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Fugro: Limited effects of crisis, same dividend.

Key figures (in EUR million)	31 December 2009	Change	31 December 2008
Revenue	2,053.0	(4.7)%	2,154.5
Net result	263.4	(7.1)%	283.4
Net margin (%)	12.8		13.2
Basic earnings per share (EUR)	3.46	(10.8)%	3.88
Proposed dividend	1.50		1.50
Cash flow	456.8	4.1%	438.9
Investments	320.4		323.0

Business development

The financial crisis has led to a world-wide stagnation of economic growth, and Fugro had to mark time in the year 2009 after five years of strong growth in revenue and profit. In the financial year 2009 both revenue and profit reduced slightly compared to the previous year. During the year market circumstances drastically changed. The sharp fall in the price of oil in the beginning of the year led to reduced spending in the oil and gas sector, which is important to Fugro. Other sectors in which Fugro operates such as mining and large infrastructure were also affected by the economic downturn. In particular Fugro's exploration related activities were impacted as clients chose to rapidly adjust their spending on such work.

Fugro has reacted to the changes in market circumstances with strict cost control and, where needed, adjustments in capacity. This has resulted, notwithstanding increasing price pressure in the course of the year, in the net profit margin being almost maintained. The net profit margin in 2009 is 12.8% (2008: 13.2%).

All three divisions were profitable. However, the Geoscience division, which includes exploration related services, saw a noticeable decline in profitability. The Geotechnical division and Survey division were largely able to mitigate the effects of changed market situation.

While dealing with the short-term challenges, Fugro's healthy financial position has enabled the company to maintain its plans for growth in the medium term. This is reflected in the continuation of the scheduled renewal and expansion of the vessel fleet and ROVs. In some cases, as in the marine seismic activities, the planned state-of-the-art capacity expansion will offset the expiring charters of some vessels.

During the year several complex projects, often involving several business lines, were successfully completed, both onshore and offshore.

Around 75% of company activities are related to the oil and gas industry. With its broad range of services, Fugro is involved in many phases of the life cycle of oil and gas fields. Fugro's growing involvement in the maintenance of (complex) subsea facilities constructed by the oil and gas industry will have a positive effect on Fugro in future. Fugro is also active in the infrastructure (approximately 18% of revenue) and mining sectors (approximately 3% of revenue). The remaining 4% of revenue comes from other market segments.

Outlook

The oil and gas industry is Fugro's most important market sector, representing a 75% share of the company's revenue. The price of oil as such has no direct influence on the services but can certainly affect the behaviour of Fugro's clients with regard to their investments.

Fugro collects, processes and interprets data related to the earth's surface and soil composition and provides advice based on the results. As an extension to these activities, Fugro provides services such as precise positioning, construction materials testing, reservoir engineering and data management. Fugro's operations have been organised into three divisions: Geotechnical, Survey and Geoscience. Fugro is listed on Euronext Amsterdam and is included in the AEX-Index. Fugro has approximately 13,500 employees in more than fifty countries.

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The worldwide recession led to a slowdown in the demand for oil and gas in the second half of 2008 resulting in a sharp drop in the price of oil from peak levels of USD 147 per barrel during mid 2008 to below USD 40 per barrel in the early part of 2009. With the world economy slowly crawling out of the recession, demand for oil and gas is gradually being restored, resulting in a recovery of the oil price to around USD 75 per barrel at the start of 2010. The oil and gas industry responded to these developments in 2009 with cost cutting and deferral of projects resulting in a reduction of the global E&P investments of some 15%. External reports indicate that these investments will increase in 2010 by over 10% to about USD 440 billion, not far short of the peak in 2008 of USD 450 billion. This increase is based on a forecasted average oil price of USD 70 per barrel, versus an average price of just over USD 58 per barrel in 2009, and around USD 68 per barrel in 2008. The indications are that the NOCs (National Oil Companies) will increase their investments and that companies which slowed down their plans in 2009 due to reduced cash flows are now also expanding their activities. A relatively strong increase is expected in the spending on exploration work such as marine seismic, which was one of the segments that saw a rapid decline in demand when the crisis started.

The investment horizon is an important issue and must take account of the fact that for new larger offshore oil and gas fields, the time that passes between the decision to develop a field and the actual start of production is several years. Worldwide, the decrease in production from existing fields through depletion is 6 to 8% annually.

Considering the lead time required to put new fields into production, the need for continuous investment in production capacity has not been greatly affected by the current economic situation. Fugro's involvement in the subsea servicing of installations (inspection, repair and maintenance or IRM) has gradually increased over the last few years and these activities are less sensitive to oil price fluctuations.

The main part of Fugro's services to the oil and gas industry are provided by Offshore Geotechnics, Offshore Survey, Subsea Services, Information Services and Seismic Services.

In other segments where Fugro is active, like larger infrastructure projects, there are indications of the start of a recovery during the course of the coming year, partly supported by stimulus programmes by governments, as in the United States. These activities include transportation projects (such as roads and ports), coastal protection, pipelines and water management. The onshore and nearshore geotechnical activities, as well as aerial mapping activities in Geospatial, are involved in this. The decentralised organisational structure, with local operating companies, enables Fugro to respond quickly to changes in demand for infrastructure services that have a national or regional character.

Due to the sharp fall in prices for minerals and the heavy dependence of smaller clients on external financing for projects, a strong decline in the demand for mineral exploration services occurred in 2009. This decline was partly compensated by applying survey methods that were developed for the mining industry to search for oil and gas. The demand for surveys to locate new mineral resources is expected to recover only slowly.

In addition to the influence of aforementioned uncertainties in market developments, the exchange rates of the US dollar and the British pound compared to the Euro are important. The larger parts of Fugro's revenue and cost are in the same currency. However, the translation to Euro's could be of influence on the reporting of results, which is in Euro's. Furthermore, political instability can lead to stagnation of projects.

