's slowing economic expansion. As our clients are indicating further cuts in their E&P spend in 2016, we expect the coming quarters to be difficult. The infrastructure, hydrographic and offshore wind farm markets continue to provide good opportunities.

The backlog for the coming 12 months is down by 21.8% on a currency comparable basis compared to a year ago. We are stepping up our cost reduction measures. However, this will only partially offset the impact of the weak market. The normal reduction of activity levels and related margin decline in the seasonally weak fourth quarter will be compounded by the adverse market conditions. Most divisions, especially Subsea Services, are expected to report a revenue and EBIT margin decline. This is expected to lead to a negative EBIT margin (excluding exceptional items) in the fourth quarter, which could result in a full year margin slightly better than last year.

Fugro will continue to focus on cash flow generation. The company expects to generate a positive cash flow from operating activities after investments for the full year 2015, also excluding the proceeds from the sale of the multi-client data library and from the sale and lease back.

The mid-term outlook is unchanged but timing is dependent on a recovery of the oil and gas market.



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### Conference call

Fugro will host an analyst and investor call today at 12:00 CET. Dial-in details:

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United Kingdom +44(0)20 3427 1901

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Conference code: 2981849.

The call will be audio cast live via our website: <http://www.fugro.com/investors/publications>.

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*Fugro creates value by acquiring and interpreting earth and engineering data and providing associated consulting services to support clients with their design and construction of infrastructure and buildings. Fugro also supports clients with the installation, repair and maintenance of their subsea infrastructure. Fugro is an independent service provider.*

*Fugro works around the globe, predominantly in energy and infrastructure markets offshore and onshore employing approximately 12,500 employees in over seventy countries. In 2014 Fugro's revenue amounted to EUR 2.6 billion; Fugro is listed on Euronext Amsterdam.*

#### **Cautionary statement regarding forward-looking statements**

This announcement 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 announcement 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 announcement.

Appendix – revenue: Q3 and year-to-date overview

	Revenue per division (x EUR million)			
	Q3 2015	Q3 2014	Reported growth	Currency comparable growth
Geotechnical	204.1	204.1	0.0%	(10.1%)
Survey	215.0	228.7	(6.0%)	(12.8%)
Subsea Services	107.1	192.9	(44.5%)	(48.3%)
Geoscience	84.7	78.0	8.6%	(10.1%)
<i>of which Seabed Geosolutions</i>	84.9	70.4	20.6%	(0.7%)
<i>of which multi-client*</i>	(0.2)	7.6		
<b>Total</b>	<b>610.9</b>	<b>703.7</b>	<b>(13.2%)</b>	<b>(21.5%)</b>

	Revenue per division (x EUR million)			
	YTD 2015	YTD 2014	Reported growth	Currency comparable growth
Geotechnical	586.3	569.7	2.9%	(8.0%)
Survey	634.5	652.9	(2.8%)	(11.6%)
Subsea Services	346.1	457.5	(24.3%)	(32.0%)
Geoscience	281.7	210.5	33.8%	12.0%
<i>of which Seabed Geosolutions</i>	262.6	167.7	56.6%	28.9%
<i>of which multi-client*</i>	19.1	42.7		
<b>Total</b>	<b>1,848.6</b>	<b>1,890.6</b>	<b>(2.2%)</b>	<b>(12.8%)</b>

\*: divested per 30 June 2015