The economic developments over 2009 resulted in less tension in the labour market and more manageable costs of services by third parties, such as transport of equipment and short-term charters of vessels.

As there is still uncertainty about the duration of the worldwide recession and the pace of recovery, Fugro continues with measures to control cost such as:

- restrictions on new investments, unless profitable in the short term or strategically important;
- flexibility in hired capacity, such as chartered vessels and freelance staff;
- further optimisation of operational efficiency.

In 2010 Fugro will fully benefit from the cost reduction measures taken in 2009.

When the recovery of the world economy gains further momentum, the sectors on which Fugro focuses, in particular those of energy, construction, transport, minerals and water, should soon start to offer good opportunities for further growth.

Expansion and broadening of activities through acquisition will remain part of the strategy. More realistic company valuations than has been the case in some sectors in recent years may enhance these opportunities.

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Based on recent developments there are signs of a gradual improvement in some of the market sectors in which Fugro is active. This is supported by some increasing tender activity for exploration work for oil and gas at sea and a somewhat improving backlog compared to the situation during the last part of 2009. This would indicate that there are less uncertainties than a year ago, but we are starting the year 2010 with a lower backlog and in a tighter pricing environment. Also the relative harsh winter in the northern hemisphere has delayed construction related work in some countries.

In 2009 Fugro produced record first half year results on the basis of the backlog roll-over from 2008, partly still at pre-crisis rates. It is unlikely under the present conditions that this can be matched in the first half of 2010. We expect that both revenue and net profit margin will be somewhat lower over the first half of 2010 compared to 2009.

In view of the continuing uncertainties and volatility in market developments and the short-term nature of a number of our projects, as in previous years, we will first publish a quantitative forecast for the entire year in August 2010, at the time of the publication of the 2010 half-yearly report.

Acquisitions

The reasons for acquisitions, are amongst others, to obtain state-of-the-art technology and increase market share. The annual revenue of the acquired companies in 2009 amounts to EUR 34.8 million. The total cost of the acquisitions completed in 2009 was EUR 37.5 million.

Cooperation agreements

Fugro entered into a global cooperation agreement with Electromagnetic Geoservices ASA (EMGS), Norway, the market leader in marine electromagnetic imaging. The agreement is in effect through 2011. Fugro has gained full access to EMGS's marine EM methods for hydrocarbon exploration and production and EMGS will gain access to Fugro's worldwide marketing network and marine operations expertise. The companies have also entered into a non-exclusive worldwide multi-client cooperation agreement, as well as a non-exclusive global technology licensing agreement. As a part of the agreement, Fugro provided a NOK 150 million secured convertible loan bearing interest at 7.00% per annum to EMGS. The loan can at any time be converted into common shares in EMGS at the conversion price of NOK 5.75 per share until the maturity date on 2 January 2012.

Fugro and Arcadis, the Netherlands, entered into a cooperation agreement under which Fugro will provide Arcadis with aerial imagery and LiDAR services. As part of the agreement Fugro has acquired the assets of the international aerial survey business which formerly traded under the name 'KLM –Aerocarto'. The assets involved include two survey aircraft, various sensors and other related equipment.

Fugro and Deltares, the Netherlands, signed a cooperation agreement for the development of knowledge in the field of river delta technology and subsoil. The objective of the cooperation agreement is to promote research into issues relating to water and subsoil in deltas and high-value knowledge development, as well as to develop practical applications. Deltares is an international knowledge institute in the field of water and subsoil with focus on delta technology.

Capacity planning

The major part of Fugro's growth over the past ten years was organically generated. Fugro's focus is on offering niche services in related markets by combining state-of-the-art technology and knowledge on a global scale. Continuous development, upgrading and advancement of technologies are required to maintain a leading position in markets in which Fugro successfully operates, and to achieve strong positions in new markets. To optimise efficiency much of the equipment operated by Fugro is specially developed on the basis of the company's considerable experience. Maintaining the ownership of such tools is part of Fugro's strategy. This requires an ongoing long term investment program in key assets such as purpose built vessels and operational equipment.

In order to maintain flexibility, part of the vessel fleet capacity is based on long and short term charters, in particular for those activities that can be performed from more standardised vessels.

In 2009 the following changes in the vessel fleet took place:

Geotechnical division

In November the special designed Fugro owned drilling vessel Fugro Synergy became operational. One long-term vessel charter was terminated. Two vessels were chartered on a (project related) short term basis.

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Survey division

In the course of the year two older survey vessels (owned) were decommissioned and one vessel was added (owned, modification of existing vessel after purchase). Mid-year the new build ROV support vessel Fugro Solstice was taken on charter. Early in 2010 one older chartered ROV support vessel will be replaced by a chartered new build. Furthermore, some long-term charters were transferred to short-term charters.

Geoscience division

In the course of the year the charters of two 2D seismic vessels were terminated as well as the charter of one 3D seismic vessel. Furthermore the charters of two seismic support vessels were terminated. One new build 3D seismic vessel was taken on charter (Geo Natuna). Towards the year-end one older 3D seismic vessel (Geo Baltic) was sold.

Scheduled capacity adjustment

The table in the annexes summarises the committed replacement and the expansion of the vessel fleet scheduled for the period 2010/2011.

Fugro has the option to reduce the fleet by about eight vessels in 2010 by not renewing charters or retiring older owned vessels.

Financing of the new owned vessels is covered by existing facilities and expected future cash flow.

The lease term for some chartered vessels will expire during 2010. Extension of these charters will be considered, also taking into account the development of the backlog during the year. Fugro also uses vessels that are chartered on a project by project short-term basis.

Financial

Revenue and cost development

In 2009, revenue decreased by 4.7% to EUR 2,053.0 million, compared to EUR 2,154.5 million in 2008. The decrease was partly due to price pressure in market segments where scarce capacity in recent years changed to ample availability in 2009. Exploration-related activities within the Geoscience division were the worst affected.

Revenue decreased organically by 5.6% and increased 1.1% as a result of acquisitions. The foreign currency effect was 0.2% negative.

The average revenue growth over a ten year period is for about two thirds organic growth whereas some one third comes from acquisitions. Over a period of ten years the effect of exchange variance is minimal.

To mitigate the effects of the economic crisis as much as possible, efforts in 2009 were focused on optimising operational management and cost reductions. In 2009 about EUR 45 million of savings in cost of own services was made on an annual basis. The effect of terminating the charters of seismic vessels has not been included in this figure. To realise these savings, approximately EUR 10 million of non-recurring costs were incurred.

Third-party costs amounted to EUR 624.4 million in 2009 (2008: EUR 722.3 million); a decrease of 13.6%. The thirdparty costs as a percentage of revenue were 30.4%, compared to 33.5% in 2008.

In 2009, Fugro reviewed the workforce in various activities and locations. Where necessary, reductions in staff numbers were made and filling vacancies has been reviewed with care. Employees' pay has been adjusted with restraint to compensate for the effects of the economic crisis. Fugro continues to invest in building on a safe working environment for all. There will also be no reduction in training budget, in order to maintain a high standard of service. In 2009, Fugro continued to recruit young employees to join an experienced team, stimulating the transfer of knowledge.

The average cost per employee was EUR 48,046, an increase of 0.7% compared to 2008 (EUR 47,671). As a result of the increase in the average number of employees, the total personnel expenses increased on balance by 5.4% to EUR 652.8 million (2008: EUR 619.1 million). As a percentage of revenue, this is 31.8%, compared to 28.7% in 2008.

Depreciation of tangible fixed assets increased in 2009 from EUR 140.4 million in 2008 to EUR 173.6 million in 2009, representing an increase of 23.6%. This increase is a result of the capacity expansion, which took place through 2007 up to and including 2009, mainly in the vessel fleet and related equipment and ROVs. Depreciation was 8.5% of revenue (2008: 6.5%).

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Other expenses amounted to EUR 249.1 million in 2009 (2008: EUR 295.7 million), a decrease of 15.8%. As a percentage of revenue, these costs are 12.1% (2008: 13.7%). Other expenses include a variety of different costs, which cannot be allocated directly to projects, such as repair and maintenance, occupancy, insurance, etc.

Net result

Net result decreased by 7.1% to EUR 263.4 million (2008: EUR 283.4 million), after deducting third-party interests in profits of subsidiary companies. This amounts to EUR 3.46 per share (2008: EUR 3.88), a decrease of 10.8%. Measured over recent years, the financial objective of an average of 10% per annum increase of earnings per share has been met.

Due to cost control in 2009, and partly because assignments in the first half of 2009 were executed at prices agreed to in the previous year, the net margin decreased only slightly in 2009 to 12.8% (2008: 13.2%).

There was no significant impact on the net result of nonrecurring items.

Results from operating activities (EBIT)

At EUR 367.4 million (2008: EUR 385.7 million), the result from operating activities (EBIT) decreased by 4.7%.

Since the start of the economic crisis some debtors ran into financial difficulty. This also continued in 2009. The crisis in Dubai has resulted in an ongoing concern about the collectability of some billed and unbilled revenue. Customers in other market segments indicate that 2010 may not be easy, which could result in write-offs. In 2008, it was decided to create a provision of EUR 25 million for, amongst others, these risks. In 2009, approximately EUR 2 million has been charged against this provision. Considering the uncertainties that still exist at year-end 2009, the remaining provision has been maintained.

EBITDA

The earnings before interest, tax, depreciation of tangible fixed assets and amortisation of intangible assets amounted to EUR 551.1 million in 2009 (2008: EUR 535.2 million). This is an increase of 3.0%.

Exchange rates

During 2009, the average US dollar exchange rate increased to EUR 0.72 (2008: EUR 0.68). The average exchange rate of the British pound decreased further to EUR 1.13 in 2009 (2008: EUR 1.25). The net foreign exchange variance in the profit and loss account amounted to EUR 13.4 million negative in 2009 (2008: EUR 25.8 million positive). The positive exchange variance in 2008 was mainly related to the effects of the temporary strengthening of the US dollar against the declining Norwegian kroner in the second half of 2008. The exchange differences have been accounted for in the accounts as net financing costs.

In the balance sheet, valuations were also influenced by fluctuations at the year-end in the US dollar and the British pound. However, the most important difference was caused in 2009 by the revaluation of subsidiary companies reported in Norwegian kroner (about EUR 26 million positive).

The changes in exchange rates had a positive effect of in total EUR 48 million on the equity per 31 December 2009 (2008: EUR 52 million negative).

Cash flow

In 2009, the cash flow amounted to EUR 456.8 million (2008: EUR 438.9 million), an increase of 4.1%. Cash flow is defined as the profit for the period attributable to equity holders of the company plus depreciation, amortisation of intangible fixed assets and non-controlling interest. The expected future cash flow will enable the company to remain within the current financing covenants and to comply with the committed investments. The cash flow per share equates to EUR 5.99 (2008: EUR 6.01), a decrease of 0.3%. The financial growth target for the cash flow of on average 10% measured over the last few years was amply achieved.

Investments

In the past years, Fugro has invested considerably in the expansion of seismic capacity and will conclude this programme in 2010 when the Geo Caspian and the Geo Coral will be brought into service. To continue organic growth, in particular in the Geotechnical and Survey division, capacity will have to be added in the coming years and older vessels will be replaced as part of the fleet renewal.

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In 2009, replacement investments were limited to those which were absolutely necessary.

The 2009 investments can be specified as follows (x EUR million):

Maintenance capex	70.4
Capacity expansion	250.0
Movement in assets under construction (mainly vessels and ROVs)	29.3
Assets of acquisitions	9.9
Total	359.6

Each year, Fugro has to invest in order to maintain the existing capacity. In 2009, the maintenance capex amounted to EUR 70.4 million (2008: EUR 87.2 million).

Net finance costs

The net finance costs amounted to EUR 20.4 million in 2009 (2008: EUR 1.4 million). The net finance costs are specified as follows (x EUR million):

	2009	2008
Net interest charge	7.7	27.3
Rate of exchange differences	13.4	(25.8)
Other	(0.7)	(0.1)
Total	20.4	1.4

The decrease of the net interest charge is mainly caused by the low EURIBOR/LIBOR interest on which the financing is based. The interest on the extra usage of bank facilities was more than compensated for by the lower base rate. The interest cover (EBIT/net interest expenses) is 48 (2008: 14). This is a high coverage, well above the financial objective of more than 5.

Taxes

In 2009, income tax expense amounted to EUR 74.4 million (2008: EUR 94.8 million), a decrease of 21.5%. The effective tax rate amounts to 21.4% in 2009 (2008: 24.7%). The company strives for a low tax charge through an efficient tax and financing structure. The final tax charge depends in part on the geographical spread of the projects that are carried out and the possible usage of tax losses.

Balance sheet ratios

Solvency at the end of 2009 was 50.2% (end of 2008: 43.7%). The solvency ratio objective is 30 to 35%. This objective was amply met. At the end of 2009, the current ratio was 1.2 (2008: 1.1). Gearing amounted to 42% (2008: 51%). The strong solvency and low gearing underline the company's healthy balance sheet.

Working capital increased to EUR 140.3 million (2008: EUR 56.1 million). The increase is mainly caused by a higher value of the seismic data library (EUR 41.3 million), lower use of bank overdrafts (EUR 21.5 million) and on balance lower tax payable (EUR 23.0 million).

Fugro annually invests in new seismic surveys and geological data at its own risk and expense (multi-client), which is recognised on the balance sheet under 'Inventories'. Such a data library is normal for companies that carry out this type of service. The data library contains valuable information that is offered and sold, under licence, to various interested parties and which retains its profit potential for several years.

Virtually no data acquired during or before the financial year 2006 is recognised on the balance sheet. At the year end the net book value amounted to EUR 68.5 million (2008: EUR 27.2 million).

The current market situation for the multi-client data and the selective attitude of potential customers concerning the geographical location of the collected data has been taken into account in the valuation of the data library.

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The data library's balance sheet value has increased compared to the end of 2008. This is mainly caused by a number of large 3D projects near Australia, for which good pre-commitments were received. This underlines the interest of the oil and gas companies in this specific data.

Dividend proposal

It is proposed that the dividend for 2009 will be maintained at EUR 1.50 per ordinary share (2008: EUR 1.50), to be paid at the option of the holder:

- in cash, or
- in (certificates of) ordinary shares

If no choice is made, the dividend will be paid in (certificates of) ordinary shares. The proposed dividend equates to a pay-out percentage of 44.2% of the net result.

Backlog

At the beginning of 2010 the backlog of work to be carried out during the year amounted to EUR 1,364.0 million (beginning of 2009: EUR 1,600.4). The proportion of definite orders is 53% (beginning 2009: 66%). The backlog calculation is based on end-of-year exchange rates in EUR and is 14.8% lower than at the beginning of 2009. The backlog has decreased because of present market circumstances which cause the delay in start up of new projects, last minute awards and lower prices which affect the volume of the backlog. This is mainly the consequence of the availability of sufficient capacity unlike in previous years. This is in particular the case for the marine seismic activities. At year end the order backlog of work to be carried out covers eight months. The exchange rates did not materially influence the backlog compared to the beginning of 2009.

Market and developments

Trends

The world economy has reacted strongly to the financial crisis. The negative effects were felt throughout 2009 and they have spread over many sectors worldwide.

Through its position in the international markets in which it operates and the mix of its clients, Fugro was reasonably protected against, but not immune to, the consequences of the worldwide crisis.

The oil and gas market

The oil price per barrel fell sharply in the first quarter of 2009 and gradually recovered over the year to around USD 75. External reports indicate an expected oil price of USD 80 or higher in the longer term. Smaller oil companies that are dependent on external financing for the exploration and development of their fields, experienced problems with regard to their business model, and projects for these clients suffered delays. The share of Fugro's revenue for this category is relatively small. National oil companies and large international players have continued their developments in order to be able to mitigate future production decline. However, they are implementing cost reductions, amongst others by putting price pressure on suppliers.

The indications are that during 2009 investments by the oil and gas industry have declined by 15% to around USD 395 billion. The entire market sector, including Fugro, was affected by this decline. About 75% of Fugro's revenue is related to oil and gas.

According to recent external market reports, investments by oil and gas companies will increase in 2010 by 11% to around USD 440 billion worldwide. For the so-called international market, which is an important part for Fugro, an increase of 10% to USD 337 billion is expected.

Increasingly, as a consequence of implementing its strategy to provide a broad range of related services, Fugro is involved throughout almost the entire life cycle of oil and gas fields. This cycle can last for several decades. It starts with the search for fields and continues with investigations and surveys related to the design and construction of the structures required to bring new fields into production, to maintaining and improving production from existing fields and, finally, decommissioning. Fugro will, therefore, be able to benefit from increases in the investments by the oil and gas companies, irrespective of where they are being made in the field life cycle. In the years to come, large investments will be required to maintain sufficient oil and gas production in the longer term.

Many of the exploration and development activities, especially those related to deepwater projects, take place in the Gulf of Mexico, West Africa and Brazil. Other regions that continue to be very active are the Middle East, the northern part of the North Sea and parts of Asia, India and Australia. There is also a continuing interest in detailed reservoir information from existing fields to enable production levels to be maintained for as long as possible, and to extract the maximum volume of available oil and gas.

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Demand for gas is creating a global growth market. The demand is increasingly met by production of liquefied natural gas (LNG), which can be transported over sea. Fugro is carrying out work for a number of LNG terminals now under development in various parts of the world. High energy prices are making the development of gas fields located at considerable distance from the user markets more attractive. This is especially applicable in the Middle East where there are considerable gas reserves within transportation distance of India, China, Japan and Europe. Large-scale developments are also taking place in countries that have been exporting gas for some time, such as Australia, Nigeria and Indonesia. This will reinforce the trend towards the creation of a global gas market and could result in gas remaining an attractive energy source for many years to come.

External publications indicate that oil companies base their economic viability calculations for most of their larger projects on a price of oil well below the current level of USD 75 per barrel. Considering the long duration from start to finish of these kinds of projects and the current trend in the oil price, Fugro anticipates that its services will continue to be in demand in 2010 and the years beyond.

The market for Infrastructure projects

Infrastructure related activities accounted for approximately 18% of Fugro's revenues in 2009. The uncertain market situation is noticeable in a number of these market segments. The residential market, for instance, has slowed down in several countries. This market is less important to Fugro. Fugro is concentrating more on large infrastructure projects. In times of economic stagnation, (local) governments often accelerate such projects to boost the local economy. Fugro provides a number of services in this part of the market such as aerial surveying, water management, advice on foundations and road maintenance. In order to be involved in large infrastructure projects as early as possible, Fugro makes early contact with the key players in the development of these projects. In some countries, like the USA, stimulus programmes are now generating projects in which Fugro is participating.

Fugro undertakes contracts associated with airports, land reclamation, (LNG) harbour expansions, levees, tunnels, and major building and construction works all over the world. The company has strengthened its market position in this segment, as it has increasingly positioned itself as a supplier of integrated solutions. This fulfils the customer's preference for handing over the responsibilities for a broad range of data acquisition and consultancy activities to a single, independent service provider.

Mining

The majority of Fugro's mining related revenue comes from the exploration sector. This sector drastically reduced the level of investment in 2009. The private sector component is driven by the economic value of new sources of metals and minerals. This is affected by mineral prices and by the planning assumptions and planning horizon of the mining companies. As the financial markets entered into difficulty, potential sources of funding from equity and debt providers for explorers came under severe pressure. As a result of this, a significant decrease was seen in the activity of mining 'juniors'. This is expected to continue until the capital markets recover. It remains to be seen for how long mining 'majors' also curtail their exploration activity. It is expected that the mining activity will remain slow in 2010, but governmental and semi-governmental organisations may continue to carry out some projects. Such projects are regional mapping of geology and earth structures which are viewed as a strategic investment by governments and semi-governmental organisations such as international aid groups. These projects tend to be less dependent on short-term fluctuations in prices of minerals. The mining related activities accounted for 3% of Fugro's revenue in 2009.

Other market segments

Fugro not only supplies services to the aforementioned markets but also to a number of other niche markets. These services include precise positioning for machine guidance in agriculture, route surveys for offshore telecommunication cables, and airborne mapping using laser technology for governmental authorities and other public bodies. Approximately 4% of annual revenue is generated by these segments. In general, these activities are more region-specific and related to the sector's economic activity.

Number of employees

At the end of 2009 the number of employees was 13,482 (2008: 13,627). In a number of business units reductions in staff (in total some 300) were implemented during the year. This was mainly in General Geophysical Services, Information Services and Onshore Geotechnical Services. These reductions in combination with the addition of 168 staff through acquisitions and hiring of staff in business units where market circumstances were favourable, resulted in a decline of 145 employees overall. The average number of employees during the financial year was 13,587 (2008: 12,977), an increase of 4.7%. Fugro also works with a large group of experienced and long serving freelance workers who are regularly deployed on a project basis. The use of freelance workers provides Fugro with the flexibility to respond to variations in manpower requirements. This strategy clearly paid off in 2009 with a significant reduction in the number of freelance workers during the year. This way Fugro's experienced and

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professional staff could be retained. Fugro mainly employs local employees and deploys few expatriates. This practice provides flexibility when adjusting the staffing to changed market circumstances, which was clearly necessary in certain places in 2009.

Despite the global shortage of specialists, Fugro has been successful when it comes to recruiting experienced and professional employees. Increasingly this is coordinated on a global basis. Fugro's recruitment success is helped by the global spread of its activities and the opportunities that Fugro can offer to innovative and entrepreneurial staff.

Divisions

Geotechnical division (x EUR million)	2009	2008
Revenue	536	541
Results from operating activities (EBIT)	94	95
Average invested capital	358	254
Depreciation of tangible fixed assets	29	24
Results from operating activities (EBIT) as % of revenue	18	18

The Geotechnical division's revenue decreased by 1% to EUR 536 million (2008: EUR 541 million). Results from operating activities (EBIT) was EUR 94 million (2008: EUR 95 million) corresponding to 18% (2008:18%) EBIT margin on revenue.

In 2009, Fugro continued its strategy to realise business growth in existing and new regional markets. Offices have been opened in Ho Chi Minh City (Vietnam), Kolkata and Chennai (India), and cooperations have been established with companies in Central Europe. A strong backlog enabled the onshore geotechnical services to improve its market position for site investigations in coastal waters.

Pavement management activities were under pressure the entire year as a result of reduced government spending. Western European markets were, on average, stable despite the difficult circumstances. Reduced activities here were well compensated by Fugro's involvement in soil investigations for coastal wind farms in Germany and other activities in Central Europe.

A good example of Fugro's involvement in large, complex projects in new regions is the contract for investigations and consultancy work for the Izmit Bay Bridge in Turkey.

In 2009 economic stimulus funds announced by the US government contributed to a limited extent to activities in the USA. Involvement in larger international oil and gas projects and geotechnical advice on construction licences for nuclear power stations in combination with effective cost mitigation measures resulted in a stable contribution from US activities. A recent project award from the California Department of Transportation (Caltrans) to provide services to collect data for highway maintenance may indicate that investments are on the increase.

At the beginning of 2009, revenues from the Middle East, and especially from Dubai, decreased. The Middle East situation improved gradually over the year due to increased activity in Abu Dhabi and Qatar. The activities in Saudi Arabia and India were hardly affected by the economic crisis.

In a somewhat better Far Eastern investment climate, activities in China and Hong Kong improved in 2009 in comparison with 2008. Fugro's position in this market is illustrated by an award to perform a large soil investigation for the new Hong Kong–Macao bridge.

Offshore Geotechnical performance for 2009 was consistent with 2008 with minimal impact from the current adverse economic climate. A reduction in work has been experienced in the shallow water gas-driven areas while a larger proportion of the revenues have been generated from deepwater work. The market has been dominated by the large international and national oil companies. Any work reductions have been more prevalent from the independent oil and gas companies. Major deepwater projects were undertaken in all geographic regions of the world, with particularly large projects in South East Asia, Gulf of Mexico and West Africa.

GeoConsulting affiliates have been established in Houston, Wallingford and Singapore with 2009 representing the start of operations in all offices. GeoConsulting combines the technical expertise from offshore survey and

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geotechnical to consolidate worldwide expertise under one operating entity. The objective is to provide clients with high end advice on the foundation design of complex projects such as offshore installations in frontier deepwater regions.

The new multi-purpose vessel, Fugro Synergy, was launched during the last quarter and will serve to expand the services offered by the existing fleet. The objective of the Fugro Synergy is to provide drilling services using both standard and new technology at depths greater than Fugro's current geotechnical investigations. The Fugro Synergy gives the opportunity to work more efficiently.

Research is a continual process to improve and enhance the data collection in deepwater. Two of Fugro's newer tools, Smart Pipe™ and Surf™, were utilised for a deepwater pipeline design project where the seabed sampling and testing were critical for developing design criteria. The industry is changing to subsea installations for the production of oil and gas which will create new types of structures and design issues that are being addressed through newly developed seabed soil investigation equipment and methods.

The increase in the average invested capital is largely due to the Fugro Synergy becoming operational in the course of 2009.

Acquisitions within the Geotechnical division

- LoadTest, Inc., United States, is the world's high end provider of static pile load testing services. LoadTest has subsidiaries in Singapore, South Korea and the United Kingdom.

Survey division (x EUR million)	2009	2008
Revenue	956	960
Results from operating activities (EBIT)	246	235
Average invested capital	578	497
Depreciation of tangible fixed assets	49	43
Results from operating activities (EBIT) as % of revenue	26	24

In the year under review the Survey division achieved revenues of EUR 956 million (2008: EUR 960 million). The result from operating activities (EBIT) increased by 5% to EUR 246 million (2008: EUR 235 million). This equates to an EBIT margin of 26% of revenue (2008: 24%).

The Survey division operates primarily in the oil and gas industry which, in 2009, constituted approximately 80% of revenue of the division. The main activities include survey and positioning services offshore, sub-sea surveys and intervention using Remotely Operated Vehicles (ROVs) in support of oil and gas field exploration, development, production and abandonment and positioning, mapping and survey services onshore. While most offshore operations relate to the oil and gas sector, the activities on land are principally driven by government mapping contracts and infrastructure related projects. By year-end the Survey division operated 20 survey vessels, 5 ROV vessels, 130 ROVs, 8 AUVs and 30 survey aircraft.

Offshore Survey operates a global network of positioning reference stations which are used for the precise positioning of vessels used in support of the oil and gas industry. For the development of field infrastructure Fugro provides geophysical investigations, often in conjunction with the Geotechnical division, resulting in comprehensive study reports for design purposes. Other services to the offshore industry are meteorological and oceanographic studies, provided through a number of global offices. Offshore Survey is increasingly involved in hydrographic charting for government authorities and applying its expertise in route surveys to the telecommunication industry.

Subsea Services was established as a separate business line within the Survey division on 1 January 2009 to provide increased market focus while maintaining Fugro's flat operating structure with short reporting lines to top management. Subsea Services operates globally using a comprehensive fleet of ROVs and specialist ROV support vessels to deliver a wide spectrum of subsea services, also mainly to the oil and gas industry. Supported by in-house engineering capabilities, these services include support of drilling and well completion, offshore construction support, inspection, repair and maintenance and remote subsea intervention. Subsea Services works in close cooperation with Offshore Survey and Offshore Geotechnics to provide fully integrated project solutions.

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Geospatial Services offers a range of survey and mapping services using terrestrial, aerial and space based sensors to acquire geospatial data which is processed to create geospatial information for a variety of applications. The demand for specialised geospatial services continued to grow in 2009, particularly from government agencies, natural resource industries and from clients involved with infrastructure. Spurred on by the free availability of maps and earth imagery on the internet, there is a growing trend to represent and visualise our fast changing world through detailed maps, aerial imagery and 3D models. Consequently, there is an increasing demand for ever more accurate and up-to-date geospatial data.

The global financial crisis had little impact on the offshore Survey activities in the early part of 2009. Most major international and national oil companies maintained their investment plans and thanks to a solid backlog at the time, the year started strongly. As the year progressed, project delays and cancellations became more common. Furthermore the drive by clients to reduce costs led to increased pricing pressure. Good performances came from Brazil, West Africa, the Middle East and the USA. An interesting project in frontier areas in the Chukchi Sea for survey and geotechnical work was won through GEO LLC in Alaska, which company was acquired in 2008. A third deep water AUV was added to cover the expected growth in the Southeast Asian market.

Acquisitions included Tenix LADS, an Australian marine LiDAR operator, Weinhold Engineering (a specialist pipeline survey company active in Germany), General Robotics Limited (UK based and provider of ROV dynamic simulation and visualisation software) and the business and assets of Submec Pty Ltd (Australian provider of subsea engineering and remote intervention tooling). Opportunities to acquire geospatial assets (survey aircraft and sensors) at favourable prices were also taken.

Subsea Services business performance was quite mixed around the world. A very strong performance was achieved in Brazil while Europe, Africa and the Middle East region showed a steady performance. The Asia Pacific operations had a difficult year, with that region responding very quickly to the oil price drop and global recession at the end of 2008.

The new ROV support vessel, Fugro Saltire, started the year with a geotechnical drill rig installed for a project in the south Atlantic followed by a busy construction support season in the North Sea. Fugro also took delivery of the new build Fugro Solstice (chartered vessel) in June for ROV operations out of Singapore. After an initial inspection programme in the Philippines, the vessel ended the year on a 5-month contract for mineral exploration services near Papua New Guinea and the Solomon Islands.

In general, Geospatial Services continued to migrate towards more specialist higher margin services in 2009. The market for geospatial services in the USA remained stable with mapping work for the government sector and infrastructure projects continuing at normal levels, helped by stimulus funding towards the year-end. Fugro's unique GeoSAR radar mapping technology was used to successfully complete a number of projects in South America with good results. In Europe, market conditions weakened slightly over the course of 2009, particularly in the UK and Ireland. Nevertheless, Fugro was able to expand its business in Europe through a combination of asset acquisitions and organic growth. In the Middle East, geospatial activities felt the impact of projects delayed by clients as a result of the global downturn. Meanwhile, the Australian market for geospatial services shows clear signs of a recovery, giving a positive outlook going into 2010. However, during the year some capacity in certain parts of the operations had to be reduced, notably for onshore survey services in Western Canada.

The increase in the average invested capital results largely from the additional ROVs.

Acquisitions within the Survey division

- VIB Weinhold, Germany, is a supplier of pipeline survey services. The company's activities comprise the planning, survey and documentation of transport and pipeline distribution networks, gas plants and power plants for private and public energy companies.
- General Robotics Limited, United Kingdom, is a provider of high performance dynamic simulation and visualisation software for the offshore oil and gas construction industry.
- Business and assets of Submec Pty Ltd., Australia, which is engaged in subsea engineering and ROV tooling services.
- Tenix LADS, Australia, is a leading global provider of airborne hydrographic services using lasers to measure water depths.

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Geoscience division (x EUR million)	2009	2008
Revenue	561	654
Results from operating activities (EBIT)	106	154
Average invested capital	703	583
Depreciation of tangible fixed assets	32	28
Results from operating activities (EBIT) as % of revenue	19	24

In 2009 the Geoscience division achieved a revenue of EUR 561 million (2008: EUR 654 million). Results from operating activities (EBIT) decreased by 31% to EUR 106 million (2008: EUR 154 million). This equates to an EBIT margin on revenue of 19% (2008: 24%).

The Geoscience division provides a uniquely broad spectrum of data acquisition, processing, interpretation and data management services to global oil and gas and mining industries. The division's activities are mainly focused on exploration work. Both in oil and gas and mining, the data acquisition segment, which accounts for the majority of the revenue, was under pressure over the year. In the oil and gas sector prices stabilised in the second half of 2009 and tendering activity increased towards the end of the year. In all business areas that were impacted by the downturn cost reduction programmes were carried out by reducing staff, rationalisation of operation and reductions of suppliers' costs where possible.

The total revenue in 2009 for Seismic Services amounted to EUR 403 million (2008: approximately EUR 465 million). Marine seismic acquisition, which is mostly applied to support oil and gas exploration, experienced a drop-off in activities in 2009 due to the weak oil price. In addition the global capacity of the seismic fleet increased which led to over-capacity and subsequently to price pressure and a shorter lead time for the award of projects. As a result the order backlog reduced. In the first half year results were also impacted by some seismic equipment related start-up issues on the new seismic vessels.

Fugro's policy to operate a flexible fleet, by balancing ownership with chartering, enabled Fugro to terminate three charters in 2009. Also one of the older vessels has been sold. The reduced performance in seismic acquisition has been partially offset by positive results of multi-client seismic sales which were particularly strong in the second half of the year. The introduction of high end 3D vessels in Fugro's fleet has also supported entry into the 3D multi-client market where over 2009 several strongly pre-committed 3D multiclient projects have been developed. In 2010 the final two seismic vessels of the fleet renewal/extension plan will start operations, providing Fugro with one of the most modern high capacity 3D fleets, in the world.

The demand for high end geologic, geophysical interpretation and reservoir modelling services and software products provided by Information Services remained strong throughout the year. Performance of the multi-client geologic product sales was satisfactory. Data management capabilities were expanded through the acquisition of the data management and storage activities of Divestco in Canada. Through integration with the existing business, a Canadian data management and storage group was built with a strong market position and with technology for on and near-line electronic data storage.

General Geophysical Services provides airborne, ground and marine electric, electromagnetic, magnetic and gravity data acquisition, processing and interpretation services to clients in the mining and oil and gas industries. General Geophysical Services was hit by the downturn in mining, which has impacted airborne data acquisition in particular. An exception was the application of the Falcon airborne gravity gradiometry technology purchased from BHP towards the end of 2008. Over 2009 this technology has been successfully introduced into the oil and gas sector, and has helped to partly mitigate the decline in mining activity.

A new development in 2009 was the entry into the marine electromagnetic market by entering into a strategic alliance with EMGS of Norway, the leading provider of these services. The agreement was backed by a secured convertible loan of Fugro to EMGS of NOK 150 million (EUR 18 million). A further development in this area was achieved with the acquisition of Interaction A/S in Norway, who specialises in the provision of marine electromagnetic data management, quality control and processing software and services.

The increase in average invested capital mainly relates to additional marine seismic equipment.

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Acquisitions within the Geoscience division

- Data management and storage activities of Divestco, Inc., Canada. Together with the earlier acquisition of similar activities, this acquisition forms the basis for the Canadian data management and storage group.
- Sea Development A/S, Norway, a recently established company for offshore oil spill response services.
- Interaction A/S, Norway, specialises in marine electromagnetic data management and processing. The company is known for its Sharkware brand of software products.

Postbalance sheet date events

There are no postbalance sheet events to report.

Explanation annual results 2009

At 10.00 hours, Fugro will host a press conference (in Dutch) to explain the annual results of 2009. This press conference will be webcast (www.fugro.com). At 13.00 hours the analyst's meeting (in English) will start. This meeting will also be webcast on www.fugro.com. A digital version of the Annual Report 2009 is available on this website.

For further information:

Fugro N.V.

K.S. Wester, President and CEO

Telephone + 31 70 311 11 12

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 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 announcement.

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Consolidated statement of comprehensive income

For the year ended 31 December (EUR x 1,000)

	2009	2008
Revenue	2,052,988	2,154,474
Third party costs	(624,413)	(722,321)
Net revenue own services (revenue less third party costs)	1,428,575	1,432,153
Other income	24,440	17,841
Personnel expenses	(652,807)	(619,146)
Depreciation	(173,593)	(140,429)
Amortisation of intangible assets	(10,115)	(9,017)
Other expenses	(249,078)	(295,670)
Results from operating activities (EBIT)	367,422	385,732
Finance income	7,174	30,606
Finance expenses	(27,541)	(31,987)
Net finance costs	(20,367)	(1,381)
Share of profit of equity accounted investees (net of income tax)	422	(102)
Profit before income tax	347,477	384,249
Income tax expense	(74,412)	(94,793)
Profit for the period	273,065	289,456
Attributable to:		
Owners of the Company	263,410	283,412
Non-controlling interests	9,655	6,044
Profit for the period	273,065	289,456
Other comprehensive income		
Foreign currency translation differences of foreign operations	47,517	(52,762)
Effective portion of change in fair value of hedge of net investment in foreign operations	1,788	(2,682)
Defined benefit plan actuarial gains (and losses)	(10,449)	(23,229)
Effective portion of changes in fair value of cash flow hedges	1,034	1,032
Change in fair value of financial assets available for sale	1,879	(2,526)
Total other comprehensive income (net of tax)	41,769	(80,167)
Total comprehensive income	314,834	209,289
Attributable to:		
Owners of the Company	305,342	203,245
Non-controlling interests	9,492	6,044
Total recognised income and expense for the period	314,834	209,289
Basic earnings per share (EUR)	3.46	3.88
Diluted earnings per share (EUR)	3.42	3.73

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Consolidated statement of financial position

As at 31 December (EUR x 1,000)

	2009	2008
Assets		
Property, plant and equipment	1,043,227	859,088
Intangible assets	492,690	452,130
Investments in equity accounted investees	1,359	1,293
Other investments	23,541	2,953
Deferred tax assets	25,677	26,289
Total non-current assets	1,586,494	1,341,753
Inventories	80,634	39,733
Trade and other receivables	572,010	619,369
Income tax receivables	19,384	9,165
Cash and cash equivalents	107,795	113,286
Total current assets	779,823	781,553
Total assets	2,366,317	2,123,306
Equity		
Share capital	3,939	3,830
Share premium	431,441	431,441
Reserves	488,941	209,646
Unappropriated result	263,410	283,412
Total equity attributable to owners of the Company	1,187,731	928,329
Non-controlling interests	11,779	7,482
Total equity	1,199,510	935,811
Liabilities		
Loans and borrowings	441,339	395,384
Employee benefits	72,582	52,488
Provisions	6,240	13,155
Deferred tax liabilities	7,124	975
Total non-current liabilities	527,285	462,002
Bank overdraft	167,556	194,580
Loans and borrowings	25,826	26,485
Trade and other payables	350,043	395,520
Other taxes and social security charges	40,513	31,515
Income tax payable	55,584	77,393
Total current liabilities	639,522	725,493
Total liabilities	1,166,807	1,187,495
Total equity and liabilities	2,366,317	2,123,306

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Fleet renewal / expansion			
Name of the vessel	Type of vessel	Expected start of operation	Owned / chartered
Fugro Searcher	Survey	Q1-2010	Owned
Geo Caspian	Seismic	Q1-2010	Charter
Geo Coral	Seismic	Q3-2010	Owned
Fugro Symphony	ROV-support	Q1-2011	Owned
Fugro Galaxy	Survey	Q1-2011	Owned

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Geotechnical division			
(EUR x million)	2009	2008	2007
Revenue onshore geotechnical services	311	303	254
Revenue offshore geotechnical services	225	238	189
Total	536	541	443
Result from operating activities (EBIT)	94	95	78
In % of revenue	18	18	18
Depreciation of tangible fixed assets	29	24	19
Average invested capital	358	254	173
Order backlog	Jan 10	Jan 09	Jan 08
Onshore geotechnical services	192	169	153
Offshore geotechnical services	199	174	142
Total backlog	391	343	295

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Survey division			
(EUR x million)	2009	2008	2007
Revenue Offshore survey services	559	600	559
Revenue Subsea services	277	241	204
Revenue Geospatial services	120	119	89
Total	956	960	852
Result from operating activities (EBIT)	246	235	205
In % of revenue	26	24	24
Depreciation of tangible fixed assets	49	43	37
Average invested capital	578	497	423
Order backlog	Jan 10	Jan 09	Jan 08
Offshore survey services	388	436	355
Subsea services	244	273	207
Geospatial services	84	96	86
Total backlog	716	805	648

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Geoscience division			
(EUR x million)	2009	2008	2007
Revenue Seismic services	403	465	323
Revenue Information services	85	82	83
Revenue General Geophysical services	73	107	102
Total	561	654	508
Result from operating activities (EBIT)	106	154	115
In % of revenue	19	24	23
Depreciation of tangible fixed assets	32	28	23
Average invested capital	703	583	456
Order backlog	Jan 10	Jan 09	Jan 08
Seismic services	164	357	400
Information services	45	35	53
General Geophysical services	47	60	62
Total backlog	256	452	515